

Fairer labour hire.  
It's how we work.



# Annual Report 2021–22



LABOUR  
HIRE  
AUTHORITY



## Acknowledgement of Traditional Owners

The Labour Hire Authority acknowledges Aboriginal Traditional Owners of Country throughout Victoria and pays respect to their cultures and Elders past and present.

The Labour Hire Authority also recognises that our head office and satellite office are respectively based on the lands of the Dja Dja Wurrung People and the Wurundjeri People. We wish to acknowledge them as Traditional Owners.

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The Labour Hire Authority (LHA) is the business name of the Labour Hire Licensing Authority ABN 89 900 498 344.

October 2022

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## **Responsible Body Declaration**

In accordance with the *Financial Management Act 1994* (Vic) (FMA), I am pleased to present the Labour Hire Authority's Annual Report for the period ended 30 June 2022.

A handwritten signature in black ink, appearing to read 'Steve Dargavel', written in a cursive style.

**Steve Dargavel**

Labour Hire Licensing Commissioner  
29 September 2022



# 01

## YEAR IN REVIEW

### About the Labour Hire Authority

The Labour Hire Authority (LHA) is an independent statutory body created by the *Labour Hire Licensing Act 2018* (Vic) (LHL Act).

The Victorian Government established the LHA in 2019 in response to the *Victorian Inquiry into the Labour Hire Industry and Insecure Work*. The Inquiry uncovered widespread abuse and exploitation of labour hire workers across Victoria.

Mr Tim Pallas MP, Minister for Industrial Relations, is the Minister responsible for the LHA for the financial year period 1 July 2021 to 30 June 2022.

Our vision, purpose, and mission define the scope of our activities. These are implemented through the Labour Hire Licensing Scheme (the LHL Scheme), set out in the LHL Act and supporting regulations. The LHA operates within and enforces compliance with this legislation.

Labour Hire Licensing Commissioner Steve Dargavel leads the LHA, assisted by a dedicated team who undertake licensing, education, compliance, and enforcement activities as set out in the LHL Act and Regulations. The Labour Hire Licensing Commissioner is a statutory appointee responsible for administering the LHL Act.

# Our Values



## **We are responsive.**

We are approachable and provide timely, useful, and accurate information.



## **We act with integrity.**

We have unbiased and honest interactions and use our powers responsibly.



## **We are impartial.**

We are fair and consistent in our application of the law and consider all relevant facts and fair criteria on merit without bias.



## **We are accountable.**

We fulfill our objectives in a clear, transparent, and responsible way.



## **We are respectful.**

We respect our stakeholders, colleagues, and ourselves.



## **We demonstrate leadership.**

We seek to have a positive influence and to empower others.



## **We respect human rights.**

We administer the law and deliver decisions, advice, and policy that respect and support everyone's human rights.

# Our Vision

***That all labour hire workers in Victoria are protected from exploitation***

## Our purpose

To protect workers from being exploited by providers of labour hire services and hosts; and  
To improve the transparency and integrity of the labour hire industry.

## Our regulatory functions

### We administer the Labour Hire Licensing Scheme in Victoria by:

- publishing and maintaining a register of licensed labour hire providers and applicants on our website
- granting or refusing licence applications
- suspending, cancelling, or imposing conditions on licences
- ensuring that providers meet their reporting and payment obligations

### We promote compliance by:

- engaging with stakeholders
- providing education and guidance material about legal obligations including workplace laws
- distributing information about duties, rights and obligations under the LHL Act and the LHL Regulations

### We support delivery of our regulatory functions through essential corporate services, including:

- finance services
- information and communications technology support
- communication, education, and engagement advice
- people and culture support
- strategy and governance advice

### We monitor, investigate and enforce compliance by:

- conducting compliance audits on licence holders
- responding to complaints, information and intelligence
- collaborating and sharing information with other regulators and enforcement agencies
- conducting proactive compliance campaigns to address particular harms or to provide an industry compliance focus
- investigating and bringing civil penalty proceedings for prohibited conduct under the LHL Act

# The journey from Inquiry to Authority

The Victorian Government established the LHL Scheme in response to the findings of the independent *Victorian Inquiry into the Labour Hire Industry and Insecure Work*.

The Inquiry received hundreds of written submissions and conducted over 113 hearings, uncovering widespread abuse and exploitation of labour hire workers across Victoria. This mistreatment involved breaches of:

- minimum award rates and workplace law, including underpayment, sham contracting and unlawful deductions from wages
- occupational health and safety law
- superannuation and tax law, including underpaying or non-payment of superannuation
- transport and accommodation laws and minimum standards.

Unscrupulous providers were also undercutting legitimate and honest labour hire businesses by not meeting their legal obligations to their workers and others.

The Inquiry concluded that conventional regulatory intervention had been ineffective. It recommended establishing a labour hire licensing scheme and a licensing authority to administer the scheme.

Licensing schemes are a common approach around the world to prevent the exploitation of labour hire workers. Schemes are operational in the United Kingdom, Canada, and much of the European Union. In Australia, Victoria, Queensland, South Australia and now the Australian Capital Territory have led the way in establishing labour hire licensing schemes. Western Australia and the Commonwealth of Australia have also indicated they support regulating labour hire.

The LHA was established on 27 June 2018 and the LHL Scheme commenced on 29 April 2019.

The Victorian LHL Scheme improves the integrity and transparency of the labour hire industry and protects workers from exploitation. The key elements of the LHL Scheme are that:

- labour hire providers must be licensed to operate in Victoria
- hosts (labour hire users) must only use licensed providers
- labour hire providers must comply with workplace laws and report annually on their labour hire activities
- unlicensed providers and hosts using unlicensed providers face significant penalties.

# The Year in Review

## Labour Hire Licensing Commissioner's Report

I am pleased to present the LHA's third annual report.

Despite the challenges presented by the Coronavirus (COVID-19) pandemic, the LHA has continued its work to make a safer and fairer labour hire industry in Victoria by setting our strategic direction, maturing the LHL Scheme, engaging with the labour hire industry through education and guidance, and expanding our compliance and enforcement program.

### Our Strategic Plan

During 2021-22, the LHA implemented its first significant Strategic Plan, which sets out how we will successfully regulate the labour hire industry so that workers are protected from exploitation and how we will improve the transparency and accountability of the labour hire industry over the next five years.

The Strategic Plan sets out our four Strategic Priorities and explains what successful achievement of these priorities will look like. These Strategic Priorities for the next five years are to:

- create and maintain a fair and lawful labour hire industry
- achieve high impact compliance and enforcement outcomes
- educate and engage with industry and the community
- be a great place to work that is safe, agile, collaborative and well governed.

The Strategic Plan provides the direction for the LHA to move from its establishment phase and towards embedding and maturing the LHL Scheme and our compliance and enforcement functions. Using the tools available under the LHL Act, the Strategic Plan will guide us to establish and maintain a fair and lawful labour hire industry that is more capable of and committed to compliance. We will support and prioritise regulatory engagement with providers and hosts that are willing and able to operate within this environment, remove operators from the labour hire industry who cannot comply, and prevent operators from unlawfully functioning outside of the regulatory environment.

The Strategic Plan also supports the LHA to achieve its regulatory and policy outcomes, by focusing on high impact compliance and

enforcement activities in response to serious failures to comply with relevant laws across industries, occupations, and regions. Those activities are supported by effective collaboration with other State, Territory and Commonwealth agencies. We will leverage our resources to improve the effectiveness of our licensing, compliance and enforcement, and intelligence and analytics functions, as well as how we engage with labour hire workers and operators.

We will focus on educating and engaging with the industry, so that providers and hosts know what they should be doing and to help ensure that they are, in fact, doing it. We are also committed to actively reaching out to workers, particularly those who are remote and vulnerable, so that all labour hire workers in Victoria understand the role of the LHA in protecting them from exploitation.

Achieving our strategic priorities would not be possible without our people. The staff of the LHA consistently demonstrate their commitment to achieving our objectives and we are committed to ensuring that our people are well supported, rewarded, satisfied, and feel aligned to our mission.

The Strategic Plan also responds to feedback from labour hire industry participants, who play an important role working with the LHA to implement our strategic priorities and to improve the integrity of the industry in Victoria.

### Maturing the LHL Scheme

The LHL Scheme, the application process, and our careful assessment process creates a barrier to entry into the labour hire industry, which ensures that providers must understand and are accountable for compliance with relevant workplace laws. All labour hire providers must pass a 'fit and proper person' test to obtain and maintain their licence.

As at 30 June 2022, the LHA had granted a total of 6,320 labour hire licences (5,309 of which were currently in operation), with 1,044 of these having been granted during 2021-22. In this time, the LHA has continued to refine the LHL Scheme, including the efficiency of the licensing process and the scrutiny applied to labour hire licence applications.

This has included looking into whether licence applicants have certain attributes or characteristics which indicate they are at high risk of not complying with relevant workplace laws, and crosschecking applications against publicly available data and information obtained by the LHA under information sharing arrangements with other Victorian, interstate, and Commonwealth agencies. The LHA has also developed and implemented targeted licence conditions, which aim to change non-compliant behaviours, particularly conduct that has a significant impact on workers and the industry.

This risk-based and intelligence-led approach has enabled the LHA to prevent labour hire providers that cannot demonstrate their ability to comply with workplace laws or do not pass the 'fit and proper person' test from entering the industry. This has led to appropriate and proportionate licence conditions being imposed on labour hire providers, to ensure they comply with their workplace obligations.

In addition to the application process, the LHL Scheme requires applicants to comply with ongoing requirements, including submitting annual reports and paying an annual licence fee.

In 2021-22, the LHA received 4,205 annual reports from licensees. Annual reporting is a key element of the LHL Scheme, which requires all licensed providers to report annually on their labour hire activities over the last 12 months. Annual reporting is another aspect of the LHL Scheme that helps the LHA monitor compliance and prevent exploitation.

Demonstrating the importance of complying with these requirements, in 2021-22 the LHA issued 1,213 warnings to licensees for non-lodgement of annual reports or non-payment of fees. Failure to rectify non-compliance resulted in the LHA issuing 940 notices of intention to cancel a labour hire licence, and ultimately the cancellation of 848 licences.

With the third anniversary of the LHL Scheme occurring on 29 April 2022, many licences are now reaching their expiry date and are up for renewal. The LHA has begun processing renewal applications and has improved the functionality of the Labour Hire Licensing Portal, to make the licence renewal process easier.

## Compliance and Enforcement Focus

We have expanded our strategic and regulatory focus on compliance and enforcement over the past year.

The LHA's Compliance and Enforcement Program outlines our strategic priorities for compliance each year.

It focusses our resources on those practices and risks that cause the greatest harm to Victorian labour hire workers and the Victorian community. Overall, our approach to compliance and enforcement is to:

- make it easy for compliant businesses by providing simple online processes, guidance and tools to support them in complying with the requirements of the LHL Act
- educate and influence operators with non-compliance who are capable and willing to comply
- remove egregious operators who lack the capacity or willingness to comply from the scheme.

Since the inception of the LHL Scheme, the LHA has had a sustained focus on exploitation of labour hire workers. Our investigations have touched on many industries, including horticulture. In relation to the horticulture sector, during 2021-22, we continued to monitor compliance through investigations into complaints and intelligence, as well as proactive inspections of 68 farms across Koo Wee Rup, Cobram, the Yarra Valley, Shepparton, and Mildura. Our inspectors reviewed records and spoke to workers, hosts, and labour hire providers, with a focus on identifying unlicensed providers and non-compliance with the *Fair Work Act 2009* (Cth), the Horticulture Award, and taxation and superannuation laws. We have several investigations underway which will likely lead to licensing action on licence holders and prosecutions of unlicensed providers in 2022-23.

In this report, we spotlight our work in the security industry, and our efforts to prevent worker exploitation in the areas of worker accommodation, safety and sham contracting.

## The security industry

In 2021-22, the LHA focussed on improving compliance in the security industry.

A myriad of inquiries and reports have highlighted concerning practices in the security industry which lead to significant harm to workers as well as undercutting compliant businesses. The main issues identified in those inquiries and observed through our work in the security industry are:

- high levels of subcontracting/pyramid contracting
- high levels of sham contracting
- a high proportion of workers on visas leading to an increased risk of a range of exploitative practices
- engagement in the cash economy

- illegal phoenix activity
- improper use of individual flexibility arrangements as an avoidance mechanism
- continued operation of ‘zombie’ agreements.

Our industry-wide focus on the security industry included deploying a range of interventions to:

- engage with and educate hosts and head contractors about supply chain responsibility
- support compliant providers
- influence providers with some non-compliance, but who are willing and able to comply, towards compliance
- remove egregious operators without the ability or willingness to comply from the industry.

During 2021-22, we engaged with the security industry and its peak organisations, large hosts, unions, and other stakeholders about obligations under the LHL Act. We also developed and consulted on guidance material about the costs of meeting minimum legal obligations owed to workers, which will be published in 2022-23. The consultation included the LHA hosting a special industry forum for members of the security industry. We are grateful to industry stakeholders for their valuable input and commitment to improving the integrity of the industry.

The guidance material is intended to:

- educate licence holders in the security industry about the costs of meeting their minimum legal obligations for workers
- explain how the LHA assesses whether there may be non-compliance with minimum legal obligations for workers using contract prices as a risk indicator.

Businesses are free to price their work as they see fit, however low contract prices are a key indicator of the risk of non-compliance. Where a provider systematically sets their contract prices below the minimum costs of meeting their legal obligations including wages, superannuation, leave entitlements, portable long service leave (LSL) levy and workers’ compensation insurance, the LHA may look more closely at business records to assess whether legal obligations are being complied with. This approach is particularly valuable in supply chains involving layers of subcontracting.

Where actual non-compliance with legal obligations is found, or there is a high risk of non-compliance with legal obligations within a supply chain, it could result in:

- education and/or warnings being provided to the licence holder
- conditions being imposed on the licence
- suspension or cancellation of the licence.

Businesses who engage in egregious conduct or cannot satisfy the LHA that they are willing and able to comply, are more likely to face stronger compliance actions such as refusal, suspension and cancellation. In other cases, where businesses move voluntarily to comply with their legal obligations, more appropriate compliance tools such as imposing conditions may be used to provide transparency and influence a change in behaviour.

We have designed conditions to help regulate subcontracting models where there is either actual non-compliance, or a significant risk of non-compliance with legal obligations.

### Supply Chain Transparency

This condition helps ensure we have visibility of all layers of subcontractors and workers supplied by them, by requiring head contractors to annually report the details about subcontractors in their supply chains, as well as specified details of all workers supplied by those subcontractors to the head contractor’s hosts.

### Supply Chain Responsibility

This condition requires head contractors to pay due care and attention to whether the amount they propose to pay a subcontractor is sufficient to enable that subcontractor to discharge its legal obligations. Head contractors must undertake a genuine assessment of the subcontractor’s ability to meet its legal obligations with the amount they propose to pay to them and provide a written report to the LHA demonstrating this assessment has occurred each time they enter a new subcontract.

This condition also ensures that head contractors have knowledge of relevant matters so that if they continue entering arrangements with subcontractors at unsustainably low rates, they could be held accessorially liable for any non-compliance by their subcontractors under section 550 of the *Fair Work Act 2009* (Cth) and other similar legislation.

An example of the application of this approach within a supply chain in the security industry is Case Study 1:

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## CASE STUDY 1

### ***Low subcontractor rates leads to imposition of conditions on head contractor, and licence cancellation and application refusal for subcontractors***

*We identified that a head contractor was paying its subcontractors less than \$30 per hour for the supply of guards for 24/7 coverage – amounts that were...*

*... incapable of even covering the minimum wage under the Security Industry Award 2020 during some time spans.*

*Upon investigation, the LHA could not be satisfied the subcontractors were compliant with their legal obligations, including in relation to superannuation, the portable long service leave levy and workers' compensation insurance.*

*The licence of one subcontractor was cancelled, while the licence application of the other subcontractor was refused. Because the head contractor was compliant with its own legal obligations and demonstrated a willingness to rectify concerns about its arrangements with subcontractors, the LHA granted the licence, but imposed the Supply Chain Transparency and Supply Chain Responsibility conditions. Compliance with the conditions will be monitored during 2022-23.*

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The focus for the security industry compliance program during the next year will be to continue our work in regulating 'at risk' supply chain arrangements, as well as sham contracting and misuse of individual flexibility arrangements.

## **The standard of worker accommodation**

During 2021-22, we conducted 13 inspections of accommodation provided or procured by labour hire providers for their workers to ensure that it complied with applicable minimum standards. These standards include rules about overcrowding, safety, cleanliness, maintenance, access, water supply, waste management and the number of facilities.

The *Inquiry into the Labour Hire Industry and Insecure Work* in 2015-16, identified considerable evidence linking non-compliant labour hire providers with the provision of inadequate accommodation to workers at often exorbitant rates. Participants described worker accommodation as "uninhabitable", "doss houses" and "slum[s]" and reported a range of exploitative practices including over-charging and the provision of accommodation that was substandard, severely overcrowded and which posed a significant fire safety risk.

In our 2021-22 inspections, LHA inspectors identified multiple issues at accommodation sites, including overcrowding and overcharging workers, a significant fire risk, and failures to keep premises clean and well maintained and to change linen weekly.

In response, LHA inspectors educated labour hire providers, hosts, and accommodation providers about their obligations; referred three matters to other regulators; commenced four investigations; and imposed conditions on one labour hire provider's licence (see case study 2 and 3). In case study 2, the LHA accepted undertakings by a provider to refund deductions taken from workers for substandard accommodation.

While labour hire providers may not always be the operators of accommodation they provide or procure for their workers, they are responsible for ensuring that they do not place workers in premises that do not comply with applicable minimum standards. Failure to do so can lead to licensing action, such as the imposition of conditions, or even licence suspension or cancellation.

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## **CASE STUDY 2**

### ***Labour hire provider agrees to refund workers for substandard accommodation***

*In February 2022, during hearings conducted by the Commonwealth Senate Select Committee on Job Security, seasonal workers employed by a large labour hire provider, MADEC AUSTRALIA (the provider), raised several allegations against the company, including providing or procuring sub-standard accommodation.*

*The LHA decided to investigate these allegations as they gave rise to concerns that the provider had failed to comply with its legal obligations.*

*The LHA subsequently inspected accommodation procured by the provider for its labour hire workers in a regional Victorian town and observed it did not comply with minimum accommodation standards. In particular, there were concerns about overcrowding, with many rooms accommodating double the permitted number of people for their size over a period of up to six months.*

*During the investigation, the provider conceded that it had not been aware of these specific minimum accommodation standards, which raised concerns that other accommodation it was providing or procuring may be similarly sub-standard.*

*Accordingly, the LHA imposed conditions on the provider's licence which require it to procure an independent and suitably qualified auditor to audit all accommodation provided or procured by the provider to ensure that standards are met in the future.*

*The provider also agreed voluntarily to repay labour hire workers a portion of the deductions from their wages...*

... totalling just under \$70,000, for accommodation that was non-compliant with minimum standards.

*Imposing licence conditions was appropriate in this case given the provider's proactivity and cooperation with the investigation and decision, and its willingness to work with the LHA to rectify the issues. However, in some circumstances non-compliance with legal obligations, including minimum accommodation standards, could result in licence cancellation.*

### CASE STUDY 3

#### **Mildura compliance inspections identify significant fire safety risk**

*During field operations in Mildura, we inspected worker accommodation, which appeared to be linked to a labour hire provider. Inspectors observed several concerning issues indicating non-compliance with minimum accommodation standards, including:*

- *a significant fire safety risk with a modified camp stove in the kitchen powered by two stacked gas bottles adjacent to an open flame, noting a strong smell of gas in the house (See Figure 1, below)*
- *indications of overcrowding and potential unauthorised building works, with shared living spaces modified to create bedrooms, and*
- *unhygienic conditions throughout the premises.*

*The LHA referred the matter to relevant regulators and is investigating to determine if the accommodation was provided or procured by a labour hire provider.*



**Figure 1:** Fire risk identified at Mildura worker accommodation.

In 2022-23, we will continue to inspect worker accommodation across Victoria to monitor compliance with the standards and will take strong licensing action when non-compliance is identified to protect workers from exploitation.

We will also continue to educate the labour hire industry, hosts and other relevant stakeholders about minimum accommodation standards, including the impact of amendments to the *Public Health and Wellbeing Act 2008* (PHW Act) and the associated Public Health and Wellbeing (Prescribed Accommodation) Regulations (Regulations), which regulate certain types of commercial accommodation to minimise public health risks, to include accommodation provided to workers under labour hire arrangements. These amendments followed recommendations made by the Inquiry in 2015-16.

In April 2022, the definition of 'prescribed accommodation' under the PHW Act was expanded to include any accommodation provided to a worker under, or in connection with, a labour hire arrangement with that worker, whether or not that worker pays for the accommodation.

Accordingly, when related amendments to the Regulations come into full effect, all accommodation provided or procured by labour hire providers for their workers will be required to be registered with local councils under the PHW Act and to be compliant with the Regulations.

For more information about compliance with minimum accommodation standards, see the LHA's website at [labourhireauthority.vic.gov.au/provider/accommodation](https://labourhireauthority.vic.gov.au/provider/accommodation).

### Sham contracting

During 2021-22, we developed and implemented a compliance campaign designed to target sham contracting in the labour hire industry.

Sham contracting is an arrangement where an employer attempts to disguise an employment relationship as an independent contracting arrangement. It is used by some labour hire businesses to unlawfully reduce labour and taxation costs and avoid responsibility for employee entitlements.

In addition to being exploitative to workers, sham contracting provides businesses with an unfair competitive advantage, making it harder for legitimate businesses to compete.

## Using education to improve compliance

During 2021-22, we examined the compliance of over forty businesses who were supplying an unusually high proportion of independent contractors for their industry type and occupation.

We provided [educational material](#) to these providers, and those who believed they may have misclassified their workers were given an opportunity to correct any issues.

This approach has proved successful, and businesses took up the opportunity to convert workers to employees, with the LHA helping ensure they comply with their legal obligations moving forward.

In one example, a licence holder in the Transport, Postal and Warehousing industry reviewed the guidance materials and developed a better understanding of the differences between employees and independent contractors. As a result, they converted 21 workers to employees. The LHA commends employers for taking this step to ensure their workers are receiving their correct wages and entitlements.

A further 10 businesses were found to be compliant during the assessment process.

## Non-compliant businesses face consequences

Unfortunately, not all businesses demonstrated a willingness to comply with their legal obligations. As part of the campaign, we obtained business documents from providers to assess if their independent contractors were engaged fairly and correctly.

As a result, five businesses in the horticulture industry were put on notice for cancellation during 2021-22, as we could not be satisfied the providers were compliant with their legal obligations.

We also cancelled the labour hire licences of five businesses in the security services, horticulture and hospitality industries through the campaign.

The campaign will continue throughout 2022-23 and will also be a focus for compliance during the first licence renewal process.

For more information about the differences between employees and independent contractors, visit the [Fair Work Ombudsman's website](#).

## Failure to notify the LHA of changes

Licence holders have an obligation to notify the LHA of any changes in the information they provided to the LHA during licensing, reporting or renewal.

A common example of a change that must be notified is where the identity of directors of a corporation changes – this is particularly important as we are required to determine whether any ‘relevant persons’ are fit and proper to hold a labour hire licence in Victoria, and whether they comply with their legal obligations.

In addition, licence holders are required to let the LHA know when a director for the licence holder is no longer fit and proper.

In one example during 2021-22, we cancelled the labour hire licence of a horticulture provider after a known drug trafficker – who was previously refused a labour hire licence in Victoria – became a director of the company.

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## CASE STUDY 4

### ***Licence cancelled after known drug trafficker becomes a director of the licence holder***

*In November 2021, Mr Nico Keat became the sole director of an existing labour hire provider, Ung Services Pty Ltd, which had been previously licensed.*

*Ung Services and Mr Keat then failed to notify the LHA of the change in details for the licensee and that a relevant person for the licensee was no longer fit and proper as required under sections 43 and 44 of the LHL Act.*

*Ung Services operated in the Yarra Valley area.*

*Before taking over Ung Services Pty Ltd, Mr Keat had applied for a labour hire licence for Amatak Labour Services Pty Ltd.*

*The LHA discovered in its assessment of this application that Mr Keat had been found guilty of 12 offences relating to drug trafficking, theft, failure to answer bail, and suspected proceeds of crime and stolen goods.*

*The LHA determined Mr Keat was not a fit and proper person, and subsequently refused Amatak Labour Services' labour hire licence application in August 2021.*

*To maintain a labour hire licence, relevant persons such as company directors must pass the fit and proper person test prescribed by the Act. This prevents those who have been found guilty of certain types of criminal offences – including serious offences involving fraud, dishonesty or drug trafficking – from operating a labour hire business.*

*The LHA cancelled the licence of Ung Services because its director Nico Keat was not a fit and proper person, and because Ung and its director had contravened sections 43 and 44 of the LHL Act.*

*The matter came before the courts in September 2022 for contraventions of civil penalty provisions by Ung Services and Mr Keat.*

### Imposition of conditions to improve worker safety

It is unlawful for labour hire providers to make workers pay for personal protective equipment (PPE) and other expenses such as Q Fever vaccinations when required for work.

During 2021-22, we imposed strict licence conditions on a provider which supplied workers to the meat manufacturing and processing industry. Through checks conducted during the provider’s labour hire licence application, the LHA discovered the provider was requiring workers and prospective workers to pay for their Q Fever vaccinations and safety boots.

The provider assisted us with our enquiries and agreed to address all concerns identified. We placed conditions on the provider’s licence and are monitoring compliance with the conditions.

Where a provider breaches conditions on their licence, they may be liable to penalties up to \$145,000 per breach and their licence may be also be cancelled.

Labour hire providers and hosts are both responsible for the safety of labour hire workers under the *Occupational Health and Safety Act 2004* (Vic). Where a labour hire worker requires PPE to safely perform their work, labour hire providers and hosts should ensure that PPE is provided at no cost to the worker. Worker PPE might include the following standard safety items:

- hardhats and helmets
- safety glasses and goggles
- earplugs
- gloves
- facemasks and face shields
- safety boots.

In the meat manufacturing and processing industry, labour hire providers and hosts:

- must not require any worker to pay to get the Q Fever vaccination; and
- must provide Q Fever vaccination to workers free of charge where it is a requirement for work.

Providers and hosts must make sure that PPE and other safety equipment continues to meet standards required by health and safety legislation. For further information visit [worksafe.vic.gov.au/labour-hire](https://www.worksafe.vic.gov.au/labour-hire).



## Performance Reporting: Non-financial

Throughout 2021-22, the LHA continued to improve its systems and processes, and dedicated additional resources to licence assessments and reviews. The LHA received 925 new applications for labour hire licences and granted 1,044 licences, which included a number lodged in the previous year. Of these, 18 licences were granted with conditions. A further 118 licence applications were refused.

The change in the number of licence applications in 2021-22 compared to previous years represents a maturation of the LHL Scheme, with the Scheme becoming embedded across the labour hire industry in Victoria and moving into its renewal phase, which will see an increase in licence renewals in 2022-23.

As the LHL Scheme moves into its next phase, the LHA is expanding its focus on compliance and enforcement outcomes to support the maintenance of a fair and lawful labour hire industry.

Further to our compliance and enforcement activities, we are removing non-compliant operators from the Scheme and have cancelled 848 licences. The most common reasons for licence cancellation include:

- non-compliance with legal obligations relating to workplace laws, and taxation and superannuation laws
- non-compliance with the LHL Act, and
- failing to lodge an annual report or pay the annual licence fee.

We issued 1,867 requests for information from applicants and licensed providers as part of our ongoing compliance and enforcement work and carried out 83 field inspections of premises where labour hire workers were engaged.

Our enquiries team handled 8,367 telephone calls and 5,675 emails from labour hire providers, hosts, workers, and members of the community this year. Our Report a Problem form proved particularly helpful in identifying potential issues for investigation, with 215 reports submitted.

Further detail on non-financial data can be found in Section 7 - Reference Data.

## Administration of the scheme



5,309 total current licences were held by Providers as at 30 June 2022

### Over the past year...

**925**  
new licence applications were made

**1,026**  
new licences were granted *without* conditions

**18**  
new licences were granted *with* conditions

**97**  
applications were withdrawn

**182**  
licence variation applications were made

**182**  
licence variations were granted

**80**  
licence renewal applications made

**848**  
licences were cancelled

**1,044**  
new licences were granted

**118**  
licences were refused

**1,213**  
warnings were issued

**940**  
notices of intention to cancel (show cause notices) were issued

**150**  
notices of intention to refuse were issued

**4,205**  
annual reports lodged

**69**

Special Circumstances applications made

**28**  
applications granted

**24**  
applications refused

**17**  
applications were invalid (incomplete)



# Enquiries made by members of the public

**8367**

telephone calls were received by our general enquiries line

**84%** of phone calls were from labour hire providers

**32%** of phone calls concerned the application process

**21%** of phone calls were about fees

**99%** of phone calls were resolved by the LHA – *the remaining 1% were referred to other agencies*

**215**

problems were reported in the LHA Report a Problem form

**1,867**

requests for information were sent to applicants and licence holders

**1,474**

notifications were sent to providers, including final warnings, cancellation, refusal, and suspension notices

**5,675**

emails were received by our enquiries mailbox (6417 emails sent)

# LHA compliance and enforcement activities



**192** Investigations were finalised in 2021-22



**258** Matters remain under current investigation



**70** inspections of hosts were conducted



**13** Inspections of worker accommodation

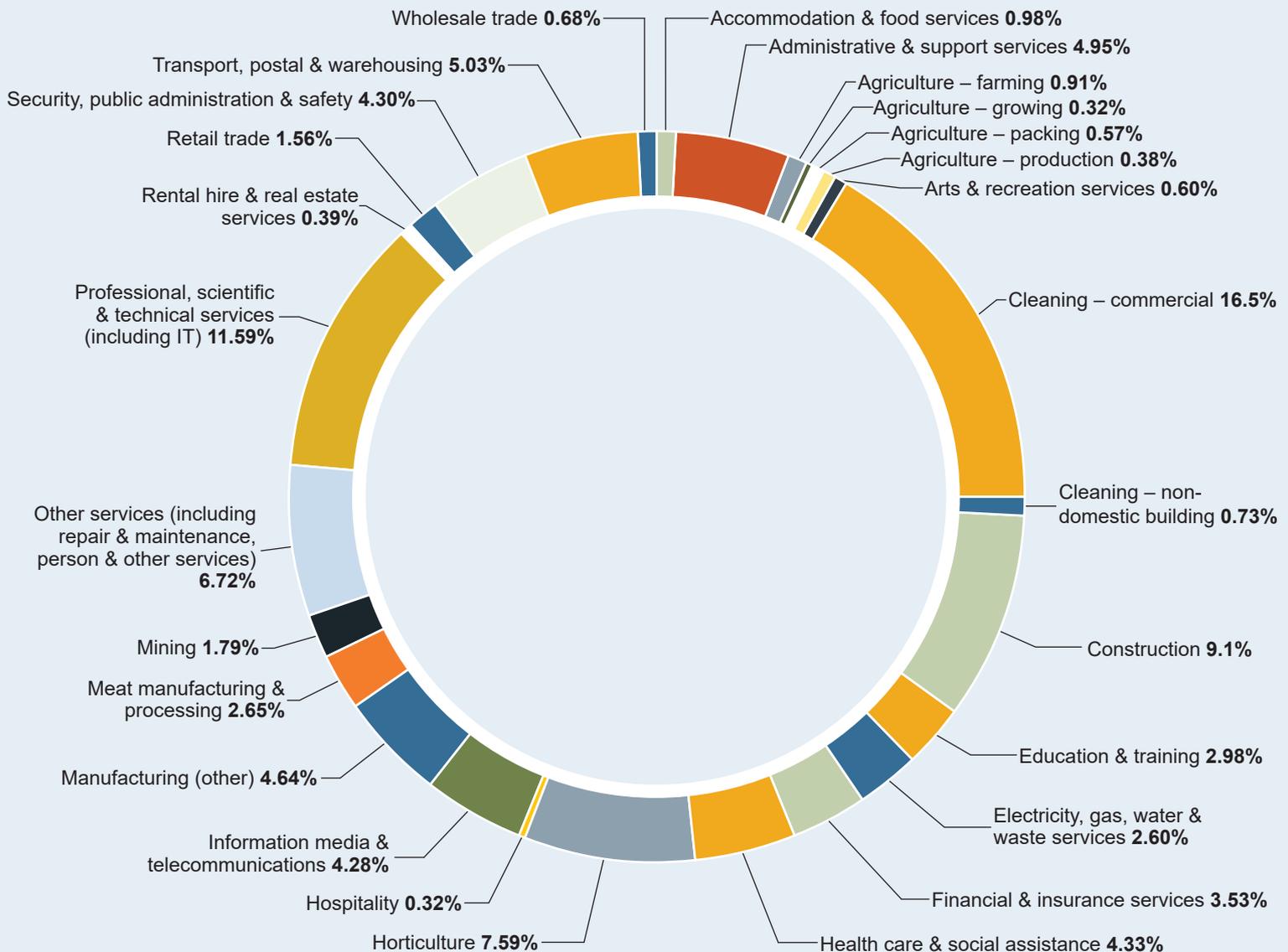


# Victorian Labour Hire Industry Snapshot

The Victorian LHL Scheme makes it easier for hosts to find compliant labour hire providers. Hosts can use our website to search for licensed providers by industry instead of relying on word-of-mouth recommendations.

## Labour hire providers by industry

The Victorian labour hire licensing scheme makes it easier for hosts to find compliant labour hire providers. Hosts can use our website to search for licensed providers by industry instead of relying on word-of-mouth recommendations.



**Note:** We gather this information from labour hire providers who are asked to list the top industries they provide workers to and must declare if they provided workers to the prescribed industries of horticulture, meat manufacturing and processing, poultry processing, and cleaning in commercial premises.

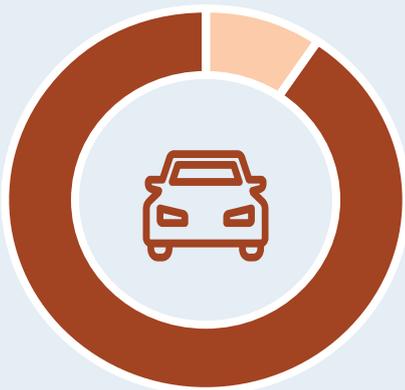


## Size of the labour hire workforce



**Approximately 523,000 workers will be engaged by licensed labour hire providers over the next 12 months\***

*\*based on the number of employees that licensed providers estimated in their licence applications that they currently engage and are intending to engage*



providers that supply transportation to labour hire workers **505**

providers that *do not* supply transportation to labour hire workers **4,804**



providers that supply accommodation to labour hire workers **203**

providers that *do not* supply accommodation to labour hire workers **5,106**



providers that supply workers with visas to hosts **1,711**

providers that *do not* supply workers with visas to hosts **3,598**

# Portfolio Performance: Financial

## 5-year financial summary

	2021-22 (\$'000)	2020-21 (\$'000)	2019-20 (\$'000)	2018-19 (\$'000)
Total income from transactions	19,846	15,718	10,086	3,030
Total expenses from transactions	12,379	9,020	7,720	2,082
<b>Net result from transactions</b>	<b>7,467</b>	<b>6,698</b>	<b>2,366</b>	<b>948</b>
<b>Net cash flow from operations</b>	<b>4,547</b>	<b>4,745</b>	<b>15,734</b>	<b>1,065</b>
Total asset	26,712	23,157	18,788	1,678
Total liabilities	10,257	14,169	16,498	730
<b>Net Assets</b>	<b>16,455</b>	<b>8,988</b>	<b>2,290</b>	<b>948</b>



## Current year financial performance

### Financial performance review

The LHA's net result from transactions for the financial year was a \$7.467 million surplus. The total number of applications since inception increased to 6,996 as at 30 June 2022. The LHA continues to scale its staffing capacity to undertake its operations, including licensing, education and engagement, and compliance and enforcement functions.

*Note: The LHA recognises application fee income over the life of the application cycle, which is usually 3 years. Application fee income is recognised from the point a licence is granted and consumed equally over the licence term. Licence fee revenue is recognised when the licence fee is due and payable.*

The LHA is a self-funded regulator and all fee revenue is retained by the LHA to fund its operations. Total revenue from application fees was \$6.593 million. Licence fee revenue was \$12.833 million. Income from government grants, interest, and other sources totalled \$0.42 million. Total operating expenditure was \$12.379 million which resulted in a net operating surplus of \$7.467 million.

### Financial position – balance sheet

Cash and deposits increased by \$4.14 million. The LHA has deferred income of \$7.555 million for future obligations of the LHA to licence holders.







## 02

# GOVERNANCE AND ORGANISATIONAL STRUCTURE

Our people are crucial to our success. Our mission, purpose, functions and objectives are achieved through their commitment and collaborative efforts.



# Our Executive Team

## **Steve Dargavel**

### ***Labour Hire Licensing Commissioner***

Steve Dargavel is the inaugural Labour Hire Licensing Commissioner and continues to lead the LHA. Steve was appointed Commissioner under the LHL Act in October 2018.

The Commissioner provides executive direction and leadership to the LHA, and exercises power under the LHL Act. The Commissioner provides oversight of the LHA's regulatory systems and decision-making process in relation to licensing, compliance and enforcement functions. The Commissioner also provides oversight of strategic partnerships with stakeholders and ensures that the LHA is financially sustainable and effective.

## **Miranda Breisch**

### ***Director, Regulatory Operations Division***

Miranda Breisch started her role as the Director of Regulatory Operations in June 2021 after joining the LHA as General Counsel in March 2020. She brings 16 years' experience in state and interstate government senior regulatory roles, expertise in statutory compliance and enforcement, and an interest in regulatory practice innovation.

The Director of Regulatory Operations leads the Licensing, Legal, and Enquiries and Complaints branches. She also provides the Commissioner and the LHA with expert legal advice and counsel on issues relating to the LHA's functions and powers.

## **Natalie Wakefield**

### ***Director, Intelligence, Compliance and Enforcement Division***

Natalie Wakefield commenced in the LHA in September 2021. She brings extensive experience leading the design and implementation of compliance frameworks in a regulatory environment and was previously Director of the Labour Hire Licensing Compliance Unit in the Queensland Government Office of Industrial Relations.

The Director of the Intelligence, Compliance and Enforcement Division leads the LHA's Compliance and Enforcement branches, and the Intelligence and Analytics team.

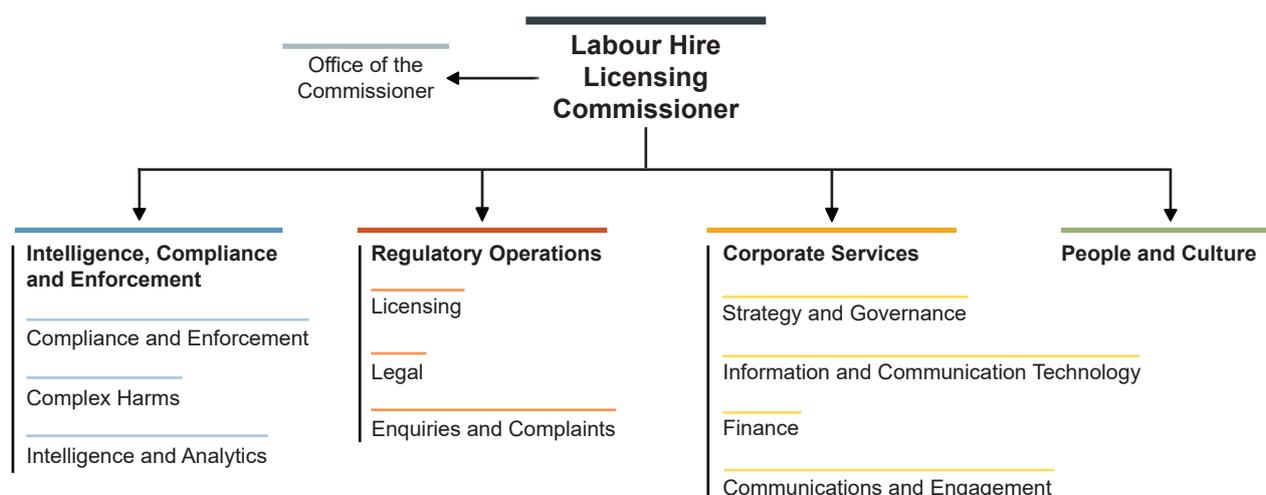
## **Anna Higgs**

### ***Chief Operating Officer***

Anna Higgs began in the role of Chief Operating Officer (COO) in February 2021. She has more than 19 years experience in the Victorian Government, including leading teams delivering strategy, finance and procurement functions. She has held executive roles at the Department of Justice and Community Safety and the Victorian Auditor-General's Office.

The COO leads the leads the Corporate Services Division, which includes the Communications, Education and Engagement, Finance, Strategy and Governance, and Information and Communication Technology (ICT) branches.

## Organisational structure and functions



### Intelligence, Compliance and Enforcement

Our *Compliance and Enforcement Branch* undertakes education, compliance, monitoring, investigation and enforcement activities to promote compliance with the LHL Act and regulations. The *Complex Harms Team* within the branch focuses on matters such as phoenixing behaviour, sham contracting, and pyramid contracting. We have dedicated Inspectors with specific powers to investigate and enforce compliance with the LHL scheme.

Our *Intelligence and Analytics Team* is responsible for receiving, collating, and analysing data and intelligence collected by the LHA from a variety of sources, to support the effective operation of the licensing scheme and targeted compliance and enforcement operations.



### Regulatory Operations

Our *Licensing Branch* delivers our core business of assessing labour hire licence applications, suspensions, cancellations, renewals and variations, and compliance monitoring. The Licensing Operations Branch also supports responses to enquiries and complaints made to the LHA.

Our *Legal Branch* is responsible for delivering effective legal advice to the LHA to achieve its mission in line with legal requirements and regulation best practice.

Our *Enquiries and Complaints Team* is responsible for receiving and processing enquiring and complaints from members of the public, including labour hire providers and hosts about their obligations, and labour hire employees about their rights. The Enquiries and Complaints Team also runs the LHA's Report a Problem function, which members of the public can use to report concerns or information about mistreatment of labour hire workers, unlicensed labour hire providers, and unlawful behaviour and conduct.



### Corporate Services

Our *Communications and Engagement Branch* helps promote compliance with the LHL Act and regulations by publishing information about the duties, rights and obligations of labour hire providers, hosts and workers.

Our *Finance Branch* is responsible for the financial management of the LHA including, financial reporting, budgeting, procurement and payroll, in line with the *Financial Management Act 1994 (FMA)* and the Standing Directions.

Our *Information and Communication Technology (ICT)* Branch supports the LHA's functions by developing and maintaining the information technology systems required to ensure delivery of the essential functions of the labour hire licensing scheme and the business functions for day-to-day operations.

Our *Strategy and Governance Branch* facilitates LHA's strategic and business planning to promote effective and informed decisions to support our strategic goals. The branch also coordinates governance and risk management activities, supports the Audit and Risk Committee (ARC) through a high-level secretariat function and is responsible for managing Freedom of Information (FOI) requests and records management.



## People and Culture

Our *People and Culture Branch* supports the growth and development of LHA people and our culture. We ensure we support and develop our people to do their work, that we recruit talented people to join our team, and that we continue to promote the health, safety and wellbeing of all staff. By doing this, we ensure we can fulfil our obligations effectively under the LHL Act and meet our organisational goals.

## Audit and Risk Committee

Victorian public sector agencies are required to appoint an Audit Committee under the standing directions of the Minister for Finance and in line with the FMA.

The LHA established an Audit and Risk Committee (ARC) in June and July 2020. The ARC is responsible directly to the Labour Hire Licensing Commissioner. It oversees and advises on governance, risk management, audit and control assurance activities. It also monitors financial reporting and performance and statutory compliance obligations.

The ARC has three independent members. It is governed by a charter detailing its role and responsibilities consistent with the standing directions and best practice corporate governance principles.

The three independent members of the ARC are:

### **Peter Lewinsky, Independent Member, Chair**

Peter Lewinsky has an extensive private and public sector career spanning investment banking, corporate and government advisory. Over the past 25 years, Peter has held numerous Victorian Government department governance appointments across a range of sectors. He has significant experience on a range of audit and risk committees.

### **Steve Schinck, Independent Member**

Steve Schinck has extensive audit and risk committee experience across local and state government, including with another Victorian Government regulatory agency. Steve also has significant executive experience at the Department of Treasury and Finance (DTF) as a senior executive. He has in-depth knowledge of the government audit and risk priorities and standing directions.

### **Lisa Tripodi, Independent Member**

Lisa Tripodi is an experienced Certified Practising Accountant (CPA) with over 20 years' experience in accounting, assurance services, governance and risk management. Lisa is a former external auditor who has held committee memberships with local governments and Victorian Government regulatory agencies. She has significant experience and interest in digital transformation projects, including cyber security.

## Internal Audit

In 2020-21 and after a robust procurement process, we appointed HLB Mann Judd to provide our internal audit services for a period of three years.

The strategic internal audit program includes reviews of our governance frameworks, risk management, occupational health and safety (OHS), business continuity and disaster recovery practices, and other internal controls practices. The audit results and follow-up actions are reported to the ARC for review.

## Health and Safety

OHS is crucial for the LHA to fulfil its mission. We are committed to providing a safe and healthy workplace for the LHA community and to promoting the mental health and wellbeing of our people. As a portfolio agency of the Department of Premier and Cabinet (DPC), we follow DPC OHS policies and procedures designed to provide the safest possible workplace, without risk to physical or psychological health, for all employees. We are also committed to following whole of Victorian Government health, safety and wellbeing policies and programs sponsored by the Victorian Public Sector Commission, such as *Leading the Way: Occupational Health and Safety*.

The LHA's Health and Safety Committee (HSC) comprises management representatives, health and safety representatives and union representatives. The functions of the HSC include:

- OHS training and education of employees, committee members and Health and Safety Representatives (HSR)
- monitoring and review of workplace inspections, workplace hazards, incidents, injuries and investigations
- reviewing risk assessments and risk controls
- reviewing safe work procedures (SWP)
- reviewing safety rules and information
- reviewing emergency procedures and drills.

The HSC also plays a key role in considering our principles to support returning to office-based work in a consultative and COVID-safe way.

Throughout 2021-22, the HSC and the Culture Transformation Committee developed and maintained a number of successful initiatives to

further sustain and enrich a positive workplace culture and to improve the health, safety and wellbeing of our staff. These include:

- implementing a capability development plan to grow organisational and individual capabilities, by providing experience, exposure, and education opportunities for all staff
- promoting flexible work practices to cater to the diverse situations of staff and to adapt to modern COVID-safe working conditions
- embedding an internal communication program, including a weekly newsletter and regular all-staff 'stand-ups' to promote information sharing and connection between people within the LHA
- hosting an all-staff values workshop to identify the LHA values and promote behaviours to achieve LHA goals
- promoting access to the Employee Assistance Program and Managers Assist.

The LHA Executive Team is committed to the health, safety, and wellbeing of staff. LHA executives have been appointed as members of the LHA Health and Safety Committee and the Culture Transformation Committee. The LHA continues to refine reporting associated with people and culture, occupational, health and safety, and wellbeing issues

The LHA received one WorkSafe provisional improvement notice in 2021-22 regarding improving ease of access to policies and guidance materials. All recommendations arising from this notice have been actioned.



03

# WORKFORCE DATA

## Public sector values and employment principles

The *Public Administration Act 2004* (Vic) established the Victorian Public Sector Commission (VPSC). The VPSC's role is to strengthen public sector efficiency, effectiveness and capability, and advocate for public sector professionalism and integrity.

The LHA has introduced policies and practices consistent with VPSC employment standards, which provide for:

- fair treatment
- merit in employment
- equal opportunity
- human rights
- career public service
- reasonable avenue of redress.

The LHA has also advised its employees on how:

- to avoid conflicts of interest
- to respond to offers of gifts
- we will address misconduct in relation to these matters.

## Employment and conduct principles

The LHA applies merit and equity principles when appointing staff. LHA employees have been advised of the principles as well as recruitment and selection processes. LHA recruitment and selection policies and processes are modelled on the DPC recruitment policy and processes and adapted to incorporate the VPSC Jobs Skills Exchange recruitment policy, robust assessment criteria and public sector employment principles and standards. The selection process ensures merit in the process by assessing applicants using objective criteria on work related qualities and selected on relative ability. Employees have been correctly classified in workforce data collections.

## Workforce inclusion policy

The LHA is committed to inclusion, diversity and equity and benefits from the DPC diversity and inclusion policy and initiatives. We recognise the benefits of harnessing the ideas and opinions of diverse communities that have experienced unique and varied challenges. We are committed to ensuring that all people:

- are treated with dignity and respect
- can experience fair and reasonable treatment
- have equitable access to employment opportunities and outcomes
- can participate in all aspects of work life, and
- have the opportunity to work flexibly.

The LHA is participating in the Youth Employment Program (YEP) scheme launched by the Working for Victoria (WFV) Fund in partnership with the Community and Public Sector Union (CPSU) as a major employment initiative to provide paid employment for young people aged between 17 and 29 who are currently unemployed. LHA was successful in its submission to qualify for the employment of a person under this scheme.

## Our people

The LHA continues to review its resourcing and processes to ensure it is well placed to meet its objectives, deliver on its functions, and achieve its purpose. In the previous reporting period, the LHA undertook a comprehensive review of its organisational structure, and the responsibilities and workload commitments of each team within the organisation. This review resulted in significant changes to the organisational structure and identified the need for additional resources. The LHA continued to implement this restructure and boost its resources in 2021-22, and increased its staffing profile from 42.4 full-time equivalent (FTE) as at 30 June 2021, to 63.4 FTE as at 30 June 2022.

The LHA will continue to monitor its workforce profile and streamline its processes to effectively and efficiently carry out its legislative mandate.

## Comparative workforce data

The following table discloses the head count and full time staff equivalent (FTE) of all active public service employees of the LHA employed in the last full pay period in June of the current reporting period (2022), and in the last full pay period in June of the previous reporting period (2021).

		June 2022						June 2021							
		All Employees		Ongoing			Fixed Term and Casual		All Employees		Ongoing			Fixed Term and Casual	
		Number (Headcount)	FTE	Full Time (Headcount)	Part Time (Headcount)	FTE	Number (Headcount)	FTE	Number (Headcount)	FTE	Full Time (Headcount)	Part Time (Headcount)	FTE	Number (Headcount)	FTE
Demographic data	<b>Gender</b>														
	Men	26.0	26.0	22.0	0.0	22.0	4.0	4.0	15.0	14.8	9	1.0	9.8	5.0	5.0
	Women	38.5	37.4	22.0	4.5	25.6	12.0	11.8	28.0	27.6	18.0	1.0	18.6	9.0	9.0
	Self Described	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-	-	-	-	-	-	-
	<b>Age</b>														
	15 - 24	2.0	1.8	0.0	0.0	0.0	2.0	1.8	1.0	1.0	-	-	-	1.0	1.0
	25 - 34	12.5	12.5	9.0	0.5	9.5	3.0	3.0	11.0	11.0	6.0	-	6.0	5.0	5.0
	35-44	28.0	27.5	17.0	3.0	19.5	8.0	8.0	14.0	13.8	8.0	1.0	8.8	5.0	5.0
	45-54	16.0	16.0	13.0	0.0	13.0	3.0	3.0	13.0	13.0	9.0	-	-	3.0	3.0
	55-64	6.0	5.6	5.0	1.0	5.6	0.0	0.0	4.0	4.6	4.0	1.0	4.6	-	-
65+	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1	-	-	-	-	-	-	
Classification data	<b>VPS 1-6 grades</b>														
	VPS 1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-	-	-	-	-	-	-
	VPS 2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-	-	-	-	-	-	-
	VPS 3	7.0	6.8	4.0	0.0	4.0	3.0	2.8	6.0	6.0	2.0	-	2.0	4.0	4.0
	VPS 4	16.5	16.3	13.0	1.5	14.3	2.0	2.0	12.0	11.8	9.0	1.0	9.8	2.0	2.0
	VPS 5	27.0	26.6	19.0	1.0	19.6	7.0	7.0	15.0	14.6	12.0	1.0	12.6	2.0	2.0
	VPS 6	10.0	9.7	7.0	2.0	8.7	1.0	1.0	7.0	7.0	4.0	-	4.0	3.0	3.0
	<b>Senior employees</b>														
	STS	1.0	1.0	1.0	0.0	1.0	0.0	0.0	2.0	2.0	0	0	0	2.0	2.0
	Executives	3.0	3.0	0.0	0.0	0.0	3.0	3.0	1.0	1.0	0	0	0	1.0	1.0
<b>Total Employees</b>	<b>64.5</b>	<b>63.4</b>	<b>44.0</b>	<b>4.5</b>	<b>47.6</b>	<b>16.0</b>	<b>15.8</b>	<b>43.0</b>	<b>42.4</b>	<b>27.0</b>	<b>2.0</b>	<b>28.4</b>	<b>14.0</b>	<b>14.0</b>	

## Executive officer data

The following table discloses the annualised total salary, by \$20,000 bands, for executives and other senior non executive staff. The salaries reported are for the full financial year, at a 1.0 FTE rate and exclude superannuation.

Income Band (salary)	Executives	STS
< \$160,000	0.0	0.0
\$160,000 – \$179,999	0.0	0.0
\$180,000 – \$199,999	0.0	0.0
\$200,000 – \$219,999	0.0	0.0
\$220,000 – \$239,999	3.0	1.0
\$240,000 – \$259,999	0.0	0.0
\$260,000 – \$279,999	0.0	0.0
<b>Total</b>	<b>3.0</b>	<b>1.0</b>

The following table discloses the number of Executive Officers for the LHA broken down by gender and Senior Executive Service (SES) / Executive Officer (EO) classification levels.

Classification	Female		Male		Self-described	
	Number	Variation	Number	Variation	Number	Variation
SES-3	0.0	0.0	0.0	0.0	0.0	0.0
SES-2	0.0	0.0	0.0	0.0	0.0	0.0
SES-1	3.0	2.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>3.0</b>	<b>2.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Note:** The number of executives in the report of operations is based on the number of executive positions that are occupied at the end of the financial year. Note 8.2 in the financial statements lists the actual number of SES officers and the total remuneration paid to SES officers over the course of the reporting period. The financial statements note does not include the Accountable Officer. It does not distinguish between executive levels or disclose separations. Separations are executives who left the LHA during the relevant reporting period. To help readers, these 2 disclosures are reconciled below.

The table below provides a reconciliation of executive numbers presented between the report of operations and Note 8.2 'Remuneration of executives' in the financial statements.

	2022	2021
Executives	1.0	2.0
Additions	2.0	-
Separations	-	1.0
<b>Total executive numbers at 30 June 2022</b>	<b>3.0</b>	<b>1.0</b>



04

**OTHER DISCLOSURES**

## Local Jobs First – Implementation of the Victorian Industry Participation Policy

The Local Jobs First policy supports Victorian businesses and workers by ensuring that small and medium size enterprises are given a full and fair opportunity to compete for both large and small government contracts, helping to create job opportunities, including for apprentices, trainees and cadets.

The LHA must apply the Local Jobs First – Victorian Industry Participation Policy in all procurement activities valued at \$1 million or greater. This is because the LHA is located in regional Victoria.

The LHA undertook no projects subject to the Policy during the 2021-2022 reporting period.

### Consultancy expenditure

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

In 2021-2022, 3 consultancies were engaged where the total fees payable was \$10,000 or greater (excluding GST). The total expenditure was \$152,000.

Consultant	Purpose	Total approved expenditure (ex GST) (\$) (\$000)	Expenditure in 2021-2022 (ex GST) (\$) (\$000)	Future expenditure (ex GST) (\$) (\$000)
Fortian Pty Ltd	ICT Security Audit	104	104	-
Deloitte Touche Tohmatsu	Strategic Plan	26	26	-
Voice Project	Cultural Review	22	22	-

#### Details of consultancies valued under \$10,000

In 2021-2022, there were 3 consultancies engaged where the total fees payable were under \$10,000 (excluding GST). The total expenditure was \$10,100.

Consultant	Purpose	Total approved expenditure (ex GST) (\$) (\$000)	Expenditure in 2021-2022 (ex GST) (\$) (\$000)	Future expenditure (ex GST) (\$) (\$000)
RSM Australia Pty	Security matrix	7.5	7.5	-
First 5 Minutes Pty Ltd	Emergency Management Plan	1.7	1.7	-
Andrew Warland	Managing Records in 365	.9	.9	-

## Government advertising expenditure

In 2021-2022, the LHA did not engage in any advertising campaigns with a total media spend of \$100,000 or greater (ex GST).

## Information and Communication Technology (ICT) expenditure

In 2021-2022, the LHA had a total ICT expenditure of \$2,652,780 as detailed below.

All operational ICT expenditure	ICT expenditure related to project to create or enhance ICT capabilities		
Business As Usual (BAU) ICT expenditure	Non-BAU ICT expenditure	Operational Expenditure	Capital Expenditure
\$1,861,558	\$791,222	\$652,508	\$138,714

**Note:** ICT expenditure refers to the LHA's costs in providing business enabling ICT services within the current reporting period. It comprises BAU ICT expenditure and Non-BAU ICT expenditure. BAU ICT expenditure primarily relates to ongoing activities to operate or maintain the current ICT capability. Non-BAU ICT expenditure relates to extending or enhancing the LHA's current ICT capabilities, comprising operational expenditure and capital expenditure.

## Freedom of Information (FOI)

The *Freedom of Information Act 1982* (Vic) (FOI Act) allows the public a right of access to documents held by the LHA. The purpose of the FOI Act 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 Act.

An applicant has a right to apply for access to documents held by bodies subject to the Act. This comprises documents created by the LHA or supplied to the LHA by an external organization or individual. It may also include maps, films, microfiche, photographs, computer printouts, computer disks, tape recordings, and videotapes.

The Act allows bodies subject to it to refuse access, either fully or partially, to certain documents or information. Examples of documents that may not be accessed include:

- documents relating to investigations, reviews, and audit
- law enforcement documents
- some internal working documents
- documents covered by legal professional privilege, such as legal advice
- personal information about other people
- information provided to the LHA in-confidence.

The LHA did not receive any FOI applications in 2021-2022. The Office of the Victorian Information Commissioner issued two decisions during this period in respect of requests made in the previous reporting period.

### Making an FOI application

When making an FOI request, applicants should ensure requests:

- are in writing
- identify as clearly as possible which documents are requested
- are accompanied by the application fee.

An application fee of \$30.06 applies. Access charges may also be payable if the document pool is large and the search for material is time consuming.

FOI requests can be lodged at [FOI@labourhireauthority.vic.gov.au](mailto:FOI@labourhireauthority.vic.gov.au) or:

#### Freedom of Information Officer

Labour Hire Authority  
PO Box 393  
Bendigo VIC 3552

More information about FOI can be found at [ovic.vic.gov.au](http://ovic.vic.gov.au).

## Compliance with the *Building Act 1993*

The LHA met all relevant compliance provisions of the *Building Act 1993* (Vic) in its building and maintenance activities in 2021-2022.

## Public Interest Disclosures

The *Public Interest Disclosures Act 2012* (Vic) encourages and helps people to make disclosures of improper conduct by public officers and public bodies. The Act protects people who make disclosures under the Act. It establishes a system for the disclosed matters to be investigated and rectifying action to be taken.

The LHA does not tolerate improper conduct by employees, nor the taking of reprisals against those who come forward to disclose such conduct. It is committed to ensuring transparency and accountability in its administrative and management practices. The LHA supports people to make disclosures that reveal:

- corrupt conduct
- conduct involving a substantial mismanagement of public resources
- conduct involving a substantial risk to public health and safety or the environment.

The LHA 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.

The LHA encourages its officers and members of the public to report known or suspected incidences of improper conduct and detrimental action.

Disclosures of improper conduct or detrimental action by the LHA or any of its employees may be made to any of the following LHA personnel:

- the Commissioner
- Public Interest Disclosure Coordinator
- manager or supervisor, if the discloser is a staff member of the LHA
- manager or supervisor of the person who is the subject of the disclosure
- a person acting in any of the above roles.

A person may make a protected disclosure to the LHA:

- in person
- by phone

- by leaving a voicemail message
- in writing by post, personal delivery or email
- by any other form of electronic communication
- anonymously.

Alternatively, people may make disclosures of improper conduct or detrimental action by the LHA or any of its employees or officers directly to:

### **Independent Broad-based Anti-corruption Commission**

Level 1, North Tower  
459 Collins Street  
Melbourne, VIC 3000

**T:** 1300 735 135

**W:** [ibac.vic.gov.au](http://ibac.vic.gov.au)

### **Disclosures under the *Public Interest Disclosures Act 2012***

No disclosures were made to the LHA or notified to the Independent Broad-based Anti-corruption Commission in 2021-2022.

## **Competitive Neutrality Policy**

Competitive neutrality requires government businesses to ensure where services compete, potentially 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.

The *National Competition Policy* and the *Victorian Competitive Neutrality Policy* supports fair competition between public and private businesses. It gives government businesses the tools to enhance decisions on resource allocation.

The guiding principle of the *Competitive Neutrality Policy* is that government businesses should not have a competitive advantage by virtue of being publicly owned, unless the impact of the government business on competitive neutrality is in the public interest.

The LHA continues to comply with the requirements of the *Competitive Neutrality Policy*.

## **Compliance with the *Carers Recognition Act 2012***

The LHA has taken all practical measures to comply with its obligations under the *Carers Recognition Act 2012* (Vic).

In line with this Act, the LHA recognises and values the contribution carers make within the community by:

- considering the care relationships principles set out in the Act when setting policies
- using Victorian Public Service Enterprise Agreement common policies relating to personal and carer's leave, flexible work arrangements and other forms of leave to enable carers to fulfil their caring responsibilities
- promoting the availability of flexible work arrangements and leave provisions and providing resources to effectively support this
- providing mental health and wellbeing support to all staff through the Employee Assistance Program and mental health and wellbeing training.

In addition, during 2021 and 2022, the LHA focused resources on promoting a culture of wellbeing to support employees throughout the COVID-19 pandemic while they worked from home for extended periods. This support included regularly sharing information on working from home arrangements and embedding flexible practices to accommodate the needs of carers during this period.

## **Compliance with the *Disability Act 2006***

The *Disability Act 2006* (Vic) reaffirms and strengthens the rights of people with a disability and recognises that this requires support across the government sector and within the community.

The Department of Premier and Cabinet developed a comprehensive *Disability Action Plan 2017–20* that informs the LHA's practices. It ensures we remain responsive to the needs of people with a disability, whether employees, stakeholders or the broader public. It also provides a framework for the LHA to provide equitable access to employment opportunities for people with disability. It also ensures that our day-to-day practices are as inclusive as possible for all members of our community, including people with a disability.

The LHA also follows the VPS Disability Employment Action Plan, *Getting to work: Victorian public sector disability employment action plan 2018-2025*.

It is important that candidates with a disability can participate equitably in the recruitment process and during their employment. To make this inclusion happen, we follow the DPC Workplace Adjustment Policy and Procedure that applies the principle of making workplace adjustments to remove physical or organisational barriers that would otherwise prevent equal participation.

As part of the DPC portfolio agency group, we benefit from DPC's membership of the VPS Enablers Network, which represents the needs, interests and concerns of government employees with lived experience of disability. We also benefit from DPC's partnership with the Australian Network on Disability (AND). AND is a national, membership-based, for-purpose organisation that supports organisations to advance the inclusion of people with disability in all aspects of business.

## Office-based environmental impacts

We reduce our office-based environmental impacts by:

- discouraging printing documents as a part of our clean desk policy
- providing personal ICT equipment, which discourages unnecessary printing
- maximising natural light and using movement to activate energy-efficient lighting
- turning off heating, cooling and lighting in the evenings
- separating waste bins to encourage recycling
- adding plants to our offices
- supporting staff to use public transport between our Bendigo head office and Melbourne satellite office.

The LHA will also be a tenant of the Bendigo GovHub, which will deliver high-performing sustainability outcomes including efficient indoor air quality systems, a well-insulated building, the use of solar panels, water and energy monitoring systems and a large timber frame.

As at 30 June 2022, the LHA operated eight petrol-powered vehicles, comprising five sedans, two medium SUVs, and one large SUV. Also in this period, the LHA consumed 40 megawatt hours purchased directly through an energy retailer.

## Additional information available on request

In line with the Financial Reporting Directions, the LHA has retained details of the items listed below. This information is available on request, subject to the provisions of the FOI Act. A person may request information on the following items:

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

This information is available on request from:

### Chief Operating Officer

Labour Hire Authority  
PO Box 393  
Bendigo VIC 3552

**Email FOI:** [foi@labourhireauthority.vic.gov.au](mailto:foi@labourhireauthority.vic.gov.au)

### Email Governance:

[governance@labourhireauthority.vic.gov.au](mailto:governance@labourhireauthority.vic.gov.au)

## Compliance with DataVic Access Policy

Consistent with the DataVic Access Policy, the LHA has not made any data sets available on the DataVic website. Please note that not all government data is suitable for release. Access to data may need to be restricted for reasons of privacy, public safety, law enforcement and compliance with the law, including the LHL Act.

The LHA has published data on its website. It includes the details of licensed, refused, cancelled and suspended labour hire providers and labour hire licence applicants. This data includes their business address, ABN, ACN, and the industries they supply workers to. These lists are exportable in CSV format from the public website and available at no cost.

## Financial Management Compliance Attestation Statement

I, Steve Dargavel, as the Responsible Body, certify that the Labour Hire Authority has no Material Compliance Deficiency with respect to the applicable Standing Directions under the *Financial Management Act 1994* and Instructions.



**Steve Dargavel**

Labour Hire Licensing Commissioner  
29 September 2022

## Accountable Officer's and Chief Finance Officer's declaration

We certify that the attached financial statements for the Labour Hire Licensing Authority (the Authority) have been prepared in accordance with Direction 5.2 of the Standing Directions of the Assistant Treasurer under the *Financial Management Act 1994* (FMA), 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 the accompanying notes, presents fairly the financial transactions during the financial year ended 30 June 2022 and the financial position of the Authority as at 30 June 2022.

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

We authorise the attached financial statements for issue on 29 September 2022.



**Steve Dargavel**

Labour Hire Licensing Commissioner  
Labour Hire Authority



**Tracey Langdon**

Chief Finance Officer  
Labour Hire Authority

05

# FINANCIAL STATEMENTS

# Comprehensive Operating Statement

For the Financial Year ended 30 June 2022

	NOTES	2022 (\$'000)	2021 (\$'000)
<b>Continuing operations</b>			
<b>Revenue and income from transactions</b>			
Government grants	2.2.1	47	606
Regulatory fees	2.2.2	19,426	15,010
Interest income		39	-
Other income		334	102
<b>Total revenue and income from transactions</b>	<b>2.1</b>	<b>19,846</b>	<b>15,718</b>
<b>Expenses from transactions</b>			
Employee benefits expense	3.3.1	8,070	6,232
Administration expense	3.2	3,873	2,464
Interest expense	6.2.2	3	12
Depreciation and amortisation	4.1.2	433	312
<b>Total expenses from transactions</b>	<b>3.1</b>	<b>12,379</b>	<b>9,020</b>
<b>Net result from transactions (net operating balances)</b>		<b>7,467</b>	<b>6,698</b>
<b>Net result from continuing operations</b>		<b>7,467</b>	<b>6,698</b>
<b>Net result</b>		<b>7,467</b>	<b>6,698</b>
<b>Comprehensive result</b>		<b>7,467</b>	<b>6,698</b>

The accompanying notes form part of these financial statements.

# Balance Sheet

As at 30 June 2022

	NOTES	2022 (\$'000)	2021 (\$'000)
<b>Assets</b>			
<b>Current Assets</b>			
Cash and deposits	6.3	24,465	20,325
Receivables	5.1	1,375	1,708
Prepayments		41	72
<b>Total financial assets</b>		<b>25,881</b>	<b>22,105</b>
<b>Non-current assets</b>			
Property, plant and equipment	4.1	642	903
Administration expense	4.2	189	149
<b>Total non-current assets</b>		<b>831</b>	<b>1,052</b>
<b>TOTAL ASSETS</b>		<b>26,712</b>	<b>23,157</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	5.2	722	492
Make good provisions		112	112
Contract liabilities	5.3	4,436	5,386
Employee benefits	3.3.2	1,287	850
Borrowings	6.1	204	258
<b>Total current liabilities</b>		<b>6,761</b>	<b>7,098</b>
<b>Non-current liabilities</b>			
Employee benefits	3.3.2	266	419
Contract liabilities	5.3	3,119	6,506
Borrowings	6.1	111	146
<b>Total non-current liabilities</b>		<b>3,496</b>	<b>7,071</b>
<b>TOTAL LIABILITIES</b>		<b>10,257</b>	<b>14,169</b>
<b>NET ASSETS</b>		<b>16,455</b>	<b>8,988</b>
<b>Equity</b>			
Accumulated funds		16,455	8,988
<b>NET WORTH</b>		<b>16,455</b>	<b>8,988</b>

The accompanying notes form part of these financial statements.

# Cash Flow Statement

For the Financial Year ended 30 June 2022

	NOTES	2022 (\$'000)	2021 (\$'000)
<b>Cash Flows from Operating Activities</b>			
<b>Receipts</b>			
Receipts from government		21	606
Receipts from regulatory fees		14,253	14,959
Goods and services tax received from / (paid to) the ATO <sup>(i)</sup>		279	( 52)
Other receipts		159	102
<b>Total receipts</b>		<b>14,712</b>	<b>15,615</b>
<b>Payments</b>			
Payments to suppliers and employees		( 10,100)	( 10,858)
Borrowing costs and finance charges		( 65)	( 12)
<b>Total payments</b>		<b>( 10,165)</b>	<b>( 10,870)</b>
<b>Net cash flows from / (used in) operating activities</b>	6.3.1	<b>4,547</b>	<b>4,745</b>
<b>Cash Flows from Investing Activities</b>			
Payments for non-financial assets		( 285)	( 375)
<b>Net cash flows from / (used in) investing activities</b>		<b>( 285)</b>	<b>( 375)</b>
<b>Cash Flows from Financing Activities</b>			
Net receipts / (payment) of funds leases		( 122)	( 170)
<b>Net cash flows from / (used in) financing activities</b>		<b>( 122)</b>	<b>( 170)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>4,140</b>	<b>4,200</b>
Cash and cash equivalents at the beginning of the financial year		20,325	16,125
<b>Cash and cash equivalents at end of financial year</b>		<b>24,465</b>	<b>20,325</b>

The accompanying notes form part of these financial statements.

<sup>(i)</sup> Goods and Services Tax paid to the ATO is presented on a net basis.

## Statement of Changes in Equity

For the Financial Year ended 30 June 2022

	<b>TOTAL</b> <b>(\$'000)</b>
<b>Balance at 30 June 2020</b>	2,290
Net result for the year	6,698
<b>Balance at 30 June 2021</b>	8,988
Net result for the year	7,467
<b>Balance at 30 June 2022</b>	16,455

*The accompanying notes form part of these financial statements.*

# Notes to the financial statements

## NOTE 1: ABOUT THIS REPORT

### Introduction

The Authority is a government agency of the State of Victoria, established pursuant to an order by the Governor in Council under the *Labour Hire Licensing Act 2018* (the Act). It is an administrative agency acting on behalf of the Crown. Its principal address is:

Labour Hire Licensing Authority  
PO Box 393  
Bendigo VIC 3550

### Structure

#### 1.1 Basis of Preparation

### 1.1 Basis of Preparation

#### General

This financial report of the Authority is a general purpose financial report that consists of a Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and notes accompanying these statements.

The Authority is a not-for-profit entity for the purpose of preparing the financial statements. Where appropriate, those AASs paragraphs applicable to not-for-profit entities have been applied.

The accrual basis of accounting has been applied in preparing 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. This financial report has been prepared on a going concern basis.

The Authority is responsible for implementing the Act. The Act introduced a licensing scheme for providers of labour hire across all industry sectors.

The scheme was established in response to the Victorian Inquiry into the Labour Hire Industry and Insecure Work which uncovered widespread abuse and exploitation of labour hire workers across Victoria.

The key elements of the licensing scheme are as follows: Labour hire providers must be licensed to operate in Victoria, and those who use labour hire providers must only engage licensed providers. Labour hire providers must also report annually on their labour hire activities.

The Authority is responsible for licensing labour hire providers and undertaking education, enforcement, and compliance activity. Workers will be protected against exploitation from unlicensed labour hire providers and host employers not engaging licensed providers.

#### Accounting policies

Accounting policies are selected and applied in a manner which ensures 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.

#### Functional and presentation currency

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.

### Classification between current and non-current

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be realised or paid. The asset or liability is classified as current if it is expected to be turned over within the next twelve months, being the Authority's operational cycle.

### Rounding

Unless otherwise stated, amounts in the report have been rounded to the nearest thousand dollar.

### Accounting estimates

Judgements, estimates and assumptions are required to be made about financial information being presented. The significant judgements made in the preparation of these financial statements are disclosed in the notes where amounts affected by those judgements are disclosed. Estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision.

Judgements and assumptions made by management in applying AASs that have significant effects on the financial statements and estimates relate to:

- Contract liability (Note 5.3);
- Employee benefits expense (Note 3.3);
- Leases (Note 6.2)

### Trust Account

The LHA Trust Account forms part of the State's Public Account as a separate and discrete component from the Consolidated Fund. The LHA Trust Account operates under the provisions of Part 4 of the FMA (ss 19 to 23). The operation of the LHA Trust Account will be subject to the continued operation of the LHA.

The Act empowers the Authority to receive regulatory fees from labour hire providers who operate in Victoria, including application and licensing fees as outlined in the Act. The Authority was established on the basis that it would be self-funding over the medium to long term. In order for the Authority to collect labour hire license fee revenue and draw on these to fund its expenditure, the Assistant Treasurer approved the establishment and operation of a trust account, pursuant to Section 19(1) of the FMA on the 22nd July 2019.

### Key sources of estimation uncertainty

At the end of the financial reporting year 2022, the Authority has 5328 licence holders who must renew their application under the Labour Hire Licensing Scheme Part 3 s 28(1). There is uncertainty as to the number of these licence holders that will re-apply under the Scheme. The total amount expected if all licence holders re-apply is \$17,073,646 over the next three years.

### COVID-19

The Authority notes that due to the COVID-19 pandemic many businesses within our cohort are in financial difficulty due to extended lockdowns in Victoria. The Authority has factored this into the current provision for impairment of receivables however the full extent of this impact remains unknown. The ability for the Authority to waive, reduce or refund fees has been changed with legislative amendments to s 35A of the Act from 1/7/2021.

The Authority has granted waivers in special circumstances under s 35A of the Act (ref Note 8.6).

## Legislation changes

The Victorian Government amended the Act (assent 11 May 21) to include:

- Section 17(2)(fa) inserted by No. 14/2021 s. 33: Licence holders are entitled to provide details of their estimated business turnover for the 4 quarters immediately preceding the date of the application for the purposes of ascertaining whether the business is a tier 1 business, tier 2 business or tier 3 business; and
- Section 35A – Waive, reduction or refund of fees: From 1 July 2021, changes to section 35A of the Act, will allow the Authority a discretion to waive, reduce or refund fees in whole or in part, if special circumstances exist that were outside the control of the applicant and have caused a significant and material impact on the business.

These changes are effective from 1 July 2021.

## NOTE 2: FUNDING DELIVERY OF OUR SERVICES

### Introduction

This note presents the sources and amounts of revenue and income raised by the Authority, and the accounting policies that are relevant for an understanding of the items reported in the financial statements.

The Authority has made a judgement that amounts received in relation to regulatory application fee revenue, recognised under AASB 15 are brought to account on the basis that performance obligations have been satisfied during the financial period.

The Authority also receives other income which is brought to account under AASB 1058 in the current financial year.

### Structure

- 2.1 Summary of income that funds the delivery of our services
- 2.2 Income from transactions
  - 2.2.1 Government grants
  - 2.2.2 Regulatory fee income

### 2.1 Summary of revenue and income that funds the delivery of our services

	NOTES	2022 (\$'000)	2021 (\$'000)
Government grant	2.2.1	47	606
Application fee revenue	2.2.2	6,593	4,617
Licence fee income	2.2.2	12,833	10,393
Interest income		39	-
Other income		334	102
		<b>19,846</b>	<b>15,718</b>

Revenue and income that fund the delivery of the Authority's services are accounted for consistently with the requirements of the relevant Accounting standards disclosed in the following notes.

## 2.2 Revenue and income from transactions

### 2.2.1 Government grants

	2022 (\$'000)	2021 (\$'000)
Department of Premier and Cabinet	47	557
Depreciation Funding	-	49
	<b>47</b>	<b>606</b>

Output appropriations, income from the outputs the Authority provides to the Government is recognised when those outputs have been delivered and the relevant Minister has certified delivery of those outputs in accordance with specified performance criteria.

### 2.2.2 Regulatory fee revenue

	2022 (\$'000)	2021 (\$'000)
<b>Application fee revenue</b>		
Business Tier 1 (annual turnover of no more than \$2,000,000)	2,672	1,660
Business Tier 2 (annual turnover of between \$2,000,001 and \$10,000,000)	1,646	1,242
Business Tier 3 (annual turnover of more than \$10,000,000)	2,275	1,715
	<b>6,593</b>	<b>4,617</b>
<b>Licence fee income</b>		
Business Tier 1 (annual turnover of no more than \$2,000,000)	4,627	3,864
Business Tier 2 (annual turnover of between \$2,000,001 and \$10,000,000)	3,530	2,685
Business Tier 3 (annual turnover of more than \$10,000,000)	4,676	3,844
	<b>12,833</b>	<b>10,393</b>
<b>Total regulatory fee revenue</b>	<b>19,426</b>	<b>15,010</b>

Regulatory application fee revenue is derived from fees payable to the Authority in accordance with s 24(1)(d) of the Act. These fees are recognised over the period of the licence as the licence-holder consumes the benefit of the licence pursuant to AASB 15

Regulatory licence fee income is derived from fees payable to the Authority in accordance with s 35 (1) the Act. These fees are recognised when invoiced by the Authority.

## NOTE 3: THE COST OF DELIVERING OUR SERVICES

### Introduction

This note provides information about how the Authority's funding is applied in delivering services and outputs, and the accounting policies that are relevant for an understanding of the items reported in the financial statements.

### Structure

- 3.1 Expenses incurred in the delivery of our services
- 3.2 Administration expenses
- 3.3 Employee benefits expense
  - 3.3.1 Employee benefits in the comprehensive operating statement
  - 3.3.2 Employee benefits in the balance sheet

### 3.1 Expenses incurred in the delivery of our services

	NOTES	2022 (\$'000)	2021 (\$'000)
Administration expense	3.2	3,873	2,464
Employee benefits expense	3.3	8,070	6,232
Interest expense	6.2.2	3	12
Depreciation and amortisation	4.1.2	433	312
		<b>12,379</b>	<b>9,020</b>

Expenses are recognised net of goods and services tax (GST), except where the amount of GST is not recoverable from the ATO. In these circumstances, the GST is recognised as part of an item of expense.

### 3.2 Administration expenses

	2022 (\$'000)	2021 (\$'000)
Information technology costs	821	756
Professional services and labour contractors	584	931
Occupancy costs	478	285
Staff development costs	90	80
Travel expenses	103	79
Provision for doubtful debts expense	1,234	151
Bad debts written off	237	-
Business search / merchant fees	130	52
Other expenses	196	130
	<b>3,873</b>	<b>2,464</b>

Administration expenses relate to costs incurred in the corporate operations of the Authority

### 3.3. Employee benefits expense

#### 3.3.1 Employee benefits expense in the comprehensive operating statement

	2022 (\$'000)	2021 (\$'000)
Salaries and wages	6,700	4,632
Annual leave	74	433
Long service leave	105	407
Superannuation	743	453
Payroll Tax	304	205
Workcover	131	61
Other employee benefits expense	13	41
	<b>8,070</b>	<b>6,232</b>

Employee expense in the Comprehensive Operating Statement include all costs related to employment, including salaries and wages, superannuation, payroll tax, workcover premiums and leave entitlements. The majority of employee expenses in the Comprehensive Operating Statement are salaries and wages.

The amount recognised in the Comprehensive Operating Statement in respect of superannuation represents contributions made or due by the Authority to the relevant superannuation plans in respect to the services of the Authority's staff. Superannuation contributions are made to the plans based on the relevant rules of each plan and any relevant compulsory superannuation requirements that the Authority is required to comply with.

#### 3.3.2 Employee benefits in the balance sheet

	2022 (\$'000)	2021 (\$'000)
<b>Current provisions:</b>		
<i>Annual leave:</i>		
Unconditional and expected to settle within 12 months	454	292
Unconditional and expected to settle after 12 months	118	127
<i>Long service leave:</i>		
Unconditional and expected to settle within 12 months	82	18
Unconditional and expected to settle after 12 months	431	413
<i>Provisions for on-costs:</i>		
Unconditional and expected to settle within 12 months	108	52
Unconditional and expected to settle after 12 months	94	91
<b>Total current provisions for employee benefits</b>	<b>1,287</b>	<b>993</b>
<b>Non-current provisions:</b>		
<i>Long service leave:</i>		
Conditional and expected to settle after 12 months	207	236
<i>Provisions for on-costs:</i>		
Conditional and expected to settle after 12 months	59	40
<b>Total current provisions for employee benefits</b>	<b>266</b>	<b>276</b>
<b>Total provisions for employee benefits</b>	<b>1,553</b>	<b>1,269</b>

## **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, because the Authority does not have an unconditional right to defer settlement of these liabilities.

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

The annual leave liability is classified as a current liability and measured at the undiscounted amount expected to be paid, as the Authority 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 Comprehensive Operating Statement 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 entitlement to which they relate has occurred.

## **Long service leave**

The components of this current LSL liability are measured at:

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

**Conditional LSL** is disclosed as a non-current liability. There is conditional right to defer the settlement of the entitlement until the employee has completed the required 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 an 'other economic flow' in the net result.

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

## NOTE 4: KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY

## Introduction

The Authority controls property, plant and equipment entrusted to be administered for the purpose of delivering its objectives to its stakeholders in line with its mission and values.

## Structure

- 4.1 Total property, plant and equipment
  - 4.1.1 Reconciliation of movement in property, plant and equipment
  - 4.1.2 Depreciation and amortisation
- 4.2 Intangible assets

## 4.1 Total property, plant and equipment

	Gross carrying amount		Accumulated depreciation		Net carrying amount	
	2022 (\$'000)	2021 (\$'000)	2022 (\$'000)	2021 (\$'000)	2022 (\$'000)	2021 (\$'000)
Buildings at fair value	542	542	(406)	(271)	136	271
Leasehold improvements	434	434	(255)	(162)	179	272
Office and computer equipment	384	123	(111)	(23)	273	100
Motor vehicles under lease	225	225	(171)	(117)	54	108
Capital WIP	-	152	-	-	-	152
<b>Net carrying amount</b>	<b>1,585</b>	<b>1,476</b>	<b>(943)</b>	<b>(573)</b>	<b>642</b>	<b>903</b>

	Buildings at fair value		Leasehold improvements at fair value		Office and computer equipment at		Motor vehicles under lease		Capital WIP		TOTAL	
	2022 (\$'000)	2021 (\$'000)	2022 (\$'000)	2021 (\$'000)	2022 (\$'000)	2021 (\$'000)	2022 (\$'000)	2021 (\$'000)	2022 (\$'000)	2021 (\$'000)	2022 (\$'000)	2021 (\$'000)
Opening balance	271	407	272	351	100	66	108	157	152		903	981
Transfer					152						-	-
Adjusted balance at 1 July 2019											-	-
Additions			13		109	52			152		109	217
Disposals												--
Depreciation and amortisation	(135)	(136)	(93)	(92)	(88)	(18)	(54)	(49)			(370)	(295)
<b>Closing Balance</b>	<b>136</b>	<b>271</b>	<b>179</b>	<b>272</b>	<b>273</b>	<b>100</b>	<b>54</b>	<b>108</b>	<b>-</b>	<b>152</b>	<b>642</b>	<b>903</b>

#### 4.1.1 Right of use assets: Buildings and motor vehicles

The following table is a subset of property, plant and equipment and motor vehicles right-of-use assets.

	Gross carrying amount	Accumulated depreciation	Net carrying amount	Gross carrying amount	Accumulated depreciation	Net carrying amount
	2022 (\$'000)	2022 (\$'000)	2022 (\$'000)	2021 (\$'000)	2021 (\$'000)	2021 (\$'000)
Buildings at fair value	542	(406)	136	542	(271)	271
Motor vehicles	225	(171)	54	225	(117)	108
<b>Net carrying amount</b>	<b>767</b>	<b>(577)</b>	<b>190</b>	<b>767</b>	<b>(388)</b>	<b>379</b>

	Buildings at fair value	Motor vehicles	TOTAL
<b>Opening balance - 1 July 2021</b>	<b>271</b>	<b>108</b>	<b>379</b>
Additions	-	-	-
Disposals	-	-	-
Depreciation	(135)	(54)	(189)
<b>Net carrying amount</b>	<b>136</b>	<b>54</b>	<b>190</b>

#### Initial recognition

Total property, plant and equipment represent non-current physical assets comprising equipment and right-of-use assets used by the Authority in its operations. Items of property, plant and equipment are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment.

Items with a cost value in excess of \$1,000 and a useful life of more than one year are recognised as an asset. All other assets acquired are expensed. Assets acquired at no cost or for nominal consideration by the Authority are recognised at fair value at the date of acquisition.

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

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

#### Subsequent measurement

Property, plant and equipment as well as right-of-use assets under leases are subsequently measured at fair value less accumulated depreciation and impairment. Fair value is determined with regard to the asset's highest and best use (considering legal or physical restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset).

The Authority depreciates the right-of-use assets on a straight line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful life of the right-of-use assets are determined on the same basis as property, plant and equipment. The right-of-use assets are also subject to revaluation as required by FRD 103.

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

#### 4.1.2 Depreciation and Amortisation

Change for the period	2022 (\$'000)	2021 (\$'000)
Buildings at fair value	135	137
Leasehold improvements	93	92
Plant and equipment	88	18
Motor vehicles under lease	54	49
Capitalised software development	63	16
<b>Total depreciation and amortisation</b>	<b>433</b>	<b>312</b>

All property, 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	2021-22 Useful Life
Buildings - leased assets	2-10 years
Plant, equipment and vehicles (including leased assets)	3-10 years
Leasehold improvements	2-5 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.

Right-of use assets are generally depreciated over the shorter of the asset's useful life and the lease term. Where the Authority obtains ownership of the underlying leased asset or if the cost of the right-of-use asset reflects that the Authority will exercise a purchase option, the Authority depreciates the right-of-use asset over its useful life.

#### Leases classified as operating leases under AASB 117

The Authority recognises right-of-use assets and lease liabilities for all leases except where exemption is availed in respect of short-term and low value leases.

#### 4.2 Intangible assets

	2022 (\$'000)	2021 (\$'000)
Capitalised software development	268	166
Less: accumulated amortisation	(79)	(16)
Total capitalised software development	189	150
<b>Reconciliations of carrying amounts</b>		
<b>Capitalised software development</b>		
Carrying amount at the start of the year	150	11
Additions	102	155
Amortisation expense (note 4.1.2)	(63)	(16)
<b>Carrying amount at the end of the year</b>	<b>189</b>	<b>150</b>

## NOTE 5: OTHER ASSETS AND LIABILITIES

### Introduction

This note sets out those other assets and liabilities that arise from the Authority's operations.

### Structure

- 5.1 Receivables
  - 5.1.1 Movement in provision for impaired receivables
  - 5.1.2 Ageing analysis of statutory receivables Payables
- 5.2 Payables
- 5.3 Deferred income

### 5.1 Receivables

Receivables are stated inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Balance Sheet.

#### Current receivables

	2022 (\$'000)	2021 (\$'000)
<b>Contractual:</b>		
Regulatory Licence fees	1,118	1,943
Allowance for impairment losses	(13)	(442)
Other receivables	249	120
	<b>1,354</b>	<b>1,621</b>
<b>Statutory:</b>		
GST receivables	21	87
	<b>21</b>	<b>87</b>
	<b>1,375</b>	<b>1,708</b>
<b>Represented by:</b>		
Current receivables	1,375	1,708

**Statutory receivables** do not arise from contracts and are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments for disclosure purposes. The Authority applies AASB 9 for initial measurement of the statutory receivables and as a result statutory receivables are initially recognised at fair value plus any directly attributable transaction cost. Details about the Authority's exposure to credit risk are set out in Note 7.1.4.

#### 5.1.1 Movement in loss allowance for statutory receivables

	2022 (\$'000)	2021 (\$'000)
<b>Balance at the beginning of the year</b>	442	291
Increase in provision recognised in the net result <sup>(i)</sup>	1,234	151
Reversal of provision for receivables written off during the year as uncollectable	(1,201)	-
Bad debts written off	(237)	-
Prior year bad debts written off	(225)	-
<b>Closing balance at 30 June</b>	<b>13</b>	<b>442</b>

<sup>(i)</sup> The Scheme commenced in 2019 with licence fee invoices predominantly raised in FY2021. Due to the impacts of COVID-19 on businesses in Victoria and the subsequent lockdowns the recovery of debt was not vigorously pursued until FY2022. An extensive debt management process was established in FY2022 to follow up and provide for those Debtors that ultimately became uncollectable.

## Nature and extent of risk arising from receivables

Refer to Note 7.1.4 for the nature and extent of risks arising from receivables.

### 5.1.2 Ageing analysis of statutory receivables

The ageing at 30 June 2022 includes current rates and charges receivables, sundry customer receivables, and non-current customer receivables.

	<1 month	1 to 3 months	3 months to 1 year	>1 year
<b>2021-2022</b>				
Regulatory Licence fees	1,054	64	-	-
Allowance for impairment losses of contractual receivables	-	(13)	-	-
GST receivables	21	-	-	-
Other receivables	249	-	-	-
	<b>1,324</b>	<b>51</b>	-	-

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.

## 5.2 Payables

Payables are stated inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Balance Sheet.

	2022 (\$'000)	2021 (\$'000)
<b>Contractual:</b>		
Trade payables	217	303
Accrued expenses	505	187
	<b>722</b>	<b>490</b>
<b>Statutory:</b>		
FBT payable	-	2
	-	2
<b>Total payables</b>	<b>722</b>	<b>492</b>
<b>Represented by:</b>		
<b>Current payable</b>	<b>722</b>	<b>492</b>

Payables consists of:

- Contractual payables include such as accrued expenses.
- Statutory payables such as goods and services tax and fringe benefits tax

Contractual payables are classified as financial instruments and categorised as financial liabilities at amortised cost. Statutory payables 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 a contract.

The contractual payables are unsecured and are usually paid within 30 days of recognition.

Accrued expenses are recognised when the Authority, as a result of a past event, has a present obligation that can be estimated reliably, and it is probable that a payment will be required to settle the obligation.

The amount recognised as accrued expenses is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

### 5.3 Contract liabilities

	2022 (\$'000)	2021 (\$'000)
Current	4,436	5,386
Non-Current	3,119	6,506
	<b>7,555</b>	<b>11,892</b>

AASB 15 introduces Revenue Recognition based on transfer of control. The LHA have used the five step model to account for Revenue.

AASB 15 Revenue from Contracts with Customers is applicable to Application Fee Revenue received by the Authority. The Authority has treated application fees received as a contract from customers. The contract has a fixed duration and can be terminated or modified by either party. The duration of the contract is the period for which the licence holder has present enforceable rights and obligations, that being the licence term (to a maximum of three years). The Authority will assess the application and grant or refuse a licence based on pre-determined criteria. During the licence period the Authority will monitor and assess the suitability of the applicant against this criteria during the licence term.

Regulatory application fee revenue is derived from fees payable to the Authority in accordance with S24(1) (d) of the Act (Vic). These fees are recognised over the period of the licence as the licence-holder consumes the benefit of the licence pursuant to AASB 15. Contract liabilities represent the portion of Application Fees received for which the Authority has an obligation to fulfil future commitments.

The Authority has a number of applications carried over from the initial commencement of the Scheme, these are complex in nature and require further assessment to finalise.

### 5.4 Other non financial assets

#### Current other assets

	2022 (\$'000)	2021 (\$'000)
Prepayments	41	72
<b>Total current other assets</b>	<b>41</b>	<b>72</b>

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

## NOTE 6: FINANCING OUR OPERATIONS

### Introduction

This note provides information on the balances related to the financing of the Authority, including financial commitments at year-end. The Authority's recurrent operations are generally financed from cash flows from operating activities (see Cash Flow Statement).

### Structure

- 6.1 Borrowings
- 6.2 Leases
  - 6.2.1 Right of use assets
  - 6.2.2 Amounts recognised in the Statement of Comprehensive Income
  - 6.2.3 Amounts recognised in the Statement of Cashflows
- 6.3 Cash flow information and balances
  - 6.3.1 Reconciliation of net result for the period to cash flow from operating activities

### 6.1 Borrowings

	2022 (\$'000)	2021 (\$'000)
<b>Current borrowings</b>		
Lease liabilities	204	258
<b>Total current borrowings</b>	<b>204</b>	<b>258</b>
<b>Non-current borrowings</b>		
Lease liabilities	111	146
<b>Total borrowings</b>	<b>315</b>	<b>404</b>

### 6.2 Leases

The Authority leases office premises in Bendigo and eight motor vehicles. The lease contracts are typically made for fixed periods of 1-4 years with an option to renew the lease after that date. Lease payments are renegotiated every five years to reflect market rentals.

#### 6.2.1 Right use of assets

Right-of-use assets are presented in note 4.1.1.

#### 6.2.2 Amounts recognised in the Statement of Comprehensive Income

The following amounts are recognised in the Statement of Comprehensive Operating Statement relating to leases:

	2022 (\$'000)	2021 (\$'000)
Interest expense on lease liabilities	3	12
<b>Total amount recognised in the statement of comprehensive income</b>	<b>3</b>	<b>12</b>

### 6.2.3 Amounts recognised in the Statement of Cashflows

The following amounts are recognised in the Statement of Cashflows for the year ending 30 June 2022 relating to leases:

	2022 (\$'000)	2021 (\$'000)
Total cash outflow for leases	122	170

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

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Authority and for which the supplier does not have substantive substitution rights;
- the Authority has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract and the Authority has the right to direct the use of the identified asset throughout the period of use; and
- the Authority has the right to take decisions in respect of 'how and for what purpose' the asset is used throughout the period of use. This policy is applied to contracts entered into, or changed, on or after 1 July 2019.

#### Recognition and measurement of leases as a lessee

##### Lease liability - initial measurement

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

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

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

##### Lease Liability – subsequent measurement

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

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right of use asset is already reduced to zero.

##### Presentation of right-of-use assets and lease liabilities

The Authority presents right-of-use assets as 'property, plant and equipment' unless they meet the definition of investment property, in which case they are disclosed as 'investment property' in the balance sheet. Lease liabilities are presented as 'borrowings' in the balance sheet.

### 6.3 Cash flow information and balances

	2022 (\$'000)	2021 (\$'000)
<b>Cash and cash equivalents</b>		
Total cash and deposits disclosed in the balance sheet - Authority	24,465	20,325
<b>Balance as per cash flow statement</b>	<b>24,465</b>	<b>20,325</b>

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

	2022 (\$'000)	2021 (\$'000)
<b>Net result for the period</b>	<b>7,467</b>	<b>6,698</b>
<b>Non-cash movements</b>		
Depreciation and amortisation	433	312
	<b>7,900</b>	<b>7,010</b>
<b>Movements in assets and liabilities</b>		
Decrease/(increase) in receivables	333	(49)
Decrease/(increase) in other assets	(254)	(210)
(Decrease)/increase in payables	621	463
(Decrease)/increase in contract liabilities	(4,337)	(3,121)
(Decrease)/increase in employee benefits	284	652
<b>Net cash inflows from operating activities</b>	<b>4,547</b>	<b>4,745</b>

Cash flows arising from operating activities are disclosed inclusive of GST.

## NOTE 7: RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

### Introduction

The Authority is exposed to risks from both its activities and external 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 presents information on the Authority's financial instruments, contingent assets and liabilities.

### Structure

- 7.1 Financial instruments specific disclosures
  - 7.1.1 Categories of financial assets
  - 7.1.2 Categories of financial liabilities
  - 7.1.3 Financial instruments: categorisation
  - 7.1.4 Financial risk management objectives and policies
- 7.2 Contingent assets and contingent liabilities

### 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.

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

#### 7.1.1 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 the Authority to collect contractual cash flows; and
- the assets' contractual terms give rise to cash flows that are solely payments of principal and interests.

These assets are initially recognised at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost using the effective interest rate method less any impairment.

The Authority recognises the following assets in this category: cash and deposits, receivables (excluding statutory receivables).

##### Property, plant and equipment at fair value

Fair value is the price that would be received to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date.

The following assets are carried at fair value: buildings, motor vehicle and plant and equipment

The valuation methods used by management in compliance with AASB 136 are, discounted cash flow, quoted price in active market, physical depreciation and obsolescence.

### **Derecognition of financial assets**

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

- the rights to receive cash flows from the asset have expired; or
- the Authority retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a ‘pass through’ arrangement; or
- the Authority 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 risks and rewards of the asset, but has transferred control of the asset.

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

### **7.1.2 Categories of financial liabilities**

#### **Financial liabilities at amortised cost**

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

- payables (excluding statutory payables); and
- borrowings (including lease liabilities).

#### **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 Comprehensive Operating Statement.

### 7.1.3 Financial instruments: categorisation

2021-2022	Contractual financial assets at amortised cost (\$'000)	Contractual financial liabilities at amortised cost (\$'000)	TOTAL (\$'000)
<b>Contractual financial assets</b>			
Cash and cash deposits	24,465	-	24,465
<b>Net cash inflows from operating activities</b>	<b>24,465</b>	<b>-</b>	<b>24,465</b>
<b>Contractual financial liabilities</b>			
<i>Payables</i>			
Trade payables and accrued expenses (excluding statutory payables)	-	722	722
Borrowings	-	315	315
<b>Total contractual financial liabilities</b>	<b>-</b>	<b>1,037</b>	<b>1,037</b>
2020-2021	Contractual financial assets at amortised cost (\$'000)	Contractual financial liabilities at amortised cost (\$'000)	TOTAL (\$'000)
<b>Contractual financial assets</b>			
Cash and cash deposits	20,325	-	20,325
<b>Total contractual financial assets</b>	<b>20,325</b>	<b>-</b>	<b>20,325</b>
<b>Contractual financial liabilities</b>			
<i>Payables</i>			
Trade payables and accrued expenses (excluding statutory payables)	-	492	492
Borrowings	-	404	404
<b>Total contractual financial liabilities</b>	<b>-</b>	<b>896</b>	<b>896</b>

### 7.1.4 Financial risk management objectives and policies

The activities of the Authority expose it to a variety of financial risks, market risk, credit risk and liquidity risk. This note presents information about the Authority's exposure to each of these risks, and the objectives, policies and processes for measuring and managing risk.

The Commissioner as the Responsible Body of the Authority has the overall responsibility for the establishment and oversight of the risk management framework. The overall risk management program seeks to minimise potential adverse effects on the financial performance of the Authority. The Authority uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, other price risks and ageing analysis for credit. Risk management is carried out by the Authority's management under policies approved by the Commissioner as the Responsible Body. The Commissioner provides written principles for overall risk management, as well as policies covering specific areas such as credit risk.

The main risks that the Authority is exposed to through its financial instruments are as follows:

**(a) Credit risk**

Credit risk is the risk of financial loss to the Authority as a result of a Licencee failing to meet its contractual obligations. Credit risk arises principally from receivables.

The Authority minimises concentrations of credit risk by undertaking transactions with a large number of Labour Hire providers who must pay regulatory fees to apply for and maintain a Labour Hire Licence. The Authority is not materially exposed to any individual debtor.

There has been no material change to the Authority's credit risk profile in 2021-22.

**(b) Market risk**

Market risk is the risk that changes in market prices will affect the fair value or future cash flows of the Authority's financial instruments. Market risk comprises of foreign exchange risk, interest rate risk and other price risk. The Authority's exposure to market risk is primarily through interest rate risk. There is insignificant exposure to foreign exchange risk and other price risk.

Objectives, policies and processes used to manage these risks are disclosed in the paragraphs below:

*(i) Interest rate risk*

The Authority has minimal exposure to interest rate risk through its holding of other financial assets.

*(ii) Other price risk*

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, whether these changes are caused by factors specific to the individual financial instrument or its issuer; or by factors affecting all similar financial instruments traded in the market. The Authority is not currently exposed to these risks.

There is minimal market risk to the Authority's cash on hand and cash equivalents.

**(c) Liquidity risk**

Liquidity Risk is the risk that the Authority will not be able to meet its financial obligations as they fall due. The Authority's policy is to settle financial obligations within 14 days and in the event of a dispute make payments within 30 days from the date of resolution.

The Authority manages liquidity risk by maintaining adequate reserves of cash and by continuously monitoring actual cash flows against forecast cash flows of the Authority.

## 7.2 Contingent assets and contingent liabilities

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

Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively. There were no material contingent assets or liabilities at 30 June 2022 (30 June 2021, \$nil).

## NOTE 8: OTHER DISCLOSURES

### Introduction

This note provides information on other disclosures that impact the Authority.

### Structure

- 8.1 Responsible persons
- 8.2 Remuneration of executives
- 8.3 Related parties
- 8.4 Events occurring after the balance date
- 8.5 Auditors remuneration
- 8.6 Ex gratia expenses
- 8.7 Australian Accounting Standards issued that are not yet effective

### 8.1 Responsible persons

In accordance with the Ministerial Directions issued by the Assistant Treasurer under the FMA, the following disclosures are made regarding responsible persons for the reporting period.

The following lists the responsible persons for the Authority during the year:

Name	Title	From	To
The Hon. Tim Pallas MP	Minister for Industrial Relations	01 Jul 2021	30 Jun 2022
Steve Dargavel	Labour Hire Licensing Commissioner	01 Jul 2021	30 Jun 2022

### Remuneration

The Minister's remuneration and allowances is set by the Parliamentary Salaries and Superannuation Act 1968 and is reported within the State's Annual Financial Report.

Remuneration received or receivable by the Accountable Officer and other responsible persons in connection with the management of the Labour Hire Authority during the reporting period was in the range of \$330,000 - \$339,999.

### 8.2 Remuneration of executives

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

- Short-term employee benefits include amounts such as wages, salaries, annual leave or sick leave that are usually paid or payable on a regular basis, as well as non-monetary benefits such as allowances and free or subsidised goods or services;
- Post-employment benefits include pensions and other retirement benefits paid or payable on a discrete basis when employment has ceased;
- Other long-term benefits include long service leave, other long-service benefit or deferred compensation; and
- Termination benefits include termination of employment payments, such as severance packages.

## Remuneration of Executive Officers

	2022 (\$'000)	2021 (\$'000)
Short-term employee benefits	633	252
Post-employment benefits	68	22
Other long-term benefits	11	3
<b>Total remuneration</b>	<b>712</b>	<b>277</b>
<b>Total number of executives</b>	<b>3</b>	<b>2</b>
<b>Total annualised employee equivalents</b>	<b>3</b>	<b>1</b>

<sup>(i)</sup> No Executive Officers meet the definition of Key Management Personnel (KMP) of the entity under AASB 124 Related Party Disclosures and as such, are not included in the related parties note disclosure (Note 8.3).

<sup>(ii)</sup> Annualised employee equivalent is based on the time fraction worked over the reporting period.

## 8.3 Related Parties

The Authority is a wholly owned and controlled entity of the State of Victoria. Related parties of the Authority 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);
- All departments and public sector entities that are controlled and consolidated into the whole of state consolidated financial statements.
- All Cabinet Ministers and their 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 year, the Authority had the following government-related entity transactions (inclusive of GST):

	2022 (\$'000)	2021 (\$'000)
<i>Amounts recognised as income in the Comprehensive Operating Statement</i>		
Entity and nature of transaction		
Grants from Department of Premier and Cabinet	47	606
<b>Total remuneration</b>	<b>47</b>	<b>606</b>

### Key management personnel

KMP (as defined in AASB 124 Related Party Disclosures) are those persons having authority and responsibility for planning, directing and controlling the activities of the Authority, directly or indirectly. KMP of the Authority includes the Portfolio Minister and Executive Officers of the Authority as listed under responsible persons in Note 8.1.

	2022	2021
Short-term employee benefits	942	466
Post-employment benefits	91	61
Other long-term benefits	11	3
<b>Total</b>	<b>1,044</b>	<b>530</b>

<sup>(i)</sup> The Authority did not employ any KMPs as a contractor through an external service provider during the reporting period.

## Transactions with key management personnel and other related parties

Given the breadth and depth of State government activities, related parties transact with the Victorian public sector in a manner consistent with other members of the public. Further employment of processes within the Victorian public sector occur on terms and conditions consistent with the *Public Administration Act 2004* and Codes of Conduct and Standards issued by the Victorian Public Sector Commission. Procurement processes occur on terms and conditions consistent with the Victorian Government Procurement Board requirements.

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

No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

## 8.4 Events occurring after the balance date

There have been no matters and/or circumstances that have arisen since the end of the reporting period which significantly affect or may significantly affect the operations of the Authority, the results of those operations, or the state of affairs of the Authority in future financial years.

## 8.5 Auditors Remuneration

Auditors remuneration for auditing the financial statements of the Authority excluding GST for 2021/22 has been set at \$28,700 (FY21 was \$25,000) by the Victorian Auditor-General Office (VAGO). No other benefits were received or are receivable by VAGO.

## 8.6 Ex gratia expenses

Ex gratia expenses are voluntary payments of money or other non-monetary benefit (eg. a write off) that are 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 Authority.

The Authority has granted waivers in special circumstances under s 35A of the Act.

	2022 (\$'000)	2021 (\$'000)
Forgiveness of waiver of debt	34	0

## Notes

(a) Includes ex gratia payments for both individual items and aggregate that are greater than or equal to \$5,000.

## 8.7 Australian Accounting Standards issued that are not yet effective

As at 30 June 2022, the following applicable standards and interpretations had been issued but were not mandatory for the financial year ending 30 June 2022. The Authority has not and does not intend to adopt these standards early.

Standard/ Interpretation (1)	Summary	Effective date	Effective date for the entity	Estimated impact
AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current	This Standard amends AASB 101 to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. It initially applied to annual reporting periods beginning on or after 1 January 2022 with earlier application permitted however the AASB has recently issued AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date to defer the application by one year to periods beginning on or after 1 January 2023. The Authority will not early adopt the Standard	1 Jan 2023	1 July 2023	Based on a preliminary assessment by the Authority, there will be no significant impact.

The following accounting pronouncements are also issued but not effective for the 2021-22 reporting period. At this stage, the preliminary assessment suggests they may have insignificant impacts on public sector reporting.

- AASB 17 *Insurance Contracts*.
- AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities (Appendix C)*.
- AASB 2020-2 *Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities*.
- 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*.

## Independent Auditor's Report

### To the Commissioner of the Labour Hire Licensing Authority

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<b>Opinion</b>	<p>I have audited the financial report of the Labour Hire Licensing Authority (the authority) which comprises the:</p> <ul style="list-style-type: none"><li>• balance sheet as at 30 June 2022</li><li>• comprehensive operating statement for the year then ended</li><li>• statement of changes in equity for the year then ended</li><li>• cash flow statement for the year then ended</li><li>• notes to the financial statements, including significant accounting policies</li><li>• statutory certification.</li></ul> <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the authority as at 30 June 2022 and its financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
<b>Basis for opinion</b>	<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>
<b>Commissioner's responsibilities for the financial report</b>	<p>The Commissioner 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 Commissioner 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 Commissioner 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>

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**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 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 Commissioner
- conclude on the appropriateness of the Commissioner’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 Commissioner 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  
18 October 2022



Timothy Maxfield  
*as delegate for the Auditor-General of Victoria*



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## DISCLOSURE INDEX

The LHA's annual report is prepared in accordance with all relevant Victorian legislations and pronouncements.

This index has been prepared to facilitate identification of the LHA's compliance with statutory disclosure requirements.

DIRECTION	DISCLOSURE	PAGE REFERENCE
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<b>Report of operations</b>		
<i>Charter and purpose</i>		
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FRD 22	Purpose, functions, powers, and duties	6-15
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FRD 22	Compliance with building and maintenance provisions of <i>Building Act 1993</i>	40
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FRD 22	Application and operation of the <i>Public Interest Disclosures Act 2012</i>	40-41
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# REFERENCE DATA

## Data summary – as at 30 June 2022

Total applications lodged with the LHA	6,995
Total licences granted by the LHA	6,320
Total current licences	5,309
Total number of labour hire employees to be engaged over the next 12 months	523,000

## Licensing data – 1 July 2021 to 30 June 2022

New licence applications made	925
New licences granted	1044
New licences granted with conditions	18
New licences granted without conditions	1026
Licence applications withdrawn	97
Licence renewal applications made	80
Licence variation applications made	182
Licence variations granted	1
Notices of intention to refuse issued	150
Licences refused	118
Warnings issued	1213
Notices of intention to cancel (show cause notices) issued	940
Total licences cancelled	848
Licences cancelled by the LHA	373
Licences cancelled on request	475
Objections received against applications for a labour hire licence	0
Special Circumstances applications made	69
Special Circumstances applications granted	28
Special Circumstances applications refused	24
Special Circumstances applications were invalid (incomplete)	17
Annual reports lodged	4205

## Licensing data – 1 July 2021 to 30 June 2022

Telephone calls were received by our general enquiries line	8367
Live calls	6447
Call backs	1920
% of phone calls from labour hire providers	84%
% of phone calls concerning the application process	32%
% of phone calls about fees	21%
% of phone calls resolved by the LHA	99%
% of calls referred to other agencies	1%
Problems reported in the <i>LHA Report a Problem</i> form	215
Emails received by our enquiries mailbox	5675
Emails sent from our enquiries mailbox	6417
Requests for information sent to applicants and licence holders	1867
Notifications sent to providers (including final warnings, cancellation, refusal, and suspension notices)	1474

**Labour hire providers by industry (as a % of total labour hire providers in Victoria) –  
1 July 2021 to 30 June 2022**

Accommodation & food services	0.98%
Administrative & support services	4.95%
Agriculture – farming	0.91%
Agriculture – growing	0.32%
Agriculture – packing	0.57%
Agriculture – production	0.38%
Arts & recreation services	0.60%
Cleaning – commercial	16.5%
Cleaning – non-domestic building	0.73%
Construction	9.1%
Education & training	2.98%
Electricity, gas, water & waste services	2.60%
Financial & insurance services	3.53%
Health care & social assistance	4.33%
Horticulture	7.59%
Hospitality	0.32%
Information media & telecommunications	4.28%
Manufacturing (other)	4.64%
Meat manufacturing & processing	2.65%
Mining	1.79%
Other services (including repair & maintenance, person & other services)	6.72%
Professional, scientific & technical services (including IT)	11.59%
Rental hire & real estate services	0.39%
Retail trade	1.56%
Security, public administration & safety	4.30%
Transport, postal & warehousing	5.03%
Wholesale trade	0.68%

**Labour hire providers by industry (as a % of total labour hire providers in Victoria) –  
1 July 2021 to 30 June 2022**

Number of providers that <b>supply transportation</b> to labour hire workers	505
Number of providers that do <b>not supply transportation</b> to labour hire workers	4804
Number of providers that <b>supply accommodation</b> to labour hire workers	203
Number of providers that <b>do not supply accommodation</b> to labour hire workers	5106
Number of providers that <b>supply workers</b> with visas to hosts	1711
Number of providers that <b>do not supply workers</b> with visas to hosts	3598



## LABOUR HIRE AUTHORITY



### Website

[www.labourhireauthority.vic.gov.au](http://www.labourhireauthority.vic.gov.au)



### Email

[enquiries@labourhireauthority.vic.gov.au](mailto:enquiries@labourhireauthority.vic.gov.au)



### Postal Address

*Labour Hire Authority*  
PO Box 393  
Bendigo VIC 3552



### Telephone

1300 545 200



### Opening hours

9:00am – 5:00pm



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