



Cladding
Safety Victoria

Annual Report

2021-2022



About this report

Welcome to the report for Cladding Safety Victoria (CSV) for the year ending 30 June 2021. In July 2019, the Victorian Government announced the creation of CSV to reduce the risk associated with combustibile 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's 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 2021.



Rod Fehring
Board Chairperson
Cladding Safety Victoria
18 October 2021

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Board Chairperson's statement

Victoria's cladding rectification program is ambitious. Its purpose is to improve the safety of the built environment – and the people who use it – by directly addressing fire risks associated with non-compliant cladding on public and defined types of private residential buildings. Cladding Safety Victoria (CSV) was established by the Victorian Government to create and carry-out this program.

Announced in July 2019, CSV began life as a business unit of the Victorian Building Authority (VBA), an arrangement which enabled the accelerated and focussed delivery of this important and complex program work to begin while the necessary legislation was developed. Much was achieved over the following 17 months, with the organisation established from scratch and, with the help of many others, policies and processes were developed to bring the program to life.

On 1 December 2020, CSV became a statutory authority under the *Cladding Safety Victoria Act 2020* and a Board was appointed to oversee the Cladding Rectification Program and the performance of CSV.

The Board acknowledges the excellent work and stewardship by CSV's CEO Dan O'Brien in establishing a performance-based organisational culture which has designed and refined processes that enabled rectification work to get underway or be completed on 200 buildings by 30 June 2021. More detail on this considerable achievement is included in the following pages of this report.

The Board also acknowledges the practical partnerships, within government, the building sector and most importantly, with owners and residents, that have enabled the work

of rectification to progress efficiently and effectively. While CSV has the incentive of funding to offer to owners of the highest risk buildings, it has no coercive powers and therefore relies on the active cooperation, goodwill and expertise of many people to improve the safety of the built environment for the benefit of all Victorians.

While rapid progress has been made with cladding removal and replacement, issues have emerged that go beyond the purview and tenure of CSV, particularly in relation to building defects beyond the scope of combustible cladding removal.

It should also be noted that while CSV's focus has been directed at rectifying buildings prioritised as highest risk, it has an important role to play in providing guidance to owners of buildings assessed as a lower priority who may still need to take action to reduce the risk posed by combustible cladding but are ineligible for CSV funding. CSV has acquired world-leading expertise in this area over the past two years and is in a position to apply that expertise in a practical way to help owners. A comprehensive plan is required to deal with these buildings and CSV is contributing to this with the Department of Environment, Land, Water and Planning (DELWP), the VBA, local government and other stakeholders.

Given the global nature of this issue, CSV also recognises its responsibility to share what it has learned nationally and internationally.

As Chair, I look forward to continuing the delivery of the government's safety agenda, working closely with the Minister and his department in achieving this ambitious and world-leading undertaking.



Rod Fehring
Board Chairperson
Cladding Safety Victoria



CEO's statement

It is with great pleasure that I report that over the last 12 months, Cladding Safety Victoria (CSV) has removed more combustible cladding from buildings than any other jurisdiction in Australia.

Moreover, CSV has engaged with more building owners, undertaken more technical assessments and have more cladding projects underway than anywhere in the world. This is a significant achievement for an agency that only became a statutory authority under the *Cladding Safety Victoria Act 2020* in December 2020.

The decision to establish a dedicated agency to focus on a problem impacting tens of thousands of private apartment owners sets Victoria apart from other jurisdictions around the world. With a strong focus on delivery and guided by the expertise of an independent Board, CSV has been able to develop a clear strategic vision and a robust governance framework which enable it to move at pace to deal with the risk to life posed by combustible cladding.

This objective is achieved through two programs – the Residential Cladding Rectification Program and the government-owned building program. The Residential Cladding Rectification Program is focused on identifying Class 2 residential apartment buildings where combustible cladding poses the highest risk and providing support to the owners of these buildings to reduce that risk. The government-owned building program involves working with Victorian Government departments and agencies to identify buildings used by the community that have combustible cladding and to make them safer.

A total of 723 buildings have been referred to CSV by the Victorian Building Authority's State-wide Cladding Audit in the period to 30 June 2021, of which 176 were referred during 2020-21. CSV has assessed these buildings

to understand their level of eligibility and risk. From the total referred to CSV, at the end of the 2020-2021 financial year, 536 have been inducted into the program, and of these, 389 have had on-site inspections, 253 Funding Agreements have been signed and work is complete or underway on 200 buildings. As at the end of the 2020-2021 financial year, there are 113 government-owned buildings in scope for cladding rectification within CSV's program of works. 67 of these have been completed, and the remaining 46 are either in construction or in the design and tender stages.

There have been a range of issues to address to deliver the program. Significant challenges encountered in our first years of operation include:

- the existence of cladding exclusions in professional indemnity insurance for a range of critical building practitioners;
- the need to develop a more robust assessment of cladding risk to enable project prioritisation to occur;
- an unclear appetite of original builders to come back and rectify the buildings they put the combustible cladding on;
- the existence of many non-cladding building defects making the challenge of cladding removal and replacement very difficult; and
- the need to reinforce the expectations on standards of safety and quality of all practitioners involved in the cladding rectification program.

I am pleased to say that we have worked through each of these issues throughout 2020-21.

- The landmark industry-first private indemnity insurance program solution launched alongside the Department of Environment, Land, Water and Planning (DELWP) in February 2020 has made it possible for more building practitioners to get on with delivering the cladding rectification program.
- Working in partnership with Commonwealth Scientific and Industrial Research Organisation (CSIRO) Data61, CSV has developed a process to assess the specific fire risk caused by combustible cladding for each building relative to other buildings in the residential program. This enables CSV to prioritise funding as required by the *Cladding Safety Victoria Act 2020*.
- As part of the Target 200 initiative to get cladding projects underway during 2020-21 the government also announced an opportunity for original builders to participate in cladding projects on their own buildings on a no-profit basis.
- CSV's due diligence process has discovered defects beyond combustible cladding on some buildings. This early detection creates an opportunity for CSV to work with the individual owners corporation to discuss how these defects will be addressed prior to the cladding being rectified.
- Throughout the year, CSV also focused heavily on implementing strong quality and safety processes into its program, with the establishment of a Clerk of Works function. This recognises that a strong culture of supporting a healthy, safe and quality work environment has a direct impact on the success of the program and the results are clear to see.

The effort to tackle these issues and reduce this community risk is shared with a range of government agencies, particularly the Victorian Building Authority (VBA), DELWP, the Victorian Managed Insurance Authority (VMIA), WorkSafe, Environment Protection Authority Victoria (EPA) and Fire Rescue Victoria. Each play an important role in supporting CSV to deliver its mission and that support is greatly appreciated.

There is still much work to do to complete our ambitious program, and we face many complexities. In the next 12 months, the organisation will continue to refine its processes and procedures while rectifying more buildings across both the residential and government programs.

Thanks to the expertise of CSV's Board, led by Rod Fehring, and the dedication of a talented team, we are confident CSV will continue to deliver the best possible outcomes and reduce the risk associated with combustible cladding across Victoria.



Dan O'Brien
Chief Executive Officer
Cladding Safety Victoria





REPORT OF OPERATIONS



Achievements and performance

The primary function of Cladding Safety Victoria (CSV) is to make people safer by removing combustible cladding from the buildings that they live in and use.

By 30 June 2021, CSV had overseen the completion of rectification works on 107 buildings. This work resulted in the removal of an amount of combustible cladding that

would cover an area greater than the entire Melbourne Cricket Ground playing surface¹.

CLADDING RECTIFICATION RESULTS

107 buildings rectified 

40 private apartment buildings

67 government-owned buildings

25,524m² cladding removed 

11,082 private apartment buildings

14,442 government-owned buildings

*equivalent to the playing surface of the Melbourne Cricket Ground x1.25

2,483 Victorians made safer 

2,483 private apartment buildings

Government-owned buildings including:

- 6 million attending 3 iconic sports and entertainment venues annually
- 130,000 people presenting at or admitted to a major hospital
- 1,000 living in 10 public housing buildings
- 18,885 students in 40 Victorian schools

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.

By 30 June 2021, construction work was underway on a further:

- **160** apartment buildings, which when completed will:
 - protect a further **14,111** building residents² by removing
 - **118,482** square metres of combustible cladding; and
- **46** government-owned buildings, which will provide for the removal of a further:
 - **43,413** square metres of combustible cladding.

Operational milestones

CSV undertook a range of operational activities throughout 2020-21, consistent with the organisation’s prescribed functions, powers and duties, that brought quality, consistency and momentum to the delivery of a large volume of rectification works.

Risk based prioritisation	CSV’s development and adoption of a Cladding Risk Prioritisation Model (CRPM) provides a new capability to prioritise buildings based on the contribution made specifically by cladding to a building’s fire risk.
Rectification cost benchmarking	CSV is driving value in rectification works by benchmarking tender pricing against initial industry cost benchmarks. Savings of 20.9% are being yielded on average for competitive contract pricing relative to benchmark pricing.

Practitioner quality	CSV’s model of works delivery incorporates Independent Project Managers (IPM) and a new Clerk of Works function that together yield quality outcomes in practitioner selections and the on-site safety and workmanship.
Engagement with building owners	CSV supports the owners of buildings in understanding what is required for rectification work to be planned, undertaken and completed. In 2020-21, CSV staff had over 12,000 interactions with the owner representatives of private buildings and worked closely with eight government departments to support rectification delivery.
Collaboration and accountability	Through the CSV governance framework, the organisation provides information and maintains accountability for all facets of activity. In 2020-21, CSV’s planning and operations were subject to review at 33 individual meetings of CSV’s governance bodies.

² On census night in 2016, there were 506,444 people (including overseas and domestic visitors) staying in 276,590 Victorian apartments, at an average of 1.83 persons per apartment (Source: 2011 Census of Population and Housing: Reflecting Australia - Stories from the Census, 2016 - Apartment Living, Australian Bureau of Statistics). The estimate of building residents was calculated by applying the average persons per apartment (1.83) to the apartment count known to CSV for each building.

Current year – financial review

Overview

The Victorian Government considers the net result from transactions to be the appropriate measure of financial management that can be directly attributed to government policy. This measure excludes the effects of revaluations (holding gains or losses) arising from changes in market prices and other changes in the volume of assets shown under 'other economic flows' on the comprehensive operating statement, which are outside the control of CSV.

In 2020-21, CSV recorded a net result from transactions of \$36.68 million.

Separation from the Victorian Building Authority (VBA)

Prior to 1 December 2020, CSV was operating as a business unit of the VBA. In November 2020, the Victorian Parliament passed the *Cladding Safety Victoria Act 2020* which established CSV as a separate statutory authority. On 1 December 2020, CSV transitioned from the VBA and became an independent entity. As per FRD 119A, VBA transferred the assets and liabilities relating to CSV through contributed capital. The allocation stated was signed off by the Minister for Planning. Net assets of \$83.61 million were transferred to CSV.

The coronavirus (COVID-19) pandemic and its impact on the financial statement

CSV was established during the Victorian Government's State of Emergency response to the coronavirus pandemic. From its establishment, CSV has been working in line with the government's coronavirus advice, working remotely, implementing COVIDSafe guidelines for field teams, conducting phone and online interviews, placed restrictions

on non-essential visitors to its offices, implemented State Government accelerated payment terms to business, and introduced staff wellbeing initiatives.

The impacts of coronavirus on CSV's financial performance and financial position have been considered in the preparation of the 2020-21 Annual Report and the detailed impacts disclosed in the financial statements section of this report.

Financial performance and business review

In 2020-21, CSV recorded a net result from transactions, due to total income of \$98 million exceeding the total expenses from transactions of \$61.22 million.

CSV recorded a \$54 million grant from the Department of Environment, Land, Water and Planning (DELWP) and \$42.89 million Cladding Rectification Levy, to fund cladding rectification works.

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

The expenses are mainly from \$40.30 million in grant payments to owners corporations to undertake cladding rectification work, \$10.89 million for consultants and professional services and \$6.34 million in employee costs.

Financial position – balance sheet

The net asset of CSV is \$120.29 million, of which \$83.61 million was transferred from the VBA when CSV was established in December 2020 and \$36.68 million from accumulated surplus from the net result of this financial year.

The value of total assets is \$134.75 million. This consists primarily of \$122.52 million held in cash at bank, with this level of cash holdings attributable to delays in construction works, issues with design requirements of external wall cladding works and delays in acquiring permits. This figure also includes \$8.74 million in Cladding Rectification Levy receivables from the VBA.

Total liabilities are \$14.46 million, incorporating \$10.32 million in grants payables.

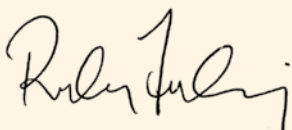
Cash flows

CSV's net cash flow from operating activities is \$34.33 million. Total receipts of \$91.83 million is largely made up of \$33.53 million receipts from customers and \$54.01 million in grants received from the State Government. Total payments of \$57.50 million consist of \$42.73 million in grant payments and \$14.72 million in payments to suppliers and employees.

Attestation for financial management compliance with Ministerial Standing Directions 5.1.4

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

9 September 2021

About Cladding Safety Victoria

Manner of establishment

On 16 July 2019, the Premier of Victoria and the 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 is The Hon. Richard Wynne MP, Minister for Planning.

Purpose

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."

Functions, powers and duties

To achieve this purpose, CSV has the following functions, duties and powers 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 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.



Image: A building under construction in CSV's program.



Image: Staff and workers on a CSV funded building site. Please note that face masks were not mandatory in Melbourne at the time this photograph was taken.

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*.

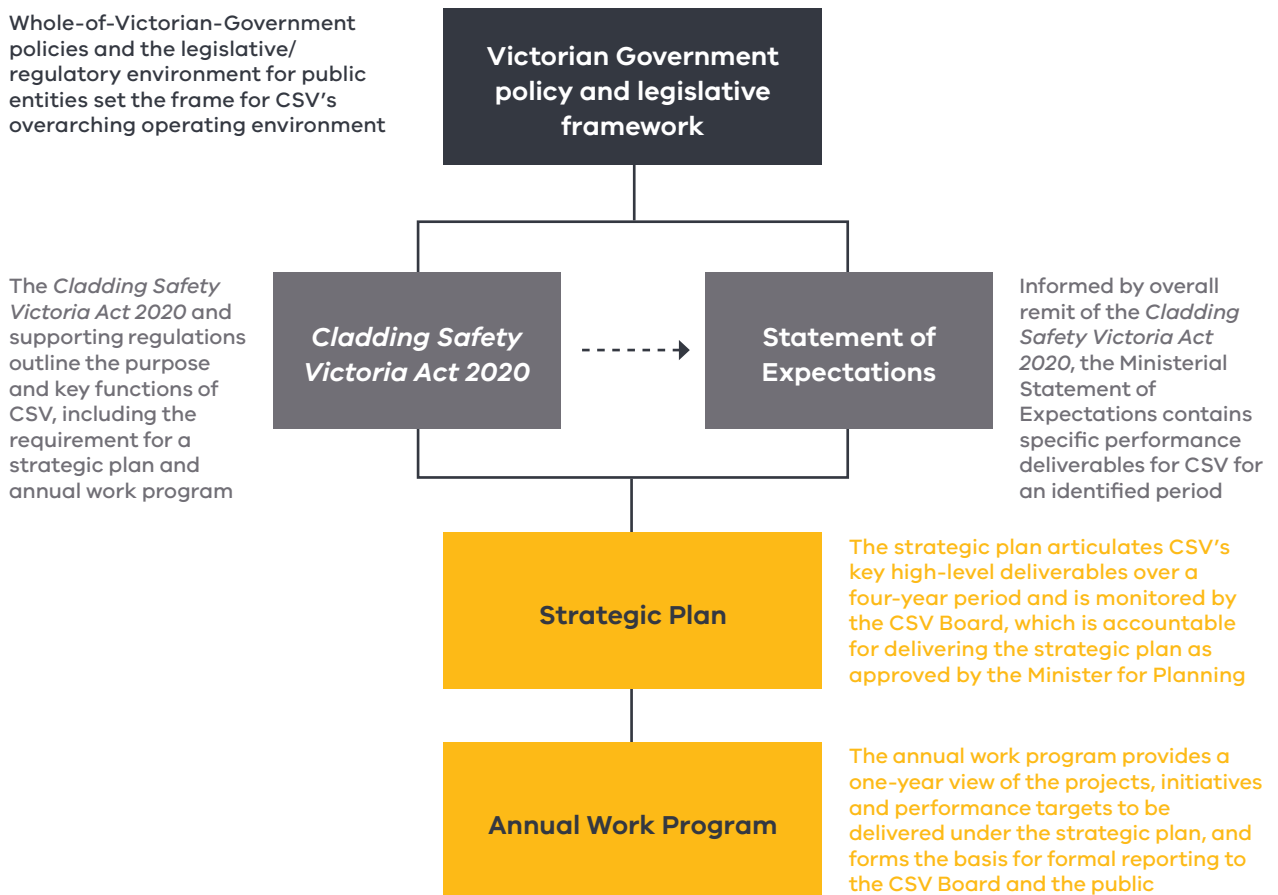
These measures form part of the planning framework and apply from the 2021-22 financial year onwards.

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.



Minister's Statement of Expectations

Following CSV's establishment as an independent agency in December 2020, the Minister for Planning presented a Statement of Expectations (SOE) to the CSV Board on 20 January 2021.

The Minister's SOE emphasised that CSV's delivery of cladding rectification works sits within a broader program of activities occurring within the portfolio, necessitating close working relationships with other portfolio partners.

This Statement of Expectations (SOE) sets out CSV's contribution to the Victorian Government's response to the issue of combustible cladding. CSV plays a critical role in the delivery of two key programs within the Cladding Rectification Portfolio:

- the Statewide Cladding Audit and regulatory/enforcement activities (led by the Victorian Building Authority (VBA));
- **the Private Residential Cladding Rectification Program (led by CSV);**
- **the Government Buildings Cladding Rectification Program (facilitated by CSV);** and
- strategic oversight, policy development and implementation (led by DELWP).

Under the *Cladding Safety Victoria Act 2020*, CSV has been established with the object of "supporting Victorians to rectify non-compliant or non-conforming external wall cladding products on buildings to improve the safety of those buildings".

Through delivery of CSV's object and functions, it is expected that you drive continuous improvement through greater transparency and accountability. Your board, the Department of Environment, Land, Water and Planning (DELWP), the VBA and myself will all work together to advance this commitment.

Statement of Expectations for Cladding Safety Victoria, Minister for Planning, 20 January 2021.

One of the key requirements specified in the SOE was for CSV to prepare and submit a strategic plan to the Minister covering a four-year period. The strategic plan was to be outcome focussed and specify the performance measures against which CSV delivery progress would be monitored and reported.

The *Cladding Safety Victoria Strategic Plan 2021-25* was provided to the Minister for Planning in February 2021 along with the *CSV Annual Work Program 2021-22*, which sets out the delivery focus for the next financial year.

Develop an outcome focused Strategic Plan and plan for a mid-cycle evaluation

It is expected that CSV will communicate to the Minister for Planning the outcomes it will deliver for the Victorian community through its Strategic Plan, as required under the *Cladding Safety Victoria Act 2020*. The plan should include transparent performance measures for:

- the number of buildings expected to be rectified each year;
- quality of engagement and communications activities;
- outcomes of the Private Residential Cladding Rectification Program and Government Buildings Cladding Rectification Program, including the timeliness of rectification, costs and improved safety and compliance of the built environment; and
- financing expenditure, including availability of funding at the right time, within value for money principles and remaining on budget.

CSV may include other areas it deems appropriate in its plan.

Statement of Expectations for Cladding Safety Victoria, Minister for Planning, 20 January 2021.

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. These are articulated in the context of the CSV 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 are well-informed about cladding risk and fire safety</p>	 <p>Robust processes and strong governance support high performance and organisational resilience</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.

Outcome	1. CSV actions improve the safety of buildings within the scope of the program	2. Owners corporations are well-informed about cladding risk and fire safety	3. Robust processes and strong governance support high performance and organisational resilience
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	2. Owners corporations are well-informed about cladding risk and fire safety	3. Robust processes and strong governance support high performance and organisational resilience
Output Measures	<ul style="list-style-type: none"> • No. of buildings within the program that reach practical completion • No. of sole-occupancy units that benefit from Cladding Rectification Program works • Square metres of cladding removed • Variance between actual and forecast cost, excluding contingency, for the rectification program • No. of at-site health and safety incidents resulting in a fatality or serious injury • % same-day at-site incident reports • Owners corporation satisfaction rating 	<ul style="list-style-type: none"> • % of owners corporation meetings that occur within agreed timeframes • No. of owners corporations that receive fire safety information • No. of residents who receive fire safety information • Engagement rate from in-scope buildings for digital advertising campaign 	<ul style="list-style-type: none"> • Rating of Board and committee performance • Staff satisfaction rating • % safety corrective actions completed within agreed timeframes • % completion of mandatory compliance training modules • % audit actions implemented within agreed timeframes • % program reporting delivered within agreed timeframes

CSV is undertaking data collection initiatives to enable reporting against all measures from the 2021-22 financial year onwards.

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.

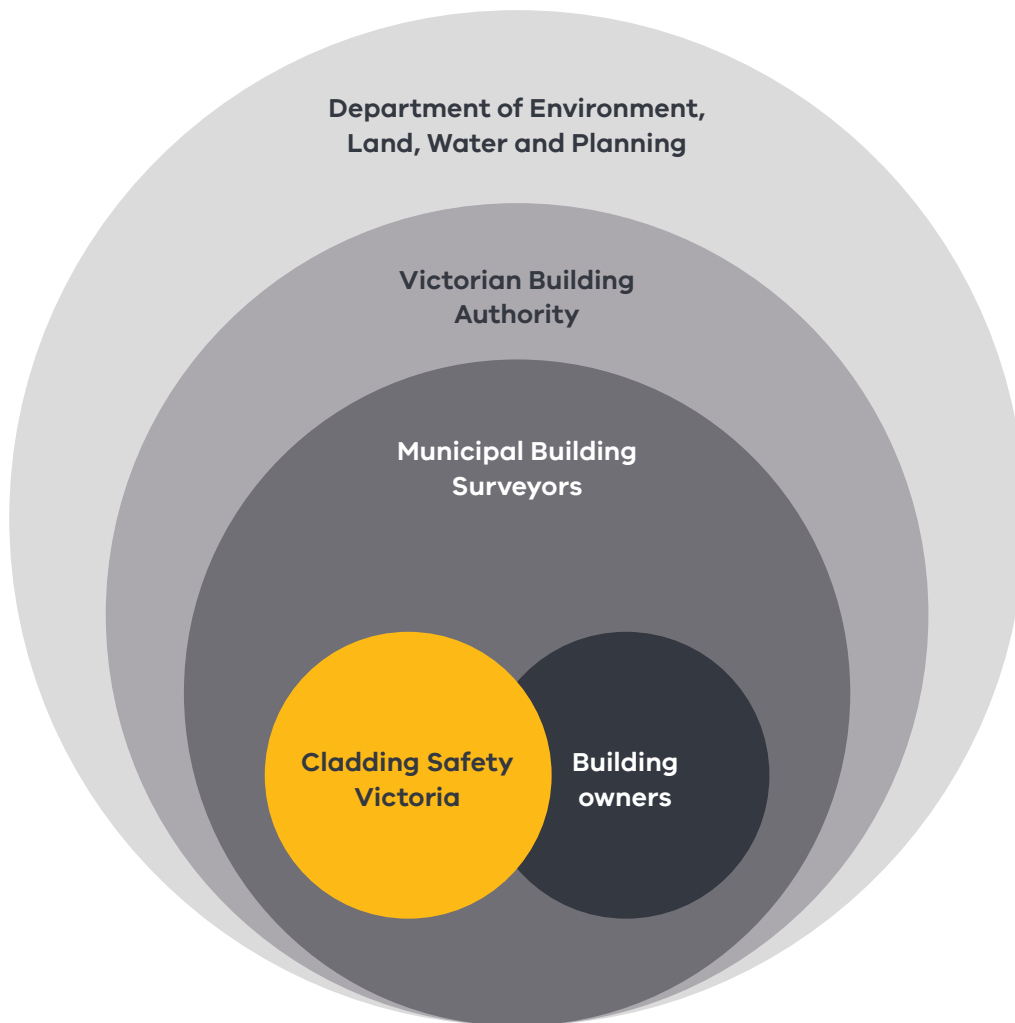
CSV maintains close working relationships with each party to build a shared understanding of the program's purpose and sustain the quality and momentum of delivery.

Parties with a direct impact on rectification works or on the environment in which it is delivered are 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>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 that 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>

The diagram below illustrates the:

- centrality of the working relationship with 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.



- Maintains the regulatory framework for building safety
- Identifies buildings with combustible cladding
- Imposes obligations on owners to fix cladding problems
- Supports owners in fixing cladding problems
- Responsible for fixing cladding problems

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

Fire Rescue Victoria (FRV)	<p>FRV provides the first response to a building fire where an incident occurs.</p> <p>FRV is able to 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 that CSV prioritises rectification projects.</p>
Victorian Managed Insurance Authority (VMIA)	<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-focussed services, where the primary customers are the owners of buildings.

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 higher-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 can help owners and Municipal Building Surveyors (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>CSV 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>

<p>Due diligence inspection services</p>	<p>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.</p>
<p>Project management services</p>	<p>CSV appointed Independent Project Managers (IPM) represent the mutual interests of building owners and CSV in cladding rectification work, overseeing all aspects of contract management and delivery progress.</p>
<p>Quality control services</p>	<p>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.</p>

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:

<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 what the rectification priorities are.</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 that the broad CSV understanding of government 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>



Image: Cladding rectification works on a large sporting stadium.

Corporate support services

CSV is a focused delivery 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.

<p>Recruitment and procurement services</p>	<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>
<p>Financial services</p>	<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>

<p>Information management services</p>	<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>
<p>Communication and engagement services</p>	<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>
<p>Reporting services</p>	<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>

A unique Victorian response to the cladding problem

The emergence of cladding as a global fire safety issue

Governments and industry groups around the world have recognised and are responding to the elevated fire threat posed to the community by the prevalence of combustible cladding in the built environment.

For over three decades, a range of durable and light weight products have been introduced to construction because of the distinct advantages they offer. The relative ease of working with these materials has provided for greater ease of construction for builders and improved cost competitiveness for building investors. The capacity of cladding products to support weather proofing and thermal insulation requirements that bring further innovation to building design has made cladding products increasingly popular inclusions in the design and construction of external wall systems globally.

Unfortunately, certain cladding products have become better known for their combustibility. Multiple significant facade fires have occurred across the world's cities that have taken or endangered lives and resulted in substantial financial losses. Common to many of these fires was the central role that cladding played in the rapid rate of fire spread and the scale of the fires that cladding fuelled.

What is cladding and why is it dangerous?

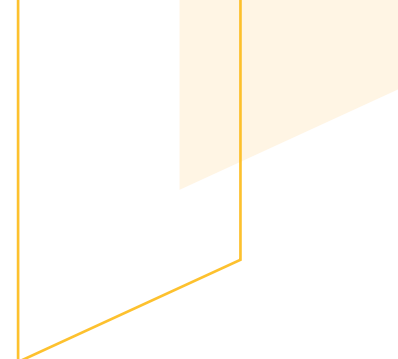
Cladding is the outside skin of a building. It is used to provide thermal insulation and weather resistance, and to improve the appearance of buildings.

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
- 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 Grenfell Tower fire in London in 2017 was a galvanising moment for those wrestling with this emergent problem, with the loss of life attributed in large part to the presence of aluminium composite panels (ACP) across the building facade. Other fire safety features and actions taken at the Grenfell Tower were contributing factors, but it was indisputable that the spread and scale of the fire would not have been the same without the presence of combustible cladding.



Victorians have had their own direct experience with cladding fires in high rise buildings. The 2014 Lacrosse fire and the 2019 fire at the Neo200 Apartments in Melbourne showed the potential for catastrophic outcomes where a fire ignites in cladding on a building facade. While the two Melbourne fires were significant events, it was fortunate that no deaths or significant injuries occurred. The fire safety features and systems available in each building and the highly effective efforts of fire fighters to suppress the fires and evacuate residents served to protect lives in each incident.

Victorians can take some comfort in the quality of existing fire detection and suppression systems available in the built environment and the excellence of the firefighting services that protect the community. However, under worst case conditions a genuine potential exists for a cladding borne fire to overwhelm a building and limit the effectiveness of the fire safety measures.

While cladding can elevate a building's fire risk to an unacceptable level, the level of risk posed to building users varies in accordance with the type, amount and configuration of cladding on each building. The Victorian Cladding Taskforce (the Taskforce) recognised that a balanced approach is needed to ensure that safety obligations imposed on building owners are proportionate to the risk posed by combustible cladding.

For some buildings that are assessed as moderate and low risk, no substantive regulatory action or building works will be required.

...

Low risk buildings do not generally require cladding removal and an educational approach on fire safety will be appropriate for these buildings.

...

Buildings identified as moderate risk in the audit will need to be further assessed to determine if they require replacement of combustible cladding or whether other steps can be taken to enable them to be categorised as low risk and compliant with the Act.

Source: Victorian Cladding Taskforce: Report from the Co-Chairs, July 2019.

Developing a response to the problem of combustible cladding

The Victorian Government acted decisively to the risk posed by combustible cladding, initially by convening the Taskforce to investigate cladding use in Victorian construction.

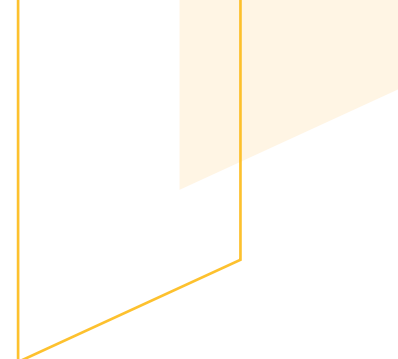
In its interim report to the Victorian Government in November 2017, the Taskforce provided its findings which pointed to a culture of non-compliance in the sector and of regulatory failure. A key recommendation of the final Taskforce report in July 2019 was to establish a new agency to deal with the risk posed by combustible cladding.

This report presents the outcomes of the cladding audit work that has been undertaken to date. Despite the progress of this audit work, however, we are aware that the rectification of private buildings with combustible cladding continues to be a challenging and unacceptably difficult process for owners and residents. For this reason, we recommend that the Victorian Government take further steps to ensure the timely rectification of higher risk buildings, including through the establishment of a new authority. This authority would work with owners through the rectification process and provide assistance to owners with the funding of rectification works.

Source: Victorian Cladding Taskforce: Report from the Co-Chairs, July 2019.



Image: CSV Chief Executive Dan O'Brien speaking at the fourth annual Fire Safety and Cladding Summit in Melbourne.



Identifying buildings with cladding

In determining how to respond to the risk posed by combustible cladding, it is important to establish the extent of cladding use in the Victorian built environment. To support this end, a key recommendation of the Taskforce in 2017 called for the Victorian Building Authority (VBA) to

“lead a Statewide audit overseen by the Taskforce of privately owned, residential, multi-unit buildings, three storeys and above and all public-use buildings two storeys and above . . .”

The State-wide Cladding Audit (SCA) has been underway since 2017 and thousands of Victorian buildings have now been assessed.

Through the SCA audit activity, it is evident that the risk posed by combustible cladding varies significantly from building to building. The Victorian Government recognised the need to prioritise actions so that building occupants and users that face the greatest risk from cladding are helped first.

The ongoing SCA activity to systematically identify and assess all buildings with combustible cladding remains pivotal to identifying the breadth of Victoria’s cladding problem and to ensuring that risk mitigation action is effectively targeted.

The drive to retire cladding risk

The establishment of Cladding Safety Victoria (CSV) by the Victorian Government is a world-leading initiative.

Importantly its purpose is to oversee a risk reduction program that supports owners of buildings (both private and public) impacted by combustible cladding.

The Victorian Government has invested \$750m³ to make Victoria safer by reducing the risk associated with combustible cladding on residential apartment buildings and publicly owned buildings, primarily via projects that directly fund the removal of cladding from the highest risk buildings.

Through CSV’s establishment, the Victorian Government has seeded:

- a targeted and controlled mechanism for expediting the delivery of cladding rectification works through direct funded projects;
- a drive towards gaining a greater understanding of cladding risk to complement a broader regulatory focus on compliance; and
- the genesis of a cladding rectification centre of excellence, in which project delivery knowledge and experience can be accumulated and shared.

By 30 June 2021, CSV had delivered on an ambitious target to initiate rectification work on 200 apartment buildings. Cladding removal works have been completed on 40 of these buildings making Victorians living in 1,356 homes safer. In addition, CSV’s program of rectification works targeting government-owned buildings has resulted in cladding being removed from 67 government-owned buildings.

3 \$90 million of this amount is not administered by CSV and was made available to fund a program of reform and industry transition being overseen by DELWP and for the work of the State-wide Cladding Audit administered through the VBA.



Image: A building under construction in CSV's program.



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

A brief history of Cladding Safety Victoria

Origins, purpose and place in government

The Victorian Government announced CSV as an agency for the delivering of publicly funded cladding rectification works on 16 July 2019. This established CSV as the first organisation anywhere in the world operating to fulfill a single purpose to rectify buildings with combustible cladding.

From that date, CSV operated as a special purpose business unit of the VBA, systematically mobilising the resources, expertise and know-how necessary to the delivery of rectification works to reduce cladding risk over a five-year period using funding of about \$750 million. This funding allocation 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.

Since December 2020, CSV has operated as an independent statutory entity.

This is CSV's inaugural Annual Report, with CSV established as an independent statutory entity on 1 December 2020. CSV now operates under the provisions of the *Cladding Safety Victoria Act 2020*, continuing along its original delivery path, now as a primary stakeholder and partner of the VBA and no longer as a business unit of the VBA.

A reader of this Annual Report should note that activity undertaken between 1 July and 30 November 2020 may also be included in the *2020-21 VBA Annual Report*.

Over two years of operation, CSV's resource base and capability has grown substantially, reaching a level of organisational maturity that has enabled CSV to deliver 200 private apartment buildings and 67 government-owned buildings into construction by 30 June 2021.

Cladding Safety Victoria's foundation year – 2019-20

The foundation for controlled, efficient and timely CSV delivery in 2020-21 was laid during the previous financial year in 2019-20.

The unique way in which Victoria set out to tackle the problem of combustible cladding meant that there was no precedent or blueprint for designing and implementing the Victorian solution.

CSV worked methodically and purposefully throughout 2019-20 to build a resources base and to develop the framework, tools and processes via which Victoria could deliver over half a billion dollars of publicly funded cladding rectification projects by June 2024.

By the conclusion of the 2019-20 reporting period, CSV had established a robust delivery framework incorporating:

- a detailed program delivery process covering 10 sequential phases of assessment, rectification planning and implementation;
- funding and contractual arrangements and instruments that articulate multi-party reciprocal obligations in relation to rectification works and overall building safety;
- access to a blend of industry expertise (both internal to CSV and external) necessary to achieve high quality and compliant building safety outcomes;
- a process of due diligence discovery and assessment applied to each building to enable rectification requirements to be identified and the indicative cost of prospective works estimated;

- a case management style of engagement to assist owners in understanding their responsibility for the safety of their own building and to inform them about the actions they may need to take and decisions they may need to make; and
- a model of phased delivery, to enable CSV to adjust its delivery approach on the basis of new learning.

Delivering benefits beyond rectification

In 2020-21, CSV maintained the delivery momentum that has been generated in 2019-20. Drawing on the acquired capacity and capability of this dedicated cladding agency, the Victorian Government has a unique resource to help tackle areas that must be addressed in order to support the transition to a new Victorian building culture characterised by consistent heightened building safety standards and outcomes.

Working in collaboration with the State's building regulator, the VBA, DELWP, responsible for Victorian building policy, and numerous Municipal Building Surveyors (MBSs), who monitor building safety at the coalface, CSV can contribute further to efforts to make Victorians safer in their homes.

During 2021-22, CSV can contribute further to improved safety outcomes by:

- continuing to retire cladding risk via direct investment in the removal of cladding from the buildings of highest risk;
- providing practical advice and guidance about cladding rectification to owners whose buildings do not qualify for funding in consultation with the relevant MBS;

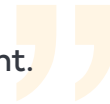
- contributing further to Victorian understanding about building fire risk, so that the requirements for rectification action imposed on building owners are proportionate to the fire risk of each building;
- developing a world-first cladding risk co-efficient that can be used to better determine a building's overall risk reduction in application of different fire-reduction interventions;
- sharing the detailed knowledge of building risk that CSV has garnered to support continuing improvement in industry practice and the focus of regulatory reform; and
- assisting in the identification of any practitioners that have systematically undermined the interests of building safety, so that they may be held accountable for their practice breaches.

Overarchingly, CSV will continue to maintain a strong customer orientation in delivering the program, ever mindful of the stress and pressures placed on building owners, residents and users by the presence of combustible cladding on the buildings they occupy.

While the cladding rectification program has the appearance of being a capital bricks and mortar program, it is inevitably a social program that must continue to find ways to support ordinary people in dealing with a problem of substantial complexity and significant cost.

Year in review

Cladding Safety Victoria (CSV) is a dedicated infrastructure delivery agency of the Victorian Government, established for the purpose of addressing the risk posed by the presence of combustibile cladding in Victoria’s built environment.



To fulfil this charter, CSV is required to scope, design, fund and oversee a works program that systematically removes cladding from Victorian buildings in a way that is:

Targeted	Addressing genuine cladding fire risk on buildings and prioritising investment based on defined risk reduction parameters.
Customer-centric	Attuned and responsive to the needs and concerns of those building users and owners facing the problem of cladding on a day-to-day basis.
Expert-led	Enjoining experts with an interest in and contribution to make towards building safety in the process of rectification works delivery.

Controlled	Establishing and codifying processes, standards, contract mechanisms and support systems that bring accountability and consistency to safety outcomes.
Cost efficient	Optimising the reach of the CSV investment in safety by implementing fit for purpose rectification solutions and supporting efforts to hold third parties accountable for providing their contribution to safety outcomes.

Throughout 2020-21, CSV has built and utilised an organisational structure and resource base that provides:

- the capacity to implement a large, diverse and complex program of rectification work; and
- a unique blend of capabilities and skills that CSV can draw on to design and implement rectification solutions.

CSV has worked to operationalise the Victorian Government’s strategy to improve building safety by undertaking a range of activities detailed in this part of the report.

Key initiatives and projects

As a dedicated delivery and support agency of the Victorian Government, CSV has introduced and supported a range of initiatives in 2020-21 that serve to enhance the targeted delivery of rectification works, maximise value for the investment in cladding removal and improve community safety.

Projects were selected and initiated that had the potential to address a specific constraint to delivery or to optimise the delivery of rectification works, consistent with program objectives.

Cladding Safety Victoria's plan to help keep Victoria's economy moving – Target 200 project

The global coronavirus pandemic disrupted economic activity worldwide, compelling governments to make difficult decisions that balance competing health and economic priorities.

The 2020-21 financial year is atypical, with activity in all industry sectors impacted severely by coronavirus.

At the start of the 2020-21 period, the Victorian Government supported CSV's proposal to increase the number of buildings that would be targeted for rectification during the year in order to support the Victorian economy.

CSV set an ambitious target, Target 200, which committed to initiate cladding rectification construction projects on 200 Victorian apartment buildings by 30 June 2021.

The Victorian Government supported this initiative, recognising that:

- there was a need to maintain momentum in removing combustible cladding from those buildings facing the greatest fire threat; and
- the construction sector is one of the largest employers of Victorians and accounts for 9.3% of the Victorian workforce⁴.

The Cladding Rectification Program (CRP) overseen by CSV was classified as a State Critical Infrastructure Project, and the Victorian Government advanced the full \$253 million in budget funding to CSV to enable 200 design and construct contracts to be executed.

CSV adapted its processes to conform to strict on-site safety requirements in response to coronavirus impacting:

- engagement with building owners;
- on-site inspections and due diligence activity; and
- the design, development and costing of rectification solutions.

By 30 June 2021, work was underway or complete for 200 residential apartment buildings, which will reduce the fire risk for Victorians living in 9,064 apartments.

Work on these 200 buildings provided millions of dollars of investment for the Victorian construction sector and generated thousands of days of employment.

Though much of this work was delivered under a variety of coronavirus restrictions, no coronavirus breaches or incidents were reported associated with this work, a testament to the commitment of CSV and the building practitioners, owners and residents to continued safe delivery of the program throughout this period.

⁴ 6291.0.55.001 Labour Force, Australia, Detailed, Australian Bureau of Statistics, May 2021.

Original builder project

In December 2020, CSV initiated a project to engage with the original builders of the residential apartment buildings that CSV was proposing to rectify. The aim was to provide an opportunity for the original builder to return to the buildings they had constructed to correct cladding safety issues.

To participate in the project, a builder was required to undertake the works for a cost that excludes profit and margin. Use of the original builder was designed to:

- reduce the cost of rectification;
- speed the delivery of works by leveraging a builder's familiarity with the building and site and access to detailed site information, such as plans; and
- allow the builder to alleviate their own commercial risk, arising through their association with a building that has combustible cladding.

CSV does not allow an original builder to participate in the project unless:

- the building owners are prepared to accept the return of the original builder to undertake rectification works;
- the builder has a clean disciplinary record with regard to historical work and business practice; and
- the builder has prequalified to undertake rectification works by registering on the Victorian Government's Residential Cladding Rectification Register (RCRR).

In 2020-21, CSV engaged six original builders to undertake rectification works on 10 buildings that CSV has prioritised for funding. At the end of the 2020-21 reporting period, funding agreements were in place for four of these buildings and the initial indications are that there are savings to the budget through the use of original builders.

CSV will continue to explore opportunities to promote cost and time efficient delivery through the engagement of original builders in 2021-22.

State underwriting of practitioner insurance

The Cladding Rectification Program (CRP) relies on the participation of high-quality building practitioners to scope, design and deliver cladding rectification solutions.

During 2020-21, the Victorian Government faced a significant challenge to the delivery of rectification works through its CSV funded program as a result of market constraints impacting the supply of qualified building practitioners.

The insurance industry foresaw a heightened exposure to cladding related insurance claims for any project involving combustible cladding. This led to the widespread introduction into professional indemnity policies of provisions to exclude loss or damages where a claim relates to combustible external wall cladding.

Without insurance coverage, building practitioners were reluctant to participate in projects that involved cladding. This created a potential supply shortfall that could impact project delivery under CSV's CRP.

The Department of Environment, Land, Water and Planning (DELWP) and CSV worked closely with an insurance broker, Lockton Companies Australia (Lockton), to provide exclusion-free State funded professional indemnity and public liability insurance to cover cladding removal works carried out under contract as part of the CRP.

Lockton advised that the arrangement, which was underwritten by a 'group of global insurers and reinsurers', is a 'market first' for the construction sector. Insurance coverage extends to ten years from the date that construction works are completed, removing an impasse to project managers, fire safety engineers, architects, building surveyors, contractors and subcontractors engaging in work under the program.

Furthermore, building owners will have recourse to submit a claim under the policy in the future should the need arise.

CSV has expended \$2.4 million in insurance premiums in the period to 30 June 2021, and forecasts that the total cost of premiums is approximately \$7 million over the term of the program. The level of the premium payable by CSV has been contained by capping the maximum claim value for any single project and also capping the total value of all claims across all projects in a single year.

Cladding Risk Prioritisation Model

A total of 723 residential apartment buildings have been referred to CSV by the State-wide Cladding Audit (SCA) in the period to 30 June 2021.

This number is expected to increase during the first half of 2021-22 as:

- the Victorian Building Authority (VBA) intensifies its audit activity through the SCA to identify the remaining Victorian apartment buildings with combustible cladding; and
- each of the 79 Victorian Local Government Councils start to refer buildings directly to CSV, as is allowed under the provisions of the *Cladding Safety Victoria Act 2020*, which came into force on 1 December 2020.

The Victorian Government's intention when initiating CSV's program of publicly funded

rectification was never to fund the removal of cladding from all apartment buildings. In keeping with the recommendations of the Taskforce, the Victorian Government required funding to be targeted at buildings facing the highest risk from cladding, recognising that the primary responsibility for building safety continues to reside with building owners.

The 723 residential apartment buildings referred to CSV represent only a portion of the total number of Class 2 residential buildings assessed by the SCA. These buildings were referred to CSV following a risk assessment undertaken as part of the SCA process using a Risk Assessment Tool (RAT) that was developed when the SCA commenced audit activity in 2017.

Over two years of operation, CSV has reviewed RAT assessments and conducted almost 400 due diligence building inspections, and found that the heightened risk profile ascribed to many of the SCA referred buildings was due to fire safety factors other than cladding.

CSV acknowledges that where a building's fire safety features are deficient, action needs to be taken to improve safety. However, CSV's purpose and function requires prioritisation decisions for publicly funded works to be driven primarily by consideration of the contribution made specifically by cladding to a building's risk.

In August 2020, CSV initiated a project to develop a new risk prioritisation method for Victorian residential apartment buildings. Using the advanced risk and data analytics capability of Commonwealth Scientific and Industrial Research Organisation (CSIRO) Data61 together with the building construction and fire safety expertise available to CSV, a Cladding Risk Prioritisation Model (CRPM) has been developed. Since January 2021, the CRPM has been used to inform the funding prioritisation decisions of CSV.

The CRPM accords the greatest weight to the risk created specifically by the combustible cladding on each building. The new measure used in the CRPM gives consideration to the type, amount and configuration of cladding on each building and how this would contribute to the rapid spread of a fire across a building facade under a worst-case scenario.

The availability of the CRPM and its methods provides CSV with a deeper understanding about cladding risk and the variation in cladding risk from building to building. CSV uses the CRPM to prioritise buildings for rectification based on cladding risk and in doing so better aligns the delivery program and budget use to the program purpose.

During 2020-21, over 400 buildings have been subject to a risk assessment using the CRPM.

Return of the Clerk of Works

CSV has instituted an additional tier of quality assurance to its program of rectification with the introduction of a Clerk of Works Panel.

The CSV initiative to introduce a Clerk of Works function to the program aligns to the Taskforce recommendation that this function be restored in Victoria, having all but disappeared from Victorian construction.

The role of a Clerk of Works is to oversee adherence to standards of workmanship and safety at construction sites, and to issue directions for corrective action to be taken wherever safety is being compromised or quality standards are not being met. CSV has appointed a leading Victorian Construction Quality and Safety Manager, who oversees a Clerk of Works panel that is responsible for delivering this function on behalf of CSV.

Clerk of Works oversight is active at all residential sites where CSV funded works are underway.

CSV, supported by 25 Clerks of Work in the field:

- conduct inspections of each site five times a fortnight on average;
- monitors Independent Project Managers (IPMs) and builders to ensure they have Occupational Health, Safety and Quality (OHSQ) systems in place;
- consults with WorkSafe Victoria to review all buildings in construction and consider safety matters;
- monitors site maintenance and activity and reports safety incidents and non-compliant practice; and
- records the results of site inspections and reports incidents and issues, utilising infield technology that provides for real-time data capture.

In keeping with its committed engagement philosophy, CSV also conducts regular information sessions for practitioners to draw the attention of IPMs and builders to safety and quality issues that have emerged.

In operationalising the Clerk of Works function, CSV has engaged three Clerk of Works companies (BG&E, MBB and Sedgwick) to conduct Health and Safety and quality inspections. On average, each Clerk of Works conducts 15 individual inspections a week on active building sites.

From 1 April 2021 to 30 June 2021, 497 quality and safety inspections were conducted, and 580 proactive observations assigned to builders across the program. Seven of those observations resulted in early intervention and included the development of remediation plans to rectify quality issues and stop work notices to address safety non-compliance. The Clerk of Works oversight of CSV delivered projects forms part of a continuous improvement loop, with lessons learnt being shared with other contractors working in the program.

Safe disposal of combustible cladding

Removing and replacing combustible cladding to keep Victorians safe generates large volumes of waste.

This highly flammable material is not safe to store or stockpile, so CSV has developed and applies a framework that sets the objectives and requirements for the safe management of cladding waste, categorised as industrial waste.

CSV has worked with the Environment Protection Authority Victoria (EPA) and WorkSafe Victoria to adopt an initial strategy for the compliant disposal of aluminium composite panels (ACP) and expanded polystyrene (EPS) in landfill.

While the prime objective of CSV is to make Victorians safer in their homes by removing and replacing combustible cladding, it is important that environmental impacts associated with cladding removal are managed effectively.

As such, CSV has proactively engaged with manufacturers, waste industry services and leading Victorian researchers to identify opportunities for ACP and EPS to be:

- recycled – involving the extraction and re-use of raw material; and
- upcycled – entailing the manufacture of new finished products for market.

The cladding waste that will be generated in Victoria extends beyond the cladding removed through CSV funded works, extending to the owners that act to remove combustible cladding from:

- residential buildings that are not being funded by CSV; and
- commercial and industrial buildings.

Finding ways to deal with cladding waste provides an opportunity to seed Victorian innovation and industry development, while also supporting State environmental protection priorities and job creation objectives.

CSV has established working relationships in 2020–21 with WorkSafe Victoria, DELWP, Sustainability Victoria and the EPA, and will continue to work closely with them to ensure cladding recycling initiatives developed in 2021–22 are supportive of the Victorian Government's overarching recycling strategy, *Recycling Victoria: a new economy*.

Managing the scope of delivery

The program of cladding rectification work overseen by CSV is supply driven. It has not been designed to respond to the full market demand for cladding rectification work, which remains primarily the responsibility of individual building owners.

CSV has an obligation to remove as much cladding risk from Victoria's built environment within the scope of:

- the public investment entrusted with CSV; and
- a five-year period of budget appropriations.

CSV has embraced this challenge, recognising that success in managing a supply driven program relies on an ability to control the scope of funding eligibility and the targeting of investment.

In 2020–21, CSV focused on activities and initiatives that defined the scope for investment and remove elements of uncertainty that created ambiguity about which buildings required a rectification solution and what level of intervention action was required to reduce risk to an acceptable level.

Prioritising buildings based on risk

CSV's program to reduce cladding fire risk is being implemented within a regulatory environment in which the predominant focus is on safety compliance.

Reducing a building's fire risk to an acceptable level is not the same as ensuring that all aspects of a building's safety features are compliant with the National Construction Code (NCC) and the Building Code of Australia (BCA) standards.

Throughout 2020-21, CSV has played a leading role in developing a broad-based understanding about cladding risk and how targeted works to eliminate elements of risk can be accommodated within the broader compliance framework applicable under the NCC and BCA.

One of CSV's primary contributions to an enhanced focus on risk reduction in 2020-21 was the design, development and application of the Cladding Risk Prioritisation Model (CRPM) as a joint initiative of CSV and Commonwealth Scientific and Industrial Research Organisation (CSIRO) Data61.

The CRPM provides CSV with a tool for identifying buildings where the cladding:

- adds minimally to a building's fire risk and for which cladding removal offers negligible safety benefits;
- adds moderately to a building's fire risk and for which cladding removal may not be necessary, where other suitable and more affordable safety enhancing measures are taken; and
- adds significantly to a building's fire risk and for which cladding rectification solutions should be developed and funding priority established.

The CRPM provides a means for comparing each building's unique cladding risk to the risk of other buildings and for developing a meaningful basis for the prioritisation of safety interventions. The CRPM has assisted CSV to align risk targeting and budget management functions.

CSV is continuing to explore how the CRPM may be used to support applications for risk mitigation targeting and safety improvement beyond CSV's funded works.

Managing the demand for rectification funding

CSV has no control over the number of residential apartment buildings referred to it.

The State-wide Cladding Audit (SCA) administered by the VBA, has referred 723 apartment buildings to CSV.

The *Cladding Safety Victoria Act 2020* stipulates a clear requirement for CSV to allocate funding to rectification projects based on risk priority.

Two key activities are used to inform CSV prioritisation decisions:

1. assessments of cladding risk that are undertaken using the CRPM, as described in the preceding section; and
2. a parallel process to investigate buildings that appear to be ineligible for funding and discharge them from the program.

In the period to 30 June 2021, 71 of the buildings referred to CSV (almost 10%) have been discharged from the program as they have been found to be ineligible for funding⁵. In many instances, the additional due diligence activity undertaken by CSV has resulted in a finding that the material on buildings was not combustible, enabling CSV to discharge those buildings from the program.

⁵ Buildings can be discharged from the CSV funded program for a range of reasons including where a building is less than three storeys high, not a class 2 residential building, having a low cladding risk, or where no enforcement action is in force, as issued by the Municipal Building Surveyor.

Through ongoing due diligence investigations in 2020-21, CSV expects to identify further buildings that can be discharged from the program on the basis of them failing to meet funding scope eligibility requirements or due to a building having a low or negligible risk posed by combustible cladding.

When a building is discharged from CSV's program, CSV communicates the decision to both the building owners and the MBSs who impose safety compliance actions upon them. Owners need to continue to work with MBSs to take reasonable measures to improve the safety of their buildings independently of CSV.

A number of buildings referred to CSV by the SCA do not meet eligibility requirements. CSV will continue to work with the SCA and MBSs to bring greater efficiency to the way buildings are assessed and referred to CSV in the future, to better align referral processes with CSV's methods of risk-based prioritisation.

Non-cladding building defects

Since the commencement of CSV's rectification program, a range of non-cladding defects have been subsequently identified in some buildings.

CSV's due diligence process aims to identify as best as possible any non-cladding building defects prior to works commencing, however it is usually only when a builder removes the external wall cladding that latent issues are discovered. For approximately 10% of the buildings that CSV works have commenced on, a range of non-cladding defects have been identified, including:

- 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 compartmentalisation between apartments and common areas;
- lack of external wall fire rated plasterboard; and
- incorrect or lack of rain shield sarking and wall insulation.

These non-cladding building defects need to be rectified by building owners to make their homes safe, and addressing these issues does not form part of the contractual package of rectification work that CSV funds are provided for. CSV engages frequently with owners corporations to ensure the responsibilities of owners are understood.

Restricting the scope of CSV funding to construction activities associated only with the removal of combustible cladding is necessary to protect the public investment in the retirement of cladding risk. If CSV funds were permitted to be directed to non-cladding construction works, then the benefit of the investment in reducing cladding risk would be diluted. The CSV objective to focus on cladding is set out in clause 6 of the *Cladding Safety Victoria Act 2020*:

The object of Cladding Safety Victoria is to support Victorians to rectify non-compliant or non-conforming external wall cladding products on buildings to improve the safety of those buildings.

The costs of addressing non-cladding defects vary greatly from building to building and are substantial for some buildings. Undertaking rectification projects for buildings with these defects can add to the complexity of a project and stall or delay works while plans to deal with these issues are developed.

During 2020-21, CSV modified its approach to due diligence inspections to provide opportunity for the early identification of non-cladding issues. The revised due diligence

process assists CSV design rectification solutions and provides an important support service for building owners by helping them identify any other building issues.

The due diligence inspection program and the construction work overseen by CSV places CSV at the centre of activity that leads to an understanding of the nature and extent of the problems that exist with Victorian buildings, encompassing both cladding and non-cladding issues. CSV will continue to build and draw on this accumulated knowledge base to inform the consideration of building reforms and to identify ways to help Victorian building owners improve the safety of their buildings.

To 30 June 2021, CSV has:

- completed due diligence inspections on 389 buildings;
- assessed rectification solutions and costs that has allowed works to be approved for 253 buildings; and
- construction works underway on 200 building sites.

The building knowledge and rectification project management experience generated through CSV activity is an invaluable resource for the Victorian Government and industry to draw upon.

Cladding products and fire risk

Different cladding products create different levels of risk, with respect to their propensity to ignite and spread fire. Products like EPS and ACP that are not fire rated are the prime products targeted for replacement by CSV. However, there is a range of other products for which combustibility properties vary widely and about which there remains uncertainty about whether and to what extent they can be safely incorporated in a building design.

To support the rectification program and provide certainty to the market (both practitioners and product manufacturers), CSV is working to identify which products can be safely used in construction.

During 2020-21, CSV continued to develop a library of building materials that serves as a source of consolidated information about the properties of a variety of cladding products, with a particular emphasis on the capacity of a product to ignite and carry fire.

This information has been gathered to inform both:

- an assessment of risk for a building when a product is already in use; and
- the choice of products that may be used in a design solution to mitigate cladding risk.

The work that CSV has undertaken to catalogue these products provides a foundation for the development of a set of cladding replacement protocols that can inform the design of cladding rectification solutions.

The development of protocols will be a significant focus for CSV in 2021-22, informing solution design for CSV funded projects. These protocols can also inform the development of a risk-based approach to cladding risk that will assist Victorian practitioners in designing and implementing their own solutions.

Delivery record: residential apartments

CSV is responsible for prioritising buildings to be funded, approve the design of rectification solutions and oversee the delivery of rectification works within quality, safety and cost parameters.

For residential apartment buildings, CSV serves as the Victorian Government's delivery agent.

At the start of 2020-21, CSV embraced the challenge to increase rectification work activity during the year to support the dual purposes of:

1. accelerating the rate at which cladding risk is retired in buildings that are home to thousands of Victorians; and
2. providing stimulus to the economy and protecting Victorian jobs to help confront the adverse impacts of coronavirus.

The declaration of the Cladding Rectification Program as a State Critical Infrastructure Project in August 2020 allowed rectification work to continue during periods of coronavirus lockdown. Furthermore, the Victorian Government decision to advance budget funding, allowed the delivery of CSV work to be expedited.

By 30 June 2021, CSV had met its target of 200 residential apartment buildings either underway or complete.

CSV delivers rectification works to completion through a systematic process of planning and approval across a number of sequential milestone checkpoints. The application of this process allows CSV to:

- bring consistency, quality and accountability to the delivery of rectification works; and
- track and report on the status of each building at any point in time.

When the financial year concluded on 30 June 2021:

- 253 buildings had been approved to have cladding removal works funded. Of these:
 - 40 projects had been completed;
 - 160 projects were in design and construction; and
 - 53 buildings had signed funding agreements and will be progressed through the remainder of 2021.

Most importantly, these 253 buildings contain 13,177 individual homes that will be much safer following the removal and replacement of cladding.

The strong record of CSV delivery achieved during 2020-21 is attributed to a range of factors built into the CSV delivery model.

Practitioner pre-qualification

The Department of Treasury and Finance (DTF) has established a Residential Cladding Rectification Register (RCRR) that suppliers of construction services must register in before supplying a service to support cladding rectification work.

CSV only uses practitioners that are RCRR registered, which provides a level of assurance that CSV engaged practitioners are viable businesses and have no history of breaching construction standards.

Expert-led solution delivery

CSV has embedded expert capability and judgement in every part of the rectification design and delivery process. CSV's custom built delivery process for cladding rectification incorporates:

Due Diligence Team	To carry out thorough due diligence inspections of each building to assess building safety and inform risk prioritised funding decisions.
Architects Panel	That is able to guide the design of optimal rectification solutions compliant with BCA standards.
Quantity Surveyor Panel	That provides reliable costs for each rectification solution prior to funding decisions being made that serve as benchmarks for tendered project prices.

Independent Project Manager (IPM)	Is appointed for each project to coordinate, monitor and oversee construction works delivery to ensure compliance with the contract between the owners and the builder as well as the funding agreement between CSV and the individual owners corporation for each project.
Clerk of Works Panel	Undertakes routine site inspections throughout the construction phase to ensure safe work site practices and quality workmanship is in evidence for the period of construction.

Role of the Independent Project Manager

One of the most innovative elements that CSV has introduced to the delivery model is the role of the Independent Project Manager (IPM).

CSV went to the Victorian market to procure the services of experienced building project management companies to oversee projects undertaken using CSV funding.

The IPM is one of three parties to a funding agreement for cladding rectification work, assisting the other parties under contract (CSV and the owners corporation) in addressing construction concerns and requirements.

CSV's coordination of many projects through a finite number of selected IPMs brings three distinct advantages to CSV delivery:

1. Consistency in delivery approach and the quality of outcomes as well as the identification of opportunities for additional delivery efficiencies.
2. Through the engagement of IPMs, CSV has gained immediate access to the IPM pool of subcontractors, reducing risks associated with supply constraint in the building sector.
3. Focus and effort are quickly brought to the identification and resolution of construction issues arising under the funding agreement, like those that have occurred with non-cladding building defects.



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

A robust delivery model

During its foundation year in 2019-20, CSV designed a delivery model to provide method and system to the planning and implementation of rectification works.

The 10-step delivery model covers each building's journey under CSV management

from the time a building is first referred to CSV to end of the 12-month warranty period, that expires one year after a building has achieved practical completion for cladding removal work.

Step No.	Step Way	Description
1	Referral by VBA/SCA	Buildings are referred to CSV in accordance with an approved referral process, building information is collected and checked and each building assessed for risk to determine initial risk priorities.
2	Owners corporation (OC) registration	CSV assigns a Customer Liaison Officer (CLO) and meets with each owners corporation to explain CSV's process and policies. Each owners corporation considered eligible is invited to register with CSV and provide a range of information.
3	Due diligence inspections	CSV organises and undertakes site inspections using specialist due diligence consultants. A Due Diligence Report is prepared identifying a preferred building pathway (full replacement or partial replacement).
4	Investment Committee decision	The CSV Investment Committee reviews recommendations prepared by CSV staff incorporating information about eligibility, rectification solutions, risk assessments and the cost of proposed works.
5	Independent Project Manager appointment	CSV procures the services of an IPM that is assigned to a project to facilitate the project's delivery until final completion. In particular, the IPM will procure the design team and the Design and Construct (D&C) contractor.
6	Execute OC Funding Agreement	To secure funding from CSV, the owners corporation is required to sign a funding agreement. The funding agreement sets out funding arrangements and payment conditions. The final funding agreement is executed following the tender process for a D&C contractor.

Step No.	Step Way	Description
7	D&C contract execution	Construction works are delivered under a D&C procurement model, utilising AS4300. The IPM facilitates the D&C tender process on behalf of the OC. The IPM prepares a Tender Recommendation Report and seeks funding approval, whereafter the OC then engages directly with a D&C contractor.
8	Contract management and administration	All construction contracts are administered by a nominated Superintendent, directly engaged by CSV in accordance with the contract terms. Construction is also overseen by a CSV appointed Clerk of Works to provide assurance about on-site safety and the quality of workmanship. Construction completes with the Certificate of Practical Completion issued.
9	Contract completion	A 12-month Defects and Liability Period (DLP) must be completed before a building is considered to achieve final completion, at which point the OC is able to release the final bank guarantee.
10	Program acquittal	Once a project is contractually completed, it can be acquitted from the Cladding Replacement Program. CSV seeks to confirm that all associated regulatory or legislative bodies have no outstanding items of concern before a notice of acquittal is issued.

The CSV delivery model covers all planning phases and activities and also incorporates the governance arrangements for decision making, whether that be to fund works or to discharge a building from the program.

The delivery model also provides an accepted CSV framework for progress reporting.

The diagram below shows the number of buildings that reached key milestone points in the delivery model in the period to 30 June

2021. Those milestones reported below align to the steps in the delivery model.

1	Referrals to CSV	➔	723	
2	Initial engagement with OC	➔	536	
3	Due diligence inspections completed	➔	389	
4	Investment Committee decisions	➔	253	works approved + 71 discharged
5	IPM appointed	➔	246	
6	Funding agreement executed	➔	241	
7	D&C contract executed	➔	200	
8	Practical completion reached	➔	40	

CSV has attained a level of awareness and understanding about the buildings that have been referred that goes to a level of detail beyond that reflected in the high-level milestone tracking reflected above.

Analysis of buildings with works underway

By 30 June 2021, CSV had initiated works for 200 buildings.

These 200 buildings:

- are homes to approximately **16,594** people; and
- have **129,564** square metres of combustible cladding which CSV work projects will remove.

The diagram on the right shows the type(s) of cladding that present a risk exposure to building occupants and users of the first 200 buildings for which rectification works have been initiated.

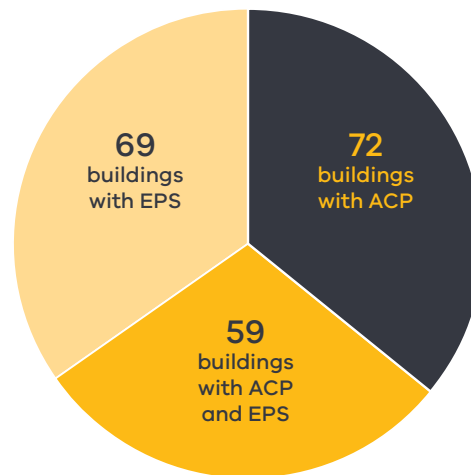
The CSV portfolio of buildings requiring rectification works vary significantly in scale and complexity.

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 almost 70% of the buildings that works have commenced on to date.

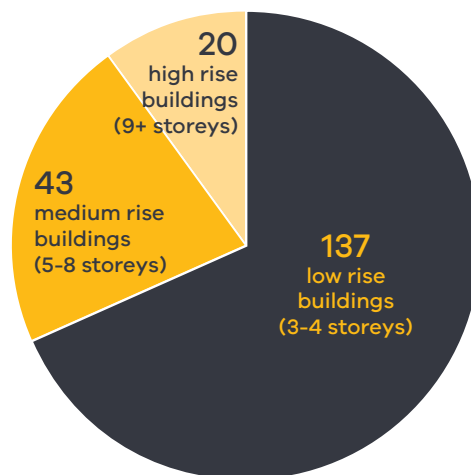
The building height profile of CSV works may change with the application of CSV's Cladding Risk Prioritisation Model to future prioritisation decisions. That is because a greater emphasis is on the vertical spread of fire via cladding across a building facade. This is generally lower for low rise buildings.

Building numbers by cladding type



Source: Cladding Safety Victoria, September 2021.

Building numbers by building height



Source: Cladding Safety Victoria, September 2021.

The buildings among the first 200 put into construction are spread across 23 different council areas.

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

- **70.5%** of the 200 buildings; and
- **68.9%** of the cladding volume to be removed via these 200 projects.

The table below shows the amount of cladding being removed in these council areas with respect to the first 200 buildings in construction.

The amount of cladding removed and the distribution across council areas will change as the program progresses.

Cladding volume by council

Council	Cladding to be removed (sqm)
Port Phillip	10,165
Moreland	15,380
Glen Eira	8,239
Boroondara	6,633
Melbourne	16,398
Monash	13,592
Stonnington	9,278
Maribyrnong	5,190
Yarra	4,457

Source: Cladding Safety Victoria, September 2021.

Regular stakeholder engagement

CSV's delivery model is underpinned by proactive engagement that targets owners corporations and owners and other parties including the building industry.

CSV's program of engagement:

- assists owners corporations and owners in understanding their own obligations and explaining how CSV can provide assistance;
- facilitates the delivery of rectification solutions through CSV; and
- supports the exchange of information about good practice that will serve to improve building safety overall.

Engaging with owners corporations and owners

CSV's Communications and Engagement Strategy recognises that each owners corporation (OC) is unique in terms of attitude, competence and circumstances, including financial resources. The strategy and approach also reflect the reality that CSV has no coercive powers, that its program is entirely voluntary and that it relies on the active participation and cooperation of owners corporations.

CSV has therefore adopted a case management model of service, where each owners corporation has an assigned CSV Customer Liaison Officer (CLO) who they can approach directly in relation to any CSV matter.

By dedicating a CLO to every eligible building, CSV created a direct line of communication with OCs. Having one point of contact with CSV helps to quickly establish trust with the OC and owners, which has been essential to fostering an attitude of partnership between OCs and CSV. CLOs help to drive progress, provide clarification about CSV's policies and processes, and generally provide customer care and support to help minimise the stress of living with and removing combustible cladding.

Introductory meetings have been conducted between CSV's CLOs and the owners

corporations of 536 buildings and more than 12,000 communications with OCs have occurred throughout 2020-21.

CSV maintained close and regular contact with owners corporations in the program throughout the year. CLOs reach out to building owners at minimum once a month prior to a funding decision being made. Once a funding decision has been made and communicated to the OC, CLOs engage regularly with the OC about a variety of issues and tasks required of the OC and monitor any emerging issues which may need intervention.

Coronavirus restrictions and building owners

CSV has remained aware of and responsive to the added stress placed on owners living in buildings with combustible cladding.

During the coronavirus lockdown periods in 2020-21, CSV observed some reluctance on the part of owners corporations (OCs) to execute the Design and Construct contracts.

OCs appeared more hesitant and conservative when making the significant financial decision to engage in rectification works. While CSV implemented mitigation strategies to streamline and facilitate the contract execution process under lockdown conditions, including electronic signing platforms, CSV always recognised that the coronavirus context presents unprecedented challenges for building owners.

By working closely and flexibly with owners, CSV was able to manage delays in delivery without adding further burden to owners or undermining the pursuit of CSV's ambitious delivery targets.

Other activities undertaken in 2020-21 targeting owners include:

- The launch of an annual survey in December 2020 to gain feedback about CSV from owners corporations, owners corporation managers and owners.
- Periodic mailouts to remind owners about general fire safety priorities, including their need to maintain the essential safety measures (ESMs) in their buildings.
- The delivery of more than 28,000 fliers outlining fire prevention measures to letterboxes in the majority of buildings in the program in early January. This flier was also translated into 54 languages and published on the CSV website.

Record of engagement in 2020-21

A program of systematic engagement with building owners provides the foundation for CSV's program of rectification works prioritisation, planning and delivery.

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

In 2020-21, there were 12,774 interactions between CSV and owners corporations/owners. Communication exchanges between CSV and OCs equates to 245 a week or 49 a day.

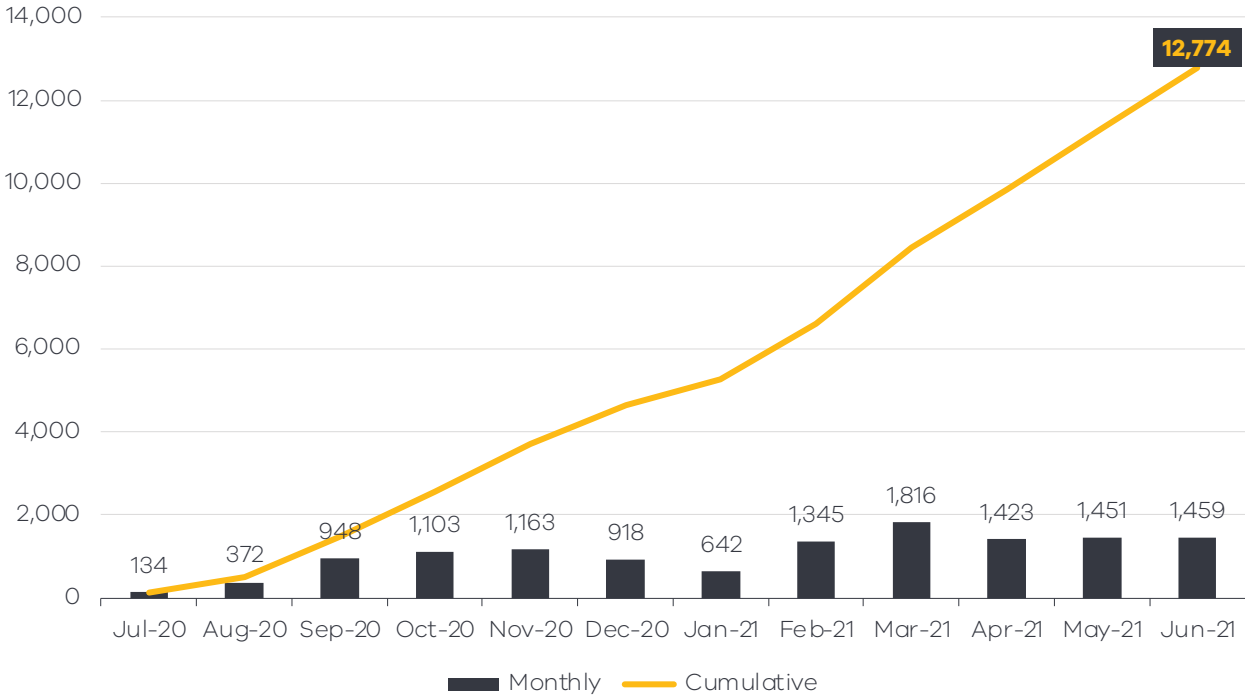
CSV engagement with owners corporations during 2020-21

Type of engagement	Number
Appointments	360
E-mail	9,508
Phone	2,905
Total of all engagements	12,774

The monthly volume of communication exchanges with OCs has increased in 2021 compared to 2020, reflecting increased activity associated with a higher number of buildings moving into construction. There was a dip in exchange activity with owners during the summer months that reflects a seasonal aspect to engagement activity that parallels the seasonal nature of construction work in Victoria more generally (see figure below).

Source: Cladding Safety Victoria, CRM System, August 2021.

Monthly interaction between CSV and owners corporations in 2020-21



Source: Cladding Safety Victoria, CRM System, August 2021.

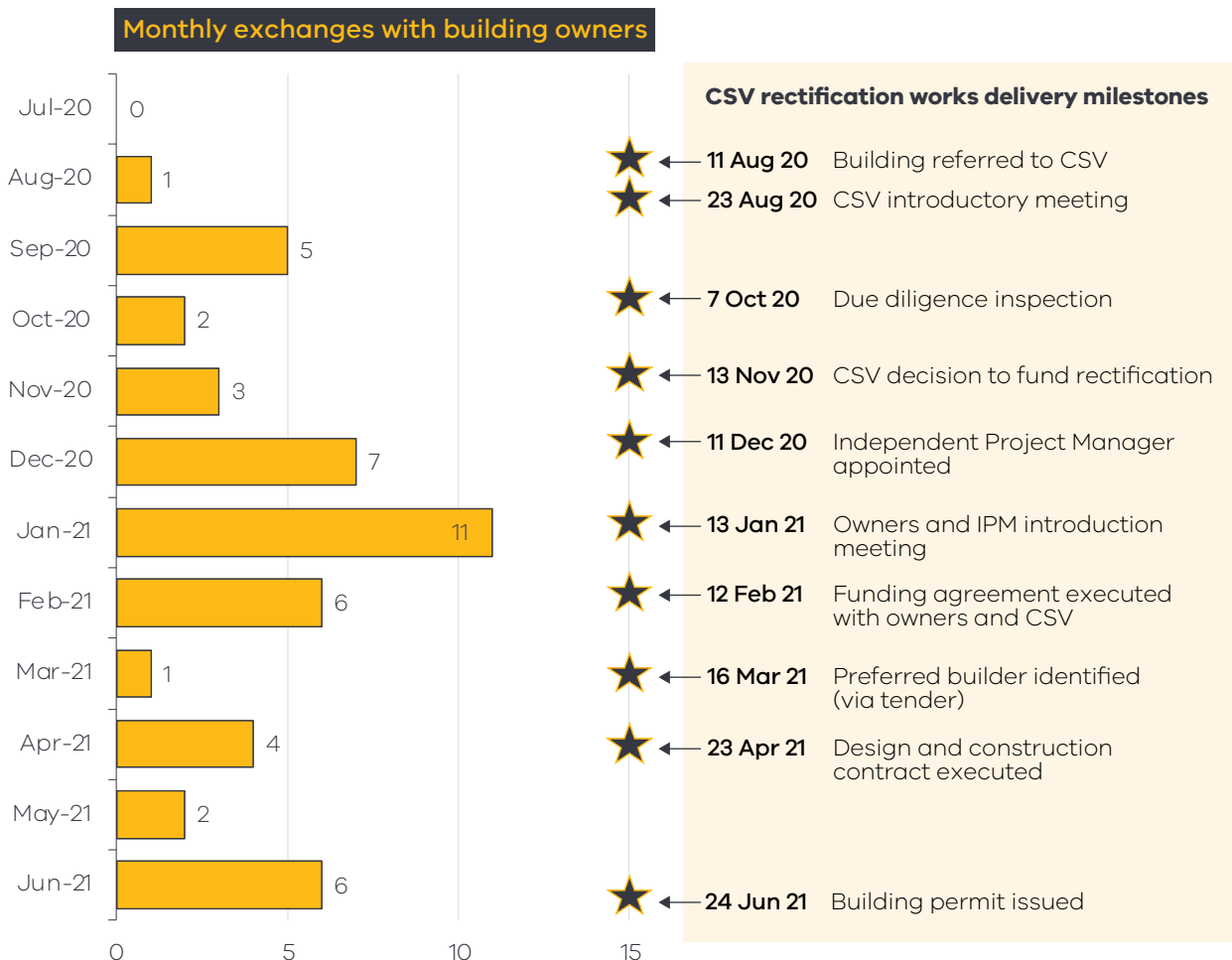
CSV uses its Customer Relationship Management (CRM) System to record and manage communications, including those with owners corporations and owners.

The level and frequency of interaction varies in accordance with the needs of owners and the activities that CSV conducts in relation to each building. For about one in six buildings (15.9%), CSV engaged more than once a week on average with owners during 2020-21. This small group of 'high needs' buildings illustrate the intensity of case management activity under the model of engagement that CSV has adopted.

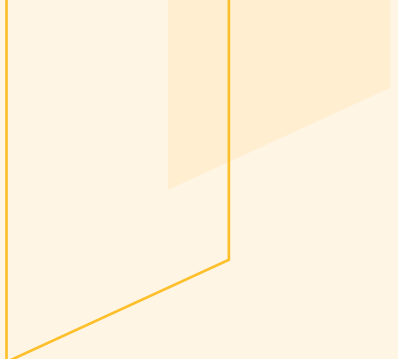
The peaks and troughs in CSV engagement activity with OCs is influenced by the progression of a building through the CSV assessment, inspection, funding decision and construction planning and delivery processes.

The figure below shows the history of engagement for a single building and how the pattern of engagement ebbs and flows with the key CSV milestone events. These events are associated with periods of high CSV activity that are delivered most effectively through a process of engagement with building owners.

Monthly exchanges between CSV and owners corporations for a sample building mapped to milestone engagement events



Source: Cladding Safety Victoria, CRM System, August 2021.



I feel lucky that Victoria has a scheme to rectify combustible cladding with very limited impact on owners, because I don't know what I would have done without access to the scheme.

– Jessica, Carlton

What was really good throughout the whole process was the communication between the owners corporation, CSV, the project managers and the contractors undertaking the works. At no time did I feel as though I did not know what was happening to the building – everyone was transparent and honest, factual and certainly knew their stuff. We got the right solution for our building to mitigate flammable cladding.

– Ian, Elwood

We've got a building that looks exactly as it did prior to the exchange of the cladding and the owners corporation was very happy with the outcome.

– Graeme, Geelong

It was absolutely brilliant to have the support of Cladding Safety Victoria. The thought that you could pick up the phone and talk to one contact was excellent.

– Lorraine, Caulfield South

Industry engagement

CSV's engagement with industry is undertaken for the purpose of:

- building understanding and support for CSV's program;
- seeking feedback to learn and adapt;
- highlighting and discussing safety issues; and
- testing CSV approaches to reducing risk and implementing enhanced safety solutions.

CSV engaged closely with a range of strata and building industry groups throughout 2020-21. As part of this process, CSV's executive spoke at industry seminars, CSV hosted various information sessions and provided up-to-date information for peak bodies to share with their own stakeholders.

CSV also engaged with a broad range of peak bodies, industry groups, and government agencies including both interstate and internationally.

Peak bodies and industry groups

Australian Institute of Building Surveyors

Housing Industry Association (Victoria)

Insurance Council of Australia

Master Builders Association of Victoria

Municipal Building Surveyors Group of Victoria

Property Council of Australia (Victoria)

Strata Community Association Victoria

Tenants Victoria

Victorian government agencies

Consumer Affairs Victoria

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

Environment Protection Authority Victoria (EPA)

Fire Rescue Victoria

Local councils and their Municipal Building Surveyors

Sustainability Victoria

Victorian Building Authority (VBA)

Victorian Managed Insurance Authority (VMIA)

Working for Victoria

WorkSafe Victoria



Other jurisdictions

The problem posed by combustible cladding is not unique to Victoria, and governments worldwide are working to implement their own solutions to make buildings safer.

CSV has been active in engaging with representatives of other Australian and international jurisdictions to:

- identify the approaches being adopted in other domains that Victoria can learn from; and
- test CSV's own domestic approach and solutions.

The agencies that CSV engaged with during 2020-21 are identified below.

Interstate and international agencies
ACT Government
Greater London Authority
NSW Building Commissioner
Queensland Government Safer Buildings Taskforce
UK Ministry of Housing, Communities and Local Government



Image: CSV meet with the NSW Building Commissioner. Please note that face masks were not mandatory in Melbourne at the time this photograph was taken.

Delivery record: government-owned buildings

CSV is responsible for prioritising the buildings to be funded, proposing rectification design solutions, disbursing funds to individual government departments for rectification and supporting those departments in their management of construction activity to remove combustible cladding.

For government-owned buildings, CSV serves as the Victorian Government's funding agent.

CSV is responsible for managing and coordinating the delivery of the cladding rectification program for government-owned buildings. CSV works closely with departments and agencies across the Victorian Government to rectify their buildings.

Combustible cladding has been identified on government-owned buildings managed by Victorian Government departments and agencies:

- Court Services Victoria
- Department of Education and Training
- Department of Environment, Land, Water and Planning
- Department of Families, Fairness and Housing

- Department of Health
- Department of Jobs, Precincts and Regions
- Department of Justice and Community Safety
- Department of Transport
- Victoria Police.

The buildings in this program vary significantly in scale, design and use. Importantly, all buildings are utilised by significant numbers of Victorians, making it important that action is taken to remove higher-risk cladding.

The types of buildings in this program include:

- schools
- hospitals
- residential care facilities
- police stations
- public housing buildings
- sports arenas and cultural buildings.

Program origins and history

The rectification of government-owned buildings commenced before CSV was established in July 2019, operating initially as a business unit within DELWP.

In November 2017, the Victorian Cladding Taskforce's Interim Report included a recommendation that the Victorian Government act as an exemplar to the broader community and comprehensively audit its own buildings.

On 1 December 2017, the Victorian Government announced it would take immediate action to address combustible cladding on publicly owned buildings, with a focus on eight hospitals already identified as non-compliant. Departments were directed to audit their buildings using an audit tool developed by DELWP in conjunction with the Victorian Building Authority (VBA).

The audit reports were reviewed by the VBA's Advisory Review Panel (ARP). The panel was made up of a fire safety engineer, a building surveyor and representatives of the relevant fires services (FRV or CFA) to determine the risk rating for each building using a Risk Assessment Tool (RAT) developed by DELWP.

A business case was submitted on behalf of all Victorian Government departments and their agencies for rectification funding.

In May 2019, the Victorian Government approved funding of \$150.3 million to rectify government-owned buildings, with \$110.4 million allocated for the rectification of buildings.

In December 2019, the cladding program for government-owned buildings was transferred from DELWP to CSV.

The management by CSV of both the government building program and the residential building program has benefited delivery in both program areas. The method of delivery designed for each program has been adjusted to incorporate the strengths of the alternate program.

Scope and performance outcomes

In total, 172 government-owned buildings have been identified for this program.

Following a thorough assessment of all buildings it was determined that rectification works should be planned and initiated for 113 of these buildings to reduce the risk posed by combustible cladding. No rectification work was required for the remaining 59 buildings as the cladding used was not combustible or was considered to present a very low risk.

In July 2021, the Minister of Planning requested CSV to increase the rate at which cladding works were completed on government-owned buildings with construction works to be completed on 60% of buildings in scope by the end of the 2020-21 financial year.

CSV succeeded in meeting this target and by 30 June 2021, work had been completed on 67 buildings. The portfolio of completed works include:

- all eight police station buildings within the program scope;
- ten of twelve public housing buildings; and
- several large sporting facilities.

In the case of sporting facilities, works needed to be tightly scheduled and controlled to align to event schedules.

The momentum that has been generated to rectify government-owned buildings is expected to continue in the next financial year, and it is likely that all buildings except for three hospitals will be completed prior to the end of the 2021 calendar year.

CSV is now on course to complete rectification works for all 113 targeted buildings by the end of the 2021-22 financial year.

Leveraging CSV's highly effective processes for delivery, strong working relationships with government departments and cost control mechanisms, it is forecast that the full scope of rectification works will be completed:

- ahead of schedule; and
- well within budget.

The value of strong working relationships

The delivery successes of 2021-22 are in large part due to the strength of the relationships that CSV has forged with each government department over the past 12 months.

CSV congratulates the departmental staff for the diligence and quality of the planning and delivery of rectification works across this program. The CSV leadership team share a confidence that the good processes and resources put in place by each department will allow the program to be fully completed in a timely manner and to a high-quality standard.

CSV is grateful to each department for the trust shown in CSV and welcomed the opportunity to participate in the inter-departmental working groups of each department throughout 2020-21, which enabled CSV to share insights relevant to resolving rectification issues as they arose.

As a trusted partner in these relationships, CSV was able to support the rectification work of each department by:

- drawing on its broad experience of rectification works delivery across numerous government and residential rectification projects;
- providing access to expertise and resources to assist project delivery; and
- leveraging CSV's extensive industry connections to help find solutions to delivery issues.



Image: CSV Chief Executive Dan O'Brien visits the MCG. Please note that face masks were not mandatory in Melbourne at the time this photograph was taken.

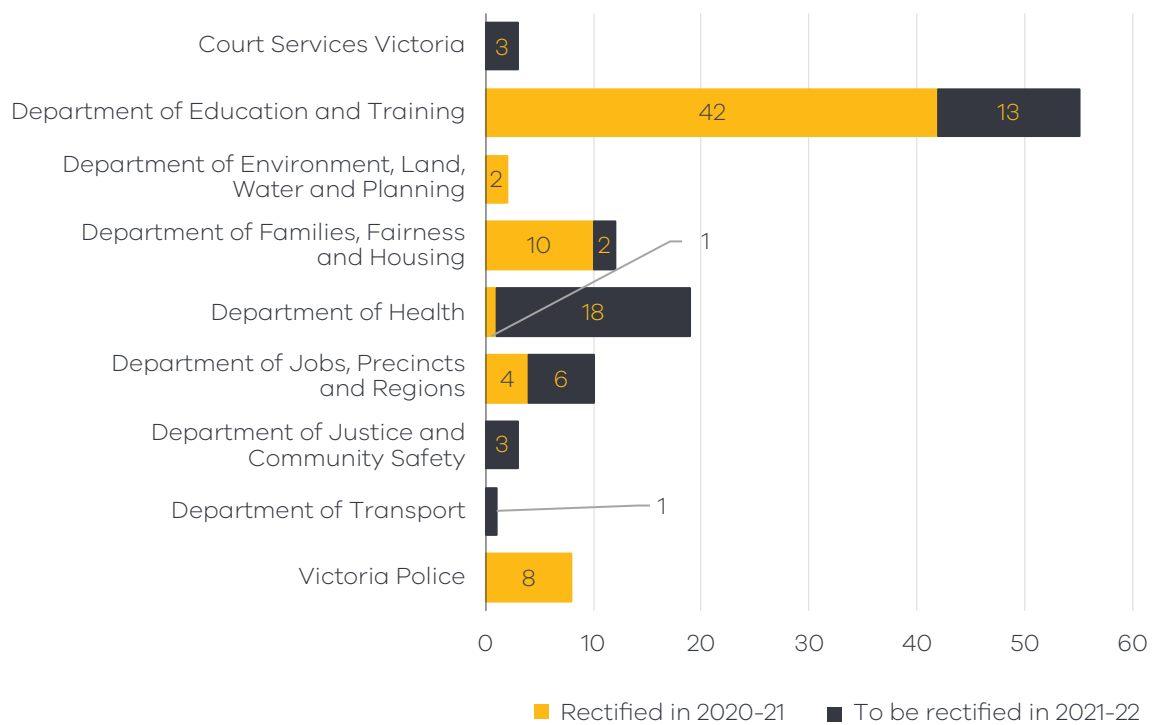
Performance and results

All departments are well on track to compete cladding rectification work on all 113 targeted buildings ahead of the program schedule.

Each department progressed at a

different rate in its planning and initiation of rectification works. The figure below illustrates which departments were most active in undertaking work in 2020-21 and which departments have set 2021-22 as their major year of implementation.

Number of buildings to be rectified by year and government department



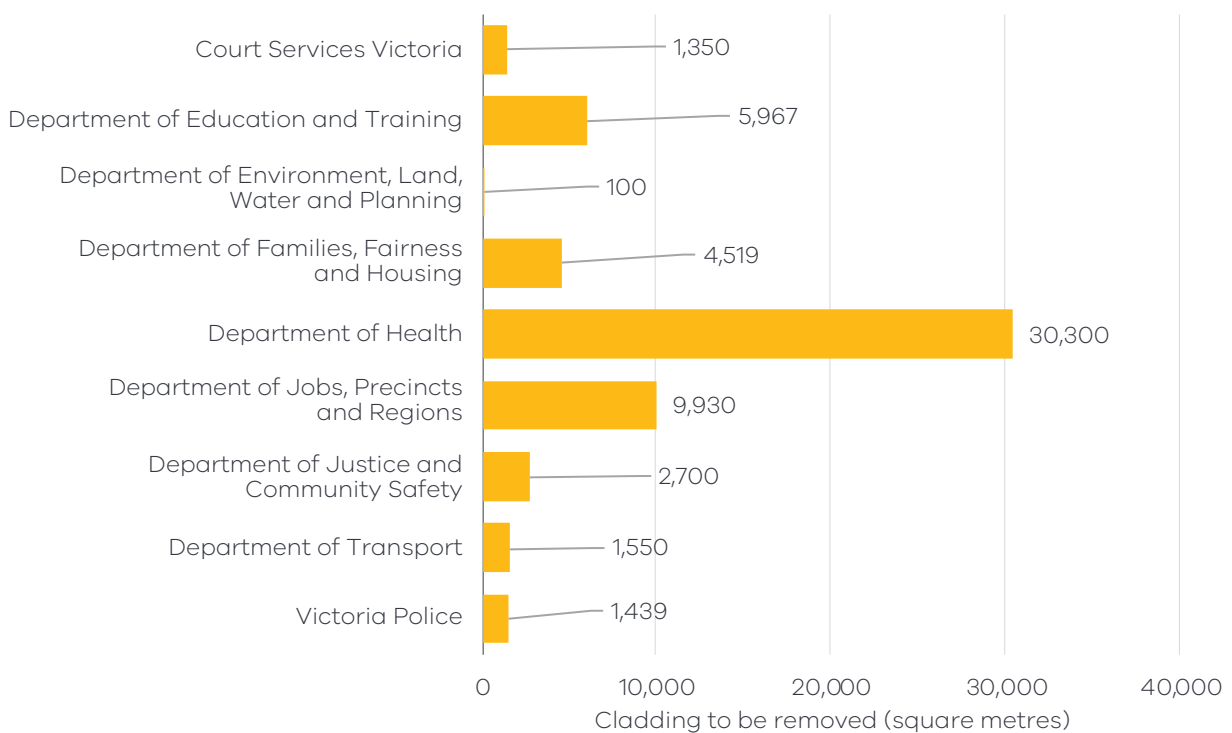
Source: Cladding Safety Victoria, September 2021.



Image: Cladding rectification works on a large sporting stadium.

There is 57,855 square metres of cladding to be removed from the targeted 113 government-owned buildings. The amount to be removed varies significantly by government department as illustrated in the figure below.

Amount of cladding (square metres) on target buildings by government department



Source: Cladding Safety Victoria, September 2021.

Organisation and people

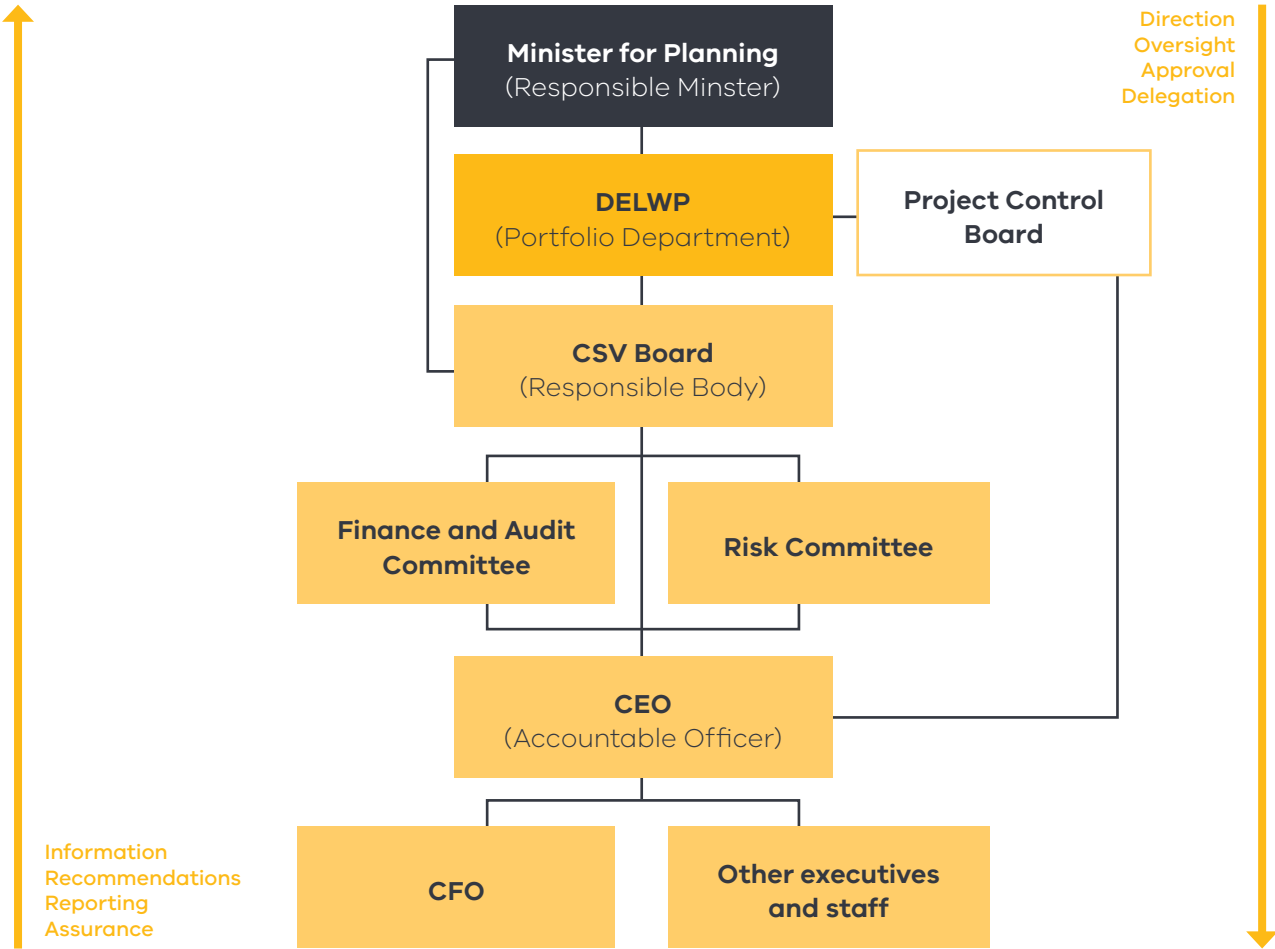
The transition of Cladding Safety Victoria (CSV) from a business unit of the Victorian Building Authority (VBA) to an independent entity was a major focus for the organisation in 2020-21.

The establishment of the new entity involved the recruitment of a capable workforce, and the implementation of systems, governance structures and processes necessary to support the delivery of the Cladding Rectification Program.

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). The governance structure that provides for oversight and accountability in relation to CSV planning and delivery is illustrated below.



The 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 plan, 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 CSV Board is appointed by the Minister and 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 Program 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 plan. 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 2020-21 is shown below.

Name	Position	Term	Attended	Scheduled meetings
Rodney Fehring	Chairperson	17 Dec 2020 to 30 June 2021	7	7
Sarah Clarke	Deputy Chairperson	17 Dec 2020 to 30 June 2021	6	7
Genevieve Overell	Member	17 Dec 2020 to 30 June 2021	7	7
Jo Pugsley	Member	17 Dec 2020 to 30 June 2021	7	7
Roger Teale	Member	17 Dec 2020 to 30 June 2021	6	7
David Webster	Member	17 Dec 2020 to 30 June 2021	7	7

*Sarah Clarke was granted leave of absence for one Board meeting.

*Roger Teale was granted leave of absence for one Board meeting.

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 CSV Finance and Audit Committee for 2020-21 is shown below.

Name	Position	Term	Attended	Scheduled meetings
David Webster	Chairperson	17 Dec 2020 to 30 June 2021	3	3
Rod Fehring	Member	17 Dec 2020 to 30 June 2021	3	3
Genevieve Overell	Member	17 Dec 2020 to 30 June 2021	3	3

Risk 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 CSV Risk Committee for 2020-21 is shown below.

Name	Position	Term	Attended	Scheduled meetings
Roger Teale	Chairperson	17 Dec 2020 to 30 June 2021	5	5
Sarah Clarke	Member	17 Dec 2020 to 30 June 2021	5	5
Jo Pugsley	Member	17 Dec 2020 to 30 June 2021	5	5

Cladding Rectification 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 VBA;
- establishment and implementation of the cladding rectification program for 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, the VBA, CSV, the Department of Treasury and Finance, and the Department of Premier and Cabinet make up its membership.

Cladding Rectification Committee

Prior to CSV's establishment as an independent entity, CSV was subject to operational oversight by a body chaired by the VBA, the Cladding Rectification Committee (CRC). The role of the CRC was discontinued following the introduction of the CSV Board in December 2020.

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 2020-21.

CSV governance meetings in 2020-21

Governance body	Period of oversight	Number of meetings
CSV Board	1 Dec 20 – 30 Jun 21	7
CSV Finance and Audit Committee	1 Dec 20 – 30 Jun 21	3
CSV Risk Committee	1 Dec 20 – 30 Jun 21	5
Project Control Board	1 Jul 20 – 30 Jun 21	11
VBA Board	1 Jul 20 – 30 Nov 20	3
Cladding Rectification Committee	1 Jul 20 – 30 Nov 20	4
Total of all engagements		33

Cladding Safety Victoria's Board 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.

Board Chair – Rodney Fehring

Rod Fehring is Chairman of 3 Frasers Property Limited (FPL) business units in Australia, the UK and Europe and is Director of Frasers Logistics and Industrial Trust, listed on the Singaporean stock exchange.

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 and New Zealand.

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

Deputy Chair – Sarah Clarke

Sarah Clarke is an executive leading pre-financial risk management focused on ethics, environmental social and corporate governance, and stakeholder engagement.

Sarah leads the Mirvac sustainability strategy, This Changes Everything, and is also the Deputy Chair of Sustainability Victoria. She has experience across multiple sectors

and industries, including property, 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 Leadership program from the University of Cambridge, and holds a Bachelor of Arts (Hons, English) from James Cook University.

Board Member – Genevieve Overall

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.

Board Member – Jo Pugsley

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.

Board Member – Roger Teale

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.

Board Member – David Webster

David Webster has extensive government experience, including seven years as Deputy Secretary Commercial and six months as Acting Secretary of Victoria's Department of Treasury and Finance. He was also Global Head of RBS Infrastructure Advisory in London for five years, in addition to a number of senior roles in financial institutions.

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.

Chief Executive – Dan O'Brien

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.

Cladding Safety Victoria's resource model

In establishing itself as a new entity, CSV 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.

The outcomes of this model ensures:

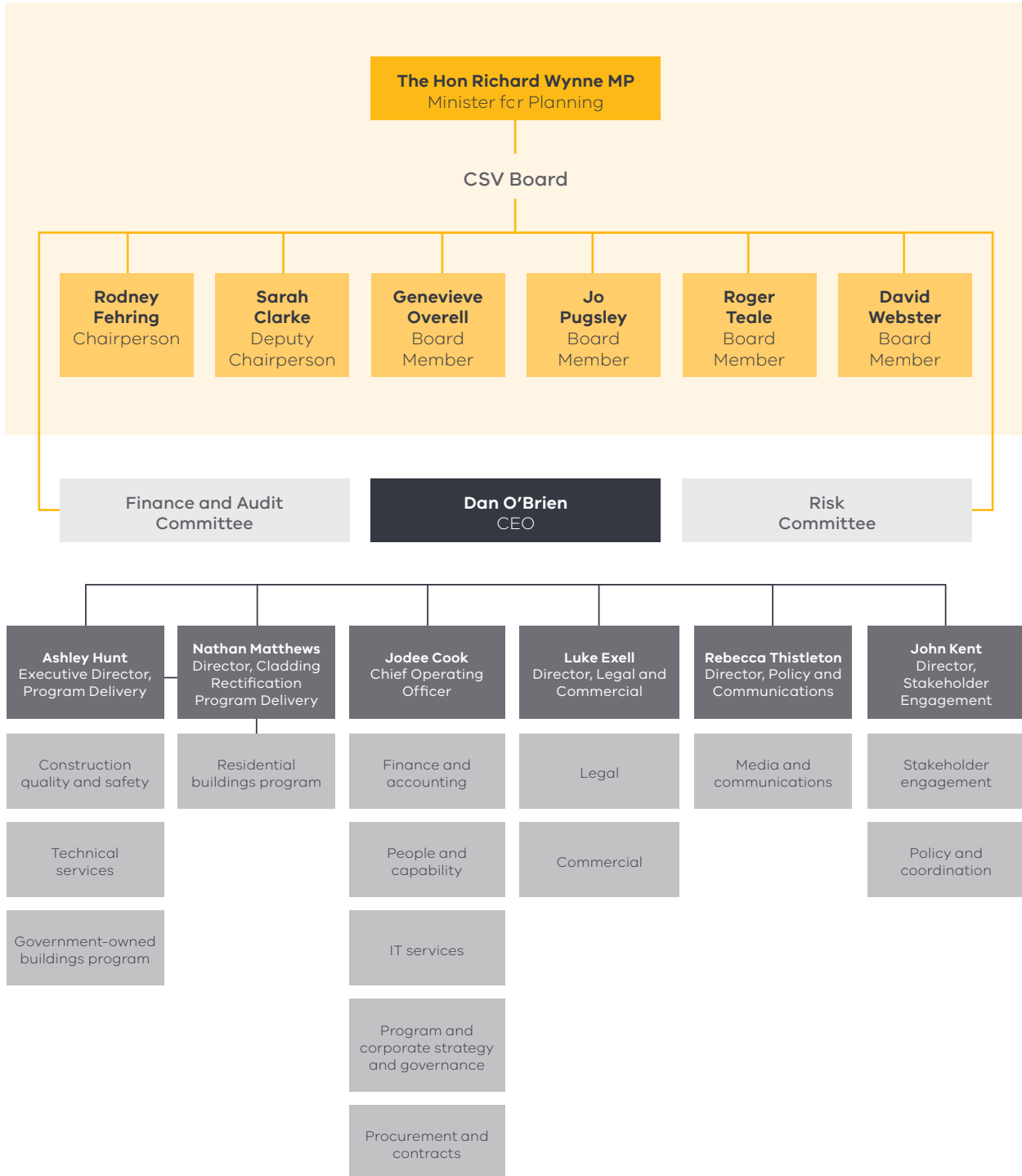
- reduced operational costs;
- improved service quality and value for money;
- improved Occupational Health and Safety (OHS) outcomes for CSV staff, contractors, and owners and residents;
- improved decision making from effective reporting and data analysis;
- owners corporations are supported through the process; and
- reduced risk to the community and government.

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 newly re-instated Clerk of Works. CSV, through its Independent Project Managers, supports owners corporations to engage suitable builders to carry out works.

CSV recruited an internal team to oversee the Cladding Rectification Program to ensure the program is delivered effectively, efficiently, safely and to expected quality standards. There has been an emphasis on building strong relationships with owners corporations and industry. The existence of combustible cladding is often a cause of major stress on owners corporations and residents. Owners corporations in scope of the program are assigned a dedicated Customer Liaison Officer to support and guide the owners corporation through the end-to-end process. CSV has invested in having in-house technical expertise to ensure that owners corporations are receiving the best advice and well supervised rectification projects.

CSV's growth as a new organisation occurred predominantly during the coronavirus pandemic. Much of the CSV workforce had not met face-to-face until restrictions eased in early 2021. It is recognised that working remotely from home is different to being in the office and this has been a significant adjustment for a growing team. The benefits of employing flexible work practices and activity-based working will continue to be balanced with benefits of connection to the physical office environment, consistent with the Victorian Government's expectations.

Staff



Cladding Safety Victoria's structure

CSV has five main work areas:

The Program Delivery team is responsible for:

- Residential Cladding Rectification Program Delivery
- Government Building Cladding Rectification Program Delivery
- Construction quality and safety
- Technical services.

The Operations team is responsible for the following functions:

- Finance and accounting
- People and capability
- IT services
- Program and corporate strategy and governance

- Procurement and contracts.

The Legal and Commercial team is responsible for the following functions:

- Legal services
- Commercial services.

The Policy and Communications team is responsible for the following functions:

- Media and communications
- Policy and coordination.

The Stakeholder Engagement team is responsible for the following functions:

- Stakeholder engagement.

Comparative workforce data

The table below represents CSV headcount and full time equivalent (FTE) as at 30 June 2021.

Gender	All employees				Ongoing		Fixed term and casual	
	Number HC*	FTE	Full-time HC*	Part-time HC*	FTE	Number HC*	FTE	
Female	43	42.8	32		1	32.8	10	10
Male	47	46.8	24		0	24	23	22.8
Age								
25-34	19	19	12		0	12	7	7
35-44	42	41.8	27		1	27.8	14	14
45-54	18	18	13		0	13	5	5
55-64	10	9.8	4		0	4	6	5.8
65+	1	1	0		0	0	1	1

	All employees				Ongoing		Fixed term and casual	
	Number HC*	FTE	Full-time HC*	Part-time HC*	FTE	Number HC*	FTE	
Band 1 – 6	78	77.6	51		1	51.8	26	25.8
3	14	14	10		0	10	4	4
4	15	15	13		0	13	2	2
5	33	33	18		0	18	15	15
6	16	15.6	10		1	10.8	5	4.8
Senior employees	12	12	5		0	5	7	7
Senior Technical Specialists (STS)	4	4	4		0	4	0	0
Executives	8	8	1		0	1	7	7
Total employees	90	89.6	56		1	56.8	33	32.8

*HC – head count

Executive officer data

The number of executive officers and their total remuneration during the reporting period are shown in the figure below. 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 compositions paid, payable or provided by the entity, or on behalf of the entity, in exchange for service rendered. Further information on the number of executive officers, by classification and gender is provided in the figure below.

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 2021

Classification	Total	Female	Male
EO1	1	1	1
EO2	1	1	1
EO3	5	2	3

Employment and conduct 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.

The selection processes ensure the applicants are assessed and evaluated fairly and equitably on the basis of 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 department.

Cladding Safety Victoria's culture and values

For the first six months of the reportable year as a business unit of the VBA, CSV invested in establishing its workforce ahead of transition to an independent entity. The focus was on recruitment and supporting the workforce to build foundations with contemporary systems, policies and processes. Significant pieces of work to support CSV's workforce saw the implementation of:

- recruitment and selection policies and procedures;
- a new in-house payroll system with an employee personalised self-service kiosk;
- scoping the implementation of the Human Resources Information System (HRIS);
- implementation of a stand-alone Employee Assistance Program (EAP) with Converge International;
- safety compliance and appropriate workplace behaviour training for all staff;
- establishment and implementation of an OHSW Committee; and
- resilience program for all staff.

From January 2021, while CSV continued efforts to embed its foundations, focus shifted to building a workplace culture in collaboration with its people and the CSV Board.

On 16 June 2021, the CSV Board approved the first People and Culture Strategy, which sets out four key focus areas. These focus areas are:

We operate as one CSV	We focus on how we work
We create a safe and healthy workplace for everyone	We focus on safety
We are committed to developing our capability to lead, grow and deliver	We focus on our people
We promote and enable a performance-based culture	We focus on our culture

Given the diverse backgrounds staff bring to their roles, the need to create 'one CSV' is critical to establish a workplace culture of collaboration and collective purpose. CSV staff see the clarity of its mission and vision as being its key strength. CSV knows it is critical to foster a work environment where everyone feels a sense of belonging and works together to achieve the vision of making the community safer by reducing combustible cladding risk.

Safety in particular is paramount and at the forefront of everything CSV does. There is nothing more important than keeping staff and the community both psychologically and physically safe. CSV has a zero tolerance for unsafe work practices, and CSV takes its approach to risk very seriously. Safety does not look after itself, and CSV ensures the right people and expertise is in place to manage this appropriately.

As CSV embarks on the culture journey, it sets the preferred and desired culture. Diversity of thought and equal opportunity for all staff regardless of background ensures CSV achieves a balance with what's right, appropriate, compliant and necessary. That is why CSV has adopted the VPS's four key values of respect, accountability, integrity and leadership.

The learning and development of its people is an essential component of this strategy, and a key driver in CSV's success as an organisation. By doing so, CSV further aims to have a healthier and happier workforce, with higher retention of staff.

This strategy is a major step forward for CSV which will provide definite clarity of purpose for its staff outlining a clear commitment to execute the task we've been given while being inclusive and mutually supportive of everyone.

Occupational Health, Safety and Wellbeing

CSV recognises its legal and moral responsibility to provide and maintain a physically and psychologically safe workplace. The CSV commitment to keeping its staff and the community both psychologically and physically safe is paramount and safety is at the forefront of everything the organisation does.

CSV's robust risk management policies and framework is critical to achieving its objectives and describes the approach to risk identification and management.

CSV is committed to a safe and healthy work environment that is free from workplace injury and illness. CSV believes this will be accomplished through consultation, participation, cooperation, and commitment from everyone.

CSV supports a proactive reporting culture and a zero tolerance to unsafe work practices.



Image: Staff on site a CSV funded building project.

Cladding Safety Victoria's performance measures

In 2020-21 CSV developed a suite of Occupational Health, Safety and Wellbeing (OHSW) performance objectives and measures that provides a framework for monitoring and reporting.

The OHSW indicators that will be the subject of monthly reporting to the CSV Board are below.

Data	Senior management	Managers	Employees
Objectives	<ul style="list-style-type: none"> • Monitor and analyse performance data against vision, policy, objectives, and targets • Participate in management reviews • Participate in reporting incidents or hazards • Revise policies and procedures • Support and sponsor consultative arrangements, improvements, and OHSW awareness sessions 	<ul style="list-style-type: none"> • Participate in training • Report across the organisation (as relevant) • Contribute to reviews of processes and procedures • Support consultative processes 	<ul style="list-style-type: none"> • Participate in training • Report incidents and hazards • Comply with and use policies and procedures • Engage in established consultation processes • Contribute to maintaining a safe and healthy working environment

Data	Measure	Input	Output
CSV OHS Dashboard	<ul style="list-style-type: none"> Establishment of a risk register 	<ul style="list-style-type: none"> Scheduled risk reviews 	<ul style="list-style-type: none"> Attendance records Updated risk register
	<ul style="list-style-type: none"> % 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 / review of inspection templates
	<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 summary reports Hours worked 	<ul style="list-style-type: none"> CSV Dashboard
	<ul style="list-style-type: none"> % safety corrective actions completed within agreed timeframes 	<ul style="list-style-type: none"> Actions assigned during inspection reports 	<ul style="list-style-type: none"> Closed action reports
	<ul style="list-style-type: none"> Identification of mandatory OHSW training % of CSV staff / Clerk of Works who attended mandatory training (CSV) 	<ul style="list-style-type: none"> Scheduled training sessions 	<ul style="list-style-type: none"> Attendance reports

*CSV will also track its performance against industry frequency rates.

VPS OHS Framework – Leading the Way

Embedding the VPS OHS Framework will provide a consistent approach to support safety across CSV and CSV's construction sites.

CSV representatives have been partnering with DELWP health and safety experts to embed key elements of the VPS 'Leading the Way' framework. Leading the way for CSV has a particular focus on:

- understanding safety and wellbeing performance;
- embedding mental health and wellbeing into its activities; and
- promoting actions to prevent occupational violence and aggression.

Consultative arrangements

CSV has recently published an OHS handbook, that along with its OHS policies are easily accessible for all staff. Additional CSV consultative arrangements include:

Occupational Health, Safety and Wellness (OHSW) committee

CSV's OHSW committee brings together staff and management to assist in the development and review of health and safety policies, procedures and incidents for the workplace.

CSV's CEO is the senior management representative on the committee. The committee meets every two months.

Weekly stand-up meetings

CSV's weekly 'all in' team meeting enables consistent and open communication. The forum includes discussions on work health and safety and provides information and training for CSV staff.

Site walk and talks

CSV staff and the Clerk of Works undertake site walks and talks on building sites. CSV's scheduled site inspections verify the in-field compliance including safety standards, working conditions and other critical areas of work sites.

Occupational Health, Safety and Quality (OHSQ) communications

The CSV Construction Quality and Safety Manager develops and disseminates a monthly OHSQ toolbox communication. This is a wrap up of the previous month's activities, focus, upcoming webinars, legislative updates and supports sharing of lessons learnt and positive observations.

WorkSafe

CSV has an information agreement with WorkSafe and is in the process of establishing the same with the EPA.

Training and development

CSV understand the importance of OHS training and for staff to be continually improving their skills and abilities both through on-the-job and off-the-job training.

Offerings include training of Victorian Public Sector Integrity Framework, organisational expectations, OHS obligations and options for preventing and resolving workplace issues.

Formal OHS training for staff also includes:

- appropriate workplace behaviour training
- construction induction training (white card)
- HSR training for nominated employee health and safety representatives
- OHS for supervisors
- OHS for committee members
- fire warden training
- first aid training.

Programs and initiatives

CSV has invested in its people and the organisation and have established several programs and initiatives.

Employee Assistance Program (EAP)

EAP is a voluntary and confidential service to provide staff and their immediate family members (dependents) with support.

CSV had previously utilised EAP services through the VBA and DELWP. Following the formal separation from VBA, CSV established its own agreement with EAP provider Converge International.

Clerk of Works

CSV has re-introduced the Clerk of Works program to improve both safety and quality outcomes across the Cladding Rectification Program.

The Clerk of Works are inspecting live construction sites to ensure that contractors on site are complying with their legal obligations. Any non-compliance is reported, and associated actions assigned to the contractor to rectify.

CSV's OHS Framework will be further enhanced through a formal review process should there be further improvements identified in the field during Clerk of Works or CSV staff inspections.

Positive observation identified in the field during inspections will also be reported and shared across the program.

Health and wellbeing

Training covers several topics including understanding mental health, getting help and providing support, building resilience, and managing mental health during change. Formal training offerings include:

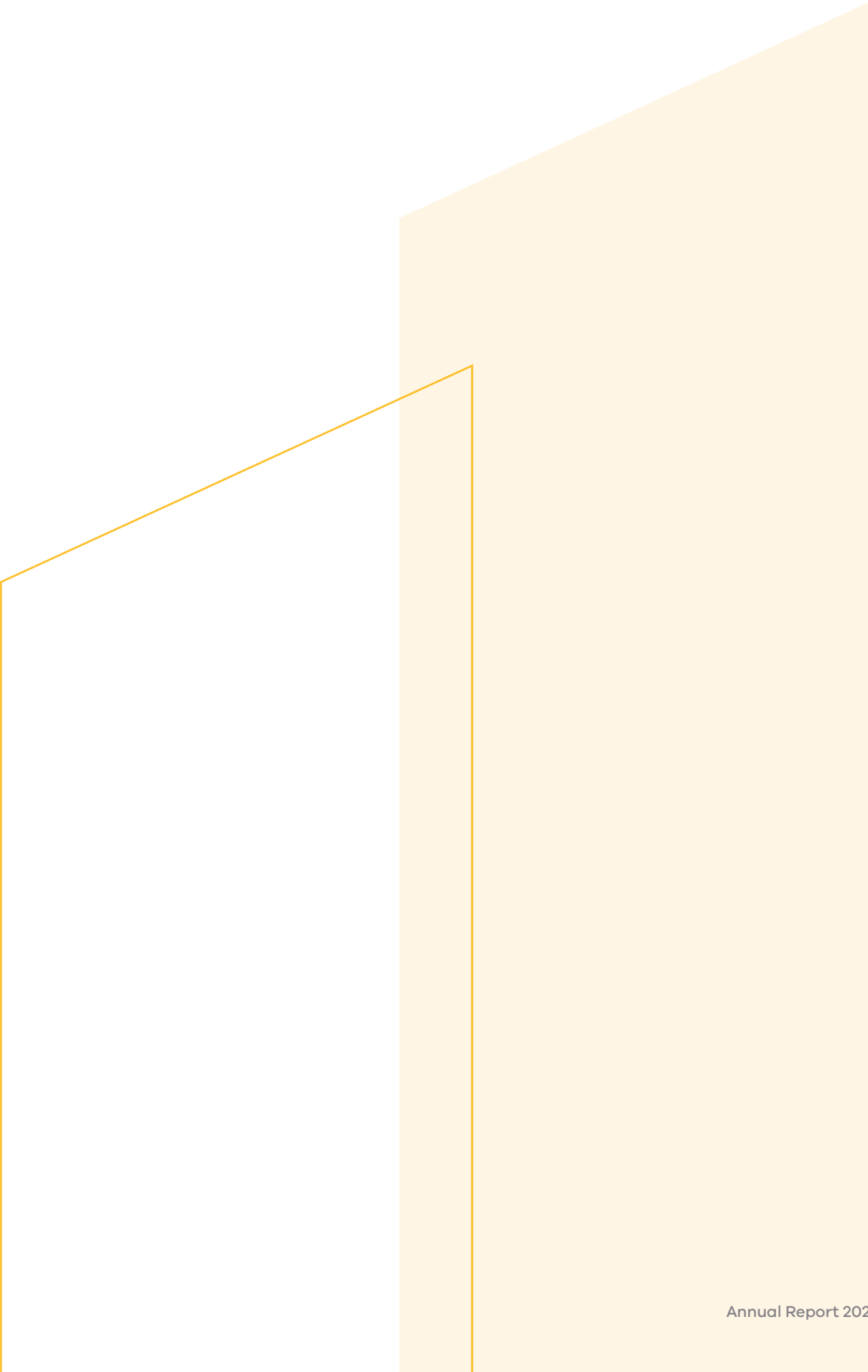
- mental health first aid training; and
- resilience training.

CSV is looking to further refine its EAP offering to include difficult conversation and critical incident debriefs.

Return to work

CSV will support staff and contractors recovering from a work injury to remain at or return to work. Early intervention when recovering from a work injury is critical.

CSV has a return-to-work coordinator and does not currently have any current WorkCover claims.





FINANCIAL STATEMENTS





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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 seven-month period ended 30 June 2021 providing users with information about the authority's stewardship of resources entrusted to it. It is presented in the following structure.

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Financial statements 2020-21

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 period ended 30 June 2021 and the financial position of CSV as at 30 June 2021.

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 18 October 2021.



Rodney Fehring

Board Chairperson
Cladding Safety Victoria
Melbourne
18 October 2021



Dan O'Brien

Chief Executive Officer
Cladding Safety Victoria
Melbourne
18 October 2021



Chamila Wehelage

Chief Finance Officer
Cladding Safety Victoria
Melbourne
18 October 2021



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 2021• comprehensive operating statement for the period then ended• statement of changes in equity for the period then ended• cash flow statement for the period 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 2021 and its financial performance and cash flows for the period 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
19 October 2021



Paul Martin
as delegate for the Auditor-General of Victoria

Comprehensive operating statement for the period ended 30 June 2021

		(\$ thousand)
	Notes	1/12/2020 – 30/06/2021
Continuing operations		
Revenue and income from transactions		
Levy income	2.1	42,885
Grant income	2.2	54,014
Other income	2.3	1,103
Total revenue and income from transactions		98,002
Expenses from transactions		
Employee costs	3.1	(6,338)
Depreciation and amortisation	4.2	(310)
Interest expense	6.1.2	(46)
Grant expense	3.2	(40,297)
Other operating expenses	3.3	(14,229)
Total expenses from transactions		(61,220)
Net result from transactions (Net operating balance)		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		36,677
Comprehensive result		36,677

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

Balance sheet as at 30 June 2021

		(\$ thousand)
	Notes	30/06/2021
Assets		
Financial assets		
Cash and deposits	6.3	122,516
Receivables	5.1	10,145
Total financial assets		132,661
Non-financial assets		
Property, plant and equipment	4.1	1,836
Intangible assets		23
Other non-financial assets	5.3	233
Total non-financial assets		2,092
Total assets		134,753
Liabilities		
Payables	5.2	11,436
Borrowings	6.1	1,888
Employee benefits provision	3.1.1	1,142
Total liabilities		14,466
Net assets		120,287
Equity		
Contributed capital	8.3	83,610
Accumulated surplus/(deficit)		36,677
Net worth		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 2021

(\$ thousand)

	Note	Contributed capital	Accumulated surplus	Total
Balance at 1 December 2020		-	-	-
Administrative restructure – 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

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

Cash flow statement for the period ended 30 June 2021

		(\$ thousand)
	Note	1/12/2020 – 30/06/2021
Cash flows from operating activities		
Receipts		
Receipts from customers		33,527
Grants received from State Government		54,014
Goods and services tax recovered from the ATO		4,183
Interest received		103
Total receipts		91,827
Payments		
Payments of grants		(42,729)
Payments to suppliers and employees		(14,720)
Payments of lease interest		(46)
Total payments		(57,495)
Net cash flows from/ (used in) operating activities	6.3.1	34,332
Cash flows from investing activities		
Payments		
Payments for property, plant and equipment		(30)
Payments for intangible assets		(25)
Total payments		(55)
Net cash flows from/ (used in) investing activities		(55)
Cash flows from financing activities		
Payments		
Machinery of Government		88,408
Repayment of leases		(169)
Net cash flows from/ (used in) financing activities		88,239
Net increase in cash and cash equivalents		122,516
Cash and cash equivalents at the beginning of the financial year		-
Cash and cash equivalents at the end of the financial year	6.3	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 seven-month period ended 30 June 2021, and no comparative financial information is disclosed.

Its principal address is:
Cladding Safety Victoria
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.

Compliance information

These general-purpose financial statements have been prepared in accordance with the *Financial Management Act 1994* 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.

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.

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.

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

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

These financial statements are presented in Australian dollars and are prepared in accordance with the historical cost convention except for non-financial physical assets which, subsequent to acquisition, are measured at a revalued amount being their fair value at the date of the revaluation less



any subsequent accumulated depreciation and subsequent impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amounts do not materially differ from their fair value.

In addition to the Cladding Rectification Levy collected by the Victorian Building Authority (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.

Separation from the Victorian Building Authority (VBA)

Prior to 1 December 2020, CSV was operating as a business unit of the VBA. In November 2020, the Victorian Government passed the *Cladding Safety Victoria Act 2020* which established CSV as a separate statutory authority. On 1 December 2020, CSV transitioned from the VBA and became an independent entity. As per FRD 119A, the VBA transferred the assets and liabilities relating to CSV through contributed capital. The allocation statement was signed off the by Minister for Planning. Net assets of \$83.61 million were transferred to CSV (refer to Note 8.3.1 for further details).

Coronavirus impact on the financial statements

Due to the coronavirus pandemic, CSV was established during the Victorian Government's State of Emergency. From its establishment, CSV has been working in line with the government's coronavirus advice, working remotely, implementing COVIDSafe

guidelines for field teams, conducting phone and online interviews, placed restrictions on non-essential visitors to its offices, implemented State Government accelerated payment terms to business, and introduced staff wellbeing initiatives.

Financial impacts of coronavirus

The impact of the coronavirus pandemic on CSV's spend was minimal during the period 1 December 2020 to 30 June 2021, as the Cladding Rectification Program had been classified as a State Critical Infrastructure Project by the Victorian Government.

CSV's primary sources of revenue, being government grants and the Cladding Rectification Levy (CRL), has been minimally impacted by coronavirus. For the period ended 30 June 2021, the CRL has performed in line with 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 the rectification timeframe. 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.

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 incomes

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.

	(\$ thousand)
	1/12/2020 – 30/06/2021
Cladding Rectification Levy	42,885
Total levy income	42,885

AASB 15 Revenue from contracts with customers

Performance obligations and revenue recognition policies

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

Application of AASB 15

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

2.2. Grant income

In the financial year ended 30 June 2021, DELWP provided grants of \$54.01 million to CSV to carry out the Cladding Rectification Program.

	(\$ thousand)
	1/12/2020 – 30/06/2021
Income recognised as income of not-for-profit entities	
Private building rectification grant	51,994
Government building rectification grant (i)	2,020
Total grant income	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.

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

AASB 1058 Income of not-for-profit entities clarifies the income recognition requirements that apply to not-for-profit entities. Under the AASB 1058 income recognition model, the entity first determines whether an enforceable agreement exists and whether the promises to transfer goods or services to the customer are "sufficiently specific". This occurred where grants and contracts do not contain performance obligations that are sufficiently

specific. As a result, income is recognised when CSV has an unconditional right to receive cash which usually coincides with receipt of cash, in accordance with AASB 1058.

Application of AASB 1058

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

2.3. Other incomes

	(\$ thousand)
	1/12/2020 – 30/06/2021
Interest income	103
Miscellaneous income	1,000
Total other income	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 Section 2, the funds that enable the provision of services were disclosed and in this note the costs associated with provision of services are recorded.

Structure

- 3.1 Employee costs
- 3.2 Grant expense
- 3.3 Other operating expenses

3.1. Employee costs

	(\$ thousand)
Employee benefits	1/12/2020 – 30/06/2021
Salaries and wages, annual leave, long service leave and on-costs	5,804
Defined contribution superannuation expense	499
Defined benefit superannuation expense	9
Termination benefits	26
Total employee benefits expense	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)
	as at 30/06/2021
Current provisions	
Annual leave	
- Unconditional and expected to wholly settle within 12 months	650
- Unconditional and expected to wholly settle after 12 months	25
Long service leave	
- Unconditional and expected to wholly settle within 12 months	54
- Unconditional and expected to wholly settle after 12 months	217
Provisions for on-costs	
- Unconditional and expected to wholly settle within 12 months	112
- Unconditional and expected to wholly settle after 12 months	38
Total current provisions	1,096
Non-current provisions	
Employee benefits	40
Provisions for on-costs	6
Total non-current provisions	46
Total provisions for employee benefits	1,142

Reconciliation of movement in on-cost provision

	(\$ thousand)
	as at 30/06/2021
Opening balance	-
Machinery of Government	96
Additions due to transfer in	3
Additional provisions recognised	101
Reductions arising from payments/other sacrifices of future economic benefits	(51)
Unwind of discount and effect of changes in the discount rate	6
Closing balance	155
Current	149
Non-current	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)
	1/12/2020 – 30/06/2021
Defined benefit plans	
State Superannuation Fund – revised and new	9
Defined contribution plans	
VicSuper	167
Other	332
Total	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)
	1/12/2020 – 30/06/2021
Grants payments to owners corporations	40,297
Total grant expenses	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 grants payments to owners corporations under funding agreements to rectify the highest risk privately owned buildings with combustible cladding.

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

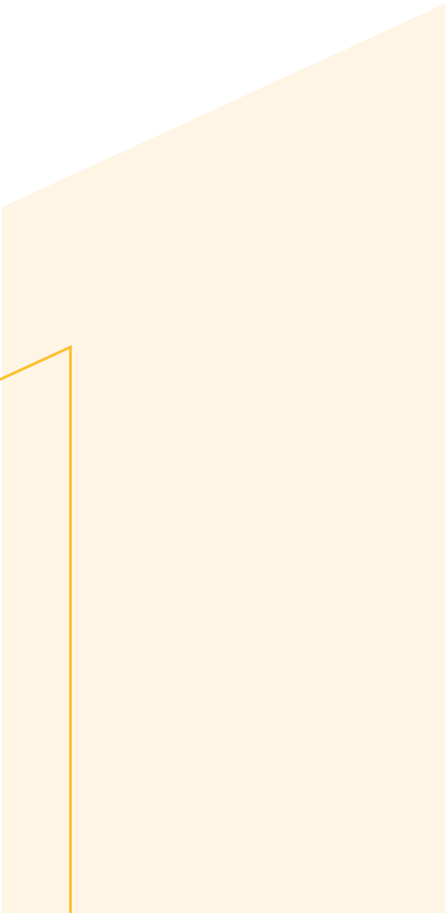
3.3. Other operating expenses

	(\$ thousand)
	1/12/2020 – 30/06/2021
Consultants and professional services	10,889
Computer services and equipment	241
Accommodation	88
Insurance expense	2,313
Administrative expenses	698
Total other operating expenses	14,229

Other operating expenses generally represent the day-to-day running costs incurred in normal operations. It also includes bad debts expense from transactions that are mutually agreed.

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.

4.1. Property, plant and equipment

	(\$ thousand)		
	Gross carrying amount	Accumulated depreciation	Net carrying amount
	as at 30/06/2021	as at 30/06/2021	as at 30/06/2021
Buildings at fair value	1,681	(235)	1,446
Plant, equipment and vehicles at fair value	189	(34)	155
Leasehold improvements	274	(39)	235
Net carrying amount	2,144	(308)	1,836

Structure

- 4.1 Property, plant and equipment
- 4.2 Depreciation and amortisation

4.1.1. Right-of-use assets

	(\$ thousand)		
	Gross carrying amount	Accumulated depreciation	Net carrying amount
	as at 30/06/2021	as at 30/06/2021	as at 30/06/2021
Buildings at fair value	1,681	(235)	1,446
Net carrying amount	1,681	(235)	1,446

Initial recognition

Items of property, plant and equipment, including right of use 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.

Subsequent measurement

CSV depreciates the right-of-use (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 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)				
	Buildings at fair value	Plant, equipment and vehicles at fair value	Leasehold improvements	Work in progress	Total
	as at 30/06/2021	as at 30/06/2021	as at 30/06/2021	as at 30/06/2021	as at 30/06/2021
Opening balance at 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	1,446	155	235	-	1,836

4.2. Depreciation and amortisation

		(\$ thousand)
	Note	1/12/2020 – 30/06/2021
Buildings at fair value	4.1.2	(235)
Plant, equipment and vehicles at fair value	4.1.2	(34)
Leasehold improvements	4.1.2	(39)
Intangible assets (amortisation)		(2)
Total depreciation and amortisation		(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
Buildings-right-of-use	5 years
Leasehold improvements	5 years
Motor vehicles owned	3 to 5 years
IT equipment	3 to 5 years
Software and intangibles	3 to 7 years

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

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

Impairment of property, plant and equipment:

The recoverable amount of primarily non-

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

The assets concerned are tested as to whether their carrying value exceeds their recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written off as '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)
Current receivables	30/06/2021
Contractual	
Other sundry receivables	53
Statutory	
Cladding Rectification Levy receivables	8,742
GST input tax credit recoverable from the ATO	1,350
Total current receivables	10,145
Total receivables	10,145

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. Amounts recognised from the Victorian Government represent funding for all commitments incurred and are drawn from the Consolidated Fund as the commitments fall due. 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)
	30/06/2021
Current payables	
Contractual	
Grants payables	1,452
Supplies and services	69
Accrued grants payables	8,867
Accrued supplies and services	991
Statutory	
Other tax payables	57
Total current payables	11,436
Total payables	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⁽ⁱ⁾**

(\$ thousand)						
Maturity dates						
30/06/2021	Carrying amount	Nominal amount	Less than 1 month	1 - 3 months	3 - 12 months	1 - 5 years
Payables	11,379	11,379	11,379	-	-	-
Total	11,379	11,379	11,379	-	-	-

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

5.3. **Other non-financial assets**

(\$ thousand)	
as at 30/06/2021	
Current	
Prepayments	233
Total other non-financial assets	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 Cashflow information and balances
- 6.4 Commitments for expenditure

6.1. Borrowings

	(\$ thousand)
Current borrowings	30/06/2021
Lease liabilities	474
Total current borrowings	474
Non-current borrowings	
Lease liabilities	1,414
Total non-current borrowings	1,414
Total borrowings	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⁽ⁱ⁾

		(\$ thousand)					
		Maturity dates					
30/06/2021	Carrying amount	Nominal amount	Less than 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years
Lease liabilities	1,888	2,026	44	89	407	1,486	-
Total	1,888	2,026	44	89	407	1,486	-

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

6.1.2. Interest expense

	(\$ thousand)
	1/12/2020 – 30/06/2021
Interest on leases liabilities	46
Total interest expense	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 2021 relating to leases.

	(\$ thousand)
	1/12/2020 – 30/06/2021
Total cash outflow for leases	214

For any new contracts entered into during the financial year, CSV considers whether a contract is, or contains a lease.

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)
	as at 30/06/2021
Total cash and deposits disclosed in balance sheet	122,516
Balance as per cash flow statement	122,516

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

	(\$ thousand)
	1/12/2020 – 30/06/2021
Net result for the period	36,677
Non-cash movements	
Depreciation and Amortisation	310
Charges to provisions	203
Reclassification of intangible assets to Profits/(Losses)	608
Net Gains/(Losses) on financial instruments	105
Movements in assets and liabilities	
(Increase) decrease in receivables	(10,145)
(Increase) decrease in other non-financial assets	(213)
Increase (decrease) in payables	6,787
Net cash flows from/(used) in operating activities	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)			
Nominal amounts: as at 30/06/2021	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
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 – Categories of financial assets.

Categories of financial assets

Financial assets (at amortised cost)

Financial assets are measured at amortised costs 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; and
- 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; and
- 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
30/06/21				
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
30/06/2021		
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.

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 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)			
30/06/2021	Government agencies (AA credit rating)	Financial institutions (minimum BBB credit rating)	Other	Total
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 past 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 2021, 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'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 in 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 below.

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
30/06/2021					
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%	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)		
	Interest rate		
		-100 basis points	+100 basis points
	Carrying amount	Net result	Net result
30/06/2021			
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.

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:

To the year ended 30 June 2021, CSV has approved 204 buildings for cladding rectification work with a budget allocation of \$447.56 million (GST exclusive), in which \$249.45 million has been contractually committed. Out of the total budget allocation, \$198.11 million remains uncommitted as at 30 June 2021. No present obligation exists for this uncommitted funding, until agreements are executed with the relevant parties.

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; and
- 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 2020-21 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

	(\$ thousand)		
	Carrying amount	Fair value measurement at end of reporting period using Level 2	Fair value measurement at end of reporting period using Level 3
	as at 30/06/2021	as at 30/06/2021	as at 30/06/2021
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

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
	as at 30/06/2021	as at 30/06/2021	as at 30/06/2021	as at 30/06/2021	as at 30/06/2021
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	117	231	42	1,836

Description of significant unobservable inputs to Level 3 valuations

30/06/2021	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 vehicle
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 Australian Accounting Standards issued that are not yet effective
- 8.11 Glossary of technical terms
- 8.12 Style conventions

8.1. Ex gratia expenses

There are \$36,631 ex gratia payments for the seven months ended 30 June 2021.

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 do 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)
	1/12/2020 – 30/06/2021
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)
	30/06/2021
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, DEWLP 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 transferred the responsibility for overseeing the 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)
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	1/12/2020 – 30/06/2021
Governing Board	
Rodney Fehring, Chairperson	1/12/2020 – 30/06/2021
Sarah Clarke, Deputy Chairperson	1/12/2020 – 30/06/2021
Genevieve Overell, Board member	1/12/2020 – 30/06/2021
Jo Pugsley, Board member	1/12/2020 – 30/06/2021
Roger Teale, Board member	1/12/2020 – 30/06/2021
David Webster, Board member	1/12/2020 – 30/06/2021
Accountable Officer	
Dan O'Brien, Chief Executive Officer	1/12/2020 – 30/06/2021

Remuneration of responsible persons

Remuneration received or receivable by the accountable officers in connection with the management of CSV during the reporting period 1/12/2020 – 30/06/2021 was in the range of \$350,000 - \$359,999.

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:

	1/12/2020 – 30/06/2021
Income band (\$)	No.
10,000 – 19,999	5
20,000 – 29,999	1
270,000 – 270,999	1
Total number of responsible persons	7

Amounts relating to ministers are reported in the financial statements of the Department of Parliamentary Services. 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)
	1/12/2020 – 30/06/2021
Short-term employee benefits	910
Post-employment benefits	70
Other long-term benefits	81
Total remuneration ⁽ⁱ⁾	1,061
Total number of executives	6
Total annualised employee equivalent (AEE) ⁽ⁱⁱ⁾	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.

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 following table.

	(\$ thousand)
Government-related entities	1/12/2020 – 30/06/2021
Department of Environment Land Water and Planning ⁽ⁱ⁾ – receipt	54,014
Victorian Building Authority ⁽ⁱⁱ⁾ – receipt	42,885
State Revenue Office ⁽ⁱⁱⁱ⁾ – payment	(286)
Total aggregate transactions	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.

Positions identified as KMPs	Personnel movements
Jodee Cook, Chief Operating Officer	1/12/2020 – 30/06/2021
Luke Exell, Director Legal and Commercial	1/12/2020 – 30/06/2021
Ashley Hunt, Executive Director Project Delivery	1/12/2020 – 30/06/2021
John Kent, Director Stakeholder Engagement	1/12/2020 – 30/06/2021
Nathan Matthews, Director Cladding Rectification	1/12/2020 – 30/06/2021
Rebecca Thistleton, Director Policy and Communications	1/12/2020 – 30/06/2021
Chamila Wehelligence, Chief Finance Officer	1/12/2020 – 30/06/2021

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 Department of Parliamentary Services' Financial Report.

Compensation of key management personnel

	(\$ thousand)
	1/12/2020 – 30/06/2021
Short-term employee benefits	1,409
Post-employment benefits	92
Other long-term benefits	81
Total compensation	1,582

8.7. Remuneration of auditors

	(\$ thousand)
	1/12/2020 – 30/06/2021
Victorian Auditor-General's Office	
Audit of the financial statements	39
Total	39

8.8. Subsequent events

Coronavirus effects on reporting forecasts:

A state of disaster was declared in Victoria on 2 August 2020. Throughout the 2020–21 financial year Victoria was in lockdown for various periods, at times impacting the construction industry. Economic uncertainty created by the impact of coronavirus means actual economic events and conditions in the future may be materially different from those estimated by CSV at the reporting date. As government responses continue to evolve after the reporting date, it is difficult to reliably estimate the potential impact of the coronavirus pandemic on CSV, its operations, performance against targets and financial position, through cladding levy receipts.

No other 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. Australian Accounting Standards issued that are not yet effective

The table below is provided to assist entities in updating their disclosure in relation to the Australian Accounting Standards that are issued but not yet effective for 2020-21 in accordance with paragraph 30 of AASB

108. This disclosure should be included in the Summary of Significant Accounting Policies note of entities' financial reports where the impact of the new accounting standard(s) are expected to have a material impact. Entities are expected to review the relevance of the proposed disclosure based on their own circumstances.

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
<p>AASB 17 Insurance Contracts</p>	<p>The new Australian standard seeks to eliminate inconsistencies and weaknesses in existing practices by providing a single principle based framework to account for all types of insurance contracts, including reissuance contract that an insurer holds. It also provides requirements for presentation and disclosure to enhance comparability between entities.</p> <hr/> <p><i>AASB 2020-5 Amendments to Australian Accounting Standards – Insurance Contracts</i> was issued in July 2020 with the intention to reduce the costs application and easing transition by deferring its effective date to annual periods beginning on or after 1 January 2023 instead of 1 January 2021.</p> <hr/> <p>This standard currently does not apply to the not-for-profit public sector entities.</p>	<p>1 January 2023</p>	<p>The assessment has indicated that there will be no significant impact for the public sector.</p>

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current	<p>This Standard amends AASB 101 to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. A liability is classified as non-current if an entity has the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period. The meaning of settlement of a liability is also clarified.</p> <hr/> <p><i>AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date</i> was issued in August 2020 and defers the effective date to annual reporting periods beginning on or after 1 January 2023 instead of 1 January 2022, with earlier application permitted.</p>	1 January 2023	The standard is not expected to have a significant impact on the public sector.

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 2021-3 Amendments to Australian Accounting Standards – Covid-19- Related Rent Concessions beyond 30 June 2021	This Standard amends AASB 16 to extend by one year the application period of the practical expedient added to AASB 16 by <i>AASB 2020-4 Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions</i> . The practical expedient permits lessees not to assess whether rent concessions that occur as a direct consequence of the covid-19 pandemic and meet specified conditions are lease modifications and, instead, to account for those rent concessions as if they were not lease modifications (e.g., account for as variable lease payment instead). This standard extends the practical expedient to rent concessions that reduce only lease payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.	1 April 2021	The standard is not expected to have a significant impact on the public sector.

In addition to the new standards and amendments above, the AASB has issued a list of other amending standards that are not effective for the 2020-21 reporting period (as listed below). In general, these amending standards include editorial and reference changes that are expected to have insignificant impacts on public sector reporting.

- *AASB 2020-2 Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities.*
- *AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities (Appendix C).*
- *AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments.*
- *AASB 2020-7 Amendments to Australian Accounting Standards – Covid-19-Rent Related Concessions: Tier 2 Disclosures.*
- *AASB 2020-8 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2.*
- *AASB 2020-9 Amendments to Australian Accounting Standards – Tier 2 Disclosures: Interest Rate Benchmark Reform (Phase 2) and Other Amendments.*
- *AASB 2021-1 Amendments to Australian Accounting Standards – Transition to Tier 2: Simplified Disclosures for Not-for-Profit Entities.*
- *AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definitions of Accounting Estimates.*

8.11. Glossary of technical terms

The following is a summary of the major technical terms used in the financial statements.

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.

Administered item generally refers to a department lacking the capacity 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.

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'.

Associates are all entities over which an entity has significant influence but not control, generally accompanying a shareholding and voting rights of between 20 per cent and 50 per cent.

Biological assets may comprise commercial forests and also any living animal, plant or agricultural produce that is the harvested product of biological assets.

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:

- 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.

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

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

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.

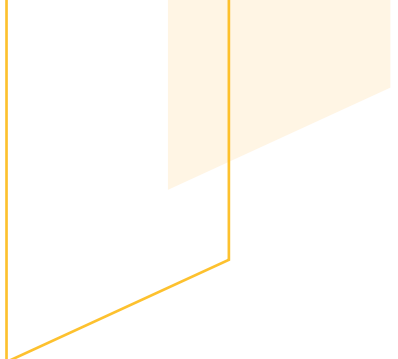
Interest income includes unwinding over time of discounts on financial assets and interest received on bank term deposits and other investments.

Investment properties are properties held to earn rentals or for capital appreciation or both. Investment properties exclude properties held to meet service delivery objectives of the State of Victoria.

Joint ventures are contractual arrangements between the Department and one or more other parties to undertake an economic activity that is subject to joint control and have rights to the net assets of the arrangement. Joint control only exists when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

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 acquisition of non-financial assets (from transactions) are purchases (and other acquisitions) of non-financial assets less sales (or disposals) of non-financial assets less depreciation plus changes in inventories and other movements in non-financial assets. Includes only those increases or decreases



in non-financial assets resulting from transactions and therefore excludes write offs, impairment write downs and revaluations.

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.

Non-produced assets are assets needed for production that have not themselves been produced. They include land, subsoil assets, and certain intangible assets. Non-produced intangibles are intangible assets needed for production that have not themselves been produced. They include constructs of society such as patents.

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 are 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.

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.

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

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

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

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

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.

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

Service concession arrangement is a contract effective during the reporting period between a grantor and an operator in which:

- the operator has the right of access to the service concession asset (or assets) to provide public services on behalf of the grantor for a specified period of time;
- the operator is responsible for at least some of the management of the public services provided through the asset and does not act merely as an agent on behalf of the grantor; and
- the operator is compensated for its services over the period of the service concession arrangement.

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

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

- payroll tax, land tax and duties levied principally on conveyances and land transfers;
- gambling taxes levied mainly on private lotteries, electronic gaming machines, casino operations and racing;
- insurance duty relating to compulsory third-party, life and non-life policies;
- insurance company contributions to fire brigades;

- motor vehicle taxes, including registration fees and duty on registrations and transfers;
- levies (including the environmental levy) on statutory corporations in other sectors of government; and
- other taxes, including landfill levies, licence and concession fees.

Transactions 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.

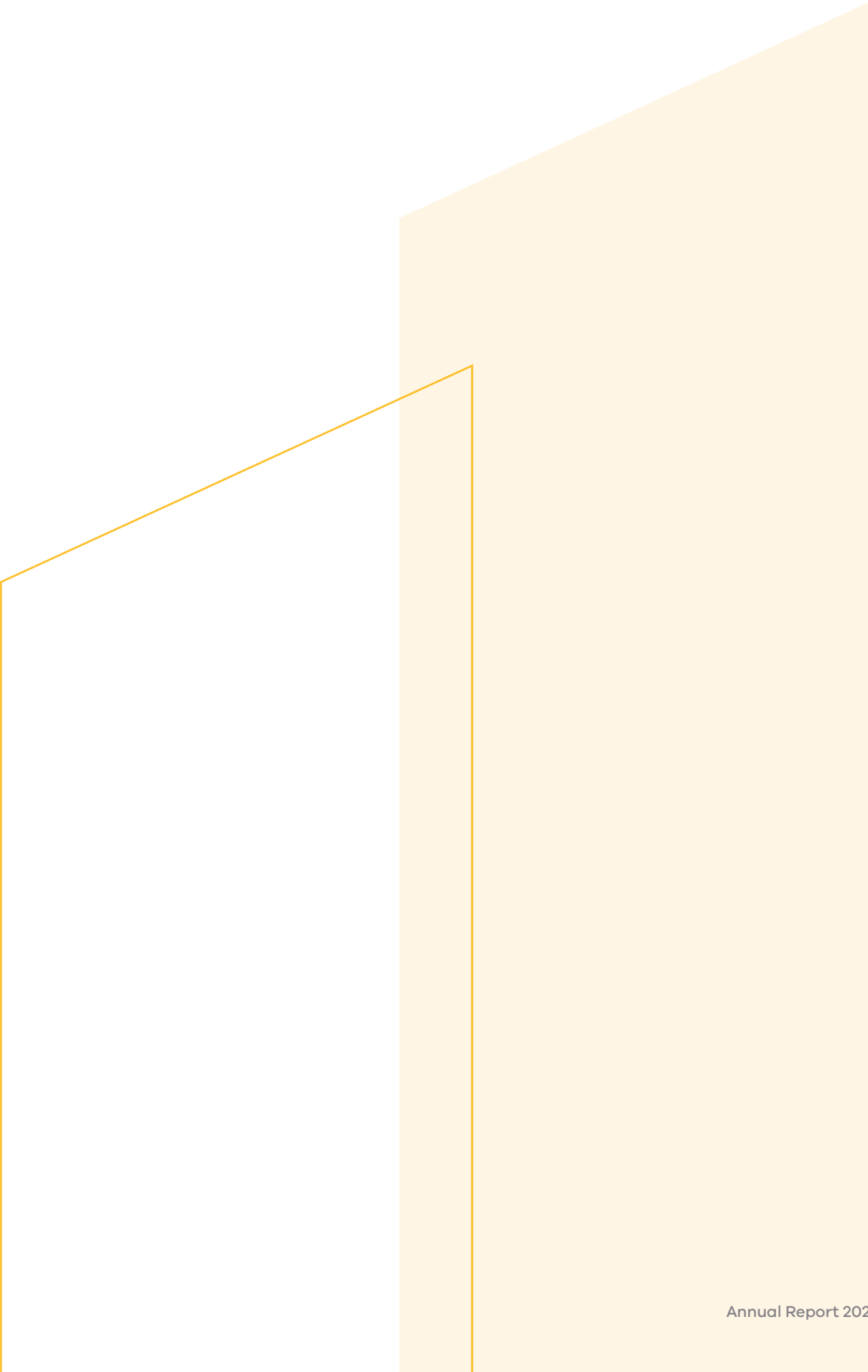
8.12. Style conventions

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

The notation used in the tables is as follows:

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

The financial statements and notes are presented based on the illustration for a government agency in the 2020-21 Model Report for Victorian Government departments.





APPENDICES



Disclosures

Disclosure index

Cladding Safety Victoria's (CSV) Annual Report is prepared in accordance with all relevant Victorian legislations 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 22I	Manner of establishment and the relevant Ministers	page 11
FRD 22I	Purpose, functions, powers and duties	page 11
FRD 22I	Key initiatives and projects	pages 34-38
FRD 22I	Nature and range of services provided	pages 22-24
Management and structure		
FRD 22I	Organisational structure	page 70
Financial and other information		
FRD 10A	Disclosure index	pages 147-149
FRD 15E	Executive officer disclosures	page 73
FRD 22I	Employment and conduct principles	page 73
FRD 22I	Occupational health and safety policy	pages 75-79
FRD 22I	Summary of the financial results for the year	page 09
FRD 22I	Major changes or factors affecting performance	page 94
FRD 22I	Subsequent events	page 134
FRD 22I	Application and operation of the <i>Freedom of Information Act 1982</i>	page 150
FRD 22I	Compliance with building and maintenance provisions of the <i>Building Act 1993</i>	page 150
FRD 22I	Statement on National Competition Policy	pages 150-151

Legislation	Requirement	Page reference
Standing Directions and Financial Reporting Directions		
FRD 22I	Application and operation of the <i>Public Interest Disclosures Act 2012</i>	page 151
FRD 22I	Application and operation of the <i>Carers Recognition Act 2012</i>	page 151
FRD 22I	Details of consultancies over \$10,000	pages 152-153
FRD 22I	Details of consultancies under \$10,000	page 153
FRD 22I	Disclosure of government advertising expenditure	page 153
FRD 22I	Disclosure of ICT expenditure	page 154
FRD 22I	Statement of availability of other information	page 160
FRD 24D	Reporting of office based environmental impacts	pages 154-158
FRD 25D	Local Jobs First	pages 158-159
FRD 29C	Workforce Data disclosures	pages 71-72
SD 5.2	Specific requirements under Standing Direction 5.2	page i
Compliance attestation and declaration		
SD 5.4.1	Attestation for compliance with Ministerial Standing Direction	page 10
SD 5.2.3	Declaration in report of operations	page i
Financial Statements		
Declaration		
SD 5.2.2	Declaration in financial statements	page 86
Other requirements under Standing Direction 5.2		
SD 5.2.1(a)	Compliance with Australian accounting standards and other authoritative pronouncements	page 93
SD 5.2.1(a)	Compliance with Standing Directions	page 10
SD 5.2.1(b)	Compliance with Model Financial Report	page 139

Legislation	Requirement	Page reference
Standing Directions and Financial Reporting Directions		
Other disclosures as required by FRDs in notes to financial statements ^(a)		
FRD 11A	Disclosure of Ex gratia Expenses	page 127
FRD 21C	Disclosures of Responsible Persons, Executive Officers and other Personnel (Contractors with Significant Management Responsibilities) in the Financial Report	pages 129-133
FRD 103H	Non-Financial Physical Assets	pages 104, 125
FRD 110A	Cash Flow Statements	page 92
FRD 112D	Defined Benefit Superannuation Obligations	page 102
FRD 114C	Financial Instruments – general government entities and public non-financial corporations	pages 116-126
<p>Note:</p> <p>(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.</p>		
Legislation		
	<i>Freedom of Information Act 1982</i>	page 150
	<i>Building Act 1993</i>	page 150
	<i>Public Interest Disclosures Act 2012</i>	page 151
	<i>Carers Recognition Act 2012</i>	page 151
	<i>Local Jobs First Act 2003</i>	pages 158-159
	<i>Financial Management Act 1994</i>	pages 93-94

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 (FOI) requests can be made by filling out the form located at www.vic.gov.au/freedom-information-and-cladding-safety-victoria. During 2020-21, an application fee of \$29.60 applied. Access charges may also be payable if the document pool is large, and the search for material 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 2020-21, CSV received one application from a member of the public. This request was in progress as of 30 June 2021.

Further information

Further information regarding the operation and scope of FOI 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*.

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. 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 the *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 Anti-corruption Commission:

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

Compliance with the *Carers Recognition Act 2012*

CSV has taken all practical measures to comply with its obligations under the *Carers Recognition Act 2012* that sets default positions for the Victorian Public Service and CSV recognises the role that many of its staff have as carers and supports them to balance their work and care responsibilities.

CSV's strong support for staff working flexibly is one way we support carers. CSV employees are increasingly working flexibly for a variety of reasons including to assist them to carry out caring responsibilities.

CSV promotes flexible work as the default for its staff and aims to reduce the barriers to workforce participation for carers and ensures carers have the ability to make choices about work and their care role, to participate socially and economically and to have the best health and wellbeing.

CSV support of carers continued to be enhanced in response to the coronavirus pandemic. This is evidenced by the promotion of further support to parents and carers through access to special paid leave entitlements, if impacted by an act of nature event, such as bushfire activity or a declared Code Red Day.

Consultancies

Details of consultancies over \$10,000

In 2020-21 there were 19 consultancies where the total fees payable to consultants were

\$10,000 or greater. The total expenditure incurred during 2020-21 in relation to these consultancies was \$3,321,227 (excluding GST). Details of individual consultancies are outlined in the table below.

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

Consultant	Purpose of consultancy	Total approved project fee (excl. GST)	Expenditure 2020-21 (excl. GST)	Future expenditure (excl. GST)
Accuraco	Due diligence services	\$3,500,000	\$446,356	\$91,264
Anne Dalton	Probity advisor	\$90,850	\$4,309	Nil
Building & Development Solutions	Building surveyor consultancy	\$108,750	\$72,162	\$36,588
Complete Building Advice Pty Ltd	Building surveyor consultancy	\$20,570	Nil	\$20,570
Corrs Chambers Westgarth	Legal services	\$350,000	\$28,763	Nil
CSIRO	Risk Framework development	\$68,640	\$34,320	\$34,320
CSIRO	Fire engineering consultancy	\$14,217	\$14,217	Nil
CT Partners	Probity advisory	\$20,000	\$4,625	\$375
Enright Consulting	Fire safety engineers (govt)	\$35,000	\$3,750	Nil
Ernst & Young	Finance Pathways Report	\$74,545	\$74,545	Nil
Gowdie	Due diligence services	\$3,500,000	\$563,800	\$1,399,523
Holmes Fire	Fire engineering consultancy	\$14,508	\$4,008	Nil
Maddocks	Legal services	\$350,000	\$47,256	\$60,868
Meinhardt	Due diligence services	\$3,500,000	\$822,562	\$1,390,159

Consultant	Purpose of consultancy	Total approved project fee (excl. GST)	Expenditure 2020-21 (excl. GST)	Future expenditure (excl. GST)
Minter Ellison	Legal services	\$350,000	\$58,671	\$55,663
Ontoit Trust	Due diligence modelling	\$18,940	\$18,940	Nil
PDS	Due diligence services	\$3,500,000	\$339,938	\$39,645
Pricewaterhouse Coopers	Provision of tax advice and strategy	\$17,542	\$17,542	Nil
Rider Levitt Bucknall	Due diligence QS consultancy	\$104,830	\$104,830	Nil

Details of consultancies under \$10,000

In 2020-21, there was one consultancy engaged during the year, where the total fees payable to the individual consultancy was less than \$10,000. The total expenditure incurred during 2020-21 in relation to this consultancy was \$6,000 (excl. GST).

Disclosure of government advertising expenditure

There is no government advertising expenditure to report for the financial year 2020-21.

Details of information and communications technology (ICT) expenditure

For the 2020-21 reporting period, CSV had a total ICT expenditure of \$1,072,405, with the details shown below.

	\$ thousand)		
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)		
286	786	159	627

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.

Office-based environmental performance

Head office

CSV's head office is located at 717 Bourke Street, Docklands. CSV leased the premises in March 2020. For much of year CSV had remote working arrangements with minimal office time due to the impact of the coronavirus pandemic. As the office was unoccupied for much of the year, CSV's environmental impact is expected to be minimal.

Subsequently, targets for energy and waste reduction were not set for 2020-21. Environmental baseline measures will be set through the 2021-22 year, if staff return to the office in pre-pandemic numbers, allowing targets to be set for the following years.

Energy use

CSV consumes energy predominantly through office facilities. Energy usage and greenhouse gas emission was minimal during

2020–21 due to employees working remotely as a result of the coronavirus pandemic.

Energy use

	Indicator	2020-2021
E1	Total energy usage segment by primary source (MJ)	
	Electricity (MJ) – excluding green power	7253.6
	Natural gas (MJ)	0
	Green power (MJ)	0
	LPG (MJ)	0
E2	Total greenhouse gas emission from energy consumption (tonnes CO₂-e)	
	Electricity (tonnes CO ₂ -e) – excluding green power	20.44
	Natural gas (tonnes CO ₂ -e)	0
	LPG (tonnes CO ₂ -e)	0
E3	Percentage of electricity bought as green power	0

CSV undertook a four-month sample of information on electricity usage from its electricity bills. Greenhouse gas emission information was provided by CSV’s electricity provider and based on a three-month sample.

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 2020-21 was minimal due to employees working remotely as a result of the coronavirus pandemic.

Waste and recycling

Indicator	2020-2021
Total units of waste disposed of by destination (kg/year)	
Landfill (kg)	62
Co-mingled recycling (kg)	42
Paper and card (kg)	20
Secure documents (kg)	15
Organics (kg)	0
Total units of waste disposed of per FTE by destination (kg/FTE)	
Landfill (kg/FTE)	1.48
Co-mingled recycling (kg/FTE)	1
Paper and card (kg/FTE)	.44
Secure documents (kg/FTE)	2.13
Organics (kg/FTE)	0.33
Recycling rate (per cent)	46.11 %
Greenhouse gas emissions associated with waste (tonnes CO₂-e)	51

Source information was sourced from CSV's waste provider.

Paper use

In 2020–21 CSV used 11.2 reams of copy paper. Paper use was low due to our encouragement of digital processing and employees working remotely as a result of the coronavirus

pandemic. Percentage of recycled content is not available as paper was purchased through the Victorian Building Authority (VBA) when CSV was a business unit.

Paper use

Indicator	2020-2021
Total units of A4 equivalent copy paper used (reams)	11.2
Units of A4 equivalent copy paper used per FTE (reams/FTE)	124
Percentage of 75-100 per cent recycled content	
Percentage of 50-74 per cent recycled content	
Percentage of 0-49 per cent recycled content	

Water consumption

Water consumption data is not available to CSV as its head office at 717 Bourke Street, 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	2020-2021
Total distance travelled by fleet vehicles (km)	19 424
Total greenhouse gas emissions from fleet vehicles (tonnes CO ₂ -e)	18 647.04
Greenhouse gas emissions from fleet vehicles per 1000km (tonnes CO ₂ -e)	9.6
Total distance travelled by air (km)	0

Source Information was sourced from three-month sample audits (January, February, and March 2021).

Greenhouse gas emissions

Emissions resulting from key activities were low in 2020–21, 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	2020-2021
Total greenhouse gas emissions associated with energy use (tonnes CO2-e)	20.44
Total greenhouse gas emissions associated with vehicle fleet (tonnes CO2-e)	9.6
Total greenhouse gas emissions associated with air travel (tonnes CO2-e)	0
Total greenhouse gas emissions associated with waste disposal (tonnes CO2-e)	51
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. CSV minimises its environmental impact by applying sustainability criteria to the purchase of stationery, cleaning and other office supplies.

Local Jobs First

The *Local Jobs First Act 2003* introduced in August 2018 brings together the Victorian Industry Participation Policy (VIPP) 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, of \$1 million or more for projects in regional Victoria.

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

Projects commenced – Local Jobs First Standard

During 2020–21, CSV commenced 12 Local Jobs First Standard projects, for rectification of residential buildings, totalling \$60 million. Of those projects, one was in regional Victoria, with a commitment of 98 per cent of local content, and 11 were in metropolitan Melbourne, with an average commitment of 94 per cent of local content. No state-wide projects were commenced. 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 jobs (AEE) were committed, including the creation of 26 new jobs and the retention of 94 existing jobs (AEE);

- a total of 22 positions for apprentices, trainees and cadets were committed, including the creation of six new apprenticeships, traineeships, and cadets and the retention of the remaining 16 existing apprenticeships, traineeships and cadets; and
- 272 small to medium-sized businesses were engaged through the supply chain on commenced Standard Projects.

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 a separate entity on 1 December 2020 and will consider the publication of further datasets as work progresses through the Cladding Rectification Program.

Asset Management Accountability Framework maturity assessment

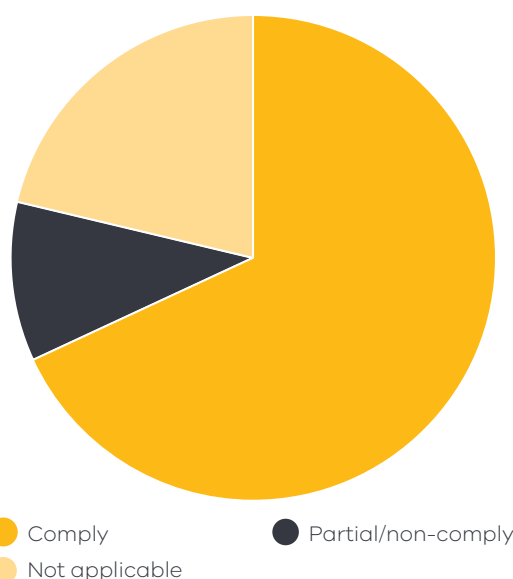
The Asset Management Accountability Framework (AMAF) is a mandatory, non-prescriptive framework for managing public assets in Victoria. This approach seeks to ensure that an organisation’s implementation is both fit for purpose and achieves organisational objectives.

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.

CSV was materially compliant with AMAF. A minor deficiency was identified, a key requirement of the AMAF is for Accountable Officers to develop an asset management

strategy for their organisation’s entire asset base over the whole asset lifecycle on a portfolio basis. CSV continued to operate under the VBA’s asset management strategy during the period of reporting. CSV is currently developing its own asset management strategy for the 2021-22 financial year.

CSV completed its AMAF maturity assessment for 2020-21 and CSV has processes in place to manage its assets effectively. There was partial compliance found in not having its own asset management strategy.



Disclosure of grants and transfer payments

CSV grants funds to building owners for the purpose of engaging approved building practitioners to complete cladding rectification works on their buildings.

CSV entered into funding agreements with 204 grant recipients with an aggregate grant value of \$40.3 million during 2020-21. Information about individual grant recipients is not provided as the provisions of the *Cladding Safety Victoria Act 2020* preclude the inclusion of any information that would identify the location of any building.

Additional information available 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.
- k. 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:

- l. 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).
- m. 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 (identified 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
ARP	Advisory Review Panel
ATO	Australian Taxation Office
BAU	business as usual
BCA	Building Code of Australia
CEO	Chief Executive Officer
CFA	Country Fire Authority

Acronym/ abbreviation	Definition
CFO	Chief Finance Officer
CLO	Customer Liaison Officer
CO2-e	carbon dioxide equivalent
CRC	Cladding Rectification Committee
CRL	Cladding Rectification Levy
CRM System	Customer Relationship Management System
CRP	Cladding Rectification Program
CRPM	Cladding Risk Prioritisation Model
CSIRO	Commonwealth Scientific and Industrial Research Organisation
CSV	Cladding Safety Victoria
D&C	Design and Construct
DBI	Domestic Building Insurance



Acronym/ abbreviation	Definition
DELWP	Department of Environment, Land, Water and Planning
DLP	Defects and Liability Period
DTF	Department of Treasury and Finance
EAP	Employee Assistance Program
EPA	Environment Protection Authority Victoria
EPS	expanded polystyrene
ESM	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
HRIS	Human Resources Information System
HSR	Health and Safety Representative

Acronym/ abbreviation	Definition
ICT	information and communications technology
IPM	Independent Project Manager
kg	kilogram
km	kilometre
KMP	key management personnel
LPG	Liquefied Petroleum Gas
LSL	long service leave
MBS	Municipal Building Surveyor
MJ	megajoule
MPSG	Major Project Skills Guarantee
NCC	National Construction Code
no.	number
NSW	New South Wales
OC	owners corporation
OHS	Occupational Health and Safety
OHSQ	Occupational Health, Safety and Quality

Acronym/ abbreviation	Definition
OHSW	Occupational Health, Safety and Wellbeing
PCB	Project Control Board
QS	quantity surveyor
RAT	Risk Assessment Tool
RCRR	Residential Cladding Rectification Register
RoU	right-of-use
SCA	State-wide Cladding Audit
SOE	Statement of Expectations
sqm	square metre
STS	Senior Technical Specialists
TCV	Treasury Corporation of Victoria
UK	United Kingdom
VBA	Victorian Building Authority
VGV	Valuer-General Victoria
VIPP	Victorian Industry Participation Policy
VMIA	Victorian Managed Insurance Authority

Acronym/ abbreviation	Definition
VPS	Victorian Public Service

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



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



If you are deaf, or have a hearing or speech impairment, contact us through the National Relay Service.

For more information:

Voice Relay number 1300 555 727

TTY number 133 677

SMS relay number 0423 677 767

