

TRANSCRIPT

SELECT COMMITTEE ON THE 2026 COMMONWEALTH GAMES BID

Inquiry into the 2026 Commonwealth Games Bid

Melbourne – Friday 29 November 2024

MEMBERS

David Limbrick – Chair

Joe McCracken – Deputy Chair

Melina Bath

David Davis

Jacinta Ermacora

Michael Galea

Sarah Mansfield

Tom McIntosh

Rikkie-Lee Tyrrell

WITNESSES

Chris Barrett, Secretary,

Kate O'Sullivan, Deputy Secretary, Infrastructure,

Chris Hotham, Deputy Secretary, Budget and Finance, and

Heidi Meehan, Director, Budget and Finance, Department of Treasury and Finance.

The CHAIR: I declare open the committee's public hearings for the Inquiry into the 2026 Commonwealth Games Bid. Please ensure that mobile phones have been switched to silent and that background noise is minimised.

I welcome any members of the public in the gallery or watching via the live broadcast. I remind anyone in the room to please be respectful of the proceedings and remain silent at all times.

All evidence taken is protected by parliamentary privilege as provided by the *Constitution Act 1975* and the provisions of the Legislative Council's standing orders. Therefore the information you provide during the hearing today is protected by law. You are protected against any action for what you say during this hearing, but if you go elsewhere and repeat the same things, those comments may not be protected by this privilege. Any deliberately false evidence or misleading of the committee may be considered a contempt of Parliament.

All evidence is being recorded, and you will be provided with a proof version of the transcript following the hearing. Transcripts will ultimately be made public and posted on the committee's website.

For the Hansard record, can you please state your name and the organisation that you are appearing on behalf of.

Chris BARRETT: Chris Barrett, Secretary, Department of Treasury and Finance.

Chris HOTHAM: Chris Hotham, Deputy Secretary, Treasury and Finance.

Kate O'SULLIVAN: Kate O'Sullivan, Deputy Secretary, Infrastructure Division in DTF.

Heidi MEEHAN: Heidi Meehan, Director, Budget and Finance Division within the Department of Treasury and Finance.

The CHAIR: Great. I will just briefly introduce the committee for the record. I am David Limbrick.

Michael GALEA: G'day. Michael Galea.

Jacinta ERMACORA: Jacinta Ermacora.

Joe McCracken: Joe McCracken.

David DAVIS: David Davis.

Melina BATH: Melina Bath.

Sarah MANSFIELD: And Sarah Mansfield.

The CHAIR: I invite you to make some opening comments for about 10 minutes. Please proceed.

Chris BARRETT: Thank you, Chair. I might be a bit shorter than 10 minutes.

The CHAIR: No problem.

Chris BARRETT: Thank you for the opportunity to appear today at the inquiry into the 2026 Commonwealth Games. Before I provide a short opening statement, I would like to acknowledge the traditional

owners of the land on which we are meeting, the Wurundjeri people, and pay my respects to their elders past and present and the Aboriginal elders of other communities who may be here today.

To my statement, as you know, the Department of Treasury and Finance's role in relation to the 2026 Commonwealth Games included reviewing financial and budget impacts and providing advice to the Treasurer on the operating budget, infrastructure delivery and procurement options. At DTF's previous appearance before this committee my predecessor Mr David Martine took you through DTF's role in the timeline of events which led to the withdrawal of Victoria from the hosting of the 2026 Commonwealth Games. Since then the Victorian Auditor-General has tabled his report into the withdrawal from their 2026 Commonwealth Games, released in March of this year as the committee is well aware.

VAGO identified two recommendations in that report. As a matter of public record we, DTF, partially supported one of these recommendations and we did not support the other recommendation. Back in March the secretary of DPC and I provided a joint response on the report to the Auditor-General. While we acknowledged the report provided a reasonable summation of the total costs incurred by the state, we disagreed with some of VAGO's descriptions and findings regarding the circumstances that led to the decision to host the games and later cancel them. In response to the report, I maintain that DTF faithfully supported delivery of the government's public commitments while also providing frank, impartial and timely advice as required under the *Public Administration Act 2004*. At all times DTF complied with our obligations under the *Public Administration Act* and the VPS code of conduct.

I did not support recommendation 1, as I am strongly of the view that the advice given by DTF and by the central agencies to government on the games was comprehensive, frank, impartial and timely and met the requirements under the *Public Administration Act*. At no point prior to receiving updated costs and risks in mid-2023 did DTF consider it likely that the government would reach the point where cancellation was recommended. All agencies were continuing to work diligently to ensure the games could be delivered, to deliver the policy of the government of the day and to fully understand the overall costs and risks right up to the time that a decision by the government was made to withdraw from hosting the games.

DTF advised the government against proceeding with the games at the point in July 2023 when it became clear that the costs had increased significantly and that the investment in the games was no longer in the best interests of the state. The basis of this position was the costings and risks presented by DJSIR to government, which DTF considered represented an upper-bound estimate of the potential costs of the games. Consistent with the response the DPC secretary and I provided to the Auditor-General, we supported recommendation 2 in part as there are existing protocols in place for reviewing advice guidance documents that we consider are adequate.

DTF understands that the Victorian Public Sector Commission does not have a strict schedule of when it reviews all of its guidance but does review materials when it becomes aware of any relevant change that will have an impact on particular guidance. The *Cabinet Handbook* is reviewed at the start of the term of each government, including in the event of a returning government. A dedicated review of the handbook in light of the withdrawal from the Commonwealth Games will not be undertaken for the reasons I outlined earlier. I am confident that should any relevant and actionable findings be proposed in the future, the processes I described just now are appropriately equipped to incorporate them.

As reported in the annual financial report released in October, so just last month, DTF made the payment of \$380 million to the Commonwealth Games Federation in the 2023–24 year. There are no further outstanding financial obligations. Noting this, I want to thank this committee again for the opportunity to appear, and my colleagues and I are happy to take your questions.

The CHAIR: Thank you very much, Mr Barrett. Just a clarification point on the VAGO report, firstly: you agree with the financial estimates that the Auditor-General came up with in terms of cost?

Chris BARRETT: Yes.

The CHAIR: Great. One of the things that came to light after we met last time, after we met with DTF, was this issue around the high-value, high-risk framework. In one of the questions on notice, we received back information that the games were not assessed under this framework because it was not capital funding, it was primarily operational funding. What sort of evaluation framework was used? Is there an equivalent other framework for assessing this sort of high-budget project?

Chris BARRETT: Ms O’Sullivan can speak a bit to the high-value, high-risk guidelines. It would have been the case, Chair, if we had got to the point of delivering some of that infrastructure, obviously – some of the infrastructure was going to be delivered by local government, and I think it has been outlined to this committee before that that counts as operating expenditure from our perspective. Had we got to the point of delivering some of those capital programs, they may well have gone through a high-value, high-risk assessment in that regard. In regard to your broader question about what the processes are for assessing business cases, we do provide business case guidance, as I think is a matter of record. I know there has been a bit of discussion in this committee about the business case guidance and how well the business case complied with that guidance, but that would probably be the operating guidance.

The CHAIR: With regard to the business case, what sort of level of importance or authority was that given from DTF’s point of view? Because it was the case, as you stated in your introduction, that DTF was supporting the government’s objective until such time as you came to a decision that it was no longer in the financial interests of Victorians. Obviously, one of the key things would have been that business case. What sort of weight did that play in that decision?

Chris BARRETT: I think the business case was pretty important to the initial decision. If I recollect correctly, the business case was suggesting a benefit–cost ratio of between 0.7 and 1.6, so on balance, if you take the midpoint of that, it was going to have a BCR above 1, and that was important. Obviously if it had shown less than that, significantly less than that, then it would have been less likely to proceed. Of course there has been a bit of discussion, I know, about the fact that this was a regional games and part of the purpose was to provide benefits to regional Victoria. Government does from time to time choose to make investments in regional Victoria. The benefits are more diffuse or harder to measure or just not as large because of lower population density, nevertheless government makes those investments. So I would not say it is hard and fast, but yes, I would say a good amount, an appropriate amount, of weight was given to the business case.

The CHAIR: That cost–benefit ratio that you mentioned from the business case – was that later recalculated by DTF?

Chris BARRETT: I might ask Ms Meehan if she can speak to that. Obviously I was not Secretary at the time –

The CHAIR: Of course, yes, and I realise that is a detailed question.

Chris BARRETT: but I am going to endeavour to answer your questions wherever possible. But I might ask Ms Meehan if she can just speak to that.

Heidi MEEHAN: In relation to the cost–benefit ratio, no, we had not recalculated it. The reason that we had not recalculated it is because we were still waiting for further information back from DJSIR on a revised business case to meet that sort of target of 3.6 that VAGO quote in their report. They were due to report back on that in June 2023, and then we withdrew from the games, so there was no revised cost–benefit.

Chris BARRETT: I might just add, if I may, Chair, as it is a matter of record, that the costs were shifting over this period of time, so by definition you have got a bit of a moving target in relation to the BCR.

The CHAIR: Yes. There was a point at which DTF said this was no longer in the interests of Victorians. What was the metric that was used to make that decision? Because if the cost–benefit ratio was not recalculated, there must have been some other measure whereby DTF looked at it and said, ‘Okay, no, this isn’t going to work anymore.’ What was the actual measure that was used to determine that?

Chris BARRETT: I would not say there would be a hard-and-fast moment with these things, Mr Limbrick, because I think the record shows that there is a period of trying to nail the costs down over a period of time and the costs continuing to shift, and at various points we do not have a finalised cost. It is hard to make that judgement. But I suppose once you get to the point of very significant costs – on estimations, exceeding \$6 billion – it stands to reason that you have always got the 0.7 to 1.6 in your head, and you know that if the cost increases that significantly, then you are very likely to be well below 1. So I would not say there was a hard-and-fast moment, but I think at a certain point obviously those costs got significantly increased.

The other point that I would raise about that is the deliverability within the timeframe. I suppose when you are talking mid-2023, you are three years out from the delivery of the games. It is a hard, fixed date, and obviously it is a matter of record that there were a lot of capacity constraints in the economy and in the construction sector in particular around delivering infrastructure, so I think that would have been the other concern – just the practicality of deliverability at that point in time.

The CHAIR: I know from projects they call it the ‘iron triangle’ – if you want to change your project, you need to either change the timeline, the scope or the price. But on this we definitely could not change the timeline, and we cannot really change the scope once we have committed to it. Therefore would it be fair in summing up DTF’s view on this that the only thing that could change was the cost – by throwing more money at it to deliver in that timeframe – and if costs were already blowing out on the estimates, that meant that the cost–benefit ratio must be falling dramatically and it could only get worse? Would that be a fair summary?

Chris BARRETT: I think that is a fair analysis, yes.

The CHAIR: All right. Thank you. I will pass to Mr McCracken.

Joe McCracken: Thank you. I think I heard you say before that you agree with the VAGO report and what it basically summarises. Is that fair?

Chris BARRETT: I agree with the figures in it, yes – that they are a fair summation of what we consider the figures to have been.

Joe McCracken: So you would agree that nearly \$600 million was wasted?

Chris BARRETT: \$589 million, I think, is the amount that was spent on the Commonwealth Games.

Joe McCracken: But do you agree with that?

Chris BARRETT: I agree with the \$589 million figure, yes.

Joe McCracken: Good. I am glad. There are a few different things I want to talk about here. I will go to the business case first. Can you explain to me what the process is around how you assess a business case? What rigour do you put around it? So you have just been given a business case; how do you go about assessing how good it is, how robust it is and whether it is actually accurate?

Chris BARRETT: Sure. I am very happy to talk to that. Obviously, we have a couple of different bits of the department. We have principally got the economic division. Certainly for the first part of the consideration of the Commonwealth Games, particularly up to the signing of the host contract and looking at the business case, that was analysis that was looked at principally by the economic division of the department. What the economic division would do in that work is literally break down what we get from the department in terms of the business case and look at literally all of the benefits and the costs as they stack up against each other and say, ‘How do we judge the different bits and pieces, if you like, of the benefit analysis and the cost analysis, and do we think that they’re a fair summation of accurate costs, within the realms of possibility?’

I think it is also a matter of record that it was a very compressed process around the business case, so we analysed it as best we could. We certainly drew out the risks that we saw around some of those elements in our advice to government, but that is generally how we would do it.

Joe McCracken: How long did you get to analyse the business case? How long did it take you to come up with your conclusion?

Chris BARRETT: I think we had – Ms Meehan may correct me – one to two weeks, probably. This would have been in late January, I am thinking, of 2022?

Heidi MEEHAN: Yes. We received it on 20 January, a draft business case, but early cost estimates were not received until 25 January.

Joe McCracken: From?

Heidi MEEHAN: From DJSIR. On 28 January we received the draft submission and then on 31 January we provided advice to government.

Joe McCracken: Sorry, hold on. Say that again – on the 28th, did you say?

Heidi MEEHAN: On 28 January we got the final draft.

Joe McCracken: And on the –

Heidi MEEHAN: On 31 January we provided advice to government.

Joe McCracken: So that is three days?

Heidi MEEHAN: Correct.

Joe McCracken: How did you analyse that all in three days?

Heidi MEEHAN: Well, we did have the draft on 20 January.

Joe McCracken: Were there many changes from the draft to the final?

Chris Barrett: I do not know that Ms Meehan could speak to that. I am happy to take that on notice because I would be taxing my memory. I was running the economic division at the time. I would be taxing my memory to go back to how many changes there were between the draft and the final. I mean, I would say it is not unusual for cabinet timeframes to be reasonably compressed and us to have to draw conclusions on business cases relatively quickly. I think the three days would be pretty tight, but you know, it is not also unusual for us to have a draft ahead of time so we can familiarise ourselves with the elements.

Joe McCracken: Do you have a reconciliation between the initial draft and what you received on the 28th?

Chris Barrett: I will see if there is anything we can provide on that, Mr McCracken.

Joe McCracken: Okay, thanks very much for that. And so you gave the advice on, what was it, the 31st?

Chris Barrett: On 31 January.

Joe McCracken: And I guess we have sort of figured out that over time it was in June, I think you said, you provided the advice again that it was not going to stack up. Was it June that you said?

Chris Barrett: June of 2023.

Joe McCracken: 2023.

Chris Barrett: Yes.

Joe McCracken: As Mr Limbrick said, you have got the triangle there. Which part of it do you think really fell down?

Chris Barrett: Well, so the Chair was speaking to scope, to time and to cost –

Joe McCracken: Yes.

Chris Barrett: and I think it is a matter of record, if you look – and particularly the Auditor-General's report is eloquent on this – there were attempts being made at various points throughout the deliberations of government to actually alter that second leg, if you like, of scope. The time was definitely not changeable, and the time was always pretty compressed. I think it is also a matter of record that previous Commonwealth Games had, you know, generally five, six, seven years to prepare. This one was being done in a more compressed timeframe with a slightly more complicated delivery model, so the timing was always under pressure from the start. And so I think what you see in the documentary record is an effort to manage scope and

manage costs – manage scope to try and deal with costs. So it is a matter of record that there are a number of times going back to the department and trying to get them to find efficiencies in the delivery model.

Joe McCracken: So what was the recommendation in January, then, when you first delivered that analysis of the business case on the 31st?

Chris Barrett: I might ask Ms Meehan if she can talk to that, to the extent that we are able to talk to the advice that we provided, but it would rely on the VAGO report.

Heidi Meehan: So advice was provided to government on the business case, but there was a further requirement to come back in March in 2023 with a finalised budget. So there was still work occurring on the cost estimates over those –

David Davis: It was a green light, though?

Heidi Meehan: To proceed with looking at entering into a host contract – that was a green light to continue negotiation based on that business case.

Joe McCracken: So when you got to March, then, the figures still stacked up?

Heidi Meehan: Yes.

Chris Barrett: Yes.

Joe McCracken: But they were, as you say, changing, is that correct?

Chris Barrett: Yes.

Heidi Meehan: Yes.

Chris Barrett: That is right.

Joe McCracken: Do you have the changes from January to March that you can provide?

Heidi Meehan: We can provide those on notice.

Joe McCracken: Was it a significant deterioration or a small deterioration?

Chris Barrett: I suppose it depends on the definition of ‘significant’. The costs had been moving for a while, so there had been a deterioration.

Joe McCracken: You flagged that in March?

Chris Barrett: Yes. We would always flag in our advice to government that – I mean, and we would barely need to flag it: it would be obvious to government that the budget was moving. So yes.

Joe McCracken: Did you ever get any figures from government ministers that said, you know, these are the figures you have to accept in your assumptions.

Chris Barrett: Certainly not in the case of DTF, no.

Joe McCracken: Okay. So after March, when was the next time you gave advice to government?

Chris Barrett: Well, actually we would have been giving advice on a reasonably regular basis, Mr McCracken, throughout. I know it was a practice of my predecessor and it is certainly my practice that I meet with the Treasurer daily, so we would have been providing advice on a very regular basis. But I will see if Ms Meehan has some elements of the timeline that she can speak to.

Heidi Meehan: Yes. Post the meeting in January we provided a range of advice on potential heads of agreement for the host contract. That is recorded in the VAGO report and also on the contract itself to host the games.

Joe McCracken: My time is up.

The CHAIR: Thank you. Mr Galea.

Michael GALEA: Thank you, Chair. Good morning, Secretary and officials. I think it was just last week, Secretary, that we were talking in PAEC, so it is good to see you again.

Chris BARRETT: Always a pleasure, Mr Galea.

Michael GALEA: I would actually like to pick up on a couple of things that we have just been talking about in regard to the timeframe as well. Those dates on which the department was examining and then providing that response on the business case – I know you had had from the eight days initially from when you had the draft before that final three-day period. You did say in your response to Mr McCracken that, whilst it is tight, it is not uncommon sometimes for this work to be done by the department in a relatively short window. Obviously, there is a need for government to be efficient – you cannot just wait around for weeks if there is a critical decision – and from what you said there is a lot of experience in handling these things in a fast manner. That compressed timeframe, did that in any way impair the department's ability to provide that information?

Chris BARRETT: Mr Davis has been a minister, so I could see him nodding when I said it is not unusual for there to be compressed timeframes in terms of decision-making. While we would always prefer as Treasury to have more time to be able to do things in a more leisurely manner, if you like, that is often not our lot in life. We do have to work in compressed timeframes, but we are used to doing it. It is always easier if you have a draft ahead of time so you know effectively what the material is that is going to be coming to you, right down to practical things. You can set up your spreadsheet and everything, and then it is a matter of if the numbers change at the last minute or with three days notice, you know that you will be able to advise because you have effectively digested the key elements of the business case. So while it was tight, it was certainly not unprecedented in terms of us being able to do the analysis. As I said, I would always want us to have more time, but my reflection is – and I think it has been a reflection of others before this committee – more time to prepare the business case would have been helpful. But more time to analyse it, while always helpful – I do not think it particularly impaired our ability to analyse it.

Michael GALEA: Thank you. That is good to know. On the compressed timeframe, which we have talked about many times in this committee, we know that originally Durban were meant to be hosting the games – that collapsed. That resulted in Birmingham having to be brought forward, which resulted in the direct approach to Victoria, which as you said, normally would be a seven- or eight-year or possibly even longer window but was compressed into just over four, so that obviously did not help as well. We have seen some issues with the Commonwealth Games in other jurisdictions, with Canada pulling out and all these things that led up to Victoria being approached in the first place. Does the department have any view on the viability or the sustainability of these games models, and is there a model of major events that you think is perhaps more appealing for states or other jurisdictions around the world to be looking at when it comes to hosting major events?

Chris BARRETT: It is a very good question. Victoria is an extremely experienced jurisdiction in the hosting of major events, I think it is fair to say. They are obviously easier to analyse when the event is a bit more discrete and a bit better known. Self-evidently, if you are talking about the grand final, we know how to host one of those. If you are talking about the Australian Open, we know how to host one of those –

Michael GALEA: Better than anywhere else in the world.

Chris BARRETT: and it is relatively easy to understand the costs in particular, particularly where there is set legacy infrastructure, and relatively easy to understand the operating costs and the models, the benefits. We might quibble at the edges about how different departments calculate the models of these things, but the benefits are reasonably well understood, and that is both in terms of the direct benefits to our tax lines and the broader benefits to the economy as a whole. I might add there are also very significant benefits to the federal government in terms of taxation receipts, which is why we often are keen on getting federal contributions towards some of these events.

I think it has been a matter of record – obviously you mentioned the stop-start nature of a number of different jurisdictions looking at hosting the Commonwealth Games – that it has been difficult in recent years for the

Commonwealth Games to find a host city. That is because in effect the costs are reasonably well understood – and substantial – of hosting an event like this, but the benefits probably have been eroding over time, I suspect, in terms of just audience interest and therefore TV revenue and ticket revenue and other elements like that. There is a vast body of literature, which we do not have the time to go into here, on the cost-benefit analysis and legacy benefits of hosting major events. Obviously, our colleagues two borders north of here are about to experience that, with Brisbane hosting the Olympic Games, and you would see all of the coverage there of a lot of the costs that are materialising there. They are very, very complex undertakings – complex to measure and complex to get the legacy benefits out of.

Michael GALEA: Thank you. Indeed I am sure a group of people more elevated than our committee will probably look at those issues in some more detail at a global level at some point. In your department's joint response to the VAGO report you talk about that upper limit figure, the \$6.865 billion figure, as a cost estimate. You make the point that even though that is the upper level figure, even at the lower level figure that is still far and away exceeding the benefit ratio that would make it positive.

Chris BARRETT: Yes.

Michael GALEA: Can you talk to me a little bit more about that?

Chris BARRETT: Yes. That is right, and as I said, it is difficult to judge with these things, particularly when the costs are moving over a period of time, at what point the cost has really crystallised and you are confident enough in it. And the record as you go through the VAGO report shows you that movement over time, but it also shows you at each point of that movement the uncertainties in the estimate. So you do not want to be too hard and fast about it, but you are right that at the point at which the sort of lower bound of the cost estimate is clearly pushing you into BCRs that are well below one – because, again, if they are around one, there might be arguments, and if they are just below, there might be arguments, but as you get pushed further south that gets more challenging.

The additional point I would add in relation to this, because I know there has been a bit of debate around the upper bound, is that the upper bound estimate that we had of 6.8 was never a point estimate. It was literally an upper bound in the event that all of the risks materialised. To the point of the moving target that I raised earlier, at the point at which the decision was made to withdraw – you are talking July of 2023 – the games were more than three years away with a hard and fixed deadline, and I think it would be hard to imagine that the costs were going to remain at that upper limit for those three years.

Michael GALEA: Yes. Thank you very much. Thank you, Chair.

The CHAIR: Dr Mansfield.

Sarah MANSFIELD: Thank you. Thank you for appearing today. I would like to ask you a few more questions just around that original recommendation about the business case that was made by DTF prior to cabinet making a decision to proceed with the games. You have acknowledged that the timeframes were very tight, but you stand by the decision and the recommendation that was made. Some of that information was received as late as 9 March before a 10 March cabinet meeting. In the advice you provided cabinet, did you acknowledge that you had not had sufficient time to properly consider some of the information?

Chris BARRETT: I might ask Ms Meehan, to the extent to which she can comment. I do not want to stray over into revealing advice to government, because I cannot get into that space, for reasons that the committee would well understand. It is not a deal breaker, I guess is what I would say, if information arrives the night before a cabinet committee. Again, Mr Davis would be well aware that that does happen from time to time. It is more problematic if the material that arrives is very different to what you are expecting. But I might just ask Ms Meehan to the extent that she is able to comment on that.

Heidi MEEHAN: Advice was provided back to the relevant agencies – or concerns – just around the short timeframes that we had with the business case. We did brief the Treasurer's office over the next couple of days, so they would have been aware that we had only had the submission for a short period of time.

Sarah MANSFIELD: Had you received any representations from ministers to make a particular decision – any pressure or advice? Were you aware that there was a desire to see a particular outcome on the decision?

Chris BARRETT: Dr Mansfield, if I may, I obviously was not there at the time. I was in a role as deputy secretary of the economic division, but I am pretty certain that I can speak for my predecessor and all of my experience in DTF, which is that we do not get told what to write in our advice. We might be broadly aware of ministers' preferences, but that does not factor into how we provide our advice. We are highly aware of government policy. Indeed we are obliged as public servants to diligently apply ourselves to implementing government policy, and that is what we were doing all along, but that does not prevent us from providing, as I said, that frank, timely, impartial advice. I have never experienced it in my time – certainly never experienced it in my time in Treasury – and I do not think my predecessor did either, that we were told what to think about an issue.

Sarah MANSFIELD: I appreciate that. As we have seen through this inquiry, we have seen through the VAGO report – I accept you have some differences around the findings of the VAGO report, but broadly I think the conclusion of many has been that the business case was particularly limited. I am just trying to understand how DTF could be so confident that it was a reasonable thing to recommend to proceed with the games based on that business case.

Chris BARRETT: Thanks for your question, and it is a very reasonable question. It is, as I mentioned, always an on balance thing. It is not the case that we would not provide advice around some of the risks, and it is clear again from the VAGO report that we did provide advice on the risks of signing, but that is also in the ordinary course of business that we would do that. That is the best I can say there.

Sarah MANSFIELD: Thank you. You mentioned earlier that one of the reasons you did not go through the high-value, high-risk sort of process for this one was that there was an assumption, particularly for capital costs, that local government and perhaps maybe the private sector in some areas would cover some of those capital costs, and therefore the operational costs were much lower and it meant that you did not need to apply those guidelines. From what we have heard in this inquiry – and I will probably have some more questions around this – local government in particular had not been consulted at all and from what we have heard in most cases were not in any position to fund the capital works to the extent that was expected or assumed that they would be able to under these business cases. Did DTF have an obligation to interrogate some of those assumptions?

Chris BARRETT: I think the obligation that we would have to interrogate was the costings as they were presented in the business case. It is at that stage. Once you have said, 'Okay, we are expecting local government to deliver this particular piece of infrastructure and then also take appropriate care and maintenance of it afterwards,' that is then a matter of within a set budget that is given to local government and they are expected to deliver. We cannot really apply our high-value, high-risk framework to works that they are undertaking, because obviously we are not in charge those works. So I think it is a reasonable question to ask in relation to the budget that was provided. As you can imagine, it is often a matter for discussion within government with all sorts of agencies whether we have provided them with sufficient money to undertake capital works, but we are not really in a position to do a high-value, high-risk process on another level of government's infrastructure delivery.

Sarah MANSFIELD: Thank you for that response, but I am not really asking about whether you should have been applying that framework to the funding and budget of local government around these projects. The assumption was made that these costs would be borne by local government or perhaps the private sector. That assumption within the business case – I would have thought at the very least DTF should have questioned that. 'Are you sure that local government will be able to cover these costs? Are you sure that the private sector is willing to cover these costs?' We know that in the preparation of the business case there was very limited consultation due to confidentiality and the timeframe – it was largely a desktop review – so local government was not consulted. There was an assumption made that a lot of the costs for these capital costs would be borne by local government. In terms of being able to be confident about the figures that were being presented, surely DTF had a responsibility to interrogate those assumptions.

Chris BARRETT: Do you want me to respond to that?

The CHAIR: Yes, sure; that is fine. I am not as strict as PAEC.

Chris BARRETT: Okay. Good. I just might ask Mr Hotham if he wants to respond in relation to that.

Chris HOTHAM: I appreciate the question, Ms Mansfield. I think my comment here would be that at this stage of a business case it would not be unusual for the contribution of other parties to be caveated, whether that is local government, Commonwealth or the private sector. They are built into the model, they are built into the assumptions, but they would be caveated as contingent on ongoing negotiations. So that would not be unusual at this stage of a business case.

The CHAIR: Thank you. Mr Davis.

David DAVIS: Thank you, Chair. And thank you, Mr Barrett, for your evidence and that of your staff. I want to take you to key finding 3 of the Auditor-General and in particular where he says, 'Weaknesses in DTF's and DPC's advice about the games'. He says their:

... advice to government about the Games was clear about the risks. But their advice was not always sufficiently comprehensive and frank.

Is the Auditor right?

Chris BARRETT: Well, as a matter of record, Mr Davis, I disagree with that finding.

David DAVIS: Why so?

Chris BARRETT: Well, you have seen my letter I think –

David DAVIS: I know, but I want to hear you say this on transcript.

Chris BARRETT: I am very happy to go through it. As I mentioned in some of my answers to some of the previous questions, costs and benefit estimation can move over time. I think it is unreasonable to expect precision at every point in the process of both approving a major event like this for the signing of a host contract et cetera and then managing the costs of delivery over time. And what can be asked I think of public servants is to have absolute regard to the policy of the government of the day and then to provide clear and, as they say, frank, impartial and timely advice on the risks around that, on the deliverability, on some of the practicalities and on asking government whether they want to consider some elements of the policy delivery when you get into that phase of delivery.

David DAVIS: But let us be clear here, and I am just going to quote the Auditor. It was not comprehensive and frank. He said:

This is because, at key stages, both departments formally recommended that the government proceed ... despite significant and unresolved concerns.

He went on to say that:

Despite these concerns DTF:

- supported recommendations that the state host the Games and underwrite the costs
- recommended that the Treasurer support signing the host contract.

You bear a significant share, not all of it, of the responsibility – Treasury, not you personally but Treasury – for its failure to be frank and fearless in its advice, don't you?

Chris BARRETT: No, I do not think so, and I am happy to speak on behalf of the institution. As I said, I am not seeking to hide behind the fact that it was my predecessor.

David DAVIS: So the Auditor is wrong.

Chris BARRETT: I would not put it like that. I have written a long and very careful letter – jointly, I might add, with the secretary of DPC – reflecting on the advice that we provided. I think at the time, with the business case that we were looking at, with the costs that we were looking at and with the delivery model that we were looking at, yes, there were definitely uncertainties around that. I know that in our advice we drew out those –

David DAVIS: Material risks and concerns you identified, but nonetheless you advised to sign.

Chris BARRETT: We drew out the uncertainties and the risks around that. At that point in time we had an estimate for the costs of conducting the games and hosting the games and we had an estimate of the benefits. It is a matter of record that there was a cost–benefit analysis which showed a range, and at that point in time we thought that it was a reasonable undertaking. And it did take some time for the costs to develop. Mr Limbrick outlined it eloquently earlier in terms of that triangle of how the costs developed over time. That is a matter of record as well. At the point at which we thought that the costs clearly outweighed the benefits – and I emphasise ‘clearly’ because it is the knowledge at a period of time; you are trying to hit a moving target – I am confident that my department discharged its obligations comprehensively.

David DAVIS: It would have been more prudent to advise against signing when the position was unclear.

Chris BARRETT: I think we had a set of costs and we had a set of benefits, and when you stacked the one up against the other it was reasonable to advise the way we did at the time, while drawing out the risks.

David DAVIS: Did the Treasurer ask questions about this and press for details on this matter?

Chris BARRETT: I am sorry, I cannot inform you on that.

David DAVIS: Because he has got to share some responsibility.

Chris BARRETT: I am not seeking to hide behind it, it is just that I know my predecessor would have been meeting with him daily, as I do. No-one else around this table would have been meeting with him daily. I cannot speak to what the Treasurer asked. I do know that he does pay very, very close attention to very substantial projects with very substantial costs attached to them.

David DAVIS: Another point within key finding 3 is delays in sharing information. This goes:

DTF and DPC told us that throughout the planning for the Games, DJSIR did not always:

- work cooperatively with them to make sure they had ...time to review key briefings ...
- provide requested information.

This limited DTF and DPC’s ability to provide timely and comprehensive advice ...

or compromised their ability.

These departments raised their concerns with DJSIR. DJSIR’s responses indicated that its approach reflected the Minister for Commonwealth Games Delivery’s ... wishes.

Is it your understanding that the minister, now the Premier, directed DJSIR not to fully cooperate with DTF and DPC?

Chris BARRETT: I cannot really comment on that, Mr Davis; I was not there at the time.

David DAVIS: Who could? Is there anyone here who was around? Were you active at that time?

Heidi MEEHAN: Yes, I was there, but I could not say what happened between the minister and DJSIR.

David DAVIS: But there was inadequate information coming from DJSIR. Is the Auditor right on that matter?

Chris BARRETT: I think, Mr Davis, it is difficult to ask Ms Meehan to speak to motive in the way that you are inviting her to speak to motive.

David DAVIS: No, no, I am asking about the information. Was there inadequate information coming from DJSIR, as the Auditor has outlined?

Heidi MEEHAN: I think, as the Auditor-General –

Chris BARRETT: It is a matter of record that there was, yes.

David DAVIS: And was there some attempt to understand that and find out why the information was being blocked or delayed by DJSIR?

Chris BARRETT: I think, if I may, Mr Davis, there would have been attempts. Certainly – I can just speak from my experience – there would have been attempts to speak to other elements.

David DAVIS: As you said, you were not there, though, in this capacity. You are the closest that we have got to this at the moment, unless the department is wanting to take on notice some timeline and provide us with the emails and material that requested this information.

Heidi MEEHAN: There were attempts to get the information. I would not say there were attempts to understand why we were not getting the information, but there were attempts to get it – repeatedly.

David DAVIS: Did it effectively sabotage part of the process?

Heidi MEEHAN: No.

David DAVIS: No? So the Auditor is not really on the right track here? He makes a considerable point of this: they raised their concerns; it depends on departments to respond and implement government policies – yes, we all agree with that; it is DTF and DPC's role to consider the quality and accuracy of draft submissions; and it is important that agencies give DTF and DPC time to do this. But I am being sympathetic to your department's position here: if you cannot get the information from DJSIR, it is hard to assess it fully, isn't it?

Heidi MEEHAN: Well, I think the issue is around timing and getting it in a timely way. And obviously we can always use a bit more time than what we have to brief on things, but it did not compromise –

Chris BARRETT: And I wish I could say it would be an isolated incident, Mr Davis. Again, you have been a minister; you know that sometimes the information flow from departments to DTF is not what we would always wish, and there are often very good reasons for that.

David DAVIS: Well, this appears the good reason: the minister, now the Premier, directed the department not to cooperate.

Chris BARRETT: I would not want to speculate on the reasons.

David DAVIS: You would not want to speculate, but you cannot rule it out, can you?

Chris BARRETT: I am not going to respond to that.

David DAVIS: Well, perhaps a question on notice, Chair.

The CHAIR: We might have a little bit more time later. Ms Ermacora.

Jacinta ERMACORA: Good morning. Thank you very much for coming today. We have had a full financial year since the cancellation, and I remember the Treasurer at the last budget actually said the cost of construction had gone up 22 per cent I think in the last –

Chris BARRETT: Three years.

Jacinta ERMACORA: three years, yes. And of course there has been inflation and there have been shortages of labour. Would you say that in a sense the \$6.8 billion estimate is almost vindicated by the lag indicators we can look at now?

Chris BARRETT: Yes, I can talk to that in some detail, and I will not bore the committee by going through

Jacinta ERMACORA: It is not boring.

Chris BARRETT: chapter 3 of budget paper 2 here – thank you.

Michael GALEA: Nothing in Treasury could be boring.

Chris BARRETT: We do our best not to be, Mr Galea. Thank you. We did write a substantial chapter in this year's budget papers – in fact in budget paper 2, chapter 3 – where we actually spoke to a number of these

issues that the Victorian economy has been facing. And the Victorian economy is not isolated in this; it is a problem around Australia and indeed it has been a problem around much of the developed world post COVID. COVID seems to have done something quite particular to the economy. It did something quite particular to supply chains, and it has had a very particular effect on inflation specifically but not only in the area of construction costs, and that is material costs and it is labour costs. Unemployment at the moment in Victoria is 4.5 per cent, which is very, very low. In my entire professional career as an economist this is around the lowest level that it has ever been. I think that if you go around talking to businesspeople around the state, what you will hear about is the constant challenge of getting appropriate skilled labour. And where the demand is high and the supply is short, then the price goes up for any number of items. So I think it has been a matter of record that construction costs have increased very significantly over the last three years. They are starting to settle down now, which is encouraging but is probably, as much as anything, a consequence of some government policy – so throttling back slightly on the infrastructure program, which the government committed to doing in this year's budget.

But I think at the point at which the decisions were being made around the Commonwealth Games – and it goes to the point that I made earlier around the \$6.8 billion, and again I use this concept of a moving target – if you were looking forward, you were thinking that that was going to keep moving and was not going to be moving down, to put it that way. So it has been a real, stylised fact of the Victorian economy, and not just the Victorian economy, over the last little while.

Jacinta ERMACORA: Very good. So in terms of the cancellation and the \$2 billion regional package, that then provides a fixed figure.

Chris BARRETT: Yes.

Jacinta ERMACORA: So there are no estimates in that. I mean, obviously subsections within it of course have to deal with those. But in terms of the Victorian budget –

Chris BARRETT: No, that is correct. And there is some reason for optimism around that in terms of what you would get for that package because, as I said, construction cost escalation has been really significant recently but over the last 12 months – and I do not know if Ms O'Sullivan wants to add to this – we have seen those escalation rates come back to more normal, I think it is fair to say, almost pre-COVID, levels. But would you like to speak to that, Ms O'Sullivan?

Jacinta ERMACORA: Yes, that would be really interesting to hear.

Kate O'SULLIVAN: In terms of the construction sector where it comes to material inputs, often escalation rates are broken down into key supplies. So we have seen either a steadying in the growth in escalation rates – it is not quite at pre-COVID levels now, but there is certainly more stability, so not the hyperescalation changes that we have seen in more recent years.

Jacinta ERMACORA: Can I ask: during that period of time, and maybe it is still continuing a little bit at the moment, did that trigger uncertainty in the construction sector, the unknowns around the continued growth in the costs?

Chris BARRETT: I might ask Ms O'Sullivan to comment on that.

Jacinta ERMACORA: Uncertainty or a lack of confidence in the construction sector?

Kate O'SULLIVAN: Yes. When you are thinking about an infrastructure project or program they are often multiyear programs. We start, as a government client, with a cost estimate, and those cost estimates build in a whole range of elements, both raw and material costs as well as contingency and escalation risk. But then we do not directly deliver the infrastructure; we go through a market process, and so it is then very much dependent on the competitive market process in terms of what the construction sector build into their bids and how they respond to our specifications. So you can have an initial cost estimate, but then it is dependent, how close that is, in terms of what the market comes back with, and that is where there has been some variability.

Jacinta ERMACORA: I think that is all I have got. Thanks.

The CHAIR: Ms Bath.

Melina BATH: Thank you, Chair. Thank you very much for being here today. It seems to me particularly in the regions to be an ongoing, I will say, saga, in that there are still so many legacy projects to be built. And I think there is concern in the Eastern Victoria Region that they will not be built, and in particular in terms of housing. That is not necessarily your department; that is a comment. You have mentioned the cost–benefit ratio being as low as 0.7 up to 0.6 – that was your evidence today – and before you could reanalyse that ratio the games were cancelled as costs were escalating. That is what you have stated today.

Chris BARRETT: 1.6, yes.

Melina BATH: Thank you. Yes, 1.6. But what I am interested in – and you have talked about previous evidence where DTF has noticed that the concerns around costs escalating would outweigh the benefits – does DTF consider that there is any value now in introducing guidelines about projects which are under 0.1 of a ratio? So would you review, noting that you have said 0.7, or 0.6 I think the Auditor-General said? Would you consider introducing guidelines?

Chris BARRETT: I think you mean 1.0, just for clarification. If it was under 0.1, we definitely would not be recommending to invest.

Melina BATH: Yes, sorry – 1.0.

Chris BARRETT: I think the guidelines are reasonably clear. I mean, BCRs – you are more likely to have debate around questions of what goes into the business case as opposed to whether you should think about a different BCR, if I can put it that way. So for projects sometimes we use different discount rates, and Ms O’Sullivan can talk about those if it is of interest to the committee. And then benefit and cost analysis – the cost analysis is a slightly more straightforward science and the benefit analysis can be slightly more diffuse. We do have guidance around that, and I do not think that there is anything in this experience that would cause us to think differently about that guidance. As I think is a matter of public record of what others have said before this committee, and I would agree with it: if there had been more time on the business case and more opportunity for consultation, you might have had a better product to start with. That is probably where I would draw my conclusions.

Melina BATH: Sure. I note that you did say more time to prepare the business case that came to you. Really we have heard evidence that it was supremely undercooked. Has DTF reflected on this and made any recommendations back to a level where there would be a standard for a business case that you would accept, or would you literally accept any business case that is proposed to you from government members?

Chris BARRETT: No, we certainly do not accept any business case that is proposed to us. While there might have been, as is again a matter of public record, some areas of this business case that one would have wished to have been stronger, I would not say that this is the worst that we have seen. I think it is more about the guidance that we normally provide on business cases, which again I might ask Ms O’Sullivan to add a bit on the guidance that we provide on business cases. As I said, the issue is less the guidance and more the time to complete and the consultation, but maybe you might want to speak to it, Ms O’Sullivan.

Melina BATH: Could I come back to that, if you do not mind. I have just got a couple of others and then if we have time, just noting that there is a bit on the list. We have heard from ministers. We have heard the previous Commonwealth Games delivery minister, now the Premier, talk about legacy. Again, I look at the long-term legacy benefits. DTF has made comment about how they are much more difficult to identify and measure, and although speculative in nature should not be discounted. How should speculative benefits properly be weighed up in a cost–benefit analysis to avoid situations where costs escalate and speculative benefits never eventuate?

Chris BARRETT: Can I just clarify in relation to this, Ms Bath, are you speaking about the infrastructure package announced with the cancellation or are you speaking about the benefits of the Commonwealth Games?

Melina BATH: The Commonwealth Games, yes.

Chris BARRETT: I do think it is a difficult thing to measure. You are right to draw our attention to the fact that it is a difficult thing to measure and there have been various elements of that business case that I do not need to go through here that have been challenged. It can be an imprecise science, and reasonable people can

disagree around the estimation of benefits. That is generally why you would see that there is a range in the numbers that are provided, so the 0.7 to 1.6. That is why you do not strive for false precision, I suppose.

Melina BATH: Sure.

Chris HOTHAM: I am happy to add here, for some context, I think particularly for something like a major event, these are the kinds of benefits around Brand Victoria, our positioning globally, attraction of tourism and other investment that are the intangibles of a business case like this. Back to the Secretary's previous comment, ROI does not become a single metric here. Some of those other benefits are in the frame and real but obviously, by definition, can be a lot harder to be precise around the costings of it.

Melina BATH: Has the games' example provided any learnings or process for improvements in regard to considering speculative benefits and cost-benefit analysis more broadly? Has DTF been able to learn from these games?

Chris BARRETT: I think probably collectively as government, and it will not surprise you to hear I reviewed the evidence that the committee has heard to date in preparing for today's hearing to endeavour to be as helpful to the committee as I can, one of the clear threads that comes through that is the one I have already mentioned around the time to prepare the business case. But again I would not want to be unreasonable here in how I present this. It is an imprecise task, this measurement, and reasonable people can disagree on elements of it, and regularly do. I suppose that is in that contestability of advice that is where the public service is really minded to bring its value.

Melina BATH: Thank you. In relation to the Auditor-General's recommendation 1, and you are very familiar with that I am sure, in relation to a review into the *Public Administration Act* and are you meeting the requirements there, it says the agency response has not accepted that, and these are collective agencies, I assume. I am assuming it is DJSIR, DPC and DTF –

Chris BARRETT: I think that might be referring to the letter that I and the secretary of DPC wrote to the Auditor-General. I think that is what he is referring to there.

Melina BATH: Yes, but I am just interested in how that decision was made, cross-department.

Chris BARRETT: Sorry, can you clarify which decision?

Melina BATH: You said in your testimony that you did not accept the Auditor-General's position or recommendation. How was that decision made, and how was that decided across the departments?

Chris BARRETT: Across the two departments? I can certainly speak to that because I was in the chair when we wrote the letter. It has indeed got my signature on the bottom of it. I did have a discussion with the secretary of DPC, as you would expect, about this when we received the report. We had actually prepared our response, which was not agreeing with recommendation 1, and when I had a conversation with him about it, it transpired that he had the same view. It did not surprise me that he had the same view, and we thought that it would be appropriate for us to provide a combined response, but we had arrived at that conclusion independently. I mean, the reason why I would come back to it again, and it is obviously very, very easy to look at these things in hindsight – and we should always look at these things in hindsight and work out what we can learn out of them. But as I said, there were a lot of moving targets in this space, and the point at which you change your advice is not always an easy point to judge.

The CHAIR: Thank you, Ms Bath. We will go for a few more questions, as we have got some time left. There has been a lot of focus on the costs, and we spoke a little bit about the benefits. The benefits did not really change much throughout the process, did they, that were on the original business case?

Chris BARRETT: I think that is fair to say, yes.

The CHAIR: And Mr Hotham spoke about some of the intangible benefits, but there were also tangible benefits listed. In fact one of the major benefits was in health savings in the business case. How seriously did DTF take those projected savings?

Chris BARRETT: I think we thought that they were at the more speculative end of proceedings.

The CHAIR: Right, so DTF never actually – I will not lead you. Did DTF actually model any of those savings by modelling cuts to health budget expenditure?

Chris BARRETT: No, we did not. The modelling, as you would know, Mr Limbrick, was done for the business case. I think this was done by Ernst & Young. There was a subsequent report by KPMG, and that was done by as it was then the Department of Jobs, Precincts and Regions, DJPR, so it was not our modelling. But to your specific question, did we then say, ‘Okay, we think that there are savings in the health space, so we will take that out of the future health budget’? We certainly did not do that.

The CHAIR: That indicates to me that you were not really taking those speculative benefits seriously. Therefore that means that if you were trying to take a reasonable view of what the cost–benefit ratio actually is, you would surely have to discount it heavily if you thought that those benefits – which were a major component of the benefits, those health savings – surely you would have to discount whatever number you came up with.

Chris BARRETT: Yes, from memory – Ms Meehan can correct me – I think they were in the 200 millions, the benefits from health. I think it was around about there.

Heidi MEEHAN: I would have to confirm.

Chris BARRETT: So a substantial amount of money, but I think I would be surprised if it shifted that range, the 0.7 to 1.6, by more than a few basis points. So I understand that it is a significant amount of money, but even if we discounted that heavily, I do not know that it would shift that ratio that much.

The CHAIR: Okay. I have been involved in my previous life in presenting many business cases to CFOs of organisations. I used to report to a CFO, and one of the things that they would always come back to me with whenever I was claiming a benefit, particularly a saving, was they would ask me, ‘Which area are you going to make those cuts from?’ Did DTF ever do that analysis on any of the projected savings – because a lot of those benefits were purportedly going to manifest through savings in other areas of government. Health benefits was one of them. Potentially if you get tourism benefits, for example, then maybe we do not need to market tourism as much or something. Did DTF ever model any of those projected benefits?

Chris BARRETT: I would be happy to be corrected, but other than the health benefits, which is one where there is a sort of a direct link – like, would you say, ‘Okay, there’s this much benefit, ergo you take it out of the health system’ – I do not think that the others were of that nature. Obviously there are economic benefits and then there are direct benefits to the state. And to the extent that there are direct revenue benefits that have to come through one of our revenue lines – so we are talking payroll tax, we are talking land transfer duty, we are talking land tax et cetera – I would have thought the majority of those benefits were more diffuse rather than some direct benefits that you could model, as it were, in terms of an impact on the budget. I do not think they were of that nature. I am happy to be corrected by Ms Meehan if I have got that wrong.

Heidi MEEHAN: No, that is correct. We were also in discussions about applying a benefits realisation framework to the games, and that would have happened had the games continued. And we would have reviewed the benefits throughout the course of –

The CHAIR: To try and realise those savings in the health budget, for example.

Chris BARRETT: You could perhaps recognise them on the revenue side, I suppose. But again, in a lot of these cases you might see the benefit in terms of gross state product for the economy as a whole – you know, higher turnover for businesses in the area is a classic example of that – but it is actually quite difficult to find a line item in the budget that that affects.

Heidi MEEHAN: I was just going to say the framework is more about looking at how the benefits were originally framed and whether they were going to be achieved, really. So getting savings from them would have been a different process.

The CHAIR: And what is your confidence level of achieving any of those benefits? I mean, Mr Barrett, you said that reasonable people can disagree on benefits because many of them are sort of intangible and stuff like that – and I agree, many of them did look quite intangible and I would characterise as fanciful, actually. How seriously did you take those benefits?

Chris BARRETT: When I said reasonable people can disagree, I think there was probably a spectrum, and as I have already indicated, I think that the health benefits were probably at the more speculative end. But when you get to ticket sales and things like that, then that is something that you can look at and be a bit more confident in slightly harder numbers. But I might ask Mr Hotham to add to this.

Chris HOTHAM: On this point, I was going to draw that distinction. So whilst the ROI is not the single metric, the numbers that make up that metric are very tangible benefits. They are the types of turnover, foot traffic into ticket sales. They are absolutely costed. So the cost–benefit ratio is tangible metrics, and then the more speculative benefits, as you are framing them, are above and beyond that ROI.

The CHAIR: I will pass to Mr Davis for a couple of questions.

David DAVIS: Okay. Thank you, Chair. Mr Barrett, again I want to go to the Auditor’s material and key finding 2.

Chris BARRETT: Could you give me a page number there, Mr Davis?

David DAVIS: I do not have the page number. I have got the electronic version in front of me.

Chris BARRETT: Okay. I will find it. That is okay.

David DAVIS: So it is key finding 2 and ‘Differences between DJSIR’s advice to the Minister and the Minister’s advice to the government on costs’. It says:

In early March 2022 DJSIR briefed the Minister for Tourism, Sport and Major Events – the now Premier –

and recommended that they seek approval from the government for a gross budget of up to \$3.2 billion.

This reflected the high-cost scenario in the business case. The Minister accepted DJSIR’s advice ... and the submission went across with this funding amount.

However, the final submission, which was dated the same day, recommended that the government approve a Games budget consistent with the low-cost option ... of \$2.7 billion.

DJSIR has given us evidence that suggests this change was made at the request of the Minister’s office ... the now Premier’s former office. The 2022–23 state budget was released, which disclosed \$2.6 billion, and there is an explanation about that \$1 million difference.

Michael GALEA: Sorry, just a quick point of order. I apologise for interrupting. That quote is in relation to the Minister for Tourism, Sport and Major Events.

David DAVIS: Correct.

Michael GALEA: That is not the now Premier.

David DAVIS: Oh, that is not the now Premier?

Michael GALEA: It is not.

Chris BARRETT: That would have been Minister Pakula.

David DAVIS: No, it is a different one; it is the former. Okay, good. But let us just understand what has gone on here. The key point here is that a high number was put across and then a low number. Consistent with the practice of sharing early submissions, did DTF see the earlier submission, not just the final one, as well?

Chris BARRETT: I would have to ask Ms Meehan if she has got a recollection of that, because I would not have seen that at the time.

Heidi MEEHAN: No. I will have to come back to –

David DAVIS: Was no sequential material provided ahead?

Heidi MEEHAN: I would have to come back to you on that one.

Chris BARRETT: Yes, we will have to see if there is something we can provide on notice there, Mr Davis.

David DAVIS: So what was your understanding of the number that was accepted at that point? Did you accept the \$2.7 billion?

Heidi MEEHAN: That is what was agreed by government.

David DAVIS: No, the department. The government is one thing, but the department – what did the department accept?

Chris BARRETT: Well, a submission to government, as you would know, Mr Davis, always comes in the name of a minister.

David DAVIS: Yes, it does. But the department will indicate whether it accepts that or not, including your department.

Chris BARRETT: As in the Department of Treasury and Finance might indicate?

David DAVIS: Yes, that is right.

Chris BARRETT: We will see if there is anything we can provide from the record for you, Mr Davis, on that.

David DAVIS: Right. So let us understand here. We have got two figures presented on the same day, but one, the lower one – this is March –

Chris BARRETT: 2022, probably.

David DAVIS: It says 10 March here. It seems to me that if there is that sort of variation – half a billion dollars variation – that is a pretty significant ground for concern.

Chris BARRETT: It is very hard for me to speculate on what might shift it, Mr Davis. There are many things that you could imagine could shift numbers like that. But as you would appreciate, it is very hard for us to speculate as to what happened in another department.

David DAVIS: I want you to come back, but do you not have any recollection of that \$3.2 billion figure?

Heidi MEEHAN: No, I do not. And given it was in the minister's submission, we would have to see whether we had an early draft of the submission.

David DAVIS: This is what I am asking. This is what I am trying to understand: was the \$2.7 billion accepted entirely all the way through, or was it \$3.2 billion?

The CHAIR: I think they have agreed to take that on notice.

David DAVIS: Thank you.

The CHAIR: Thank you. Mr Galea.

Michael GALEA: Thank you, Chair. Thank you again, officials. I just want to ask one last thing on the VAGO report. Secretary, you did explain in some detail recommendation 2, which has been supported in part by both departments. I am acknowledging that the response letter was done – it makes also a lot of sense, because the recommendations report jointly to both departments as well.

Chris BARRETT: Yes.

Michael GALEA: You spoke about, for example, the *Cabinet Handbook*, which gets updated at the start of each term, and those other documents as well. Has the department done much work already in that sort of

background work for these sorts of documents to be updated and reviewed, or is that something that is an ongoing process?

Chris BARRETT: Thanks, Mr Galea. It is an ongoing process, and we do obviously take our obligations very seriously to make sure that we are providing advice at consistent points, particularly in relation to highly complex undertakings like this. Over the course of this term of Parliament and previous terms of Parliament you have Ombudsman's reports and you have Auditor-General's reports. It is our obligation as public servants then, I think, to go back and consider that in the light of a good governance model and think about if there are revisions that we can make to guidance or revisions that we can make to cabinet submission templates, business case templates et cetera that might assist continuous improvement in the future. The reason why the secretary of DPC and I supported that in part is precisely because we know that we do do that work. But the reason why we did not want to go beyond those usual proceedings is because we do not accept the argument that we did not provide frank, impartial and timely advice in relation to this issue. Again, I would ask the committee to understand the circumstances in which there is a moving target over time and you are trying to provide advice in a world in which a lot of variables are moving.

Michael GALEA: Everything is moving, yes.

Chris BARRETT: You cannot be quite as cut and dried about the advice as of course you can be in retrospect, when you look at it you can say, 'Okay, well, those might have been points at which –

Michael GALEA: It is much easier in hindsight, yes. Thank you.

Chris BARRETT: And I am not criticising that. I mean, it is appropriate to go through it in hindsight and say, 'What could we do better?'

Michael GALEA: Of course. Thank you. And just one other thing. In your previous answers to me you made the point that the federal government does actually receive a lot of tax revenue from these sorts of major events, whether it is the grand final, the grand prix or the Australian Open. Can you give us much of a sense of what sort of revenue it may derive from these events and if you have an estimate of what that would have looked like for the Commonwealth Games as well?

Chris BARRETT: That is a very good question, and I might go and see if we have done any analysis on that. It is always possible we might have done some analysis to try and support a contribution by the Commonwealth government. In many respects that is why you would want them to make a contribution – in recognition of the benefits that flow through to them.

Michael GALEA: Yes. I appreciate that. Thank you.

The CHAIR: Thank you. Dr Mansfield.

Sarah MANSFIELD: Thank you. I have just got one more question. I am interested in understanding what changes, if any, were made following the VAGO report to DTF processes.

Chris BARRETT: It does go, Dr Mansfield, to my answer to Mr Galea, which is we believe that we provided, as I said, frank, impartial and timely advice, so we do not believe there is an immediate requirement to do something dramatically different as a consequence. But we do in a continuous improvement way think about how we might think about, you know, the guidance in terms of the handbook. In terms of DTF, you might think about the business case guidance. For example, the Victorian Public Sector Commission issues its own guidance. Ours is relatively narrow, Dr Mansfield, in terms of the guidance that we provide to departments. High value, high risk was not engaged in this case for reasons we have traversed already. But business case guidance might, and we will certainly do that over a period of time, but as I said, not hard and fast in response to this report particularly.

Sarah MANSFIELD: So is it fair to say there have not been any changes to date – any substantive changes – to DTF processes?

Chris BARRETT: Yes. That would be fair to say as we sit here today, but that is not ruling out that over time we do not revise some of our guidance.

Sarah MANSFIELD: But there are no concrete plans to change anything going forward either. It is just something you might take into consideration.

Chris BARRETT: I think I can say it is stronger than that. It is something we will take into consideration with a lot of other elements of, you know, good governance practice as we revise our guidance going forward.

Sarah MANSFIELD: Okay. Is there any scheduled revision of the guidance?

Chris BARRETT: Yes. As I mentioned before, we do for the incoming government briefs in particular – the *Cabinet Handbook* is revised, a lot of guidance is revised. And we do that in the case of a change of government but also in the case of a returned government. And I can attest that that is a process that, having been through a few incoming government briefs, we take very seriously.

Sarah MANSFIELD: So you expect the next substantive revision of that guidance to be done prior to the 2026 election?

Chris BARRETT: Yes. I would expect that there would be some substantial advice provided as part of the incoming government briefing that would take into account what we have learned from this but also a number of other areas of public administration over a full parliamentary term.

Sarah MANSFIELD: Thank you. That is all I have got.

The CHAIR: Mr McCracken.

Joe McCracken: Thank you. I have just got a couple of questions, and I want to follow on from what Ms Mansfield was asking before about local government. When you got the figures about local government contributions that were in the business case, did you contact any of them to test whether they were actually real or not?

Chris BARRETT: I might ask Ms Meehan to just confirm –

Joe McCracken: I do not mean you per se, but I mean the department.

Chris BARRETT: No, no, exactly. I just want to confirm my recollection, because I think that there was not consultation with local government as part of the development of the business case, which was obviously –

Joe McCracken: I understand that –

Chris BARRETT: part of the stipulation that we received as public servants.

Joe McCracken: but that is what I am asking – did you go to local government and check?

Chris BARRETT: Well, we would not have been able, Mr McCracken, because that would have been – local government was not part of the business case.

Joe McCracken: What I am trying to get at is you have got these elements, assumptions, in the business case that say that local government are going to be able to provide this amount of money, they are going to do this amount of projects. In your rigorous testing of the business case, did you – as in your department – go to them to verify that?

Chris BARRETT: Well, no. We would not have. And I am assuming – and Ms Meehan can correct me if I am wrong – there were some pretty strict confidentiality requirements about the compilation of the business case, and if we had taken numbers out of that business case and sought to validate them with local government, we would have been breaching those confidentiality requirements. So we were not really at liberty to do that, Mr McCracken.

Joe McCracken: So is it fair to say that you had no way at all to verify whether those figures about local government and what they were providing were actually accurate?

Chris BARRETT: I think I have answered the question in terms of the confidentiality undertakings.

Joe McCracken: It is a no. So I guess that is one of the unknown – I will call it a factor that probably had a little bit of room to move. Is that fair to say?

Chris Barrett: What do you mean in terms of a factor that had room to move?

Joe McCracken: You said in the business case that there were a number of costs that were a moving target.

Chris Barrett: Yes.

Joe McCracken: That would be one of them.

Chris Barrett: Yes, absolutely.

Joe McCracken: You said there were a number of those that were presented in the business case. What was it about those factors that you had certainty around that allowed you to say, ‘Tick. I think the business case can proceed,’ to then go and give advice to government to say, ‘The Commonwealth Games – you should sign up for that’?

Chris Barrett: Yes. I mean –

Joe McCracken: What was it about those factors that you had confidence in, given that you could not verify them?

Chris Barrett: Well, the nature of that exercise was very specifically a desktop exercise, and the reason why it was a desktop exercise was because of the confidentiality requirements around it. Victoria was trying to decide, government was trying to decide, whether it was going to bid for the Commonwealth Games, and it is not unusual for government to say when something is tightly held that there is a limited amount of consultation that you can do.

Joe McCracken: Did you raise that as a concern to say, ‘Look, we’ve got these concerns where there are some gaps here. Can we go talk to local government to verify that their contribution is actually real, they can handle it, they can deliver it?’ Did you raise that concern?

Chris Barrett: I think the confidentiality requirements were pretty clear going in, Mr McCracken.

Joe McCracken: But I am asking did you or your department raise that concern, given that you knew about the confidentiality arrangements?

Chris Barrett: I think given that we knew about the confidentiality agreements and that that was a requirement of government, we would not have. That was stipulated by government that those confidentiality agreements applied, so you would not.

Joe McCracken: You did not raise it?

Chris Barrett: I cannot say. I did not raise it because I was not in this chair at the time, but not that I am aware of.

Heidi Meehan: Look, I think part of what we raised at the time was that there were various risks around delivery. Whether we specifically raised not being able to discuss with local government, that would be – but we raised concerns.

Joe McCracken: Who with?

Heidi Meehan: It is documented in the VAGO report that we noted there were risks.

Chris Barrett: Yes. It is a matter of record in the VAGO report.

Joe McCracken: Yes, but I am asking you: who did you raise it with?

Chris BARRETT: Well, I think that would go to our advice to government, about which we are restricted in what we are able to say obviously.

The CHAIR: Ms Bath.

Melina BATH: Thank you. And while we are on the VAGO report, key finding 4, and that is on page 8, talks about costings.

Chris BARRETT: Page? Sorry, I just did not hear you.

Melina BATH: Page 8.

Chris BARRETT: Thank you.

Melina BATH: It talks around costings, and it talks in relation to April 2023, the budget was revised up from \$2.6 billion to \$4.5 billion. DJSIR revised the budget from the Commonwealth contribution to approximately \$1.3 billion. I am interested. It goes on that DTF advised DJSIR and government that the Commonwealth contribution would not likely exceed more than \$300 million, and then in June 2023 DJSIR also advised that the Commonwealth would not contribute \$1.3 billion. Can you walk us through the DTF's role and when and how you advised DJSIR? There has been clearly some variance in the assumption of what the Commonwealth government would fund and therefore that had a bottom line on the cost to the state government. What is DTF's role, and when was that advice given?

Chris BARRETT: I am happy for Ms Meehan to add to my answer, but there would, in the ordinary course of events, be a debate back and forth between the departments about how you build up these costs. It does not go so much to the costs, because the costs we know were moving –

Melina BATH: They were rubbery, but they were there.

Chris BARRETT: They were there. And then you have obviously the Commonwealth to the extent that they make a contribution. That is more on the revenue side, so offsetting costs to the government. I mean, the Auditor-General has documented here that we had a different view. That would have been in the normal course of events of interchange between the departments about what we thought was reasonable and what DJSIR was proposing. I do not know, Ms Meehan, if you want to add to that all.

Heidi MEEHAN: No, that is correct.

The CHAIR: I believe we are out of time. Thank you very much for appearing today and for giving your evidence. You will receive a copy of the transcript in about a week for review before it is published.

The committee will now adjourn until 10:40 am.

Witnesses withdrew.