

TRANSCRIPTS

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into 2016–17 Financial and Performance Outcomes

Melbourne — 14 February 2018

Members

Mr Danny Pearson — Chair

Ms Sue Pennicuik

Mr David Morris — Deputy Chair

Ms Harriet Shing

Mr Steve Dimopoulos

Mr Tim Smith

Mr Danny O'Brien

Ms Vicki Ward

Ms Fiona Patten

Witnesses

Mr John Bradley, Secretary,

Ms Helen Vaughan, Deputy Secretary, Water and Catchments,

Ms Christine Wyatt, Deputy Secretary, Planning,

Mr Terry Garwood, Deputy Secretary, Local Infrastructure,

Ms Nina Cullen, Acting Deputy Secretary, Energy, Environment and Climate Change,

Mr Xavier Hinckson, Chief Finance Officer, and

Dr Stephanie Rotarangi, Chief Fire Officer, Department of Environment, Land, Water and Planning.

The CHAIR — I declare open the public hearings for the Public Accounts and Estimates Committee inquiry into the 2016–17 financial and performance outcomes. All mobile telephones should now be turned to silent.

I would like to welcome the Secretary of the Department of Environment, Land, Water and Planning, Mr John Bradley; Ms Helen Vaughan, Deputy Secretary, Water and Catchments; Ms Christine Wyatt, Deputy Secretary, Planning; Mr Terry Garwood, Deputy Secretary, Local Infrastructure; and Ms Nina Cullen, Acting Deputy Secretary, Energy, Environment and Climate Change.

Additional witnesses in the gallery are Mr Lee Miezis, Deputy Secretary, Forest, Fire and Regions; Ms Kathryn Anderson, Deputy Secretary, Corporate Services; Mr Xavier Hinckson, Chief Financial Officer; and Dr Stephanie Rotarangi, Chief Fire Officer.

I would also like to welcome all witnesses sitting in the gallery. Any witness who is called from the gallery during this hearing must clearly state their name, position and relevant department for the record.

All evidence is taken by this committee under the provisions of the Parliamentary Committees Act, attracts parliamentary privilege and is protected from judicial review. Any comments made outside the hearing, including on social media, are not afforded such privilege. The committee does not require witnesses to be sworn, but questions must be answered fully, accurately and truthfully. Witnesses found to be giving false or misleading evidence may be in contempt of Parliament and subject to penalty.

All evidence given today is being recorded by Hansard. You will be provided with proof versions of the transcript for verification as soon as available. Verified transcripts and any PowerPoint presentations and handouts will be placed on the committee's website as soon as possible.

Witness advisers may approach the table during the hearing to provide information to the witnesses if requested, by leave of myself. However, written communication to witnesses can only be provided via officers of the PAEC secretariat. Members of the public gallery cannot participate in the committee's proceedings in any way.

Members of the media must remain focused only on the persons speaking. Any filming and recording must cease immediately at the completion of the hearing.

I will now give the witness the opportunity to make a very brief opening statement of no more than 10 minutes. This will be followed by questions from the committee.

Visual presentation.

Mr BRADLEY — Thanks very much for the opportunity to be with you. It is a great pleasure for us to be with you. For those I have not met, my name is John Bradley, the secretary of the department. As you will know from our annual report I was appointed in 18 September last year, so after the completion of the 16–17 year. I appreciate this opportunity to be with you today. With your forbearance I will work my way through a brief overview of some of the key features of the 2016–17 financial and performance outcomes.

I would like to begin now by acknowledging the traditional owners of the land on which we are meeting and pay my respects to their elders past and present, and any elders who may be here with us today. Thanks for the opportunity to present. The department has a clear purpose. We shape and support livable, inclusive and sustainable communities and thriving natural environments, and the community is at the centre of everything we do. We have made excellent progress in 2016–17 by continuing to deliver initiatives with substantial positive outcomes for Victorian communities.

We bring together in our department planning, local government, environment, energy, suburban development, forests, emergency management, climate change and water functions in a single agency. This combination of functions allows us to strengthen our connections between the environment, community, industry and economy.

Our challenge is to maintain the state's livability as we respond to climate change and protect our natural environment, infrastructure and heritage for future generations, all while anticipating the doubling of our population by 2050. The department is structured around six business groups that work together to deliver the government's priorities: our planning group, led by Christine Wyatt; forest, fire and regions, led by Lee Miezis; water and catchments, led by Helen Vaughan; energy, environment and climate change, led by Nina Cullen; local infrastructure, led by Terry Garwood; and corporate services, led by Kathryn Anderson.

In terms of our staff, we have 3500 staff employed across more than 80 locations, and we are aspiring to have a workforce that represents the diverse communities that we operate and live in. Our team has expertise across broad portfolio and corporate responsibilities, allowing integrated action and successful delivery of projects for Victorian communities.

We are a leading public land manager in the state. We manage almost 9 million hectares of public land in partnership with our portfolio agencies, most notably Parks Victoria.

In terms of assets we directly manage \$10.1 billion in assets of which around 67 per cent is public land. We also own and manage about \$1.6 billion in other assets, including 40 000 kilometres of roads and tracks, office buildings and depots, public toilets, recreational facilities and firefighting and road maintenance equipment for managing fire risks on public land.

In 2016–17 our work was centred around achieving eight key public value outcomes: a zero-emission-climate-ready economy and community; a healthy, resilient and biodiverse environment; reliable, efficient, accessible, safe and sustainable energy services; productive and effective land management; safe and sustainable water resources; a quality built environment; sustainable and effective local governments; and a reduction in the impact of major bushfire and emergencies on people, property and the environment.

In terms of our outcomes that year we delivered many projects and initiatives that contributed to the achievement of those outcomes. In particular I would like to focus on three areas: improving our preparedness for emergencies and climate change impacts, contributing to a stronger state economy, and government reform and streamlining of processes. To break that down for you a little bit more, in 2016–17 we took steps that significantly improved our readiness for and ability to respond to emergencies. This included significant work in relation to summer preparedness and bushfire mitigation. We responded to 1015 bushfires and grassfires on public and private land. We contained 93 per cent of those fires to less than 5 hectares, which better our target of 80 per cent. We also worked with the Country Fire Authority and local councils to manage bushfire fuels in 2016–17, reducing bushfire risk to 63 per cent against the Safer Together target that we use of 70 per cent. This outcome was achieved by treating 113 000 hectares of public land with planned burning and treating another 11 000 hectares of public land with non-burning mechanical fuel management treatments. An additional 348 000 hectares was prepared for planned burning pending the right conditions. Our preparation for the summer emergency season included working with the emergency management commissioner and other agencies. Our comprehensive annual preparedness program included early commencement of state and regional stand-by rosters and project firefighters in early activation of aircraft services.

In 2016–17 we also saw groundbreaking environmental and climate change policies delivered. The Climate Change Act 2017 we regard as a world-leading legislative framework for managing climate change risks and driving our transition to a net zero emissions community and economy. *Victoria's Climate Change Adaptation Plan 2017–20* is a blueprint to prepare Victoria for climate change impacts and to secure our future, and *Protecting Victoria's Environment — Biodiversity 2037* is an ambitious and forward-looking plan, which aims to stop the decline of native plants and animals and improve biodiversity over the next 20 years.

The other key area of outcome that we focus on is our contribution to a stronger Victorian economy, and we include helping more than 18 000 businesses and 95 000 households to save over \$84 million on their energy bills per year through the Victorian energy efficiency target scheme; facilitating construction of the 132-megawatt Mount Gellibrand wind farm and the 30-megawatt Kiata wind farm; overseeing the successful delivery of \$162 million in state and commonwealth funding for water infrastructure projects in rural Victoria; releasing *Plan Melbourne 2017–2050*, the blueprint to guide the city's well-planned expansion; releasing *Better Apartments Design Standards* and reforming residential zones; releasing *Water for Victoria*, a new water plan to improve urban and rural water security to provide productive agricultural and industry outcomes and create livable, sustainable and growing communities. *Water for Victoria* is that vital piece of work that strengthens our links with traditional owners and the broader community and recognises the value of our water resources.

We have also delivered and commenced work on major government reforms. We have partnered with local councils to drive legislative reform through a review of the *Local Government Act 1989*. It is a significant piece of work that we hope will reshape and strengthen the role of local government for the next 20-plus years. This type of project and direct community involvement in future shaping is unprecedented in Victoria. The release of the *Suburban Development Statement* and the establishment of six metropolitan partnerships has also seen new opportunities for communities to be involved in decision-making.

Finally, I should mention we released the *Metropolitan Waste and Resource Recovery Implementation Plan 2016* and the *Statewide Waste and Resource Recovery Infrastructure Plan 2015–44*, which set out Victoria's waste and resource recovery infrastructure needs and opportunities for investment over the next 10 years.

In Geelong, we oversaw the Geelong Citizens Jury, a participatory democracy project that led to the development of the *City of Greater Geelong Amendment Act 2017*.

So that is some of what we have been focused on in 2016–17. Thanks for the opportunity to give you that introduction. We look forward to taking your questions.

Mr DIMOPOULOS — Good afternoon, department. Secretary, energy consumption is obviously a major topic of discussion in the public discourse not just in Victoria but nationally, and it is an essential service obviously. One of the things that I know the government has talked about is deepening the diversity of the operators as the sources of energy. One of the other things I think that would make energy consumption more efficient is market knowledge, and if a consumer does not know or does not have access to contemporary market information about price signals and other things, then they cannot make informed choices. In the 16–17 financial year, budget paper 3, page 27 refers to the Victorian Energy Compare resource, which I have heard the minister talk about a fair bit. I just want to understand from your perspective what the work done in that financial year actually is. I think it is around expansion of the service, and I want to understand what exactly has changed in that resource in that financial year. What was that investment about?

Mr BRADLEY — Thank you very much for the opportunity to respond on that issue. Certainly across the range of programs that the department administered during 2016–17 that support for customers engaged in the market and positioning customers to be able to benefit from the competitive market opportunities has been a core feature of the agency's activities. Certainly, like you, we see many opportunities through the diversification of new technologies coming in to provide customers with options about how to meet their energy needs, and there are an opportunities for customers to take advantage of more innovative solutions. We are certainly seeing that through the significant uptake of solar panels, but also through the embrace of battery storage. The Victorian government has delivered through DELWP a range of initiatives that are seeking to support the democratisation of community access to innovative energy solutions and to embrace that transformation that is happening not only in Victoria but also globally.

In relation to Victorian Energy Compare, I would support the direction of the question, which is that this is a critical enabler of opportunities for customers to reduce their energy bill by shopping around for a better deal. As the committee may be aware, there have been a range of analyses, including by the independent review of the Victorian retail energy market but also by the Australian Competition and Consumer Commission, which have identified consistently that consumers that do take advantage of market comparator tools, like Victorian Energy Compare, are in a position to achieve significant savings, particularly if they are on standing offer arrangements rather than on competitive offers.

It is also equally relevant, though, for customers who may be on a market offer that has lapsed. Many of the market offers that have been available in the retail energy market have limited duration. In some cases it may be 12 or 24 months, and at the point at which that market offer lapses, in some cases in the past retailers have allowed or have had a default position that the customer's retail contract would default then to that standing offer arrangement, which means that customers would see significant increases in their bills if they were not keeping an eye on what is available in the market.

That is just one of the reasons in terms of context why the Victorian Energy Compare site is so important. What we find is that looking at the analysis in the market, households and small businesses that do shop around for gas and electricity deals on offer in Victoria using that website are in a position to benefit. Up to 90 per cent of users of the Victorian Energy Compare website can save money by switching retail offers. The typical savings we see are of around \$220 on annual household —

Mr DIMOPOULOS — Secretary, thank you for that. If I could bring you to the reporting period 16–17, could you give us a sense of what the uptake was in that period, and if at all possible, what that translates to in terms of savings? Finally, have you noticed in the same reporting period a change of behaviour by the retailers because of the insights that consumers now have?

Mr BRADLEY — Yes. I might ask Nina Cullen, our deputy secretary in that area, to expand on your specific question. What we have seen during the period is around 500 000 customers take advantage of the Victorian Energy Compare website, but perhaps Nina can expand on that.

The CHAIR — Briefly.

Ms CULLEN — If I understand your question, it is whether we have evidence or further detail in relation to the uptake of the Compare website and —

Mr DIMOPOULOS — How that translates to savings, yes.

Ms CULLEN — I can provide evidence and information of the overall energy that consumers have been able to save — households and businesses — which is in the order of \$84 000. That is a range of initiatives that have been implemented to cover off on that amount.

Mr DIMOPOULOS — And this is in our reporting period? If you can get back to me with any insights into how the retailers have changed, if at all, their behaviour in the 16–17 financial year because of the fact that consumers now have greater insight into pricing.

The CHAIR — You can take it on notice or perhaps we can come back after Mr Smith's question.

Mr T. SMITH — Welcome, Secretary. Referring to plans to allow an Apple flagship store at Fed Square —

Ms WARD — That is within the 16–17 —

The CHAIR — Order! Ms Ward!

Mr T. SMITH — I am referring to an *Age* article of 12 February this year that identified that plans for changing Fed Square with Apple were nearly complete in mid-2016, so very much within the reporting period in case some of my colleagues opposite get excited. When did discussions begin with Apple?

Mr BRADLEY — What I am in a position to advise in relation to that matter is that the request for the Minister for Planning to become involved in that matter —

Mr T. SMITH — I am sorry to do this. Can you just bring that mike a little closer to you, because I cannot hear you.

Mr BRADLEY — It is telling me that it is on. I will pull it towards myself. What I can advise in relation to that matter is that the request from Federation Square in relation to that proposal was received in September of 2017, so outside of the 16–17 financial year.

Mr MORRIS — The report was the government architect was involved well before that.

Mr BRADLEY — Yes.

Mr MORRIS — Which is inside your department.

Ms WARD — If the request is not received until September 2017, then obviously there is no discussion in 16–17.

Mr T. SMITH — I am quoting:

The designs for landscaping around the Apple building have changed markedly since the plans in the documents were produced in 2016.

Ms SHING — Produced by whom?

Mr T. SMITH — The Victorian government architect.

Mr BRADLEY — We would need to take on notice any advice that was undertaken in relation to the 16–17 year. The other relevant aspect to note in this space is that the Victorian government architect is a portfolio responsibility of the Department of Premier and Cabinet.

Mr MORRIS — DPC; okay.

Mr T. SMITH — So there were aspects of government in negotiations with Apple in 16–17? It might not have been your department, but you know, that is a matter of public record now.

Ms SHING — Is that a question or a statement.

Ms WARD — It sounds like a statement.

Mr T. SMITH — It is a statement actually. Given the negotiations and planning for planning amendment C314 were undertaken in the period under examination by the committee, will you please make available to the committee the following documents referred to in the incorporated document: works plans for the Alfred Deakin building prepared by JMA Architects; the project core architectural drawings, including demolition plans for the Yarra building prepared by Foster and Partners; proposal plans prepared by Foster and Partners; an Oculus concept planning report prepared for this Apple building to be built on the demolished aspect of Fed Square?

Mr BRADLEY — I take the guidance of the Chair on this matter. If we were to take that question on notice, we would need to assess it in terms of the scope of the current inquiry related to the 16–17 year. On the information I have before me at the moment, my understanding is that the application to the Minister for Planning was received after the end of the financial year, in September of 2017. We would need to consider the request on notice on that basis. Thank you.

Mr T. SMITH — I am concerned, Secretary. This hearing is about outcomes of the 2016–17 financial year.

Mr BRADLEY — Yes.

Mr T. SMITH — Are you seriously trying to suggest to me that there were no discussions, negotiations or indeed approaches by Apple to you or your department in 16–17?

Mr BRADLEY — As I indicated, the application to the minister —

Mr T. SMITH — No. I did not ask about the application to the minister. I asked about works undertaken by your department in 16–17.

Mr BRADLEY — Our dedicated work, our outputs around this issue are matters that have occurred during the 17–18 year and supporting the minister in his assessment of that project. As to interaction with the Victorian government architect, that is not a portfolio responsibility within DELWP. I am happy, as I said, in good faith to take on notice that question that you have asked earlier in relation to its compliance with the scope of the inquiry and respond accordingly.

Ms WARD — As I have said to other witnesses, happy Valentine's Day. There will be lots of love in the room this afternoon. I am sure you will enjoy it.

Can I ask you to please focus on bushfires, which is something that is of particular interest to the people in my community, as I am sure it is across most of Victoria. If I can get you to have a look at your annual report for 16–17, on pages 80 and 84 it talks about the reduced impact of major bushfires and other emergencies on people, property and the environment. There are a few pages working through what your strategies are and what you plan to achieve. Could you please talk us through how that went through the 16–17 period and what your success rate was, what you have achieved?

Ms SHING — I will also declare at this point, Chair, that I am the Parliamentary Secretary for Emergency Services.

Mr BRADLEY — Thanks very much for the question. In terms of our fire season preparedness in 2016–17, you will see that the chief fire officer, Stephanie Rotarangi, has joined me at the table, and I would ask the chief fire officer to give you an update in relation to that matter.

Ms ROTARANGI — Thank you, Secretary. Through the Chair, I am Stephanie Rotarangi, the chief fire officer of the department. Thank you everybody. As the secretary has alluded to, the average daytime

temperatures were warmer than usual in most parts of Victoria during summer 2016–17 and Victoria also experienced above-average temperatures in autumn, resulting in fact in the fourth-warmest autumn on record. In terms of our fire preparedness we adjusted accordingly, reminding everybody that the secretary of course is responsible for public lands, and we prepared our infrastructure and aviation accordingly. Specifically we had 2700 staff available to respond to emergencies and a number of other public sector officials available to assist. We had a fleet of aviation, which comprised 48 aircraft, and we also responded to just over 1000 fires, specifically 1016 fires. This resulted in 13 530 hectares being impacted, which is almost a third of all bush and grass fires in the stated.

We had four significant fires. We call significant fires those greater than 1000 hectares. Our fire suppression costs were in the effect of 13.2 million. As the secretary alluded to in his presentation at the beginning, there are two extremely important measures for bushfires on public land, the first of which is the number of bushfires that we contain in less than 5 hectares, and we exceeded our target of 80 per cent — so 93 per cent of bushfires in the season were contained to less than 5 hectares. Our second target is how long they take to contain, and we always try and use 8.00 a.m. the next morning as a target to have a fire contained, which means that there is some sort of break and timing around that fire — they do of course take a lot longer to put out — and that year 87 per cent of our fires were contained by 8.00 a.m. the next morning. Thank you.

Ms WARD — You talked about 2700 staff being available for an emergency. Over what categories are those staff? You would have rangers — who else are you talking about who are employed to help over that period?

Ms ROTARANGI — Thank you very much. So there is of course the staff within the Victorian public sector who have other land management roles on behalf of the secretary. They make up a proportion of that 2700, but also we have the benefit of being able to bring on project firefighters, so seasonal firefighters, for surge capacity. The number of those will vary depending on the season forecast, but in 2016–17 we had 591 of those firefighters available. They are a really important part of the government's response to fires, our ability to bring on surge capacity during summer.

Ms WARD — It is good to see you as a woman in charge of your section. What are you doing in terms of promoting gender equality, if you like, or representation across staff within your section?

Ms ROTARANGI — Thank you very much. As you know, we try and draw on the widest possible group of talent for our organisation, because our tasks are diverse. We have a strong focus on being an attractive employer for a wide variety of people. Of the 2700-odd staff that we have, approximately 29 per cent are female. This is skewed for different roles, but we do track that and we do report on it. We are working very closely with the staff that we already have, the female staff in particular, to learn from their experiences and to make sure that we have no cultural barriers for their progression, but we also took the approach of really reviewing the way that we are recruiting and the types of recruitment material that we have so that we can have success in attracting more females into firefighting roles. Of course we have been talking about females, but diversity is important across our whole portfolio.

Ms WARD — Did you have to recruit many people over the 16–17 period? Did your numbers go up in terms of staff that were appointed?

Ms ROTARANGI — In terms of female staff that were appointed?

Ms WARD — In staff overall.

Ms ROTARANGI — Thank you. I would have to take that question on notice. Our numbers have remained relatively static for the time that I have been in the job, but I am afraid I will have to take that one on notice, sorry.

Mr MORRIS — Secretary, good afternoon. I just wanted to clarify the issue regarding the Fed Square proposal. It is your evidence that prior to the application to the Minister for Planning there was no communication to the department regarding the application — there was no discussion, there was no involvement in any way of the department in this proposal prior to the formal application to the minister.

Ms WARD — Within the period that we are covering.

Ms SHING — Because the announcement was made in September, so there is July, August and September in a period that is not within the current reporting period, Mr Morris.

Ms WARD — Which is not for us to discuss at this point.

The CHAIR — Order!

Mr BRADLEY — Just for clarity — and I might ask the deputy secretary, Christine Wyatt, to supplement if she can offer any further information to assist — my response earlier was indicating that I would take on notice the request for those documents which have been sought by a member of the committee earlier. I had no information before me which was indicating substantial department activity or material department activity that I was aware of that relates to 16–17, due to the timing of that request or referral for Federation Square outside the financial year period. I will just ask for confirmation from the deputy secretary or for any other comments she may want to add to assist.

Ms WYATT — No. I can just confirm the secretary's comments. I would also add that the application formally came to us in September. That is when we started to take notice of a formal proposition. I would have to go back and confer with officers to see whether there was any interdepartmental involvement in any other discussions.

Mr MORRIS — Can we confirm that there was or was not any activity in the 2016–17 year, on notice?

Ms WYATT — Correct. I would have to confirm that.

Mr T. SMITH — The GC37 Caulfield–Dandenong rail upgrade project incorporated document, April 2016, states that the project includes engineering or foundation works required to enable future transit-oriented development. Can you point out where these engineering or foundation works have been, are being or will be undertaken and outline for the committee the planning approval process for these transit-oriented developments?

Mr BRADLEY — With the committee's agreement I might refer to the deputy secretary of planning on that issue.

Ms WYATT — Thank you for the question. That is a matter of detail I do not have before me, so again I will have to take that one on notice and come back with some confirmation.

Mr T. SMITH — You might want to take this on notice as well: what development applications have been made or approved, and can you mark these on the maps in the incorporated document and provide copies for the committee for those applications and indeed projects that I mentioned before?

Ms WYATT — Through you, Chair, can I confirm that you are referring to Ormond station development proposals?

Mr T. SMITH — One of them, yes.

Ms WYATT — That is the only one I am aware of.

Mr T. SMITH — Okay.

Ms WYATT — So can I just confirm what the question is?

Mr T. SMITH — Do you want me to read the first question again?

Ms WYATT — Yes, please.

Mr T. SMITH — Can you point out where these engineering or foundation works have been, are being or will be undertaken and outline for the committee the planning approval processes for these transit-oriented developments?

The CHAIR — As they relate to the 16–17 financial year.

Mr T. SMITH — So that relates to 16–17. This is GC37.

Ms WYATT — My understanding is that relates to Ormond station, but I will confirm the absolute details of that.

Mr T. SMITH — Okay, that is fine. If I could move now to the St Kilda Road shrine heritage precinct, noting that interim heritage protection and controls were put over the precinct by the federal government in early 2017, and I note that now Heritage Victoria has given permission to begin works upon St Kilda Road involving the cutting down of some trees. I am just interested as to the contradictory positions of Heritage Victoria and the national heritage protection as was given during the reporting period by the federal government.

Ms WARD — Just on a point of order, how did that action by the federal government affect the reporting period 16–17?

Mr T. SMITH — I have asked the question.

The CHAIR — The question relates to the reporting period and Heritage Victoria's actions in relation to this matter, and they may have had some conversations with the federal government in the reporting period, so the deputy secretary could respond. I am happy for the question to stand.

Ms WYATT — Heritage Victoria would take into account all matters before it in relation to the sites and in their own registration process, and in doing so I would imagine they would have had conversations with the commonwealth. But the commonwealth does its own assessment on its own criteria. Heritage Victoria would have done theirs in accordance with their criteria.

Mr T. SMITH — I am just intrigued as to how Heritage Victoria could give permission for heritage trees to be cut down in what is such an important precinct for our state and indeed our nation's heritage.

Ms WYATT — Well, the Heritage Victoria decision is public, so I can provide that. They would have considered the state of the trees, the heritage significance, its contribution, its landscape contribution — they are all natural things that Heritage Victoria would have considered. As I said, the commonwealth makes its own consideration. I am not sure if the two areas are identical. They may have different areas that they take into account and different outcomes.

Ms SHING — Welcome to your inaugural appearance, Mr Bradley, and may it be a fruitful one for all concerned. I would like to talk about energy efficiency and the transition to an energy efficiency framework that is part of a productive economy. To that end I would like to go through the DELWP annual report, pages 16 to 17 and 48 to 49, which refer to reliable, efficient, accessible, safe and sustainable energy services, which were also touched on in your presentation.

There have been a number of initiatives throughout the relevant period, including the energy efficiency target scheme, the energy efficiency scorecard released in March last year, and then Home Energy Assist, that have been intended to combine energy efficiency and improve productivity. How is that investment being delivered in an operational sense to enable more Victorians to live in a comfortable, healthy home environment and manage affordable energy bills, taking into account the comments you have already made on the Energy Compare site and the questions that you have taken on notice on that particular subject matter?

Mr BRADLEY — Thank you very much for the question. In 2016–17, as you indicated, there were a range of initiatives committed to as part of that budget, providing \$24 million over three years from the Sustainability Fund for the Saving Energy, Growing Jobs initiative in the budget. The Victorian Residential Efficiency Scorecard was introduced at a cost of \$3 million over three years, which is a home rating tool designed to measure and assess the fixed features of homes that drive energy costs. The outcomes in 2016–17 included the delivery of assessments using the scorecard by trained assessors; and by December of 2017, 16 scorecard assessors were accredited and 439 scorecard assessments were completed.

The Victorian Energy Upgrades program, previously the energy efficiency target scheme that you alluded to, received \$5.4 million over three years to give households and businesses access to discounts on energy efficient products and services, helping them to cut their power bills and reduce greenhouse gas emissions. As we alluded to earlier, the outcomes in 16–17 included upgrades for 18 000 businesses and 95 000 households, with

total savings then of \$84 million on their energy bills for that year. I would just clarify an earlier answer in which I think it was referred to as 84 000: that should be 84 million.

Ms SHING — Yes, I was going to ask about that.

Mr BRADLEY — Since 30 June 2017 we have continued to see further applications. Rising energy costs but the falling costs of new technologies including LED lights and the growing energy efficiency services sector mean that we have been able to deliver the services faster and at lower cost as part of that program. We have seen the 2017 target of 5.9 million certificates being met early in May 17 and at a lower cost than predicted.

Ms SHING — Just in relation to that issue, energy efficiencies and reduced household expenditure, particularly for low-income households, has been an area of enormous sensitivity when there is less of a margin in the household budget to accommodate changes in energy pricing and need in the colder months and again through the very hot months. How has the investment that we have talked about earlier and that you described in your presentation enabled those cost-of-living challenges to be met by some of our most vulnerable households across the state?

Mr BRADLEY — It has absolutely been a critical aspect, that focus on vulnerable households, as part of that program. We have seen significant benefits targeted through our healthy homes initiative and the Victorian Home Energy Assist program. In 2016–17 the government allocated \$10 million over three years to assist those vulnerable households with a program, Healthy Homes, delivered by Sustainability Victoria. It provides free home energy upgrades to 1000 low-income Victorians in Melbourne’s western suburbs and the Goulburn Valley, at a cost there of \$4.5 million for that aspect of the program.

Ms SHING — And the Latrobe Valley as well, I think, has benefited from other investment. I do declare my hand in relation to that being my home.

Mr BRADLEY — Absolutely. Yes, the Latrobe Valley is one area that we are focusing on very closely with Sustainability Victoria at the moment. One of the focus areas of the program is targeting households with complex healthcare needs, as you would be aware. We are trying to do this in a scientifically evidence-based way. As part of that process, we are including an Australian-first statistical study of the health benefits of energy efficiency, which we expect is going to be quite illuminating in that process.

With the forbearance of the committee, if you were open to it, I would like to try and close out the question we took on notice or at least provide some more guidance. You asked for more information in relation to Victorian Energy Compare. We have found over the last two years that seven out of 10 users on the website save money by switching retail offers, with typical savings of \$330 on annual bills in that period. The site has had over half a million unique users in the last two years, as I said, so a significant take-up from the program.

Ms SHING — That is residential and commercial?

Mr BRADLEY — Yes, residential and small business.

Ms SHING — Small business, yes. I beg your pardon. Thanks, Mr Bradley. Thank you for that information.

Mr D. O’BRIEN — Good afternoon, Secretary. Welcome. We were just discussing with DEDJTR earlier about grants to energy companies. Given there has been some machinery of government changes, we are probably a little bit unclear as to where those grants are at now. What we thought were the grants with DEDJTR, they seem to refer to DELWP. There was a figure in DEDJTR of 47.6 million in grants to various companies but, irrespective of that, can you give us a figure of what grants DELWP would have authorised, particularly to wind and solar generation projects in the period 16–17?

Mr BRADLEY — There are a few aspects to that, and I recognise that a reasonable proportion of the expenditure has followed in subsequent years, in 17–18 onwards. I might touch on two specific areas which I think are directly related and most relevant to your question. The renewable certificate purchasing initiative announced in August 2015 as part of the Renewable Energy Action Plan at that time is seeing the government procure renewable energy certificates from new Victorian projects. In the first quarter of 2016 we conducted a competitive tender for certificates, which have resulted in some significant wind farm project delivery. In July 2016 two wind farms were awarded supply contracts, being the 30-megawatt Kiata wind farm I referred to earlier near Horsham, and the 66-megawatt *Mount Gellibrand wind farm near Winchelsea.

The Kiata wind farm has been successfully completed. It commenced operations in 2017. The Mount Gellibrand wind farm is under construction and is scheduled for completion by July 18. One of the pleasing aspects of delivering that program is that the support for the initial stage of Mount Gellibrand at 66 megawatts helped us secure, if you like, a private sector expansion, which led to it increasing to 132 megawatts, or double the original procured capacity that the state was undertaking to meet its own renewable energy certificate requirements.

Mr D. O'BRIEN — Could I just ask you whether for those and any other grants that went to renewable or any other energy projects, did the department consult with AEMO, the Australian Energy Market Operator, before it made those grants?

Mr BRADLEY — There are a few aspects to that. In relation to individual grants and grant assessments for individual projects, the department has undertaken those with appropriate probity oversight in a very confidential commercial manner and has undertaken those tenders on a competitive basis. However, AEMO has a direct involvement in the establishment of new generation projects, including these generation projects, because in Victoria it plays that role as a transmission network service planner. So AEMO will play a direct role in relation to connection requests. It performs some of the responsibilities carried out in other jurisdictions by the actual TNSP provider. In Victoria, it performs that role of the connecting TNSP it manages the connection process, it is the main point of contact for that connection application. So in the connection process, absolutely AEMO is directly involved in that role but also, as you would expect, there are a range of ways in which we have close engagement with AEMO through the general issue of integration of renewable energy into the system.

Mr D. O'BRIEN — Sorry, just getting back to the question, does AEMO have a role at all before the awarding of grants to a prospective supplier?

Mr BRADLEY — No, that assessment process occurs. We are certainly informed, if you like, in the assessment process. The onus is on the proponent to demonstrate that they have got a viable project which is going to secure a connection agreement, which only happens if AEMO supports that process. The onus is on the proponent to put forward a credible proposal that we assess.

Mr D. O'BRIEN — The proponent would do that but government would not talk to AEMO about a particular project?

Mr BRADLEY — Individual grant assessments we treat on an independent basis. I would have to check with my department to see if there is informal engagement, as I would expect there would be on an ongoing basis in relation to that. But as a matter of course AEMO's formal role is as the party assessing the connection application.

Mr D. O'BRIEN — Sure. Do you know in 16–17 were there any AEMO demand response payments made via the Reliability and Emergency Reserve Trader scheme?

Mr BRADLEY — I might refer to Nina, who has found the information more quickly than I have, and ask her to respond.

Mr D. O'BRIEN — It might be a one-word response.

Ms CULLEN — To answer your question, in 16–17 the RERT was called upon twice during that summer, once on 30 November 2017 and once on 19 January 2018.

Mr BRADLEY — For clarity, it would be in 17–18 that it has been called upon twice, and those matters have been publically reported. I can give you some information around earlier involvement.

Mr D. O'BRIEN — Just to clarify, you said 30 November 2017 and 19 January 2018?

Mr BRADLEY — That is right.

Mr D. O'BRIEN — But none in 2016–17?

Mr BRADLEY — I will come to that, if you like. On both of those occasions, 30 November 2017 and 19 January 2018, AEMO got to the point of pre-activating some of those resources and dispatching others, so it has been called on in those two events in the current financial year. It has been contracted once before, in January 2014, so before 16–17, but it was not dispatched, and there have been predecessors of the RERT used in earlier summer periods — in 2005, 2006 and earlier in the 1990s.

Mr D. O'BRIEN — Just to clarify, did you say for those two in the current financial year they were not called on or they were?

Mr BRADLEY — I guess the distinction I was making was there were some resources called upon and dispatched, but there were also some resources that were put on standby, if you like, but not actually dispatched then.

Ms PATTEN — Thank you for coming along today. I have a quick question, initially on Melbourne Water's questionnaire response. Just looking at their increase in gross salaries over the last couple of years and particularly in comparison to the other water companies or organisations, they increased their salaries over two years by 26 per cent. I note that you make an explanation for the movement between 2014 and 2015 about the increases due to salary increases tied to indexation. There was also in the casual staffing an increase based on required resourcing for various activities. I am just wondering if you can elaborate a little bit more on what that means?

Mr BRADLEY — With your agreement, I might ask the deputy secretary, water and catchments, to give you the best answer we can on that at this point.

Ms PATTEN — Of course.

Ms VAUGHAN — Thank you very much for your question. I do not actually have that information right here in front of me today. I am really happy to take that question on notice, though, and to get back to you on that.

Ms PATTEN — That would be great. One of the other areas that I am quite interested in, and I have been on a steep learning curve in reading and preparing for today, is the state of the environment report that comes out every five years. I was wondering how that informs the department's reporting and in what different ways it does?

Mr BRADLEY — Thank you. I might ask Nina Cullen to elaborate on this answer, but it is fair to say that the state of the environment report provides us with a five-yearly cycle, which is kind of appropriate when you recognise that a lot of those environmental outcomes are moving over a reasonably long duration and are influenced by climatic or seasonal factors. So having that strong evidence base, that is built on the scientific expertise we have got within the Arthur Rylah Institute and other resources, is an absolutely critical information base that we use to then identify the allocation of resources, but also develop strategic plans like Biodiversity 2037 and then also the individual catchment strategies. So certainly it is the information base on which the diverse range of partners in the sector rely, but I might ask Nina to talk about how it has been more directly applied.

Ms CULLEN — Thank you for the question. The state of the environment report is, as the secretary has already outlined, a critical information resource that is used actively within the department to understand and measure and continue to report on where various environmental factors are at. I would also like to refer to the work that is delivered by the state government through the Commissioner for Environmental Sustainability, that recently released a state of the bays environmental report, which is a clear indication and a comprehensive report on the state of Port Phillip Bay. It looks at bay health and water quality and has had in that process extensive community consultation.

Similarly it developed indicators, and the Commissioner for Environmental Sustainability has responsibility under the relevant legislation to create a state of environment report for Victoria on a five-year basis. The work that is being done to prepare for the next one again draws on establishment of indicators, draws on data that the department collects and collates, and uses that information to provide an overview report for the department and government, which over time is then picked up and used to inform future policy positions and future research programs and elements along those lines.

Ms PATTEN — Just a quick follow-up on that in regard to the state of the bays report. I note that in your annual report when you were doing the foreshore protection measures it says that the data was not available at the time of the report. Does that data link back to the state of the bays report? I am just wondering if you can clarify why it was not available at the time of reporting?

Ms CULLEN — In short, the data and acquiring suitable data is an ongoing exercise. I will have to get back to the committee on the rationale for why that particular data was not available at that particular time, but all of those elements of data collection are used in establishing state of environment reports or related reports. On that specific matter I will get back to you.

Ms PATTEN — Thank you.

Ms PENNICUIK — Welcome, Secretary, Deputy Secretary and other staff who have come along today. Thank you for coming. You mentioned this in your presentation — but it is also in the annual report, on page 80 — and that is that DELWP and its partners had treated 125 052 hectares of fuel reduction activities, including 113 500 of planned burning and 11 500 of mechanical treatment. Those figures were repeated in the presentation that you gave us this morning, Secretary. In the report it says, ‘DELWP and its partners’. Which partners are they?

Mr BRADLEY — Thanks very much. We work as one, as the slogan goes, within the emergency services community under that banner of FFMVic, and that includes agencies like Melbourne Water and Parks Victoria. Parks Victoria have a very significant footprint within the Port Phillip region and are critical partners of ours in that space. But Stephanie Rotarangi, the chief fire officer, may also elaborate on those partners and how we work together in that process.

Ms ROTARANGI — Thank you very much. Just to clarify the question — because I was walking up, sorry — is to do with how we deliver our planned burning and fuel management program.

Ms PENNICUIK — Who is involved in it.

Ms ROTARANGI — Thank you. It is public land managers. There is us, the department. We are branded under Forest Fire Management Victoria, which also includes, as the secretary said, Parks Victoria, Melbourne Water and VicForests. We also work with the CFA to deliver burns and what we call cross-tenure burns across private and public land so that we can have the best impact in reducing the risk to communities.

Ms PENNICUIK — Thank you for that. How much of the land was state forest? You mentioned VicForests as one of the partners. How much of that fuel reduction was undertaken by VicForests, and was it paid to do that?

Ms ROTARANGI — Thank you for the question. Importantly we produce a fuel management report every year. Our fuel management report for the 2016–17 year is worth a read; it provides a lot more information. As the secretary said, there were 113 498 hectares of public land which had planned burning undertaken, and then there are some non-burning mechanical treatments as well. When we report on planned burning, we will report on it — and I do apologise, there is a bit of jargon here, but it is —

Ms SHING — Never apologise for using jargon, ever. Nobody else does. Leap right in.

Ms PENNICUIK — Except if you are DTF.

Ms ROTARANGI — We split our planned burning into asset protection zones. As you can imagine, they are around communities, and then we have landscape management zones, which are more ecological-resistant burns.

Ms PENNICUIK — Do you mind if I interrupt?

Ms ROTARANGI — Please do.

Ms PENNICUIK — I am sorry to interrupt, but I know that the Chair gives me not that much time. My question was: how much of the —

The CHAIR — Burn!

Ms SHING — That was a planned burn.

Ms PENNICUIK — How much of the fuel reduction was implemented by VicForests? How much of the fuel reduction was done in state forests, and was VicForests paid to do that.

Ms ROTARANGI — Although I am incredibly proud of my report, which I have just held up —

Ms PENNICUIK — Yes, and I am going to follow that up.

Ms ROTARANGI — I cannot seem to find it in the time allocated; however, it is reported on. VicForests do undertake regeneration burns, and they do work with us to undertake planned burns as well, because we all operate in the state forests.

Regarding fuel reduction, the area treated in terms of the ecological burns was 25 324 hectares, so that is 36 burns. Fuel reduction burns themselves were 86 212 hectares, and other burns, which are what you are referring to in terms of regeneration burns — but it may also include some other data — were 1963 hectares. So in terms of magnitude, from 100 013 hectares there were 1963 hectares classed as other burns, which will include those VicForests regeneration burns.

Ms PENNICUIK — Sorry, what was that figure again?

Ms ROTARANGI — It was 1963 hectares. I will need to do some further refinement for the committee there, but that will give you an example of magnitude.

Ms PENNICUIK — Just quickly with regard to the presentation, the third dot point, an additional 350 000-odd hectares was prepared for planned burning, pending the right conditions. I am just wondering how much of that was burnt and why, given the first two points refer to planned burning and to mechanical non-burning, the third just refers to burning and not mechanical non-burning and whether the department is moving towards using more non-burning techniques.

Ms ROTARANGI — Firstly, back to the point about area prepared: we are always overambitious in the area that we prepare. We are trying to allow ourselves flexibility in the delivery of the program and make sure that we can take the opportunities that the weather allows us to burn. We always try to prepare around 340 000-plus hectares. Of that in 2016–17 our target was to deliver 230 000 hectares, of which we delivered the 113 000 hectares. We will always prepare more, but as everybody here will know, planned burning is constrained by weather conditions, so we can only undertake it when the weather is right.

In relation to the other burns that you are talking about, they will include VicForests regeneration burns and maybe some cultural burning as well, but we are very much realising that the window of opportunity for burning is limiting our ability to deliver on programs. So the more we can move into other methods to reduce fuels for communities, the more we will take every opportunity to do so. Slashing and mowing in itself can be limiting as well. You have to absolutely get the timing right or you will end up having to do it twice. So whatever techniques we can use to reduce fuel, we will, within the parameters of ecological resilience.

Ms PENNICUIK — Thank you. Don't forget my question about whether VicForests was paid and how much.

Ms ROTARANGI — Thank you.

Ms WARD — I want to talk about the Living Heritage Grants program. If I can get you to go to budget paper 3, chapter 1, page 70, table 1.16, 'Output initiatives — Department of Environment, Land, Water and Planning' and the section 'Planning, building and heritage' under 'Living Heritage Grants' talks about \$30 million over four years, which I understand is quite a record amount to put into preserving our conservation and heritage. Can you please talk us through this grants program, since it is obviously quite a remarkable amount of money, and what it achieved?

Ms WYATT — Thank you for the question. The living heritage program is that 36.5 million over four years to safeguard and reactivate the state's key heritage places and objects. The program, as the budget papers

outline in 16–17 was 30 million over four years and a further 5 million in the 17–18 budget. Also 1.5 million over three years was provided to the program, in addition to that budget allocation, from the Victorian Property Fund. If I can just step through the two key elements of the fund, of that amount it includes 8.5 million for a competitive community heritage grants program targeting at-risk state-listed heritage places identified in a heritage audit conducted in 2015. The second component is 27.2 million for a major projects grant component for the conservation of Victoria’s iconic, publicly accessible heritage places with complex needs. At the moment there are 66 funded projects underway across the state sharing that 28.4 million to date. In 16–17, 38 projects were supported. So, as you can imagine, over the four years, to use jargon again, there were a number of rounds for the grants were called. In round one for the community heritage grants there have been, if I can go back a step, 38 projects in 16–17, 29 in regional Victoria, worth 8.8 million, and nine projects worth 16.3 million in metropolitan Melbourne.

Mr D. O’BRIEN — Secretary, I just want to continue on energy prices. Are you able to tell us the costs of the commissioning of a report by Carbon and Energy Markets to produce modelling on the impact of Hazelwood’s closure on electricity prices?

Mr BRADLEY — I am afraid I will have to take that one on notice. I do not have that particular consultancy cost with me today.

Mr D. O’BRIEN — I am not sure if you are aware of the one that I am talking about, but this was widely used by the government to suggest that the closure of Hazelwood would only result in prices increasing between 4 per cent and 8 per cent, or 85 cents a week, but we have since seen prices rise by 10 to 20 per cent and it is across the board for retail — it is around 16 per cent on average this year. Wholesale prices increased about 55 per cent last year and are predicted to go up 48 per cent again this year. Would it concern you that that modelling was so wildly inaccurate, and would you use them again?

Ms SHING — On a point of order, perhaps you can rephrase, instead of asking for opinion in relation to whether the secretary is concerned by something.

Mr D. O’BRIEN — It is not seeking an opinion; it is seeking whether the policy —

Ms SHING — ‘Does it concern you?’.

The CHAIR — Ms Shing is right, Mr O’Brien, you are asking for an opinion, and I would remind the witness to confine their comments to the financial year in question, being the 16–17 financial year.

Mr D. O’BRIEN — Secretary, given that the report was wildly out with respect to how prices would actually go, has the department sought any refund of the costs that it incurred in getting this modelling done?

Mr BRADLEY — So I think probably the broad comment I would make on that issue is that there are range of factors that impact on wholesale energy outcomes and ultimately retail energy outcomes for customers, and they were both forecast and analysed within that report that I am aware of. But also they are assessed through a range of other forums, and one of the issues which has impacted on higher wholesale prices is a reduction of generation in the market but would also be increases in other input costs, whether that is higher wholesale gas prices that have seen the federal government intervention, or other issues.

In the most recent AEMC report, that was produced in 2017, it indicates that while prices have risen on average for retail customers that the trend for prices looking out is a significant decline. They are predicted to drop by 16.3 per cent over the next two financial years. The attributed reason for that is a recovery in wholesale markets, not least due to the introduction of significant amounts of renewable energy. I refer again to the earlier answer I gave in relation to the significance of the Mount Gellibrand and Kiata wind farms, the work around the solar trams initiative, which is introducing support for significant renewable energy in the Victorian market and putting downward pressure on those wholesale costs. So there are a range of factors that will impact it at any time.

Mr D. O’BRIEN — Can I continue on renewable energy, on the VRET. The annual report states that 11 000 jobs will be created in Victoria as a result of the VRET. Could you give us an update on how many of those jobs so far have been delivered and also how many of them are temporary construction jobs and how many are ongoing permanent jobs?

The CHAIR — Within the reporting period of 16–17.

Mr BRADLEY — Thank you for the guidance, Chair, in relation to the reporting period. As members would be —

Mr D. O'BRIEN — Just on a point of order, Chair, these are outcomes hearings, so we are talking about decisions made in the 16–17 budget and what the outcomes of those decisions are. The Secretary will answer as he can, but we are trying to find out what the policy of the spending decisions in 2016–17 were and what the outcomes of them were up to this point.

The CHAIR — I take your point, Mr O'Brien, that these are outcomes hearings, they are not estimates hearings, and we do have to try to keep some level of structure around the reporting period.

Mr BRADLEY — Limiting my comment to the 16–17 period in relation to the Victorian renewable energy target program, the majority of activity in that program was in preparation for the Victorian renewable energy target auction process. That commenced in November 17. Members would be aware that the government has established targets of seeking to achieve a substantial increase in renewable energy by 2025 — achieving 40 per cent — and that there is substantial progress with those targets, with an increase in the financial year the committee is concerned with from 14.8 per cent in 15–16 to 16.8 per cent in 16–17.

Mr D. O'BRIEN — Sorry, Secretary, could I come back to the question of the jobs, if you have got them.

Mr BRADLEY — Yes, I am coming to it. In terms of the process for the Victorian renewable energy target, as you may be aware the auction process was released in November of last year and tenders are actually closing today, auspiciously, the day of the hearing, and we would expect that we will see one to two years in the construction phase and the commencement of operations after the signing of the contract.

You are right to point to the modelling. The modelling does indicate that that program of the long-term targets out to 2025 will drive in between 3400 and 5400 megawatts of capacity and that the economic assessment is that that is likely to lead to 10 000 jobs in construction and up to \$7.2 billion in new capital expenditure. Certainly when you look at the scale of connection inquiries that AEMO has within Victoria, there is an enormous amount of market opportunity and appetite there, but because the VRET auction has not been completed, we would not be attributing individual jobs, other than those that are directly involved in the development of proposals, into that auction process at this point.

Mr D. O'BRIEN — Can I just clarify then: you mentioned 10 000 jobs in construction. Are you saying that there are 1000 ongoing jobs and 10 000 jobs in construction?

Mr BRADLEY — The 10 000 jobs that I am referring to are jobs associated with construction projects.

Mr DIMOPOULOS — Secretary, I want to ask you about the smart planning program. I refer you to budget paper 3, page 25 and the table that refers to that program. I understand that in April 2016 the Minister for Planning announced a big investment — \$25.5 million — for the smart planning program. I understand its aim was to create a more straightforward process. It is a consistent desire of governments and councils to create a more streamlined planning process. It seems sometimes more difficult to do in reality. But just for this significant \$25.5 million investment, can you just unpack what it was about in 16–17 and what the achievements were in that reporting period?

Mr BRADLEY — Absolutely. As you say, it launched in July 2016 at the beginning of the financial year, and it is a two-year program. It is the most significant planning reform process in about 20 years, on our estimation, in terms of the nature of the modernisation that is occurring. As you say, the intention is both to simplify and modernise the planning rules and systems by cutting red tape and shortening the time frame for processing applications so that it is simpler for Victorians. We are hopeful that the outcomes will be a system that is more responsive and easier to understand, particularly given the growth that Victoria is able to take advantage of is a form that unlocks that economic activity that is possible.

In terms of what it has achieved already, the smart planning program has achieved an expanded VicSmart 10-day fast-track approval process. This means that simpler applications such as renovations for single-storey homes can be processed more quickly, and that is doubling the percentage of applications that can be fast-tracked from about 4000 to about 8000 per annum. We have also delivered interactive maps that remove

what were 15 000 individual pages that clogged up the system and were hard to navigate for users and we are now seeing about 500 users every day taking advantage of those interactive maps.

Additionally there was another \$3 million over three years to further cut red tape and look into the possibility for as-of-right appeals. Part of the program in 16–17 was also to try to achieve a more streamlined regional section within the state planning policy. The expectation is that we will be able to remove 3000 pages from planning schemes across the state through that aspect of the reform. We consulted and published over October and December of that year a discussion paper on proposed reforms to planning rules in the Victorian planning provisions. We received over 250 submissions from local government, the planning and property industries, community groups and individuals.

Mr DIMOPOULOS — For those ones that have gone through VicSmart, the simpler applications, I think you said that in the reporting period they have gone from 4000 to 8000 applications. I imagine many would be mum and dad developer dwellings. Are there any that relate to business and the ability of business to augment their facilities in order to do better business and more productive business? What is the pathway for business? Is it through that VicSmart program?

Mr BRADLEY — There is more that can be said there. I will ask the deputy secretary to elaborate on that issue.

Ms WYATT — Thank you for that question. There are some in the commercial business areas and it is some of the VicSmart applications around loading zones or very small elements of a business where you have a number of permit applications where a commercial business might have to actually get a permit triggered for many things. We tried to put through VicSmart some of the smaller elements that would release that red tape.

Mr DIMOPOULOS — Just on that, with the consultation in terms of the investment of that \$25.5 million in that budget year, what was the feedback in terms of how that money should be spent by interested parties? I imagine they would be businesses, developers, councils. Can you give us a flavour of some of the consultations?

Ms WYATT — Pretty enthusiastic, because as you can imagine, the planning system has not been adjusted since 1993, and we have gone from an explosion of paper, if you like, and it has not transformed into a digital format in any sense, and along the way we have had a lot of councils and players adjusting the system without any control. One of the key pieces of feedback when we went to some of them — sorry, I will go back a step.

A number of the elements of the planning system had been through their own consultation processes over that 10 years, so there have been a number of issues and attempts at reform. Everybody keeps saying, ‘Make it consistent; make it simple; make the rules the same’, so that if you’re in one municipality with a design development overlay and you are in someone else’s municipality, they might read the same. At the moment they do not, because we have had really no quality control. A lot of the earlier consultation that we have done has been quite targeted, with industry groups, reference groups, to try and pick up a lot of the discussions that had already been had rather than go out to everybody and go, ‘Tell us what you need’, because we actually know that. Over 10 years we have had at least three or four rounds that have clearly said, ‘Take out some of the 10 planning permits when you do not need a planning permit, take out some of the noise, if you like, from the planning system and then get to some bigger reforms’. So the first phase was all about reducing some of those complex rules.

Alongside that, as you can imagine — and this is probably more behind the scenes, which is work that will be coming in this financial year but also behind-the-scenes work that occurred right from the start — is to try and work out how you take 75 000 pages and put them into a digital format so that everybody online can use it. It is almost like the work that must have gone in behind — my personal analogy — your online tax form, which is pretty easy to use, the work that must have gone into simplifying that behind the system. That is the equivalent work we are doing and what we call our systems side of investigation, and that requires quite a lot of technical skills to simply digitise what we have as 75 000 pages.

Mr D. O’BRIEN — Just continuing, Secretary, on the VRET, the modelling that we talked about with respect to 11 000 jobs, is that the same modelling tool that was used to come up with a figure of \$2.5 billion of direct economic activity caused by the VRET auction scheme, and is that modelling available?

Mr BRADLEY — That report that you referred to, the CME report, is as I understand it publicly available already, but I would need to consider if there is any other information that would explain the two figures you are referring to and take that on notice, unless Nina has got any better understanding on that use of the two figures.

Mr D. O'BRIEN — I had better take it on notice and, if the report is already available, be shown where it is. There has been reporting publicly about VRET and the impact on coal-fired power stations. How will the government achieve a 40 per cent VRET target by 2025 without taking out Yallourn power station, which is the next largest and next oldest?

Mr BRADLEY — EnergyAustralia, as the owner of that facility, as you would expect, are continuing to comment publicly about the future of that site. It has a formal life that extends to 2032, and EnergyAustralia have continued to recognise that they are treating that plant as though it is likely to have a long-term life to 2032.

Mr D. O'BRIEN — They have also said, Secretary, though, that they are assessing the impact of the VRET and the auction scheme on the viability of that plant.

Mr BRADLEY — Yes, I was just coming to that. They recognise the implications of government policy, both in terms of measures that will provide for a security mechanism and certainty in national energy policy, which is one issue that they point to, and the other is the implications of the transformation in the energy system in renewable energy, including that occurring under the Victorian renewable energy target program. But certainly that issue, that aspect of ensuring sufficient available capacity in the market for energy security, is something that we continue to cooperate very closely with the national energy institutions on, including the Australian Energy Market Commission and the Australian Energy Market Operator, and what we know is that while there is certainly a need for a planned transition over that kind of a time frame, relying on the existing fleet of thermal plant also has its own risks to reliability as well in terms of the unforced outages that we see particularly during hot summer periods.

Mr D. O'BRIEN — Is that factored in, though, in the policy decision to establish a VRET, which makes it even less viable to continue to maintain those ageing plants given they are being undercut by the subsidy?

Mr BRADLEY — I think one of the things that we hear from market participants consistently that certainly is reflected in Victorian government policy and in advocacy from market participants is the need for certainty in government frameworks, both at a state and federal level, in relation to the certainty of the operating environment, which is why that process occurring through the COAG energy council is quite important to get right and ensure it delivers for Victoria. But what we are seeing within the renewable energy target scheme is a legislated definition of what the transition plan is for Victoria's electricity system. That provides certainty about the targets, including to 2025, and the industry then is provided with the time that is needed to plan for that.

If we listen to the CEOs of those major energy utilities, in most cases they are not saying that the transition is not possible, that long-term targets like a zero net emissions system by 2050 are not possible. In fact the Australian Energy Council, Energy Networks Australia and most of the major industry bodies would say that a long-term transition to deep decarbonisation is quite feasible, but what will be needed to make that practical is certainty in government policy frameworks. That statutory framework around the VRET and around the climate change legislation that occurs in Victoria does speak to that certainty.

Mr D. O'BRIEN — Can I just ask, for the period in question, what your department's own energy costs were and how they changed in both percentage and actual terms?

Mr BRADLEY — Bear with me for just two moments; I will just switch gears. During the period of 16–17 — and I think I have just been handed the same brief I have got — the department achieved a 5 per cent reduction in energy consumption. That was mainly driven by energy consumption reductions at Bendigo, Traralgon, Knoxfield, incident control centres and our head office at 8 Nicholson Street after its refurbishment. That has been our performance during 16–17, but we continue to recognise that —

Mr D. O'BRIEN — The cost is actually what I am after, Secretary — the costs.

Mr BRADLEY — For energy. If you are happy for me to just check on that, I will see if the chief financial officer might be able to elaborate.

Mr D. O'BRIEN — I am happy for you to take it on notice if you do not have it.

Mr BRADLEY — If it is going to delay you, we will take it on notice. But I will just see. Yes, on notice if we could.

Mr D. O'BRIEN — As I said, the costs in percentage and in actual dollar terms.

Mr BRADLEY — When you say a percentage, do you mean —

Mr D. O'BRIEN — Change.

Mr BRADLEY — On the percentage change issue —

Mr D. O'BRIEN — Sorry, change in costs though as well, which we can probably work out.

Mr BRADLEY — Good. Thank you.

Ms SHING — I would like to discuss water, which is one of the issues set out in the eight key public value outcomes set out in the presentation around safe and sustainable water resources, and it is also an area which has been of significant interest and concern to Victorians in regional and remote communities. Taking you to the annual report at pages 73 to 76 for the 2016–17 period, there have been a number of investments in modernisation projects, including the Lance Creek pipeline, which has connected part of southern Gippsland to the grid around Korumburra, Loch, Nyora and Poowong, as well as the South West Loddon rural water supply project, the GMW Connections project, the Werribee and Bacchus Marsh irrigation districts and the Macalister irrigation district as well. In relation to these projects and the initiatives which have underpinned them, how does this forward planning for greater water security in parts of the state which have often suffered through a lack of certainty and a lack of supply actually deliver on better outcomes for households as well as for primary industry and production as well as for future planning around population growth and increased demand for our horticultural and agricultural product?

Mr BRADLEY — With your agreement, I will refer to the deputy secretary for water and catchments.

Ms VAUGHAN — Thanks very much for your question. The question that you asked really goes to the heart of water management in Victoria and the importance of the water grid. In terms of the investment that the government has made into the water grid, it has been key to actually delivering our world-class water entitlement and management frameworks and it starts the next steps to realise the potential of the Victorian water grids and the water markets in the south.

I would like to go specifically to the project you mentioned in Lance Creek. The Lance Creek security project is being managed by South Gippsland Water to secure water supply for the region over the next 50 years, so very long term planning. The current supply of South Gippsland Water's northern towns of Korumburra, Poowong, Loch and Nyora is confronting major problems in relation to the increasing demands from local food processors, ageing assets and the importance of improvement in water quality.

Ms SHING — That is a quick-fill, quick-drain reservoir area in South Gippsland as well.

Ms VAUGHAN — Yes. The Lance Creek water connection project creates a network that overcomes these problems. It is a really fantastic project, and it is connected to Victoria's water grid by the Lance Creek supply system. The government has contributed \$30 million to the project, and that was provided through the 16–17 state budget. The Lance Creek water connection project is estimated to cost 43.39 million, with funding provided by the state government and South Gippsland Water.

Ms SHING — That would obviously, with major producers such as Burra Foods in Korumburra as well as primary producers in dairy, which is a very water intensive industry, have a knock-on effect. What about further around the state, in particular the South West Loddon pipeline project and the way in which that is actually designed to provide a meeting of those objectives around water security and sustainability into the future?

The CHAIR — Briefly.

Ms SHING — I am happy for you to take that on notice. I do realise there is a fair bit of material in it, but again if I could get a response to questions on the South West Loddon pipeline project and beyond what you have talked about in South Gippsland — the Macalister irrigation district modernisation process and what that will yield as far as outcomes for that particular part of Gippsland as well. Thank you very much.

The CHAIR — You can return to that.

Mr D. O'BRIEN — I would like to continue on water if I may. Page 74 of the annual report outlines the government's announcements with respect to the desalination plant and the announcement that minimum water orders of at least 15 gegalitres will be made for each of the next three years to guarantee continued water security, better plant and pipeline management and smoother pricing for water customers. My question is: why is plant and pipeline management part of the justification for a minimum 15-gig order when customers are already paying Aquasure \$600 million a year to maintain and keep operable the desalination plant?

Mr BRADLEY — I think one of the things that is recognised in that statement is that those advanced water treatment plants are operating outside of a care and maintenance mode and that when they are operating in a mode where they are producing water there is a benefit to the steady-state operation of the equipment. The desalination plant is generally designed to operate in a reasonably steady state. There are costs in moving to a mode that is different and using it less frequently than that. One of the things that the statement you are referring to recognises is that there is an operational dividend or benefit in terms of that plant and pipeline management —

Mr D. O'BRIEN — But surely, Secretary, if we are spending 600 million already to pay for plant operability, that should be accounted for in that and not need us to make an order of 15 gigs every year.

Mr BRADLEY — I think the thing we would emphasise is that it is primarily an order that assists with the steady-state security of our water supply for the region, but there is a benefit in the operation of the plant and the pipeline through that mode of a minimum water order that is recognised. I am not sure if the deputy secretary wants to add anything to that comment.

Mr D. O'BRIEN — Can I perhaps ask — and you may wish to answer this as well, Deputy Secretary — the government receives formal advice from Melbourne Water and DELWP about water orders. Did the 2017–18 order advice include a zero-gigalitre water order scenario for 17–18, 18–19 or 19–20?

Mr BRADLEY — I will ask the deputy secretary to respond on that if she is aware.

Ms VAUGHAN — Thanks very much for the question, and thank you, Secretary. As part of the process for analysing what the minimum water order would be, there are a number of scenarios that are modelled. That includes a zero model run.

Mr D. O'BRIEN — It does include a zero?

Ms VAUGHAN — It includes a zero model run.

Mr D. O'BRIEN — And was that included for those years that I just mentioned, 17–18?

Ms VAUGHAN — I would need to take that on notice, but the modelling is quite complex and it undertakes a number of scenarios.

The CHAIR — In relation to anything you provide on notice, if you can stay within the confines of the 16–17 financial year that would be appreciated.

Mr D. O'BRIEN — Yes, Chair. What I am asking, though, is the advice that would have been prepared in 16–17 for future years.

The CHAIR — I understand.

Mr D. O'BRIEN — The normal practice would be to consider a zero-order scenario?

Ms VAUGHAN — That is normal practice, and then of course that is one of the inputs into helping to make that decision.

Mr BRADLEY — Maybe if I can elaborate on that process, we have Melbourne Water and the three metropolitan water retailers that provide that independent advice to the minister each year. The technical analysis they use considers some key factors, including the forecast water demands and climatic conditions, including the BOM — the Bureau of Meteorology — seasonal outlook for the El Niño southern oscillation system, and that is prepared in early February. So there is a kind of temporal nature to the assessment which occurs once that information is available, and it assesses five different principles. The first one is the risk of storage volumes falling below a low-zone action point, the risk of storage volumes falling below a medium-zone action point, the storages required to exhibit a recovery trend in the medium term, the risk of desalinated water orders resulting in a foregone harvest, and minimising customer bills. So it is that balanced triple-bottom-line assessment that is taking into account the most recent outlook that informs the advice that is then considered by the minister.

Mr D. O'BRIEN — Could I just ask: with the policy in place now for 15-gig orders, is that policy able to be changed in future by the government if they have got literally water flowing everywhere?

Mr BRADLEY — I am not sure.

Mr D. O'BRIEN — As in: is there any contractual commitment or is it simply a government policy?

Ms VAUGHAN — Thanks for the question. Based on advice from DELWP, the Minister for Water determined that a minimum water order be made annually from the Victorian desalination project for a trial period of three years, commencing in 17–18.

Mr D. O'BRIEN — So effectively that is government policy. There is no revision of the contract or anything with Aquasure.

Ms VAUGHAN — That is a decision that is outside of the project deed.

Mr D. O'BRIEN — Sorry?

Ms VAUGHAN — It is outside of the project deed. The project deed is a publicly available document. You can access that very readily and, as I say, based on advice from DELWP the Minister for Water determined that a minimum water order be made annually from the desal plant for a trial period of three years.

Mr D. O'BRIEN — One very quick one if I may, Chair.

The CHAIR — Quickly if you could, Mr O'Brien. We are about to break.

Mr D. O'BRIEN — The minister suggested that these water orders are free because they will be covered by the sale of renewable energy certificates, but that is not quite right of course because we would otherwise have achieved some revenue from those certificates. Are you able to tell us how much those certificates are worth?

Ms VAUGHAN — I do not have the actual figure right in front of me at the moment, but you are correct: there are renewable energy certificates associated with the Victorian desal plant. The value of the RECs has increased over the last couple of years such that the purchase price of RECs by Aquasure is lower than the current market selling rate.

Mr D. O'BRIEN — Could I perhaps ask to get a figure of the value of those RECs on notice if that is easier?

Ms VAUGHAN — On notice, yes.

Ms PATTEN — I want to move to the GAIC, so the growth areas, and look at some of the differences over the last few years. It was established in 2010. Is that correct?

Mr GARWOOD — That is correct. It was an amendment to the Planning and Environment Act.

Ms PATTEN — Your annual report notes that there have been significant improvements in the process and that you have set out guidelines for the grants. I wonder if you could talk about what those differences are. How did it work prior to 2016–17 as opposed to now?

Mr GARWOOD — Thank you for the question, Ms Patten. With your indulgence, Secretary, I will answer the question.

Mr BRADLEY — Yes, please.

Mr GARWOOD — It is shown in the annual report. There is quite a detailed section in relation to GAIC. You will see set out on page 99 the GAIC receipts made and expenditure. I think that is what you are alluding to. Total GAIC receipts at the end of June 2017 were \$281 537 999. Is that where you are looking, Ms Patten?

Ms PATTEN — Yes.

Mr GARWOOD — You will see that total commitments now number \$129 653 095. An important thing to note is that to the period the end of June 2016, the GAIC commitments were \$21.7 million, but to the period in the financial year 2016–17 that you are interested in, another \$110 million was committed. The details of that are outlined in the following pages — page 100, 101, 102 going through to 103. That demonstrates that there has been a significant uplift in commitment in relation to GAIC. The details of those commitments are actually outlined in those pages that I have just mentioned.

The way in which we have done that is to call for applications, because GAIC is related to state infrastructure. We have called for applications from portfolios and are running a round of applications — a quite streamlined process. We have been very conscious that the development industry has paid GAIC and there is every entitlement and expectation that the growth area infrastructure charge paid will be returned back to those growth communities.

With that in mind, we have streamlined the arrangements with annual applications from departments. That has enabled us to pick up expenditure quite significantly — going from, as I said earlier, commitments of only \$21.7 million to the end of June 2016 to commitments of over \$110 million in 2016–17. That has put us in a position now where we have 46 per cent of GAIC funds committed to expend on eligible projects, which is outlined on page 99. You will see the proportion of commitments to contributions received; you will see 46.1 per cent.

Ms PATTEN — There still seems to be quite a gap between the commitments and the commitments paid. Is that just a slow process of getting those development projects on board?

Mr GARWOOD — Thank you for the question. Just look at page 100 and 101: you can see the nature of the commitments. Running through them, the various departments and the funds that have been allocated to the growth area and then the particular purpose. You will see in relation to the Building New Communities Fund the ambulatory care centres, Pakenham ambulance station, Timbertop P–6 school et cetera. Basically there was a lead time associated with the capital development of those particular infrastructure developments. You are right to identify that there is a lag — there is a lead time — but you can see in quite some detail here the commitments that have been made. We are working very closely with our colleagues in other departments — the Department of Health and Human Services, who you can see are recipients of significant funding. You can also see VicRoads. You will see the Department of Education and Training in relation to schools — school sites et cetera. So we are working very closely with them. They have got the commitments, and we will work with them to try and increase and improve the level of expenditure in relation to the commitments.

Ms PATTEN — I do not know if this is beyond the scope of these hearings, but do you anticipate that that gap will narrow in coming years?

Mr GARWOOD — Well, yes, because we are on a journey to do just that. If we increased it from \$21.7m in commitments at the end of June 2016 to another \$110 million of commitments in one financial year — remembering that to the end of 2016 is really six years of an opportunity for commitments — we then went in one year with \$110 million of commitments, and we are proposing to ramp that up. It is outside of the parameters of this hearing, but we are on track to substantially increase both commitment and expenditure.

Ms PENNICUIK — I would just like to quickly follow up on Mr O'Brien's final question about the desalination plant. Page 74 of the annual report states that Victorian customers will not face a higher charge for the order of 50 gigalitres of water in 2016–17 from the desal plant. I presume that was because that 50 gigs was not actually delivered, and in fact on the questionnaire, page 21, it says that there was a variance of some

\$88 million of funds paid to the Victorian desalination project trust account due to the reduction in main payments to Aquasure associated with the lower than ordered delivery of water. I remember questioning the minister about whether the water was going to be delivered, so what was actually delivered?

Mr BRADLEY — Thanks very much for the question. As you are very much aware, in 2016–17 there was an order of 50 gigalitres of desalinated water that was to be delivered by 30 June 2017, but there were issues with a gas insulated switchgear failure at the site that led to the desalinated water order beginning in March of that year, operating actually above its nameplate capacity at over 105 per cent of its plated capacity and delivering 46.1 gigalitres out of the 50 gigalitres that had been ordered. Under the project deed there is a financial incentive for that order to be delivered in full, and there are significant risks or consequences for the proponent, Aquasure, if that does not occur, so \$46.1 million was held in trust as an adjustment that will be then made to their payments. They do —

Ms PENNICUIK — Sorry, you said \$46.1 million. I think that was —

Mr BRADLEY — \$41.6 million, sorry.

Ms PENNICUIK — Because on the questionnaire there is a variance of some \$85 million.

Mr BRADLEY — In relation to the underperformance against the 50 gigalitres there was an adjustment of \$41.6 million associated with that component of the payment, and that means that those funds are basically a penalty that applies to Aquasure. They have a legal opportunity to challenge it, but that is a penalty that applies to them due to the underperformance, and as the minister has indicated, that will benefit water users in Victoria. I do not know if you wanted to add anything to that, Deputy Secretary.

Ms VAUGHAN — I think what the secretary has actually articulated answers your question, but was there another clarification?

Ms PENNICUIK — Well — and perhaps you can take this on notice — there is a difference there between the 83 on the questionnaire and the 46 that you are saying. That is okay. If you could take that on notice, that would be fine, because I would like to move on to something slightly different, because that was just following up from Mr O'Brien.

This is regarding the delays in the climate-ready Victorian infrastructure referred to on page 7 of the general questionnaire, where it says that the climate-ready Victorian infrastructure is running behind schedule and none of the funding allocated to it has actually been spent at the time of the report. Can you elaborate on why this program was running behind, if it still is running behind and how it is going? It is page 7. I may have given you the wrong page, but the allocation is \$3.8 million and nothing has been spent, according to the questionnaire, in 2016–17.

Mr BRADLEY — Sorry, could you just give us that page reference one more time again?

Ms PENNICUIK — I think I have got the wrong page reference, sorry. I was looking at it just a minute ago, and now I have lost it. Yes, it is page 7. It is the second one: 'Climate-ready Victorian infrastructure — critical coastal protection assets', \$3.8 million, nothing spent. Perhaps we could have it on notice.

Mr BRADLEY — So I think what I can offer you in relation to that question is that in that 2016–17 budget out of a \$21 million allocation to protect Victorian beaches and iconic coastline there was \$15 million in capital funding to replace and upgrade critical coastal protection assets. That project was supporting projects which improve water quality, improvement works, foreshore upgrades, dune stability works, amenity upgrades and other improvements.

There is a need, in the way we undertake those initiatives, for us to undertake planning in close consultation with local governments and also, in some cases, committees of management and others that are involved with responsibilities in relation to those activities. In 2016–17 planning commenced for those works at locations including Black Rock, for a seawall reinforcement; Portland, for cliff protection and remediation; Lakes Entrance; San Remo, where there is a seawall renewal; Cowes East, where there is a groyne renewal; and Narrawong, where there is a seawall renewal — so a series of activities there that are directly in that planning phase.

But, as alluded to in the response to the question in advance of the hearings, we have seen delays in that project which have impacted on delivery in the detail of each of those individual activities, and that has impacted on our ability to discharge funds within 16–17. The primary purpose of the program remains on track and the beneficial outcomes to the community will be achieved, but there is a timing delay in those works as we have gone through the planning phase.

Ms WARD — I want to talk about or find out some more information about what I consider in my electorate to be a very interesting program, and that is the Growing Suburbs Fund, which the Shire of Nillumbik has done quite well out of over the last few years. So \$50 million was in the 15–16 budget and an additional \$50 million in the 16–17 budget. If you go to your annual report, page 46, right down the bottom you talk about sustainable and effective local governments and the indicators of the satisfaction with the performance of councils as measured through the local government community satisfaction survey. What has been the feedback for interface councils on this funding for the 16–17 period?

Mr BRADLEY — I might ask the deputy secretary if he is in a position to give you the best feedback on interface council feedback during 16–17.

Mr GARWOOD — Yes, I can, Secretary. The Growing Suburbs Fund has been very successful and, I might say, very popular fund with the 10 interface councils. As you quite rightly pointed out, there was a further \$50 million to support infrastructure needs in our growing suburbs that was provided in 2016–17. I might say that the fund was developed in close collaboration with the 10 councils concerned. I myself met on a number of occasions with the chief executive officers of all councils to develop the criteria and the guidelines and the way in which we would work collaboratively with councils in the development and implementation of the Growing Suburbs Fund.

This is an absolutely vital fund for what is unprecedented growth in those growth councils, interface councils. As you quite rightly point out, there are a number of projects that have been funded. You pointed to Nillumbik, but if I had the time I would go through them. There are that many projects; there are actually 42 projects that are funded in 2016–17 in that particular period.

I could just pick out, if you like, the highest level of funding in each of the councils just as an example. In Cardinia there is the Deep Creek development including a community and education centre, \$2.825 million, with other investment from the council of \$7.5 million. It is important to note that when we do fund GSF projects we are always looking for a dollar-for-dollar or better contribution from local government, and often they are providing much more than that.

I mentioned the Deep Creek development in Cardinia just as one of the largest funding projects in Cardinia, but Casey, for example, has the new Autumn Place Family and Community Centre and park improvements, \$3.6 million. I am just picking out quite randomly the highest level of funding for each of these. Hume City Council has the Hume Global Learning Centre in Sunbury, \$3 million. Melton City Council has the Caroline Springs Leisure Centre extension, \$2.5 million. Mitchell Shire Council, for example, has the Wallan town centre heart public realm project, \$2.19 million. Mornington Peninsula, for example, has the Emil Madsen Reserve sports facility, \$1.01 million. Nillumbik council — I will pick out the highest one there — has the Civic Drive precinct community facilities project, \$950 000. I could continue on with Whittlesea, Wyndham and Yarra Ranges.

Ms WARD — So there is quite a variety of projects that this funding addresses, and that would be primarily according to the need of that outer-suburban council area.

Mr GARWOOD — Yes, it is. There are detailed criteria that have been developed, as I said, developed in consultation with the councils, and they submit applications in accordance with the criteria. Then we have an assessment panel, which is made up of representatives from across government to assess the applications against the criteria, and then recommendations are provided to the Minister for Local Government for her decision.

Ms WARD — Do you believe it is important that this funding continue into the future, and why do you think that?

The CHAIR — Sorry, Ms Ward, you are asking for an opinion and you are straying outside the scope by asking for views. Are you happy to rephrase your question, Ms Ward?

Ms WARD — So is the feedback that you have received from councils in the 16–17 period that they are very grateful for this funding and see that it meets a vital need?

Mr GARWOOD — Yes, that is true.

Mr T. SMITH — Since when has a council not been appreciative of funding? Really and truly!

Ms WARD — If you lived in the outer suburbs, you would understand exactly how important this funding is, whereas in the inner city you may not understand.

Members interjecting.

The CHAIR — Order!

Ms WARD — Excuse me, on a point of order, I would ask Mr Smith to withdraw his comment, please.

Mr T. SMITH — I withdraw my comment.

Ms WARD — Thank you, Mr Smith. Let us be respectful.

Mr GARWOOD — Sorry, Chair, I just make the point that growing suburbs continues over the 2017–18 budget; there has been an allocation over two financial years of another \$50 million.

Mr D. O'BRIEN — Ms Vaughan, just before we took a break we were talking about the zero water order. I have had a look at what is actually released on the Melbourne Water website, and it does not show a zero water order having been modelled. Have you been able to find out since whether that was in fact modelled and if so why it is not listed here?

Ms VAUGHAN — I may have confused my years, actually. I will need to check on that.

Mr D. O'BRIEN — Okay. As I said, it is not listed, so I would be interested to know whether it was in fact modelled but has not actually been published. So if you could, thank you.

Ms VAUGHAN — Absolutely.

Mr BRADLEY — You can consider that taken on notice. I realise this is your time, so I do not want to delay you, but if you did want a clarification, we can speak to that issue about the cost of the water order and the confusion of the 40 million and the 80 million, but it is entirely up to you if you would like us to clarify that now.

Mr D. O'BRIEN — Sorry, the cost of —

Mr BRADLEY — There was an earlier question in relation to —

Mr D. O'BRIEN — Right.

Mr BRADLEY — We can close off that aspect of the desalination order if you would like now.

Mr D. O'BRIEN — Perhaps when we get back to Ms Pennicuik, Secretary.

Mr BRADLEY — Absolutely.

Mr D. O'BRIEN — Thank you. If I could move on to the Goulburn-Murray connections project now, pages 9 and 10 of the department's questionnaire set out that there were changes in expenditure. There was a reduction in output but an increase in capital expenditure for the connections project as a result of the reset. Can you tell me what the quantum of that change was?

Mr BRADLEY — Feel free to see if you can answer it more quickly than I can.

Ms VAUGHAN — Thanks very much for the question. The GMW connections project was reset during 16–17. The \$2 billion connections project is the most significant investment in modernising irrigation infrastructure in Australia. It is about improving the irrigation system in the Goulburn-Murray irrigation district to support irrigators and their communities. The reset project was announced in September 2016. More than 12 months on from that project the project is on track to deliver on time and on budget. The recent progress in the project is really important to articulate, and it includes —

Mr D. O'BRIEN — Sorry, Ms Vaughan, we are short on time. We are just wondering if you could answer the question on the change from capital to output spending?

Ms VAUGHAN — I would like to go through what has actually been reset, if that is —

Mr D. O'BRIEN — Yes, well, if it can answer the question, that would be great.

Ms VAUGHAN — The completion of the \$100 million winter works program happened over May to August in 2017. We also finalised future water supply arrangements for all landholders and made notification about that. The improvements to the project through the reset include tailored solutions for each channel and also utilising regional expertise to maximise water savings by targeting areas of high loss and high usage. It increased transparency, including providing publicly available information on the landholder engagement process and operating rules and the status of each channel. So the channels are part of the project.

Mr D. O'BRIEN — Ms Vaughan, I appreciate the background, but I am just wanting to know if you can tell me what the decrease in output expense was and the increase in capital was, if you have got the figures.

Mr BRADLEY — Perhaps if I can assist in that area, the advice we have before us is that the initiative was overspent due to additional irrigation channels being required to be rebuilt as part of that reset. It was identified during the project reset and resulted in that additional capital outlay in 2016–17. That overspend, though, of \$70.88 million is offset by an equivalent underspend in output. So it is going to be kept whole, if you like, over the total cost of the project, but it relates to the additional irrigation channels that were incorporated as part of that reset.

Mr D. O'BRIEN — So 70.88 million was the overspend on capital but offset by a commensurate decrease in the output expense. Can you guarantee, though, that GMW customers will not have to pay more for their water as a result of the reset of the project?

Mr BRADLEY — My understanding, and I will stand corrected if the deputy secretary wants to add to this, is that the reset means that while we have re-phased the project in terms of its time lines and delivery we are going to deliver the full program with its intended benefits in terms of water-saving objectives and also achieve a total expenditure outcome which is consistent with the earlier program. But the deputy secretary may wish to clarify anything that she is able to on that question also.

Mr D. O'BRIEN — The question was whether it can be guaranteed there will be no increase in price as a result of the reset.

Ms VAUGHAN — So the connections project has been a very successful project. I might just throw to the chief finance officer to actually provide to a bit more detail.

Mr D. O'BRIEN — And perhaps as we do that, has the department or the project control team done any modelling to look at any particular costs of the reset part of the project?

Mr HINCKSON — Yes, if I could take the question, thank you. As members may be aware, this is one of the high-value, high-risk projects for the government. The Department of Treasury and Finance has an incredibly rigorous process with some six gateway steps that all projects go through. The project was reassessed through, I think, gateway 4 as part of the reset process, and that confirmed the total cost of the project as still being \$2 billion. So there is no change to the overall cost.

Members may be aware that the project includes both capital works to the infrastructure that Goulburn-Murray Water owns but also on-farm works that are on privately owned land. So really the difference between the output expenditure are the on-farm works to privately owned land versus the capital expenditure that is to GMW and their irrigation system. The reset has really reflected a balance or a change between the split in the

on-farm works and the capital works to GMW's own system. So the total is exactly the same; it is just a different composition, and that is reflected in the questionnaire.

Mr D. O'BRIEN — The reset, I understand, put 1000 kilometres of backbone channel back into the project. What was the cost impact of that?

Mr HINCKSON — I could not say specifically about the backbone, but in terms of the overall cost change between output and capital expenditure, that is the difference between the 927 million and the 1.015 billion in the questionnaire.

Ms SHING — I would like to talk about riparian and wetland management and the health of our waterways in the context of the 2017 annual report and the work that has been undertaken in a number of discrete areas, including the \$10 million grant allocation to the Gippsland Lakes to maintain and improve Ramsar heritage-listed wetlands and our river system, and also to talk about the way in which allocations under the budget have been affected by major flood events which, based on the output performance measures at page 75 of the annual report, are referred to as being a reason for the performance variation of 9.3 per cent lower than the target. Again, there is a reference there to flooding during the July to October 2016 period which delayed delivery of multiple projects in seven catchment management authority regions. So if you could talk us through firstly what the work is as far as localised areas, including the Gippsland Lakes and that allocation of funding, and secondly, how seasonal events and changes in water levels, whether through flood or other changes, impact upon the capacity to reach or exceed targets such as those that I have described?

Mr BRADLEY — Thank you very much for the question. I think this piece of work in 2016–17 fell in under the *Water for Victoria* initiatives which, as you are aware, see the investment of \$537 million over four years to strengthen our water security for communities. Part of that includes \$222 million over the period to address the health of waterways and catchments, as you note. There is also a dimension, which is about improving our capacity to manage floods and emergencies, with a \$25 million allocation that is directly assisting us to improve our flood risk management with the community.

In relation to those specific questions in relation to waterway improvement in those locations, I will ask the deputy secretary to expand on that answer.

Ms VAUGHAN — Thanks very much for your question. In relation to the Gippsland Lakes, if I can start with that part of your question, the health of the Gippsland Lakes has been greatly improved by this initiative and its dedicated investment of \$10 million over those four years. This funding is supporting the East Gippsland and also the West Gippsland catchment management authorities and their partners to undertake the works in the Gippsland Lakes catchment. This funding builds on some funding that was available in the 15–16 state budget. The funding actually allows for on-ground environmental works and for supporting the improved management arrangements of the Gippsland Lakes, which are a really vital aspect of the Gippsland economy. It is delivered through the Gippsland Lakes Coordinating Committee. They have that focused action on maintaining and restoring the habitat and protecting the fauna. That is in relation to the Gippsland Lakes.

Ms SHING — Excellent, thank you.

Ms VAUGHAN — Can you just clarify for me actually the —

Ms SHING — It was waterway vegetation.

Ms VAUGHAN — It was quite a long question.

Ms SHING — Absolutely, sorry. I have a habit of concertinaing things into each other. It is a terrible habit, and I do apologise to you for having to be exposed to that.

The area of waterway vegetation works undertaken to improve the health and resilience of waterways is the quantity and the output performance measure. There is a variation of 9.3 per cent at page 75 of the annual report, and it refers in the note under that to the impact of flooding during the July to October 2016 period as being one of or the reason for the delay of multiple projects across seven CMA regions. How is planning taking place to manage significant water events in the way in which projects around waterway vegetation work can take place to make sure that we are maintaining and then improving the health of waterways over time to meet those objectives?

Ms VAUGHAN — Thank you for that clarification. During 16–17 this initiative, the waterway health initiative, funded targeted on-ground works, as I mentioned before. The key outputs were 7700 hectares of waterway vegetation to improve the in-stream health and 178 sites for water to be managed to meet those environmental objectives. The key reasons behind the targets: there was quite a variation in the achievement of our targets over those four key output measures, and they varied between minus 9 and 300 per cent, so significant change.

Ms SHING — And 306.7 per cent in fact, to be completely accurate, which is knocking it out of the park.

Ms VAUGHAN — The key reason behind these different levels of delivery was the impact of the major flooding that we had in many parts of Victoria's catchments during the July to October 16 period. This diverted our agency resources from the actual delivery of the program towards supporting communities in need in some parts of the state that required repair and restoration works after some of those rivers —

Ms SHING — So that work went above and beyond the ordinary business-as-usual work by virtue of the extraordinary nature of these flooding events. Is that a fair comment to make around the response required at that time?

Ms VAUGHAN — That is right. So normal program delivery continued and also resources were deployed to deal with the flooding issues.

Ms SHING — And then in the subsequent period that work was made up and delivered?

Ms VAUGHAN — Yes. It went for quite a long period of time — between July and October is a reasonable proportion of the year. That delay did have an impact, but it was picked up pretty quickly, I think.

Ms SHING — Just a quick one. Is it now part of planning or is it always part of planning to consider the impact of extraordinary events in the way in which operational response is delivered?

Ms VAUGHAN — Extraordinary events happen from time to time, and it is part of our planning. It was quite a significant event that happened in 2016.

Ms SHING — Nobody expects the Spanish Inquisition.

Mr MORRIS — Secretary, I want to ask a little bit about the Sustainability Fund. There are a couple of mentions of it in the annual report at page 211 and again in appendix 8 at page 285. I am just wondering if you can confirm some figures and perhaps provide some background on others. By my reckoning the balance of the fund at 30 June 2017 was 551.073 million; does that sound right?

Mr BRADLEY — It sounds right, but I have got the chief financial officer with me. To be honest with you, I thought it was a slightly lower figure in the 500 millions, so I will just make doubly sure before responding.

Mr HINCKSON — Yes.

Mr BRADLEY — Happy to confirm 551 million as at 30 June.

Mr MORRIS — Can I just get some clarification? Appendix 8 talks about transferring into the fund from the municipal and industrial landfill levy trust account 121.58 million. Is that effectively the quantum that is collected through the landfill levy for the year? So that is close enough to it or the total amount 1 July to 30 June?

Mr HINCKSON — If I could take that, through the Chair and the secretary. The municipal industrial landfill levy has direct disbursements to relevant agencies. The environment protection authority, Sustainability Victoria, Parks Victoria and a couple of other agencies, including waste management groups, receive direct disbursements from the MILL in accordance with their legislative purpose. The residual balance at the end of each quarter is then transferred to the Sustainability Fund so that the figure referred to is the amount collected, net, off those direct disbursements.

Mr MORRIS — So that is the net amount. Is the total amount reported anywhere?

Mr HINCKSON — I think the MILL trust account is actually reported in the department's financial statements. If I could direct you to page 210 of the annual report, it is one of the pages that lists all the trust funds in the department's report. It is referred to there as the municipal and industrial landfill levy trust account, and there you can see the total receipts and total payments.

Mr MORRIS — Thank you. There is 15.3 million in interest income for the trust fund. Miscellaneous revenue, what is that? There is \$630 000 in miscellaneous revenue, and I can see it has got a footnote on it, but I do not have the footnote handy, so can you expand on that for me?

Mr HINCKSON — Sorry, I might have to take the miscellaneous revenue on notice.

Mr MORRIS — If you could. On page 211 the total income is recorded as 130 839 000, and in the appendix the total receipts are reported as 137.51 million. I am just wondering why the variance between those two?

Mr HINCKSON — Again through the Chair and the secretary, I believe it is because the trust account balances are reported on a cash basis, whereas the appendix relates to the transactions that should be reported in the year, but we would have to confirm that.

Mr MORRIS — If you could confirm it, I would appreciate it. We have essentially got \$551 million in that fund and problems with landfill.

Can I move, still staying with the waste topic, to e-waste. I am probably away from the financial side of it now. The annual report on page 60 talks about the growth of e-waste, the commitment of the government to banning e-waste from landfill and a budget allocation to develop the collection network. I am just wondering, particularly, Secretary, given that local government is part of the department as well, whether the implementation of the ban, has in fact, even anecdotally — you may be able to advise me — put any financial pressure on local government, on councils themselves?

Mr BRADLEY — Recognising the scope around the 2016–17 outcomes and performance, I might ask the deputy secretary to speak to that initiative and whether or not it has impacted on the financial capability of councils and the support we do provide to councils through our general allocations from funds like those ones we were just referring to.

Ms CULLEN — If I may, again referring back to the year of 2016–17, it is true that the government has committed to banning e-waste, and that is on track for a later point in this year for its implementation. But in the lead-up the situation is that e-waste is one of the largest increasing waste streams, not just in Victoria but beyond, and to date detailed research and feedback from industry, government and community has helped design quite a holistic approach to managing e-waste, which will involve a combination of both regulatory and non-regulatory measures. The Victorian government did allocate 1.5 million in 2016–17 to develop an e-waste education campaign, and that is a critical component of assisting councils and community in understanding opportunities or what can happen in this space.

Mr DIMOPOULOS — Secretary, I would like to bring you to local government engagement. You touched on a bit of it with your responses to some of the previous questions, but specifically your annual report on page 79 has an output measure for the number of meetings of the mayoral advisory panel. I have a couple of questions on it. Firstly, that was obviously during the reporting period. I think it was developed previously, but I am not sure. What was the gap that the department or the minister saw in the engagement or in Victorian local government relations that prompted the establishment of the mayoral advisory panel, and what were some of its activities in that year?

Mr BRADLEY — As I alluded to earlier, it is obvious to you that I was only joining the department after the end of the financial year, so I will ask the deputy secretary to comment specifically around that development during the year.

Mr GARWOOD — Thank you for the question, Mr Dimopoulos. The ministerial mayoral advisory panel provides the Minister for Local Government with high-level advice on legislation, regulation and strategic and policy decisions. The purpose of the establishment of it was for the minister to engage directly with mayors, as

senior leaders in local government. I attend the meetings to support the minister, but it is very much a conversation between the minister and mayors about all the issues that impact the portfolio.

I might say that the ministerial mayoral advisory panel is made up of mayors in their individual capacity from the following groupings: metropolitan councils, interface councils, regional city councils, large shire councils, small shire councils and peri-urban councils. So the minister, when it was established, and now more recently the new minister have been determined to make sure that there is a conversation occurring with mayors, as leaders in the local government sector. I might say they are very engaging and direct conversations. I obviously attend and support the minister, but I listen in to that engagement and so it is engagement on all the issues that impact on the sector.

I have a list of the members of the panel. They are put on for an annual basis each year. In those groupings that I mentioned — I will not go through the names — they are very prominent mayors from across the state that are involved in the panel and more particularly —

Mr DIMOPOULOS — How many, Deputy Secretary?

Mr GARWOOD — There are 13 in each year. In the review of the Local Government Act, in the consultation that has been carried out and in the directions paper that was released, we had put on the table a policy proposal to formalise the status of the Local Government Mayoral Advisory Panel by making it a form of statutory advisory body to the minister. That has now been included in the exposure draft of the Local Government Bill 2018 that is currently out for public consultation.

So after if you like, rather more informal arrangements that have been very positive and very important for the minister to hear directly from mayors about their personal experience, about all the issues in local government, the government has now put it into the draft exposure bill, welcoming comment and public consultation on that particular proposal. So we are looking to see what comment we get back from the sector, but from where I sit in terms of that engagement directly — it is one thing to receive advice from the department, obviously the minister does, and the minister is very active in getting around and the current minister is a former mayor herself — it is very important to hear directly from mayors, and that is what the purpose of the panel is.

Mr DIMOPOULOS — From what I understand of what you said, the gap perhaps was that there was not that direct communication between the government, the minister and the elected representatives of the council — at the very least not in a continual dialogue. I mean four meetings a year is quite a significant commitment, in my view, on behalf of the minister, and it is an ongoing dialogue and you could prosecute some good causes. On that, my supplementary question to you is: has there been some work done in relation to female representation at the elected level of councils in that financial year that we are reporting on, through that mayoral advisory panel? And what is some of that work?

Mr GARWOOD — Yes, there has. There are obviously conversations that go on at the panel, and there are a number of female mayors that are involved there. The importance of the conversations is that the minister is obviously very active in getting around to councils, talking directly to councillors and mayors, but this is a conversation in a group — the dynamics of hearing the mayors bouncing off each other about what their issues are, what is going on and what they think. And yes, there is sometimes a divergence of views, but often there is a coalescence of views as well, and that has been very important.

In relation to the gender equity in councils, it is another of the priorities of the government to ensure the councils better reflect the communities they serve. The reality is that women are still under-represented in council chambers and in senior management roles. However, the results of the 2016 council elections saw the number of women councillors increase from 33.9 at the 2012 council elections to 38.1 per cent at the 2016 council elections.

Mr DIMOPOULOS — I am glad you clarified you were talking about percentages.

Mr GARWOOD — Yes.

Mr DIMOPOULOS — It would be strange having 0.9 of a person.

Mr GARWOOD — What is happening in that space is the government is really encouraging the participation of women in local government. The minister has established a ministerial women's round table

with representation from women chief executive officers to talk about the issues, and also from the representatives from the peak local government bodies, trying to create a platform for shared learnings about how we can increase participation. The government recently established the Local Government Listen, Learn and Lead Gender Equity Program, with 31 participating councils helping to identify strategies and actions to increase gender equity in the sector. There are a range of conversations and processes the government is going through to promote participation of women in the sector.

Ms SHING — Just a related question, if I may, on enhancing equality of representation across boards and representative bodies: the CMAs and water boards have embarked upon a series of steps to improve and increase female participation, whether at a board level or indeed in senior management. I am happy for you take this on notice, but for the period of 16–17 I would be grateful for figures in relation to boards and senior management for water authorities as well as CMAs and the breakdown of gender representation in those entities, please.

Mr BRADLEY — Thanks very much. Certainly that is a matter that is actively monitored by the department as part of our portfolio governance —

Ms SHING — It certainly is.

Mr BRADLEY — with those entities, and you know the strength of the commitment of the government in relation to encouraging chairs and boards to increase diversity. There has certainly been progress in the most recent rounds of board appointments in terms of gender representation, with both members and chairs of boards, and approximately around 50 new directors brought on board recently. I am not sure if the deputy secretary can give specific figures at the moment in relation to gender equity for catchment management authorities and boards.

Ms SHING — Again, I have put you on the spot in that regard for the period. If you have got it to hand, that would be wonderful, but if not, on notice is fine.

Ms VAUGHAN — I can answer that question. In terms of the catchment management authority board appointments we actually got 240 applications, which was a really big increase for applications for catchment management board positions. With the boards actually having commenced in October 2017, we now have 60 per cent of board members who are female, six of the 10 chairs are women and we also have five board members who identify as Aboriginal Victorians.

Ms SHING — That was going to be my next question. If you could also extrapolate out Aboriginal members of boards and CMAs and provide that information through, that would also be valuable, particularly given the work that has gone on in partnership with local communities and within the Aboriginal cultures component of the water plan. Thank you.

The CHAIR — Let's take that on notice.

Mr MORRIS — Secretary, I anticipate this will need to be taken on notice, but can you provide the committee with a list, and in part this has already been answered in the questionnaire, of programs which lapsed in 2016–17 and were not further funded and programs which lapsed in 2016–17 and which were provided with further funding, and in the case of the latter an indication of how many years funding it was renewed for and the extent of funding in each year?

Mr BRADLEY — Thanks very much for the question. During 16–17 there were 19 programs that were scheduled to lapse. That lapsing program funding occurs where funding is provided for a specific period only. Some programs are one-off, fixed-term initiatives such as the Palais Theatre restoration that we undertook. Other programs, though, need periodic review and evaluation to determine ongoing needs. That might be an example of the extended programs around reducing bushfire risk that we have been talking about today.

Of the 19 programs lapsing in 16–17 we sought and received further funding for 16 programs. All of those lapsing programs where they sought further funding were required to carry out an evaluation consistent with the Department of Treasury and Finance's evaluation policy and standards for lapsing programs. That gives us a systematic way of assessing whether or not the program is achieving its benefits, stated goals and outcomes and desired outputs.

In terms of the evaluations for those programs, we have to demonstrate evidence of a need for the program, the program's progress towards stated objectives, effective program delivery and the risks that are resulting from the ceasing of the program in terms of the benefits and efficiencies that it is creating.

So to give you the answer to your question in relation to the My Power Planner program that was lapsing, funding was continued in 17–18 and 18–19 for that program. In relation to encouraging ResourceSmart Victorian schools —

Mr MORRIS — And can we have the amount for each year, please?

Mr BRADLEY — It is 6.1 million and 4.6 million for the My Power Planner extension program. In relation to encouraging ResourceSmart Victorian schools, the program was extended, with funding of 2 million in 2017–18 and 2.4 million in 2018–19. In relation to Zoos Victoria kids free entry, which was to lapse, that program was extended, with funding of 2.9 million in both 17–18 and 18–19.

In relation to managing safety risks posed by fire-damaged trees, that project was extended by virtue of the reducing bushfire risk program, with output funding of 59.5 million in 17–18 and 64.5 million in 18–19 and \$11 million in asset funding in each of 17–18 and 18–19. In relation to planned burning and fuel management, that was reflected in that category that I just described then under the reducing bushfire risk program.

In relation to Victoria's waste and resource recovery policy, which was to lapse, funding was extended by \$8 million in 2017–18, \$6 million in 18–19, \$6 million in 19–20 and \$10.4 million in 20–21.

The Palais Theatre restoration I have already referred to was a one-off program which lapsed.

In relation to the coastal environment program, which was a fixed-term or one-off program, project funding there was extended under the program Towards a Healthy and Resilient Marine and Coastal Future, with \$3.6 million in each of 17–18 and 18–19. In relation to the cleaner Yarra River and Port Phillip Bay initiative, that program lapsed and there was no extension of it as a one-off program.

In relation to roadside weeds and pests, that program was extended, with funding of \$2.7 million in 17–18 and 18–19. In relation to the Interface Growth Fund, that program, as we discussed earlier, was extended in the form of the Growing Suburbs Fund, with allocations of \$25 million in each of 17–18 and 18–19. In relation to Land Use Victoria's funding, we saw program extensions of 2.5 million in 17–18, \$3 million in 18–19, \$3 million in 19–20 and \$3.1 million in 2020–21.

In relation to revitalising Geelong, that program, which was to lapse, was extended, with output funding of \$10 million in 17–18 and \$1.7 million in 18–19, and asset funding of \$3.3 million in 17–18. In relation to planning support for councils, that program lapsed as a program that had been a one-off initiative and reflected the earlier discussion we had on planning. No extension occurred.

In relation to enhancing waterway management for recreational values, there was an extension of program funding of \$1.15 million in 17–18, \$1.1 million in 18–19 and \$0.9 million in 19–20.

In relation to environmental contributions stage 4, which improves our preparedness and response to climate change and the impacts of drought, funding allocations of \$1.8 million were provided in 17–18, \$1.9 million in 18–19 and \$2.1 million in 19–20. In relation to the second component of that program, realising the potential of the water grid, which we referred to earlier, there was an allocation of \$4.7 million in 17–18, \$4.5 million in 18–19 and \$4.7 million in 19–20.

In relation to transforming cities and towns through efficient integrated water management, there was an allocation of \$4 million in 17–18, \$4.6 million in 18–19 and \$3.8 million in 19–20.

In relation to environmental contributions stage 4, 'Clear, transparent water information for sustainable water management', that program was extended through two initiatives. One was the *Water for Victoria* initiative on climate change referred to above, with allocations of \$1.8 million, \$1.9 million and \$2.1 million in each of the next three years respectively, and there was an allocation for *Water for Victoria* entitlements and planning of \$16.8 million, \$17.7 million and \$17.9 million in each of those financial years respectively. That is our update in relation to those 19 lapsing programs for the committee.

Mr MORRIS — Thank you.

Mr D. O'BRIEN — Can I just return, Secretary, to the Connections Project and perhaps just try again with the question I asked before. The reset has added 1000 kilometres of backbone channel back into the project, and I am just wanting to know whether the department undertook any modelling as to what the ongoing costs of that decision would be?

Mr BRADLEY — To ensure we give you an accurate answer, we will take it on notice. I think as we have described to you, we think that the program costs have remained within the expenditure envelope that we described before, and it is a rephrasing of the timing but also the allocation of on-farm works versus the channel works, but we will come back to you and confirm any assessment of implications for users. The total effort on the part of the taxpayer funds will not change.

Mr D. O'BRIEN — Will not change, yes. It is the longer term costs for customers that I guess I am asking about, as a result of that. Similarly, and in that vein, the minister formed a committee to review the tariff structure for Goulburn-Murray Water. I understand it has not met. Why is that?

The CHAIR — Sorry, Mr O'Brien. You mean did not meet in the course of the 16–17 financial year, just as a point of clarification?

Mr D. O'BRIEN — Well, the minister formed this as part of her policy decision on the reset. It is an outcome, Chair.

The CHAIR — For the 16–17 financial year?

Mr D. O'BRIEN — I am not asking about the future. I am talking about the outcomes from 16–17.

Ms VAUGHAN — Thank you for your question. I think what you were actually referring to is within 17–18, as opposed to 16–17.

Mr D. O'BRIEN — Well, the minister formed these working groups to review the tariff structure in part as a result of the decision to do the reset. I am just wanting to know why they have not met.

Ms VAUGHAN — Bear with me. Again, I will actually need to get back to you on that, and the reason for that is because I think there might be some misunderstanding between 16–17 and 17–18 on that. But I will get back to you on that.

Mr MORRIS — It is a question from a parliamentary committee. If it has been asked, it should be answered, regardless of which year it falls into.

Ms SHING — That might very well be your view, but perhaps the witnesses cannot —

Mr MORRIS — It is the standing orders. There is an artificial constraint that it is not something that occurred between those two calendar dates. It is about outcomes; it is about the outcomes from spending public money. If a question is asked of a witness, they are expected to answer it regardless of whether they think it falls within the calendar year or not.

Ms SHING — The witness is not obstructing in this regard, Mr Morris. She has indicated to you that there may well be some confusion in relation to the reporting period.

Mr MORRIS — Let us make that clear. In regards to the question, there is a question and we expect an answer.

Members interjecting.

The CHAIR — Order! The witness gave an undertaking that a response would be provided to —

Mr MORRIS — Yes, but there was the qualification that 'If we think it falls' —

Ms WARD — Is it common practice to interrupt the Chair —

The CHAIR — Order! Again —

Mr MORRIS — It is not a question for the witness or the department to decide.

Ms WARD — Mr Morris —

The CHAIR — Order, Ms Ward! Deputy Chair, the purpose of these hearings, as you know, relate to the outcomes of the 16–17 financial year. In relation to the current financial year and subsequent years we can deal with that across the forward estimates in relation to the estimates process, as you well know.

Mr MORRIS — Yes, but it is about outcomes. It is not about ‘precisely from 1 July 2016 to 30 June 2017’; it is about outcomes.

Mr DIMOPOULOS — You have asked 400 questions.

Mr MORRIS — And that is the point that Mr O’Brien has been making. To artificially constrain that —

Ms SHING — The witness has indicated that she will seek clarity on that.

Mr MORRIS — I mean, what are we here for? We are here to ensure that public money has been spent appropriately in accordance with the government’s policies and in accordance with established practice and the rules. That is what we are here for, and that is what that question is aimed at.

The CHAIR — Sure. I took it that the witness was being responsive to the question originally asked by Mr O’Brien. But I am conscious of time, so Mr O’Brien, have you got another question?

Mr D. O’BRIEN — I do. Just to clarify, the response to taking it on notice was, ‘We’ll see if it falls within the 2016–17 year’. That is the point that the Deputy Chair is making.

I have another question. It specifically relates to the year in question. Page 16 of the questionnaire shows that the government completed a review of the tender decision for the Connections Project on 23 January 2017, so let there be no doubt. Did the government examine the suitability of subcontractors to the project as part of that review, and what checks were carried out to ensure that those involved in companies awarded work had not previously been declared insolvent?

Mr BRADLEY — It was an audibility thing; the acoustics in this room are tricky. Can you say that? Did we review what in relation to the — can you just restate the last part of the question?

Mr D. O’BRIEN — What checks were carried out to ensure that those involved in companies awarded work had not previously been declared insolvent?

Mr BRADLEY — Xavier Hinckson, our chief financial officer, is in a position to give some response in relation to that question.

Mr D. O’BRIEN — Perhaps also to save us time, could you also confirm that John Holland, that is the key contractor, have abided by state government purchasing policy by ensuring that their contractors have paid their subcontractors in full?

Mr HINCKSON — If I could just clarify the first question, and then come back to the second question afterwards.

Mr D. O’BRIEN — It related to what checks were carried out to ensure that anyone winning work on the Connections Project had not previously been declared insolvent.

Mr HINCKSON — That is right. If I could just check, the honourable member is referring to page 16 of the department’s general questionnaire and gateways 3 and 4?

Mr D. O’BRIEN — Yes. The review of the tender decision.

Mr HINCKSON — Okay. I can confirm that it is standard practice that you would undertake financial checks on all of the companies passing through those gateways. We would have to, though, take on notice

confirmation that that had occurred in this case. We have not received any exception reports, and it is normal practice, but I cannot obviously confirm that that has actually happened in this particular case.

In terms of the second question, obviously the department has a portfolio governance role in relation to its portfolio entities, and so as part of normal Victorian Government Purchasing Board requirements again those checks should have occurred and that process should have occurred as a part of normal government supply policy, but again we would have to go back and check that specific circumstance.

Mr D. O'BRIEN — Okay. I am seeking confirmation that John Holland abided by that purchasing policy.

Mr HINCKSON — That has not come up in any exception reporting in the department's portfolio compliance role, but we would have to confirm the instance.

Mr D. O'BRIEN — Okay.

Ms PENNICUIK — If we could go back to some questions about VicForests again, I refer to VicForests' annual report at page 81 —

Mr BRADLEY — Sorry, can I just clarify: are you referring to the VicForests' annual report?

Ms PENNICUIK — Yes, the VicForests annual report.

Mr BRADLEY — VicForests is not within our portfolio.

Ms PENNICUIK — It is not what, sorry?

Mr BRADLEY — It is not part of our portfolio.

Ms PENNICUIK — Sorry. It is all right. I have got another one.

Mr D. O'BRIEN — I could ask a question on that that was referred to us by the previous department.

Mr BRADLEY — Is that right?

Mr D. O'BRIEN — There was a question I asked about — sorry, Sue, to take up your time, but while you are finding something — MyEnvironment owing 1.235 million to VicForests due to a legal settlement. My question to DEDJTR was: is MyEnvironment still part of the Forestry Industry Taskforce? DEDJTR said, 'That's not ours. I assume it is DELWP's'.

Mr BRADLEY — If the question relates to the Forestry Industry Taskforce, I could make some comment on that — but I do not want to pre-empt your question.

Ms PENNICUIK — It relates to Leadbeater's possum, actually.

Mr BRADLEY — Okay. Certainly VicForests is not part of the department.

Ms PENNICUIK — Leadbeater's possum is part of your department.

Mr BRADLEY — I am happy to talk about Leadbeater's possum.

Ms PENNICUIK — In their report, they say they were given some money, which was \$5.4 million. If they had not received that, apparently from DELWP, they would have made a loss that year. But the funding under the line item in the annual report says it was for 'sale of goods and services including Leadbeater's possum recovery program'. My question really is: what was the funding used for?

Mr BRADLEY — Certainly what I can advise is that in relation to the Leadbeater's possum recovery program in 2016–17, we have continued to deliver that five-year, \$11 million initiative, which is delivering the recommendations of the Leadbeater's Possum Advisory Group. In 16–17 there was \$3.9 million expended within our department on further surveys across public forests in the Central Highlands of Victoria, including in sites in parks and reserves and special protection zones, protecting 195 new colonies through the establishment

of a 200-metre timber harvesting exclusion zone, which obviously directly relates to the issue of concern in the question.

With over 500 colonies having now been protected in total since 2014, we have also reviewed the effectiveness of the 200-metre timber harvesting exclusion zone around verified colonies and we have undertaken acquisition and analysis of remote sensing data to assist in locating old trees and habitat. We have been assessing, through modelling, opportunities to protect the colonies and the Leadbeater's possum population from bushfire risk, and we have been undertaking research into accelerated hollow development and installing additional nest boxes. That program obviously is reflecting the advice that we have received through the Leadbeater's Possum Advisory Group.

We try and ensure that in our interactions with VicForests we operate in a practical and effective manner to achieve joined-up outcomes in relation to those forest areas. What we see is that as a result of the protection frameworks that have been put in place VicForests' estimate of the future sustainable harvest levels has reduced as a result of current and future protections for the Leadbeater's possum. It is required to reduce its harvest level in line with those estimates, and the review is seeking to make sure that we are mitigating the impacts on the economic transition of VicForests while maintaining the protections that are required there for that Leadbeater's possum colony.

If you think about it in terms of the overall landscape effect of that regime, the additional areas that we are talking about protecting for Leadbeater's possum, although they are absolutely critical, are small in terms of their size — about 4000 hectares — in comparison with the impacts of bushfire risk and historic levels of timber harvesting. That is the scope, I guess, of what I can address within our department's direct responsibilities related to the Leadbeater's possum and that program.

Ms PENNICUIK — Thank you. That is very informative. I wonder if you could take on notice — I do not expect you to answer this now — the figure that is in the VicForests' report of \$5.4 million and the 3.9 that you mentioned. But I just wanted to ask something else about the Leadbeater's possum. Again in this annual report it says that Leadbeater's possums have been observed in 39 of the 72 artificial hollows that you were referring to that were built in 2015. Is the department able to advise whether these observations of nesting included detection of deposition material, which is typical territorial marking behaviour of the Leadbeater's possum, or what those observations of nesting were? Can you advise how many actual nesting pairs were found in the artificial hollows?

Ms CULLEN — Thank you for the question. If I may — thank you, Secretary — through the Chair just briefly, in short, those surveys and that work has been conducted, in particular a lot of the design components, and led by the Arthur Rylah Institute of the department. Many of those details I am willing to take on notice. I do not have that at hand right now, but we can certainly provide that sort of detail as to what was observed and what the qualities are when nesting observations are made.

Ms PENNICUIK — Great. Thank you. I have got another one.

The CHAIR — The floor is yours for the next 63 seconds, Ms Pennicuik.

Ms PENNICUIK — If we could rush back to the questionnaire at page 7 of the general questionnaire, it is in regard to the Melbourne strategic assessment, metro various, which is about areas of biodiversity and conservation in the Melbourne metro area. That was a significant underspend due to not finding areas that met the criteria. I just wonder if there was some further explanation about what were the issues there and whether there has been any progress.

Mr HINCKSON — If the Chair and the secretary are comfortable, I might answer the question. Members may be aware that the program overall is about \$330 million — the total estimated investment or TEI. That is just the cash flow over an extremely long period into the forward estimates —

The CHAIR — Can you take it on notice?

Mr HINCKSON — and it is really just a very high level estimate, ultimately. It is just a high level estimate of the possible level of activity in any given year over a long-term period, and so there are bound to be fluctuations from year to year.

The CHAIR — Perhaps you could take that on notice.

I would like to thank the witnesses for their attendance. The committee will follow up on any questions taken on notice in writing. The written response should be provided within 10 business days of that request. Ms Wyatt, I am pleased to see that you survived the hearing. I hope you recover well.

Committee adjourned.