

4. What was the funding increase provided to the VI in the 2021/22 State Budget?

Background

At the IOC hearing on 14 August 2023, the Committee asked the VI about its funding increase in the 2022/23 budget. The VI explained that the increase to its base funding in that budget enabled fixed term appointments to be converted into ongoing appointments, and independent experts to be engaged to help with the welfare review. The 2022/23 ongoing base funding increase was received in the May 2022 budget outcome.

QON – What was the funding increase provided to the VI in the 2021/22 State Budget?

This question on notice asks about the funding increase in the 2021/22 State Budget (not 2022/23).

In 2021/22, we were allocated fixed term funding from various sources to supplement our base operating funding of about 2.7m (see **Table A**).

Table A shows a comparison of the funding allocated to the VI for 2020/21 and 2021/22. The increase in operating funding for 2021/22 is represented in blue.

Table A	2020-2021	2021-2022
Output funding		
Base operating funding	2.786	2.756
ERC 'Best Practice Integrity Oversight' fixed term funding (includes carryovers/rephases from 19/20)	0.898	0.644
Department of Premier and Cabinet (DPC) supplementary project funding	0.065	-
Treasurer's Advance reinstatement	0.222	-
Capital Asset Charge	0.079	-
ERC 'Fiscal Sustainability' fixed term funding	1.599 (1.6) see Table B	2.145 (2.1) see Table B
ERC Fiscal Sustainability fixed term funding rephase / carryover from 20/21	-	0.793
Depreciation	0.957	1.155
Total Output	6.606	7.493
Capital funding		
Section 33 approval to access DPC funding for critical infrastructure	0.408	-
Minor Capital Works	0.150	0.150
ERC fixed term funding for case management system	0.435	-
ERC Best Practice Integrity Oversight carryovers / rephases		0.399
Total Capital	0.993	0.549
Total Output and Capital	7.599	8.042

The funding increase in 2021/22 relates to the ERC 'Fiscal Sustainability' budget outcome in October 2020 which provided 3 years of funding (**the fiscal sustainability funding**), comprising:

- a 0.793m rephase and carryover of 2020/21 funding to complete infrastructure projects
- a 0.682m increase to complete the recruitment of 7.6 staff (see **Table B**).

Table B shows a 0.5m overall increase in the 2nd year of the fiscal sustainability funding comprising:

- a 0.682m increase in recruitment funding from 0.458m to 1.14m
- a 0.125m reduction in base review funding from 0.125m to nil

Table B – ERC Fiscal sustainability fixed term funding			
Fixed term funding	2020-2021	2021-2022	2022-23
Output initiatives	1.6	2.1	2.1
	<ul style="list-style-type: none"> • 0.458m recruitment • 1.000m operational • 0.125m base review 	<ul style="list-style-type: none"> • 1.141m recruitment • 1.000m operational 	
Asset initiatives	.2	.2	...
Total	1.8	2.3	2.1

'ERC Fiscal sustainability' funding

The VI became budget independent from 1 July 2020.

In the October 2020 budget outcome, the Victorian Government provided the VI with three years of fixed term funding from 2020/21 to 2022-23 to ensure 'fiscal sustainability', along with 0.125m for a base review in 2020/21 to establish the VI's ongoing funding needs (see **Table B**).

The fiscal sustainability funding was necessary to enable the VI to operate as a budget independent agency as we could no longer rely on supplementary funding from the DPC. It also helped the VI deliver its remit which had expanded significantly since its 2013 establishment.

The base review demonstrated the basis for the 2022/23 increase in our ongoing base funding.

Rephase and carryover of 2020/21 fiscal sustainability funding into 2021/22

The VI applied for and received a rephase and carryover of 0.793m from 2020/21 into 2021/22 (see **Table A**) as the delayed budget outcome from May to October 2020 delayed our ability during 2020/21 to fully expend the funding allocated for recruitment and infrastructure. It takes significant lead time to recruit staff and procure infrastructure projects.