Attachment E:
2025-26 Budget submission and template – Additional guidance

1. Staffing costs
* All **Victorian Public Service (VPS) staffing** costings should be calculated using the costs in the **Standard costing model for VPS staff** in the following tables. **VPS Aligned** classifications covered by the Victorian Public Service Enterprise Agreement 2024 should also be calculated using this methodology.
* For **Non-VPS Aligned Adaptive Structures**, departments are requested, in consultation with DTF, to use the **mid salary point** for the respective classification and grade and apply the same methodology as per the standard costing model for VPS staff below (i.e. replace the VPS salary point with the desired classification).
* The method for costing other non-standard staffing costs and staffing classifications covered by other enterprise agreements is to be agreed with DTF on a case-by-case basis.
* **Year-on-year indexation should not be applied to staffing costs.**
* The costing template has been set up to calculate the standard VPS costs, these are calculated based on the year in which the VPS staff commences and are static across the forward estimates. The example below shows how the standard cost would be calculated for a new VPS 5 starting in 2024-25 and 2025-26.

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | 2024-25 | 2025-26 | 2026-27 | 2027-28 | Ongoing |
| **Staffing classification** | **No. of staff** | **Starting year** | **Sunset year** | **Location** |  |  |  |  |  |
| VPS 5 | 1 | 2024-25 | Ongoing | Metro suburban | $164,199 | $164,199 | $164,199 | $164,199 | $164,199 |
| VPS 5 | 1 | 2025-26 | Ongoing | Metro suburban |  | $171,346 | $171,346 | $171,346 | $171,346 |

* Salary costs should be calculated as the proportion of the year that FTE staff will be employed. For example: costs in 2025-26 for a 1.0 FTE VPS staff member that will begin on 1 December 2025 should be calculated as 7/12 months or 58.3 per cent of the total standard cost.

## Standard costing model for VPS staff

DTF has prepared a standard cost model that must be used for all 2025-26 budget submissions that include costings for VPS staff. The standard cost model covers both executive and non-executive officers and is based on the salary increases in the VPS Enterprise Agreement (2024 VPS EBA) and the Government’s Wages Policy and Enterprise Bargaining Framework. The salary points in the following tables should apply from the year in which the VPS staff commences.

| VPS staff – Commencing in 2024-25 (a) |
| --- |
|   | VPS 2 | VPS 3 | VPS 4 | VPS 5 | VPS 6 | STS | SES-1 | SES-2 |
| 2024-25 mid salary point | $66,857  | $85,046  | $101,504  | $121,247  | $157,354  | $215,721  | $231,211  | $318,207  |
| Mobility payment  | $0  | $0  | $0  | $0  | $0  | $0  | $0  | $0  |
| Superannuation | $7,689  | $9,780  | $11,673  | $13,943  | $18,096  | $24,808  | $26,589  | $36,594  |
| Salary on-costs – Rate | 12.74% | 12.74% | 12.74% | 12.59% | 12.31% | 12.06% | 11.28% | 11.28% |
| Mobility on-cost – Rate | 7.87% | 7.87% | 7.87% | 7.87% | 7.87% | 7.87% | 0.00% | 0.00% |
| On-costs – $ | $8,515  | $10,831  | $12,927  | $15,262  | $19,373  | $26,018  | $26,079  | $35,892  |
| Operating costs | $13,747  | $13,747  | $13,747  | $13,747  | $13,747  | $13,747  | $13,747  | $13,747  |
| Total standard cost | $96,807  | $119,405  | $139,851  | $164,199  | $208,569  | $280,294  | $297,626  | $404,440  |

Note:

(a) The mid salary point of salaries at 1 July 2024, per the 2024 VPS EBA.

| VPS staff – Commencing in 2025-26 (a)(b) |
| --- |
|   | VPS 2 | VPS 3 | VPS 4 | VPS 5 | VPS 6 | STS | SES-1 | SES-2 |
| 2025-26 mid salary point | $68,863  | $87,598  | $104,549  | $124,885  | $162,075  | $222,193  | $238,147  | $327,753  |
| Mobility payment  | $915  | $1,148  | $1,389  | $1,635  | $2,173  | $2,919  | $0  | $0  |
| Superannuation | $8,373  | $10,649  | $12,713  | $15,182  | $19,710  | $27,013  | $28,578  | $39,330  |
| Salary on-costs – Rate | 12.78% | 12.78% | 12.78% | 12.63% | 12.35% | 12.10% | 11.32% | 11.32% |
| Mobility on-cost – Rate | 7.87% | 7.87% | 7.87% | 7.87% | 7.87% | 7.87% | 0.00% | 0.00% |
| On-costs – $ | $8,869  | $11,281  | $13,466  | $15,897  | $20,189  | $27,116  | $26,956  | $37,098  |
| Operating costs | $13,747  | $13,747  | $13,747  | $13,747  | $13,747  | $13,747  | $13,747  | $13,747  |
| Total standard cost | $100,767  | $124,423  | $145,863  | $171,346  | $217,892  | $292,988  | $307,427  | $417,928  |

Note:

(a) The mid salary point of salaries at 1 July 2025, per the 2024 VPS EBA.

(b) The mobility payment rates as per 1 July 2025, per the 2024 VPS EBA.

| VPS staff – Commencing in 2026-27 (a)(b) |
| --- |
|   | VPS 2 | VPS 3 | VPS 4 | VPS 5 | VPS 6 | STS | SES-1 | SES-2 |
| 2026-27 Mid Salary point | $70,929  | $90,226  | $107,685  | $128,631  | $166,937  | $228,859  | $245,291  | $337,586  |
| Mobility payment  | $942  | $1,183  | $1,431  | $1,685  | $2,238  | $3,006  | $0  | $0  |
| Superannuation | $8,624  | $10,969  | $13,094  | $15,638  | $20,301  | $27,824  | $29,435  | $40,510  |
| Salary on-costs – Rate | 12.78% | 12.78% | 12.78% | 12.63% | 12.35% | 12.10% | 11.32% | 11.32% |
| Mobility on-cost – Rate | 7.87% | 7.87% | 7.87% | 7.87% | 7.87% | 7.87% | 0.00% | 0.00% |
| On-costs – $ | $9,135  | $11,620  | $13,870  | $16,374  | $20,794  | $27,930  | $27,764  | $38,211  |
| Operating costs | $13,747  | $13,747  | $13,747  | $13,747  | $13,747  | $13,747  | $13,747  | $13,747  |
| Total standard cost | $103,377  | $127,744  | $149,827  | $176,075  | $224,017  | $301,365  | $316,238  | $430,054  |

Note:

(a) The mid salary point of salaries at 1 July 2026, per the 2024 VPS EBA.

(b) The mobility payment rates as per 1 July 2026, per the 2024 VPS EBA.

| VPS staff – Commencing in 2027-28 (a)(b) |
| --- |
|   | VPS 2 | VPS 3 | VPS 4 | VPS 5 | VPS 6 | STS | SES-1 | SES-2 |
| 2027-28 Mid Salary point | $73,057  | $92,933  | $110,916  | $132,490  | $171,946  | $235,724  | $252,650  | $347,713  |
| Mobility payment  | $970  | $1,218  | $1,474  | $1,735  | $2,305  | $3,096  | $0  | $0  |
| Superannuation | $8,883  | $11,298  | $13,487  | $16,107  | $20,910  | $28,658  | $30,318  | $41,726  |
| Salary on-costs – Rate | 12.78% | 12.78% | 12.78% | 12.63% | 12.35% | 12.10% | 11.32% | 11.32% |
| Mobility on-cost – Rate | 7.87% | 7.87% | 7.87% | 7.87% | 7.87% | 7.87% | 0.00% | 0.00% |
| On-costs – $ | $9,409  | $11,968  | $14,286  | $16,866  | $21,418  | $28,767  | $28,597  | $39,357  |
| Operating costs | $13,747  | $13,747  | $13,747  | $13,747  | $13,747  | $13,747  | $13,747  | $13,747  |
| Total standard cost | $106,066  | $131,164  | $153,909  | $180,943  | $230,325  | $309,993  | $325,312  | $442,543  |

Note:

(a) The mid salary point of salaries at 1 July 2027, per the 2024 VPS EBA..

(b) The mobility payment rates as per 1 July 2027, per the 2024 VPS EBA.

| VPS staff – Commencing in 2028-29 (a)(b) |
| --- |
|   | VPS 2 | VPS 3 | VPS 4 | VPS 5 | VPS 6 | STS | SES-1 | SES-2 |
| 2028-29 Mid Salary point | $75,248  | $95,720  | $114,243  | $136,464  | $177,104  | $242,796  | $260,230  | $358,144  |
| Mobility payment  | $999  | $1,255  | $1,518  | $1,787  | $2,374  | $3,189  | $0  | $0  |
| Superannuation | $9,150  | $11,637  | $13,891  | $16,590  | $21,537  | $29,518  | $31,228  | $42,977  |
| Salary on-costs – Rate | 12.78% | 12.78% | 12.78% | 12.63% | 12.35% | 12.10% | 11.32% | 11.32% |
| Mobility on-cost – Rate | 7.87% | 7.87% | 7.87% | 7.87% | 7.87% | 7.87% | 0.00% | 0.00% |
| On-costs – $ | $9,692  | $12,327  | $14,714  | $17,371  | $22,061  | $29,630  | $29,455  | $40,538  |
| Operating costs | $13,747  | $13,747  | $13,747  | $13,747  | $13,747  | $13,747  | $13,747  | $13,747  |
| Total standard cost | $108,836  | $134,686  | $158,114  | $185,959  | $236,823  | $318,880  | $334,659  | $455,407  |

Note:

(a) 3.0 per cent growth has been assumed for 2028-29 salaries in line with the Government’s current Wages Policy.

(b) 3.0 per cent growth has been applied to the mobility payment as per 1 July 2027 to reflect the growth in salaries.

## Notes to the Standard costing model for VPS staff

The standard costing model is based on the following assumptions.

### Salary

* VPS staff are employed at the salary mid-point for their respective VPS grade, in line with the Victorian Public Service Enterprise Agreement 2024 (VPS EBA 2024).
* Salary growth rate of 3.0 per cent has been applied in 2028-29, in line with the Government's current Wages Policy.
* The limited cash payment is not included in the costing model due to employment on 28 June 2024 eligibility criteria.
* Executive Officer (EO) total remuneration package (TRP) is based on the midpoint TRP for the relevant classification effective from 1 July 2024, as advised by the Victorian Public Sector Commission.
* 3.0 per cent growth has been assumed to the Executive officer TRP in line with the Government current wages policy.

### Mobility payments

* No payment is included for 2024-25 reflecting the assumption that new employees have not commenced at the time of payment (1 July 2024).
* Based on the payment for an employee employed at the mid-point of their respective VPS Grade.
* 3.0 per cent growth has been assumed to the mobility payment rates to reflect the growth in salaries and conditions in 2028-29.

### Superannuation

* Calculated at 11.5 per cent for 2024-25 and 12 per cent from 2025-26 respectively to reflect the legislated increases in Superannuation Guarantee contributions.

### Salary on-costs

* Salary on-costs are calculated as a percentage of the salary to be paid and are based on the following assumptions (per year):
	1. the state government administration WorkCover premium rate is 1.024 per cent of rateable remuneration and is based on the industry rates published on the WorkSafe Victoria website. The WorkCover premium rate is applied to wages, allowances, superannuation and leave loading
	2. the payroll tax rate is 4.85 per cent of taxable wages, 1 per cent has been added for the mental health and wellbeing surcharge and a further 1 per cent for the COVID-19 debt temporary payroll tax surcharge. This is applied to wages, allowances, superannuation and leave loading
	3. recreation leave loading at the rate of 17.5 per cent of salary for four weeks annual leave, capped at the VPS 4 level
	4. long service leave provision has been calculated at the rate of 2.5 per cent.
* The salary on-costs may be adjusted where an initiative requires employment of a specialist workforce where the average on-costs for this workforce vary materially to the on-cost rates above. For example, the on-costs could be amended where the WorkCover premium rate paid in relation to this workforce significantly exceeds the average rate, or where the nature of the workforce requires significant use of penalty rates.

### Operating costs

* Operating costs include an estimated average allowance for stationery, telephones, printing, training etc. and includes the metropolitan Cenitex charge for the provision of a single PC.
* The operating costs do not include any of the following costs as additional expenditure should not be incurred for the majority of positions:
	1. accommodation (e.g. rental and fit-out)
	2. employee establishment costs (e.g. purchase of additional IT equipment, furniture); or
	3. motor vehicle.

If the budget proposal needs to include costings for any of the above costs, the submission should clearly justify the inclusion and provide a detailed estimate of these costs, including the basis of this estimate.

1. Other policy and program specific costs

The methodology for the costing of other policy and program specific costs will vary on a **case‑by‑case basis**, however, as a general rule, departments should aim to provide sufficient justification that demonstrates **what** is being purchased, **why** it is required, and **how** the costs have been derived.

DTF requests that departments:

* consider the **Costing guiding principles** in the following table when calculating any non-staffing policy and program specific costs
* engage with DTF early in the costing process to discuss the preferred costing methodology/approach.

For those departments that are eligible to seek indexation, non-wage costs should generally be indexed at 2.5 per cent.

## Costing guiding principles

|  |  |  |
| --- | --- | --- |
| Components/activity | Cost drivers/methodology | Assumptions/supporting information |
| * Distinct activities and components of costings should be disaggregated, categorised and logically presented. For example, this could include, but is not limited to, separating:
	1. output from asset costs;
	2. staffing costs from other non‑staffing policy and program-specific costs;
	3. distinct items to be purchased, activities and functions to be performed;
	4. business areas of the department, teams’ structure, and roles;
	5. VPS staff, VPS Aligned, Non‑VPS Aligned Adaptive Structures (covered by the Victorian Public Service Enterprise Agreement) and other staffing classification captured by other enterprise agreements;
	6. services and activities performed by the department;
	7. services purchased from or via a third party;
	8. services or funding administered on behalf of a third party.
	9. reprioritised internal funding, user charges and other revenue.
 | * Costings should be presented in Microsoft Excel with all calculations and formulas accessible.
* Unit prices and quantities should be clearly visible and justified.
* Costing methodologies and cost drivers could include, but are not limited to:
	1. Variable costs/demand driven models; this may include price escalation and assumptions.
	2. Unit and fixed price elements; where price of a good or a service is not subject to change and costs are largely driven by price and quantity.
	3. Project and milestone driven models; where costs are dictated by agreed milestones or staged implementation.
	4. Capped, price floors or step costs; this could include expenses that are constant for a given level of activity, but increase, decrease or plateau once a threshold is crossed.
* Staffing costs are to be derived using standard costing methodologies such as the standard costing model for VPS staff (above) – other models/methodologies are to be agreed with DTF prior to use.
* Financial implications should be presented across the forward estimates period and should include ongoing costs (if necessary).
 | * Outcome achievement, the costing and associated supporting information should demonstrate the contribution towards achievement of, and should align with, each initiative’s proposed objectives.
* Robust data and evidence based: costing should be supported by appropriate evidence and assumptions. This could include but is not limited to:
	1. reference to source data, rates used and why they have been chosen;
	2. if costs are based on historical activity or experience, supporting information should detail assumptions and why a similar methodology is still applicable.
* Marginal costs only: supporting information should demonstrate that the requested funding represents the marginal costs of the activity only (i.e. incorporates existing funding and efficiencies provided from established departmental structures and processes).
* In the absence of robust data and standardised methodologies: assumptions used to calculate costs should be canvassed, sufficiently justified and agreed with DTF.
* Demand bids: these should outline the key drivers of the expected growth in a service or program and should be supported by:
	1. a disaggregation of costs into key demand drivers (population, service expansion and price); evidence / data of current utilisation; and
	2. assumption underlying anticipated growth.
 |

1. Program Budgeting (Output only)

Departments[[1]](#footnote-2) are required to identify the programmatic and departmental operating (non-programmatic) components of new output funding requests. This is reflected in updates to the business case and costing templates.

This involves separating proposed expenditure on an initiative into the following functional categories:

* ***Program:*** activities, services, projects, and expenditure that directly serves the public.
* ***Corporate:*** activities and expenditure with the immediate purpose of supporting the operation of departments and agencies.
* ***Program Enabling Support (PES):*** activities and expenditure required to support the delivery of programs but does not directly benefit the Victorian community.
* ***WoVG Capability***: functions which do not strictly support a program, but rather the basic operation of Government (mostly relevant to DPC, DTF and DGS).
* ***Grant Administration***: activities or expenditure directly related to supporting the delivery of a grant program(s).
* ***Departmental Activities and Operations:*** this is not a distinct functional category but an umbrella term comprising the corporate, PES, WoVG capability, and grant administration categories. This classification will be used for aggregating all non-programmatic departmental operating costs.

The short form business case (Attachment D) contains a free text box beneath the budget impact funding table. This can be used by departments to provide any additional information that can help to support the request for Departmental Activities and Operations funding that is not found elsewhere in the template. For example, it might explain the request to provide a regulatory function within the department without which the service delivery (programmatic) component of the initiative would not be possible.

* 1. Guidance for the completion of costing templates

To enable the collection of program budgeting data, two additional columns have been added to the costing templates. For each output cost, select the relevant functional category from a dropdown list in the *PB Functional category* column.

In the *Program/WoVG Capability name* column, departments should include the names of any impacted programs as per their agreed departmental program structure. Program areas should refer to the [Program Budgeting SharePoint Hub](https://vicgov.sharepoint.com/sites/DTFPBHub) for access to their department’s program structure which contains a list of program/WoVG capability names for their department.

Once complete, the contents of the summary table in the Summary worksheet can be pasted into Table 6.2 of the short form business case template.

For more information and further guidance about program budgeting, please refer to the Program Budgeting Transitional Guidance at [Program Budgeting Reform page](https://www.dtf.vic.gov.au/program-budgeting-reform)  or via the [Program Budgeting SharePoint Hub.](https://vicgov.sharepoint.com/sites/DTFPBHub)

For any questions about program budgeting and its requirements in the budget submission process, please contact: program.budgeting@dtf.vic.gov.au

1. Gender Impact Assessments

### How to determine whether a GIA is required

The *Gender Equality Act 2020* requires a GIA to be completed for initiatives that directly and significantly impact the public. Any submission lodged for BFC consideration is considered to have a significant impact. Most initiatives will have a direct impact on the public, as they will be seeking to provide a benefit to Victorian people or a group of people, unless the initiative is directed solely at the internal operations or activities of departments that do not engage with the public (e.g. salaries and superannuation, internal IT infrastructure).

Government can also influence gender equality through initiatives that impact on public sector workforces. As the Gender Equality Act requires organisations to complete a Gender Equality Action Plan (GEAP) in relation to their workforce, this analysis may be used in place of a GIA for initiatives that are actions arising from the GEAP. For initiatives that support these employees, a GIA should be completed.

To assist business case writers, this has been linked to the Program Budgeting functional categories.

|  |  |
| --- | --- |
| Program Budgeting functional category | GIA requirement for budget |
| Program | GIA required unless gender impacts have already been assessed with a GEAP |
| Corporate | GIA not required, but can be valuable |
| Program Enabling Support (PES) | GIA required |
| WoVG Capability | GIA required |
| Grant Administration | GIA required |

While Program Budgeting does not apply to asset funding, the same principles should apply when it comes to the need for a GIA.

GIAs must, where feasible, apply an intersectional approach to the analysis of gendered issues. This means that a GIA should consider how compounding intersections of disadvantage (including Aboriginality, age, disability, ethnicity, gender identity, race, religion, sexual orientation) may influence how different cohorts of people may be impacted by an initiative.

### How to undertake a GIA

Templates and guidance materials to help you undertake a GIA are available at: <https://www.genderequalitycommission.vic.gov.au/gender-impact-assessment-toolkit>

There are four key steps to undertaking a GIA:

1. Consider how gender shapes the initiative - challenge assumptions you may have about whether your proposal affects people of different genders differently
2. Understand your context - collect data to understand how gender shapes the policy context
3. Options analysis - consider alternative options for proposed initiative
4. Make recommendations - select the most cost beneficial options that adapt to gendered differences in the design of the initiative (noting that the cost-benefit analysis should consider gendered cost-benefits in addition to financial considerations)

**Tips**

* Outline any gender differences in benefits and outcomes of the proposed solution, including consideration of intersectionality i.e. intersectional analysis or consideration of compounding intersections of disadvantage (including Aboriginality, age, disability, ethnicity, gender identity, race, religion, sexual orientation).
* Explain how gender considerations have shaped the design of the recommended solution – where possible provide expected numbers of people/groups who will benefit from this program or service.
* For submissions that are expected to have a positive impact on gender equality, specify if the primary impact of the solution is on increasing gender equality, or if this is a secondary benefit that can be achieved alongside other outcomes. Provide specific quantifiable impacts if possible.
* If your GIA indicates that the gender impacts are expected to be neutral, this must be supported by evidence, not assumed. Or, if your GIA indicates that the gender impacts are expected to be unknown this should only be for cases of insufficient data being available to ascertain gender impacts
* Highlight specific data sources that were used to understand how the problem or proposed solution impacts people of different genders.
* Explain how the overall assessment of Gender Impact was concluded.
* Consider how intersectional factors like socio-economic status, cultural and language background, and LGBTIQ+ identity interact with gender impacts. For example, whether Aboriginal women experience the problem differently to non-Aboriginal women and how the recommended solution accounts for this.
* Include detail of impacts for scaled options and alternatives.

For further assistance, please contact the Gender Responsive Budgeting team at genderresponsivebudgeting@dtf.vic.gov.au.

1. First Peoples Engagement
* ​​All submissions that directly affect or involve First Peoples must indicate the level of engagement which has occurred in developing the proposal. As a guide, the table below provides a reference in accordance with Victorian Aboriginal Affairs Framework (VAAF)’s continuum towards self-determination.
* ​Departments are expected to indicate the level of engagement and provide additional information beyond what is included in the table including how the engagement took place and how the views of First Peoples informed the submission.
* ​Departments should also indicate if the submission was developed as part of a formal partnership arrangement with First Peoples, Aboriginal Community Controlled Organisations (ACCOs) and Aboriginal Governance Forums.
* ​The submission should outline whether the First Peoples Assembly of Victoria has been engaged and confirm that the proposal is in line with Victoria’s Treaty obligations and Treaty process for Statewide Treaty and local Traditional Owner Treaties.
* DTF will collect information through the budget process to understand how departments are engaging with First Peoples and how current structures and processes are facilitating self-determination.

|  |  |  |  |
| --- | --- | --- | --- |
| Level of Engagement | Participation description | Role of First Peoples | Engagement Method |
| Inform | Provide First Peoples with information to assist them in understanding the problem and recommend alternative solutions | Listen | Ministerial Media Release. Department’s website  |
| Consult | Seek feedback on alternatives and solutions to the problem | Contribute | Open community forums Open workshops Written submission |
| Involve | Work directly with First Peoples to ensure community concerns and aspirations are directly reflected in the recommended solution  | Participate | CommitteesCommunity Leadersone-on-one meetings |
| Partnership | To partner with First Peoples in each aspect of the process including identifying the problem, defining alternative solutions and developing the recommended solution | Partner | Co-design |
| Community-led decision-making) | To place final decision-making on First Peoples communities | Decide | Communicate final decision to departments |

1. Climate Action Assessment

The Climate Action Assessment process will gather information on the potential climate action impacts of Government policies and processes brought forward for annual budget considerations. All business cases must include an attached **Climate Action Screening and Assessment Template.**

There are two sections to this template:

* A Climate Action Screening (section 1 of the Template) that must be filled for all initiatives. This section determines if an initiative is likely to have a material impact on Victoria’s climate action goals, and
* A Climate Action Assessment (section 2 of the template) that must be filled in only for initiatives that are identified in section 1 as likely to have a material impact on Victoria’s climate action goals.

The Climate Action Screening and Assessment Template is at Attachment G.

Climate Action Assessment Guidelines are available to provide assistance filling out the Climate Action Screening and Assessment Template, as well as providing further information on Victoria’s climate action goals and legislation. The Guidelines are available at Attachment H.

For further information regarding the Climate Action Assessment process, please contact climate.change@delwp.vic.gov.au

1. **Estimating upfront carbon in Victorian Infrastructure Business Cases**

Building on the Climate Action Assessment process, for major infrastructure submissions to the 2025‑26 Budget, government departments and agencies will be requested to:

* complete a questionnaire on their strategies or plans to reduce upfront carbon impact arising from infrastructure projects; and
* for infrastructure funding submissions of $50 million TEI and greater, estimate the upfront carbon (Co2e) impact of the project and indicate potential mitigation measures.

This includes:

* a single infrastructure project of $50 million or greater; or
* a number of small infrastructure projects that collectively total $50 million or greater; and
* assets already under construction or the operationalising of infrastructure, where the request for funding is $50 million or greater.

The Department of Treasury and Finance has developed an estimation tool to support this request and the excel workbook is located at Attachment J. A copy of the completed workbook should be attached to the business case submission.

**Upfront carbon**

Upfront carbon is a term used to describe the carbon emissions associated with the creation of an asset, network or system up to practical completion. This includes the carbon emissions associated with the:

* supply of raw materials and manufacture of building products such as reinforced steel, concrete, cladding etc;
* transportation of building products to site; and
* construction, installation, and commissioning of the asset.

**Strategies and plans to reduce the impact of upfront carbon**

Many departments and agencies have started to embark on an infrastructure decarbonisation journey.

Step 1 of the tool enables you to simply identify what decarbonisation strategies you currently have in place.

**Estimating upfront carbon emissions for business case purposes**

Steps 2-4 enable you to calculate the project’s estimated upfront carbon (Co2e) based on the:

* type of asset (hospital, highway road, water treatment plant etc.;
* total capital infrastructure project cost (TEI $); and
* type of capital works that will be completed (i.e. refitting existing building, new build or modular/prefab).

Step 5 enables you to identify decarbonisation actions you are implementing to reduce the emissions impact of the project.

The tool includes step by step instructions and examples to follow. The tool has been developed based on the methodology adapted from [NSW Government’s *Embodied Carbon Measurement for Infrastructure: Technical Guidance*](https://www.infrastructure.nsw.gov.au/expert-advice/decarbonising-infrastructure-delivery/) and aligns with an internationally recognised carbon management standard (PAS 2080:2023) adopted across several leading jurisdictions such as UK, Europe and USA.

**Limitations**

The accuracy of the upfront carbon estimate is limited to information and carbon intensity benchmarks set at the asset level. It is recognised that carbon emissions are released across the whole of life of asset creation, operation and decommissioning; however, this estimate is limited to asset creation. Future evolutions of this guidance will aim to capture data at the material level along with emissions across the whole of life of an asset.

For questions regarding the guideline and the estimation tool, please contact DTF - Tim Grieve, Director, Strategy & Productivity, Infrastructure Division at tim.grieve@opv.vic.gov.au

1. Owner’s Costs

Owner’s costs comprise multiple elements and typically exclude the cost of purchasing land, construction costs, associated minor works and private operator payments.

To improve the transparency of these costs, DTF has developed more detailed guidance to assist delivery agencies to achieve more consistent reporting and monitoring of owner’s costs.

**Definition of owner’s costs**

DTF considers the below definition of owner’s costs as the best-fit for delivery agencies to apply when reporting on owner’s costs.

***“All costs incurred by the agency which do not relate to the cost of purchasing land, third party construction costs and minor works and private operator payments.”***

**Distinction between Owner’s Costs and Consultancy Costs**

More complex projects may require larger project teams and higher administration and consultancy costs. Consultancy costs should only be included in the FTE forecast and budget for owner’s costs if the consultancy resource is integrated into the organisational structure (e.g. requires a desk, IT equipment and/or software, etc). If a resource is part of a major contract and not integrated into the organisational structure, it should not be included in owner’s costs.

**Updated Owner’s Costs Reporting Structure**

A more comprehensive owner’s cost reporting structure is shown in Table 1 below. The **main owner’s costs categories are shown in blue** **in the left column**, with examples of cost components listed in the right column. **The reporting of total owner’s costs for each of the relevant main categories is required by all delivery agencies**.[[2]](#footnote-3) DTF recognise that not all categories of owner’s costs will be relevant to every delivery agency’s project and/or program’s reporting structure. As such, the costs should be aligned appropriately.[[3]](#footnote-4)

The main sub-categories are shown in the left column in white italics, with the details of these specific cost components listed directly opposite. While a sub-category breakdown of owner’s costs is not required, it is provided as further guidance for the alignment of costs under the broader main category.

**Table 1: standardised guidance for owner’s costs reporting structure – detailed**

|  |  |
| --- | --- |
| **categories and sub-categories** | **cost components** |
| **Legal & Commercial** | advisory services including cost estimation, legal, commercial, procurement, constructability, contract management, and probity advisors  |
| *procurement advisory* | costs involved with acquiring goods and services with external sources e.g. transport/shipping/freight costs and customs duties, warehousing etc.  |
| *commercial advisory* | market analysis, business development, strategic planning, consulting fees etc. |
| *legal and contractual costs* | contract drafting, negotiations, legal advice, due diligence, payments etc. |
| *staff related costs* | staff costs, resources, admin, and other office costs |
| *other* | probity services, audit services, alliance advisors, IT related costs, contractors general |
| **Design & Engineering** | design, engineering, concept, and detailed design |
| *civil* | design support construction, design support procurement, design project management, cost estimators/Quantity Surveyor services |
| *architectural* | structural engineering, functional design, final reference design, detailed design, planning and overall design, spatial layout, functionality and building structure, general architectural design |
| *mechanical and electrical* | noise and acoustic monitoring etc. |
| *digital* | IT related costs, digital engineering, software |
| *land and development property* | urban planning/design, strategic options analysis, site surveys and valuations |
| *safety* | traffic management planning, regulatory compliance, investigations etc. |
| *staff related costs* | staff costs, resources, admin, and other office costs |
| *other*  | contractors general |
| **Project Management**  | project management staff, package development, industry capability, office/general expenses |
| *resources* | office/general expenses, training and educational programs/workshops, package development |
| *staff related costs* | staff costs, admin, and other office costs |
| *other* | industry capability, contractors general |
| **Communications & Stakeholder Relations** | corporate and media affairs, stakeholder relations and communications including with utility providers, agencies, operators, council, and community consultation |
| *advertising and marketing* | general, campaign and functional advertising, signage, events, promotional items, publications, marketing |
| *stakeholders* | stakeholder support and engagement, councils, third party communications, and stakeholder relations |
| *staff related costs* | staff costs, resources, admin, and other office costs |
| *other* | Key Performance Indicator (KPI) surveys, call centres, 3D modelling etc. |
| **Stakeholder Reimbursements** | stakeholder reimbursements (project/program admin related), stakeholder reimbursements (excluding private operator payments and unsuccessful bid fees) |
| **Land Planning & Environment** | geotechnical investigations, environmental impact assessments (e.g. flora and fauna), general quality assessments (e.g. for air, water, noise, and habitat), sustainability/program initiatives, contamination, interface controls, aerial photography and videos, staff costs, admin, and other office costs, aboriginal cultural heritage, environmental auditing |
| **Project Controls** | cost controls, interface controls, forecasting, project scheduling, organisational risk management, surveillance, and quality  |
| **Safety, Health & Human Resources (HR)** | health and safety costs, safety management and compliance, resources, office assets and general HR admin |
| **Executive Office** | executive office/staff, executive support functions and other executive associated costs, corporate costs, ODG, contractors general, office assets |
| **Finance** | corporate finance, accounting, insurances, back-office staff, staff/salary costs, resources, admin and other office costs, interest expenses, financing fees, equity investment costs, corporate charges and management reserve |
| **IT** | expenses for general technology resources e.g. hardware, cybersecurity, infrastructure and telecommunication costs, staff related costs, training and education programs, workshops etc. |
| **Facilities & Business Services** | facilities, project office, reports and business services |
| **Unsuccessful Bid Fees** | program costs (within project), other unsuccessful procurement/opportunity costs |
| **Other** | miscellaneous/general costs, post completion (e.g. suppliers/contractors associated with managing post completion/defects activities), graduate program |

1. Other guidance

**Changing people’s behaviour**

The DPC Behavioural Insights Unit (BIU) should be engaged on submissions that will require behaviour change for the initiative to be successful. Examples of behaviour include take up of programs, grants or licenses, timely payments, reduction in program behaviours, attraction and recruitment to public sector jobs, and attendance at services such as hospitals, courts or tourism activities.

The BIU can provide advice on initiative, service or communications design, and/or program effectiveness evaluation methods.

Please contact behavioural.insights@dpc.vic.gov.au for more information.

**Infrastructure procurement (assets only)**

For major capital investments, Departments are required to incorporate a procurement strategy into a business case as selection of the right procurement approach can be a powerful driver of project success.

The procurement strategy should reflect best practice expectations on the procurement strategy development process as outlined in the updated *Procurement - Investment Lifecycle and High Value High Risk Guidelines Part 2: Developing the procurement strategy* which can be found at: <https://www.dtf.vic.gov.au/investment-lifecycle-and-high-value-high-risk-guidelines/procurement>.

The *Procurement - Investment Lifecycle and High Value High Risk Guideline:*

* contains best practice guidance on how to select a preferred procurement model and project structuring, bundling and packaging approach when preparing a business case; and
* explains the types of procurement models approved for use by Victorian Government agencies and outlines available policy guidance and contracts that support each model.

For more information please contract: infrastructure.delivery@dtf.vic.gov.au.

**Digital strategy**

Digital Victoria drives digital transformation across government, making it easier for business, communities and citizens to connect with government. Submissions that relate to digital strategy (including digital identity), transformation, design and innovation, cyber security, data insights and shared government services should make contact when developing related bids.

See www.vic.gov.au/digital-strategy-transformation or contact John Clayton at Department of Government Services for more information.

**Land acquisition and surplus land identification (asset only)**

As a key enabler of infrastructure projects, early land identification and assessment is important facilitate timely delivery. The business case requires sufficient detail of land purchase needs and an assessment of the risks, requirements, and timelines to achieve them.

The business case also needs to include details of each property that is expected to become surplus if the initiative is approved. For example, funding is provided to build a new school, which results in an existing school being closed two years later. In cases such as this, the Victorian Government Landholding Policy and Guidelines requires the existing site(s) to be declared surplus to facilitate its timely sale. The sale price of a property should be based on book value, valuation or an estimate of value provided by the Valuer-General Victoria.

Land acquisition:

* Provide details of the land needs (e.g. location, size).
* Provide details of the land acquisition strategy, including whether suitable land has already been identified, estimated timelines and processes to acquire and take possession of the land, who will undertake the acquisition, identified risks and mitigation actions.
* The Department should consult with DTP Land and Property in developing the Land Acquisition Strategy.

Surplus Land identification:

* Include the address, value and estimated year of sale of each property that is expected to become surplus if the initiative is approved in Table 12 below.
* Ensure these figures are also included in Table 13 in section 9.2 under “Offsets from other sources“.
* The Department should consult with DTP Land and Property to confirm these details.

**Capital project escalation rates model (asset only)**

Additional guidance on escalation rate forecasts is available for the development of new infrastructure project business cases and costings.

Project type specific escalation rates are available for all forms of transport projects, as well as justice, culture sport and communities, social housing, hospitals, schools and energy and renewables. (See Attachment I - Infrastructure Escalation Budget Template 2025-26).

The latest version of the forecasts are based on the June 2024 Producer Price Indices.

For further information on the escalation rate forecasts and accompanying model contact Jamie Jacob (Jamie.jacob@dtf.gov.au) or Andrew Tarrant (andrew.tarrant@dtf.vic.gov.au).

1. This does not include Court Services Victoria [↑](#footnote-ref-2)
2. The cost components listed are to be used as guidance. Delivery agencies should follow the rules of ‘best-fit’ to ensure that all owner’s costs are captured, categorised and reflected correctly. [↑](#footnote-ref-3)
3. A nil response for a specific owner’s costs category indicates that a delivery agency does not report on these costs i.e. costs will be assumed zero. [↑](#footnote-ref-4)