

TRANSCRIPT

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into the Victorian Auditor-General's report no.253: Managing School Infrastructure

Melbourne—Tuesday, 10 March 2020

Members

Ms Lizzie Blandthorn—Chair

Mr Richard Riordan—Deputy Chair

Mr Sam Hibbins

Mr Gary Maas

Mr Danny O'Brien

Ms Pauline Richards

Mr Tim Richardson

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WITNESSES

Mr David Barry, Deputy Auditor-General, and

Ms Ingrid Blackburn, Senior Manager, Performance Audit, Victorian Auditor-General's Office.

The CHAIR: Thank you very much for joining us this morning. We will open the meeting of the Public Accounts and Estimates Committee. Can I begin by also acknowledging the traditional owners of the land on which we meet and pay my respects to their elders past, present and emerging.

Welcome to the hearings for the Public Accounts and Estimates Committee's Inquiry into the Auditor-General's report No. 253: Managing School Infrastructure (2017). If people have got mobile telephones, could they please be switched to silent. All evidence taken by this Committee is protected by parliamentary privilege; therefore you are protected against any action for what you say here today, but if you go outside and repeat the same things, including on social media, those comments may not be protected by this privilege. You will be provided with a proof of the transcript for you to check. Verified transcripts, PowerPoint presentations and handouts will be placed on the Committee's website as soon as possible.

If we have any media covering this hearing today, we remind you of the following guidelines: cameras must remain focused only on the person speaking; operators must not pan the public gallery, the Committee or witnesses; and filming and recording must cease immediately at the completion of the hearing. Broadcasting or recording of this hearing by anyone other than the accredited media is not permitted. We welcome the office of the Victorian Auditor-General and ask you to make a brief 15-minute statement. Thank you for coming.

Mr BARRY: Great. Thank you, Chair, for the opportunity to assist the Committee with its follow-up Inquiry into our audit, Managing School Infrastructure, which we tabled in May 2017. It is worth noting that at the time of our audit DET was undergoing significant reforms relating to school infrastructure, and while we found those reforms to be largely sound, DET had much work to do to implement them. The most significant finding from our audit was an underinvestment in proactive maintenance. Of course proactive maintenance includes routine inspections to determine future asset maintenance and renewal requirements and also includes preventative maintenance. The age-old example that is rolled out there is of course cleaning gutters, preventing water ingressing into schools and long-term maintenance burdens. A fully funded proactive maintenance program is of course an essential part of any well-designed asset maintenance program to ensure that assets meet, firstly, their intended design life and, secondly, that this is achieved in the most cost-effective manner possible. The alternative is a program that allows a build-up of a maintenance backlog, which increases reactive repairs and shortens the life of an asset, oftentimes significantly, or gives rise to higher costs to maintain the asset for its intended design life.

Our 2008, 2013 and 2017 audits reiterate findings of Government reviews that DET has historically underfunded maintenance of Government schools. DET has adopted a maintenance commitment of 2 per cent to 4 per cent of their asset replacement value, which we call ARV, per annum as their standard, and this standard aligns with industry standards. In our audit we reported that maintenance funding ranged between 0.7 and 1.2 per cent per annum for the period 2009 to 2017. In addition, DET's 2012 school asset condition assessment determines that there is a backlog of \$420 million.

I should say that since our audit DET has redefined what constitutes maintenance. DET now includes compliance programs and minor capital works that extend the life of assets in its maintenance figure. This results in it capturing substantial additional budget top-ups through Treasurer's advances, such as for the emergency maintenance program, the Make Safe program and the asbestos incident program. Based on this revised definition, DET's ARV maintenance level was 1.7 per cent for 2020. This still remains below the lower range of the standard that they set, which again is 2 per cent to 4 per cent. I should also note that funding at the lower end of that range is typically used for assets that are already in good condition, and based on our audit we determined that further investment is required to bring assets to a reasonable condition. It is important to also note that the maintenance backlog is not captured as a liability in any financial statements and therefore visibility of it is sometimes constrained.

In 2013 the Victorian Competition and Efficiency Commission identified opportunities to deliver maintenance services more efficiently and more effectively through alternative models. At the time of our audit DET was piloting a centralised model for asset maintenance at a regional level.

I should say the maintenance approach described so far contrasts with the maintenance model for a small number of Government schools built through public-private partnerships. We understand that under that model DET has contractually agreed to maintenance funding at 2 per cent of the ARV, which is considered appropriate for these brand-new assets as they can be maintained in good or excellent condition throughout their lives. If our understanding is correct, this arrangement provides PPP schools more certainty of asset maintenance funding than other Government schools. I should say it is a small number of PPP schools; it is in the order of 25 public-private partnership schools.

We encourage the Committee to focus on DET's progress in clearing the \$420 million backlog of maintenance works identified in 2012. We also encourage the Committee to explore DET's process for identifying any further backlog since then and how it intends to address this, to look at DET's actual spend on school maintenance to date, broken down by category, and to look at DET's progress with implementing its investment strategy and how it plans for the useful life of school assets.

The second significant finding from our audit is that there is a lack of accountability and varied capability in maintaining school assets. This is also a key finding in our 2008 audit and the Victorian Government's review of Government schools funding and accountability. Victoria is considered to operate one of the most highly devolved government school sectors in Australia. While DET is ultimately accountable to the Minister for Education for school assets under its control, DET delegates school maintenance work through its principals. Our audit highlighted weaknesses in both school principals' accountability in relation to asset management and school principals' capability to manage assets effectively. DET set a precedent for re-centralising asset management when it took the cleaning of metropolitan Melbourne schools back into a centralised role in 2018. While that was not without its challenges, it shows there are alternative accountability models that potentially allow school principals more time to focus on student outcomes.

We encourage the Committee to focus on DET's progress in ensuring that all schools have asset maintenance plans targeting preventative maintenance, DET's review on holding principals accountable for their asset maintenance responsibilities, DET's actions to improve oversight over school asset maintenance activity and spending of maintenance funding, DET's outcomes from piloting outsourced maintenance models and their advice to Government on future maintenance options.

The final significant finding I want to bring to the Committee's attention today is that we have found that the DET was effectively planning a five-year school pipeline to build new schools in response to increasing enrolment demand. However, Government ultimately makes the decision about which new schools are funded, and this is done on an annual basis. The uncertainty surrounding this pipeline is a significant hurdle to achieving well-designed, co-planned facilities, for example, through working with local councils to strategically invest in multiuse, shared and co-located facilities. Victoria is in the middle of a significant infrastructure build which will have long-term influences over schools. Increased certainty over long-term funding would help DET to better plan with strategic partners to maximise the benefits of new facilities for Victorians. This is because these partners generally work over longer term planning cycles, typically in the order of five to 10 years. We encourage the Committee to ask DET if it now publishes its five-year pipeline and what details it publishes.

Our audit made seven recommendations that focused on improving how DET maintains its existing infrastructure and identifies opportunities for new assets through strategic planning with local councils and other partners. The department advised us in late 2019 that six of the seven recommendations have been completed. DET also advised that it is still implementing its reforms, having initiated its rolling facilities evaluation and approving 150 school maintenance plans. While we have not audited or otherwise verified these actions, on paper DET has made progress. However, DET's delay in implementing a new asset management system continues to limit its oversight of asset maintenance and renewal. In addition, its delay in finalising its investment model places uncertainty over how it will maintain school assets in an acceptable condition.

I would also like to bring to the Committee's attention some developments post tabling of our report. We are aware of several publicly available developments relating to the management of school infrastructure since our 2017 report. We have not verified or audited this information, but these developments include the Victorian Government signing the national school reform agreement, known as the Gonski 2.0 deal, which of course is a bilateral agreement between the State and Commonwealth that sets out state-specific funding actions. We are also aware that the Victorian Government has committed \$1.82 billion for school infrastructure in 19–20 and a further \$515 million in September 2019 for Government school maintenance.

Finally, I would like to give the Committee an update on the status of the DET's asset renewal. Since our audit our financial auditors have completed analysis of asset registers and recent evaluations which shows that \$903 million of assets have a remaining useful life of five years or less. Of that \$903 million, approximately \$600 million relates to small assets with a value of \$50 000 or less, typically things like shade sails. However, \$300 million does relate to core buildings. Assets with a useful life of six to 10 years sit at \$530 million. We encourage the Committee to focus on this area and to understand how DET is advising Government of this potential renewal requirement.

As you read our report you will see the same words consistently appear and hopefully find them to be consistent with my words today. These are 'underinvestment in maintenance', 'lack of asset planning', 'lack of funding transparency and certainty', 'limited accountability' and 'varied capability of school leaders in asset maintenance'. As always, we commend the work that the Committee does in its follow-up inquiries. Your work serves to strengthen the accountability of the executive for the actions they commit to in response to our report recommendations.

I have today with me Ingrid Blackburn, who is the manager responsible for delivering this audit, and naturally we are available to answer any questions the Committee have.

The CHAIR: Thank you very much. If I could just follow up with a question, firstly. You mentioned Gonski, you mentioned the injection of funding into school maintenance. Whilst you may not have done any specific work in detail on the implication of that, do you have a view about the extent to which that will have gone to address some of your recommendations?

Mr BARRY: In that we have not done any work on it, it is really challenging for us to be able to form a view on that.

Mr RIORDAN: Interested. Has the Auditor-General's office, in producing these various reports on the school maintenance, done a compare and contrast with maintenance standards, levels and so on, say, in a comparable system in the Catholic system, their management of school infrastructure, which seems in stark contrast condition-wise to the State school system, certainly in my electorate?

Mr BARRY: Unfortunately our report does not contrast with the Catholic or other school systems. The only benchmarking that we contrast against are those industry standards, which is the 2 per cent to 4 per cent of asset replacement value.

Mr RIORDAN: That figure, it is called an industry standard.

Mr BARRY: Yes.

Mr RIORDAN: Considering the Catholic system is the second-largest education system, is that the industry standard arrived at out of those two or is it a random figure that is—

Mr BARRY: No, it is not. It is an industry standard across all public buildings. So I can look back to my previous role in local government and again that will be a standard that they would aspire to achieve across their building portfolio.

Mr RIORDAN: So it is a public building standard?

Mr BARRY: Public building.

Mr RIORDAN: Not a building full of young people running around and hoo-ha-ing and carrying on?

Mr BARRY: Correct, yes.

Mr D O'BRIEN: Sorry, that is 2 to 4 per cent asset replacement?

Mr BARRY: Replacement, yes.

Mr D O'BRIEN: Per annum. And what was the department at?

Mr BARRY: So the figures range between 0.7 per cent and 1.2 per cent. However, when they revised their method of calculation that rose to 1.7 per cent in 2020.

Mr RICHARDSON: Thank you for dropping in today and having a chat about something that is very close to all of our hearts, school infrastructure. I just want to take you through. You mentioned the trajectory of time that you are looking at, 2008 through to 2017. What is the ebb and flow of investment during that time? And do you have a figure of what the asset renewal value was during that trajectory and those years?

Mr BARRY: We do not have a figure unfortunately for the trajectory over those years. I might look to Ingrid, if you have got anything else to add on that front.

Ms BLACKBURN: We have included in our report the percentage spend against maintenance, against the asset replacement value, over that period.

Mr BARRY: And that was the figure I think I mentioned a minute ago which was, between 2009 and 2017, 0.7 per cent to 1.2 per cent.

Mr RICHARDSON: Is that number also factored into new school builds?

Mr BARRY: Correct.

Mr RICHARDSON: Okay, so how many assets are the department managing across their sector as well, as a total number?

Mr BARRY: Our latest number is 1539 schools across an approximate 1900 campuses and about 29 000 different buildings. I think DET, in their submission, uses a figure of 27 000 as an approximation.

Mr RICHARDSON: And so do you track the trajectory of investment during that time? What are the budget allocations per year as a total snapshot of the Department of Education and Training, and then also the capital outlay for various Victorian governments?

Mr BARRY: Our financial auditors may be able to assist with a response to that question. Naturally it is something I would have to take on notice and get that information prepared and provide it back to the Committee.

Mr RICHARDSON: So just to clarify, do you have anything further, I guess, to submit today on the correlation between investment made, budget allocation and asset renewal, because obviously 0.7 and 1.2 tracking up to 1.7 by 2020 is a significant increase. Could you take us to, or maybe take on notice, the correlation between investment outlay under Victorian budgets and that asset renewal value?

Mr BARRY: Correct, yes. We can take that on notice and provide that figure back to you. I do think I saw in DET's submission they show their corresponding investment figures. So I think you are able to correlate our ARV charts and their investment figures, but certainly we will prepare that information and bring it back.

Mr RICHARDSON: In terms of the follow-up audit that PAEC is doing now, are you tracking also the impact of the school maintenance funding announcement that was made recently and how that might impact on those seven recommendations?

Mr BARRY: Through our financial audits that is absolutely something that we track and report on annually.

Mr RICHARDSON: Okay. Finally, what is the impact of the 300-school audit a year, which comes out over a five-year trajectory to 1500 schools, on those assessments in terms of giving a snapshot of each school's profile and their outlay?

Mr BARRY: Unfortunately one of the challenges of audit is it is a point in time. So we did that work in 2017 and we know that the rolling school assessment program has occurred since then, but of course we have not conducted any work to understand the impact of that. That said, the program is consistent with the recommendations in our report, so you would hope that it is having the desirable impact. But as I said, we have not reported on the impacts of that particular piece of work.

Mr RICHARDSON: Awesome, thank you.

The CHAIR: Ingrid, did you find what it was that you were looking for?

Ms BLACKBURN: Yes, the figure 4N is approximately a 10-year spend of maintenance against asset replacement value. It is on page 50.

The CHAIR: Great.

Mr HIBBINS: In the report you make the point a number of times around the devolved model of asset management we have here in Victoria, and I am gleaning from your presentation that it is more probably a statement of fact that there are actually some challenges around that. Are you going further in suggesting that it is actually better to move to a more centralised model?

Mr BARRY: No, that is not our suggestion, although I can understand how you might have formed that view from some of the comments today. We understand the department's commitment to a devolved school model. The question in our mind is clarity around role accountability in that model and the extent of devolution. It is really clear that asset management is a specialised space, and wholly devolving that function to a school principal is clearly not without its challenges. So for us it is a question of role clarity and extent of devolution.

Mr HIBBINS: Okay.

Mr D O'BRIEN: Thank you for coming. A broad question. We talk about a list of assets and what needs replacing and also you commented on the lack of long-term planning because of obviously the political process of deciding which schools will get done. I am interested: is it possible to have a very, very definitive list—these 10 schools in this order are the next 10 that need doing—or is it just way too subjective to do that given that, 'This one is partly falling down and that one is also partly falling down'?

Mr BARRY: I am sure ultimately everything becomes a question of choice, but it is possible of course to have sophisticated models and with the correct inputs to develop really mature project pipelines and asset renewal pipelines not only within the education sector but more broadly. These challenges are well understood and the multicriteria inputs that impact on these decisions are well known. So I think the simple answer is, yes, it is possible to have a really solid future pipeline.

Mr D O'BRIEN: I suppose the challenge with that, though, is that that is on the maintenance side of things, for replacement, then you have got the growth side—new investment as well—that goes into that too.

Mr BARRY: I think it is possible across all dimensions of maintenance, renewal, upgrade and asset development.

Mr HIBBINS: Can I just follow up to that? Is it a case of the department or the authority having that information but the fact is it is just not made public?

Mr BARRY: Well, I think the reality is, like all departments, they will have some of this information, but you will see in our report it talks about demand projections and how the department does not go back and retrospectively recalculate those projections to determine how accurate they are. In the ever-increasing world of data analytics and data science that we live in today, no doubt over time we will be able to develop more and

more mature forecasting models. So I think again the answer would be yes, they have most of that information, but it is ever maturing.

The CHAIR: Obviously in school communities there is a mix of maintenance funding that is done by the school and some which is done by the school community themselves that they have fundraised for et cetera, both maintenance work and I guess more proactive work—new facilities, new gardens, new playgrounds, whatever it might be within school communities. How do you see that impacting on the complexity of maintenance and work within the school?

Mr BARRY: I think our report highlights, and I certainly read it recently, that in one year school communities raised I think in the order of \$53 million and we do say that the department has very limited oversight over those funds and how they are used. I think it is reasonably clear that in any program where those charged with the responsibility for managing the assets do not have a complete view of the funds that are available or how they are being spent that is likely to result in deficiencies in the program.

The CHAIR: And even at the school level, I guess, do you see that there is a tension between what the school community as a whole sees as the most important need and what somebody else might judge to be the core of maintenance issues for the school?

Mr BARRY: Yes. I mean, I think our report does not talk to that matter, but it is reasonably clear that where people have varying degrees of asset management understanding they will form different views on what priorities are. And oftentimes people will gravitate towards asset investment that may have a long-term future renewal cost and may not be developed in the most efficient manner possible or may not be the highest priority. These are the sorts of things that you can see where actions are not flowing from a holistic asset maintenance program.

Ms RICHARDS: Just as a point of clarity—I started to take some notes but I think I missed the numbers. Can you give me the maintenance amounts? You did 19–20, 20–21 I think as part of your presentation, and maybe go back one year previously. Was it 1.8?

Mr BARRY: The ARV?

Ms RICHARDS: No, was there a gross figure?

Mr BARRY: There was. I think that was the post-tabling information. The Government commitments, post tabling our report? That was \$1.82 billion for school infrastructure in 19–20 and a further allocation of \$515 million in September 2019 for school maintenance.

Ms RICHARDS: And do you have the previous two years?

Mr BARRY: No, I do not.

Ms RICHARDS: You do not?

Mr BARRY: No, the next most recent figure is the 2017 figure, which our report would contain.

Ms RICHARDS: And how much was the 2017 figure?

Mr BARRY: I should also note that I believe in DET's submission they have some charts as well that talk to certain figures in this regard.

Ms BLACKBURN: We have not got it in our report.

Ms RICHARDS: Right, okay. It would be interesting to see what those figures were over the past couple of years. All right, thank you.

The CHAIR: Are you able to provide those to the Committee?

Ms BLACKBURN: We can do that, yes.

Mr RIORDAN: Just back to the future planning management of it, there is always a lot of talk about how we manage schools for growth areas. In large rural electorates of course we have areas that are either in significant decline or partial decline. And it amazes me, the inappropriateness of the lot of the school stock just as a building. So has there been much work done about a cost-benefit analysis of an old school that was built for 600 students that now has 50 students in it? It is old, cannot be heated and cooled and all those sorts of issues. Has work been done around perhaps say a one-off \$3 million investment in a new facility that would be cheaper to heat, cool and manage, more contemporary, and shrink it down?

You have also got one I can think of—26 acres of land associated with the school. They can only afford to mow the grass once a year, which means they are just left high and dry. It is in a bushfire area, and that is another factor too for a lot of rural schools: they now have these extra costs around bushfire—old weatherboard buildings and things are not particularly safe. So is there any planning about some one-off investments in contemporising some of this really old and no longer relevant infrastructure?

Mr BARRY: So I should firstly say I understand the sorts of scenarios you are talking about, having lived most of my life in regional Victoria. And I think it would be implied in any solid asset management plan that shortening the life of an asset is always a solution to having the lowest whole-of-life cost of an asset. So when we talk about preparing solid asset management plans, that should be part of the consideration.

Mr RIORDAN: So is that sort of recognised in terms of that asset management, that this asset is just no longer relevant?

Ms BLACKBURN: Yes. DET does have an asset management framework which does provide consideration for each of those aspects. What we recommended in our audit was that they develop an investment strategy that aligned with the life cycle of the asset, taking into account those elements. But we have not actually assessed DET's asset strategy.

Mr BARRY: But again it would be characteristic of a solid asset management strategy to take things like asset renewal ahead of the end of an asset's useful life into account.

Ms RICHARDS: I represent one of the growth areas of Melbourne, and I note that we are looking at 1 million students I think at school this year across the state, and in spending some time around a couple of the new schools that were built and opened this year, there is a renewed focus on climate and managing the facilities in a way that responds to climate change. Do you look at some of the new schools in the growth areas, some of the ways the assets have been planned for and developed and the ways that they are responding to changes in our climate with a different approach to hot weather and cool weather? Have you had a look at the effect that that will have on our asset approach into the future?

Mr BARRY: We did not specifically look at that in this audit, but again we have a strong focus on asset management planning in this audit. Another core characteristic of good asset management planning is responding to the projected climate over that period and also of course reducing the utility cost of asset maintenance over that period, and that typically involves things like having buildings that have a high thermal heat capacity and good passive energy principles embedded within them. So we did not specifically look at it, but it is a core characteristic again of a good asset management plan.

The CHAIR: I guess an extension of that too, if I may, Pauline, is that obviously there is a significant investment, as you have written in your submission here, happening in our school infrastructure. As that investment improves the state of facilities over time, what impact do you think that will have, compared to at the point at which you did the audit, on what the projection for maintenance looks like going forward?

Mr BARRY: So you are saying post investment?

The CHAIR: Yes. Obviously at the point at which you did the audit the Government was some way through investing in schools and improving these facilities. Obviously we are a lot further into that process now, not just in relation to climate issues but in relation to having buildings that are, I guess, efficient in sitting in our climate—

Ms STITT: In energy efficiency.

The CHAIR: Yes, that is right. Improving the nature of our infrastructure overall surely should have a positive impact on these overall statistics about what our maintenance costs and demands look like going forward.

Mr BARRY: Absolutely. We know the renewal curve associated with new assets, or the maintenance curve, is quite modest. It steps up over time. And of course we know that contemporary building practices result in a lower cost of ongoing maintenance. Contrast a weatherboard school built in the 1940s or 1950s with a modern building. So certainly that has an impact on maintenance. However, the percentage of the renewal value, that standards-based approach, still holds true in those circumstances.

Mr HIBBINS: One of the issues raised in the report was that established areas did not benefit from some of the long-term planning that you have in the growth area suburbs. To what extent have those issues been addressed? Or have you found that those recommendations regarding that in the report have been—

Ms BLACKBURN: We have not had the opportunity to revisit DET's progress against those recommendations, but based on DET's advice on our recommendations, they have developed criteria around how they inform those decisions. The challenge is availability of land space, which is an ongoing challenge.

Mr RICHARDSON: I have one more, if that is all right. I know we are talking about the DET, we are talking about asset renewal, but what is the correlation between Government policy intentions and outcomes, and investment in maintenance longer term? And what were some of the findings going forward that VAGO is looking towards? Obviously it is upon every government to make various decisions around where they put their investments, but what is the correlation between policy outcomes and investment in this area?

Mr BARRY: So we did not look at that because under our Act we cannot question government policy.

Mr RICHARDSON: So in terms though of the DET funding line, obviously that is set down by the Treasurer at the time. What is the correlation there between investment and the funding that is provided to DET to make those investments and those maintenance outcomes and the longer-term trajectory on asset renewal and replacement?

Mr BARRY: I think if I am understanding your question correctly, if the funding flows—and one of the key findings in our report was inadequate funding—the flow of funding in our view will always result in improved asset conditions.

Mr RICHARDSON: And so in terms of looking to that underfunding, are we doing better in those circumstances in terms of our follow-up audit and the 27 000 or 29 000 builds that are being managed and maintained? Are we on a better trajectory than we were when the asset renewal value was first assessed?

Mr BARRY: That is not something we have looked at since the audit, but Ingrid may have some comment on it.

Ms BLACKBURN: So in 2012 there was a backlog identified of \$420 million. DET has addressed that backlog. The latest 2016–17 budget was the last funding injection for the works needed to address the backlog. Since then DET has implemented its rolling facilities evaluation to go back and recheck what the condition is, and I guess DET will not know the full condition of all buildings until the end of 2021—until all schools have gone through that process. At that point we would know whether there is a new backlog that is in place or whether all issues of building conditions that are under the acceptable standard have been addressed.

Mr RICHARDSON: And does VAGO look at impact of investment? And the point I make around this in the context is the asbestos replacement building program. Did VAGO have a look at the impact of those investments? Because obviously asset renewal and replacement can be subjective, as Danny O'Brien mentioned as well, but is there a look at impact and where most urgent need is? For asbestos and removal in school buildings obviously that is a key issue that we face in a lot of our buildings. But is there an impact assessment of that investment as well?

Ms BLACKBURN: We did not look at asbestos particularly, but we did look at DET's approach of prioritising the work that they were going to focus on first. We considered that that was a reasonable approach of dealing with the worst of the worst first and slowly bringing the rest of the building stock up to an acceptable standard. So DET did have a prioritisation approach.

Mr BARRY: I should add that \$420 million backlog being cleared is based on our unaudited understanding of DET's current view of that backlog.

Mr RICHARDSON: Okay. Fantastic.

Mr D O'BRIEN: I have two questions. On the recommendations, DET says they have done six of the seven. What was the one they have not done?

Ms BLACKBURN: It was the reforms, which have a number of—

Mr D O'BRIEN: Which number?

Ms BLACKBURN: It was the first recommendation.

Mr D O'BRIEN: Number one, right. Just going back onto principals and the risk that you said of devolving a lot of building work to a principal, basically. Do you know, is there any training that DET provides to principals in that role?

Mr BARRY: There is training, and I understand there is an enhanced training in recent years.

Mr D O'BRIEN: Right. That would be a question for them, obviously.

Mr RIORDAN: And is there regional department oversight of that training and the performance? Do principals sort of have to tick off on achievements or capabilities?

Mr BARRY: I think we have a figure in our report or elsewhere that approximately 53 per cent of principals have undergone that training, if I recall correctly.

Ms BLACKBURN: Yes, and that was at 2017. We have not assessed training uptake since that date, but I understand the regional officers do work with the principals to support them in their role—working with them on their asset management plans but also encouraging the training.

Mr D O'BRIEN: So is the training specifically related to asset management or to project management or construction, do you know? Again, it is probably a question for DET.

Ms BLACKBURN: There are a number of training packages that they do have: financial management training, and asset management training too to develop their asset management plans and manage their stock.

Mr BARRY: One of the points in our report was that historically the focus of training had been more on new projects than on maintenance.

Mr RIORDAN: You talked about the 26 joint public-private projects, and increasingly in some communities as you pointed out it is a good thing when we get joint facilities. I can think of joint libraries, and there have been some joint sporting facilities. You said that public-private partnerships have the 2 per cent maintenance depreciation built in. Do the joint ventures also, and were enough of those projects around long enough for you to determine whether that makes a real difference to quality and condition of infrastructure?

Mr BARRY: I do not think we have an understanding of the latter, which is around the joint ventures, but certainly our view is that where long-term renewal is built into contract by its very nature it is more likely to occur because you have that future certainty over it. At least as I understand it, the contracts run for 25 years so it gives the asset obviously the very best chance because they are constructed from new and they are managed by private entities whose best interests are, as all our interests are, in maintaining the assets in the best condition possible.

Mr RIORDAN: So the joint ventures with local government and/or other bodies, you do not really have any—

Mr BARRY: My sense is that they are varied depending on the joint venture. Just from my own previous experience from a prior life, you may have asset maintenance plans that carve up the buildings into different elements with different responsibilities amongst the partners, so that is certainly one scenario I have encountered. So I am not sure if they follow a uniform pattern like the public-private partnerships.

Mr RIORDAN: And do you have any idea or is there a list of how many joint venture educational facilities or the value of the infrastructure for those?

Mr BARRY: I think that would be a question better addressed to DET, but I think if you look through a regional Victoria context you have swimming pools on school land, you have—

Mr RIORDAN: Sports stadiums, libraries—

Mr BARRY: basketball stadiums on school land, so at what point does something cross over the line of being a joint venture? It is always a challenging thing to determine. If you wanted to look at those more recent joint ventures, certainly that is something I could ask our financial auditors to look at to see if they can form any view on recent joint ventures.

Mr RIORDAN: One I can think of, the whole school administration and its library are all in a community library facility so, you know, who pays for the spouts to be emptied?

Mr BARRY: I can point to a project I was involved in in Tallangatta with maternal and child health, library, kindergarten et cetera—

Mr RIORDAN: There are certainly some very good outcomes in it.

Mr BARRY: and typically in my view there are varied maintenance and asset renewal agreements in place unique to those individual projects.

Mr RIORDAN: And there is no standard on it.

Mr BARRY: That is my view, but certainly we have not audited that matter.

Ms RICHARDS: Actually segueing off talking about unique projects, I note in the submission that there have been several developments that have happened post audit. I am interested in, and highlight again in my area that we have got a school that has had some significant resources spent on mental health facilities for students. It is a change of priority perhaps or a focus of priority of Government on having our children have doctors in schools but also being able to get access to mental health practitioners. Did your audit at the time consider things like refurbishments for mental health facilities inside schools and some of those other new projects that are part of perhaps a more evolved consideration of what the needs are of children in our schools?

Mr BARRY: It did not specifically look at that unfortunately.

Ms STITT: I just have question around special schools. There have been quite a few big infrastructure investments in the last budget period, and I do not think your report had them in scope. I am just wondering why that was, and whether that is something that you would look to if you were to review your recommendations and your audit?

Ms BLACKBURN: Yes, I guess any audit that we do can be massive. As a way to focus our audit we did exclude a number of schools. We focused on mainstream primary and secondary schools just to manage the audit within the time frame.

Mr BARRY: They are schools that service approximately 63 per cent of Victorian students, so half of all secondary students and two thirds of all primary school students. As Ingrid said, the challenge for us is always how do we deliver an audit on time and on budget, and that requires us to have a defined scope.

Ms BLACKBURN: We are constantly going through our annual planning processes, and that is perhaps something we could focus on in the future.

Ms STITT: Was it a question of resources and the efficient use of VAGO's time to exclude special schools, or were you trying to focus on mainstream schools?

Mr BARRY: I do not profess to understand the governance arrangements specifically around special schools, but our focus was on the core DET asset management portfolio. I am not sure how special schools' assets are managed, but that resulted in our audit excluding other school systems, such as the Catholic school system. We can take that one on notice, because once we understand the nature of how those assets are managed, we can get back to the Committee.

Mr RIORDAN: Can I suggest if you are going to add special schools—which I agree with Ingrid we definitely need to look at—you should also look at those other alternate schools. Some are operating in sheds and in makeshift buildings or whatever, so it would be good to—they are all under the DET, so they are being overseen by the overlords, but they are just happy to have them in very substandard conditions.

Mr BARRY: I cannot say today whether we have included or excluded those types of schools, and indeed I am not certain whether we have included or excluded special schools.

Ms BLACKBURN: We did exclude special schools at this audit.

Mr RIORDAN: And those alternate schools.

Ms STITT: I would just be interested, given that there has been a pretty big injection of funding, in some cases for brand-new builds, for some of these ageing school buildings that our special school kids are in.

Ms BLACKBURN: There are a couple of other audits that are on our plan, which I guess relate to some of the questions that you have been asking focused on the SRP, which is an actual allocation to schools, and also the performance of school principals, so I guess that is something to look out for in the future for our reports.

The CHAIR: I do not think there are any further questions. We thank the Victorian Auditor-General's Office for your time here today and for your presentation. Thank you for meeting with us. You will be provided with a proof of the transcript to check and then it will be available on the website. Thank you.

Witnesses withdrew.