

21 — **Annual
Report**
22

About this report

Welcome to the report for Cladding Safety Victoria (CSV) for the year ending 30 June 2022. 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 Victorian Building Authority (VBA) during 2019–20. On 3 September 2020, the Victorian Government introduced legislation to the Parliament, the Cladding Safety Victoria Bill 2020. The Bill formally separated CSV from the VBA and established it as the responsible authority for delivering the Cladding Rectification Program.

Aboriginal acknowledgement

Cladding Safety Victoria 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.

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Available online at www.vic.gov.au/cladding-safety.

Responsible body declaration

In accordance with the *Financial Management Act 1994*, I am pleased to present the Cladding Safety Victoria Annual Report for the year ending 30 June 2022.

Rodney Fehring
Board Chairperson
Cladding Safety Victoria

19 October 2022

Achievement summary



Risk identification

Cladding Safety Victoria has examined **1,066 buildings**

817
multi-storey
apartment buildings

located in **158 suburbs**

working with **31 local councils**

to protect **85,000 building residents**

249
government-owned
buildings

distributed across **50,000 square kilometres**

working with **9 government departments**

to protect **10s of millions of building visitors/users**

Risk reduced

Cladding Safety Victoria has approved **436 buildings for funded rectification works to remove combustible cladding**



305
multi-storey
apartment buildings

with works completed on **171 buildings**

resulting in removal of **112,317 square metres of combustible cladding**

to increase safety for **13,251 building residents**

131
government-owned
buildings

with works completed on **101 buildings**

resulting in removal of **34,332 square metres of combustible cladding**

to increase safety for:

796,000 hospital admissions

6 million sports venue attendees

18,885 students in schools

A safer Victoria

Prioritising safety

All construction work is subject to comprehensive quality and safety inspections under the Clerk of Works Program.

New thinking

CSV's development and use of risk based assessment methods ensure that there is a realistic and proportionate response to cladding on each building.

Innovation

Working partnerships with CSIRO and RMIT University is providing new insight into cladding risk that is internationally peer reviewed.

Thought leader

Working with interstate and international governments, CSV is contributing to a global view on how best to deal with combustible cladding.



A unique case management approach resulting in **15,000 communications with building owners per annum**

List of contents

Achievement summary	i	Year in review	25
Board Chairperson’s statement	02	Residential Cladding Rectification Program	25
Chief Executive’s statement	04	Government Building Cladding Rectification Program	34
Report of operations	06	Tackling the cladding challenge	39
Achievements and performance	08	Dealing with a large pool of residential buildings	40
Residential apartment buildings	09	Return on investment of quality and safety Clerk of Works program	40
Government-owned buildings	10	Non-cladding building defects	42
Current year financial review	10	Managing in a volatile market and regulatory environment	43
Cladding Safety Victoria Financial Management Compliance Attestation Statement	12	Innovation, influence and continuous improvement	45
About Cladding Safety Victoria	13	Independent review and audit activity	45
Manner of establishment	13	Working with other jurisdictions	46
Responsible Minister	13	Framework for assessing cladding risk	47
Purpose, functions, powers and duties	13	Science-led approaches to understanding and responding to cladding risk	48
Outcomes and outputs	13	Finding solutions for lower risk buildings	49
Planning framework	14	Outputs, progress and performance against outputs	50
Vision, mission and outcomes	15	2021–22 State Budget and service delivery	50
Cladding Safety Victoria’s partners	16	Progress tracking against the Annual Work Program	52
Nature and range of services provided	18		
Building a foundation for delivery	22		
Decomposing the cladding problem	23		
Finding cladding solutions for all buildings	23		
Knowledge and understanding	23		
Innovation and continuous improvement	24		
Providing certainty for building owners and occupants	24		

Organisation and people	55	Appendices	130
Governance	55	Disclosure index	132
Minister for Planning	56	Local jobs first	136
Department of Environment, Land, Water and Planning (DELWP)	56	Government advertising expenditure	136
Cladding Safety Victoria's Board	56	Consultancy expenditure	137
Finance and Audit Committee	58	Information and communication technology expenditure	139
Rick Committee	58	Disclosure of major contracts	139
Cladding Rectification Program Project Control Board	59	Freedom of information	139
Record of governance oversight	59	Compliance with the <i>Building Act 1993</i>	140
Our people	60	Competitive Neutrality Policy – National Competition Policy	140
Cladding Safety Victoria's resource model	60	Compliance with <i>Public Interest Disclosures Act 2012</i>	141
Board members and CEO	60	Compliance with <i>Carers Recognition Act 2012</i>	141
Public Sector Values and Employment Principles	64	Compliance with <i>Disability Act 2006</i>	141
Comparative workforce data	64	Compliance with DataVic Access Policy	142
Executive leadership team	66	Asset Management Accountability Framework maturity assessment	142
Occupational health and safety	67	Social procurement framework	142
		Office-based environmental impacts	143
Financial statements	76	Acronyms and abbreviations	148

Board Chairperson's statement



Cladding Safety Victoria has reached the halfway mark in its five-year cladding rectification program with a commendable reputation for delivery and engagement.

To date, 171 privately owned residential buildings and 101 public buildings have been rectified and made safer. Additionally, a further 200 buildings referred to CSV have been discharged, either because no further action was required or because they were outside the scope of CSV's funding program. This progress is a result of the team's solution-oriented approach to the difficult task of cladding rectification.

Through CSV's program and the many challenges and barriers involved in retrospective building works to external walls, Victoria's cladding rectification initiative has evolved to the point where a pathway now exists to solve the problem once and for all. CSV has built a rich bank of data and experience, and the lessons learned can be applied to provide solutions, not just for every building affected by combustible cladding in Victoria, but around the world.

A common issue faced by all governments is how to set an acceptable risk threshold for buildings that have some combustible cladding. CSV has worked with Municipal Building Surveyors, the Department of Environment, Land, Water and Planning (DELWP), the Victorian Building Authority (VBA) and external experts, notably from CSIRO and RMIT, to develop a science-led, rule-based approach to enable a consistent assessment of risk from building to building and a solution for each.

This work has been peer-reviewed internationally to give the scientific integrity and rigour required for it to be applied and upheld. It will give Municipal Building Surveyors a consistent and uniform approach to make buildings with combustible cladding safer, sooner.

CSV is working with all parties in government to finalise this approach which will provide an ongoing process for the management of flammable cladding risk.

With so many projects underway, there is now a substantial body of evidence relating to the quality of Victoria's built environment. The Board clearly accepts there are systemic issues in the building industry that will need to be addressed in the near future.

The Board acknowledges the outstanding work being led by CEO Dan O'Brien and his team in the progress made so far, particularly as it was necessary to create a delivery model while establishing a new organisation.

Since those early stages, CSV has progressed into a well-oiled delivery machine that puts residents and safety at the core of all functions and has continued operating efficiently throughout the pandemic.

The Board also acknowledges the critical partnerships CSV has across government, the building industry and through strong engagement with owners and residents. Their assistance, support and active cooperation supports our strong results.

CSV's targets are ambitious, given the complexities involved in each bespoke rectification project, and the organisation has pushed to have a plan in place for all buildings referred.

The need for all buildings to have a pathway is a priority for the CSV Board, as certainty is so important when dealing with people's property and with their homes.

On behalf of the Board, I look forward to a continuing constructive and active engagement with local and state instrumentalities, the construction industry, building owners and managers and those responsible for regulating construction activity to ensure that risks associated with flammable cladding are minimised and the quality of the built environment is enhanced as a result.



Rod Fehring
Board Chairperson
Cladding Safety Victoria



Chief Executive's statement



Since the establishment of CSV, we have adopted the approach of methodical problem decomposition to break down the large and complex combustible cladding task by focusing on measurable actions and outcomes.

The performance of CSV in 2021-22 reflects that of a mature organisation, whose processes and practices are proven. As the world's first dedicated cladding replacement agency, CSV has built a capability that now stands as an exemplar for other jurisdictions.

Cladding Safety Victoria:

- has focused on better understanding cladding risk to be able to implement a proportionate and cost effective response for each building;
- has designed and developed a science-based methodology for assessing cladding risk;
- continues to work with its portfolio partners, the Department of Environment, Land, Water and Planning (DELWP) and the Victorian Building Authority (VBA), to create the policy framework via which cladding risk will be dealt with in Victoria's built environment;
- continues to work with local council Municipal Building Surveyors and building owners to find solutions that address cladding fire risk;
- is sharing our experience and cladding risk knowledge with other jurisdictions, both domestically and overseas; and
- is adding value to building quality and safety beyond cladding matters, by capturing vital information in the field and sharing it with those that regulate and respond to issues associated with building compliance more broadly.

So far, we've made more than 13,000 people safer in their homes, across 7,241 individual apartments in 77 suburbs.

As of 30 June 2022, more than half of the buildings referred to us have an outcome in place. Our focus for the year ahead is to finalise solutions for the remaining buildings referred to us, to give owners certainty.

Importantly, we will work with others to create a system in the near term to deal effectively with combustible cladding wherever it occurs in Victoria. This will be possible through an assessment of risk that is science-led and evidence-based, widely supported and consistent with the National Construction Code.

During the 2021-22 financial year, the Victorian Building Authority's State-wide Cladding Audit has referred 94 buildings to CSV, bringing the total overall to 817 buildings. The audit for highest risk buildings has now been effectively finalised, and we have taken time to consolidate our funding prioritisation accordingly.

At the end of the reporting period, 30 June 2022, CSV had made funding decisions for 305 buildings. Of these, 171 projects are already complete – that's 131 more than this time last year – with an additional 61 being rectified, and a further 73 going through design and tender stages.

Assessments undertaken by CSV's team have found that 200 buildings referred do not require cladding rectification or are out of scope for funding. They may already have had cladding removed, or the cladding may be of

a non-combustible or low risk type. Buildings referred that are not Class 2 apartment buildings have also been discharged as ineligible for funding. Where this occurs, CSV formally notifies owners about their building's funding status. Where a building notice remains in place, CSV provides information and advice to assist owners.

While rapid progress has been made with cladding removal and replacement, significant defects beyond cladding have been found in about a third of buildings referred for assessment. These issues go beyond CSV's remit, and in some cases, cladding rectification on the external walls cannot occur until these defects have been fixed.

Defect rectification and funding has been challenging. Working closely with owners corporations and independent project managers, we have successfully negotiated co-funding agreements and work plans across a number of projects, leading to efficient rectification of multiple defects issues as well as reducing the risk of combustible cladding.

Our Clerk of Works program continues to deliver safer worksite and an excellent return on investment. More than 8,000 on-site quality and safety inspections were carried out in the reporting period, identifying 2,035 safety observations of which 159 were potential fall hazards. Appointing a Clerk of Works to rectification projects was a recommendation from the Victorian Cladding Taskforce report in 2019 and is a key part of our robust quality and safety program.

Work to remove combustible cladding on government-owned buildings including police stations, schools and TAFE buildings has also moved at rapid pace. As of 30 June 2022, there are 131 government-owned buildings in scope for cladding rectification within CSV's program of works, 101 buildings having been completed. There were 16 community housing buildings approved for inclusion in March 2022.

Engagement with governments nationally and internationally has increased in the last 12 months, as jurisdictions grapple with

combustible cladding issues. Rectification work is complex and highly specialised, and as the only dedicated cladding rectification agency in the world, we look forward to continuing to share our experience.

CSV will focus on giving certainty to building owners, residents and users throughout the second half of the program's operations. This is in response to calls for clarity across all stakeholder groups, local government, owners corporations and apartment owners when it comes to reducing risk posed by combustible cladding. Our partnerships with these key stakeholders is at the centre of the progress we've made to date and will continue to be a key feature of the way in which we operate into the future. This report includes a reference to more than 15,000 interactions between CSV's small team and apartment owners and residents during the past 12 months and is testament to the thoroughness of that approach.

We have now reached the halfway mark in our five-year program. With the support of CSV's Board, led by Rod Fehring, and the dedication of our driven team, CSV will continue to be the world leader in reducing the risk of combustible cladding.



Dan O'Brien
Chief Executive Officer
Cladding Safety Victoria

Report of operations





Achievements and performance

Cladding Safety Victoria (CSV) was established to reduce the risk posed by combustibile cladding in Victoria's built environment.

The organisation has two key functions:

- to fund rectification works to remove cladding from the highest-risk privately-owned multi-storey residential buildings and highest-risk government-owned buildings; and
- more generally to provide expert advice regarding the rectification of combustibile cladding.

In 2021-22, cladding rectification work overseen by CSV was completed on 131 multi-storey private residential buildings and 34 government-owned buildings. This brings the total number of buildings now complete to 171 residential and 101 multi-purpose government-owned buildings.

This work resulted in 146,649 square metres of combustibile material removed, equivalent to 402 square metres per day for every day of the 2021-22 period. The amount of cladding removed would cover the playing surface of the Melbourne Cricket Ground (MCG) more than seven times¹.

Using the data from the Cladding Risk Prioritisation Model (CRPM), developed by CSV in collaboration with the Commonwealth Scientific and Industrial Research Organisation (CSIRO) Data61, a method has been developed to estimate the reduction in cladding risk achieved on residential buildings because of works completed by CSV. This method also incorporates the understanding of fire spread via cladding developed through the Protocols for Mitigating Cladding Risk (PMCR) research being undertaken by CSV.

It is estimated that with the completion of the full cladding rectification works for 368 buildings by CSV by June 2024, Victoria's overall cladding risk among the pool of eligible Class 2 buildings referred to CSV will be reduced by more than 90%.²

1 The MCG has dimensions of 173.6 metres x 148.4 metres fence to fence (<https://www.austadiums.com/stadiums/mcg>), equating to a surface area of 20,370 square metres.

2 The risk reduction metric is a measure of the Cladding Risk Premium for the pool of CSV buildings that are eligible to be considered for funding. The unit of analysis is (an estimate of) the number of Sole Occupancy Units (SOUs) impacted by a fire as a result of a fire reaching the building's facade and being spread to additional apartments (or SOUs) by combustibile cladding (in this calculation the SOU in which a fire originated is excluded). Each building's Cladding Risk Premium for the calculation is represented by the Initial Fire Spread in Cladding Assessment Number (IF-SCAN) value as determined using the CRPM. The IF-SCAN is an estimate for each building of the maximum number of SOUs that could be reached by a facade fire that it is plausible to reach and be spread via combustibile cladding.

The statistics displayed below capture CSV's cladding rectification work for all years to 30 June 2022, incorporating the results for 2021-22.



buildings rectified

171 private apartment buildings

101 government-owned buildings



cladding removed

112,317m² private apartment buildings

34,332m² government-owned buildings*

** equivalent to the playing surface of the Melbourne Cricket Ground x707*



Victorians made safer

13,251 building residents made safer

- **6 million people** attending 3 iconic sports and entertainment venues annually
- **796,000 people** presenting at or admitted to 8 major hospitals
- **1,300 people** living in 15 public or community housing buildings
- **18,885 students** in 40 Victorian schools and thousands more at 14 TAFE colleges

Residential apartment buildings

The data that follows is an overview of performance in relation to the residential program to 30 June 2022. This data provides a high-level indication of the strong focus that CSV gives to engagement, due diligence processes and decision making across a range of key implementation decision points and milestones.

In 2021-22		Since 2019
95	buildings referred to CSV (equating to 46,513 individual homes)	817
52	buildings granted funding approval for rectification works	305

131	buildings having works completed	171
129	buildings discharged from the program and referred to local councils for further action	200
15,515	individual communications between CSV personnel and building owners to support resolution of cladding issues	

Government-owned buildings

CSV supports nine individual government agencies and departments in their planning, costing and implementing of cladding rectification works. In 2021-22, the government building Cladding Rectification Program was extended to include the Community Housing Sector. This meant an additional 16 buildings will be supported directly to have combustible cladding removed.

Some of the milestone activities are quantified below.

In 2021-22		Since 2019
77	buildings referred to CSV for risk assessment	249
77	buildings for which risk assessments have been completed	249
48	buildings assessed as having a low cladding risk and not requiring rectification works	107
11	buildings subject to further review regarding funding eligibility	11
18	buildings deemed eligible for funded rectification works	131
34	buildings with works completed	101

Cladding rectification work on the remaining 30 buildings that are eligible for funded rectification will be completed in 2022-23. This means that CSV will have delivered in partnership with its government departments, the government program on time, under budget and with an expanded scope.

The CSV rectification program for government-owned buildings will be completed within budget.

Current year financial review

Overview

In 2021-22, CSV recorded a net result of \$23.66 million deficit. This net result was driven by grant payments to owners corporations (\$134.93 million) for cladding rectification works. The deficit utilised carried forward funds from the previous financial year. CSV has a cash balance of \$100.83 million, which is due to delays in cladding rectification works as there was a six-month pause in progressing new buildings through the Cladding Rectification Program while the Victorian Building Authority (VBA) was conducting their State-wide Cladding Audit Intensive Inspection Initiative.

CSV became an independent entity on 1 December 2020. The prior year's Annual Report states outcomes for a period of seven-months from 1 December 2020 to 30 June 2021. Therefore, the year-on-year comparison for revenue and expenditure is not considered in the current financial year's report.

CSV two-year performance summary (\$'000)

	7 months ending June 21*	12 months ending June 22
Total income from transactions	98,002	145,312
Total expenses from transactions	-61,220	-168,973
Net result from transactions	36,782	-23,661
Net result for the period	36,677	-23,661
Net cash flows from operating activities	34,332	-21,138
Total assets	134,753	111,429
Total liabilities	14,466	14,803
Net assets	120,287	96,626

* CSV was established as an entity in December 2020 and therefore the figures are representing a period of seven months.

Financial performance and business review

The main budgetary objectives of the organisation in 2021–2022 were:

- timely rectification of Class 2 residential buildings prioritised on a risk basis;
- facilitation of timely rectification of Victorian government-owned buildings;
- enhanced awareness of the Victorian community and participating owners corporations about cladding fire safety risk and the rectification program; and
- enhance the effectiveness of CSV's financial, risk and resource planning and systems.

CSV's funding was applied to achieve the main strategic outcomes as outlined in the Annual Work Program 2021–22.

Cladding Safety Victoria's income of \$145.31 million is primarily grants from the Department of Environment, Land, Water and Planning (DELWP) (\$67.71 million) and the Cladding Rectification Levy (CRL) (\$77.19 million) passed on from the Victorian Building Authority (VBA).

A total of \$168.97 million in expenses were incurred from transactions in 2021–22, including grants of \$134.93 million to owners corporations for cladding rectification, as well as payments to employees, consultants, and professional services of \$29.21 million. With increased volatility in the construction industry and supply chains during the coronavirus pandemic, construction costs per project continue to operate within allocated budgets and commitments. The coronavirus pandemic and the war in Ukraine have not had a material impact on CSV financial performance or financial position for the 12 months ended June 2022 (see Note 1 in the financial statements further details).

Financial position – balance sheet

Total assets decreased by \$23.32 million and total liabilities increased by \$0.34 million compared to the previous financial year. The decrease in assets is primarily due to a decrease in the cash balance of \$21.69 million and a decrease in CRL receivables from the VBA of \$1.08 million.

The value of total assets is \$111.43 million, consisting primarily of \$100.83 million of cash, with this level of cash holdings attributable to delays in cladding rectification works. Assets also includes \$7.66 million in CRL receivables from the VBA.

Total liabilities are \$14.80 million, predominately made up of \$11.40 million in grant payables to owners corporations and payables to suppliers.

Cash flows

CSV's net cash outflow from operating activities is \$21.14 million. Total receipts of \$162.09 million is largely made up of \$78.54 million in CRL passed on from VBA and \$67.71 million in grants received from DELWP. Total payments of \$183.23 million consist of \$148.19 million in grant payments to owners corporations and \$34.98 million in payments to suppliers and employees.

Disclosure of grants and transfer payments

CSV makes grants payments to owners corporations to rectify the highest-risk privately-owned multi-storey residential buildings with combustible cladding.

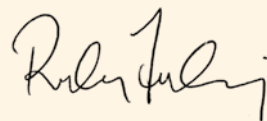
Up to 30 June 2022, CSV has entered into funding agreements with 258 owners corporations. During 2021-22, CSV made a total of \$134.93 million of grant payments.

Subsequent events

CSV had no material subsequent events that occurred after 30 June 2022. See Note 8.8 in the financial statements for further details.

Cladding Safety Victoria Financial Management Compliance Attestation Statement

I, Rodney Fehring, on behalf of the Responsible Body, certify that Cladding Safety Victoria has no Material Compliance Deficiency with respect to the applicable Standing Directions under the *Financial Management Act 1994* and Instructions.



Rod Fehring
Board Chairperson
Cladding Safety Victoria

19 October 2022

About Cladding Safety Victoria

Manner of establishment

On 16 July 2019, the Premier of Victoria and the then Minister for Planning announced the establishment of Cladding Safety Victoria (CSV), within the Victorian Building Authority (VBA). CSV is tasked with the responsibility of rectifying higher-risk apartment buildings assessed through the Victorian State-wide Cladding Audit.

The *Cladding Safety Victoria Act 2020* commenced 1 December 2020 and established CSV as the world's first stand-alone cladding rectification agency, formally separating CSV from the VBA.

Responsible Minister

The responsible Minister for the reporting period (from 1 July 2021 to 26 June 2022) was The Hon. Richard Wynne MP, until The Hon. Lizzie Blandthorn MP was appointed as Minister for Planning on 27 June 2022.

Purpose, functions, powers and duties

Section 6 of the *Cladding Safety Victoria Act 2020* provides that the object of CSV is to:

“support Victorians to rectify non-compliant or non-conforming external wall cladding products on buildings to improve the safety of those buildings. Cladding Safety Victoria does this through administering the Cladding Rectification Program.”

To achieve this purpose, CSV has the following functions, powers and duties under the *Cladding Safety Victoria Act 2020*:

- prioritising buildings for potential financial assistance for cladding rectification work;
- determining the amounts of financial assistance to owners and owners corporations of buildings for cladding rectification work;
- supporting owners and owners corporations of buildings by procuring building practitioners and engaging technical design and project management services to undertake cladding rectification work;
- facilitating cladding rectification work for government-owned buildings;
- providing information, advice and support to owners and owners corporations of buildings and other persons and bodies in relation to cladding rectification work; and
- notifying the appropriate regulators, Municipal Building Surveyors, persons and bodies about matters relating to compliance and enforcement under the *Cladding Safety Victoria Act 2020*, the *Building Act 1993* or any other Act.

Outcomes and outputs

CSV is held accountable for delivery via reference to a set of outcomes and output measures published in the Cladding Safety Victoria Strategic Plan 2021–25.

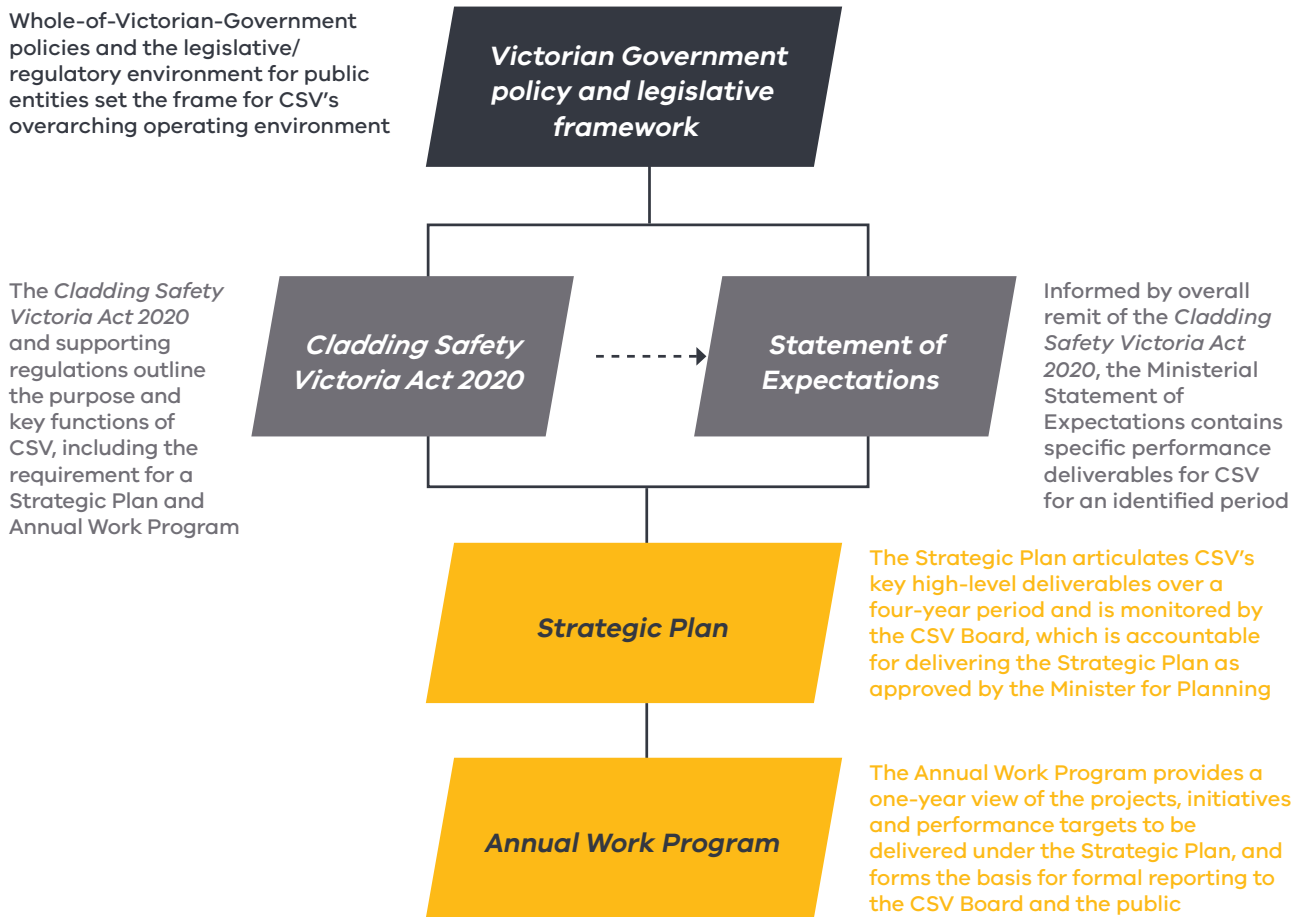
These measures form part of the planning framework and apply from the 2021-22 financial year onwards. For details about CSV performance against the key outcome and output indicators, refer to [page 50](#).

Planning framework

CSV planning occurs within the broader framework of Victorian Government policy and relevant requirements that arise from Commonwealth and Victorian legislation and regulations. Specific obligations, functions and delivery outcomes for CSV are outlined in its establishing Act, the *Cladding Safety Victoria Act 2020*, and Statements of Expectations issued by the Minister for Planning from time-to-time.

These key documents establish the planning environment that informs the development of CSV's Strategic Plan and its companion plan, the Annual Work Program, prepared and published each year.

The diagram below illustrates the relationship between CSV's plans and the context in which they operate.



Vision, mission and outcomes

Cladding Safety Victoria’s Strategic Plan 2021-25 defines the three core outcomes that provide the focus for performance monitoring and reporting. These are articulated in the context of CSV’s Vision and Mission, as illustrated below.

Vision	Making the community safer by reducing combustibile cladding risk		
Mission	We will improve the safety of buildings impacted by cladding issues by working in partnership with industry and the community		
Outcomes	 <p>CSV actions improve the safety of buildings within the scope of the program</p>	 <p>Owners corporations participating in the rectification program, as well as the wider Victorian community, are well-informed about cladding risk</p>	 <p>Robust financial and resource management optimises the value of CSV’s delivery outcomes</p>

The three outcomes attend to the core attributes of a successful government delivery agency:

1. **the extent to which the intended program benefit is delivered;**
2. **how the program beneficiaries are incorporated in the delivery process; and**
3. **how well the quality and value of delivery is assured through appropriate controls.**

Each of the three outcomes is underpinned by a specific outcome indicator and outcome measure and a set of output measures.

Cladding Safety Victoria’s partners

The successful delivery of rectification works by CSV relies on the support and involvement of a number of stakeholders and partner organisations.

CSV maintains close working relationships with each party to build a shared understanding of the program’s purpose and sustain the quality and momentum of delivery.

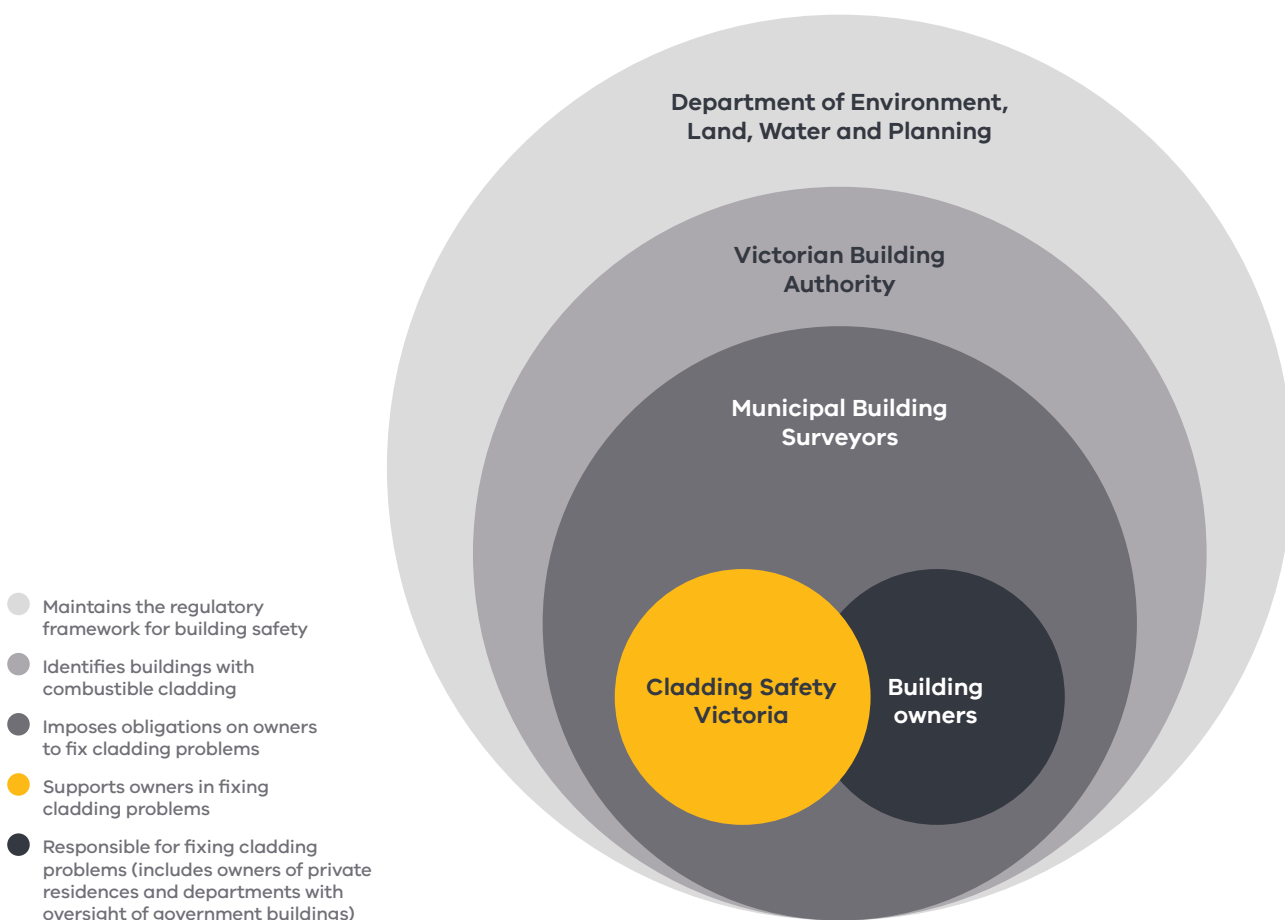
Parties with a direct impact on rectification works or on the environment in which it is delivered are listed below.

<p>Building owners and owners corporations</p>	<p>Building owners, represented by their respective owners corporation (OC), are responsible for keeping their buildings safe.</p> <p>The major stages of rectification work delivery require the involvement and consent of OCs.</p> <p>CSV’s model of engagement provides for OC involvement across all delivery phases from building inspection to solution design to builder appointment and finally to construction works completion.</p>
<p>Municipal Building Surveyors (MBSs)</p>	<p>An MBS is responsible for monitoring the safety of buildings within their municipality.</p> <p>MBSs issue building notices and orders to OCs requiring action to correct safety issues where they arise. CSV can only consider funding works where a building notice or order has been issued that requires action to be taken in relation to combustible cladding.</p> <p>CSV works closely with MBSs to ensure that a cladding rectification solution satisfies the requirements of a building notice or order.</p>
<p>Victorian Building Authority (VBA)</p>	<p>The VBA regulates the Victorian building industry and fulfils a key role in monitoring and enforcing compliance with construction and safety standards.</p> <p>The VBA oversees the State-wide Cladding Audit (SCA), through which buildings with combustible cladding are identified and referred to CSV for assessment.</p> <p>CSV works with the VBA to ensure the process of referral targets only those buildings with a higher level of cladding risk.</p>
<p>Department of Environment, Land, Water and Planning (DELWP)</p>	<p>CSV’s delivery of rectification works occurs within a regulatory framework for the Victorian building sector that is maintained by DELWP.</p> <p>DELWP plays the lead role in a process of reform that will enable industry to transition to a state of improved building safety practice. This includes action to hold practitioners accountable for significant past safety breaches.</p> <p>CSV works with DELWP to identify safety issues and delivery constraints that may benefit from a policy/regulatory response.</p>

<p>WorkSafe Victoria</p>	<p>WorkSafe is Victoria’s workplace health and safety regulator and also the workplace injury insurer. Its purpose is to reduce workplace harm and improve outcomes for injured workers.</p>
<p>Other Victorian Government Agencies</p>	<p>The work to rectify government-owned buildings relies on strong working relationships between CSV and the nine departments and agencies that are responsible for the day-to-day administration of the buildings targeted for CSV funded rectification.</p>

The diagram below illustrates the:

- centrality of the working relationship between CSV and building owners to enable CSV funded rectification works to be designed and delivered; and
- the influence of other parties on delivery through their respective roles in the broader building safety environment.



These roles and relationships are central to the delivery of cladding rectification works funded by CSV. They are equally important to the way in which direction and support is provided to the owners of buildings whose cladding related works and activities will not be funded.

Other parties that are influential to the way CSV rectification works are delivered include:

<p>Fire Rescue Victoria (FRV)</p>	<p>FRV provides the first response to a building fire where an incident occurs.</p> <p>FRV can provide unique insights into the fire safety features of a building and how the presence of combustible cladding elevates a building's fire risk.</p> <p>CSV works with FRV to ensure their practical experience with fire threat informs the way CSV prioritises rectification projects.</p>
<p>Victorian Managed Insurance Authority (VMIA)</p>	<p>VMIA provides domestic building insurance (DBI), which gives cover to homeowners for incomplete or defective building work.</p> <p>DBI can be accessed to fund the cost of cladding rectification in circumstances where a builder is deceased, insolvent or has disappeared.</p> <p>CSV works with VMIA to find buildings where the potential exists to access DBI coverage to fund costs relating to cladding rectification.</p>

Nature and range of services provided

CSV offers a number of customer-focused services, where the primary customers are the owners and occupants of buildings with combustible cladding.

CSV's services are built around the processes used to plan and undertake construction works that result in combustible cladding being removed and replaced on highest-risk buildings across Victoria.

Services for residential apartment buildings

The CSV delivery process for the rectification of residential buildings is founded on the following core services to support building owners.

<p>Cladding risk assessment services</p>	<p>The risk assessments performed by CSV help owners and MBSs understand the level of fire risk that cladding adds to a building and what risk mitigation actions, if any, may need to be taken.</p>
<p>Case management services</p>	<p>Customer Liaison Officers (CLOs) provide a dedicated one-to-one case management service for owners to support them in navigating a complex range of issues that they need to contend with to make their buildings safer. CLOs also provide fire safety information to owners corporations and residents of buildings in the program.</p>

Due diligence inspection services	A multi-disciplinary expert team of building and fire safety practitioners is provided by CSV to inspect buildings, guide rectification solution design and provide an initial appraisal of rectification costs.
Project management services	CSV-appointed Independent Project Managers (IPMs) represent the mutual interests of building owners and CSV in cladding rectification work, overseeing all aspects of contract management and delivery progress.

Quality control services	The Clerk of Works provides an interactive on-site inspection and quality review service that operates throughout the construction period, to ensure that work site practices comply with quality standards and that building residents, visitors and workers are safe on-site.
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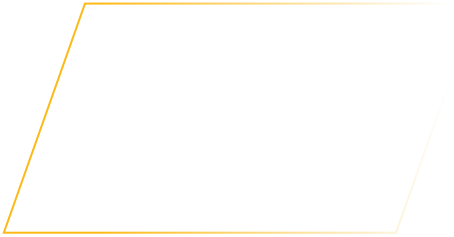
Image: Local council representatives visiting a CSV funded building project.

Services for government-owned buildings

The rectification process for government-owned buildings is managed by individual State Government departments using funds allocated by CSV. The CSV services that support the rectification of government-owned buildings are as follows.

<p>Risk assessment services</p>	<p>The CSV Government Team has assessed a diverse array of government-owned buildings (including schools, hospitals, police stations and sports venues), helping departments understand the cladding risk profile of their respective buildings and the associated rectification priorities.</p>
<p>Rectification solution services</p>	<p>Drawing on several years of experience in designing rectification solutions for different types of government-owned buildings, the CSV Government Team, with the support of external design practitioners, develop costed rectification solution proposals that reduce cladding risk to an acceptable level.</p>

<p>Advisory services</p>	<p>The CSV Government Team provides a vital advisory service to each department to ensure the broad CSV understanding of government-owned building rectification is shared with all parties.</p>
<p>Project oversight services</p>	<p>CSV monitors the implementation of construction works to ensure compliance with the approved solution design and quality standards and that delivery occurs within project budget and schedule tolerances.</p>



Corporate support services

CSV is a delivery-focused agency, with services built to facilitate construction planning and implementation.

CSV delivery is also reliant on a range of internally oriented corporate services that contribute directly to implementation efficiency and quality outcomes.

Recruitment and procurement services	<p>CSV delivery leverages a team of individuals with different capabilities and expertise. The resource base necessary to achieve the rate, scale and quality of delivery relies on the ability of CSV to source capable and credentialed personnel, engaged either as full-time employees or contracted suppliers.</p>
Financial services	<p>Simultaneously managing multiple construction projects using a large number of suppliers creates a high-volume transactional environment for financial management, which requires a robust, dynamic and responsive budget management and accounts management service.</p>

Information management services	<p>CSV uses an enterprise information management platform and service to provide a dispersed delivery team with a means of recording, exchanging and accessing a wide range of information pertinent to program delivery.</p>
Communication and engagement services	<p>The underlying complexity and wide subject range underpinning CSV business necessitates a strong communication focus to support stakeholder awareness of CSV activity and stimulate stakeholder engagement on cladding issues. CSV has a strong focus on engaging directly with owners corporations and more broadly across industry and government.</p>
Reporting services	<p>CSV accepts that an organisation is only as good as its record of delivery, which led CSV to develop an internal business intelligence service that allows CSV to track progress across a number of output and outcome indicators and monitor the status of delivery at any point in time.</p>

Building a foundation for delivery

CSV was established to reduce the risk posed by combustible cladding in Victoria’s built environment. The organisation’s primary function is to prioritise and fund rectification works to remove cladding from the highest-risk privately-owned multi-storey residential buildings and the highest-risk government-owned buildings.

CSV’s work to remove 146,649 square metres of combustible cladding from 272 buildings in the period to 30 June 2022 has left thousands of Victorians safer, both in their homes and in the public buildings that they use each year³.

What is cladding and why is it dangerous?

Cladding is the outside skin of a building. It is used to provide thermal insulation and weather resistance, and to improve the appearance of buildings.

While there are numerous types and brands of cladding available, there are two types of combustible cladding that pose a risk for building occupants, as well as the community more broadly.

These are:

- aluminium composite panels or ‘ACP’ with a polyethylene core; and
- expanded polystyrene or ‘EPS’.

In the event of a fire, these materials may increase the rate at which a fire spreads, posing an increased risk to building occupants and those in the immediate vicinity.

The Victorian investment in cladding safety amounts to about \$750 million and comprises:

- \$550 million to reduce cladding risk on privately owned residential apartments;
- \$110 million to reduce cladding risk on government-owned buildings; and
- \$90 million to fund a program of reform and industry transition overseen by the Department of Environment, Land, Water and Planning (DELWP) and the work of the State-wide Cladding Audit administered through the VBA.

As a dedicated infrastructure delivery agency of the State that is responsible for \$660 million of construction-related investment, it has been necessary for CSV to design and implement structures, processes and evidence-based methods that yield an optimal safety benefit for Victoria at best value for the Victorian investment in safety.

³ The methods and processes that CSV has developed to respond to combustible cladding can inform the way in which the owners of commercial buildings (including offices, retail centers, industrial complexes, hotels etc.) take action in relation to flammable cladding risk.

Decomposing the cladding problem

By the close of the 2021-22 reporting period, over 1,000 buildings have been referred to CSV. This represents a cladding task as significant in scale as anywhere else in the world.

These buildings vary significantly in style, usage, cladding presence and, most importantly, the level of risk that combustible cladding poses on each building.

One of CSV's greatest challenges and achievements has been to decompose a single cladding 'problem set' of 1,000 buildings based on genuine risk differences between buildings.

Finding cladding solutions for all buildings

For the first two years of operation (2019-20 and 2020-21), CSV effort had been primarily focused on the identification of the highest risk buildings and the concomitant design, delivery and funding of cladding rectification works.

During 2021-22, the CSV focus was broadened to explore potential cladding solutions that would be appropriate for those buildings with lower levels of cladding risk that are not the intended target of CSV funded rectification work.

CSV built its internal technical capabilities considerably during 2021-22 and supplemented that with investment in targeted research and development activity to better understand cladding risk and the ways to reduce it. This provides a foundation for the design of tailored risk proportionate solutions for buildings of all different risk levels.

Knowledge and understanding

The key tenets of CSV's approach to delivery have been to understand the cladding problem and to build a knowledge base to explain and be accountable for decisions.

Three elements of the CSV delivery approach demonstrate this focus most aptly:

- 1. Information collection, vetting and analytics:** CSV has detailed information and data for each one of the more than 1,000 buildings referred to it, as well as cladding risk assessments for almost 800, hundreds of inspection reports and costed rectification solutions, the results of thousands of quality and safety inspections, a cladding materials library, and a range of CSV designed in-house datasets to explain cladding risk and the best way to assess the benefits of responding to that risk.

This depth and breadth of information is used by CSV to bring efficiency, control and value to CSV decisions and to guide reforms to the broader regulatory environment for building safety.
- 2. Due diligence inspections:** CSV risk-based assessments and rectification works projects are informed by detailed analysis of building documentation, material testing and site inspections.

On-site inspections provide a vital 'ground truthing' process for initial observations made through desktop analysis.

By observing combustible cladding in situ, the risk posed by cladding can be better understood by those with the technical knowledge to guide solutions and practical building considerations can be taken into account.
- 3. Owner engagement:** CSV employs a customer-focused mode of delivery, via which dedicated case managers are available to support building owners and to guide them through a series of decisions that they must make to activate a solution to make their buildings safer.

This high degree of engagement is highly transactional, with 15,515 individual communications (appointments, phone calls and emails) occurring between CSV staff and owner representatives (usually owners corporations) during 2021-22.

This two-way exchange is essential to driving owner decision making, but is also a source of tremendous personal insights and experiences that shape the way that CSV delivers rectification work and advice to building owners more broadly.

Innovation and continuous improvement

Over three years, CSV has risen to meet a number of challenges to delivery and seized on opportunities to drive practice improvement.

This report captures some of the core challenges and innovations that have drawn CSV focus during 2021-22, and to which CSV has needed to respond.

Providing certainty for building owners and occupants

The CSV leadership team characterises 2021-22 as a year in which the greatest priority was placed on giving certainty to as many building owners and occupants as possible about the cladding on their buildings and what needs to be done with it.

This is being achieved by both:

- **funding and delivering cladding rectification work:** identifying the buildings that carry an unacceptable cladding risk (both private residential and government-owned buildings) and prioritising and delivering cladding rectification works to make them safer; and
- **discharging buildings:** identifying those buildings for which CSV funded rectification is not appropriate, either because a building does not meet the eligibility requirements for funding or the cladding risk is so low that action is not considered to be required in relation to cladding risk.

Both types of CSV decision provide clarity for building owners about CSV support in relation to:

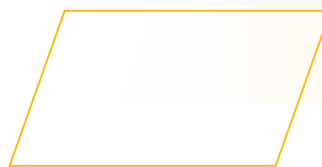
- **private residential buildings:** these decisions provide information to support MBSs in determining the requirements for the removal of the cladding related enforcement notices issued to building owners; and
- **government-owned buildings:** these decisions inform capital works planning at nine government departments and agencies in relation to the buildings under their management that have combustible cladding.

The reflections of the CSV year in review are focused on the 817 private residential buildings and 249 government-owned buildings referred to CSV and the measures being taken to bring certainty to building owners about the combustible cladding on their buildings.



Image: A building project underway in CSV's program.

Year in review



Residential Cladding Rectification Program

The Residential Cladding Rectification Program is designed to fund targeted rectification works and support building owners in responding to cladding risk on Class 2 residential buildings that are three storeys or higher.

The presence of combustible cladding on Victorian multi-storey residences causes duress for owners and residents and draws them into a complex regulatory space that gives rise to a degree of uncertainty about the best way to resolve the safety issues associated with cladding.

An important role for CSV is therefore to help address those areas of uncertainty by providing clarity to building owners and occupants about the risk status of their building and the options available to them to address the core elements of risk that will make their buildings safer.

CSV's work in 2021-22 is providing an evidence base, steeped in science, that will enable clear pathways to cladding rectification.

The activities of CSV relating to residential buildings have been divided between three important areas of strategic significance outlined below.

1. Implementation of cladding rectification works for the highest-risk buildings

The decision governance mechanisms, quality and financial controls and project delivery processes that CSV employs have been proven to work and have been in place for over two years.

The focus in 2021-22 was therefore placed on applying these mature practices in pursuit of ambitious rectification targets, while also reviewing and streamlining processes to ensure that opportunities for practice improvement were acted upon.

In managing and undertaking design, tendering, procurement and construction work simultaneously on many buildings at any one time, CSV has also needed to respond to challenges and issues along the way. The identification of and adjustment to these challenges is an important part of CSV's 2021-22 delivery story.

2. Defining alternate pathways to resolution for lower-risk buildings

CSV's Cladding Risk Prioritisation Model is used to allocate each building to one of three cladding risk categories (unacceptable risk, elevated risk or low risk). To 30 June 2022, 305 buildings have been granted funding approval for rectification works, deemed to be of highest consequence risk.

Simultaneously, CSV has also focused on discharging buildings from the program that either do not meet the eligibility requirements for CSV funding or have such a low level of risk that little or no action is likely to be necessary, of which 200 buildings have been identified and discharged to 30 June 2022.

CSV has also identified buildings referred to it that carry a lower level of cladding risk and which it is inappropriate to prioritise for CSV funded rectification. Science based research and development initiatives commenced by CSV in 2021-22 will help inform alternate pathways to finalising the requirements for these lower risk buildings in 2022-23.

3. Discharging buildings that do not meet CSV eligibility requirements or with negligible risk

A primary responsibility of CSV is to preserve the value of the public investment in cladding rectification by ensuring that funds are directed as intended. That means ensuring that funds are:

- allocated to buildings where the risk posed by cladding is found to be unacceptable; and
- not allocated to buildings that are outside scope of the CSV's eligibility criteria.

Through detailed investigatory and review processes, CSV has determined that many of the buildings that have been referred to CSV do not satisfy key eligibility requirements to be considered for cladding rectification or the cladding on the buildings presents a negligible risk to building occupants and users. These buildings are discharged from CSV's program.

An important part of CSV's investigations has been to identify buildings that will not qualify for cladding rectification funding and support building owners in understanding what further action is required on their part, if any.

Cladding rectification projects

Central to CSV's performance success has been the continuing drive to prioritise, plan for and complete rectification works on the highest-risk residential buildings. During 2021-22, CSV completed cladding rectification works on a further 131 residential buildings, bringing the total number of buildings rectified to 171 for the period to 30 June 2022.

The work to these 171 buildings resulted in the removal of 112,317 square metres of cladding to make the Victorians living in 7,241 individual homes safer and relieves owners and residents of the pressures that living with combustible cladding has placed upon them.

The logistics that needed to be managed to deliver this volume of work was substantial. In 2021-22, CSV has overseen construction work that involves:

- 27 building companies working across construction sites at different stages of completion;
- 956,314 hours of construction labour;
- 8,033 quality and safety inspections; and
- 15,515 communications with building owners to support them through the process.

Achieving a high standard of performance for this volume of work would not be possible without the availability of high functioning teams with complementary skills, whose activities are underpinned by a proven delivery process.

In addition to the 171 buildings where works have been completed, there are a further 134 buildings for which rectification works funding has been approved and construction planning or works delivery is already underway.

Cladding rectification project initiation

For a CSV funded cladding rectification project to be initiated it is necessary for:

1. a building to have been referred to CSV via either the State-wide Cladding Audit (SCA), overseen by the VBA, or referred directly by a local council;
2. a risk assessment to have been undertaken by CSV that indicates the building has an unacceptable cladding risk;
3. a proposal to address the cladding risk has been designed, costed and approved, constituting either:
 - › the full removal of all combustible cladding; or
 - › the partial removal of cladding, subject to review and approval by the Building Appeals Board (BAB);
4. an Independent Project Manager (IPM) is appointed from the pre-qualified panel convened and maintained by CSV;

5. a builder is selected to undertake the works, determined through a competitive tender process to market test commercial options; and
6. a contract is executed by building owners with their appointed builder.

Decisions to fund rectification were made for 52 buildings during the 2021-22 period, bringing the total number of buildings that have received funding approval to 305. Buildings will continue to be assessed for funding eligibility in the future.

Codifying a risk-based method for dealing with combustible cladding

The CSV Technical Team and CSV Research Team have dedicated time in 2021-22 towards defining, testing and validating a methodology for:

- assessing the risk posed by cladding on each building referred to CSV; and
- identifying alternate pathways for responding to cladding risk that provide a proportionate and practical response to the cladding risk on each building.

These methods underpin the CSV approach to funding prioritisation and will allow pathways to resolution to be developed for all lower risk buildings in 2022-23.

Quality, responsiveness and accountability

While substantial effort has been geared towards the science-based establishment of cladding resolution pathways, the other areas of activity that add strength to CSV's 2021-22 performance are:

- the Clerk of Works function that brings a rigorous process of independent oversight to construction at all CSV residential building sites, ensuring that adherence to strict standards is maintained for all elements of workmanship and on-site safety;
- the continuing focus on customer service, centred on building owners and occupants, to ensure that CSV delivery is attentive and responsive to customer needs; and
- the programmed activities to drive accountability and continuous improvement, largely underwritten by independent reviews and knowledge creation and capture activities.

Further information about these key areas of activity and some of the delivery challenges that CSV has faced are covered in the following sections.

Image: Project stakeholders at one of CSV's funded cladding rectification projects.



Analysis of buildings with works underway

By 30 June 2022, CSV had made decisions to fund rectification works for 305 buildings comprising 16,158 individual homes.

The diagram on the right shows the type/s of cladding that present a risk exposure to building occupants and users of the first 305 buildings for which rectification work has been approved.

The CSV portfolio of buildings requiring rectification works vary significantly in scale and complexity.

One indicator of the degree of variation in the scale of works is provided by the building height.

The diagram on the right shows that low-rise buildings comprise about two-thirds (64.3%) of the buildings that works have been approved for to date.

The profile of CSV buildings being funded for rectification has changed since last year, following the application of CSV’s Cladding Risk Prioritisation Model to prioritisation decisions. The CRPM provides a greater emphasis on higher rise buildings due to the model’s focus on the vertical spread of fire via cladding across a building facade.

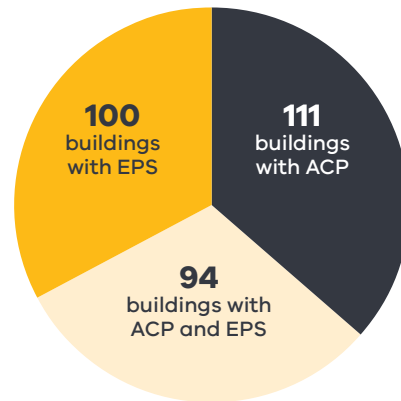
The 305 buildings are in 25 different council areas.

The 10 councils with the most buildings under construction account for:

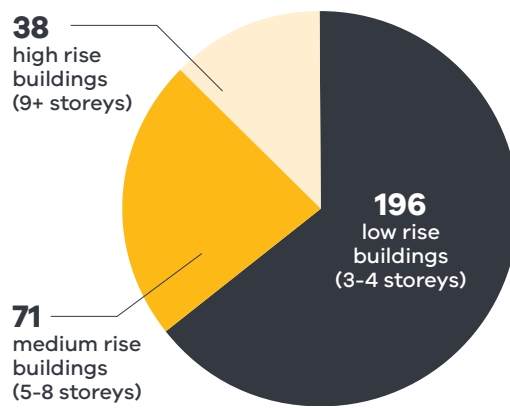
- three quarters of the buildings; and
- 85.3% of the individual homes to be protected.

The table to the right shows the number of apartments in the buildings in these council areas with respect to the 305 buildings already in or moving into construction.

Building numbers by cladding type



Building numbers by building height



Local Council	Apartments
Melbourne	5,047
Stonnington	1,936
Port Phillip	1,612
Moreland	1,441
Yarra	1,207
Boroondara	637
Glen Eira	581
Manningham	457
Moonee Valley	446
Monash	421

Discharged buildings

After a building is referred to CSV, activities are undertaken to establish that each building is eligible to be considered for a CSV funded rectification solution. This is an important process to ensure CSV directs limited funds appropriately, consistent with its statutory requirements to target:

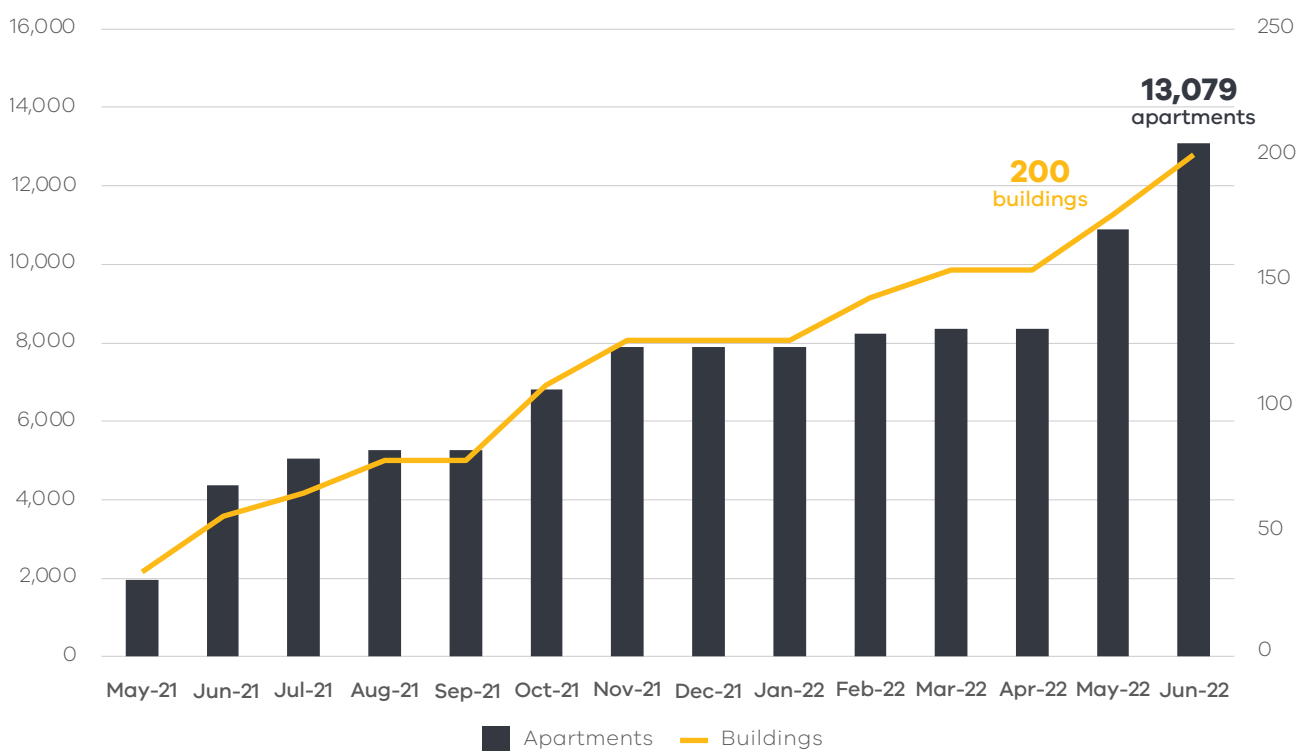
- specific categories of building (as determined by the building ownership, class and height);
- buildings for which CSV led cladding remediation action is required; and
- buildings on which combustible cladding presents the highest risk.

Where a building does not pass eligibility assessment, it is discharged from the program.

In the financial year 2021-22, 129 buildings were discharged from the residential program, bringing the total number of buildings discharged by CSV in the period to 30 June 2022 to 200.

The figure below illustrates the discharge activity undertaken from May 2021 to June 2022.

Residential buildings discharged and apartments impacted (cumulative) to June 2022



The reasons for the discharge of 200 residential buildings are shown in the table below. The number of apartments impacted by these decisions is also provided. In discharging these buildings, it is CSV's expectation that little or no action is required in relation to cladding for most of these buildings. Where action is required, CSV will work with the relevant MBS and the building owners to find a solution. This process provides certainty to owners.

Summary of reasons for the discharge of buildings from CSV's program to 30 June 2022

Discharge reason	Number of buildings	Number of apartments
<p>Low combustibility cladding</p> <p>Following the review of buildings, often involving cladding product testing, CSV determines that the cladding that originally caused concern has a low combustibility rating.</p> <p>This means that the cladding product in use:</p> <ul style="list-style-type: none"> • is not ACP or EPS (the products targeted by CSV); or • has a fire rating that significantly reduces the risk of facade fire spread. 	45	3,089
<p>Ineligible for CSV funding</p> <p>A referred building is considered ineligible where:</p> <ul style="list-style-type: none"> • the building is not a Class 2 building; • the building is less than three storeys high; • the local MBS requires no action to be taken in relation to cladding; • there is no combustible cladding on the building; • an owner has acted independently to rectify their building; • the cost of rectification will be met by insurers; or • there is a single owner or ownership of units is concentrated. 	142	9,366
<p>Low risk rating</p> <p>In a small number of cases there has been a review of the original risk assessment that led to the building being referred to CSV.</p> <p>The revised rating through the State-wide Cladding Audit (SCA) downgrades the initial assessment, which essentially functions as a reversal of the original referral.</p>	13	624
	200	13,079

Discharging a building from the program is not the end of the process. After discharging a building, CSV is available to support the owners and the local MBS in determining what further measures, if any, are needed to respond to the cladding issue and provide for the removal of any enforcement action imposed on the owners by the MBS.

Support for building owners

The core consumers of CSV services are the owners of the buildings that have been referred to CSV due to the presence of combustible cladding on their building. The approach to the delivery of services has been designed to respond to the needs of this specific customer group.

What CSV has learned by engaging with the individual owners and owners corporations of hundreds of buildings is that they want to understand:

- what risk the cladding creates for the occupants of their building;
- what needs to be done to make their building safe;
- what their own obligations are in relation to cladding;
- what help is available to support them; and
- what progress is being made towards the resolution of their cladding problem.

Irrespective of the cladding risk status of a building and whether CSV funds rectification works, CSV embraces its duty to engage with building owners to help them understand their situation. This support for building owners is central to CSV's purpose and functions and is specified in the organisation's guiding legislation.

Initial engagement with building owners

Once a building is referred to CSV, the building owners are asked to participate in a formal registration process. This process is used to collect background information about the original construction of the building, the management of the building and any other matters associated with post-construction issues, such as actions to resolve building defects or to pursue insurance-based claims.

The assigned Customer Liaison Officer (CLO) for each building may then invite building owners to participate in an introductory meeting. This meeting orients owners to CSV's rectification program and to the processes and requirements associated with construction planning, design and the appointment of building practitioners.

As at 30 June 2022, introductory meetings have been held with 568 owners corporations, of which 32 were held during 2021-22, reflecting a lower rate of building referrals during this reporting period.

Record of engagement in 2021-22

From the time a building is first referred to CSV to the time that it formally leaves the program, there is considerable exchange between CSV personnel and building owners.

The work of CSV is highly transactional and equates to thousands of communications involving CSV, owners, and Independent Project Managers.

In 2021-22, there were 15,515 individual communications involving building owners.

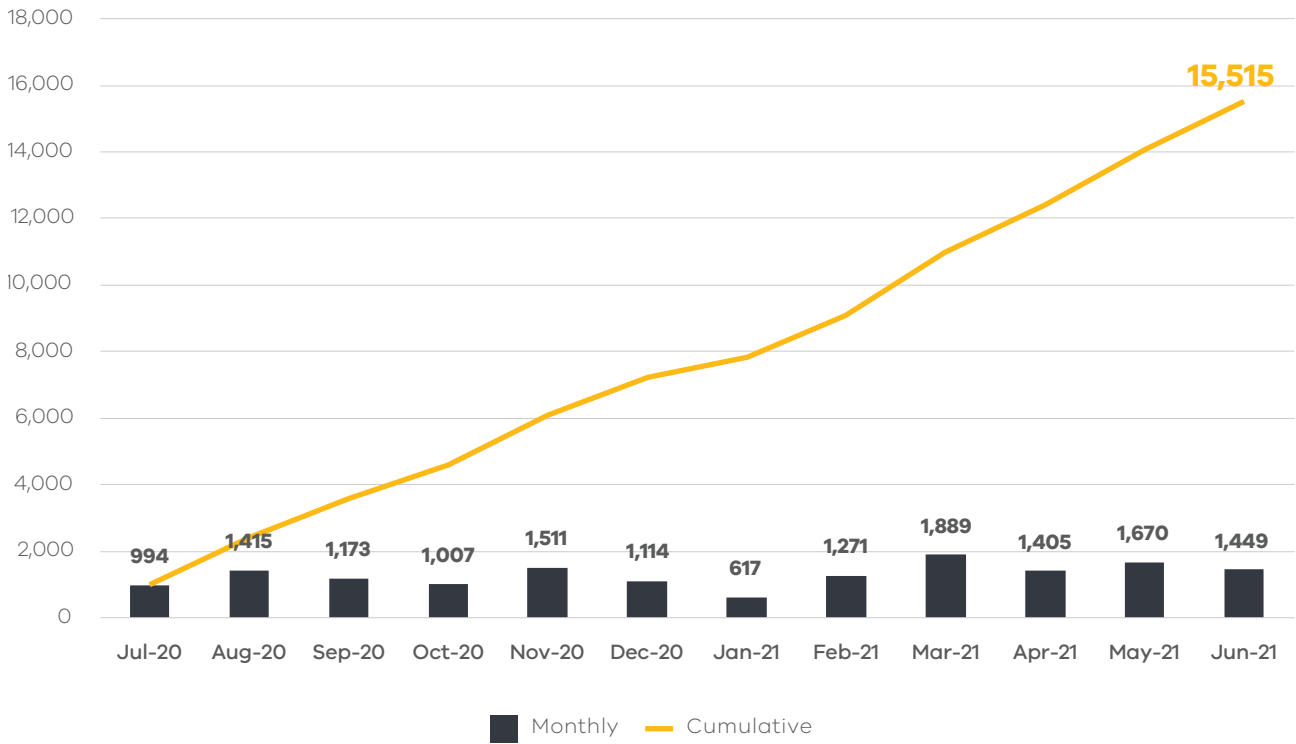
CSV engagement with building owners in 2021-22

Type of engagement	Number of engagements
Appointments	462
Phone	12,461
Email	2,592
Total of all engagements	15,515

This level of activity between CSV staff and building owners corporations equates to 298 communications a week or 60 for each day of the working week in 2021-22.

The volume of engagement activity was steady over the year, noting the usual Christmas and post-Christmas slow down typical in many sectors and the compensatory surge immediately after.

Monthly exchanges between CSV and owners representatives in 2021-22



The figure on the previous page illustrates that the engagement with building owner representatives is constant throughout the year and is a vital feature of CSV rectification works delivery.

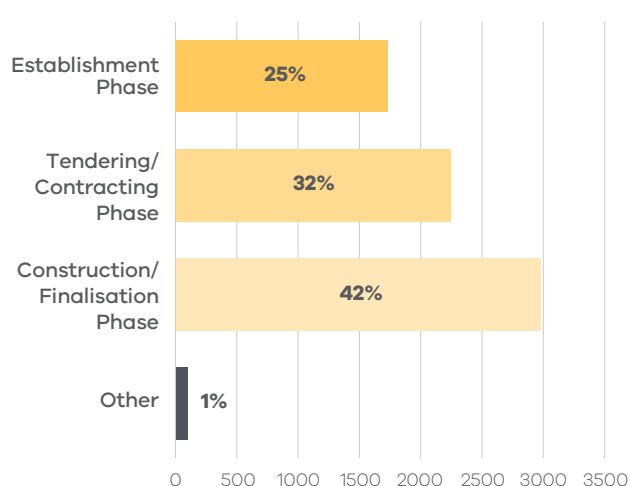
Communication activity with building owners tends to concentrate around specific milestone activities, particularly those milestones that relate to rectification work.

CSV employs a program of systematic engagement with building owners to enable and support CSV's program of rectification works prioritisation, planning and delivery.

CSV is able to utilise its Customer Relationship Management (CRM) data to understand the pattern of interaction that occurs between CSV staff and building owners over the many months between approval being granted for rectification work to be funded and those works being completed.

The table to the right provides a summary of the communication transactions for 91 buildings that passed through all stages of rectification planning and implementation during the past two years (2020-21 and 2021-22). The delivery cycle has been divided into ten phases.

Across the cycle of rectification works delivery, there were 7,065 communication transactions, equating to 77 per building on average.



Phase of construction planning or delivery	Number of engagements
01. Pre-IPM appointment phase	373
02. IPM appointment phase	310
03. Deed negotiation phase	646
04. Between deed and tender phases	408
05. Tendering phase	436
06. Between tender and contract/funding phases	419
07. Funding and contract phase	800
08. Between funding/contract and construction phases	589
09. Construction phase	2,076
10. Post-construction phase	906
Other periods	102
Total	7,065

The communications activity can be seen to cluster around three high level phases:

- **project establishment phase:** when the Independent Project Manager (IPM) is being appointed and the working relationship between CSV, the IPM and building owners is being established;
- **tendering/contracting phase:** when a builder is being selected to carry out rectification works and contractual and funding agreements are being put in place to formalise the rights and obligations of each party in relation to works; and
- **construction/finalisation phase:** when construction works are carried out to completion and any actions to settle funding and warranty related matters are finalised.

CSV's systematic application of the rectification planning and delivery process and its detailed awareness of the engagement needs of building owners provides a sound basis for the efficient delivery of works.

Other engagement with building owners

CSV also issues fire safety information on a quarterly basis. In addition to the electronic distribution, over December 2021 and early January 2022, a printed fire safety flyer was also designed and distributed to 18,349 apartments in 295 buildings in the program. These flyers were developed in consultation with Fire Rescue Victoria.

Government Building Cladding Rectification Program

The Victorian Government's move towards programmed cladding rectification work commenced with publicly owned buildings in 2019.

The objective of this program is to target buildings with a substantial level of community use where combustible cladding presents a high fire risk. The buildings that have been targeted through the government building Cladding Rectification Program are occupied and/or visited by millions of Victorians every year.

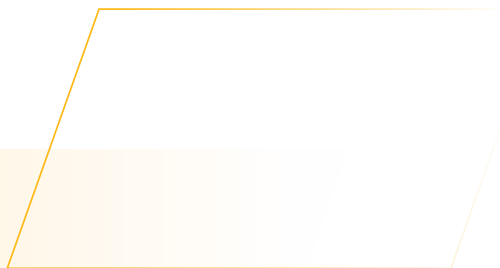
The types of buildings in this program include:

- schools and TAFE colleges;
- hospitals;
- residential care facilities;
- police stations and court houses;
- public housing buildings;
- sports arenas and cultural buildings; and
- community housing.

One important feature of the program has been to lend support to vulnerable people in the community exposed to cladding risk. The inclusion of 12 public housing buildings and 16 community housing buildings in the program illustrates this area of focus. Rectification work is now completed on 11 of these buildings, which provides added safety and peace of mind to people living in over 1,000 homes.

During 2021-22, the government building program was extended to community housing buildings that have been found to have a high cladding risk. Cladding rectification planning is underway for all 16 buildings in this category, and works will be completed during 2022-23. This will reduce cladding risk for people living in 879 community housing homes.

In total, 249 buildings were identified with combustible cladding, of which 131 have been targeted for rectification due to the high-risk posed by the cladding.



By 30 June 2022, cladding rectification work has been completed on 101 of these buildings with works to completed on the remaining 30 buildings during 2022-23.

Rectification works are being undertaken using funding of \$110.4 million allocated by the Victorian Government for this purpose, and the full portfolio of works is on course to be completed in 2022-23 ahead of time, within budget and with an expanded delivery scope.

Roles in cladding rectification

Cladding Safety Victoria’s function in relation to the rectification of government-owned and supported buildings is different to the role played in relation to private residential buildings.

Service	Residential buildings	Government-owned buildings
Risk assessment	✓	✓
Prioritisation of buildings to be funded	✓	✓
Specification of rectification requirements	✓	✓
Design of rectification solutions	✓	
Project tendering and procurement	✓	
Builder appointment	✓	
Construction contract management	✓	
Milestone completion oversight and release of funds	✓	✓

Image: Local council representatives visiting a government-owned building project.



Nine Victorian Government departments or agencies are responsible for the day-to-day administration of the 131 buildings targeted for cladding rectification works. The model of delivery that is being applied regards the oversight of rectification works as an extension of each department or agency’s general responsibilities with respect to each building.

Accordingly, the design and implementation of rectification projects is primarily the responsibility of individual departments and agencies.

Given the high degree of specialisation and technicality associated with these remediation construction works for cladding, the model

of delivery has been designed to ensure that technical support is available to government departments and agencies. It is CSV’s responsibility to deliver that support and to ensure the efficient use of budget funding.

Intra-government collaboration to support delivery

The cladding removal task that spans nine government departments and agencies is substantial in scale, requiring the removal of 64,465 square metres of combustible cladding. This amount of cladding is equivalent to three times the playing surface of the Melbourne Cricket Ground (MCG)⁴.

Number of government-owned buildings by government agency/department

Department/Agency	No. of buildings	Amount of cladding to be removed (m ²)
Court Services Victoria	3	1,450
Department of Education and Training	55	5,967
Department of Environment, Land, Water and Planning	2	100
Department of Families, Fairness and Housing	28	8,766
Department of Health	19	30,300
Department of Jobs, Precincts and Regions	10	11,568
Department of Justice and Community Safety	5	3,325
Department of Transport	1	1,550
Victoria Police	8	1,439
Total	131	64,465

4 The MCG has dimensions of 173.6 metres x 148.4 metres fence to fence (<https://www.austadiums.com/stadiums/mcg>) equating to a surface area of 20,370 square metres.

Maintaining a consistently high standard of planning and delivery requires effective collaboration and coordination within government.

CSV welcomed the opportunity provided during 2021-22 to participate in the Project Control Groups instituted by each department and agency to deal with the cladding on each building. CSV's participation has enabled it to share insights relevant to resolving rectification issues as they presented.

Every building in the government-owned building program is unique, requiring unique rectification solutions to be designed for each building. CSV's depth of experience and knowledge, gained through working on almost 1,000 buildings across both programs, provides access to expertise and resources to support the nine departments and agencies in delivering their respective cladding rectification works programs.

Community housing buildings

During 2021-22, the Victorian Government authorised the addition of 16 community housing buildings to the program, containing 879 individual homes.

These buildings house a range of vulnerable Victorians for who housing affordability, homelessness, or the need to escape family violence may be an issue. The government already offers programmed support for these people through the work of Homes Victoria, operating within the Department of Families, Fairness and Housing (DFFH). To preserve the focus of that existing support, a decision was made to use program contingency funding within the current CSV budget to fund cladding rectification work.

In 2021-22, DFFH identified candidate buildings that may have combustible cladding and CSV undertook risk assessments to identify the 16 community housing buildings for which rectification works have been deemed necessary.

Cladding rectification projects will be designed, costed and construction work completed during 2022-23.

Government-owned building program performance and results

Cladding works were completed on 34 buildings during 2021-22, bringing the total number of buildings rectified to 101.

The work completed in 2021-22 resulted in the removal of 19,940 square metres of combustible cladding, which equates to 55 square metres of cladding removed for each day of the reporting period.

The 34 buildings completed in 2021-22 were a diverse set, comprising:

- seven hospital buildings;
- one public housing building;
- four community housing buildings;
- 13 TAFE buildings (including a 24-hour student accommodation building);
- three law court buildings;
- three sporting venue buildings;
- one coronial services building;
- one government-owned residential apartment building with 175 apartments; and
- one fire station.

The safety benefit of these works can be understood by considering the annual use of buildings. To illustrate this point, for the seven hospitals completed in 2021-22, there were about 673,000 hospital admissions and emergency department presentations⁵ during the financial year.

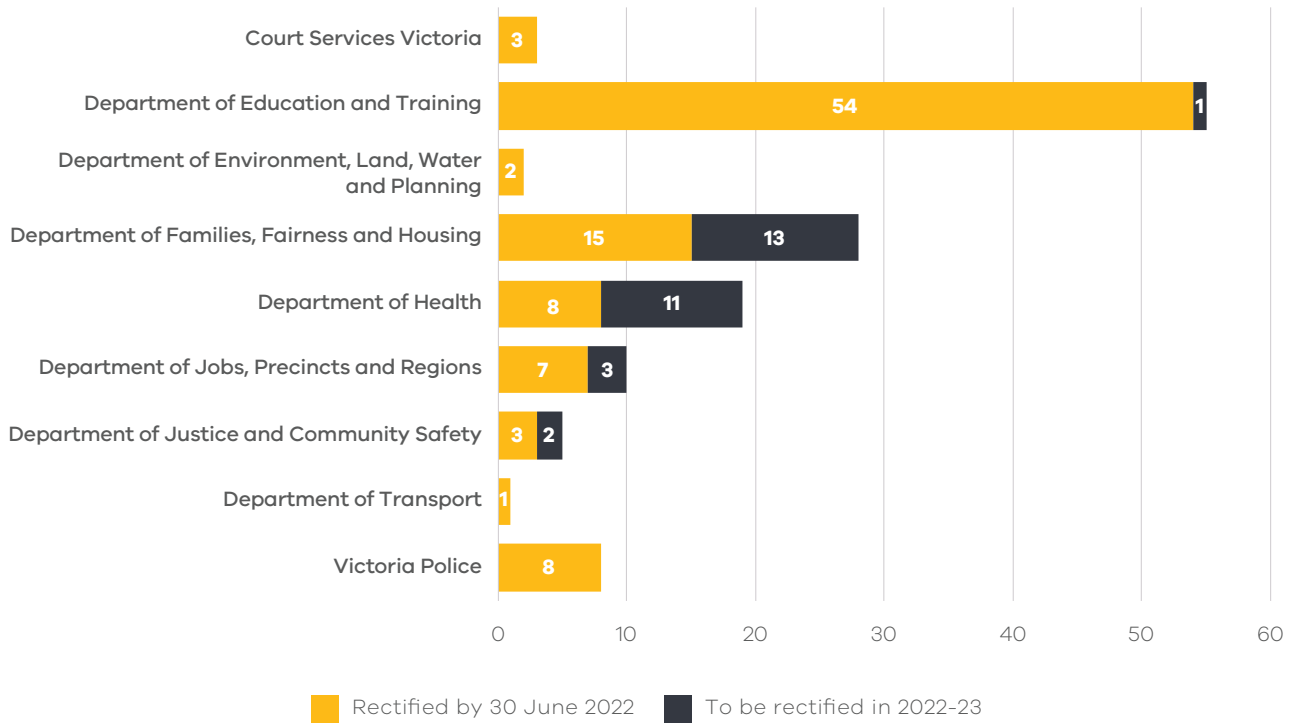
5 MyHospitals data, Australian Institute of Health and Welfare, August 2022 (<https://www.aihw.gov.au/reports-data/myhospitals>).

Cladding Safety Victoria

All departments and agencies are well on track to complete cladding rectification work on all 131 targeted buildings ahead of the program schedule.

Each department and agency progressed at a different rate in its planning and initiation of rectification works. The figure below illustrates the breakdown of works into works already completed and those projects that will be finalised during 2022-23.

Number of buildings to be rectified by year and government department



Tackling the cladding challenge

Anyone who has been involved in a construction project would appreciate the complexities and challenges that arise due to the numerous considerations and requirements that need to be planned for and managed.

The complexity of construction work is magnified considerably when the task entails:

- managing over 100 construction projects simultaneously;
- delivering the cladding remediation works to occupied residential buildings (brown-field environments);
- representing the interests of thousands of individual dwelling owners, whose interests do not always align and who can be difficult to engage in the planning and authorisation of works;
- remediation based work to correct problems created by third parties who are not involved in the corrective project;
- overseeing the work of hundreds of building practitioners whose efforts need to be coordinated and monitored;
- protecting the value of the State's investment by ensuring that works are delivered at fair value within the existing market environment;
- fulfilling the statutory requirement to keep all people living at, visiting and working at each construction site safe during construction works; and
- complying with the building standards that apply to all aspects of the building being remediated, not only those aspects that are the focus of remediation works.

Delivering in this complex environment has been the challenge for CSV throughout its three years of delivery to date. CSV has been able to achieve a high standard and high volume of cladding rectification works despite this complexity, primarily because of the effective delivery process that CSV has established, the consistent and persistent controls and oversight mechanisms that CSV applies and the case management model of service that CSV uses to ensure that building owners are continually engaged in the rectification process.

Four major areas of challenge have occupied CSV during 2021-22:

1. dealing with a large pool of residential buildings with a wide range of risk characteristics;
2. ensuring that a consistently high standard of work quality and safety is achieved across a large volume of concurrent works;
3. managing cladding rectification works on buildings with a range of underlying non-cladding defects that require resolution; and
4. maintaining delivery momentum in a volatile construction/regulatory market.

Dealing with a large pool of residential buildings

Across the world, the approach to addressing combustible cladding risk has differed.

Victoria is the first jurisdiction that has actively had buildings audited (by the VBA's State-wide Cladding Audit) and referred to a central agency (CSV), with 817 buildings referred to CSV in the period to 30 June 2022.

The large pool of 817 residential buildings referred to CSV is due to:

- the height of buildings that have been targeted for assessment, with Victoria being one of the few jurisdictions in the world to focus on buildings lower than 18 metres in height (bringing low rise buildings into scope);
- the types of cladding that is seen as a problem to be addressed, with many jurisdictions focussing on Aluminium Composite Panels only and not on expanded polystyrene (with both ACP and EPS being a focus in Victoria); and
- the method used to initially assess the risk on buildings, which has resulted in initial high-risk assessments being given to buildings for reasons associated with factors other than cladding.

To manage the large demand for finite rectification resources created by a pool of 817 buildings, CSV has developed and now applies its own risk modelling method to evaluate the risk posed by cladding on each building. Through a risk lens focussed primarily on cladding, CSV has found that many of the buildings referred do not have a type, quantity or configuration of cladding that poses an unacceptable risk. Further information about CSV's risk modelling approach is presented from [page 45](#).

Commercial buildings/operations, serviced apartments, retail and office spaces, townhouses, car parks and buildings used primarily for providing student accommodation, aged care or community housing, will not be considered for funding through this program.

Return on investment of quality and safety Clerk of Works program

Every CSV building in construction is subject to programmed oversight to ensure the quality of workmanship and on-site safety practices are maintained to a high standard. In designing the CSV rectification delivery approach, CSV was determined to ensure that the challenge of codifying and achieving consistently high standards would be the hallmark of CSV delivery.

The vehicle for ensuring construction quality and safety at CSV sites is the Clerk of Works Program, designed and introduced by CSV in 2020-21. The program is now active in the field, with a panel of credentialed practitioners conducting thousands of inspections across hundreds of CSV project sites.

CSV has developed measures to quantify the return on investment from the Clerk of Works Program, which is the backbone of the quality and safety program. Data compilation and analysis was finalised in March 2022 and shows the program has delivered significant returns. The outcomes suggest this role should be considered across government projects and the wider construction sector.

The program began operating in early 2021 and has a budgeted cost of \$10 million over the life of the Cladding Rectification Program. Data is compiled through real-time reporting on site, and between 1 July and 31 December 2021, 678 safety hazards were identified.

Of those, the top five safety hazards identified were:

1. **Scaffolding:** potential fall from heights resulting in serious injury or fatality.
2. **Electrical:** potential contact with services resulting in electrocution serious injury or fatality.
3. **Coronavirus compliance:** potential for workers to contract coronavirus in the workplace.
4. **General PPE:** not wearing personal protective equipment (PPE), which can lead to potential eye injuries (safety glasses), cuts to hands (gloves), head injuries (hard hat), dropped/crush injuries to toes, feet etc. (safety boots), skin cancer (brims, sunscreen) and objects falling from height (chin straps).
5. **Safety documentation:** absence of planning for high-risk construction work, such as having a construction management plan, traffic management plans, COVID-19 Plan, and safe work method statements.

Following the collection of this sample, and typification of common observations, hazard costings were compared to the projected spend for the Clerk of Works Program and calculated to measure potential savings long-term.

The quality-related issues were costed against the potential for future rectification costs.

Safety observations and hazards such as scaffolding, electrical and general PPE were compared to the potential for serious injury or fatalities.

The review found the current cost of having a Clerk of Works is about \$10,563 per building, while the potential savings in prevented future rectification costs averaged \$410,364 per building.

In a six-month period, the Clerk of Works Program was responsible for identifying 678 safety hazards, that potentially could have cost up to \$9.15 million. Work to compile data over time will continue to refine and enhance findings.

Through direct intervention, the Clerk of Works Program has provided:

- early identification of potential quality problems before they escalate into costly issues or rework;
- identification of safety hazards before they result in incidents or injury;
- identification and implementation of improved controls;
- stimulate open discussions and information sharing; and
- identification of positive observations.

Image: A Clerk of Works inspection underway at one of CSV's projects.



Non-cladding building defects

In last year's Annual Report for 2020-21, CSV reported the high number of buildings being rectified found to have defects associated with aspects of the original construction unrelated to cladding.

The types of defects identified on buildings CSV is funding cladding works on include:

- leaking balconies and terraces causing structural damage;
- leaking window surrounds and returns causing lintel damage;
- leaking roofs and flashing causing structural and internal mould issues;
- incorrect structural materials used; beams and joists not to standard;
- lack of internal fire compartmentation between apartments and common areas;
- lack of external wall fire rated plasterboard; and
- incorrect or lack of rain shield sarking and wall insulation.

Defects of these types have been found on 155 buildings, impacting delivery for a significant number of CSV funded rectification projects and adding to the woes of building owners needing to address defective historical works.

To limit the impact of non-cladding issues on delivery, CSV has provided greater focus on the prevalence of non-cladding issues in its pre-contract engagement with building owners and strengthened contractual agreements that underpin rectification projects to ensure provision is made for non-cladding issues should they arise during cladding remediation works.

CSV's experience in dealing with buildings that have non-cladding defects has led to purposeful adjustments to CSV practices and processes for all future buildings:

- changes to CSV due diligence inspection processes, to incorporate the identification of non-cladding issues;
- a stronger focus on the potential for these issues to be found when engaging with building owners prior to works commencing;

- the revision of funding agreements to formalise the obligation that owners have for dealing with and funding work for non-cladding defects; and
- the requirement for owners to offer a 10% surety to provision for the correction of non-cladding building defects to minimise the disruption to cladding rectification works.

Defects with balconies

In delivering cladding rectification works, CSV has been confronted with serious and widespread defects in the construction of balconies and other non-cladding building defects on buildings to be funded through its program.

These balconies are clearly not compliant with Victoria's building and construction regulations and many pose serious health, safety and amenity risks.

CSV has undertaken a comprehensive analysis of available data to understand the extent of these issues and the underlying causes that the discovery of balcony defects, during the course of construction, are having on overall cost and time delays in completing the agreed rectification.

The analysis found that 51 per cent of funded buildings have been identified to have defects associated with aspects of the original construction that are unrelated to cladding.

Of these buildings, 78 buildings (29 per cent of the total funded buildings under construction) have been identified with leaking balconies, balustrades and terraces causing structural damage. More than 550 defective balconies have been identified with these problems.

These issues go beyond CSV's funding remit, and in some cases, cladding rectification on the external walls cannot occur until these defects have been fixed. This has led to significant delays in the completion of cladding removal work on many buildings.

The project management structure and funding arrangements that CSV has instituted for carrying out cladding rectification works are helping to manage latent defect issues.

Owners corporations need to fund latent defects as a condition for funding. In the majority of cases, owners corporations willingly fund and undertake their required building defect works. In these cases, CSV has been able to negotiate co-funding agreements and work plans with the owners corporations and project managers so the defects and cladding can be fixed. This is advantageous to the owners because it means they have access to the support, oversight and project management CSV provides across all works.

Further, where CSV identifies these issues, it notifies the relevant MBS as a matter of process.

The work that CSV has done to identify and understand building defects not only supports CSV's role as a works deliverer, but also adds to the substantial building knowledge base that CSV has developed and which is available to support the interests of Victorian building safety more broadly.

Managing in a volatile market and regulatory environment

There were several issues that emerged or continued to develop in 2021-22 that carried the potential to impact either scope, quality, cost and/or the schedule.

CSV manages its projects with a strong project management discipline and is vigilant in identifying and monitoring issues that impact CSV delivery.

Impacts of coronavirus

The shutdown of the construction sector from 20 September to 4 October 2021 meant the closure of all CSV's projects in metropolitan Melbourne, City of Ballarat, City of Greater Geelong, Surf Shire Coast and Mitchell Shire.

The two-week shutdown of the construction sector did not hamper progress significantly and CSV continued to work within government directives to ensure that the affected buildings were inspected for site safety and security where appropriate.

A case study: making progress throughout the pandemic

Cladding rectification works were classified as state significant works by the Victorian Government during the pandemic, allowing due diligence inspections and rectification works to continue throughout lockdowns.

This was fortunate in terms of making sure the pandemic did not stop risky cladding coming off buildings, but given work happens around people's homes, much consideration and effort was needed to keep residents and contractors safe.

Buildings needed to be assessed, and extensive planning in advance was done so that contractors had little to no interaction with people living in the buildings they needed to access.

Adjustments were made so that cladding samples were taken from common areas and entry into apartments was avoided as much as possible.

To 30 June 2022, more than 430 due diligence inspections have been undertaken, ensuring that a pipeline of eligible buildings continue progressing through the Cladding Rectification Program.

Where rectification works were done, contractors were mindful that people were working from home during business hours and therefore planning around noise management was needed.

CSV's legal team also went to painstaking lengths to have detailed covid management plans in place.

Not all noisy works could be avoided, and consistent communication between Customer Liaison Officers, Independent Project Managers and owners corporations helped to mediate.

Risky cladding is stressful for owners and residents and every building is difficult and complex with rectification works involving negotiations between numerous stakeholders.

The coronavirus pandemic added another layer of complexity which the construction industry has never encountered. Working throughout the pandemic was not easy, but CSV took its classification as essential works seriously, and kept staff, contractors and residents safe.

Market volatility

News reporting and forecasts throughout 2021-22 identified impending increase in the costs of materials due to rising logistics costs, impacting core materials important to cladding rectification works like steel and timber. It was also anticipated that there would be an increasing demand on industry resources more broadly, particularly on the back of State and Federal Government initiatives to stimulate the economy as the country moved out of coronavirus restrictions.

CSV has continued to monitor market conditions with no adverse outcomes observed for most of the financial year.

The general slow-down of the construction sector over the past two years and the current market conditions have resulted in a number of construction companies collapsing or closing down. Such an event impacted one company undertaking rectification works on three CSV buildings that were due to be completed by June 2022. As a result of the company going into administration, works on these three buildings needed to be halted and the works retendered.

Pause on funding decisions

The work of the Statewide Cladding Audit (SCA) has been assessing residential buildings and referring buildings to CSV continually since July 2019, when CSV commenced operating.

To ensure all known priority buildings were referred to CSV, a seven month pause on delivery was invoked to enable the VBA's SCA to complete their audit. This government required pause meant a cease to all activity related to building inspections and funding decision making. That slowed the flow of buildings into the construction phase of delivery, contributing to CSV completing works on fewer buildings (131) in 2021-22 than was targeted (150) at the start of the year.

CSV regularly forecasts its cladding rectification expenditure and operates with a reasonable knowledge about the demand for works that are on the budget and the capacity of that budget to fund the rectification of those buildings with an unacceptable cladding risk.

When the 2021-22 period commenced, CSV had already committed well over half of the funds available for rectification, and it had become increasingly important to plan for the remaining expenditure with a fair degree of certainty about the remaining demand for works.

Image: A building project underway in CSV's program.



Innovation, influence and continuous improvement

As a world's first agency dedicated to the removal of combustible cladding, it was critical that CSV undertook a learn-by-doing approach to its implementation and allowed itself to continuously improve. This approach has served CSV delivery well and has enabled a culture of continuous improvement and innovation to become embedded at the core of planning and operational practice.

Features of the CSV approach that entrench and propagate continuous improvement practice are:

- a commitment to subject CSV delivery to independent scrutiny so that pre-conceived CSV notions of best approach are routinely tested;
- a staged approach to delivery is used, consistent with project management practice, whereby the end of each delivery stage is used to review outcomes and to allow for adjustments to be made ahead of the next delivery stage;
- the adoption of a customer-focused case management service ethos, which exposes CSV to a regular feedback loop from building owners about the effectiveness of CSV delivery and any implementation issues that arise;
- a determination to build and maintain an evidence base to substantiate all decisions, operational policies and the design of the delivery approach;
- the engagement of science and research capabilities to bring innovation, added rigour and new insight to the design of rectification solutions that address combustible cladding; and
- a willingness to extend the range of activities undertaken by CSV to support the interests of Victorian building safety beyond the scope of CSV's statutory purpose and functions.

Some of the key initiatives and activities undertaken by CSV in 2021-22 to improve outcomes and resolve emergent issues are presented in this part of the report.

Independent review and audit activity

CSV's Annual Work Program incorporates programmed audit and review activity that targets elements of CSV planning and delivery.

To provide an extra level of accountability and to identify opportunities for practice and process improvement, CSV was subject to three independent audits during 2021-22 undertaken by PricewaterhouseCoopers (PwC) Australia. These audits targeted processes within the CSV delivery model that support the delivery of rectification works for private residential buildings:

- *Rectification Program Delivery Model Stage Review - Stage 0 'Planning and Prioritisation', Stage 1 'Due Diligence' and Discharge;*
- *Rectification Program Delivery Model Stage Review - Stage 2 Variations and Change Management;* and
- *OHS Management across the Residential Program Delivery Model.*

In addition, a *Lessons Learned Review* was undertaken by Deloitte Touche Tohmatsu (Deloitte), to conduct a more extensive and broad-based review of CSV's establishment, delivery design and progress. A statement about the scope of this review is presented below.

As the delivery of the CRP (the Cladding Rectification Program) approaches its midway point, CSV is interested in identifying lessons learned through its establishment and delivery of the CRP to inform similar future initiatives and agencies, both nationally and internationally. This review drew upon the detailed knowledge of subject matter experts and the evidence base of working with 800 buildings, and engaged with owners corporations, recognising the value in their first hand experience with the CRP.

This report covers the following phases of CSV's lifecycle:

- Announcement – Victorian Government's announcement of a \$600m package for the CRP
- Establishment – establishing CSV (the agency), including its core systems and processes
- Delivery – developing a risk-based method for delivering the CRP.

Source: *Cladding Safety Victoria Lessons Learned Review, Deloitte Touche Tohmatsu, March 2022.*

Audits and reviews are vital to CSV learning as they provide for CSV delivery design and practice to be viewed through the lens of a third party, who can bring a fresh perspective.

To inform their findings, PwC and Deloitte interviewed key representatives of the CSV leadership team and personnel with technical knowledge relevant to the subject of the review and audit. Where relevant, the findings of the review and audits were also informed by interviews with parties external to CSV, including DELWP, the VBA, building practitioners, MBSs and building owner representatives.

The findings of these audits and reviews have both confirmed the strengths of CSV practice and helped identify improvement opportunities.

Working with other jurisdictions

Victoria is not the only jurisdiction in the world trying to deal with combustibile cladding in the built environment, with other state governments in Australia and jurisdictions worldwide working to implement their own solutions to deal with this community safety issue.

Of note is the NSW, ACT and QLD Governments who CSV has met with previously to discuss and compare individual approaches to dealing with this issue. CSV's Chief Executive also presented at the Sydney Annual Fire Safety and Cladding Summit in Sydney in May 2022 to talk about Victoria's Cladding Rectification Program.

While the model adopted in Victoria to deal with combustibile cladding is unique and the types of buildings targeted and the cladding products that are the focus of corrective action may differ from those in other jurisdictions, the nature of the problem and the complexities of dealing with it are the same. In every jurisdiction, the objective is to reduce cladding risk in a way that makes the people who live in and use these buildings safer.

To that end, CSV has met regularly with its cladding remediation colleagues in other jurisdictions throughout 2021-22 including England, Scotland, Northern Ireland and the Republic of Ireland.

Our northern hemisphere counterparts are keen to learn from the Victorian experience, which is quite unique given the combined focus on government funded rectification, direct managed delivery and risk-based science. But equally, Victoria has opportunity to learn from other jurisdictions. The dialogue that is maintained with each of these parties, including with our interstate colleagues is an essential part of a collective learning and practice improvement approach CSV seeks to foster.

Framework for assessing cladding risk

One of the key contributions that CSV innovation has made to dealing with combustible cladding is its work on risk modelling.

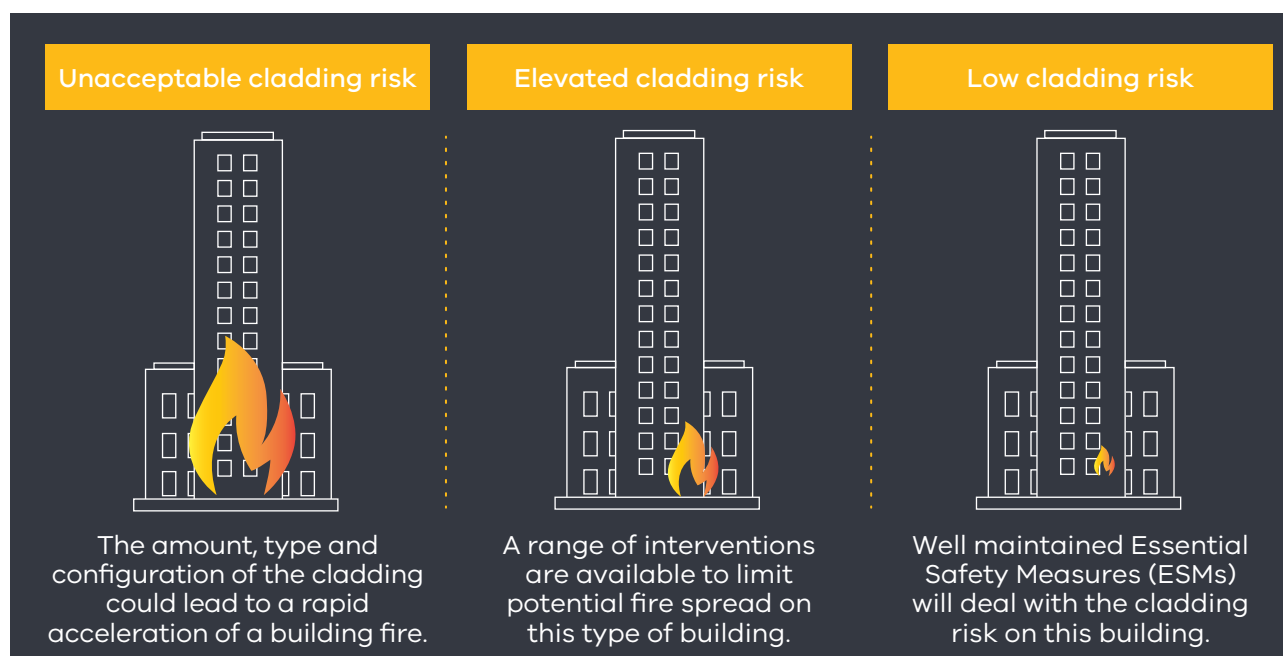
To enable the risk-based prioritisation of the available funding, CSV developed a Cladding Risk Prioritisation Model (CRPM) in collaboration with CSIRO Data61. The CRPM method gives primary consideration to the extent to which cladding can spread fire across a facade and estimates the number of apartments – referred to as Sole Occupancy Units (SOUs) – at most that a single cladding borne fire could plausibly spread to via cladding.

The key measure is the Initial Fire Spread in Cladding Assessment Number (IF-SCAN) and is used to allocate buildings to one of three categories, as illustrated below:

- **Unacceptable** cladding risk;
- **Elevated** cladding risk; and
- **Low** cladding risk.

CSV is using the available funding to commission construction work to remove combustible cladding from those of highest-risk, consistent with Taskforce Recommendation 21 and CSV's legislative charter.

CSV approved funding for about 210 buildings prior to the availability of the CRPM, using a previous risk assessment method that gave greater prominence to other safety factors that are not directly related to cladding. CSV has since completed CRPM-based risk assessments for a further 516 buildings⁶, which provides a comprehensive risk profile of the buildings within scope.



⁶ The other 91 buildings in the CSV pool of 817 residential buildings that have not been subject to CRPM assessments are either discharged from the funded program (80) or are buildings that remain under review to establish their eligibility (11).

Science-led approaches to understanding and responding to cladding risk

The science of fire risk and the simulation and computational modelling and mathematics that underpins it has been developed over many years and is well established as a foundational element for regulatory safety standards and practice applying to residential buildings. This solid science-based foundation is largely a derivation of fire behaviour applicable to internally spread fires.

The new focus on cladding borne fires takes the question of fire spread behaviour to the outside of a building, where the science is less well developed.

CSV has embraced the challenge to focus on the contribution of cladding to fire risk and fire spread and has engaged the world of science to further its understanding.

By engaging science to better define cladding risk, CSV is using science to inform:

- the cladding risk status of each building;
- the priority order in which rectification works should be undertaken; and
- the level of intervention necessary for each building to make that building safer.

CSV has brought this science-based capability to bear by embedding research roles within its technical team and through ongoing contractual partnerships with the Commonwealth Scientific and Industrial Research Organisation (CSIRO) Data61, and international experts⁷, to work with the CSV technical team to develop CSV's cladding risk modelling for Victorian residential buildings.

The CSV investment in combustible cladding related science projects to 30 June 2022 has enabled significant improvements to CSV processes and accountability, listed below.

<p>1. Targeting buildings for funded rectification</p>	<p>CSV has had over 800 buildings referred to it on the basis that all carry a level of risk that warranted rectification works being funded.</p> <p>Through the development and application of CSV's Cladding Risk Prioritisation Model (CRPM), developed in collaboration with CSIRO Data61, CSV has determined that less than half of the referred buildings have an unacceptable cladding risk and need an extensive cladding rectification solution.</p> <p>This new risk-based understanding is ensuring that CSV's budget is being directed with maximum risk reduction effect. Further, the evidence about cladding risk on those lower-risk buildings suggests that many buildings will require a limited amount of cladding rectification work at most.</p>
<p>2. Risk reduction quantification and reporting</p>	<p>CSV has collected and compiled a significant amount of building and risk data that it is used to assess buildings via the CRPM.</p> <p>This same data has now been used to develop a means of quantifying the reduction in cladding risk achieved by CSV through the buildings rectified at any one point in time.</p> <p>This estimation method was developed by CSV, using its own research team comprising building and fire safety specialists and prominent academics. The availability of this measure provides a valuable focus for CSV accountability measures and will figure in all major reporting including this Annual Report.</p>

⁷ The international experts involved in peer reviewing the CSV Protocols for Mitigating Cladding Risk have been: Dr Greg Baker, Director of Applied Fire Research and Consultancy (Fire Research Group Ltd) NZ, and Dr Brian Meacham, Managing Principal (Meacham Associates) UK.

During 2021-22, CSV started to focus on how to use science to develop an approach for mitigating the cladding risk on lower-risk buildings for which CSV funded rectification is not required.

The Protocols for Mitigating Cladding Risk (PMCR) is a CSV initiated project that is supported by DELWP and the VBA. Scientific research in the areas of fluid dynamic simulation and machine learning being undertaken by the CSV team is providing an evidence-based framework for assessing and comparing alternate solutions to mitigate cladding risk on lower-risk buildings.

This work will be completed in 2022-23 and will enable policy, guidelines and associated PMCR tools to be released that building owners and MBSs can use to find a solution to resolve the cladding risk on each building. Most importantly, the solutions required for these buildings are likely, in most cases, to offer relatively affordable options that make a building safer (applied to buildings that already have a relatively low risk) and therefore do not impose an unrealistic cost-burden on building owners to implement.

Finding solutions for lower risk buildings

A key priority for CSV in 2021-22 has been to work with DELWP and the VBA to identify the options for responding to cladding risk on buildings where the risk status is classified as elevated.

CSV's contribution to this important work has been to draw on its detailed building information, expert internal fire safety knowledge and its scientists to build an evidence base for the selection and assessment of options for treating the risk of buildings with an elevated risk.

In 2021-22, CSV initiated a project with the support of DELWP and the VBA to address the risk on buildings with an elevated cladding risk.

The objective of the Protocols for Mitigating Cladding Risk (PMCR) Project is to develop evidence-based rules that can be used to design risk mitigation solutions for elevated risk buildings. These solutions must address the true risk exposure presented by combustible cladding, while ensuring the effort required to deliver the solution (time, cost, resources and materials) is proportionate to the cladding risk associated with the building.

In developing the protocols, CSV is working with local councils to ensure the lines of scientific enquiry being pursued reflect the practical experiences and safety concerns of local MBSs.

Image: A building project underway in CSV's program.



Outputs, progress and performance against outputs

2021–22 State Budget and service delivery

CSV is held accountable for delivery of four performance targets that form part of the government’s priorities for service delivery as outlined in Budget Paper No. 3. Two performance targets relate to the Residential Cladding Rectification Program led by CSV and two relate to the Government Buildings Cladding Rectification Program facilitated by CSV.

The Residential Cladding Rectification Program performance target for commencing cladding rectification works was placed on hold through a government directive during the financial year to enable the VBA to complete the Statewide Cladding Audit Intensive Inspection Initiative to clarify the full program scope. Clarity on the program scope is critical to enable CSV to accurately undertake prioritisation activities. During the pause, CSV continued delivery work for buildings already underway and continued investigation of risk mitigation measures.

Performance measures	Unit of measure	2021–22 actual	2021–22 target	Performance variation (%)	Result (a)
In-scope privately owned residential buildings that have commenced cladding rectification works	number	32	150	-78.7%	■
New performance measure for 2021-22 to reflect the commencement of cladding rectification works on privately-owned residential buildings as demonstrated by when a design and construct contract has been awarded and the final design of the rectification works has commenced to enable the physical works to begin on site.					
In-scope privately-owned residential buildings that have completed cladding rectification works	number	131	150	-12%	■
New performance measure for 2021-22 to reflect the completion of cladding rectification works on privately-owned residential buildings as demonstrated by the project reaching practical completion.					

Note: (a) Performance target achieved or exceeded
 Performance target not achieved – exceeds five per cent
 Performance target not achieved – within five per cent

The performance targets for the Government Buildings Cladding Rectification Program were well exceeded for the period due to a combination of factors. There was an increase in the program scope through the addition of government-owned buildings including hospitals which were previously inaccessible, as

well as the inclusion of a number of community housing buildings. These buildings were identified as meeting program criteria based on risk rating and were funded within the available budget. The program also progressed a number of projects that were delayed from 2020–21.

Performance measures	Unit of measure	2021–22 actual	2021–22 target	Performance variation (%)	Result (a)
In-scope government-owned buildings that have commenced cladding works	number	29	7	414.3%	✓
<p>This new performance measure replaces the 2020–21 performance measure 'Government buildings identified as high priority that have commenced cladding rectification'. The new measure provides increased clarity to reflect the commencement of cladding rectification works on government-owned buildings as demonstrated by when a construction contract has been awarded and rectification works have commenced on site.</p>					
In-scope government-owned buildings that have completed cladding rectification works	number	34	31	109.7%	✓
<p>This new performance measure replaces the 2020–21 performance measure 'Government buildings identified as high priority that have commenced cladding rectification'. The new measure provides increased clarity to reflect the completion of cladding rectification works on government-owned buildings as demonstrated by the project reaching practical completion.</p>					

Note: (a) ✓ Performance target achieved or exceeded
 ■ Performance target not achieved – exceeds five per cent
 □ Performance target not achieved – within five per cent

Progress tracking against the Annual Work Program

Cladding Safety Victoria’s focus on outcomes

The Cladding Safety Victoria Strategic Plan 2021-25 defines the three core outcomes that provide the focus for CSV performance monitoring and reporting.

Outcomes	1. CSV actions improve the safety of buildings within the scope of the program	2. Owners corporations participating in the rectification program, as well as the wider Victorian community, are well-informed about cladding risk	3. Robust financial and resource management optimises the value of CSV’s delivery outcomes
Outcome Indicator	Timely rectification of buildings prioritised on risk basis	Enhance the awareness of owners corporations of buildings with combustible cladding about fire risks	Enhance the effectiveness of CSV’s governance systems and processes
Outcome Measure	% buildings within the program reach practical completion within agreed timeframes	Rating of owners corporations’ understanding of cladding and fire risks through CSV engagement	% risks managed within tolerance levels Actual vs budgeted cost (CSV overall) % compliance with mandatory requirements

Outcome 1: CSV actions improve the safety of buildings within the scope of the program

The focus of CSV's rectification program is to efficiently reduce the risks associated with combustible cladding on residential and government-owned buildings, thereby protecting occupants and building assets from the serious impacts of fire that can spread through building cladding. CSV works intensively with government departments and owners corporations to develop high-quality and cost-effective solutions that effectively address cladding risk and to ensure these are implemented to the highest safety standards.

Timely rectification of buildings prioritised on a risk basis	2021-22 annual target	2021-22 actual
Percentage of buildings within the government program that reach practical completion within agreed timeframes	100%	77%
Percentage of buildings within the residential program that reach practical completion within agreed timeframes	≥95%	88%

Outcome 2: Owners corporations participating in the rectification program, as well as the wider Victorian community, are well-informed about cladding risk

CSV produces resources and undertakes engagement activities to ensure that the community has access to information about cladding risk and its implications for households exposed to fire risk in domestic and public settings. CSV also works closely with owners corporations participating in the rectification program to ensure they are fully informed about the rectification process and the steps they can take to protect their buildings. In addition, CSV regularly distributes information about the importance of fire safety and practical advice and safety tips for circulation to residents.

Enhanced awareness of the Victorian community and participating owners corporations about cladding fire safety risk and the rectification program	2021-22 annual target	2021-22 actual
Satisfaction rating for participating owners corporations *	≥80%	79.2%
Engagement rates for community information campaigns ^	A fire safety letter distributed to each owners corporation in the program that meets set criteria	A fire safety letter distributed to each owners corporation in the program that meets set criteria each quarter

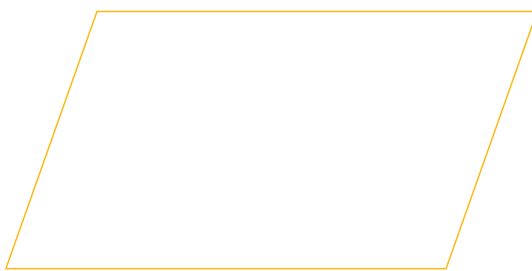
* Annual measure

^ Baseline to be established in 2021-22

Outcome 3: Robust financial and resource management optimises the value of CSV’s delivery outcomes

CSV’s success is underpinned by the processes and controls that work to build and sustain a high level of organisational performance through effective resource management, comprehensive risk and safety systems, and strong financial governance. CSV is continually striving to improve the operational practices that provide a strong foundation for the achievement of its objectives. This is realised through benchmarking against better-practice organisations, sound oversight and the external review of our processes by independent bodies.

Enhance the effectiveness of CSV’s financial, risk and resource planning and systems	2021-22 annual target	2021-22 actual
Variance between actual and budgeted cost for CSV’s overall budget	≤+/-10%	-35%
Internal CSV operating costs as a percentage of overall costs	<15%	5%
Percentage of extreme and high risks managed within tolerance levels	≥85%	90%

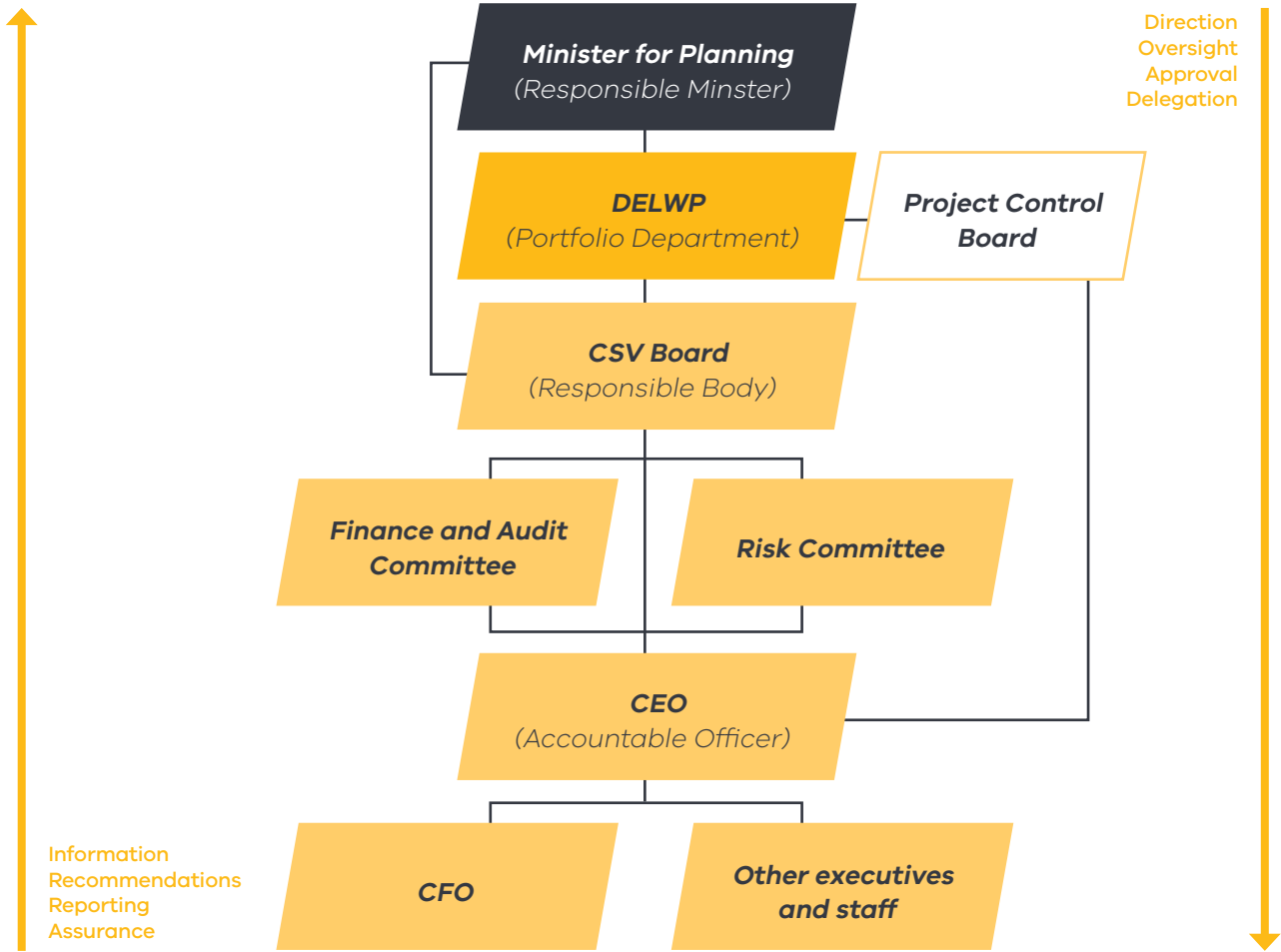


Organisation and people

Governance

The key governance responsibilities that guide CSV's operations as an independent entity are outlined in the overarching legislation and ministerial directions for public entities generally, and CSV specifically, these being

the *Cladding Safety Victoria Act 2020*, the *Public Administration Act 2004* and the Standing Directions issued by the Assistant Treasurer under the *Financial Management Act 1994* (Standing Directions). A high-level summary of these governance responsibilities is outlined below.



Minister for Planning

CSV is subject to the general direction and control of the Minister for Planning. CSV must comply with any direction of the Minister, including a direction to give any information or assistance the Minister requires.

The Minister provides direction through a Statement of Expectations. Any organisational planning and associated delivery of activities must be consistent with the expectations outlined within this statement.

As the Responsible Body under the Standing Directions and according to the requirements of the *Public Administration Act 2004*, the CSV Board must keep the Minister informed about CSV's activities, as well as any significant issues or major risks. Under the *Cladding Safety Victoria Act 2020*, CSV must also inform the Minister about the completion of cladding rectification work to a building under a funding agreement.

The Minister has responsibilities under the *Cladding Safety Victoria Act 2020* to appoint members to the CSV Board, to approve CSV's Strategic Plan and Annual Work Program, and to undertake a review of the ongoing need for CSV by no later than 1 January 2024.

Department of Environment, Land, Water and Planning (DELWP)

As a portfolio department, DELWP has responsibility for keeping the Minister informed about each of its public entities and their overall performance, discharge of their duties and prescribed obligations, and significant issues and risks. DELWP is also responsible for providing guidance to entities on matters associated with public administration and governance.

CSV undertakes regular financial and performance reporting to DELWP according to a reporting framework. Similar to the reporting obligations to the Minister, and in line with DELWP's portfolio responsibilities, CSV must notify DELWP of any significant issues or major risks.

Cladding Safety Victoria's Board

The Board has a responsibility to oversee CSV's operations in accordance with the object and functions of CSV as outlined in the *Cladding Safety Victoria Act 2020*. Governance of the rectification program is shared with the Project Control Board (PCB), which is led by DELWP and comprises representatives from the departments and agencies involved in the delivery of the full end-to-end rectification program, from audit to acquittal.

Under the *Cladding Safety Victoria Act 2020*, the Board has specific responsibilities relating to strategic and annual work planning. CSV must produce a four-year Strategic Plan and Annual Work Program. The Board is accountable for delivering these plans and must act in accordance with the objectives of the plans. The Board is also responsible for appointing the CEO.

The Board is accountable for ensuring good governance principles are applied to its own practice and to CSV's operations. This includes adherence to codes of conduct, the public sector values and public sector employment principles, effective management of conflicts of interest and gifts, benefits and hospitality, establishment of Board meeting and dispute resolution procedures, and assessment of the performance of the Board and individual members.

Under the Standing Directions, the Board has overarching responsibilities for CSV's financial management, performance and sustainability. There are several prescribed functions and activities that the Board, as the Responsible Body, must attest to compliance within CSV's Annual Report.

The Board must inform the Minister and DELWP about any significant issues or major risks in a timely manner. The Board is also responsible for advising the Minister on the performance of its legislated functions, including a right of subrogation conferred on the Crown under section 137F of the *Building Act 1993*, and on any other matters referred to it by the Minister.

The membership and record of attendance of the CSV Board for 2021–22 is shown below.

Name	Position	Term	Attended	Scheduled meetings
Rod Fehring	Chairperson	01 July 2021 to 30 June 2022	7	7
Sarah Clarke	Deputy Chairperson	01 July 2021 to 30 June 2022	7	7
David Webster	Director	01 July 2021 to 30 June 2022	6*	7
Genevieve Overall	Director	01 July 2021 to 30 June 2022	6*	7
Jo Pugsley	Director	01 July 2021 to 30 June 2022	6*	7
Roger Teale	Director	01 July 2021 to 30 June 2022	5**	7

* *David Webster, Genevieve Overall and Jo Pugsley were granted leave of absence for one Board meeting.*

** *Roger Teale was granted leave of absence for two Board meetings.*

Finance and Audit Committee

The Finance and Audit Committee is a sub-committee of the CSV Board established in accordance with the Standing Directions of the Minister for Finance under the *Financial Management Act 1994*. The Committee provides assurance and advice to the Board on the effectiveness of the organisation's financial management systems and controls, performance and sustainability, and compliance with laws and regulations as they relate to financial management.

The membership and record of attendance of the Finance and Audit Committee for 2021-22 is shown below.

Name	Position	Term	Attended	Scheduled meetings
David Webster	Chairperson	01 July 2021 to 30 June 2022	5	5
Rod Fehring	Member	01 July 2021 to 30 June 2022	5	5
Genevieve Overall	Member	01 July 2021 to 30 June 2022	4*	5

* Genevieve Overall was granted leave of absence for one Finance and Audit Committee meeting.

Rick Committee

The Risk Committee provides assurance and advice to the Board on the effectiveness of the organisation's compliance with laws and regulations and risk management systems and processes, including those relating to health and safety, fraud and corruption and business continuity.

The membership and record of attendance of the Risk Committee for 2021-22 is shown below.

Name	Position	Term	Attended	Scheduled meetings
Roger Teale	Chairperson	01 July 2021 to 30 June 2022	5	5
Sarah Clarke	Member	01 July 2021 to 30 June 2022	5	5
Jo Pugsley	Member	01 July 2021 to 30 June 2022	5	5

Cladding Rectification Program Project Control Board

The DELWP led Project Control Board (PCB) is responsible for strategic oversight of the Cladding Rectification Program, comprised of the following elements:

- state-wide audit activity and associated disciplinary action by the Victorian Building Authority (VBA);
- implementation of the Cladding Rectification Program for in-scope privately owned buildings overseen by CSV;
- establishment and implementation of the rectification program for government-owned buildings including authorising the release of funds; and
- development and implementation of immediate reform priorities and scoping and development of longer-term policy reform options.

The role of the PCB is to ensure the work meets its aims and objectives through the provision of strategic advice and problem solving. It is also responsible for ensuring milestones are satisfactorily achieved, and stakeholders are satisfactorily consulted and kept informed of future changes. Senior representation from DELWP, VBA, CSV, the Department of Treasury and Finance, and the Department of Premier and Cabinet make up its membership.

Record of governance oversight

The direction, planning and delivery of CSV activity is subject to strict governance oversight provided by a range of governance bodies identified previously. These bodies meet regularly to review papers prepared by CSV, discuss issues and program progress and authorise action.

The table below provides information about the number of times each CSV governance body met during 2021-22.

Governance body	Period of oversight	Number of meetings
CSV Board	1 July 2021 to 30 June 2022	7
CSV Finance and Audit Committee	1 July 2021 to 30 June 2022	5
CSV Risk Committee	1 July 2021 to 30 June 2022	5
Project Control Board	1 July 2021 to 30 June 2022	11
Total of all engagements		28

Our people

As CSV continues to build and strengthen our capability to deliver, we recognise that our staff are key to building and navigating partnerships, including with owners corporations, government, within the construction industry, the broader community and others. We aim to bring a collaborative approach towards solving problems, some that go beyond cladding. And at the forefront of this, we must remember that our communities and the owners corporations we're helping are at the centre of everything we do. A workplace culture of collaboration and clear communication, committed to problem-solving and getting on with the job is critical to this success.

Our commitment to safety is equally as paramount and at the forefront of everything we do. There is nothing more important than keeping our staff and our communities both psychologically and physically safe. We have a zero tolerance to unsafe work practices, and we take our approach to risk very seriously. Safety does not look after itself, and we're ensuring we have the right people and expertise in place to manage this appropriately.

Cladding Safety Victoria's resource model

CSV has developed a resource model to best deliver an effective and efficient rectification program that ensures owners corporations are supported throughout the life of individual cladding rectification projects. This is provided by a blended model of insourcing and outsourcing of resources.

CSV works with industry, leveraging a mature market by engaging practitioners to support the cladding rectification works in the form of due diligence consortia, fire and structural engineers, building surveyors, quantity surveyors, independent project managers, and the Clerks of Works. CSV, through its Independent Project Managers, support owners corporations to engage suitable builders to carry out works.

This model allows CSV to maximise quality, safety and value for money outcomes, reducing risk to the community and government.

CSV's stakeholder engagement model ensures that each owners corporation is assigned a dedicated Customer Liaison Officer to support them through the end-to-end process.

During 2021-22, CSV has invested in building a strong in-house technical team to ensure that owners corporations are receiving the best advice and well supervised rectification projects. The team brings together industry recognised experts in the areas of fire safety engineering, building surveying, architectural advice and data analysis. The CSV technical team working in partnership with CSIRO and RMIT have developed a tool to measure risk reduction solutions to support less expensive solutions beyond full rectification. CSV's technical team works closely with MBSs, industry and regulators to ensure cost effective risk-based solutions for owners corporations.

Board members and CEO

The role and responsibilities of the CSV Board are defined as part of the *Cladding Safety Victoria Act 2020*.

Board members have been recruited to make up a team that has broad experience and knowledge across the building industry and its regulation, public engagement and communications, risk management, public administration and governance, financial management, strategic planning and legal practice.

These roles are performed on a part time basis. The board consists of:

- **Board Chairperson – Rodney Fehring**
- **Deputy Board Chairperson – Sarah Clarke**
- **Board Member – Genevieve Overell**
- **Board Member – Jo Pugsley**
- **Board Member – Roger Teale**
- **Board Member – David Webster**

Rod Fehring – Board Chairperson

Rod Fehring is Chairman of 3 Frasers Property Limited (FPL) business units in Australia, the UK and Europe. These roles are performed on a part time basis.

Rod is also the Independent Director of the Lendlease Retirement Living (LLRL) Joint Operating Committee and is a member of the NSW Housing Strategy 2041 Expert Panel.

Prior to this appointment, Rod was Chief Executive Officer of Frasers Property Australia, which develops, builds, owns and manages residential, commercial, industrial and retail property assets in Australia. Rod was also formerly the Director of Frasers Logistics and Industrial Trust, listed on the Singaporean stock exchange.

He has more than 37 years of experience in the property and development industry primarily involved in large-scale urban development, mixed-use and urban renewal schemes.

Sarah Clarke – Deputy Board Chairperson

Sarah Clarke is a senior executive focused on sustainability, ethics, and environmental social and corporate governance.

Sarah leads the highly-regarded Mirvac sustainability strategy, This Changes Everything, and is also a Board Member of Homes Victoria. She has experience across multiple sectors and industries, including the built environment, oil and gas, public transport, and social policy.

Sarah received a Master of Arts (Professional & Applied Ethics) from the University of Melbourne, is a graduate of the McKinsey & Co Executive Leadership program, the Prince of Wales Business & Sustainability Leaderships program from the University of Cambridge, and holds a Bachelor of Arts (Hons, English) from James Cook University.

Genevieve Overell – Board Member

Genevieve's executive career spans more than 25 years in leadership roles with leading

consulting and professional services firms, Victorian Government and most recently, Deutsche Bank Australia. Deploying her technical expertise, transaction experience and advisory skills, Genevieve, an experienced Chair, has served on Boards across financial services, healthcare, professional services, infrastructure projects, cross-border trade and investment, professional associations, the arts, property development industry, non-profit charitable organisations and government business enterprises and authorities.

Genevieve collaboratively fosters innovation, fiscal discipline and risk recognition to optimise project delivery. Committed to diversity and inclusion, Genevieve has mentored and sponsored emerging leaders throughout her career. A lifelong love of the arts culminated in Genevieve's appointment as Chair of Victorian Opera in 2018. A Fellow of the Australian Institute of Company Directors and the Institute of Public Administration of Australia, Genevieve retains a keen interest in public policy and the urban environment.

In the 2020 Queen's Birthday Honours, in recognition of her contributions to a range of organisations, Genevieve was made a Member of the Order of Australia.

In 2021, Monash University appointed Genevieve the Distinguished Alumna, Faculty of Law.

Jo Pugsley – Board Member

With more than 25 years legal experience, Jo is a senior partner in the Clayton Utz Melbourne construction and major projects team.

Jo's expertise lies in working in the built environment. She is a subject matter expert on the full suite of construction contract models. She has sat at the negotiating table with many players in the construction industry over the years. She is known for her ability to develop innovative delivery models to solve the most complex project issues and manage risk appropriately.

As part of her practice, she has established herself as the go-to person for state government departments and agencies across

Australia for end-to-end asset delivery for social infrastructure including social housing, prisons and hospitals. Her passion for this sector is driven by a strong sense of community justice.

Roger Teale – Board Member

Roger Teale is the Managing Director of Lautaret, a specialist consulting firm based in Melbourne. Lautaret provides strategic advice to the property, construction, government and industry sectors. Key clients include government, industry, property, construction and infrastructure companies.

Roger Teale has more than 25 years of senior executive leadership and management experience in the property and construction industry in Australia.

Roger has extensive experience in managing client and stakeholder relationships in both public and private sectors collaborating with government stakeholders on large scale development and infrastructure projects within Victoria across State and Local Governments.

He has a proven ability to foster and manage complex commercial relationships with diverse stakeholders across government and industry and has demonstrated experience working with key industry stakeholders to develop collaborative partnerships.

David Webster – Board Member

David Webster is the Chief Executive of the Australian Government Infrastructure and Commercial Advisory Office.

David's extensive government experience includes seven years as Deputy Secretary Commercial and 6 months as Acting Secretary of Victoria's Department of Treasury and Finance. He was also Global head of RBS infrastructure advisory in London for 5 years, in addition to a number of senior roles in financial institutions.

In his current role David leads a team of specialist commercial advisers within the Australian Government. As Deputy Secretary, Commercial Division he was line manager of high performing commercial teams including Partnerships Victoria, Shareholder Advisory Services, privatisations, and infrastructure.

His work has included high-level negotiations in complex transactions, such as the Port of Melbourne lease. He offered lead Treasury oversight of financial assets and liabilities, asset recycling and privatisations, market-led proposals, public private partnerships and infrastructure deals during his time at DTF.

David is also on the Board of the ACT Government's Suburban Land Agency.

Dan O'Brien – Chief Executive Officer

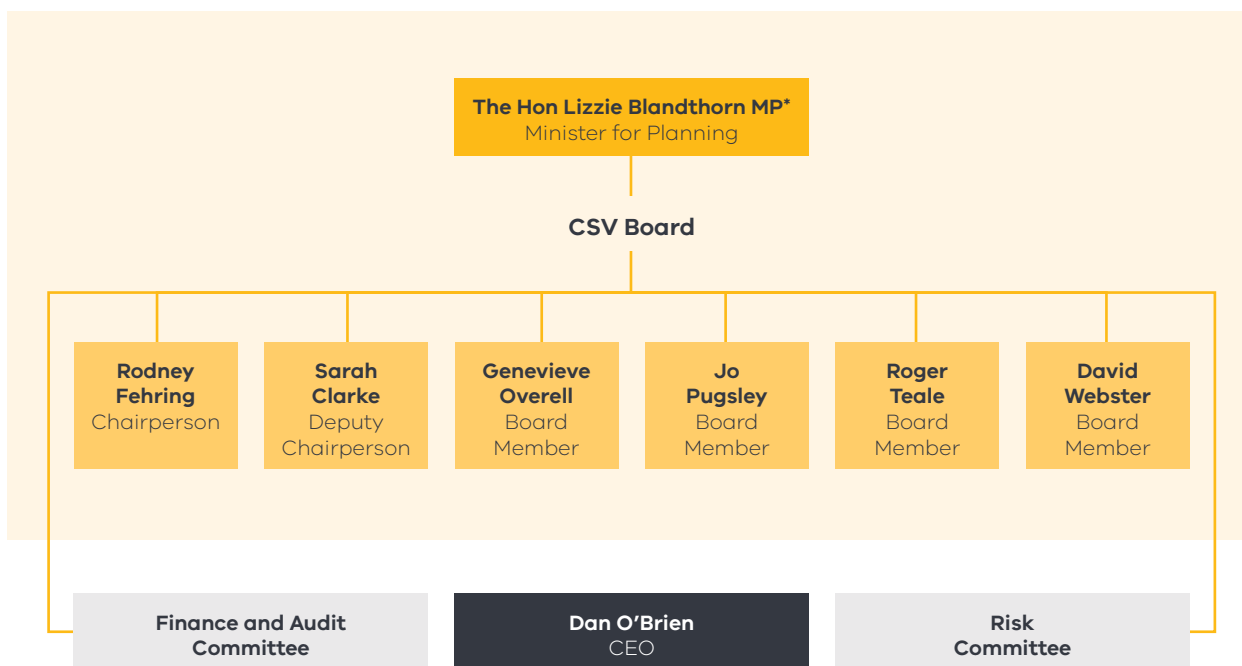
Dan O'Brien has extensive experience across the public and private sector.

Dan was previously the Chief Executive of Incolink, delivering services to Victoria's building and construction industry.

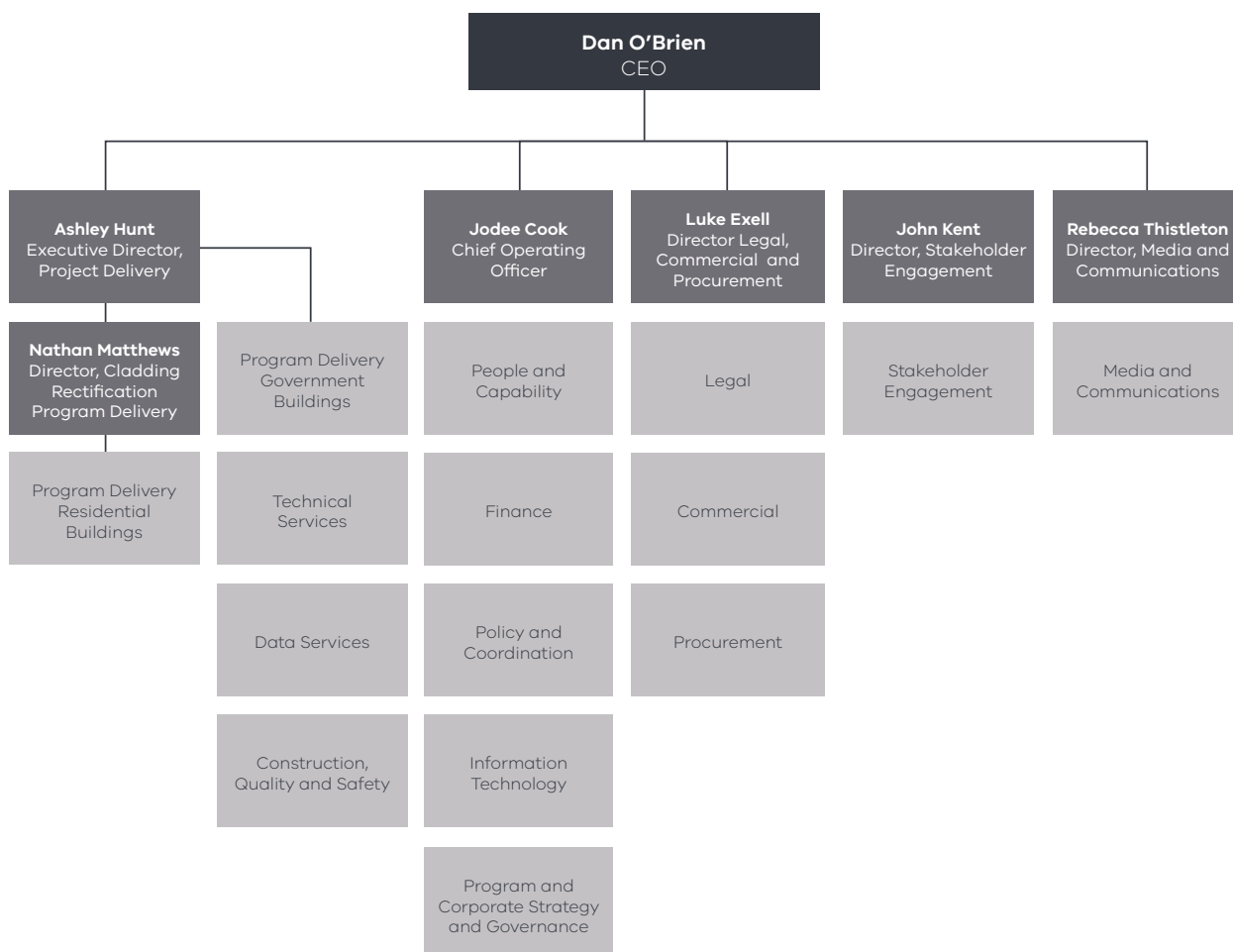
He has also held key executive roles at the National Australia Bank and Medibank Private, and senior roles in both the Victorian and Federal governments – including Chief Executive of Regional Development Victoria and Deputy Secretary of the Department of Regional Development, Arts and Sports (Federal).

Dan was previously the Chief of Staff to former Victorian Premier John Brumby.

Dan is currently a Director on the board of VicTrack.



* The responsible Minister for the reporting period (from 1 July 2021 to 26 June 2022) was The Hon. Richard Wynne MP, until The Hon. Lizzie Blandthorn MP was appointed as Minister for Planning on 27 June 2022.



Public Sector Values and Employment Principles

CSV applies the Public Sector Values and Employment Principles as set out in the *Public Administration Act 2004*, including the application of merit and equity principles when appointing staff.

Selection processes ensure applicants are assessed and evaluated fairly and equitably based on key selection criteria and other accountability without discrimination.

Employees have been correctly classified in workforce data collections.

The *VPS Enterprise Agreement 2020* covers all other employees or workplace participants employed by the organisation.

Comparative workforce data

The table below details the headcount and full-time staff equivalent (FTE) of all active public service employees of CSV, employed during the reportable period.

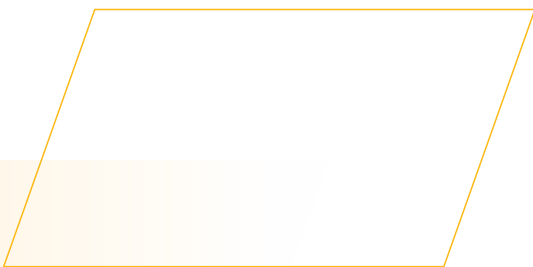
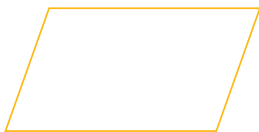
	All employees		Ongoing			Fixed term and casual	
	Number HC*	FTE	Full-time HC*	Part-time HC*	FTE	Number HC*	FTE
Gender							
Female	40	38.1	29	3	31.1	8	7
Male	43	42.4	23	2	24.4	18	18
Self-described	-	-	-	-	-	-	-
Age							
25-34	20	19.8	13	1	13.8	6	6
35-44	33	31.1	20	3	22.1	10	9
45-54	19	19	14	-	14	5	5
55-64	10	10	5	-	5	5	5
65+	1	0.6	-	1	0.6	-	-

	All employees		Ongoing			Fixed term and casual	
	Number HC*	FTE	Full-time HC*	Part-time HC*	FTE	Number HC*	FTE
Band 1 - 6	71	69.5	48	5	51.5	18	18
3	7	7	5	-	5	2	2
4	15	14.6	11	2	12.6	2	2
5	29	28.8	20	1	20.8	8	8
6	20	19.1	12	2	13.1	6	6
Senior employees	12	11	4	-	4	8	7
Senior Technical Specialist (STS)	5	4.2	4	-	4	1	0.2
Senior Executive Service (SES)	7	6.8	-	-	-	7	6.8
Total employees	83	80.5	52	5	55.5	26	25

* headcount

Executive leadership team

The number of executive officers and their total remuneration during the reporting period are shown in the figure to the right. The total annualised employee equivalent (AEE) provides a measure of a full time equivalent executive officer over the reporting period. Remuneration comprises of the employee benefits in all forms of compensations paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered. Further information on the number of our executive officers, by classification and gender is provided to the right.



Annualised total salary by \$60,000 bands for executives and senior non-executive staff

Income band salary	Executive number	Senior Technical Specialist
\$168,000 - \$228,000	3	4
\$229,000 - \$289,000	3	-
\$290,000 - \$350,000	-	-
\$351,000 - \$411,000	-	-
\$412,000 - \$472,000	1	-

Number of executive officers by classification and gender as at 30 June 2022

Classification	Total	Female	Male
SES 3	1		1
SES 2	1		1
SES 1	5	2	3

Occupational health and safety

CSV's commitment to workplace safety and wellbeing is paramount and remains the forefront of everything we do. There is nothing more important than keeping our staff and our communities both psychologically and physically safe. We have a zero tolerance to unsafe work practices, and we take our approach to risk very seriously. Safety does not look after itself, and we're ensuring we have the right people and expertise in place to manage this appropriately.

In 2021-22, CSV published its People and Culture Strategy 2021-25, of which the second strategic priority stated, 'we create a safe and health workplace for everyone' and seven initiatives were nominated as below.

Initiative title	Outcome
Implementation of VPS OHS Framework 'Leading the Way'	Successfully implemented.
Flexible work practices for all staff	Flexible work arrangements were available for all CSV staff via discussion with direct supervisors.
Mandatory appropriate workplace behaviour training	Mandatory training for all CSV staff via staff learning portal, Employee Edge.
Occupational Health Safety and Wellness (OHSW) Committee	The established OHSW committee continued its work throughout the financial year 2021-22.
Construction site safety induction (white card training program)	The white card training program was available to all CSV staff throughout the financial year 2021-22.
Establishment of CSV's standalone Employee Assistance Program (EAP)	Converge International was engaged as the dedicated CSV EAP provider for financial year 2021-22.
Implement actions from the People Matter Survey and Workplace Culture surveys	Recruitment and Retention Strategy was successfully implemented by the third quarter of financial year 2021-22. Reward and Recognition Strategy was developed pending approval.
Establishment of a People and Culture working group	CSV People and Culture Committee was successfully established in September 2021.

Performance measures

In 2021-22, CSV continued following the established Occupational Health and Safety Framework where the performance objectives and measures were refined for effective monitoring and regular reporting. The role of Construction Quality and Safety Manager was also established to provide dedicated oversight and comprehensive monitoring of OHSW.

CSV’s Occupational Health and Safety (OHS) report was a standing agenda item at every Risk Committee meeting and the CSV Board meeting. The Construction Quality and Safety Manager attended all meetings to report on CSV performance and progress.

	Senior Executive	Program Managers	Employees	Contractors
Objectives	<ul style="list-style-type: none"> • Monitor and review performance data against vision, policy, objectives and targets • Establish and review policies and procedures • Participate in reporting incidents or hazards • Provide information on instruction and training • Support and cultivate organisational OHSW culture 	<ul style="list-style-type: none"> • Participate in training • Report on safety key performance indicators • Contribute to reviews of processes and procedures • Support consultative programs and initiatives 	<ul style="list-style-type: none"> • Participate in training • Report incidents and hazards • Comply with policies and procedures • Engage in established consultation programs and initiatives • Support and maintain a safe and healthy working environment 	<ul style="list-style-type: none"> • Comply with processes and procedures • Carry out best practices • Attend health and safety issues in a timely manner • Identify hazard and ensure risk controls carried out on site

The CSV OHS dashboard below includes performance measures for both internal operations and the residential rectification program.

	Measure	Input	Output
CSV OHS Dashboard	<ul style="list-style-type: none"> • CSV Risk Register 	<ul style="list-style-type: none"> • Scheduled risk reviews 	<ul style="list-style-type: none"> • Regular updates to risk register
	<ul style="list-style-type: none"> • 100% same day near miss and incident reports 	<ul style="list-style-type: none"> • Completed incident reports • Completed hazard reports 	<ul style="list-style-type: none"> • Return to Work Program • Closed action reports • Update safety inspection templates • Annual Work Program Quarterly Reports
	<ul style="list-style-type: none"> • Lost time injury frequency rate of <3.5% 	<ul style="list-style-type: none"> • Completed lost time injury reports • Monthly IPM reports • Man Hours Register 	<ul style="list-style-type: none"> • Quality and Safety dashboard • CSV Inspections and Observations dashboard • Annual Work Program Quarterly Reports
	<ul style="list-style-type: none"> • 100% safety corrective actions completed within agreed timeframes 	<ul style="list-style-type: none"> • Actions assigned during inspection/ incident reports 	<ul style="list-style-type: none"> • Closed action reports • Annual Work Program Quarterly Reports
	<ul style="list-style-type: none"> • Identification of mandatory OHSW training • % of CSV staff/ Clerk of Works who attended mandatory training 	<ul style="list-style-type: none"> • Scheduled training sessions 	<ul style="list-style-type: none"> • Attendance Report • CSV Occupational Health and Safety Report

The following table provides detailed performance data against internal OHS measures.

Internal measure	Performance indicator	2020–21*	2021–22
Incidents	Number of incidents	0	1
	Rate per 100 FTE	0	1.2%
Claims	Number of standard claims	0	0
	Rate per 100 FTE	0	0
	Number of lost time claims	0	0
Fatalities	Fatality claims	0	0
Return to work (RTW)	Percentage of claims with RTW plan	n/a**	n/a**
Claim costs	Average cost per standard claim	\$0	\$0
Risk management	Monthly risk reviews completed	100%	100%
	Percentage of corrective actions completed within agreed timeframes	n/a***	100%
OHS training	Percentage of staff that have received OHS training:		
	Appropriate Workplace Behaviour Training	n/a***	95%
	OHS for Supervisor and Managers	n/a***	95%
	Mandatory OHS training as part of CSV onboarding program	100%	99%

* CSV was established as an entity in December 2020 and therefore the figures are representing a period of seven months.

** No relevant claims were made during the period.

*** Data was not available for the period.

Enhanced control

In January 2022, CSV implemented a new enterprise construction management system. As a consolidated platform, this system collects quality and safety data during the program delivery phase and generates reports for further analysis and monitoring. Historical data and project information is required to be uploaded to the system for retention and record keeping. Since the system was implemented, the following CSV OHSW reports have been produced:

- Clerk of Works inspections and observations;
- Site performance;
- Clerk of Works and IPM key performance indicators;
- Incidents; and
- Man Hours Register (part of site diary).

Data from the system is used to feed into monthly management reporting and aid in determining lead and lag indicators which further enhance CSV's capacity to strengthen and evidence the effectiveness of programmatic controls.

Incident management

CSV is committed to creating and maintaining a physically and psychologically safe environment for all its staff and communities. For the financial year 2020-21, there was no report of any incident on premise. In 2021-22, one incident was reported requiring minor first aid that occurred off-site on 28 February 2022. It was not a WorkSafe notifiable incident, no WorkCover claim was submitted and no lost time was recorded.

Consultative arrangements

CSV has a strong focus on empathy and care for its people and providing opportunities for staff to be consulted about occupational health, safety and wellness issues that impact them.

Occupational Health, Safety and Wellness

Committee: In 2021-22, the Occupational Health, Safety and Wellness (OHSW) Committee continued meeting as per schedule (minimum every three months) bringing together staff and management to review, monitor and consult on OHS hazards, incidents and issues, and to collaboratively develop and implement solutions in relation to health, safety and wellness matters in the workplace.

The Senior Manager, People and Capability and Construction Quality and Safety Manager chaired this committee with staff representation from across the organisation, including senior executive services and business unit representatives.

Weekly stand-up meetings: A weekly team meeting structure was implemented across CSV. These meetings offered an opportunity for open communication between staff and their direct supervisors. Occupational health and safety and staff wellbeing remained a consistent topic at these meetings where staff were encouraged to provide direct feedback and collectively discuss any issues in relation to OHSW.

Site walks and talks: In 2021-22, CSV undertook site walks and talks for staff, Clerk of Works consultants and key external stakeholders. CSV's scheduled site inspections verify on-site compliance including safety standards, working conditions, hazards and other critical areas of occupational health and safety and quality. Furthermore, CSV staff across all business units including the Program Delivery team were encouraged to join the site walks and talks upon the completion of necessary quality and safety white card training.

Occupation health and safety and quality

communications: The Construction Quality and Safety Manager actively maintained communications about Occupational Health, Safety and Quality (OHSQ) including conducting monthly meetings and information-sharing sessions across the program. The focus of these meetings varied from industry updates, government regulation updates, and quality and safety observations by the Clerk of Works and incidents and hazard awareness.

WorkSafe: CSV and WorkSafe continued their regular monthly engagement. The strong and consistent relationship established and maintained between CSV and the key regulatory body not only supported CSV by enhancing its organisational OHS awareness and compliance but also enabled CSV to further share knowledge with builders, independent project managers and other contractors.

This direct and ongoing engagement has enabled CSV to further promote, via its funded works, critical WorkSafe Victoria campaigns. In particular during 2021-22, CSV gave strong advocacy to stone cutting and silicosis hazard and danger awareness.

In 2021-22, the Construction Quality and Safety Manager conducted weekly communications via emails, workshops and meetings to further distribute key regulatory and OHS information to our contractors and activated and promoted campaigns including the silicosis and cutting of concrete-based product campaigns.

Training and initiatives

CSV offers a wide range of OHSW training to staff via its established employee learning portal. It is imperative that staff understand the importance of occupational health and safety and continually refresh their knowledge and improve their skills in OHS.

Formal OHS staff training includes:

- Appropriate Workplace Behaviour training (mandatory);
- Construction induction training (white card);
- Health Safety Representative training for nominated staff members;
- OHS for supervisors;
- OHS for committee members;
- Fire warden training;
- First aid training;
- Mental Health First Aid (team specific);
- Courageous Conversations (team specific); and
- Employee Assistance Program debriefing (team specific).

Mental health and wellbeing

The Victorian Government is to enact *the Mental Health and Wellbeing Act* from June 2023. This new Act will:

- promote good mental health and wellbeing for all Victorians;
- reset the legislative foundations for the mental health and wellbeing system;
- support the delivery of services that are responsive to the needs and preferences of Victorians;
- establish new roles and entities recommended by the Royal Commission;
- put the views, preferences and values of people living with mental illness or psychological distress, families, carers and supporters at the forefront of service design and delivery.

Since 2020, ahead of the establishment of this Act, CSV implemented a wide range of initiatives and programs to support the mental health and wellbeing of its staff and others. During the year, executive members delivered 'lunch and learn' session on resilience, while short courses were also available on the staff training platform about mindfulness and managing and establishing self-confidence. Resources and tools to support the mental health of staff were also shared via the all-staff CEO newsletter from time to time.

Specific CSV teams were also required to undertake training in Mental Health First Aid, Courageous Conversations and Employee Assistance Program debriefing.

Information and resources to promote good mental health and wellbeing were also shared through the weekly communication with our contractors curated by the Construction Quality and Safety Manager. Discussions about psychosocial issues were encouraged between CSV and its communities.

Occupational health and safety programs

Employee Assistance Program (EAP): CSV engaged Converge International to provide employee assistance services for 2021-22. As a short term, solution focused and strictly confidential counselling service, it was available 24/7 and offered all staff four sessions per issue, per annum in seven key areas in life that are known to cause concern:

- personal and work-related issues;
- family support;
- financial wellbeing;
- nutrition and lifestyle;
- conflict assistance;
- career development; and
- management coaching.

Clerk of Works: Since its establishment in early 2021, CSV's Clerk of Works program has been a huge success that is well received by parties involved in program delivery. Overseen and supported by the Construction Quality and Safety Manager, the Clerk of Works program successfully provided:

- early identification of potential quality problems before they escalate into timely and costly issues or rework;
- identification of safety hazards before they result in incidents or injury;
- identification and implementation of improved controls;
- the stimulation of open discussions and information sharing opportunities; and
- identification of positive observations.

Return to work: The return to work program was in place to support staff and contractors recovering from a work injury to remain at or return to work. Return to work coordinators develop plans that are tailored to suit individual staff members based on individual needs and medical advice. In 2021-22, there was no requirement to activate this program for staff.

Culture and values

A positive workplace experience that attracts talent, drives engagement, enhances staff satisfaction and improves performance is critical to the successful delivery of CSV's strategic objectives. To achieve our organisation's outcomes, we bring CSV's values to life in a way that is meaningful to all staff.

Developing and growing a values-based culture begins with our understanding that we all take responsibility for how we interact and work together. CSV is guided by the Public Sector Code of Conduct and our values of leadership, respect, accountability, and integrity. These values speak to the way staff work as individuals and team members.

LEADERSHIP



We are all leaders

This means:

- We set the tone for workplace culture and have a huge influence over how our workplace is shaped
- We are committed to building a positive and constructive workplace culture
- We empower staff to show leadership at every level of the organisation
- We promote and role model physical and psychological safe work practices.

RESPECT



We are respectful

This means:

- We treat each other fairly, objectively and with civility
- We recognise and value diversity, equality and human rights
- We value each other’s contribution and are committed to listen and communicate honestly and clearly
- We give and seek feedback and encourage reporting of behaviour outside of these values.

ACCOUNTABILITY



We are accountable

This means:

- We are comfortable with being held accountable and working to clear objectives in a transparent manner
- We accept responsibility for our decisions and we take this seriously
- We take ownership of the quality and demonstratable impact of our work
- We are accountable for the responsible spending of public money
- We ensure that our decisions and actions are evidence based and outcomes focused.

INTEGRITY



We have integrity

This means:

- We are honest, open and transparent with each other and in all of our dealings
- We show a consistent and uncompromising adherence to compliance, decisions and our values
- We strive to build and sustain community trust
- Our interactions with people always demonstrate that we are concerned about how they experience the service we deliver.

On 16 June 2021, the CSV Board approved the first People and Culture Strategy taking effect in the 2021-22 financial year. The Strategy sets out four key focus areas, which are listed below.



People Matter Survey results

The People Matter Survey is the Victorian Public Sector's (VPS) independent employee opinion survey. The People Matter Survey is open to all VPS organisations commencing in June 2022. In late July 2022, the VPSC made available results for the VPS, allowing CSV to compare its results against the wider VPS.

CSV was the first VPS agency to achieve a 94% response rate in 2022 indicating a high level of staff engagement.

Results were very positive for the 2021-22 year, comparing almost uniformly favourably with our comparator group, as well as the wider VPS. Additionally, CSV's engagement index score that, according to the VPSC may lead to greater satisfaction and lower absences, turnover and workplace stress, is also higher than CSV's comparator and the wider VPS.

Workforce inclusion policy

CSV is a place where all employees are valued and recognised for their contributions and talent, unique backgrounds, qualities and ideas. Importantly, CSV acknowledges diversity in the workforce and is committed to continue to build and grow a diverse and inclusive workplace culture.

In 2021, CSV developed a *Gender, Diversity and Inclusion Strategy 2022-2024* outlining key strategic priorities and CSV's plan to foster an environment of trust, respect and collaboration, where every employee feels supported and valued regardless of their personal perspectives and backgrounds. The strategy aligns to the commitment of a 'one CSV' approach and outlines an action plan to achieve strategic priorities with a focus on gender, diversity, and inclusion. Targets have been set, taking effect in the 2022-23 financial year.

CSV is a proud member of the National Association of Women in Construction (NAWIC) and has worked to prioritise opportunities for women in the organisation with appointments and promotions of women into senior key roles within the Program Delivery team.

Financial statements





List of contents

The Board of Directors of Cladding Safety Victoria (CSV or the authority) has the pleasure of presenting its audited general purpose financial statements for the period ended 30 June 2022 providing users with information about the authority's stewardship of resources entrusted to it. It is presented in the following structure.

Accountable Officer's and Chief Finance Officer's Declaration	85
Independent Auditor's Report	86
Comprehensive operating statement	88
Balance sheet	89
Statement of changes in equity	90
Cash flow statement	91
Note 1: About this report	92
1.1. Compliance information	92
1.2. Basis of preparation	92
1.3. Coronavirus impact on the financial statements	93
1.4. The war in Ukraine and its impact on the financial statement	93
1.5. Rounding of amounts	93
Note 2: Funding delivery of our services	94
2.1. Levy income	94
2.2. Grant income	95
2.3. Other income	95
Note 3: The cost of delivering services	96
3.1. Employee costs	96
3.1.1. Employee-related provisions	96
3.1.2. Superannuation contributions	98
3.2. Grant expense	99
3.3. Other operating expenses	99

Note 4:	Key assets available to support output delivery	100
4.1.	Property, plant and equipment	100
4.1.1.	Right-of-use assets	100
4.1.2.	Reconciliation of movements in carrying amount of property, plant and equipment	101
4.2.	Depreciation and amortisation	102
Note 5:	Other assets and liabilities	104
5.1.	Receivables	104
5.2.	Payables	104
5.2.1.	Maturity analysis of contractual payables	105
5.3.	Other non-financial assets	105
Note 6:	How we financed our operations	106
6.1.	Borrowings	106
6.1.1.	Maturity analysis of borrowings	107
6.1.2.	Interest expense	107
6.2.	Leases	107
6.2.1.	Right-of-use assets	107
6.2.2.	Amounts recognised in the Statement of Cashflows	107
6.3.	Cash flow information and balances	109
6.3.1.	Reconciliation of net result for the period to cash flow from operating activities	109
6.4.	Commitments for expenditure	110
Note 7:	Risks, contingencies and valuation judgements	111
7.1.	Financial instruments specific disclosures	111
7.1.1.	Financial instruments: Categorisation	112
7.1.2.	Financial instruments: Net holding gain/(loss) on financial instruments by category	113
7.1.3.	Financial risk management objectives and policies	114
7.2.	Contingent assets and contingent liabilities	118
7.3.	Fair value determination	119
7.3.1.	Fair value determination of financial assets and liabilities	119
7.3.2.	Fair value determination: Non-financial physical assets	120

Note 8:	Other disclosures	122
8.1.	Ex gratia expenses	122
8.2.	Other economic flows included in net result	122
8.3.	Equity disclosure	123
8.3.1.	Restructure of administrative arrangements	123
8.4.	Responsible persons	124
8.5.	Remuneration of executives	125
8.6.	Related parties	126
8.7.	Remuneration of auditors	127
8.8.	Subsequent events	127
8.9.	Other accounting policies	127
8.10.	Changes in accounting policy	128
8.11.	Australian Accounting Standards issued that are not yet effective	128
8.12.	Glossary of technical terms	128
8.13.	Style conventions	132

Financial statements 2021-22

Accountable Officer's and Chief Finance Officer's Declaration

The attached financial statements for Cladding Safety Victoria (CSV) 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 2022 and the financial position of CSV as at 30 June 2022.

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 19 October 2022.



Rodney Fehring
Board Chairperson
Cladding Safety Victoria
Melbourne
19 October 2022



Dan O'Brien
Chief Executive Officer
Cladding Safety Victoria
Melbourne
19 October 2022



Rose Scasni
Acting Chief Finance Officer
Cladding Safety Victoria
Melbourne
19 October 2022

Independent Auditor’s Report



Independent Auditor’s Report

To the Board of the Cladding Safety Victoria

Opinion	<p>I have audited the financial report of the Cladding Safety Victoria (the authority) which comprises the:</p> <ul style="list-style-type: none"> • balance sheet as at 30 June 2022 • 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 • Accountable Officer's and Chief Finance Officer's declaration. <p>In my opinion, the financial report presents fairly, in all material respects, the financial position of the authority as at 30 June 2022 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
27 October 2022



Paul Martin
as delegate for the Auditor-General of Victoria

Comprehensive operating statement

for the period ended 30 June 2022

		(\$ thousand)	
	Notes	Year ended June 2022	Period ended June 2021
Continuing operations			
Revenue and income from transactions			
Levy income	2.1	77,185	42,885
Grant income	2.2	67,714	54,014
Other income	2.3	413	1,103
Total revenue and income from transactions		145,312	98,002
Expenses from transactions			
Employee costs	3.1	(13,963)	(6,338)
Grant expense	3.2	(134,926)	(40,297)
Other operating expenses	3.3	(19,471)	(14,229)
Depreciation and amortisation	4.2	(548)	(310)
Interest expense	6.1.2	(65)	(46)
Total expenses from transactions		(168,973)	(61,220)
Net result from transactions (Net operating balance)		(23,661)	36,782
Other economic flows included in net result			
Net gain/(loss) on financial instruments	8.2	-	(105)
Total other economic flows included in net result		-	(105)
Net result		(23,661)	36,677
Comprehensive result		(23,661)	36,677

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

Balance sheet

as at 30 June 2022

		(\$ thousand)	
	Notes	June 2022	June 2021
Assets			
Financial assets			
Cash and deposits	6.3	100,831	122,516
Receivables	5.1	8,800	10,145
Total financial assets		109,631	132,661
Non-financial assets			
Property, plant and equipment	4.1	1,366	1,836
Intangible assets		17	23
Other non-financial assets	5.3	415	233
Total non-financial assets		1,798	2,092
Total assets		111,429	134,753
Liabilities			
Payables	5.2	11,454	11,436
Borrowings	6.1	1,413	1,888
Employee benefits provision	3.1.1	1,936	1,142
Total liabilities		14,803	14,466
Net assets		96,626	120,287
Equity			
Contributed capital	8.3	83,610	83,610
Accumulated surplus/(deficit)		13,016	36,677
Net worth		96,626	120,287

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

Statement of changes in equity

for the period ended 30 June 2022

(\$ thousand)

	Note	Contributed capital	Accumulated surplus	Total
Balance at 1 December 2020		-	-	-
Administrative restructurings - net assets received	8.3	83,610	-	83,610
Net result for the year		-	36,677	36,677
Balance at 30 June 2021		83,610	36,677	120,287
Administrative restructurings - net assets received		-	-	-
Net result for the year		-	(23,661)	(23,661)
Balance at 30 June 2022		83,610	13,016	96,626

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

Cash flow statement

for the period ended 30 June 2022

(\$ thousand)			
	Notes	Year ended June 2022	Period ended June 2021
Cash flows from operating activities			
Receipts			
Receipts from Cladding Rectification Levy		78,537	33,527
Grants received from State Government		67,714	54,014
Goods and services tax recovered from the ATO		15,430	4,183
Interest received		413	103
Total receipts		162,094	91,827
Payments			
Payments of grants		(148,187)	(42,729)
Payments to suppliers and employees		(34,980)	(14,720)
Payments of lease interest		(65)	(46)
Total payments		(183,232)	(57,495)
Net cash flows from/(used in) operating activities	6.3.1	(21,138)	34,332
Cash flows from investing activities			
Payments			
Payments for property, plant and equipment		(72)	(30)
Payments for intangible assets		-	(25)
Total payments		(72)	(55)
Net cash flows from/(used in) investing activities		(72)	(55)
Cash flows from financing activities			
Payments			
Machinery of Government		-	88,408
Repayment of leases		(475)	(169)
Net cash flows from/(used in) financing activities		(475)	88,239
Net increase in cash and cash equivalents		(21,685)	122,516
Cash and cash equivalents at the beginning of the financial year		122,516	-
Cash and cash equivalents at the end of the financial year	6.3	100,831	122,516

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

Notes to the financial statements

Note 1: About this report

Cladding Safety Victoria (CSV) was established on 1 December 2020 as a statutory authority by the State of Victoria, under *the Cladding Safety Victoria Act 2020*. CSV was established to deliver a program that is a world-first initiative, making Victorians safer by reducing the risk associated with combustible cladding on residential apartment and government-owned buildings. These annual financial statements represent the audited general purpose financial statements for the year ended 30 June 2022, and the comparative financial information represents seven months from 1 December 2020 to 30 June 2021.

Its principal address is:

Cladding Safety Victoria
Level 4
717 Bourke Street
Docklands VIC 3008

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

1.1. 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.

1.2. Basis of preparation

These financial statements are in Australian dollars and the historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured on a different basis.

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.

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

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

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

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

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

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.

In addition to the Cladding Rectification Levy (CRL) collected by the VBA and subject to fluctuations due to activity levels in the construction sector, CSV is dependent on the Department of Environment, Land, Water and Planning (DELWP) for a substantial portion of its revenue used to operate. At the date of this report, the Board of Directors has no reason to believe that DELWP will not continue to support CSV. As such, these financial statements have been prepared on a going concern basis.

1.3. Coronavirus impact on the financial statements

The impact of the coronavirus pandemic on CSV's spend was minimal during the year, as the cladding rectification program was

classified as a State Critical Infrastructure Project by the Victorian Government.

CSV's primary sources of revenue, being government grants and the CRL, has been minimally impacted by coronavirus. For the year ended 30 June 2022, the CRL has outperformed pre-coronavirus projections. No impacts to grant funding is expected, as CSV expects to meet its obligations under the memorandums of understandings for the grants.

CSV has identified potential delays in construction commencement caused by contractors' abilities to source supplies of construction materials. Most of this material is imported from China and South Korea, and the coronavirus-related trade/import restrictions is potentially adding delays to rectification timeframes. The impacts on expenditure are not expected to be material at this stage.

Potential impacts on expenditure are continually reviewed and evaluated by management. Coronavirus has not had a material impact on estimates including provisions, lease liabilities and impairment of assets.

1.4. The war in Ukraine and its impact on the financial statement

The war in Ukraine has not had a direct impact on CSV's financial performance and financial position. Australia is geographically distant from the conflict zone, and direct economic impacts from trade are likely to be modest in the short term.

1.5. Rounding of amounts

Amounts in the financial statements have been rounded to the nearest \$1,000 unless otherwise stated. Figures in the financial statements may not equate due to rounding (Note 8.12 Style conventions).

Note 2: Funding delivery of our services

CSV's mission is to improve the safety of buildings impacted by cladding issues by working in partnership with industry and the community.

To enable CSV to fulfil its mission, it is funded predominantly through government via grants and the distribution of the Cladding Rectification Levy (CRL) through the *Building Act 1993*.

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

Structure

2.1. Levy income

2.2. Grant income

2.3. Other income

2.1. Levy income

The CRL 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 CRL applies to Building Code of Australia classes 2 to 8 building works located in the metropolitan area that are \$0.8 million or more. The CRL is brought to account upon issue of the building permit number and is recognised at a point in time. Building works on Commonwealth Crown Land retain the current exemption from any building permit levy, including the new CRL.

Income recognised under AASB 1058

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 CSV has an unconditional right to receive cash, in accordance with AASB 1058.

CSV has determined that the CRL is recognised as income of not-for-profit entities in accordance with AASB 1058, as there is no performance obligation that are sufficiently specific. CRL is recognised when the amounts become receivable.

(\$ thousand)

	Year ended June 2022	Period ended June 2021
Cladding Rectification Levy	77,185	42,885
Total levy income	77,185	42,885

2.2. Grant income

In the financial year ended 30 June 2022, the Department of Environment, Land, Water and Planning (DELWP) provided grants of \$67.71 million (2021: \$54.01 million) to CSV to carry out the Cladding Rectification Program.

	(\$ thousand)	
	Year ended June 2022	Period ended June 2021
Income recognised as income of not-for-profit entities		
Private building rectification grant	67,707	51,994
Government building rectification grant ⁽ⁱ⁾	-	2,020
Mental Health Levy Grant	7	-
Total grant income	67,714	54,014

Note: (i) this grant is only for technical and operational functions of the Cladding Rectification Program and DELWP holds the funds for the rectification of government-owned buildings.

CSV has determined that the grant income included in the table above under AASB 1058 has been earned under arrangements that are either not enforceable and/or linked to sufficiently specific performance obligations.

Income from grants without any sufficiently specific performance obligations, or that are not enforceable, is recognised when CSV has an unconditional right to receive cash which usually coincides with receipt of cash. On initial recognition of the asset, CSV recognises any related contributions by owners, increases in liabilities, decreases in assets, and revenue ('related amounts') in accordance with other Australian Accounting Standards.

2.3. Other income

	(\$ thousand)	
	Year ended June 2022	Period ended June 2021
Interest income	413	103
Miscellaneous income	-	1,000
Total other income	413	1,103

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 CSV in delivering services. In Note 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. Grant expense

3.3. Other operating expenses

3.1. Employee costs

	(\$ thousand)	
Employee benefits	Year ended June 2022	Period ended June 2021
Salaries and wages, annual leave, long service leave and on-costs	12,780	5,804
Defined contribution superannuation expense	1,055	499
Defined benefit superannuation expense	22	9
Termination benefits	106	26
Total employee benefits expense	13,963	6,338

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

The amount recognised in the comprehensive operating statement in relation to superannuation is employer contributions for members of both defined benefit and defined contribution superannuation plans that are paid or payable during the reporting period.

CSV does not recognise any defined benefit liabilities because it has no legal or constructive obligation to pay future benefits relating to its employees. Instead, the Department of Treasury and Finance (DTF) discloses in its annual financial statements the net defined benefit cost related to the members of these plans as an administered liability (on behalf of the State as the sponsoring employer).

Termination benefits are payable when employment is terminated before normal retirement date, or when an employee accepts an offer of benefits in exchange for the termination of employment. Termination benefits are recognised when CSV is demonstrably committed to terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

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.

	(\$ thousand)	
	June 2022	June 2021
Current provisions		
Annual leave		
- Unconditional and expected to wholly settle within 12 months	698	650
- Unconditional and expected to wholly settle after 12 months	344	25
Long service leave		
- Unconditional and expected to wholly settle within 12 months	100	54
- Unconditional and expected to wholly settle after 12 months	400	217
Provisions for on-costs		
- Unconditional and expected to wholly settle within 12 months	147	112
- Unconditional and expected to wholly settle after 12 months	135	38
Total current provisions	1,824	1,096
Non-current provisions		
Employee benefits	95	40
Provisions for on-costs	17	6
Total non-current provisions	112	46
Total provisions for employee benefits	1,936	1,142

Reconciliation of movement in on-cost provision

	(\$ thousand)	
	June 2022	June 2021
Opening balance	155	-
Machinery of Government	-	96
Additions/(reductions) due to transfers	27	3
Additional provisions recognised	200	101
Reductions arising from payments/other sacrifices of future economic benefits	(87)	(51)
Unwind of discount and effect of changes in the discount rate	4	6
Closing balance	299	155
Current	282	149
Non-current	17	6

Wages and salaries, annual leave and sick leave: Liabilities for wages and salaries (including non-monetary benefits, annual leave and on-costs) are recognised as part of the employee benefit provision as current liabilities,

given CSV does not have an unconditional right to defer settlements 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 CSV 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 CSV does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

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

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

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

The components of this current LSL liability are measured at:

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

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

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

3.1.2. Superannuation contributions

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

	(\$ thousand)	
	Year ended June 2022	Period ended June 2021
Defined benefit plans		
State Superannuation Fund - revised and new	22	9
Defined contribution plans		
Vic Super	365	167
Australian Super	171	70
Hostplus Super	88	53
Uni Super	58	12
Other	394	197
Total	1,098	508

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

3.2. Grant expense

(\$ thousand)		
	Year ended June 2022	Period ended June 2021
Grants payments to owners corporations	134,926	40,297
Total grant expenses	134,926	40,297

Grant payments are contributions of CSV'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 for a specific purpose which are paid for a particular purpose and/or have conditions attached regarding their use. CSV makes grant payments to owners corporations under funding agreements to rectify the highest risk privately owned buildings with combustible cladding.

Grant payments are in the form of cash and are recognised as an expense when they are paid or become payable.

3.3. Other operating expenses

(\$ thousand)		
	Year ended June 2022	Period ended June 2021
Consultants and professional services	15,246	10,889
Computer services and equipment	656	241
Accommodation	180	88
Insurance expenses	2,877	2,313
Administrative expenses	512	698
Total other operating expenses	19,471	14,229

Other operating expenses generally represent the day-to-day running costs incurred in normal operations.

Supplies and services are recognised as an expense in the reporting period in which they are incurred. The carrying amounts of any inventories held for distribution are expensed when the inventories are distributed.

Note 4: Key assets available to support output delivery

CSV controls property, plant and equipment that are utilised in fulfilling its objectives and conducting its activities. They represent the resources that have been entrusted to CSV 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. Depreciation and amortisation

4.1. Property, plant and equipment

(\$ thousand)

	Gross carrying amount		Accumulated depreciation		Net carrying amount	
	June 2022	June 2021	June 2022	June 2021	June 2022	June 2021
Right-of-use buildings	1,681	1,681	(638)	(235)	1,043	1,446
Plant, equipment and vehicles at fair value	261	189	(107)	(34)	154	155
Leasehold improvements	274	274	(105)	(39)	169	235
Net carrying amount	2,216	2,144	(850)	(308)	1,366	1,836

4.1.1. Right-of-use assets

(\$ thousand)

	Gross carrying amount		Accumulated depreciation		Net carrying amount	
	June 2022	June 2021	June 2022	June 2021	June 2022	June 2021
Right-of-use buildings	1,681	1,681	(638)	(235)	1,043	1,446
Net carrying amount	1,681	1,681	(638)	(235)	1,043	1,446

Initial recognition

Items of property, plant and equipment, including right-of-use (RoU) assets, 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. Assets transferred as part of a Machinery of Government change are transferred at their carrying amount.

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

Right-of-use asset acquired by lessees – initial measurement

CSV 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 less any lease incentive received
- any initial direct costs incurred
- 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.

Subsequent measurement

CSV depreciates the RoU assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the RoU asset or the end of the lease term.

In addition, the RoU asset is periodically reduced by impairment losses, if any and adjusted for certain remeasurements of the lease liability.

4.1.2. Reconciliation of movements in carrying amount of property, plant and equipment

(\$ thousand)

	Right-of-use buildings	Plant, equipment, and vehicles at fair value	Leasehold improvements	Work in Progress	Total
Opening balance - 1 July 2021	1,446	155	235	-	1,836
Machinery of Government transfers in	-	-	-	-	-
Additions	-	72	-	-	72
Depreciation expense	(403)	(73)	(66)	-	(542)
Expensed to Profits/(Losses)	-	-	-	-	-
Transferred to other classes	-	-	-	-	-
Closing balance - 30 June 2022	1,043	154	169	-	1,366
Opening balance - 1 December 2020	-	-	-	-	-
Machinery of Government transfers in	1,524	121	270	651	2,566
Additions	139	30	-	-	169
Depreciation expense	(235)	(34)	(39)	-	(308)
Expensed to Profits/(Losses)	18	-	-	(609)	(591)
Transferred to other classes	-	38	4	(42)	-
Closing balance - 30 June 2021	1,446	155	235	-	1,836

4.2. Depreciation and amortisation

(\$ thousand)

	Note	Year ended June 2022	Period ended June 2021
Right-of-use buildings	4.1.2	(403)	(235)
Plant, equipment and vehicles at fair value	4.1.2	(73)	(34)
Leasehold improvements	4.1.2	(66)	(39)
Intangible assets (amortisation)		(6)	(2)
Total depreciation and amortisation		(548)	(310)

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

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

Asset	Useful life
Right-of-use buildings	5 years
Leasehold improvements	5 years
Motor vehicles owned	3 to 5 years
IT equipment	3 to 5 years
Furniture and fittings	5 to 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. The useful lives of some assets are longer than the expected operating period of CSV.

Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term.

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

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 *Leases* 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 '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 CSV's operations.

Structure

5.1. Receivables

5.2. Payables

5.3. Other non-financial assets

5.1. Receivables

	(\$ thousand)	
	June 2022	June 2021
Current receivables		
Contractual		
Other sundry receivables	-	53
Statutory		
Cladding Rectification Levy receivables	7,661	8,742
GST input tax credit recoverable from the ATO	1,139	1,350
Total current receivables	8,800	10,145
Total receivables	8,800	10,145

Receivables consist of:

- contractual receivables** are classified as financial instruments and categorised as financial assets at amortised costs. They are initially recognised at fair value plus any directly attributable transaction costs. CSV holds the contractual receivables with the objective to collect the contractual cash flows and therefore subsequently measured 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. The Cladding Rectification Levy is an additional component of the Building Permit Levy under the *Amendments to the Building Act 1993 in the Building Amendment (Cladding Rectification) Act 2019*.

5.2. Payables

	(\$ thousand)	
	June 2022	June 2021
Current payables		
Contractual		
Grants payable	2,062	1,452
Supplies and services	102	69
Accrued grants payables	8,468	8,867
Accrued supplies and services	767	991
Statutory		
Other tax payables	55	57
Total current payables	11,454	11,436
Total payables	11,454	11,436

Payables consist of:

- **contractual payables**, classified as financial instruments and measured at amortised cost. Accounts payable represent liabilities for goods and services provided to CSV prior to the end of the financial year that are unpaid; and
- **statutory payables**, that 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 10 business days in accordance with government policy.

Payables for grants have an average credit period of five days.

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.

5.2.1. Maturity analysis of contractual payables

	Carrying amount	Nominal amount	Less than 1 month	1 - 3 months	3 - 12 months	1 - 5 years
June 2022						
Payables	11,399	11,399	11,399	-	-	-
Total	11,399	11,399	11,399	-	-	-
June 2021						
Payables	11,379	11,379	11,379	-	-	-
Total	11,379	11,379	11,379	-	-	-

Note: Maturity analysis is presented using the contractual undiscounted cash flows.

5.3. Other non-financial assets

	(\$ thousand)	
	June 2022	June 2021
Current		
Prepayments	415	233
Total other non-financial assets	415	233

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.

Note 6: How we financed our operations

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

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

Structure

6.1. Borrowings

6.2. Leases

6.3. Cash flow information and balances

6.4. Commitments for expenditure

6.1. Borrowings

	(\$ thousand)	
	June 2022	June 2021
Current borrowings		
Lease liabilities	514	474
Total current borrowings	514	474
Non-current borrowings		
Lease liabilities	899	1,414
Total non-current borrowings	899	1,414
Total borrowings	1,413	1,888

Borrowings refer to interest bearing liabilities mainly raised from lease liabilities in CSV.

Borrowings are classified as financial instruments. The measurement basis depends on whether CSV has categorised its interest-bearing liabilities as either financial liabilities designated at fair value through net result, or financial liabilities at amortised cost. The classification depends on the nature and purpose of the interest-bearing liabilities. CSV determines the classification of its interest-bearing liabilities at initial recognition.

6.1.1. Maturity analysis of borrowings

(\$ thousand)

	Maturity dates						
	Carrying amount	Nominal amount	Less than 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years
June 2022							
Lease liabilities	1,413	1,488	138	422	582	346	-
Total	1,413	1,488	138	422	582	346	-
June 2021							
Lease liabilities	1,888	2,026	44	89	407	1,486	-
Total	1,888	2,026	44	89	407	1,486	-

6.1.2. Interest expense

(\$ thousand)

	Year ended June 2022	Period ended June 2021
Interest on lease liabilities	65	46
Total interest expense	65	46

Interest expense includes costs incurred in connection with the borrowing of funds and includes discounts or premiums relating to borrowings and interest component of lease repayments.

Interest expense is recognised as an expense in the period in which it is incurred.

6.2. Leases

CSV leases a property, comprising of space for its head office. The lease contract is made for fixed periods of five years with an option to renew the lease after that date. Lease payments for properties are renegotiated every five years to reflect market rentals.

6.2.1. Right-of-use assets

Right-of-use assets are presented in Note 4.1.

6.2.2. Amounts recognised in the Statement of Cashflows

The following amounts are recognised in the Statement of Cashflows for the period ended 30 June 2022 relating to leases.

(\$ thousand)

	Year ended June 2022	Period ended June 2021
Total cash outflow for leases	479	214

For any new contracts entered into during the financial year, CSV 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 of time in exchange for consideration'. To apply this definition, CSV assesses whether the contract meets three key evaluations:

- 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 CSV and for which the supplier does not have substantive substitution rights
- whether CSV 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 CSV has the right to direct the use of the identified asset throughout the period of use
- whether CSV 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, CSV separates out and accounts separately for non-lease components and excludes these amounts when determining the lease liability and right-of-use asset amount.

Recognition and measurement of lease as a lessee

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 otherwise, CSV's incremental borrowing rate is used.

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
- amounts expected to be payable under a residual value guarantee; and
- payments arising from purchase and termination options reasonably certain to be exercised.

Subsequent measurement: Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in the substance of fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

Short-term leases and leases of low value assets

CSV 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 made are recognised as an expense in profit or loss on a straight-line basis over the lease term.

Presentation of right-of-use assets and lease liabilities

CSV presents right-of-use assets as 'property, plant and equipment' in the balance sheet. Lease liabilities are presented as 'borrowings' in the balance sheet.

6.3. Cash flow information and balances

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

	(\$ thousand)	
	June 2022	June 2021
Total cash and deposits disclosed in balance sheet	100,831	122,516
Balance as per cash flow statement	100,831	122,516

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

	(\$ thousand)	
	Year ended June 2022	Period ended June 2021
Net result for the period	(23,661)	36,677
Non-cash movements		
Depreciation and amortisation	548	310
Reclassification of intangible assets to Profits/(Losses)	-	608
Net Gains/(Losses) on Financial Instruments	-	105
Movements in assets and liabilities		
(Increase) decrease in receivables	1,346	(10,145)
(Increase) decrease in other non-financial assets	(182)	(213)
Increase (decrease) in payables	17	6,787
Increase (decrease) in provisions	794	203
Net cash flows from/(used) in operating activities	(21,138)	34,332

6.4. Commitments for expenditure

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are recorded below at their nominal value and inclusive of GST. Where it is considered

appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

	(\$ thousand)			
	Less than 1 year	Between 1-5 years	Over 5 years	Total
Nominal amounts: as at 30 June 2022				
Grants commitments	118,029	-	-	118,029
Cladding Rectification Program commitments	13,246	-	-	13,246
Other commitments	-	-	-	-
Total commitment (inclusive of GST)	131,275	-	-	131,275
Less GST recoverable	(11,934)	-	-	(11,934)
Total commitment (exclusive of GST)	119,341	-	-	119,341
Nominal amounts: as at 30 June 2021				
Grants commitments	203,176	-	-	203,176
Cladding Rectification Program commitments	8,045	-	-	8,045
Other commitments	1,217	41	-	1,258
Total commitment (inclusive of GST)	212,438	41	-	212,479
Less GST recoverable	(19,313)	(4)	-	(19,317)
Total commitment (exclusive of GST)	193,125	37	-	193,162

Grant commitments include funding agreements executed with owners corporations for cladding rectification work.

Cladding Rectification Program commitments include contractors who work on the delivery of the Cladding Rectification Program including Independent Project Managers, fire safety engineers, architects and quantity surveyors, for which contracts have been executed.

Other commitments include agreements entered into for provision of financial information technology, human resource services and other expenditure commitments.

Note 7: Risks, contingencies and valuation judgements

CSV is exposed to risk from its activities and outside factors. In addition, it is often necessary to make judgements and estimates associated with recognition and measurement of items in the financial statements. This section sets out financial instrument specific information (including exposures to financial risks), as well as those items that are contingent in nature or require a higher level of judgement to be applied, which for CSV 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 CSV's activities, certain financial assets and financial liabilities arise under statute rather than a contract (for example taxes, fines and penalties). Such assets and liabilities do not meet the definition of financial instruments in AASB 132 *Financial Instruments: Presentation*.

Categories of financial 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 CSV to collect the contractual cash flows
- the assets' contractual terms give rise to cash flows that are principal and interest payments.

These assets are initially recognised at fair value plus any directly attributable transaction costs and subsequently measured

at amortised cost using the effective interest method less any impairment.

CSV recognises the following assets in this category:

- cash and cash equivalent
- receivables (excluding statutory receivables).

Categories of financial liabilities

Financial liabilities at amortised cost are initially recognised on the date they are originated. They are initially recognised 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 weighted average interest rate method.

Financial instrument liabilities measured at amortised cost include borrowings (including lease liabilities) and contractual payables.

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired
- CSV 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
- CSV has transferred its rights to receive cash flows from the asset and either:
 - › has transferred substantially all the risks and rewards of the asset; or
 - › has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where CSV has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of CSV'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 expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised as an 'other economic flow' in the estimated consolidated comprehensive operating statement.

7.1.1. Financial instruments: Categorisation

	(\$ thousand)			
	Cash and cash equivalents	Financial assets at amortised cost (AC)	Financial liabilities at amortised cost (AC)	Total
June 2022				
Contractual financial assets				
Cash and cash equivalents	100,831	-	-	100,831
Receivables	-	-	-	-
Total contractual financial assets	100,831	-	-	100,831
Contractual financial liabilities				
Payables				
- Supplies and services	-	-	11,399	11,399
Borrowings				
- Lease liabilities	-	-	1,413	1,413
Total contractual financial liabilities	-	-	12,812	12,812
June 2021				
Contractual financial assets				
Cash and cash equivalents	122,516	-	-	122,516
Receivables	-	53	-	53
Total contractual financial assets	122,516	53	-	122,569
Contractual financial liabilities				
Payables				
- Supplies and services	-	-	11,379	11,379
Borrowings				
- Lease liabilities	-	-	1,888	1,888
Total contractual financial liabilities	-	-	13,267	13,267

7.1.2. Financial instruments: Net holding gain/(loss) on financial instruments by category

	(\$ thousand)	
	Interest income/ (expense)	Total
June 2022		
Contractual financial assets		
Cash and deposits	413	413
Total contractual financial assets	413	413
Contractual financial liabilities		
Financial liabilities at amortised cost	(65)	(65)
Total contractual financial liabilities	(65)	(65)
June 2021		
Contractual financial assets		
Cash and deposits	103	103
Total contractual financial assets	103	103
Contractual financial liabilities		
Financial liabilities at amortised cost	(46)	(46)
Total contractual financial liabilities	(46)	(46)

7.1.3. Financial risk management objectives and policies

CSV does not enter into derivative financial instruments to manage its exposure to interest rates.

CSV does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

CSV's principal financial instruments comprise:

- cash assets
- receivables (excluding statutory receivables)
- payables (excluding statutory payables)
- borrowings (including 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.

The main purpose in holding financial instruments is to prudentially manage CSV's financial risks within the government policy parameters. CSV uses different methods to measure and manage the different risks to which it is exposed.

The carrying amounts of CSV's contractual financial assets and financial liabilities by category are disclosed in Note 7.1.1 Financial instruments: Categorisation.

CSV's main financial risks include credit risk, liquidity risk, market risk and interest rate risk. CSV manages these financial risks in accordance with its financial risk management policy.

CSV uses different methods to measure and manage the different risks to which it is exposed. Primary responsibility for the identification and management of financial risks rests with the Accountable Officer of CSV.

Financial instruments: Credit risk

Credit risk arises from the contractual financial assets of CSV, which comprise cash and cash equivalents, non-statutory receivables and available-for-sale contractual financial assets. CSV's exposure to credit risk arises from the potential default of the counter party on their contractual obligations resulting in financial loss to CSV. Credit risk is measured at fair value and is monitored on a regular basis. Credit risk refers to the possibility that a borrower will default on its financial obligations as and when they fall due.

Credit risk associated with CSV's financial assets is minimal because its main debtor is the Victorian Government.

Currently, CSV 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 are neither past due nor impaired

(\$ thousand)

June 2022	Government agencies (AA credit rating)	Financial institutions (minimum BBB credit rating)	Other	Total
Cash and cash equivalents	100,831	-	-	100,831
Contractual receivables ⁽ⁱ⁾	-	-	-	-
Total contractual financial assets	100,831	-	-	100,831
June 2021				
Cash and cash equivalents	122,516	-	-	122,516
Contractual receivables ⁽ⁱ⁾	53	-	-	53
Total contractual financial assets	122,569	-	-	122,569

Note: (i) The total amounts disclosed here exclude statutory amounts (e.g. amounts owing from the Victorian Government and GST input tax credit recoverable).

Impairment of financial assets under AASB 9

CSV records the allowance for expected credit loss for the relevant financial instruments applying AASB 9's Expected Credit Loss approach. Subject to AASB 9, impairment assessment include CSV'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 immaterial.

Contractual receivables at amortised cost

CSV 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. CSV has grouped contractual receivables on shared credit risk characteristics and days past due and selected the expected credit loss rate based on CSV's history, existing market conditions, as well as forward-looking estimates at the end of the financial year. The impact of coronavirus does not have material effect on estimates including in calculation such as provision and expected credit loss.

CSV has not recorded any allowance for expected credit loss. As at 30 June 2022, no expected credit loss has been identified across CSV.

Statutory receivables and debt investments at amortised cost

CSV'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 CSV would be unable to meet its financial obligations as they fall due. CSV operates under the government's fair payments policy of settling financial obligations within 30 days and, in the event of a dispute, makes payments within 30 days from the date of resolution.

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

CSV manages its liquidity risk by close monitoring of its short-term and long-term borrowings by senior management including monthly reviews on current and future borrowings levels and requirements, maintaining an adequate level of uncommitted funds, careful maturity planning of its financial obligations based on forecasts and future cash flows.

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

Financial instruments – Market risk

CSV's exposure to market risk is primarily through interest rate risk. Exposure to interest rate risk is insignificant and might arise primarily through CSV'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 Note 7.1.3.1 Interest rate exposure of financial instruments.

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. CSV 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. CSV has minimal exposure to cash flow interest rate risks through cash and deposits and term deposits that are at floating rate.

CSV manages interest rate risk by mainly undertaking fixed rate financial instruments with relatively even maturity profiles. CSV 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 CSV's sensitivity to interest rate risk are set out on the following page.

7.1.3.1 Interest rate exposure of financial instruments

(\$ thousand)

	Weighted average interest rate	Interest rate exposure			
		Carrying amount	Fixed interest rate	Variable interest rate	Non-interest bearing
June 2022					
Financial assets					
Cash and deposits	0.32%	100,831	-	100,831	-
Receivables ⁽ⁱ⁾	-	-	-	-	-
Total financial assets		100,831	-	100,831	-
Financial liabilities					
Payables					
Suppliers and services	-	11,399	-	-	11,399
Borrowings:					
Lease liabilities	4.00%	1,413	1,413	-	-
Total financial liabilities		12,812	1,413	-	11,399
June 2021					
Financial assets					
Cash and deposits	0.21%	122,516	-	122,516	-
Receivables ⁽ⁱ⁾	-	53	-	-	53
Total financial assets		122,569	-	122,516	53
Financial liabilities					
Payables					
Suppliers and services	-	11,379	-	-	11,379
Borrowings:					
Lease liabilities	4.00%	1,888	1,888	-	-
Total financial liabilities		13,267	1,888	-	11,379

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

Interest rate risk sensitivity

	(\$ thousand)		
	Carrying amount	Interest rate	
		-100 basis points	+100 basis points
June 2022			
Contractual financial assets			
Cash and deposits	100,831	(1,008)	1,008
Total impact		(1,008)	1,008
June 2021			
Contractual financial assets			
Cash and deposits	122,516	(1,225)	1,225
Total impact		(1,225)	1,225

7.2. Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet, but are disclosed by way of a note 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.

CSV does not have any contingent assets as at 30 June 2022.

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

For buildings that are currently in construction or have yet to start construction, CSV has allocated a budget of \$347.40 million, of which \$190.56 million has been contractually committed. Out of the total budget allocation, \$156.84 million has not been contractually committed. No present obligation exists for this uncommitted funding, until agreements are executed.

7.3. Fair value determination

This section sets out information about how CSV 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:

- buildings
- plant, equipment and vehicles.

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

CSV 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.

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

The Valuer-General Victoria (VGV) is CSV's independent valuation agency and CSV will engage them to monitor changes in the fair value of each asset and liability through relevant data sources to determine revaluations when it 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 instruments 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.

CSV currently holds a range of financial instruments that are recorded in the financial statements where the carrying amounts approximate to fair value, due to their short-term nature or with the expectation that they will be paid in full by the end of the 2022-23 reporting period.

These financial instruments include:

Financial assets	Financial liabilities
Cash and deposits	Payables
Receivables	Supplies and services
Other sundry receivables	Borrowings
	Lease liabilities

None of CSV'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: Non-financial physical assets

Fair value measurement hierarchy

	Carrying amount	Fair value measurement at end of reporting period using:		
		Level 1	Level 2	Level 3
(\$ thousand)				
June 2022				
Buildings at fair value	1,043	-	-	1,043
Plant, equipment and vehicles at fair value	154	-	-	154
Leasehold improvements	169	-	-	169
Net carrying amount	1,366	-	-	1,366
June 2021				
Buildings at fair value	1,446	-	-	1,446
Plant, equipment and vehicles at fair value	155	-	-	155
Leasehold improvements	235	-	-	235
Net carrying amount	1,836	-	-	1,836

There have been no transfers between levels during the period.

Reconciliation of Level 3 fair value movements

(\$ thousand)

	Buildings at fair value	Plant, equipment and vehicles at fair value	Leasehold improvements	Work in progress	Total
June 2022					
Opening balance	1,446	155	235	-	1,836
Machinery of Government transfers in	-	-	-	-	-
Transfers in/(out) of Level 3	-	-	-	-	-
Additions	-	72	-	-	72
Depreciation expense	(403)	(73)	(66)	-	(542)
Expensed to the Profits/ (Losses)	-	-	-	-	-
Transferred to other classes	-	-	-	-	-
Closing balance	1,043	154	169	-	1,366
June 2021					
Opening balance	-	-	-	-	-
Machinery of government transfers in	1,524	121	270	651	2,566
Transfers in/(out) of Level 3	-	-	-	-	-
Additions	139	30	-	-	169
Depreciation expense	(235)	(34)	(39)	-	(308)
Expensed to the Profits/ (Losses)	18	-	-	(609)	(591)
Transferred to other classes	-	38	4	(42)	-
Closing balance	1,446	155	235	-	1,836

Description of significant unobservable inputs to Level 3 valuations

June 2022 and June 2021	Valuation technique	Significant unobservable inputs
Building - right-of-use	Market approach	Discount rate
Plant, equipment and vehicles	Current replacement cost method	Useful life of plant, equipment and vehicles
Leasehold improvements	Current replacement cost method	Useful life of leasehold improvements

Note 8: Other disclosures

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

Structure

- 8.1. Ex gratia expenses**
- 8.2. Other economic flows included in net result**
- 8.3. Equity disclosure**
- 8.4. Responsible persons**
- 8.5. Remuneration of executives**
- 8.6. Related parties**
- 8.7. Remuneration of auditors**
- 8.8. Subsequent events**
- 8.9. Other accounting policies**
- 8.10. Changes in accounting policy**
- 8.11. Australian Accounting Standards issued that are not yet effective**
- 8.12. Glossary of technical terms**
- 8.13. Style conventions**

8.1. Ex gratia expenses

No ex gratia payments were made for the year ended 30 June 2022.

Ex gratia expenses are the voluntary payments 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 of or claim against the entity.

8.2. Other economic flows included in net result

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

- the revaluation of the present value of the long service leave liability due to changes in the bond interest rates; and
- 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.

(\$ thousand)

	Year ended June 2022	Period ended June 2021
Net gain/(loss) on financial instruments		
Net gain/(loss) arising from revaluation of financial liabilities at fair value through net result	-	(105)
Balance as per cash flow statement	-	(105)

8.3. Equity disclosure

Contributed capital

	(\$ thousand)	
	June 2022	June 2021
Capital transactions with the State in its capacity as owner arising from:		
Net assets transferred from other government entities	-	83,610
Balance	-	83,610

8.3.1. Restructure of administrative arrangements

In accordance with FRD 119A, DELWP being the portfolio department for CSV and the Victorian Building Authority (VBA), was the conduit of transfer of capital to CSV from the VBA, as a result of the *Cladding Safety Bill 2020* which was passed on 4 November 2020, under which CSV was established as a separate body corporate and was transferred the responsibility for overseeing the Cladding Rectification Program from the VBA. The transfer was completed on 1 December 2020. The net assets transferred were accounted through contributed capital.

The following assets and liabilities were transferred to CSV on 1 December 2020.

	(\$ thousand)	
	Year ended June 2022	Period ended June 2021
Assets		
Cash	-	88,407
Other financial assets	-	20
Property, plant and equipment	-	434
Work in progress	-	608
Leased assets	-	1,524
Total assets	-	90,993
Liabilities		
Employee benefits	-	(940)
Other liabilities	-	(4,648)
Lease liabilities	-	(1,795)
Total liabilities	-	(7,383)
Net assets transferred	-	83,610

8.4. 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	1/07/2021 - 26/06/2022
Hon Lizzie Blandthorn MP, Minister for Planning	26/06/2022 - 30/06/2022
Governing Board	
Rodney Fehring, Chairperson	1/07/2021 - 30/06/2022
Sarah Clarke, Deputy Chairperson	1/07/2021 - 30/06/2022
Genevieve Overell, Board Member	1/07/2021 - 30/06/2022
Jo Pugsley, Board Member	1/07/2021 - 30/06/2022
Roger Teale, Board Member	1/07/2021 - 30/06/2022
David Webster, Board Member	1/07/2021 - 30/06/2022
Accountable Officer	
Dan O'Brien, Chief Executive Officer	1/07/2021 - 30/06/2022

Remuneration of responsible persons

Remuneration received or receivable by the accountable officers in connection with the management of CSV during the financial year was in the range of \$480,000 - \$489,999 (seven months ended June 2021: \$270,000 - \$270,999).

The number of Responsible Persons, excluding the Minister, whose total remuneration in connection with the affairs of the CSV as shown in the following bands, were:

	Year ended June 2022	Period ended June 2021
Income band (\$)	no.	no.
10,000 - 19,999	5	5
20,000 - 29,999	-	-
40,000 - 49,999	1	1
270,000 - 270,999	-	-
480,000 - 489,999	1	1
Total number of responsible persons	7	7

Amounts relating to ministers are reported in the financial statements of the State's Annual Financial Report. For information regarding related party transactions of ministers, the register of members' interests is available from: www.parliament.vic.gov.au/publications/register-of-interests.

8.5. Remuneration of executives

The number of executive officers, other than ministers and accountable officers, 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 CSV, or on behalf of CSV, in exchange for services rendered, and is disclosed in 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.
- **Termination benefits** include termination of employee payments, such as severance packages.

Remuneration of executive officers

	(\$ thousand)	
	Year ended June 2022	Period ended June 2021
Short-term employee benefits	1,319	910
Post-employment benefits	120	70
Other long-term benefits	32	81
Total remuneration⁽ⁱ⁾	1,471	1,061
Total number of executives	6	6
Total annualised employee equivalent (AEE)⁽ⁱⁱ⁾	6.0	3.5

Notes:

(i) 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 disclosure (Note 8.6).

(ii) Annualised employee equivalent is based on the time fraction worked over the reporting period. Prior period AAE was based on seven months CSV was operating prorated over 12 months.

8.6. Related parties

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

Related parties of CSV 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, CSV had transactions with other government-controlled entities and these transactions were undertaken in the ordinary course of operations, as listed in the below table.

	(\$ thousand)	
Government-related entities	Year ended June 2022	Period ended June 2021
Department of Environment Land, Water and Planning ⁽ⁱ⁾ - receipt	67,883	54,014
Victorian Building Authority ⁽ⁱⁱ⁾ - receipt	77,185	42,885
State Revenue Office ⁽ⁱⁱⁱ⁾ - payment	(655)	(286)
Total aggregate transactions	144,413	96,613

Notes:

(i) Grants for private and government-owned buildings rectification.

(ii) Cladding Rectification Levy income.

(iii) Payroll tax.

Key management personnel (KMP) of CSV include responsible persons as outlined in Note 8.4 and senior executives of CSV as indicated below.

Position identified as KMPs	Personnel movements
Jodee Cook, Chief Operating Officer	1/07/2021 - 30/06/2022
Luke Exell, Director Legal, Commercial and Procurement	14/04/2022 - 30/06/2022
Ashley Hunt, Executive Director Project Delivery	1/07/2021 - 30/06/2022
John Kent, Director Stakeholder Engagement	1/07/2021 - 30/06/2022
Nathan Matthews, Director Cladding Rectification	1/07/2021 - 30/06/2022
Nidal Sayegh, Acting Director Legal, Commercial and Procurement	1/07/2021 - 14/04/2022
Rebecca Thistleton, Director Communications	1/07/2021 - 30/06/2022
Chamila Wehellage, Chief Finance Officer	1/07/2021 - 30/06/2022

The compensation detailed below excludes the salaries and benefits the Portfolio Ministers receive. The Minister's remuneration and allowances are set by the *Parliamentary Salaries and Superannuation Act 1968* and is reported within the State's Annual Financial Report.

Compensation of key management personnel

	(\$ thousand)	
	Year ended June 2022	Period ended June 2021
Short-term employee benefits	2,043	1,409
Post-employment benefits	165	92
Other long-term benefits	47	81
Total compensation	2,255	1,582

8.7. Remuneration of auditors

	(\$ thousand)	
	Year ended June 2022	Period ended June 2021
Victorian Auditor-General's Office		
Audit of the financial statements	40	39
Total	40	39

8.8. Subsequent events

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

8.9. Other accounting policies

Contributions by owners

Consistent with the requirements of AASB 1004 *Contributions*, contributions by owners, contributed capital and its repayment are treated as equity transactions, and therefore do not form part of the income and expenses of CSV.

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 to or distributions by owners have also been designated as contributions by owners.

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

Accounting for the goods and services tax (GST)

Income, expenses and assets are recognised net of the amount of associated GST, except where GST incurred is not recoverable from the taxation authority. In this case, the GST payable 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 Australian Taxation Office (ATO) is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis.

Commitments, contingent assets and liabilities are also stated inclusive of GST.

8.10. Changes in accounting policy

During the financial year, CSV reassessed recognition of the CRL and is now recognising the CRL under AASB 1058. CSV previously recognised the CRL under AASB 15. The net financial effect of this reassessment has had no impact on current or prior year results (Note 2.1).

8.11. Australian Accounting Standards issued that are not yet effective

Certain new and revised accounting standards have been issued but are not effective for the 2021-22 reporting period. These accounting standards have not been applied to the Model Financial Statements. The State is reviewing its existing policies and assessing the potential implications of these accounting standards which includes:

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 AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date to defer the application by one year to periods beginning on or after 1 January 2023. CSV will not early adopt the Standard.

CSV is in the process of analysing the impacts of these Standards. 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 CSV's reporting.

- AASB 17 Insurance Contracts.
- AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments.

- AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definitions of Accounting Estimates.
- AASB 2021-5 Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction.
- AASB 2021-6 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards.
- AASB 2021-7 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections.

8.12. Glossary of technical terms

The following is a summary of the major technical terms used in this report.

Actuarial gains or losses on superannuation defined benefit plans are changes in the present value of the superannuation defined benefit liability resulting from:

- experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred); and
- the effects of changes in actuarial assumptions.

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

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

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

Comprehensive result is the amount included in the operating statement representing total change in net worth other than transactions with owners as owners.

Controlled item generally refers to the capacity of a department to benefit from that item in the pursuit of the entity's objectives and to deny or regulate the access of others to that benefit.

Current grants are amounts payable or receivable for current purposes for which no economic benefits of equal value are receivable or payable in return.

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 is the method used to calculate the amortised cost of a financial asset 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 asset or, where appropriate, a shorter period.

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 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.

Finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an underlying asset.

Financial asset is any asset that is:

- cash
- an equity instrument of another entity
- a contractual 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
- 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 is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial liability is any liability that is either:

- a contractual obligation to deliver cash or another financial asset to another entity to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or
- 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 in the Model Report comprises:

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

General government sector 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 that are mainly non-market in nature, those that are largely for collective consumption by the community and those that involve the transfer or redistribution of income. These services are financed mainly through taxes, or other compulsory levies and user charges.

Grant expenses and other transfers are transactions in which one unit provides goods, services, assets (or extinguishes a liability) or labour to another unit without receiving approximately equal value in return. Grants can either be operating or capital in nature.

While grants to governments may result in the provision of some goods or services to the transferor, they do not give the transferor a claim to receive directly benefits of approximately equal value. For this reason, grants are referred to by the AASB as involuntary transfers and are termed non-reciprocal transfers. Receipt and sacrifice of approximately equal value may occur, but only by coincidence. For example, governments are not obliged to provide commensurate benefits, in the form of goods or services, to particular taxpayers in return for their taxes.

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

Interest expense represents costs incurred in connection with borrowings. It includes interest on advances, loans, overdrafts, bonds and bills, deposits, interest components of lease repayments, service concession financial liabilities and amortisation of discounts or premiums in relation to borrowings.

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

Leases are rights conveyed in a contract, or part of a contract, the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

Net financial liabilities is calculated as liabilities less financial assets, other than equity in public non-financial corporations (PNFC) and public financial corporations (PFC). This measure is broader than net debt as it includes significant liabilities, other than borrowings (e.g. accrued employee liabilities such as superannuation and long service leave entitlements). For the PNFC and PFC sectors, it is equal to negative net financial worth.

Net financial worth is equal to financial assets minus liabilities. It is a broader measure than net debt as it incorporates provisions made (such as superannuation but excluding depreciation and bad debts) as well as holdings of equity. Net financial worth includes all classes of financial assets and liabilities, only some of which are included in net debt.

Net lending/borrowing is the financing requirement of government, calculated as the net operating balance less the net acquisition of non-financial assets. It also equals transactions in financial assets less transactions in liabilities. A positive result reflects a net lending position and a negative result reflects a net borrowing position.

Net operating balance or **net result from transactions** is a key fiscal aggregate and is revenue 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 result is a measure of financial performance of the operations for the period. It is the net result of items of revenue, gains and expenses (including losses) recognised for the period, excluding those classified as 'other non-owner movements in equity'.

Net worth is calculated as assets less liabilities, which is an economic measure of wealth.

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, cultural and heritage assets, intangibles and biological assets such as commercial forests.

Non-financial public sector represents the consolidated transactions and assets and liabilities of the general government and PNFC sectors. In compiling statistics for the non-financial public sector, transactions and debtor/creditor relationships between sub-sectors are eliminated to avoid double counting.

Operating result is a measure of financial performance of the operations for the period. It is the net result of items of revenue, gains and expenses (including losses) recognised for the period, excluding those that are classified as 'other non-owner movements in equity'. Refer also to '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. In simple terms, other economic flows are changes arising from market remeasurements. They include gains and losses from disposals, revaluations and impairments of non-current physical and intangible assets; fair value changes of financial instruments and agricultural assets; and depletion of natural assets (non produced) from their use or removal.

Other economic flows – other comprehensive income comprises items (including reclassification adjustments) that are not recognised in net result as required or permitted by other Australian Accounting Standards. They include changes in physical asset revaluation surplus; share of net movement in revaluation surplus of associates and joint ventures; and 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.

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

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 into 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.

8.13. Style conventions

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

The notation used in the tables is as follows:

-	zero, or rounded to zero
(xxx.x)	negative numbers
20xx	year period
20xx-xx	year period

The financial statements and notes are presented based on the illustration for a government agency in the 2021-22 Model Report for Victorian Government Departments.



Appendices





Disclosure index

CSV's Annual Report is prepared in accordance with all relevant Victorian legislation and pronouncements. This index has been prepared to facilitate identification of CSV's compliance with statutory disclosure requirements.

Click on a page reference number to refer to the relevant requirements for the corresponding disclosure requirements, or alternatively, refer to the corresponding page references.

Legislation	Requirement	Page reference
Standing Directions and Financial Reporting Directions		
Report of Operations		
Charter and purpose		
FRD 22	Manner of establishment and the relevant Ministers	page 13
FRD 22	Purpose, functions, powers and duties	page 13
FRD 22	Key initiatives and projects	pages 25 - 38
FRD 22	Nature and range of services provided	pages 18 - 21
Management and structure		
FRD 22	Organisational structure	page 63
FRD 22	Board committee membership	page 58
Financial and other information		
FRD 10	Disclosure index	pages 132 - 135
FRD 12	Disclosure of major contracts	page 139
FRD 15	Executive disclosures	page 66
FRD 22	Employment and conduct principles	page 64
FRD 22	Occupational health and safety policy	pages 67 - 73

Legislation	Requirement	Page reference
Standing Directions and Financial Reporting Directions		
FRD 22	Summary of the financial results for the year	page 11
FRD 22	Significant changes in financial position during the year	page 12
FRD 22	Major changes or factors affecting performance	page 11
FRD 22	Subsequent events	pages 12, 123
FRD 22	Application and operation of the <i>Freedom of Information Act 1982</i>	pages 139 - 140
FRD 22	Compliance with building and maintenance provisions of the <i>Building Act 1993</i>	page 140
FRD 22	Statement on National Competition Policy	page 140
FRD 22	Application and operation of the <i>Public Interest Disclosures Act 2012</i>	page 141
FRD 22	Application and operation of the <i>Carers Recognition Act 2012</i>	page 141
FRD 22	Details of consultancies over \$10,000	pages 137 -138
FRD 22	Details of consultancies under \$10,000	page 138
FRD 22	Disclosure of government advertising expenditure	page 136
FRD 22	Disclosure of ICT expenditure	page 139
FRD 22	Statement of availability of other information	pages 146 - 147
FRD 22	Asset Management Accountability Framework (AMAF) maturity assessment *	page 142
FRD 24	Reporting of office based environmental impacts	pages 143 - 146
FRD 25	Local Jobs First	page 136
FRD 29	Workforce Data disclosures	pages 64 - 65
SD 5.2	Specific requirements under Standing Direction 5.2	pages 02, 81

Legislation	Requirement	Page reference
Standing Directions and Financial Reporting Directions		
<i>Note:</i>		
<i>* CSV is not required to include the Asset Management Accountability Framework (AMAF) maturity assessment for the financial year 2021-22 but has provided the disclosure to show commitment to asset management compliance.</i>		
SPF Reporting Guidelines	Social Procurement Framework	pages 142 - 143
Compliance attestation and declaration		
SD 5.1.4	Attestation for compliance with Ministerial Standing Direction	page 12
SD 5.2.3	Declaration in report of operations	page 02
Financial Statements		
Declaration		
SD 5.2.2	Declaration in financial statements	page 81
Other requirements under Standing Direction 5.2		
SD 5.2.1(a)	Compliance with Australian accounting standards and other authoritative pronouncements	page 81
SD 5.2.1(a)	Compliance with Standing Directions	page 81
SD 5.2.1(b)	Compliance with Model Financial Report	page 128
Other disclosures as required by FRDs in notes to financial statements (a)		
FRD 11	Disclosure of Ex gratia Expenses	page 118
FRD 21	Disclosures of Responsible Persons, Executive Officers and other Personnel (Contractors with Significant Management Responsibilities) in the Financial Report	page 120
FRD 103	Non-Financial Physical Assets	page 116
FRD 110	Cash Flow Statements	page 87
FRD 112	Defined Benefit Superannuation Obligations	page 94
FRD 114	Financial Instruments – general government entities and public non-financial corporations	page 107

Legislation	Requirement	Page reference
Standing Directions and Financial Reporting Directions		

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.

Legislation		
<i>Freedom of Information Act 1982</i>		pages 139 - 140
<i>Building Act 1993</i>		page 140
<i>Public Interest Disclosures Act 2012</i>		page 141
<i>Carers Recognition Act 2012</i>		page 141
<i>Local Jobs Act 2003</i>		page 136
<i>Financial Management Act 1994</i>		page 88

Local jobs first

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

Departments and public sector bodies are required to apply the Local Jobs First policy in all projects valued at \$3 million or more in Metropolitan Melbourne or for state-wide projects, or \$1 million or more for projects in regional Victoria.

MPSG applies to all construction projects valued at \$20 million or more.

Projects commenced and completed (standard)

During 2021-22, CSV commenced eight Local Jobs First standard projects, for rectification of residential buildings, totalling \$37.2 million. Of those projects, seven were in metropolitan Melbourne, with an average commitment of 95 per cent of local content. The MPSG did not apply to any of these projects.

The outcomes expected from the implementation of the Local Jobs First policy to these projects where information was provided are as follows:

- an average of 95 per cent of local content commitment was made;
- a total of 120 positions were committed, including the creation of 20 new jobs and the retention of 77 existing jobs (AEE);

- a total of 21 positions for apprentices, trainees and cadets were committed, including the creation of seven new apprenticeships, traineeships, and cadets and the retention of the remaining 14 existing apprenticeships, traineeships and cadets; and
- 266 small to medium-sized businesses were engaged through the supply chain on commenced standard projects.

Projects commenced and completed (strategic)

Not relevant to CSV for the 2021-22 financial year.

Reporting requirements – grants

Not relevant to CSV for the 2021-22 financial year.

Government advertising expenditure

There is no government advertising expenditure to report for the 2021-22 financial year.

Consultancy expenditure

Details of consultancies over \$10,000

During the reporting period July 2021 to June 2022 there were 13 contracts where the total fees payable to consultants were \$10,000 or greater. The total expenditure incurred during 2021-22 in relation to these consultancies was \$2,092,330 (excluding GST). Details of individual consultancies are outlined below.

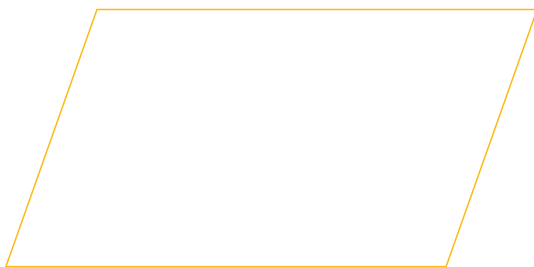
Details of consultancies valued at \$10,000 or greater

Consultant	Purpose of consultancy	Total approved project fee (excl. GST)	Expenditure 2021-22 (excl. GST)	Estimated Future expenditure (excl. GST)
Accuraco Pty Ltd	Due Diligence Services	\$3,181,818	\$272,078	\$1,304,506
AESG	Advisory Reference Panel	\$100,000	\$64,906	\$35,094
Building and Development Solutions	Building Surveyor Consultancy	\$100,000	\$30,645	NIL
Complete Building Advice Pty Ltd	Building Surveyor Consultancy	\$20,570	\$4,180	\$16,390
CT Alliance Pty LTD	Probity advisory	\$40,000	\$3,800	\$30,900
Deloitte Touche Tohmatsu	Independent Program Review	\$104,000	\$87,255	NIL
Enright Consulting	Advisory Reference Panel	\$30,000	\$25,200	\$34,800
Gowdie Management Group Pty Ltd	Due Diligence Services	\$3,181,818	\$804,720	\$308,000
Hendry Group	Advisory Reference Panel	\$30,000	\$13,370	\$36,630
Holmes Fire Limited Partnership	Fire Engineering Consultancy	\$802,327	\$1,620	NIL
Meacham Associates	Fire Safety Advisor	\$60,000	\$9,688	\$4,312

Consultant	Purpose of consultancy	Total approved project fee (excl. GST)	Expenditure 2021-22 (excl. GST)	Estimated Future expenditure (excl. GST)
Meinhardt Australia Pty Ltd	Due Diligence Services	\$3,181,818	\$477,948	\$576,648
NTT Australia Digital Pty Ltd	Provision of IT Consultancy Services (Core Systems P2)	\$1,277,328	\$296,160	NIL
CSIRO	Advisory Reference Panel	\$30,000	\$760	\$29,241

Details of consultancies under \$10,000

During the reporting period, there were two consultancies engaged during the year, where the total fees payable to the individual consultancy was less than \$10,000. The total expenditure incurred during 2021-2022 in relation to this consultancy was \$6,250 (excluding GST).



Information and communication technology expenditure

For the 2021-22 reporting period, CSV had a total ICT expenditure of \$1.08 million, with details outlined below.

	\$ (thousands)		
All operational ICT expenditure	ICT expenditure related to projects to create or enhance ICT capabilities		
Business as Usual (BAU) ICT expenditure	Non-Business as Usual (non-BAU) ICT expenditure	Operational expenditure	Capital expenditure
(Total)	(Total = Operational expenditure and capital expenditure)		
739	340	340	0

ICT expenditure refers to CSV's costs in providing business enabling ICT services within the current reporting period. It comprises Business as Usual (BAU) ICT expenditure and non-Business as Usual (non-BAU) ICT expenditure. Non-BAU ICT expenditure relates to extending or enhancing CSV'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.

Disclosure of major contracts

In 2021-22 CSV did not enter into any contracts greater than \$10 million in value.

Freedom of information

The *Freedom of Information Act 1982* allows the public a right of access to documents held by CSV. The purpose of the *Freedom of Information Act 1982* is to extend as far as possible the right of the community to access information held by government departments,

local councils, Ministers and other bodies subject to the *Freedom of Information Act 1982*.

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

The *Freedom of Information Act 1982* allows CSV to refuse access, either fully or partially, to certain documents or information. Examples of documents that may not be accessed include cabinet documents, some internal working documents, law enforcement documents, documents covered by legal professional privilege, such as legal advice, personal information about other people and information provided in-confidence.

If an applicant is not satisfied by a decision made by CSV, under section 49A of the *Freedom of Information Act 1982*, they have the right to seek a review by the Office of the Victorian Information Commissioner within 28 days of receiving a decision letter.

Making a request

Freedom of information requests can be made by filling out the form located at www.vic.gov.au/freedom-information-and-cladding-safety-victoria and paying the application fee of \$30.60 from 1 July 2022 before the request is processed. Access charges may also be payable if the document pool is large, and the search for material is time consuming.

Requests for documents held by CSV should be sent by email to foicsv@claddingsafety.vic.gov.au or posted to:

Freedom of Information Officer

Cladding Safety Victoria
PO Box 23392
Docklands VIC 8012

FOI statistics/timeliness

During 2021-22, CSV received nine freedom of information requests. Three of these requests related to an owner or owners corporation seeking documents in relation to their building. Two requests related to a member of the public seeking information about the Cladding Rectification Program. Four requests related to organisations seeking information about buildings in the Cladding Rectification Program.

CSV responded to eight requests within the required timeframes, including one received during 2020-21 and finalised in 2021-22. Two requests are in progress at the time of preparing this report.

Further information

Further information regarding the operation and scope of freedom of information can be obtained from the *Freedom of Information Act 1982*, regulations made under the *Freedom of Information Act 1982* and www.foi.vic.gov.au.

Compliance with the *Building Act 1993*

CSV does not own or control any government buildings and consequently is exempt from notifying its compliance with the building and maintenance provisions of the *Building Act 1993*.

Competitive Neutrality Policy – National Competition Policy

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

The Commissioner for Better Regulation is responsible for considering competitive neutrality complaints by individuals and businesses against government entities and reported to the government on compliance with the policy. No competitive neutrality complaints were lodged against business activities operated by CSV.

Compliance with *Public Interest Disclosures Act 2012*

The *Public Interest Disclosures Act 2012* encourages and assists people in making disclosures of improper conduct by public officers and public bodies. *The Public Interest Disclosures Act 2012* provides protection to people who make disclosures in accordance with the Act and establishes a system for the matters disclosed to be investigated and rectifying action to be taken. CSV does not tolerate improper conduct by employees, nor the taking of reprisals against those who come forward to disclose such conduct. CSV is committed to ensuring transparency and accountability in its administrative and management practices and supports the making of disclosures that reveal corrupt conduct, conduct involving a substantial mismanagement of public resources, or conduct involving a substantial risk to public health and safety or the environment. CSV will take all reasonable steps to protect people who make such disclosures from any detrimental action in reprisal for making the disclosure. It will also afford natural justice to the person who is the subject of the disclosure to the extent it is legally possible.

Reporting procedures

CSV is not an entity that can receive public interest disclosures. Disclosures of improper conduct or detrimental action by CSV or any of its employees may be made directly to the Independent Broad-based Anticorruption Commission (IBAC):

Level 1, North Tower, 459 Collins Street
Melbourne VIC 3000

Phone: 1300 735 135

Internet: www.ibac.vic.gov.au

Compliance with *Carers Recognition Act 2012*

CSV recognises that the *Carers Recognition Act 2012* sets a default position for CSV, and we continue to offer a range of work and leave options to help our staff balance the demands of work with personal and carer commitments. CSV promotes flexible work as the default for its staff and aims to reduce the barriers to workforce participation for carers and ensures carers can make choices about work and their care role, to participate socially and economically and maintain their health and wellbeing.

Compliance with *Disability Act 2006*

CSV has developed a *Gender, Diversity and Inclusion Strategy 2022–2024* considering both broader workforce diversity and employees that provide care for people with disability. The Strategy was developed in consultation with all CSV staff. The Action Plan defines how we will build a diverse and inclusive workforce for people with disability:

- ensure we have an accessible workplace;
- provide reasonable workplace adjustments;
- attract, recruit, develop and retain a diverse workforce from a variety of backgrounds; and
- broaden workforce knowledge on diversity and inclusion principles and practices to create an inclusive environment.

To increase awareness and understanding of our diversity profile, the People and Capability team has designed and rolled-out a training program to address unconscious bias and promote disability awareness to all staff. The People and Capability team have partnered with hiring managers in the development of the Recruitment and Retention Plan and reviewed CSV's recruitment and selection process to ensure it is fair and does not present barriers to people with disability.

Compliance with DataVic Access Policy

The Victorian Government issued the DataVic Access Policy in 2012. This enables the sharing of government data with the public at no, or minimal, cost. Consistent with this policy, information included in this Annual Report will also be available at www.data.vic.gov.au in electronic readable format. CSV was established as an independent entity on 1 December 2020 and is now halfway through the Cladding Rectification Program. CSV will consider the publication of further datasets as work progresses through the second half of the program.

Asset Management Accountability Framework maturity assessment

The Asset Management Accountability Framework (AMAF) is a mandatory, nonprescriptive framework for managing public assets in Victoria. This approach seeks to ensure that an organisation's implementation is both fit for purpose and achieves organisational objectives.

As a small agency, CSV does not own many assets, and in line with the *AMAF Guidance Note* issued by the Department of Treasury and Finance, has taken a risk-based approach to asset management. During 2021-2022 CSV was compliant with all applicable AMAF requirements with the development of its *Asset Management Strategy and Policy*, its previous compliance deficiency.

The not applicable requirement relates to where asset management functions are devolved or outsourced including to entities excluded from the Standing Directions. Accountable Officers must have appropriate internal management processes established to ensure they and their outsourced providers or entities excluded from the Standing Directions are maintaining and managing assets to the required standard/s (for example regular performance reporting). CSV does not outsource or devolve management of its assets.

Social procurement framework

CSV aligns with the Victorian Government's Social Procurement Framework, which outlines the Victorian Government's commitment to using its purchasing power to generate social value above and beyond the value of the goods and services it procures. CSV seeks to engage with suppliers with the capability to deliver critical requirements, while delivering social benefit to the Victorian community in key areas.

In 2022, CSV's Procurement Strategy included targeted objectives to deliver social and sustainable outcomes through procurement. These were selected and adapted based on their alignment with CSV's strategic direction and presence in the construction sector.

Social procurement objective	Outcomes sought by CSV	Metric
Women's equality and safety	<p>Gender equitable employment practices including leadership at senior levels and equal remuneration</p> <p>Support for female workers' inclusion and safety in the construction sector</p> <p>Provision of paid family violence leave</p>	<p>Number of suppliers with gender equality policies</p> <p>Number of construction sector employers with policies showing focused support for female workers</p> <p>Number of employers offering paid family violence leave</p>
Environmentally sustainable business practices	Resource usage optimisation and sustainable waste management practices	Number of suppliers using sustainable resources and waste management practices

Additionally, CSV considered and applied other social objectives to individual procurement activities (e.g., use of a social enterprise for catering).

The Procurement Strategy and social procurement objectives were communicated to staff during the year. The defined objectives have been included as required weighted evaluation criteria of 5% on all non-transactional procurements at CSV, and optional weighted criteria depending on the nature of the required goods and services.

To address the 'women's equality and safety' objective, CSV updated its procurement templates to require suppliers to advise if they have adopted a gender equality policy and offer paid family violence. For construction sector suppliers we require suppliers to advise if their policies show focused support for female workers, given this is a traditionally male-dominated industry.

To address the 'environmentally sustainable business practices' objective, CSV added a requirement to procurement templates for suppliers to advise of their use of sustainable resources including recyclable materials, and their waste management practices such as construction site waste control and waste disposal practices.

While the prioritised social procurement framework objectives guide our procurement delivery, CSV is committed to pursuing any other opportunities to advance social and sustainable outcomes for Victorians.

Office-based environmental impacts

Organisational boundary and eco office challenge

CSV's head office is located at 717 Bourke Street in Docklands. CSV leased the premises in March 2020. CSV has had a transitioned three day return to the office from March 2022 and as such CSV's environmental impact was expected to be minimal.

Subsequently, targets for energy and waste reduction were not set for 2021-22. Environmental baseline measures will be set through the 2022-23 year, and if staff return to the office in pre-pandemic numbers, targets can be set for the following years.

Energy use

CSV consumes energy predominantly through office facilities. Energy usage and greenhouse gas emission was minimal during 2021-22 due to employees working remotely because of the coronavirus pandemic and a three-day transition return to the office from March 2022.

Energy use

	Indicator	2021-2022
E1	Total energy usage segment by primary source (MJ)	
	Electricity (MJ) – excluding green power	113,979.589
	Natural gas (MJ)	0
	Green power (MJ)	0
	LPG (MJ)	0
E2	Total greenhouse gas emission from energy consumption (tonnes CO2-e)	
	Electricity (tonnes CO2-e) – excluding green power	34.68
	Natural gas (tonnes CO2-e)	0
	LPG (tonnes CO2-e)	0
E3	Percentage of electricity bought as green power	0

Source: CSV used data from its electricity bills and the supplier. Greenhouse gas emission information was provided by CSV's electricity provider.

Waste and recycling

CSV generates waste through office facilities and is committed to implementing best practices in relation to waste disposal and recycling. Waste creation for 2021-22 was minimal due to employees working remotely because of the coronavirus pandemic and a three-day transition return to the office from March 2022.

Waste and recycling

Indicator	2021-2022
Total units of waste disposed of by destination (kg/year)	
Landfill (kg)	550
Co-mingled recycling (kg)	240
Paper and card (kg)	60
Secure documents (kg)	10
Organics (kg)	70
Total units of waste disposed of per FTE by destination (kg/FTE)	
Landfill (kg/FTE)	6.25
Co-mingled recycling (kg/FTE)	2.72
Paper and card (kg/FTE)	.68
Secure documents (kg/FTE)	0.11
Organics (kg/FTE)	0.79
Recycling rate (per cent)	26.55%
Greenhouse gas emissions associated with waste (tonnes CO2-e)	0.08

Source: Information was sourced from CSV's waste provider.

Paper use

In 2021-22 CSV used 33.4 reams of copy paper. Paper use was low due to our encouragement of digital processing and employees working remotely because of the coronavirus pandemic and a three-day transition return to the office from March 2022.

Paper use

Indicator	2021-2022
Total units of A4 equivalent copy paper used (reams)	33.4
Units of A4 equivalent copy paper used per FTE (reams/FTE)	190
Percentage of 75-100 per cent recycled content	100%
Percentage of 50-74 per cent recycled content	0
Percentage of 0-49 per cent recycled content	0

Water consumption

Water consumption data is not available to CSV as its head office in Docklands has a single water meter and all tenants pay pro-rata to the building manager.

Travel and transport

CSV has a fleet of three hybrid vehicles, predominantly used for CSV site visits.

Travel and transport

Indicator	2021-2022
Total energy consumption by fleet vehicles (MJ)	
Total distance travelled by fleet vehicles (km)	8,588
Total greenhouse gas emissions from fleet vehicles (tonnes CO ₂ -e)	0.875
Greenhouse gas emissions from fleet vehicles per 1000km (tonnes CO ₂ -e)	0.000875
Total distance travelled by air (km)	2800

Source: Information was sourced from 12-month audit data.

Greenhouse gas emissions

Emissions resulting from key activities were low in 2021-22, including emissions from energy use, the unavailability of air travel and waste disposal. These results were largely due to workplace and operational changes created by the coronavirus pandemic restrictions introduced in 2020.

Greenhouse gas emissions

Indicator	2021-2022
Total greenhouse gas emissions associated with energy use (tonnes CO2-e)	34.68
Total greenhouse gas emissions associated with vehicle fleet (tonnes CO2-e)	0.875
Total greenhouse gas emissions associated with air travel (tonnes CO2-e)	0.7
Total greenhouse gas emissions associated with waste disposal (tonnes CO2-e)	0.8
Greenhouse gas emissions offsets purchased (tonnes CO2-e)	0

Greener procurement

CSV applies sustainability criteria to all procurements with a standard weighting of five per cent to all potential suppliers' environmental management practices. As stated in CSV's Procurement Policy: "CSV is committed to social procurement, enabling increased social and sustainability benefits as a result of conducting procurement activities. Procurement activities are expected to consider the potential to deliver social outcomes in areas of gender equality and environmental sustainability as weighted criteria."

CSV minimises its environmental impact by applying sustainability criteria to the purchase of stationery, other office supplies and cleaning.

Additional information on request

In compliance with the requirements of the Standing Directions 2018 under *the Financial Management Act 1994*, details in respect of the items listed below have been retained by CSV and are available on request, subject to the provisions of *the Freedom of Information Act 1982*.

- a. A statement that declarations of pecuniary interests have been duly completed by all relevant officers of the agency.
- b. Details of shares held by senior officers as nominee or held beneficially in a statutory authority or subsidiary.
- c. Details of publications produced by the agency about the activities of the agency and where they can be obtained.
- d. Details of any major external reviews carried out in respect of the operation of the agency.
- e. Details of any major research and development activities undertaken by the agency that are not otherwise covered either in the report of operations or in a document which contains the financial statement and report of operations.

- f. Details of major promotional, public relations and marketing activities undertaken by the agency to develop community awareness of the services provided by the agency.
- g. Details of assessment and measures undertaken to improve the occupational health and safety of employees, not otherwise detailed in the report of operations.
- h. General statement on industrial relations within the agency and details of time lost through industrial accidents and disputes, which are not otherwise detailed in the report of operations.
- i. List of major committees sponsored by the agency, the purpose of each committee and the extent to which the purposes have been achieved.
- j. Details of all consultancies and contractors including:
 - (i) *consultants/contractors engaged*
 - (ii) *services provided*
 - (iii) *expenditure committed to each engagement.*

The information is available on request from the CSV support line on 1300 456 542 or via email support@claddingsafety.vic.gov.au.

Information that is not applicable to CSV

The following information is not relevant to CSV for the reasons set out below:

- k. Details of changes in prices, fees, charges, rates and levies charged by the agency for its services, including services that are administered (CSV does not charge for its services).
- l. Details of overseas visits undertaken including a summary of the objectives and outcomes of each visit (no Board Members or senior executives took overseas work-related trips).

The information is available on request from CSV's Freedom of Information Officer (see above).



Acronyms and abbreviations

Acronym/ abbreviation	Definition
AAS	Australian Accounting Standards
AASB	Australian Accounting Standards Board
AC	amortised cost
ACP	aluminium composite panels
ACT	Australian Capital Territory
AEE	annualised employee equivalent
AMAF	Asset Management Accountability Framework
ATO	Australian Taxation Office
BAB	Building Appeals Board
BAU	business as usual
BDSC	Building Discharge Sub-Committee
CEO	Chief Executive Officer
CLO	Customer Liaison Officer
CO2-e	carbon dioxide equivalent
CRL	Cladding Rectification Levy
CRM System	Customer Relationship Management System
CRP	Cladding Rectification Program

Acronym/ abbreviation	Definition
CRPM	Cladding Risk Prioritisation Model
CSIRO	Commonwealth Scientific and Industrial Research Organisation
CSV	Cladding Safety Victoria
DBI	Domestic Building Insurance
DELWP	Department of Environment, Land, Water and Planning
DFFH	Department of Families, Fairness and Housing
DTF	Department of Treasury and Finance
EAP	Employee Assistance Program
EPS	expanded polystyrene
ESMs	Essential Safety Measures
FOI	freedom of information
FRD	Financial Reporting Direction
FRV	Fire Rescue Victoria
FTE	full time equivalent
GST	goods and services tax
HC	head count
IBAC	Independent Broad-based Anticorruption Commission

Acronym/ abbreviation	Definition
ICT	information and communications technology
IF-SCAN	Initial Fire Spread in Cladding Assessment Number
IPM	Independent Project Manager
kg	kilogram
km	kilometre
KMP	key management personnel
LPG	Liquefied Petroleum Gas
LSL	long service leave
MBS	Municipal Building Surveyor
MCG	Melbourne Cricket Ground
MJ	megajoule
MPSG	Major Project Skills Guarantee
NAWIC	National Association of Women in Construction
no.	number
NSW	New South Wales
OC	owners corporation
OHS	Occupational Health and Safety
OHSQ	Occupational Health, Safety and Quality
OHSW	Occupational Health, Safety and Wellbeing
PCB	Project Control Board

Acronym/ abbreviation	Definition
PMCR	Protocols for Mitigating Cladding Risk
PPE	personal protective equipment
QLD	Queensland
RoU	right-of-use
RMIT	Royal Melbourne Institute of Technology
RTW	return to work
SCA	State-wide Cladding Audit
SES	Senior Executive Service
SOU	Sole Occupancy Unit
STS	Senior Technical Specialist
TAFE college	Technical and Further Education college
UK	United Kingdom
VBA	Victorian Building Authority
VGv	Valuer-General Victoria
VIPP	Victorian Industry Participation Policy
VMIA	Victorian Managed Insurance Authority
VPS	Victorian Public Service
VPSC	Victorian Public Service Commission

Website

www.vic.gov.au/cladding-safety

Email

support@claddingsafety.vic.gov.au

Postal address

PO Box 23392, Docklands VIC 8012

Telephone

1300 456 542



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