

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into the 2024–25 Budget Estimates

Melbourne – Friday 17 May 2024

MEMBERS

Sarah Connolly – Chair

Nicholas McGowan – Deputy Chair

Michael Galea

Mathew Hilakari

Lauren Kathage

Bev McArthur

Danny O’Brien

Aiv Puglielli

Meng Heang Tak

WITNESSES

Danny Pearson MP, Assistant Treasurer;

Chris Barrett, Secretary,

Chris Hotham, Deputy Secretary, Budget and Finance,

Paul Donegan, Deputy Secretary, Economic,

Camille Kingston, Deputy Secretary, Commercial,

Cressida Wall, Commissioner, Economic Growth and Better Regulation, and

Kate O'Sullivan, Deputy Secretary, Infrastructure, Department of Treasury and Finance;

Sarah Sheppard, Chief Executive Officer, Essential Services Commission;

Andrew Davies, Chief Executive Officer, Victorian Managed Insurance Authority; and

Andrew McKeegan, Deputy Secretary, Department of Transport and Planning.

The CHAIR: I declare open this hearing of the Public Accounts and Estimates Committee.

I ask that mobile telephones please be turned to silent.

On behalf of the Parliament, the committee is conducting this Inquiry into the 2024–25 Budget Estimates. The committee's aim is to scrutinise public administration and finance to improve outcomes for the Victorian community.

I advise that all evidence taken by the committee is protected by parliamentary privilege. However, comments repeated outside of this hearing may not be protected by this privilege.

As Chair I expect that committee members will be respectful towards witnesses, the Victorian community joining the hearing via the live stream and other committee members.

Witnesses will be provided with a proof version of the transcript to check. Verified transcripts, presentations and handouts will be placed on the committee's website.

I welcome the Assistant Treasurer the Honourable Danny Pearson and officers from DTF. Minister, you are going to have 5 minutes to make an opening statement or presentation. This is going to be followed by questions from the committee. Your time starts now.

Danny PEARSON: Thank you, Chair, and thank you, committee members, for the opportunity to appear before you today. Can I begin by acknowledging the traditional owners of the land on which we are meeting. I pay my respects to their elders past, present and emerging and the Aboriginal elders of other communities who may be here today.

It is great to be here on IDAHOBIT. I just want to acknowledge all gay, bi and trans people and say that equality in Victoria is not negotiable. It would be incumbent upon me as well to acknowledge Mr O'Brien's 10th PAEC. It is a stellar innings, Mr O'Brien.

My presentation to the committee today will cover three topics of note for the committee within the Assistant Treasurer portfolio: the Victorian government's financial frameworks, the regulatory reform agenda and the VMIA.

Visual presentation.

Danny PEARSON: First, I would like to talk about flagged reforms on financial frameworks in Victoria. Strong financial management systems and practices underpin quality services and infrastructure for Victorians. We have made a range of improvements to our financial frameworks from making the departmental

performance statements more accessible online to improving the requirements and principles that guide the financial management of public sector entities through the standing directions. We also remain committed to continuing to improve financial management.

The *Financial Management Act 1994* – 30 years this year – the principal legislation underpinning the financial management framework of the public sector, was written in the wake of the global economic downturn of the early 1990s. Much has changed since the Act was introduced. The public sector has become more complex and sophisticated. The public sector has also been subjected to a generational shock in the COVID-19 pandemic. Government needs to make sure that its legal framework continues to align with contemporary approaches to governance, performance management and risk management. On the 30th anniversary of the Act's introduction, the government will undertake a review of the Act and the broader framework. It is important the Act remains fit for purpose and the public sector is resilient for future challenges.

The government builds on the strengths of the current framework while looking at what more can be done to make sure we have a modern Act for Victoria's future. Some of the areas of review include continuing to enhance the transparency of portfolio budgets, exploring additional measures to strengthen a culture of accountability and proactive financial management across government, facilitating more modern financial management approaches, further strengthening secretary and senior executive performance management frameworks, continuing our work in finance data consistency systems and reporting across government and further improving and increasing access to tools and resources for financial managers across government. These reforms will support the government to continue to achieve its fiscal strategy. Work on these reforms has already commenced and will continue into 2024–25 and beyond.

Secondly, on to regulatory reform, those of you would know that I am incredibly proud of our record on regulatory reform. Over the past three years we have invested \$50 million in the state's regulators and local councils to streamline approvals processes for Victoria's businesses. It is delivering more than \$300 million per year in benefits to the Victorian economy. For example, we have slashed red tape for almost 30,000 Victorian cafes, restaurants and food manufacturing businesses. We have done this through simplifying food strategy requirements so that these businesses save time and money so they can focus on their customers. We have also digitised previously paper-based approvals such as national police checks and working with children checks, saving workers and their employers two weeks in getting their work credentials. And we are helping local government with their regulatory reform as much as we can, and that is why we have worked with councils to streamline and digitise their business permits. But we are not stopping there.

The 2023–24 budget invested another \$30 million over four years to implement more reforms to make things easier for business, and it is being used to implement reforms that streamline regulations, further digitise approvals and enhance the capability of our regulators and councils so they provide a seamless and efficient business experience.

Next, I will touch on the VMIA. For the committee's benefit, the VMIA is the state's insurer and risk adviser and provides contemporary fit-for-purpose insurance to protect the state, fair interpretations of policy to protect clients from significant loss and to help them move quickly to restore critical public services and infrastructure as well as investment in harm prevention.

Last time I was before the committee I touched on the domestic building insurance, and for the committee's benefit I would like to provide an update on how DBI has been tracking. In 2022–23 the VMIA issued 78,720 domestic building insurance certificates and settled 4451 DBI claims with \$112 million in payments. In response to Victoria's largest recorded domestic builder insolvency, Porter Davis, in March 2023, the VMIA worked hard to find builders to recommence and complete the work in the shortest possible timeframe. The VMIA refunded 92 per cent of Porter Davis deposits where no building work had been undertaken by May 2023 and made an offer to all insured Porter Davis customers with incomplete builds by December 2023.

The CHAIR: Thank you, Assistant Treasurer. The first 7 minutes is going to go to Mr O'Brien.

Danny O'BRIEN: Thank you, Chair. Good morning, Minister and team. Minister, I will begin with the VMIA. The 2022–23 annual report for the VMIA revealed a massive \$115 million deficit, and over the years since 2019 there has been \$850 million in deficits. In May last year you received a ministerial brief in which you were advised that the VMIA could fall below the 100 per cent insurance funding ratio and if that was the

case it may be required to prepare a capital management plan. I understand that that capital management plan has been enacted. Can you provide some details of what that involves and provide the committee with a copy of the plan?

Danny PEARSON: Thanks, Mr O'Brien. Look, the VMIA has maintained a positive cash flow from its core businesses for the last five years. There were two critical events which triggered some of those issues. The first was the October floods of 2022. Now, the impact that flood event had on the state was around about \$900 million worth of damage, and then off the back of that you then had the collapse of Porter Davis, which as I indicated in my presentation was the single largest collapse. So both of those events had a significant impact in relation to the insurance funding ratio for the VMIA. Some of the steps that the government has taken are that we have indicated that we will not be taking any dividends or capital repatriations from the VMIA. It is custom and practice when an insurer looks at dropping to an IFR of around about 100 that you institute a capital management plan. We did the same with WorkSafe. Really what that is about –

Danny O'BRIEN: So have you done it for VMIA?

Danny PEARSON: Well, we have not gone below 100. I might just check with my colleagues whether we have instituted that capital management plan yet. My advice is we are developing that capital management plan to return it in the medium-term, and usually you look at having that sort of five-year horizon. Obviously when you –

Danny O'BRIEN: So you are developing a capital management plan as we speak, are you?

Danny PEARSON: Well, we are looking at developing it because you have got to have that longer term horizon, Mr Brien, and look at trying to stabilise and settle things down. But you are on that trajectory.

Danny O'BRIEN: Okay. The ministerial brief also included the recommendation that 'the state may need to provide VMIA with' – redacted – 'capital'. How much was the capital and was it considered?

Danny PEARSON: Well, Mr O'Brien, you are going to the fact that that issue was redacted as a consequence of an FOI process. I do not believe it is appropriate to be using a committee to override legal advice that resulted in the redaction of the brief.

Danny O'BRIEN: I do not think the FOI Act overrides the PAEC, Minister. Was it considered or not? Did the VMIA need a financial bailout? That is the question?

Danny PEARSON: Well, what I would say is that the VMIA competes in financial markets. It is not the only provider of insurances, so there are probably commercially sensitive reasons for that. In relation to the VMIA, yes, its IFR is dropping below where we would like to see it, but we are looking at instituting that capital management plan and we will continue to work on it.

Danny O'BRIEN: Is it expected that the government will need to provide a capital injection this year or across the forward estimates?

Danny PEARSON: Well, the VMIA is a very well run organisation and I am really proud to be the responsible minister, but if you cast your minds back to – well, I will put it to you in these terms, Mr O'Brien. If you had asked me this question in September 2022 – do I think it is likely that we are going to need to consider changing a capital repatriation strategy with the VMIA or any of those sorts of questions – then I would have said no. But clearly when you have an event like the significant storm event of October 2022, where you have \$900 million of damage to the state, and then you have Porter Davis going broke, these things change.

Danny O'BRIEN: I understand all that, Minister. Can you perhaps just answer the question: is there going to be a capital injection this year or across the estimates?

Danny PEARSON: Well, my advice is we do not need to provide a capital injection at this point in time.

Danny O'BRIEN: Okay. Righto. What is the forecast operating result for the VMIA this year?

Danny PEARSON: Well, that will be disclosed through the normal financial records in relation to the annual report, Mr O'Brien. I would not want to mislead the committee. It is 17 May; the books do not close until 30 June. Again, I would not want to provide advice which might be misleading or erroneous.

Danny O'BRIEN: I understand. Heaven forbid that you would mislead us! So maybe someone from the department might be able to advise. Is there a forecast operating result?

Chris BARRETT: We do not have that for this committee at this time, Mr O'Brien.

Danny O'BRIEN: Okay. Do you expect, Minister, that the precarious financial position of the VMIA will require a significant financial bailout similar to WorkCover?

Danny O'BRIEN: Well, I do not agree with the characterisation of the state's insurer, Mr O'Brien. The VMIA is a very well-run organisation. Clearly insurance markets are volatile, and we have seen that going back to since the pandemic. Certainly I think in the reinsurance market we have seen an increase in the cost of reinsurance, but the organisation is incredibly well-run, and it is not my expectation. I would not expect that to be the case.

Danny O'BRIEN: Okay.

Danny PEARSON: But again, as I have indicated, if you had asked me would I have expected \$900 million of damage to the state in October 2022, the answer would have been no.

Danny O'BRIEN: I am not asking from September 2022; that is okay. I am asking for 2024. Can you confirm that the VMIA has refused coverage to the Suburban Rail Loop project due to the high risk of future liability claims and an inability to obtain reinsurance coverage?

Danny PEARSON: I am not aware that that is the case, Mr O'Brien. I mean, that might be something you may wish to ask Mr Carroll when he comes before you later today, but I am not aware that there are any issues in relation to that. In terms of the –

Danny O'BRIEN: Why Mr Carroll?

Danny PEARSON: He is the CEO of the Suburban Rail Loop.

Danny O'BRIEN: I take it that is as opposed to Minister Carroll?

Danny PEARSON: Yes. Well, I otherwise would have referred to him as the Deputy Premier or the Minister for Education.

Danny O'BRIEN: Yes. The question is actually about the VMIA.

Danny PEARSON: Sure, but the issue is that the client is the Suburban Rail Loop Authority, and the question is who they sought to get insurance coverage from. Again, I do not want to mislead the committee. Those conversations –

Danny O'BRIEN: Would you be happy to take it on notice and find out if the VMIA –

Danny PEARSON: What I will do – I am happy to come back to you during our session later this afternoon, Mr O'Brien.

Danny O'BRIEN: Thank you.

The CHAIR: Apologies, Mr O'Brien. Your time is up. We are going to go to Mr Galea.

Michael GALEA: Thank you, Chair. Thanks, Assistant Treasurer and officials, for joining us today. Assistant Treasurer, I would like to start by talking about the Business Acceleration Fund, specifically the 'Department Performance Statement', page 148. I see that there is a target benefit–cost ratio of two to one, but we have actually seen a four-to-one cost–benefit ratio achieved in this current financial year. Could you please talk to me about what was behind that and what led to that strong result?

Danny PEARSON: Yes. Thank you, Mr Galea. Well, the Business Acceleration Fund was a little engine that could and continues to deliver. It is just fantastic – four to one. That is just awesome. For \$50 million in investment since 2020 the broader economic benefit to the state is over \$450 million a year – and the thing about this that I really like is you can just use a little bit of money to start to improve the efficiency in the processes of government and similarly you can have a really good, harmonious working relationship with local government. You know, I am reminded – and I know Mr O’Brien will probably groan when I say this – very clearly of the 1991 Premiers Conference, which was Bob Hawke’s last Premiers Conference –

Danny O’BRIEN: I will not groan; I will just laugh at you again. You are such a nerd.

Danny PEARSON: I ask you to withdraw, Mr O’Brien!

Danny O’BRIEN: Everyone knows I am right, though.

Danny PEARSON: It was the final premiers conference that Hawke attended, but it was all about basically the Commonwealth saying to the states, ‘If you can improve your processes and increase your productivity, then you’ll get compensation payments for it.’ As a consequence of that, that led to the great competition reforms of the 1990s. Really when you think about it, from the early 1990s to today, leaving aside a couple of quarters in the GFC and a couple of quarters in the pandemic, the Australian economy has been incredibly robust. Really what the BAF does here is: how can we try and work not just with other departments and agencies but also with local government on improving the customer experience, improving the user experience?

What we have done is we start with clear objectives on what projects need to achieve, and then we have that really strong framework on how we select the projects. This looks at things like streamlining regulatory processes and approvals across state and local governments, simplifying and consolidating commissions, delivering cost-effective and efficient harm management and – my absolute favourite chart-topper – digitising of regulatory services. It is just fantastic. If you think about the potential for how we can digitise services and we can provide a better customer user interface so they can deal with government more efficiently, it is great. If you think of it from a citizen’s perspective, they do not really care whether they are talking to the Department of Education, Department of Health, DJCS, fines or anything like that – VicRoads – they just want to talk to government. It is that whole principle of ‘Tell us once, do it once, do it properly and improve that user interface.’ That is why I think digitisation is so exciting.

Secondly, what we do is we just advertise that widely across a number of channels to get the message out to state regulators as well as every local government. At this point I do want to commend the work of Anna Cronin. Anna was the commissioner of Better Regulation Victoria, and now she is doing a fantastic job over at the VBA. But Anna was a really great partner, a fantastic public servant who was really quite focused and laser-like in the way in which she was trying to engage with departments and agencies. You have got to have a collaborative approach to try and work with people to identify those opportunities. Anna was fantastic when she was over at BRV, and no doubt she is doing a stellar job over at the VBA.

Thirdly, then what we do is we have got to work hand in glove with applicants to make sure that every application is matched against our regulatory reform criteria, and then once these projects have worked up to a final application they are approved for funding. But after that what you want to do is you do want to start to look at what is working and what is not working. I am a big believer in fast failure. If you look at Toyota, the greatest automobile company in the world, it was all about fast failure: ‘Try something, pilot. If it doesn’t work, great, move on. If it does work, do more of that.’ In this case we have worked with nine departments, 11 regulators and importantly 25 local governments, and that has led to that broader net worth benefit of \$450 million in economic value to the state.

The funding is really critical because again, you could be like the person who is just lecturing departments or agencies, ‘Go off and do this, do that; you need to lift your game.’ That is pretty futile in my experience. It is much better if you are like – again coming back to what Hawke did, the vision of Hawke in 1991 – ‘I’ll give you a bit of money if you lift your game, if you lift your processes.’ It is terrific, so that is what we have been doing on this in order to improve that efficiency and performance. It is widespread. It is across both state and local government. We have worked with five different local governments across Victoria on their faster and simpler approvals, and that means, for example, if you go to Melton, Wangaratta, Boroondara, Casey or Golden

Plains you are automatically approved for things like when you need to install a skip bin or if you want to host outdoor fitness classes in the park or trade on a footpath or the roadside. All of these initiatives are really important, and it is about improving the user experience. Again I just come back to the BAF, the little engine that could. It is just fantastic.

Michael GALEA: Awesome. Very exciting indeed. Thanks, Assistant Treasurer. Can you give me some examples of businesses that have benefited from specific BAF projects?

Danny PEARSON: Yes. If you look at quarries, quarries are really complicated businesses, and you have got a number of different regulators involved. If you think about it, you have got to balance that need between the environmental and the social outcomes in order to get major quarry goods for projects across the state. Particularly if you think about some of the quarries on our urban fringe, it is in our interest really to have those quarries expanded, because they are closer to market. That means that they are closer to where the goods have been deposited, it is cheaper and you also have fewer CO₂ emissions. But often too those quarries are in built-up urban areas, so how do you try and get the balance right between those environmental and social objectives? In this space those five regulators look at all the different aspects, but you have got to try and find a way where you can have a more coordinated approach between those regulators. That is why the BAF provided that seeding funding for a quarries approval coordinator to get all the regulators together in one place to analyse and coordinate regulatory analysis and approvals in a timely way without reducing these critical protections that are in place. It has been so successful that it received general line item funding in last year's budget – something I am really proud of.

Michael GALEA: Thank you.

The CHAIR: Thank you, Mr Galea. We are going to go to Mr O'Brien.

Danny O'BRIEN: Thank you. I believe Mr Davies, the CEO of the VMIA, is here. I was wondering if he could come up.

Danny PEARSON: Sure.

Danny O'BRIEN: Perhaps while he does I might move on to another question. On land sales, Assistant Treasurer, can you advise what the government's total forecast budgeted land sales target and forecast revenue is for the current year, the coming budget year and over the forward estimates?

Danny PEARSON: Sure. So, look, we have got a longstanding land policy to make sure that government is not keeping land without a valid reason. What we do not want is the government to effectively become a land banker sitting on large amounts of unused land that could be used for other productive purposes. We also want to make sure that as part of that – you do not want a situation where if department A is sitting on land, it decides just to sell it without talking to department B, or for that matter the local council or the Commonwealth government, and that is why we ask whether they have got an interest. Once that –

Danny O'BRIEN: I understand all that, Minister. I am just asking you if you have got forecasts for the budget.

Danny PEARSON: We do not have a land sales target per se, Mr O'Brien, but I am happy to defer to the Secretary. Probably the only thing I would say is that it is somewhat dependent upon what the sales process might be and whether it is deemed to be surplus to requirements. There are a few issues that might delay it in terms of that. I am happy for the Secretary to –

Danny O'BRIEN: I might come back to the Secretary now that I have got Mr Davies at the table. Mr Davies, can you confirm that VMIA was asked to provide insurance for the Suburban Rail Loop project and that it decided not to – refused coverage – due to the high risk of future liability claims and an inability to obtain reinsurance coverage?

Andrew DAVIES: Thank you for the question. I can confirm that we have been asked to insure the Suburban Rail Loop, indeed for a large suite of various insurances for that project, and we do do so – we are insuring the Suburban Rail Loop for a variety of insurance activities.

Danny O'BRIEN: For all the ones you were asked for insurance coverage on?

Andrew DAVIES: We worked with the Suburban Rail Loop for many, many months leading into what that contracting arrangement would look like. For everything that the Suburban Rail Loop needed for insurance, then we went and insured. We used the commercial reinsurance market to support us on what was a very good risk, as we presented it to the commercial reinsurance –

Danny O'BRIEN: A very what, sorry?

Andrew DAVIES: A good risk.

Danny O'BRIEN: A good risk?

Andrew DAVIES: A very well received risk.

Danny O'BRIEN: So VMIA did not reject any requests from SRL?

Andrew DAVIES: Nothing in regard to the outcome of what was agreed should be insured as we went forward. We worked with them about areas of insurance that were appropriate for the project and, for all areas of insurance that were deemed appropriate for the project, continued to go on risk for.

Danny O'BRIEN: Okay. Has the SRL to your knowledge had to go elsewhere to seek insurance for other issues?

Andrew DAVIES: Not that I am aware of, no.

Danny O'BRIEN: Okay. Just on domestic building insurance and the demands on the VMIA and its funding status, will DBI premiums have to rise again next year?

Andrew DAVIES: Is that to me?

Danny O'BRIEN: Probably a question to you, I suspect, Minister.

Danny PEARSON: Well, I think we have to take account of individual circumstances at the time. Mr Davies might want to add –

Danny O'BRIEN: That is why I am asking – at this time.

Danny PEARSON: So you are referring to it in relation to from 1 July 2024?

Danny O'BRIEN: Yes.

Danny PEARSON: Look, I might defer to Mr Davies on that particular point. Probably the only thing I would say, and I made this point when we caught up last year, Mr O'Brien, is in the context of the overall cost of construction, DBI is a very small subset of that. It is about sort of \$1300 to \$1500. It is not a lot of money, but I will defer to Mr Davies.

Danny O'BRIEN: The question is: will premiums have to rise next financial year?

Andrew DAVIES: Thank you. We annually look at the premiums for the domestic building insurance program. We are currently looking at those premiums at the moment, based upon the experience that we have had on claims and what we are predicting in terms of future claims requirements et cetera, and that will go through our regular processes. That is not determined as yet. It will not be determined for some time yet.

Danny O'BRIEN: It is the middle of May. When will it be determined for 1 July?

Andrew DAVIES: Last year it was done in July and announced in July. We expect it would be at a similar position as well, so we are going through that process.

Danny O'BRIEN: Do you think you are in a similar position financially with DBI?

Andrew DAVIES: DBI has been, as is well reported, a fairly challenging area of business for VMIA. We have had that Porter Davis claim. We spoke about that last year in terms of the challenge it had and the premium adjustments for that. It is a continually challenging business, DBI.

Danny O'BRIEN: Okay. A related question of course: the insurance funding ratio in 2019 was 144.3 per cent, the last annual report was 103 per cent. What is the expected insurance funding ratio for the VMIA for this current financial year?

Andrew DAVIES: It is expected to be at a very similar range.

Danny O'BRIEN: Around about 100 per cent?

Andrew DAVIES: We have had, again, challenging claims years. We have been, as the Minister indicated earlier, looking at options around how we bring that capital position back to the middle point of the range. VMIA internally has been working on that for some time now.

Danny O'BRIEN: Do you expect it will be about the same range next financial year?

Andrew DAVIES: We expect it will be improving over the next five years.

Danny O'BRIEN: To what level? What do you expect to get it back to?

Andrew DAVIES: Over the next five years we are expecting it to improve back to the midpoint of the range, but that is subject to –

Danny O'BRIEN: Sorry, back to the what?

Andrew DAVIES: The midpoint of the preferred range that we have – to 122.5, which is the midpoint of the preferred range, subject to a lot of volatility that we anticipate on our book, so investment returns and in claims that have impact on us.

Danny O'BRIEN: Sure. Minister, BP5, page 195, concerns VMIA's exposure on contingent liabilities, particularly to class action liability for the state and departments for economic losses by Victorian businesses arising from stages 3 and 4 COVID public health restrictions. Have you been briefed on a potential range of liability to VMIA and the state if the class action is successful?

Danny PEARSON: I might get the Secretary to give my answer on this stuff. It is customary practice that the government has a range of contingent liabilities. Contingent liabilities have always been disclosed as part of the budget process in relation to BP5.

Danny O'BRIEN: But they are not disclosed – that is the question. Have you been briefed on what the exposure might be?

Danny PEARSON: I suppose what I would say – and again the Secretary might want to add to it – I do not think you would want to be disclosing a number in relation to a live class action that is before the courts, Mr O'Brien.

Danny O'BRIEN: Thank you.

The CHAIR: Mr O'Brien, your time is up. We are going on to Mr Tak.

Meng Heang TAK: Thank you, Chair. Assistant Treasurer, I refer to budget paper 4 on page 80. I note that there is reference to the TEI expenditure of the greener government buildings program. Could you please explain to the committee what this program does and what returns it is providing the government?

Danny PEARSON: Thanks, Mr Tak. Great to see you on a Friday morning. Greener government buildings is just sensational. It is an initiative that actually received new funding back in 2020–21, and that funding is still being used today. What the greener government buildings aims to do is to reduce our greenhouse gas emissions and water wastage across government by making investments that increase energy and water efficiency across our government buildings. These upgrades can be used for lighting, heating, ventilation, air-conditioning units as well as improving building automation, rainwater harvesting and renewable energy generation. So far from

this \$309 million investment across 50 projects to upgrade 500 buildings, we have reduced government emissions by 16.9 per cent and saved collectively \$220 million – and that number is set to grow every year.

The beautiful thing about this program is over the course of time you look at saving money for the government, because you are able to reduce your power consumption and you are also able to reduce your CO₂ emissions. Every project that has been funded through this scheme will reach a positive net return point within five years, which means the government is already realising savings from its investments. We are investing in things like schools, hospitals, TAFEs, office buildings and publicly owned buildings like the MCG, the Melbourne Museum, the Melbourne market and of course my absolute favourite – totally, totally love it – the NGV, the people's gallery.

Importantly, the program supports energy efficiency and clean technology in other publicly owned buildings, which means more jobs in high-tech industries for Victorians across our state. This initiative was originally established by the Brumby government in 2009. Regrettably the former government saw fit to cut it even though it was going to realise savings across the public sector. We know that the project has merit, and that is why we brought it back, because it is that classic win-win. You can save money in terms of your energy consumption, you can reduce your greenhouse gas footprint, as well as being a win for local jobs.

How does it work, you ask? Well, I am glad you asked that, Mr Tak. We have done it by establishing a rolling fund, which means that 50 per cent of the savings that are achieved from one project are therefore reinvested in new projects. Over time the initiative becomes self-sustaining, so it is continually looking at reducing those emissions and costs while incentivising uptake and reuptake by the government sector. As you start to harvest those benefits, then you are able to reinvest, and you keep going. Projects can start small and scale up over time as returns are realised. A department, agency or other asset manager can put forward a project to make environmental and financial savings, and they can get funding, they can make the change and they can get a dividend and return some of the benefits to the next project. The GGB is funded in the form of loans, with the loan changing depending on what type of government organisation it is. To give you an example, if you are in a PNFC, a public non-financial corporation, or a PFC, a public financial corporation like the VMIA or VicTrack, you can access GGB funding and financing through the Treasury Corporation of Victoria in the form of a financial accommodation levy. That is a standard financial instrument like a loan, where an authority must make payments to the Consolidated Fund. Alternatively, if you are a government department or agency, you can access funding through interest-free loans, and these loans must be paid back into the Consolidated Fund over five years from the funding being made available. These funding streams make sure that the governance around greener government buildings is strong, and we will make sure that the rolling fund keeps ticking over.

Look, it is just great. You reduce emissions, you save money, you create jobs. I also think, and I have not looked at this closely, but I would imagine that if you have got a government asset that has got 21st-century emissions-cutting technology embedded within that asset, it is going to be increasing in value on the balance sheet more than if it has not. So it just adds up; it just makes sense.

Meng Heang TAK: Thank you so much. What are some of the tangible examples of the benefits that greener government building projects are delivering across the state?

Danny PEARSON: Again, coming back to my favourite example, the people's gallery, the National Gallery of Victoria, an absolute knockout, that joint – fantastic. Tony Ellwood, one of the finest art directors in the world, and he is right on our doorstep, literally 2 minutes down the road. If you look at what the NGV has done, it is the oldest and most visited gallery in Australia. It is situated over two buildings at both the NGV International as well as the Ian Potter Centre. What the NGV did – really thoughtful, smart leadership – was engage with Siemens in an energy performance contract to install solar panels and energy-saving solutions. Since 2018 the project has, among other things, installed a 99-kilowatt solar PV system in the NGV International building; they have optimised and they have upgraded their HVAC systems to more efficiently use air-handling units and ventilation; and they have upgraded lighting across both buildings, including retrofitting and replacing older lights with more efficient LED lights. The investment has saved the NGV over 1.65 million kilowatt hours of electricity and nearly 10,000 gigajoules of gas annually. That converts to around 2000 tonnes of greenhouse gas emissions annually abated. It is huge – massive. It is just fantastic. It cost \$2.3 million. It is generating over \$470,000 per year in savings. The initial loan was paid back in five years, and you can just see: you borrow the money, you pay it back over five years, but then those assets, those benefits, they last for decades. It is really good.

We have also installed a solar canopy at the Melbourne Market – that is Victoria’s wholesale fruit and vegetable and cut flower trading centre. We have installed that solar canopy. It is huge, massive, enormous – a solar array that generates 1.8 megawatts of energy savings, saving the market 2.3 million kilowatts of electricity every year.

Meng Heang TAK: All right. Thank you.

The CHAIR: Thank you, Minister. We are going to go to Mrs McArthur.

Bev McARTHUR: Thank you, Chair. Thank you, Minister. I am going to ask my first question to Camille Kingston, the Deputy Secretary. Can you please provide details of the successful recipients measures to be funded and explain exactly what specific benefits Victorian businesses and households will receive from the stated funding of 13 initiatives, totalling \$7.412 million, under round 1 of the Business Acceleration Fund? You can take it on notice if you like.

Chris BARRETT: That would actually sit in Mr Donegan’s area, Mrs McArthur.

Bev McARTHUR: Okay.

Paul DONEGAN: Can you repeat the second half of the question? Sorry.

Bev McARTHUR: Yes. Can you provide the details of the successful recipients and the measures to be funded and explain exactly what specific benefits Victorian businesses and households will receive from the stated funding of the 13 initiatives, totalling \$7.412 million, under round one of the Business Acceleration Fund?

Paul DONEGAN: Round 1– is that documented in the budget papers?

Bev McARTHUR: Budget paper 3, page 148.

The CHAIR: Thank you, Mrs McArthur.

Chris BARRETT: We might need to take that on notice, Mrs McArthur.

Bev McARTHUR: Yes, happy to take that on notice – that is fine. Okay? All right? That is good. Well then, I will go to Ms Wall, please. Your appointment was made in December 2023. Can you please tell the committee the cost of establishing the economic growth Commissioner role and the detail of the resources provided to support the Commissioner – your role?

Danny PEARSON: Just through the Chair, if I may – sorry, Mrs McArthur – are you asking for the Commissioner to disclose her salary to the committee?

Bev McARTHUR: Well, the cost of establishing the role, yes – establishing the economic growth Commissioner role and the detail of the resources provided to support the Commissioner. Is that not available, Minister?

Danny PEARSON: Look, it will be disclosed through the normal way, I would say, Mrs McArthur – just through the annual report. What I would say is that Anna Cronin was the commissioner for Better Regulation Victoria and did a fantastic job, as I advised previously, and remains doing an outstanding job.

Bev McARTHUR: Well, Minister, are we able to find the detail to the question?

Danny PEARSON: If you let me finish, Mrs McArthur, I think you would find that when Ms Cronin ceased her role Ms Wall replaced her. I would say that in relation to those matters around costings and staffing costs et cetera they are disclosed through the 2023–24 budget and they will be disclosed through the Department of Treasury and Finance’s annual report.

Bev McARTHUR: Thank you. Ms Wall, can you tell us the details of any current inquiries being undertaken or planned?

Cressida WALL: By the economic growth Commissioner? The commission is in the process of finalising the terms of reference for its first report. A lot of work has already taken place in relation to preparing for that, and it is likely that that will be in relation to the use of artificial intelligence in the Victorian economy.

Bev McARTHUR: You have not started yet – it is in planning process?

Cressida WALL: Much work has been done to progress that, and it is –

Bev McARTHUR: When would you decide that it might be completed?

Cressida WALL: Pardon me?

Bev McARTHUR: When would you plan for the completion of that inquiry?

Cressida WALL: It should be towards the end of this year.

Bev McARTHUR: Thank you. Will you be undertaking a review into the government's unenviable position as the highest taxing state in the nation since this is currently a major impediment to economic growth, investment and jobs in Victoria?

Danny PEARSON: Look, I can appreciate the point that you are trying to make, Mrs McArthur, but I think that this is about looking at improving the productive capacity of the state, and I am sure that Commissioner Wall will be very happy to talk about some of the areas of focus in relation to improving the state's productive capacity as opposed to the point that you are trying to make.

Bev McARTHUR: So you will not be intending to look at the impediments to investment due to the taxing levels in this state compared to other states, Commissioner?

Cressida WALL: I just might refer to the commissioning material for the role of the economic growth commissioner. The role has been established to report to the Treasurer on matters relating to the economic, social and environmental issues that affect the wellbeing of Victorians, and it is also tasked with undertaking practical inquiries to provide strategic and timely economic advice on matters that are referred by the Treasurer. So within those functions it will conduct its inquiries, and whether or not it would reflect on the member's specific question is a matter that would be determined.

Bev McARTHUR: By you or the minister?

Cressida WALL: The role is established to service – well, it is a Governor in Council appointment, so it is established to provide advice in that way, and I expect that it would be at the direction of the Treasurer under the terms.

Bev McARTHUR: Okay. So you are under his jurisdiction. Will the economic growth commissioner – will you – be inquiring into the \$40 billion massive cost blowouts on major projects under the state government, which have seen unnecessary investment resources wasted and ultimately diverted from the private sector, thereby reducing private sector growth? Is that an area that you are going to be looking into?

Danny PEARSON: I think the Commissioner has already answered that question, Chair.

The CHAIR: Apologies, Mrs McArthur, your time is up. We are going to go to Ms Kathage.

Lauren KATHAGE: Thank you, Chair. Thank you, Assistant Treasurer and officials. Assistant Treasurer, can I draw you, please, to BP3, page 186, where there is information set out on the economic regulatory services. My understanding is that that output has the housing registrar sit under it – is that right? – and then that registrar regulates community housing.

Danny PEARSON: Yes, that is right.

Lauren KATHAGE: So how does that registrar work?

Danny PEARSON: Thanks, Ms Kathage. The registrar is Victoria's regulator for the community housing sector. I think if you think about the rise and rise of community housing over the last few decades, it makes

sense that there is a regulator to make sure that tenants get the support that they need and ensure the sector delivers safe, secure and affordable housing for the benefits of tenants and the community more broadly. I just want to pause here on one notion, just in relation to community housing, and I think it is a really important notion to make. If you go back in time one of my predecessors, the former Minister for Housing Richard Wynne, made a decision that he would hand over public housing assets to Aboriginal-controlled organisations, right? Now, he did not just hand over a couple of houses, he handed over hundreds. If you think about for a moment the value of a property in today's market or at the time he did that, it was the single biggest wealth transfer to First Nations peoples since 1835. He did that because he took the view – and he is right – that Aboriginal people know what is in the best interests of Aboriginal people, so it is appropriate that you have got that level of determination.

I just raise this because I think it is important to note that there has been a lot of misinformation about community housing. This notion that public housing is somehow inherently superior to community housing – what it is is patronising. It represents the absolute worst of a colonialist attitude to our First Nations people – the notion that white bureaucrats, white public servants or for that matter old white ministers like me, are better placed to tell how Aboriginal people should live their lives as opposed to letting Aboriginal-controlled organisations make that determination for themselves. I needed to get that off my chest because I am sick to death of having people rubbish this great sector for the work that it is doing to support some of the most disadvantaged and vulnerable people in our community. Having said that, it is important that we have got an appropriately regulated sector, and that is what the housing regulator does. Community housing is a subset of social housing, and it is delivered and managed by not-for-profit and charity organisations that focus on the needs of renters, making sure renters have a new, secure and modern place to call home.

I was really pleased recently. I was out at Dunlop Avenue in Ascot Vale. We knocked down 80 dreadful three-storey concrete walk-ups – no, they were brick actually – which were built in the 1940s under the John Cain Sr government. It was actually John Wren's racetrack. For anyone who has read *Power without Glory*, it was John Wren's pony club track that the former Cain government purchased and used to create social housing, or public housing at that stage. We knocked down 88 dwellings. We replaced them with 200 – 100 social, 100 affordable – opposed by the Greens political party. You go there now and it is a knockout: three-storeys, 21st century, tenure blind – you do not know what is key worker, you do not know what is social. It is exquisite. It is beautiful. You know what? The other 700 dwellings that are over the road, what do they say to me? 'When's mine coming?' So it is really important that you make these sorts of investments. But I do digress. You need to make sure that you have got that proper level of regulation and oversight and you want to make sure that the voices of community housing tenants are heard and that if they have got any issues, then they have got that capacity to deal with that.

Some of the other providers who do some great work are Women's Housing Limited and Women's Property Initiatives. Again, they provide that level of low-cost housing to women who are at risk of homelessness and escaping family violence. Again, if you think about older women in particular, women over 50, they are the fastest growing cohort at risk of homelessness through no fault of their own – absolutely no fault of their own. They are often victims of family violence. They have been out of the workforce for a period of time while they have raised their children. They do not have access to superannuation. That is why the community housing sector again, having that real targeted focus dealing with particular cohorts, plays a really important role. So those providers specialise in housing people that have got various needs. It could be mental health needs. More recently we have seen the entry of veterans housing, providing a bespoke service for the men and women who have sacrificed so much for our country and need tailored housing and services.

The registrar has built those strong relationships with all providers and helped them excel in performance and not only regulates but actively works with the providers in a collaborative way to improve their performance measures. However, they can still enforce compliance on deficient housing providers through the *Housing Act* and the performance standards. The performance standards are a level of service, performance and governance that housing providers must adhere to so that the sector can support their tenants' journey and achieve sustainable and inclusive growth. Those performance standards are housed in seven separate categories: tenant and housing services, housing assets, community engagement, governance, probity, management and financial viability. The registered agencies must comply with those performance standards at all times, and the housing registrar diligently assesses the performance of registered agencies, taking into account an agency's scale and complexity, their risk profile, past performance and the relative performance of similar agencies.

Look, the reality is that we know from time to time you are going to have complaints. Certainly in the great district of Essendon, I reckon my EA would deal with housing issues probably 25 to 30 per cent of the time. What is interesting is that –

Danny O'BRIEN: They have a terrible local member, that is the main issue.

Danny PEARSON: Oh, no, no, no. They have a fantastic local member, if I do say so myself, Mr O'Brien.

Mathew HILAKARI: He is so proactive. The community knows him. Absolutely.

Danny PEARSON: Yes, absolutely. It is really good. When people come towards me, they never say, 'I want a public house.' They do not say, 'I want a Homes Victoria home.' They say, 'I want a home.' They just want a home, and whether it is Homes Victoria, who are doing a fantastic job under the leadership of my good friend the Minister for Housing Ms Shing, or the community housing sector, it is fantastic.

The CHAIR: Apologies, Ms Kathage. You are out of time. We are going to go to Mr Puglielli.

Aiv PUGLIELLI: Thank you, Chair. Good morning.

Danny PEARSON: Good morning.

Aiv PUGLIELLI: I am just going to begin with a question for the department, if that is okay. Page 200 of budget paper 5 states that the Victorian Managed Insurance Authority insures state government departments and participating bodies as defined under the relevant legislation and other entities as declared by the minister. I would just like to ask: how does the VMIA set costs? Generally premium costs charged is not publicly available information, so what mechanism does the VMIA use to determine what they are charging?

Chris BARRETT: I think at that level of detail, Mr Puglielli, I might suggest that we get Mr Davies up again to just talk you through the background to that.

Danny PEARSON: I might start. I think on these questions it is important that the VMIA does not abuse its position by undercutting the private market, so that is the first thing I would say. The second thing is that the VMIA needs to reinsure that risk on the global market, so it is in part dependent upon what is happening in the global market. I think it is also based on claims experience as well, but I think Mr Davies can talk to that far more eloquently than I.

Aiv PUGLIELLI: Thank you. Just on the mechanism, if you can.

Andrew DAVIES: Thank you. I am not exactly sure that is true, Assistant Treasurer. Exactly as was just referred to, we will look at the claims experience, and from that claims experience what reinsurance costs would be on top of that, then define a premium for a pool of risk and allocate that pool based upon the risk of each of the different entities that we are allocating that pool to.

Aiv PUGLIELLI: Thank you. Now, the VMIA covers various public services and cultural institutions, provides domestic building insurance, as we have been hearing about today. Minister, you have the power to direct the VMIA to provide insurance or indemnity in certain circumstances.

Danny PEARSON: Under section 25 of the Act – I sure do.

Aiv PUGLIELLI: So, yes, definitely something you can do. So I ask: in the context of live arts venues who are struggling with hikes in their insurance ranging from 300 per cent to 600 per cent, will you direct the VMIA to provide coverage to those venues facing that distress caused by wildly inappropriate premium hikes?

Danny PEARSON: Yes. Look, I appreciate the question. I mean, I think in terms of this issue – I kind of answered it a bit earlier in my response – a few things are at play here. First of all, as Mr O'Brien explored previously, the IFR for the VMIA has dropped, right? So our core business must be on providing that level of service to our existing customer base. There is adequate coverage in the private sector. You might turn around and say, 'Well, their cost is too high.' The issue we have got here, though, is that we cannot undercut the private sector – we cannot. The other issue too is that even if I were to issue a section 25 to the VMIA and say, 'Look, you need to start to provide a level of coverage for the live music sector,' the challenge we have got here

of course is the fact that I then have to reinsure on the same market. So you then turn around and sort of say, 'Okay, well, I can't undercut the private sector who are already existing in the market, and even if I seek to go into the market, when I go and reinsure that risk on the global market I'm still going to be paying a higher rate because of those challenges.'

Look, I know this is really tough for live music venues. I had the great privilege, like the absolute – it was just awesome being the Minister for Creative Industries, and I love our live music scene. I know how incredibly difficult this is for the sector. Look, there are a number of issues at play here, whether it is patron to patron, security to patron, some of the large claims made against certain venues – you know, whether you have seen that there have been particular venues that have had a poor outcome that are driving up the sector more broadly. It is a real problem. I think in terms of from my perspective, I acknowledge the fact that my good friend and colleague the Minister for Creative Industries is working with the industry on this matter, and we are both, I think it is fair to say – I do not think I am defaming the good minister – unreconstructed bogans from the suburbs. I am more Cold Chisel, but apparently he is more Air Supply. I do not know how you can be a bogan and like Air Supply. But anyhow, I love Cold Chisel; I am a bogan. Look, we are passionate about live music, but it is just challenging.

Aiv PUGLIELLI: Thank you. I appreciate you furnishing us with that interesting detail. I might just move on. Earlier this year – this might be between the department and minister – in response to a question on notice requesting the total number of land transactions between government departments that were below market value and the total that were for social use, you answered, Minister, I think, that such information is not held centrally. So I guess in that light, will you as minister commit to implementing measures to improve the transparency and oversight of those land transactions between government departments like, for example, establishing a centralised database or expanding information that is captured and shared by the Victorian Government Land Monitor?

Danny PEARSON: What I would say is those matters are disclosed through the normal course of events. We are constantly looking at trying to find ways where we can ensure that departments are not sitting on land and not using it appropriately. I mean, we do not want our departments to be land bankers. Look, there is no global list that exists. From my perspective I think the first right of refusal approach works well because in the end it provides that opportunity for departments to first of all identify where they are sitting on surplus land; to engage with other departments and agencies, local government and the Commonwealth; and then make a decision as to what to do. Certainly as the local Member for Essendon I was thrilled when we were able to get some old VicRoads site and purchase that for a community park. The land had been sitting there forever. It had been used as a park. The government wanted to off-load it. Through strong leadership the City of Moonee Valley were able to purchase that land on behalf of the community and it was an absolute win for the community. I think we have got the balance right. I think the system is working well. It would just be great to get more planning permits approved in, particularly, Greens councils frankly.

The CHAIR: We will go to Mr Hilakari.

Mathew HILAKARI: Thank you, Minister, Secretary and department. I am actually going to keep on land sales if you are so keen to continue. I just thought I might take you back a step though and just run us through how the government processes the sale of government lands. I think it is an important thing to probably start off where we should have.

Danny PEARSON: Thank you, Mr Hilakari, for your question. As you would appreciate, we do have significant landholdings across the state. That land could be owned by departments, agencies or public corporations and that land could be used for a wide range of purposes, and at times the government might purchase land for new uses. Land that is purchased or retained by government has to be contributing to the needs of the community; if not, then there are better ways of using that land, and that might be another department or another level of government, by a non-governmental organisation or for that matter the open market. When land no longer contributes to an agency's current or future service delivery needs it is declared surplus. That title is then processed and analysed to try and find the best use of it across government. This starts off with a strategic land use assessment, where the government will evaluate the surplus land and see if it can be repurposed to meet government objectives. This might be, for example, to build more public housing or to convert it into a school. The example I gave previously was VicRoads land at the back of Essendon Airport. It had sat there for decades. I think VicRoads were thinking about building a massive road there back in the

1970s, and then the community had sort of built up around it. They did a check, they realised it was surplus to their requirements, they wanted to off-load it. We provided a public land overlay as a rezoning; we put that there so it could be used for a park. And then between the government's efforts and the council's efforts it became a park, and the community has really enjoyed the use of it.

Just coming to the strategic land use assessment, that analyses any unique legal, social or economic factors that might constrain a different use of land – for example, identifying the inhabitant flora or fauna or the cultural or heritage identity of the parcel. At that stage we then go through a thorough public consultation – when rezoning land from a public use zone to another type of zone – and then we get independent advice to make sure that every potential future use has community support. If the land has no critical aspects to it that preclude it from divestment and it is found to be surplus to requirements, then it enters that next phase which I referred to earlier, which is the first right of refusal. Again, that is about trying to say, 'Well, are there any other public sector entities – state, federal, local – that might want to use it?'

Finally, only if both the strategic assessment and the first-right-of-refusal process have found no other use for it at any level of government, it is divested through the open market, where it might be used to build more housing, shops, businesses or factories. Again, that means more homes, more economic activity, more jobs. That is important because there is an opportunity cost to the government of holding land that has no current or future use – so if it just sits there, it is undeveloped and it is idle when it could be put to better use for things that Victorians obviously want, like homes or jobs. When we made the housing statement last year, where we had that target of 800,000 new homes over 10 years, partly that was about trying to unshackle unused land, because we heard from institutional investors and the private sector how crucial government land is to building more homes, and that is why we have listened. To that end we have committed to unlocking and rezoning surplus government land across the state. That is going to deliver over 9000 new homes across 45 sites to get more housing sooner, and on these 45 sites we are making sure that at least 10 per cent are classified as affordable housing so people like nurses and teachers can live close to where they work.

Certainly down at Flemington where we have had the ground lease model built – again a project that was opposed actively by the Greens – we have got beautiful three-storey to six-storey accommodation, energy-efficient accommodation for teachers, for nurses, for police officers, for social workers and for child protection workers. It might seem a quaint theory to some, but I actually like the idea where our service providers can live in the communities where they work, you know? I think that if you follow the Greens logic to its end, those people can live on the urban fringe and travel 60 kilometres to provide essential services for their kids. We all want the same. We all want our kids, for example, to have a really good education at local schools. If you want to have really good teachers to provide that, you want them living in your community. It is all good and well if you were lucky enough to buy a nice house on Flemington Hill back in the 90s when the joints were going for 150 grand, like the federal Member for Melbourne. Happy days, good on you, but if you are a teacher now, good luck trying to buy, in Flemington, a house. If you are lucky, you might be able to get a flat – if you are lucky. That is why we have got to try and make sure that we have got a real focus on providing more of those opportunities and again providing that really good quality housing for key workers to provide the services that we all rely upon. Otherwise we all are going to be worse off – we all will be.

Mathew HILAKARI: I take that as certainly the point. I just want to take you to that land sales measure that you have been talking about. The departmental performance statement, page 138, we actually have not made our measure there, so I am hoping that you can talk to why that is the case.

Danny PEARSON: Yes. I think on this issue, some of these sites we want to make them used for housing. They can be not as straightforward as you would like, particularly if you are looking at rezoning or if you are looking at working with the community. That is why there has been that slowdown in land sales measures, because we want to take the time to get the land sales for these projects right. Partly that is due to working with industry and stakeholders to find the best ways to build housing on this land and make sure that the planning and zoning parameters around that land are up to task to increase the supply of modern, affordable and again energy-efficient homes. Many of these sites are some of the high-value parcels that the government owned in the inner-suburban rings, so this is land that is close to jobs, schools, transport infrastructure and other services, and, look, it makes it perfect for homes. We know this is the type of land that institutional investors are telling us is important in making build-to-rent and affordable housing financially sustainable over the long period. The ground lease model that we have developed at Flemington has been just fantastic. The take-up has been great. It

absolutely works, and it is going to provide energy-efficient, affordable housing that is going to last for generations.

The CHAIR: Thank you very much, Assistant Treasurer.

That brings us to the end of this morning's session for this portfolio. Thank you very much for taking the time to appear before the committee. The committee is going to follow up on any questions taken on notice in writing, and responses are required within five working days of the committee's request.

The committee is going to take a very, very short break before beginning its consideration of the WorkSafe and TAC portfolio.

I declare this hearing adjourned.

Witnesses withdrew.