

PARLIAMENT OF VICTORIA

Public Accounts and Estimates Committee



2023–24 Financial and Performance Outcomes Questionnaire

Breakthrough Victoria

Question 13 (all departments and entities) Revenue – variances from previous year

Please explain any changes equal to or greater than $\pm 10\%$ or \$100 million between the actual result for 2022–23 and the actual result for 2023–24 for each revenue category detailed in your operating statement. Please also indicate what any additional revenue was used for or how any revenue reductions affected service delivery and then link it to the relevant output and portfolio.

Please also detail the outcomes in the community¹ achieved by any additional expenses or the impact on the community of reduced expenses (if there was no impact, please explain how that was achieved).

If there were no revenue/income categories for the department/agency for which the 2023–24 expenditure changed from the prior year's expenditure by more than $\pm 10\%$ or \$100 million, you do not need to answer this question. If this is the case, please indicate 'no relevant line items' in the table(s) below.

Note: Breakthrough Victoria received \$175.015 million in capital funding from the Department of Jobs, Skills, Industry and Regions in 2023-24.

¹That is, the impact of service delivery on the community rather than a description of the services delivered.

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Revenue category	2022–23 actual (\$ million)	2023–24 actual (\$ million)	Explanations for changes ±10% or \$100 million	How the additional revenue was used/the impact of reduced revenue. If no impact, how was this achieved	Relevant output(s) and portfolio(s)
Grant revenue	75.000	0	For Breakthrough Victoria’s first two years, the Government provided grant funding to support the establishment and development of Breakthrough Victoria’s operations. Due to efficiencies achieved, Breakthrough Victoria was able to repurpose \$25.015 million of those funds towards investment commitments.	The funds that were provided in 2022-23 for Breakthrough Victoria’s operating costs were applied over the first two years of the company’s operations.	N/A
Investment income	8.525	13.369	The increase in Breakthrough Victoria’s investment income was due to the following factors: (a) Investments in convertible notes (yielding interest) increased from \$39.6 million to \$115.3 million as Breakthrough Victoria’s investment portfolio scaled up. (b) The rate of interest on Breakthrough Victoria’s bank deposits increased from 3.04% to 4.43%.	The interest income from convertible notes is accrued, as it is subject to redemption or equity conversion upon maturity or satisfaction of other applicable conditions. Interest on bank deposits is applied to help fund Breakthrough Victoria's operating costs.	N/A
Total Income	83.525	13.369			

Question 14 (all departments and entities) Revenue – variances from budget to actual

Please explain any variances equal to or greater than $\pm 10\%$ or \$100 million between the initial budget estimate (not the revised estimate) and the actual result for 2023–24 for each revenue category detailed in your operating statement. Please also indicate what any additional revenue was used for or how any revenue reductions affected service delivery and then link it to the relevant output and portfolio.

Note: Breakthrough Victoria received \$175.015 million in capital funding from the Department of Jobs, Skills, Industry and Regions in 2023-24.

Revenue category	2023–24 Budget estimate (\$ million)	2023–24 actual (\$ million)	Explanations for changes ±10% or \$100 million	How the additional revenue was used/the impact of reduced revenue. If no impact, explain why	Relevant output(s) and portfolio(s)
Grant revenue	25.215	0	As noted in Question 13, Breakthrough Victoria's operating costs for 2023-24 were funded from the 2022-23 allocation.	Breakthrough Victoria utilised unspent funds received during the first two years to support its operations in 2023-24.	N/A
Investment income	9.469	13.369	<p>The variance from budget is primarily due to Breakthrough Victoria's greater use of convertible notes in its investments. As of June 2024, Breakthrough Victoria invested \$112.8 million via convertible notes, compared to a budgeted amount of \$38.6 million.</p> <p>Breakthrough Victoria's budget assumed an interest yield on bank deposits of 3.7%, whereas the actual weighted average yield was 4.43%, following official RBA rate increases.</p>	<p>As noted in Question 13, interest income from convertible notes is accrued, as it is subject to redemption or equity conversion upon maturity or satisfaction of other applicable conditions.</p> <p>Interest on bank deposits is applied to help fund Breakthrough Victoria's operating costs.</p>	N/A
Total Income	34.684	13.369			

Section D: Expenses

Question 15 (all departments and entities) Expenses changed from previous year

Please explain any changes equal to or greater than $\pm 10\%$ or \$100 million with regards to the actual result for 2022–23 and the actual result for 2023–24 for each category of expenses detailed in your operating statement. Please explain any changes equal to or greater than $\pm 10\%$ or \$100 million with regards to the actual result for 2023–24 and the 2023–24 budget estimate. Please also detail the outcomes in the community² achieved by any additional expenses or the impact on the community of reduced expenses (if there was no impact, please explain how that was achieved).

Expenses category	2022–23 actual \$ million	2023–24 actual \$ million	Explanations for variances $\pm 10\%$ or \$100 million	Outcomes achieved by additional expenses/impact of reduced expenses. If no impact, how was this achieved
Employee expenses	9.878	12.201	<p>The increase was due to:</p> <ul style="list-style-type: none"> The first full-year impact of recruiting and managing Breakthrough Victoria’s workforce; and salary adjustments in-line with public sector policy. 	Resourcing Breakthrough Victoria to its full staffing complement enabled it to deliver on its investment plan.
Administration expenses	6.819	4.928	During 2022-23, Breakthrough Victoria incurred one-off costs to establish its core business systems and workforce to support delivery against its investment mandate.	One-off costs incurred in 2022-23 to establish core organisational capability enabled Breakthrough Victoria to fulfil its investment mandate more efficiently and with lower administrative expenses in 2023-24.
Expenses category (contd.)	2022–23 actual \$ million	2023–24 actual \$ million	Explanations for variances $\pm 10\%$ or \$100 million	Outcomes achieved by additional expenses/impact of reduced expenses. If no impact, how was this achieved

²That is, the impact of service delivery on the community rather than a description of the services delivered.

Depreciation and amortisation	0.523	0.610	Increase in depreciation due to full year impact of capital expenditure made in 2022-23 (\$1.2 million), as well as minor additional capital expenditure during 2023-24.	Breakthrough Victoria's capital expenditure during 2022-23 (for leasehold improvements, furniture and fittings and computer equipment) was critical to delivering on the company's mandate.
Grant expenses	5.000	-	No grant expenses were incurred in 2023-24, as the capital funding received was only for investment purposes.	No impact, as no grant expenses were budgeted for 2023-24.
Net gain/(loss) on financial instruments	(2.632)	1.328	The variance is due to: (a) investment valuation adjustments; and (b) Foreign exchange revaluations.	These figures reflect the overall outcome for Breakthrough Victoria's portfolio, which includes upward and downward revaluations of equity-accounted investments, as well as foreign exchange impacts on foreign-denominated investments. The majority of these gains and losses are unrealised.
Total Expenses	24.852	16.411		

Expenses category	2023–24 budget \$ million	2023–24 actual \$ million	Explanations for variances $\pm 10\%$ or \$100 million	Outcomes achieved by additional expenses/impact of reduced expenses. If no impact, how was this achieved
Employee expenses	14.691	12.201	Employee expenses were below budget due primarily to a reduction in Breakthrough Victoria’s total workforce (43.3 actual FTE (excluding 0.5 FTE labour hire) compared to a budgeted 59 FTE); and implementation of a more streamlined organisational structure announced in March 2024.	<p>These changes reflect the natural evolution of Breakthrough Victoria and ensure the organisational structure is fit for purpose with a stabilised workforce model.</p> <p>The alignment of resources, processes and ways of working ensure the delivery of the best financial performance and risk-adjusted returns to the fund, as Breakthrough Victoria continues to grow our assets under management.</p>
Administration expenses	6.904	4.928	The variance is mainly attributable to lower investment-related expenses (actual: \$1.1 million vs. budget: \$2.8 million), as the due diligence costs were optimised through development of in-house capabilities, formation of a legal panel and sharing of costs with investees.	These outcomes position Breakthrough Victoria for sustained operations by enhancing capabilities, optimising costs, and building stronger investor relationships.
Depreciation and amortisation	0.748	0.610	Actual CAPEX for IT and leasehold improvements was lower than budget.	Breakthrough Victoria managed its capital requirements and achieved value for money during procurement for IT equipment and other fixed assets.
Net gain/(loss) on financial instruments	5.180	1.328	Net gains on investments were partly offset by foreign exchange losses.	The majority of these gains and losses are unrealised. Realisation occurs when there is a liquidity event (e.g. exit, sale or IPO). Breakthrough Victoria as a patient investor, has not realised any exits at this time.
Net Expenses	17.163	16.411		

Question 16 (all departments, PFC, PNFC and entities) Changes to service delivery from savings initiatives

For each of the savings initiatives detailed in the 2023–24 Budget please provide the following details of the impact on service delivery:

- a) Savings target in the 2023–24 Budget and the amount of the savings target allocated to the department/entity.
- b) Actual savings achieved in 2023–24 and the actions taken to achieve the savings target allocated and their impact, including the link to the relevant output and portfolio impacted.

Savings initiative in the Budget	Savings target allocated to the department/entity in 2023–24 \$ million	Actual savings achieved in 2023–24 \$ million	Actions taken to achieve the allocated savings target	What was the impact as a result of the measures taken to achieve the savings target? <i>(e.g. frontline and/or other areas of business that saw the impact)</i> If no impact, how was this achieved	Which output(s) and portfolio(s) were impacted (if relevant)
Labor’s Financial Statement savings	N/A				
Whole of Government savings and efficiencies	\$0.2m	\$0.2m The capital funding of \$175.015 million received by Breakthrough Victoria, following the repurposing of operating funds, was net of \$0.2m.	Initiated a range of operational efficiencies that reduced costs.	Repurposed retained earnings to cover operating expenditure therefore activities were managed within the reduced budget.	N/A Operations were managed within the reduced budget.
COVID Debt Repayment Plan – savings and efficiencies	N/A				

Question 19 (PNFC and PFC entities only) Dividends and other amounts paid to the general government sector

Please detail the type and value of dividends, amounts equivalent to dividends, non-dividend grants, and capital repatriations paid by your agency to the general government sector in 2023–24, explaining the reasons for any significant changes over that period and the impact of any changes on the entity.

Please provide the economic funding ratio or accounting funding ratio as applicable at 30 June 2024. Please provide details of the methodology used for the ratio calculation.

Type of dividend paid	2023–24 Budget (\$ million)	2023–24 Actual (\$ million)	Explanations for variances $\pm 10\%$ or \$100 million	Impact on the agency (including on financial position, investment, impacts on service delivery or infrastructure projects). If no impact, how was this achieved.	Funding ratio at 30 June 2024
N/A					

The 2024-25 Victorian Budget extended the life of the Breakthrough Victoria Fund from 10 years to 15 years. Due to the nature of its investments in startups and firms requiring patient capital, time is required for companies to mature and for our investments to exit, which will generate realised financial returns.

Breakthrough Victoria is already seeing the result of its investments. Breakthrough Victoria’s investments have led to more \$650m co-invested in its portfolio companies, significantly improving the opportunity for those companies to scale and have impact. The ratio of co-invested capital to Breakthrough Victoria’s investments since inception is \$2.67 for every \$1 invested by BV.

Economic funding ratio / accounting funding ratio as at 30 June 2024	Details of the methodology
N/A	

The funding ratio is used to compare the total assets against the present value of the liabilities, and generally more applicable to gauge the financial position of pension funds. Considering Breakthrough Victoria's financial position, our assets mainly consist of cash reserves available for the deployment of investments and operational needs, and assets under management, whereas the liabilities include trade payables, lease liabilities and other provisions for staff benefits etc. The total liabilities as of 30 June 2024 are less than 1% of total assets of Breakthrough Victoria.

Section F: Public sector workforce

Question 21 (all departments and entities) Full Time Equivalent (FTE) staff by level and category

a) Please provide total FTE as of 30 June 2022, 30 June 2023, 30 June 2024 and provide explanation for more than \pm -10% change in FTE between years.

30 June 2022 Actual FTE	30 June 2023 Actual FTE	30 June 2024 Actual FTE	Explanations of variance \pm -10% between 30 June 2022 and 30 June 2023	Explanations of variance \pm -10% between 30 June 2023 and 30 June 2024
38 23 employees 4 secondees 11 labour-hire	54.6 51.1 employees 0 secondees 3.5 labour-hire	43.8 41.5 employees 1.8 secondees 0.5 labour-hire	<p>Following the appointment of the CEO in November 2021, recruitment of the full workforce complement commenced, with most roles appointed and onboarded between April 2022 and September 2022.</p> <p>During this establishment period, FTE peaked at 54.9 (Aug-23), with a small number of labour-hire resource maintained to close out establishment activity by end-Q1 FY24.</p> <p>Note that Breakthrough Victoria's employment profile is not directly comparable with private sector VC funds. Breakthrough Victoria has a much broader remit, from VC to growth capital, platform and fund investments; and its Constitution and Statement of Principles stipulates an impact mandate and specific compliance and reporting requirements.</p>	<p>The changes reflect the natural evolution of BV and ensure the organisational structure is fit for purpose. The alignment of resources, processes and ways of working ensure the delivery of the best financial performance and risk-adjusted returns to the fund, as Breakthrough Victoria continues to grow its assets under management.</p> <p>The skills mix in Breakthrough Victoria's investment teams includes investment professionals with expertise in impact investing, VC and asset management. Breakthrough Victoria's staff are experts in investment, portfolio management and finance with the skills required to manage its substantial investment pipeline and deliver on its impact mandate.</p>

- b) For 2023–24, please provide information regarding any staffing challenges faced by the department, including but not limited to: staff shortages by category or position name, positions that were hard to staff, positions that were vacant for 6+ months, positions that have not equalled or surpassed attrition.

Breakthrough Victoria competes with the wider VC ecosystem for suitably skilled staff. After the completion of changes to the organisational structure in 2024, Breakthrough Victoria expects stabilisation of the resourcing model in 2024-25 and onwards. Some natural attrition will be expected where staff are due to complete their initial contract term (3Y in 2025).

Question 22 (all departments and entities) Salary by employment category

In the table below, please detail the salary costs for 2021–22, 2022–23 and 2023–24, broken down by ongoing, fixed-term and casual, and explain any variances equal to or greater than ±10% or \$100 million between the years for each category.

Employment category	Gross salary 2021–22 (\$ million)	Gross salary 2022–23 (\$ million)	Gross salary 2023–24 (\$ million)	Explanation for any year-on-year variances ±10% or \$100 million
Ongoing	-	-	0.31	Breakthrough Victoria staff hired prior to Dec-2023 were appointed under a fixed-term (3-5 years) contract. Staff employed or re-contracted after Dec-2023 are employed on ongoing contracts.
Fixed-term	2.16	8.83	9.98	Fixed term costs increased during 2022-23 as compared to 2021-22, due to hiring across the vacant positions, as Breakthrough Victoria shifted from its establishment phase to its operational phase.
Casual	3.41	1.26	0.61	Breakthrough Victoria observed gradual decline in the casual labour as vacant positions were filled to meet organisational needs. (For headcount analysis, please refer to Q21).
Total	5.57	10.09	10.90	

Question 23 (all departments and entities) Executive salary increases

Please detail the number of executives who received increases in their base remuneration in 2023–24, breaking that information down according to what proportion of their salary the increase was, and explaining the reasons for executives’ salaries increasing in each bracket.

Increase in base remuneration	Number of executives receiving increases in their base rate of remuneration of this amount in 2023–24, apart from increases outlined in employment agreements			Reasons for these increases
	Female	Male	Self-described	
0-3%	-	-	-	
3-5%	-	-	-	
5-10%	-	-	-	
10-15%	2	1	-	Mid-contract adjustment following Public Entity Executive Classification Framework (PEECF) classification review and external analysis of industry benchmarking.
greater than 15%	1	1	-	Mid-contract adjustment following PEECF classification review and external analysis of industry benchmarking.

Question 24 (all departments and entities) Enterprise Bargaining Agreement (EBAs)

Please list the Enterprise Bargaining Agreements (EBAs) concluded in 2023–24 that had an impact for the department/agency. For each EBA, please show the number of employees affected and the change in employee expenses attributable to the EBA.

Enterprise Bargaining Agreement	Number of employees affected	Number of employees as a % of department/entity	Change in employee expenses attributable to the EBA (\$ million)	Change in employee expenses attributable to the EBA (\$ million) as a % of total employee expenses
N/A				

The minimum terms and conditions of employment for non-executive employees of BV are set by the National Employment Standards (NES) and the Fair Work Commission.

Breakthrough Victoria Executive Employees are employed under the Victorian Government Public Entity Executive Remuneration (PEER) Policy and use the Victorian Public Service Commission (VPSC) 'Standard Executive Employment Contract' (Standard Contract for use by Victorian public entities when employing executives).

Section G: Government decisions impacting on finances

Question 25 (all departments and entities) Commonwealth Government and National Cabinet decisions

Please identify any Commonwealth Government and National Cabinet decisions during 2023–24 which had not been anticipated/not been concluded before the finalisation of the State budget in 2023–24 and their impact(s) on the department’s/entity’s finances or activities during those years (including new funding agreements, discontinued agreements and changes to funding levels). Please quantify the impact on income and expenses where possible.

Commonwealth Government decision	Impact(s) in 2023–24	
	on income (\$ million)	on expenses (\$ million)
N/A		
National Cabinet decision	Impact(s) in 2023–24	
	on income (\$ million)	on expenses (\$ million)
N/A		

Section H: General

Question 26 (all departments and entities) Reviews/studies/evaluations undertaken

- a) Please list all internal³ and external reviews/studies/evaluations, established, commenced or completed by or on behalf of the department/agency in 2023–24 and provide the following information:
- i. Name of the review/evaluation and which portfolio and output/agency is responsible
 - ii. Reasons for the review/evaluation
 - iii. Terms of reference/scope of the review/evaluation
 - iv. Timeline for the review/evaluation
 - v. Anticipated outcomes of the review/evaluation
 - vi. Estimated cost of the review/evaluation and final cost (if completed)
 - vii. Where completed, whether the review/evaluation is publicly available and where. If no, why it is not publicly available.

Name of the review (portfolio(s) and output(s)/agency responsible)	Reasons for the review/evaluation	Terms of reference/scope	Timeline	Anticipated outcomes	Estimated cost (\$)	Final cost if completed (\$)	Publicly available (Y/N) and URL If no, why.
Capital Human Pty Ltd	Diversity, equity and inclusion audit and action plan development	To inform Breakthrough Victoria’s approach to diversity, equity, and inclusion as an impact investor and signatory to the UN Principles of Responsible Investing	Complete	Action Plan proposal for Board review	15,000	15,000	No – internal working document that includes advice for a Board deliberative process.
Boards Global Pty Ltd	Company governance review	As per Principle 10 of the Australian Institute of Company Directors of good governance: board evaluation	Complete	Ongoing commitment to governance standards for commercial entities	65,700	65,700	No – standard practice for good corporate governance

³ Internal reviews do not include internal costings. Internal reviews/evaluations include any reviews or evaluations undertaken by your department and not given to external consultants. Internal reviews/evaluations do not include inquiries carried out by Parliamentary Committees or reviews undertaken by integrity agencies.

Mercer Consulting (Australia) Pty Ltd	Industry benchmarking review	To inform Breakthrough Victoria's remuneration framework	Q3 2024	Industry benchmarking to support strategic planning	85,000	Not complete	N/A
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b) Please outline the Department's/Agencies in house skills/capabilities/expertise to conduct reviews/studies/evaluations of the programs and services for which the Department /Agency is responsible.

Breakthrough Victoria contracts an independent internal audit provider who plans and completes a risk-based internal audit plan annually, which is approved by the Board. The plan typically consists of 4-5 internal reviews, and to date has covered most areas of Breakthrough Victoria's business. Additionally, the Risk and Compliance team periodically conducts second-line risk assessments of key processes and controls to supplement this review coverage.

Question 30 (all departments and entities) Challenges experienced by department/agency

Please list a minimum of three main challenges/risks faced by the department/agency in 2023–24.

A significant challenge may be any matter or strategy that impacted the department/agency, whether it arose externally or internally or as a result of new policy or legislation.

	Challenge experienced	Internal/ External	Causes of the challenge	Action taken to manage the challenge/risk
1.	Macroeconomic investment conditions and co-investor sentiment	External	Throughout the economic cycle, investors’ appetite for risk changes, and the availability of capital fluctuates – due to factors such as changes in interest rates and the availability of investment opportunities.	Breakthrough Victoria will continue to invest in line with its mandate. Breakthrough Victoria prioritises investment through partnership and co-investment with leading academic institutions and the private sector. This is an important contribution to Victoria’s growth and productivity through enabling innovation and de-risking investment opportunities.
2.	Portfolio risk management	External	Investments in innovative ideas and new breakthrough technologies naturally carry risks.	Breakthrough Victoria is committed to achieving a financial return for Victoria. It does this by providing patient, long-term capital that is needed by early-stage and developing innovative companies to grow and become successful. On average it can take 7-10 years for an early-stage company to mature to the stage where an investor can exit and realise their investment. Returns on individual investments are not immediate nor guaranteed. Breakthrough Victoria actively seeks to maintain and manage a balanced portfolio and range of approved investment activity, to achieve a return across the portfolio in the life of the fund.
3.	Maintaining an engaged and high-performing	Internal	Venture Capital as a sub-section of private investment is an	In 2023-24, Breakthrough Victoria transitioned to an outsourced recruitment model, working with partners with specific networks within a specific job-field (i.e. IT, Risk) or industry (i.e. investment and asset management industry). We introduced

workforce of investment professionals		emerging profession with just over 100 active firms in Australia, and highly competitive remuneration structures.	targeted recruitment based on role-profile so that where relevant, Breakthrough Victori utilises the best channels, the most effective go-to-market strategies and the best language to attract suitable candidates (e.g. Women in Investment). In FY23-24, Breakthrough Victoria conducted analysis and development of a fit-for-purpose, industry aligned compensation model, allowing Breakthrough Victoria to attract and retain high-performing investment professionals.
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