

VERIFIED VERSION

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into 2015–16 Financial and Performance Outcomes

Melbourne — 14 February 2017

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

Witnesses

Mr Adam Fennessy, Secretary,

Ms Christine Wyatt, Deputy Secretary, Planning,

Dr Paul Smith, Deputy Secretary, Energy, Environment and Climate Change,

Ms Kate Houghton, Deputy Secretary, Water,

Mr Lee Miezis, Deputy Secretary, Forest, Fire and Regions,

Mr Peter Beaumont, Acting Deputy Secretary, Corporate Services,

Mr Terry Garwood, Deputy Secretary, Local Infrastructure,

Mr Xavier Hinckson, Chief Financial Officer, and

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

The CHAIR — I declare open these public hearings for the Public Accounts and Estimates committee inquiry into the 2015–16 financial and performance outcomes. All mobile telephones should now be turned to silent.

I would like to welcome from the Department of Environment, Land, Water and Planning: Mr Adam Fennessy, Secretary; Ms Christine Wyatt, Deputy Secretary, Planning; Dr Paul Smith, Deputy Secretary, Energy, Environment and Climate Change; Ms Kate Houghton, Deputy Secretary, Water; and Mr Lee Mieziš, Deputy Secretary, Forest, Fire and Regions. Additional witnesses in the gallery are: Mr Peter Beaumont, Acting Deputy Secretary, Corporate Services; Mr Terry Garwood, Deputy Secretary, Local Infrastructure; Mr Xavier Hinckson, Chief Financial Officer; and Ms Stephanie Rotarangi, Chief Fire Officer. 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 it is available. Verified transcripts, 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 by officers of the PAEC secretariat. Members of the public gallery cannot participate in the committee's proceedings in any way.

I now give witnesses 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 FENNESSY — Thank you, Chair. It is my pleasure to report today on behalf of the Department of Environment, Land Water and Planning on the 2015–16 financial and performance outcomes. In terms of our department, there is a quick overview and there is detail there, so I do not expect you to see that, but that just highlights that we have got a whole-of-government focus on people, jobs and growth consistent with state government priorities.

DELWP itself focuses on livable, inclusive, sustainable communities and natural environments. We have got six outcomes for the 2015–16 period, and underpinning our approach to delivering on those outcomes in environment, land, water, planning, climate change and local government are the positive culture and the community focus we have in the department. That is the DELWP overview.

In terms of our service delivery structure, you can see there that in 2015–16 we had six groups working together to support our ministers: water and catchments, led by Kate Houghton; energy, environment and climate change, led by Paul Smith; forest, fire and regions, led by Lee Mieziš; local infrastructure, which includes local government and suburban development, led by Terry Garwood; planning, led by Christine Wyatt; and corporate services, led by Peter Beaumont. This ensures that community is reflected both across our outcome areas and across the state.

In terms of our profile as a department, we have got more than 3000 staff. We have got 101 locations across Victoria, so we are very much a regionally distributed organisation. We manage 8.3 million hectares of public land in partnership with other agencies, including Parks Victoria. We directly manage \$9.8 billion in assets, and we own and manage around \$1.6 billion of other assets, and that includes 40 000 kilometres of roads and tracks across the state, office buildings, depots, a significant amount of firefighting and road maintenance equipment, and also river crossings, water bores and mobile plant.

In terms of the key outcomes, I will go through each one quickly. These are the key outcomes for the 2015–16 period. We have got a healthy, resilient and biodiverse environment. This picks up our climate change programs and targets, including a review of the Climate Change Act, a new net zero greenhouse gas emissions target by 2050 and also a new biodiversity strategy.

Our productive and effective land management looks at activities from supporting Landcare groups across the state, supporting and managing changes to Crown land, including establishing new state and regional parks like the Canadian Regional Park near Ballarat, and welcoming 2.45 million visitors to Zoos Victoria at Melbourne, Healesville and Werribee — so quite a range of land management services. Safe and sustainable water catchments included the launch through the reporting period of Water for Victoria, which was our discussion paper underpinning the subsequent release of the water plan, and other strategies including Our Catchments, Our Communities, working with communities and our catchment management authorities, as well as our floodplain management strategy.

We invested in a number of irrigation upgrades in southern Victoria to complement many investments in northern Victoria. Those southern Victorian investments include the Macalister irrigation district as well as Werribee and Bacchus Marsh. We also conducted two drought response tours over the reporting period, particularly toward the end of 2015 when it was very dry in the north-west of the state as well as in April 2016, and that included \$54 million of new water infrastructure projects and programs being announced.

For quality built environment, over the reporting period we released the *Plan Melbourne Refresh: Discussion Paper*. We delivered planning and heritage services, and you can see from the presentation that included 58 000 planning permit applications, 409 planning scheme amendments and 913 heritage permits, and we assessed 55 places or objects for the Victorian Heritage Register. An example of a significant approval during the reporting period was approving the master plan for a \$200 million transformation of the former Melbourne Convention Centre site on Spencer Street.

For local infrastructure and local government we launched a Know Your Council website to help 65 000 Victorians access information about their council service. We approved 34 community infrastructure projects totalling \$47.9 million through the Growing Suburbs Fund, focused on Melbourne's growth areas. We amended the Local Government Act 1989 to improve councillor conduct, and we established the Fair Go Rates system, which was established in the reporting period and is implemented in the 2016–17 financial year, which places a rates cap of 2.5 per cent on council rates.

The last outcome of our six is reduced impact of major bushfires and other emergencies on people, property and the environment. We had a very busy 2015–16 period. We responded to the independent Lancefield-Cobaw fire investigation, which led us to launch a new organisational structure for our forest fire and regions approach, including a new community charter. We treated 197 940 hectares with fuel reduction activities, which is a mix of planned burning, slashing and other treatments. We responded over the period to 1148 fires with more than 90 per cent of those fires kept to less than 5 hectares, so it was a very busy summer period. In terms of recovery, we issued the first approvals for rebuilding households after the Wye River-Jamieson Creek Track fire within six months of those fires last summer.

Lastly, in terms of our organisation itself, we have a focus on high performance to deliver for government. We have a strong focus on positive culture and leadership and in particular partnerships with communities, universities for our research, businesses and not-for-profit organisations. Within DELWP we have got a strong focus on diversity and inclusion. During the reporting period we launched Munganin-Gadhaba, which is our Aboriginal inclusion plan. We also launched LGBTI policies and a gender equality strategy, and by the end of the reporting period for our target of 50 per cent of women as executive officers we had 32 men and 30 women. A month after the reporting period we hit our 50 per cent target, so that was a very significant achievement in terms of a diverse leadership group. Finally, we launched our community charter, which is our commitment as an organisation to be available, clear, open and timely in how we work with communities.

That is an overview of DELWP in 2015–16.

The CHAIR — Thank you, Secretary. I might kick off if I can. I understand in the course of the 2015–16 financial year an order was placed for water from the desalination plant. I am wondering whether you could advise the committee of the thought processes or the rationale behind that decision, given the fact that water storages were above where they had been in the previous year.

Mr FENNESSY — In terms of the basis of the water order from the desalination plant, every year an annual water order decision is made based on independent advice against a set of very clear principles which balance security of supply of using the desalination plant against the cost of placing an order. This advice is independently provided to the Minister for Water by Melbourne Water in consultation with the three Melbourne metropolitan retailers, which are City West Water, South East Water and Yarra Valley Water. It goes through a very specific independent and technical process, so I will ask Kate Houghton to go through some of the further details around the security, the long-term storage levels and the modelling that we do across different parts of state government.

Ms HOUGHTON — The approach used to prepare the desalinated water order advice is based on five principles, and these are designed to balance the security of supply benefits of using the Victorian desalination plant against the cost of actually placing an order. The advice is based on a balance across these principles, as it is not possible to completely satisfy all of them at the same time. I will go through the principles now.

Principle 1 requires that storages remain above 32 per cent across three years, so that is 30 November 2016, 30 November 2017 and then 2018, under a severe drought sequence. That is essentially the height of the millennium drought.

Principle 2 requires that storages remain above 54 per cent on 30 November 2016, 30 November 2017 and 30 November 2018 under 90 per cent of modelled streamflow sequences from the 'return to dry conditions' streamflow scenario. The 'return to dry' is a conservative estimate of streamflow across Melbourne, which does also encompass millennium drought.

Principle 3 requires that storages should display a recovery trend such that total system storage volumes are increasing for the median of the possible streamflow sequences tested. Principle 4 is that the risk of desalinated water causing avoidable forgone harvest spills is considered. Principle 5 requires that the impacts on the retailers' customer bills should be minimised while providing an acceptable security of supply. The advice, which is published on Melbourne Water's website, outlines how these principles were considered and balanced to inform the order.

The technical analysis used to apply the five principles also considered other factors, such as current and possible future system storage levels under a range of streamflow scenarios from drought to high streamflow periods, forecast demand provided by retail water businesses, Bureau of Meteorology outlooks, water supply system operational considerations, the ability to annually review desalinated water orders to manage inherent uncertainty in longer term forecasts, obviously the application of the five principles, and potential extreme events and other information.

That was provided to the Minister for Water — advice from Melbourne Water and the three retailers — and from there the minister made her decision and placed an order by 1 April. The actual storage levels where we are now are well within the bounds of the model storage projections used in forming the water order advice and are tracking between a median and wet scenario.

The CHAIR — Okay, so I take it from that that in the course of the 2015–16 financial year there was a fair amount of thought and consideration that was entered into by a number of people, I suppose, within the department but also within the relevant water authorities to assess the situation against those principles and then provide that level of advice that went through to the minister before a decision was made.

Ms HOUGHTON — That is correct. That is the process — that Melbourne Water then provides this advice to the minister, and then the department provides advice through to her in her making a consideration to place an order. That is correct.

The CHAIR — Great. Thank you.

Mr T. SMITH — Mr Fennessy, welcome. I refer you to the *Plan Melbourne* refresh. Why is this a year overdue? What is going on there?

Mr FENNESSY — I thank you for the question about the *Plan Melbourne* refresh. The overall commitment of the incoming government was to look at the current planning framework around *Plan Melbourne*, and there was a specific and deliberate decision by the government to, rather than produce a whole new planning

framework and strategy, go and revise and refresh the existing *Plan Melbourne*, and that was partly in recognition of the need for long-term continuity and indeed a more bipartisan approach to long-term strategic planning for Melbourne. In terms of the commitment to refresh *Plan Melbourne*, as in the 2014 document, the minister — Minister Wynne — wanted to make sure that it reflected a new or renewed focus on housing affordability, climate change and energy efficiency, as well as the government's updated transport priorities, and taking a very engaged approach to community, expert advice and other priorities. In terms of the way the department managed the process, that was managed by Christine Wyatt's group, so I will get Christine to go to some of your questions about process and timing.

Ms WYATT — Thank you, Adam. As Adam said, it was a refresh process that wanted to engage the community in the process. During 2015–16 the department prepared the *Plan Melbourne* refresh discussion paper, and that was released in October 2015 and made available for public comment until 18 December. During that eight-week consultation period there was community and stakeholder feedback on the discussion paper through written submissions and some workshops and an online hub. That generated 400 submissions during that period. They came from all across the community — peak bodies, community groups, development industry, local government. The department worked with a number of consultants to hold some workshops with local government and some of these groups to really understand those issues. There were about 141 participants across those workshops, as well as some face-to-face engagement activities.

Once that consultation process was closed the submissions were reviewed by a group of planning experts from Planning Panels Victoria, so it drew on the membership to provide that objective advice, and there were some quite significant outcomes from those submissions. There was widespread support for all the measures in the discussion paper to address climate change. There was strong support for an increased focus on housing affordability and diverse housing, and the submitters felt that bipartisan support and a whole-of-government approach were vital to the implementation of *Plan Melbourne*. That process took us through till round about May 2016 — to go through that in-depth consultation process, really analyse the issues — and we have been spending the last part of 2016–17 developing up the final *Plan Melbourne* and responding to those issues from the community, as well as taking into account some of the key government policies that were released in parallel, such as the water plan and the climate change initiatives.

Mr T. SMITH — That does not quite explain to me why it is a year late.

Ms WYATT — Well, it is a community consultation process that the Minister for Planning wished to undertake in fullness, so we have done that.

Mr T. SMITH — Okay, so it is the minister's fault it is a year late.

Ms WYATT — I am not laying blame on anybody. It is a process that the minister wished to have some community input into, and that takes time, and I have just stepped out the activities that we have done leading through from a consultation report through to 400 submissions, which is quite a number of submissions, to get good engagement and to be fully informed and also ensure that the timing of *Plan Melbourne* picks up the water plan and climate change initiatives that were going on in parallel.

Mr T. SMITH — If I could just pick up on both what you were saying around new government policies and indeed submissions into the policy process over the last year, Mr Fennessy, you are on the board of Infrastructure Victoria. Correct?

Mr FENNESSY — Yes.

Mr T. SMITH — Now, do you support their basic principle of increasing densities in established areas?

Ms WARD — Are you asking about the last year, Mr Smith, or the 2015–16 year?

Mr T. SMITH — I have asked my question.

The CHAIR — Through the Chair.

Mr FENNESSY — In response to the question, in terms of the process for 2015–16, the Infrastructure Victoria 30-year plan had not been commenced then. I think that the important thing about Infrastructure Victoria and its board is that the Parliament has specified that the secretary responsible for the Planning and

Environment Act is on that board, and that is me. That is to make sure that longer term planning priorities, including *Plan Melbourne* refresh, are then done in consideration with the Infrastructure Victoria board process. It is an independent board and has an independent chair and three independent non-government-appointed members. From my point of view on that board, my role is to make sure that consideration is given to relevant planning processes under the Planning and Environment Act. I am satisfied that the Parliament requires me to do that, and in the 2015–16 period we had not yet commenced that, but it was important for me to make sure that anything coming out of the *Plan Melbourne* process was made clear and aware to Infrastructure Victoria's management.

Mr T. SMITH — Through that process did you talk about neighbourhood residential zones and maximum height limits and that sort of stuff?

Mr FENNESSY — The *Plan Melbourne* process?

Mr T. SMITH — And indeed also the Infrastructure Victoria process.

Mr FENNESSY — In terms of — —

The CHAIR — Mr Smith, just so we are clear, I think the secretary has indicated that Infrastructure Victoria was not operational in 2015–16, but that — —

Mr T. SMITH — It was.

Mr FENNESSY — Sorry, Chair, to clarify, the 30-year process had not reached its completion in that period and IV had started. But my role on the IV board was to make sure that, as required by Parliament, there was consistency between what the department was doing in support of the minister and what IV, Infrastructure Victoria, was taking into account in developing its 30-year plan.

In terms of what we took into account and the submissions from the public, that was a very transparent process. All of the reports on engagement and input from the community are available on the web, and that was one reason why it was such a thorough process. And, yes, in getting feedback from the community around *Plan Melbourne*, it is very relevant to consider and get committee feedback on things like densities across different parts of Melbourne.

The CHAIR — Last question, Mr Smith.

Mr T. SMITH — Regarding your view around residential zones, do you think that the maximum building height should be increased to 9 metres, for example?

Mr FENNESSY — To answer your question directly, my view around residential zones is that the department is running a very specific process, so my role is to make sure that process is done appropriately for the minister, and my view is that we are following that process.

Mr T. SMITH — Can you — —

The CHAIR — No. Mr Smith, you can come back after Ms Ward.

Ms WARD — I also am interested in the *Plan Melbourne* refresh and in particular housing affordability, which is something I am pretty passionate about. How will the way the plan is laid out in the refresh discussion paper help alleviate or support affordable housing?

Mr FENNESSY — To start with some context, before this reporting period, back in March 2015, the minister announced that as part of *Plan Melbourne* and those priorities that I mentioned in my earlier answer housing affordability was going to be a specific focus, in particular diversity of housing close to jobs and services. Then within the reporting year 2015–16, the government at the end of 2015 established a task force comprising the Minister for Planning, the Treasurer, the minister for housing, the Special Minister of State and the minister for consumer affairs to look into options to tackle that very important issue, and, particularly for DELWP, aspects such as inclusionary zoning are relevant within the planning system. Chair, through you, I will ask Christine Wyatt to comment on some of the detail around that work to go to your question.

Ms WYATT — Thank you, Adam. I think the most important point to carry on from that is that it is recognised that how we deal with housing affordability is not just a planning issue, which was why the housing task force was set up to cover a whole range of perspectives, and planning is one part of that. Into the *Plan Melbourne* refresh there are some pretty critical things that built on the current *Plan Melbourne* actually. One of those is ensuring adequate supply of housing to meet overall demand, so the *Plan Melbourne* refresh has considered how the land use planning can balance that need for adequate supply in the greenfield areas, as well as getting good planned communities, and how that is proximate to jobs and access. They are all key things.

We are looking closely at the supply of zoned land, so having residential zoned land in appropriate locations, and ensuring that there is an ongoing supply of precinct structure planning being undertaken by, at that stage in 2015–16, the Metropolitan Planning Authority, but now the Victorian Planning Authority, as it was established in August 2016. That ongoing work is critical for ensuring that there is a supply of appropriately zoned land and the market of supply of lots.

In addition to that, the refresh is also considering particularly how the planning system can help facilitate the supply of social housing and other forms of affordable housing for low-income households. This has included looking at whether there should be some planning incentives to include social and other affordable housing and residential developments. It is looking at explicit support for and a definition of social and affordable housing, because at the moment through a lot of our planning schemes and our planning documents there is not really clarity in what is affordable housing and social housing, and there is a need to get a good understanding and definitions of where we are on that spectrum. Are we talking public housing, social housing or private affordable housing? That is pretty important for the planning system to define that. We are looking at doing that through the *Plan Melbourne* refresh, and that will follow on in later years into our adjustments to the planning system.

We are also looking at any other regulatory changes and reforms to help streamline social and affordable housing, so to give it some heads of power into the planning system as it will be needed. That will be implementation for *Plan Melbourne*. But they are some of the critical issues that the refresh is looking at, in conjunction with the work which Adam has described of the housing task force.

Ms WARD — Thank you. Now, yesterday I asked a question — budget paper 5, page 176, table 4.6 — and it was suggested that I ask the question again today to get more detail. It is around the changes in the line items around what was budgeted for affordable housing and the revised budget. Could you talk us through how that budget has played out and what the changing figures are and what those grants were and are no longer?

Ms WYATT — I would have to take that one on notice, if I may.

Ms WARD — Thank you. Could you talk to me about the national partnership on homelessness? Was that continuing in 2015–16?

Ms WYATT — Again, I will have to take that one on notice.

Mr T. SMITH — Returning to your role with Infrastructure Victoria, I was wondering if you could make all the briefings you provided to that committee available to this committee?

Mr FENNESSY — First, we will take that on notice. What I can confirm is that as an independent entity Infrastructure Victoria certainly worked with relevant government departments, and DELWP, particularly having population projections, technical information around planning and other parts of the portfolio, would certainly make information available. Infrastructure Victoria then took its own independent advice and formed its own views, so I am happy to take on notice what documents we provided to Infrastructure Victoria.

Mr T. SMITH — Thank you very much. With regard to overshadowing of the shrine, and in relation to the government's decision to approve the Crown development, in the week leading up to the 2014 state election, Labor's then planning spokesman, Mr Tee, said that the shrine was sacred and would not be overshadowed in future tower approvals if his party won office. James Merlino said before the 2014 state election:

I'm concerned about any impact on the Shrine of Remembrance.

In relation to this approval, how do you feel this policy about-turn meets with the community's expectations for that very important area of our city?

The CHAIR — So long as it relates to the 2015–16 inputs, yes.

Mr FENNESSY — Thank you for the question. Chair, through you, I confirm the focus of the department in 2015–16 for Crown Casino. On 5 May 2016, so just within that reporting period, Crown Resorts Ltd requested that the Minister for Planning facilitate the redevelopment of 1–29 Queensbridge Street, Southbank, under section 20(4) of the Planning and Environment Act and declare the project of state significance under section 201F of the act. So our focus in the 2015–16 reporting period was receiving that request. In the roughly two months in the reporting period we were working on the early processing of that request, so we did not have a view at that time as to whether it was going to be applicable under section 20(4), but that was certainly the work we pursued. In that reporting period I do not think it was a relevant question, but I will confirm with Christine Wyatt.

Ms WYATT — Yes, that is correct.

Mr T. SMITH — During 2015–16 plot ratios were something that the government changed. Correct?

Mr FENNESSY — Because that is a detailed question I will ask Christine to comment on plot ratios and the policies that we had in the department.

Ms WYATT — Yes, that is correct. We had interim control measures in place by amendment 262, which was almost a holding amendment while a full process for the central city controls was undertaken, so yes, that is correct.

Mr T. SMITH — How on earth is this consistent with that decision in 2015–16?

Ms WYATT — This decision has been considered on its merits over the past 12 months, and it has been considered in the context of site state significant development, how it relates to the site and the public realm benefits as well as a total package.

Mr T. SMITH — I do not understand. On the one hand you changed the plot ratios, and then recently they have been completely thrown out the window. Can you explain to me the process by which this decision was reached?

The CHAIR — I would just remind the witnesses, as well as you, Mr Smith, that the focus here is the outputs for 2015–16. So, yes, of course questions about what the department did in terms of 2015–16 in a policy sense are certainly relevant for the witnesses to answer, but I think trying to ask the witness to answer a question that relates to a decision made outside of the period is outside the terms of reference of the hearing.

Mr T. SMITH — Chair, the policy was changed in 2015–16, and this decision relates directly to a policy change in 2015–16. I am after the process — it has clearly been a long time in the making — for the decision that been made recently. It is a question around process and policy change during the investigative period.

The CHAIR — I think it is entirely fair and reasonable for the witness to answer those questions that relate to the policy work that the department undertook in terms of 2015–16.

Mr FENNESSY — Chair, one point of general clarification I can make is that for applications or requests made in 2015–16 certainly regardless of what that application is, if there are new factors that come into the department in the following year, then of course we will take those into account and advise the minister. They were outside the reporting period. For any application relevant to section 20(4) of the Planning and Environment Act there are a broad range of issues that the minister of the day will take into account. Some of the issues that you may be referring to would have been issues that have come through subsequently, and while they are not specifically relevant to the 2015–16 period they are the sorts of things that the Minister for Planning of the day will take into account. That is the general clarification of any issues relevant to Crown Casino or any other applications under section 20(4).

Mr T. SMITH — So did any of your team ever meet with Karl Bitar during 2015–16?

Mr FENNESSY — Any of our team?

Mr T. SMITH — Yes.

The CHAIR — Could you be a bit more specific, Mr Smith?

Mr FENNESSY — Not to my knowledge.

Mr T. SMITH — Not to your knowledge?

Mr FENNESSY — No.

Mr T. SMITH — No-one from your department met with Karl Bitar?

Mr FENNESSY — I could take that on notice, but certainly not my knowledge.

Ms WYATT — Could you clarify the name for me?

Mr T. SMITH — Karl Bitar.

Mr FENNESSY — Bittard?

Mr T. SMITH — B-I-T-A-R. Karl with a 'K'.

Mr FENNESSY — Not to my knowledge. We can take that on notice just to make sure —

Ms WYATT — Not to my knowledge, but I will check for you.

Mr DIMOPOULOS — That is a long fishing rod that you have got, Mr Smith. My question is around the Local Government Act review. There is a budget allocation made on page 56 of BP3. That is an area that I have had a long interest in — a few of us around the table are former councillors — also in terms of how much impact local government has on a community. I just wanted to ask a couple of questions. To kick off, though, could you give us a bit more of an idea about the process of the Local Government Act review? I looked through a hefty volume. I cannot remember the name of it, but it was a whole bunch of ideas grouped together for consultation. But could you give us some background on the point that led to that document?

Mr FENNESSY — Sorry, has the question finished?

Mr DIMOPOULOS — As indicated by my pause, yes.

Mr FENNESSY — Yes, sorry. It is a bit echoey in this lovely room. Sorry to the member. Through the Chair, I think, as you indicate, for our department local government is a critical level of government. In supporting Minister Hutchins as the Minister for Local Government, the review of the Local Government Act was the first action identified in her ministerial statement on local government, and I did hear you refer to that document that was the discussion paper launched in September 2015. I apologise to the member for my bad hearing.

Through that we invited suggestions to improve that legislative framework. Keeping in mind that the Local Government Act dated back to 1989, this was the first opportunity to undertake a significant review of that third level of government in Victoria. So the discussion paper was a very deliberate focus of the minister to make sure it was a very wide and detailed consultation process with local government itself, practitioners of local government and members of the community. Over 300 submissions were received in response from councils, ratepayers and members of the community, which we were very encouraged by, and based on those submissions, the directions paper that you referred to — or the conclusive directions paper — was then released in June 2016.

Through the Chair, Terry Garwood is our deputy secretary responsible for local government, and he presided over that process, so I will ask Terry to add a few comments for the committee's benefit.

Mr GARWOOD — Thanks, Adam. Thanks for the question. So the Local Government Act review is a major election commitment of the government, and it is one of the key actions in the ministerial statement on local government. The government has fully committed itself to this process, which is quite a comprehensive one in terms of reviewing the Local Government Act. It is a once-in-a-generation opportunity to look at and examine the way local government works, feels and operates and to set a pathway for the next 20 years and beyond. Some of the directions that we are looking at in particular include increased autonomy of councils,

encouraging innovation and collaboration, removal of unnecessary restrictions and prescriptions within the existing act, strengthening the role of mayors and focusing on longer term integrated planning.

As Adam said, last year the government released a directions paper, which was entitled *Act for the Future*, and it proposes more than 150 reforms that are designed to have a clear and easy to read act and also to go to the areas of revitalising local democracy, modernising council business practices, innovation and unlocking efficiency. The government has undertaken very extensive consultation on *Act for the Future* over the past few months. There have been a series of consultations — community forums — right across the state in engagement with the sector peak organisations: MAV, LGPro and the local government association of Victoria.

The minister has met with mayors. Local Government Victoria has met with mayors, CEOs, citizens and ratepayers. As Adam said, we have received 333 submissions to the directions paper, and we have had more than 2500 individual comments about the reforms that are proposed, showing quite strong support broadly for the reforms. We are currently analysing the submissions to ensure that we have got a really good, solid understanding of the position of councils in the community.

Mr DIMOPOULOS — Thank you, that is excellent. Can I bring you to two quick things that I am looking for in the proposals? One is around councils' financial management. That is also an issue that ends up in the press or on TV. The second one is that I think, as a former councillor, councils get a bad rap from the community. They are either misunderstood or to blame for things. For those two kinds of issues, if you take them as real issues, what proposals would have come up in that discussion paper that would address those?

Mr GARWOOD — So, for example, in the area of financial reforms, community representatives are very interested. I might say that under the existing legislative provisions there are quite strong accountability mechanisms in relation to the preparation of community planning, the preparation of strategic resource plans and engagement with the community. The local government review is particularly focused on that engagement with the community around that financial management. So we will go into that particular area.

I would like to take up your final point to make a more general point. For the observation about those small number of councils where there are financial irregularities, that is in a sense a disproportionate analysis of really what is going on, with the vast majority of councils operating in a very sustainable, very effective and very efficient financial management manner. So I am not downplaying for one minute those councils where there are issues, and where those are issues you will see the government take action in relation to the appointment of monitors or, in the most serious cases, the dismissal of councils. That being said, the vast majority of our councils happen to make up a very efficient and very effective local government sector, and the government has got every investment in wanting the success of that sector to continue.

Mr DIMOPOULOS — Just quickly to finish off, despite the negative examples — I am speaking into the microphone because the acoustics are bad, Adam, I agree — despite the bad example somewhere in Victoria, do you see some potential for an increased number of councils having direct election of a mayor as a way of engaging the community, or is that the wrong answer for the right question?

Mr GARWOOD — Well, that issue is one of the issues that will be canvassed and considered through the review process, but I think we are getting a little bit ahead of ourselves. The government has released its directions paper. Later this year the government will release an exposure draft. As we have continued to engage and frankly as we get closer and closer, we get more and more engagement, so you can expect when the exposure draft is released later this year — all things going as planned — that we will get more engagement and the very specific provisions that will be in the act will get more engagement from the community.

I should just make a point more generally. I think you are alluding to the conduct of councillors in particular, and the government has made some legislative changes more recently in that space. You will have seen some publicity about the fact that, if the legislation requires that councillors do agree to comply with a code of conduct, they must sign that they will agree to the code of conduct, have it witnessed by the CEO and be held accountable for their conduct. So that is a provision that more recently has come to pass and has been quite helpful in terms of expectations about behaviour.

Mr T. SMITH — Mr Fennessy, I refer to work done by your department in 2015–16 with regard to sky rail. I am just wondering about your department's role in the decision to build sky rail on the Caulfield–Dandenong

corridor and indeed on the Frankston line. What advice did you provide to government as part of your role in this process?

Mr FENNESSY — I thank the member for the question. In terms of the Caulfield–Dandenong rail upgrade project, which as you know, looks to remove nine level crossings, firstly, the Level Crossing Removal Authority is the responsible entity for delivering that project as part of the wider level crossing removal program. Our role is very much through environmental assessment, and I should add that some other parliamentary committees of this Parliament have taken evidence from us around the specific role of the department and the minister through different planning pathways. So our role is to assist the minister in making decisions under the relevant piece of legislation. In this case the project itself — the so-called CD9 project — will take place within the existing rail corridor, which has been in existence I think going back to the 1870s. So it is an existing infrastructure corridor and the project does not propose any compulsory acquisition. With that in mind that is going to be very relevant to the correct environment assessment pathway.

The Level Crossing Removal Authority assessed the project against the Environmental Effects Act 1978 and the ministerial guidelines, which we are responsible for administering. That assessment was for environmental effects, and that assessment concluded an EES was not required. Past rail projects — —

Mr T. SMITH — Why was that, Mr Fennessy?

Mr FENNESSY — The first point is that many past rail projects have not usually required an EES. So, for example, the South Morang rail extension, the Regional Rail Link and the Sunbury rail electrification were all dealt with by planning controls rather than an EES. I think the fact that that rail corridor had been in existence since the 1870s shows that for impacts on environment, community and economy it will very much depend on if it is a so-called brownfield or greenfield site, and CD9 is in a brownfield corridor. What we do is advise on that.

Firstly, in February 2016, within the reporting period, the Level Crossing Removal Authority released proposed designs for the project with consultation concluding on 18 March 2016. That is important because consultation is very much a part of the overall environment assessment process, whether it takes place under the Planning and Environment Act, the Environment Effects Act or indeed other assessment acts — there are other assessment acts as well.

In May 2016, following a request from the Level Crossing Removal Authority, the Minister for Planning approved a planning scheme amendment under the Planning and Environment Act to facilitate the Caulfield–Dandenong rail upgrade project. That was amendment GC37. The point on that is that was the planning pathway that was chosen and that was relevant to that particular rail project, given that most other significant rail upgrade projects in Victoria’s history have gone down that pathway — not all but most have gone under the Planning and Environment Act.

To go to some of the detail about the department’s involvement, that was led by Christine’s group, so through the Chair, I can get Christine — —

Mr T. SMITH — Just before you pass to her, I was wondering: could you explain what submissions you made to this so-called consultation process with regard to, for example, noise studies, diesel impact and that sort of stuff?

Mr FENNESSY — We did not make any submissions. That was the role of the Level Crossing Removal Authority. Because planning has very specific legislative terms, I do not think they would have made submissions as such; rather, they would have made an application. But the way they work is through the community consultation process, and the studies they produced under the guidelines are very relevant, but that is something that Christine would be better placed to answer than me.

Ms WYATT — Certainly. If I can further answer that, it is envisaged under the guidelines that proponents themselves can undertake an assessment against the guidelines, and that is exactly what LXRA have done, as Adam has set out, and they came to the conclusion that it did not trigger any of the environment effects requirements for an EES, and that is, again, within the processing envisaged in the guidelines. LXRA, as Adam has pointed out, proceeded to lodge a request for a planning scheme amendment in May 2016. That was

following all the consultation that they had undertaken in the period leading up to that process — for the two separate processes that have occurred.

Mr T. SMITH — Let us divorce ourselves from planning speak for 5 seconds, because it is a different language to English. Would you concede that, Mr Fennessy?

Mr FENNESSY — It is. It is.

Mr T. SMITH — I just think in this instance, given the proximity to residential dwellings and the obvious environmental impacts of running railway lines at that height, surely the commonsense approach would have been to have undertaken an EES, if anything for the purpose of persuading the residents that you are about to put a railway line over their back fence and it is not necessarily going to be detrimental to their local environment.

Ms WARD — On a point of order, Chair, is Mr Smith actually engaging in an argument with the department?

The CHAIR — I am conscious of time, and I will let the question stand. I think that Mr Smith is just trying to seek a lay explanation for why a decision to have an EES was not made by the department. I understood the answer provided by the secretary, but perhaps the secretary might wish to speak a little bit more slowly.

Mr DIMOPOULOS — Through you, Chair, the secretary does not have to accept the false basis of the question — the ‘obvious environmental impacts’ of the elevated rail. There is nothing obvious about the environment being affected by the elevated rail.

Mr T. SMITH — You are a bit nervous over there, buddy, are you? Sky rail Steve is a bit nervous.

Mr DIMOPOULOS — The rail corridor has existed there since 1870 — all those things. Do not accept that, Secretary.

The CHAIR — I promise that I will behave, as Chair, if everyone else does. Mr Fennessy, if you could perhaps briefly summarise.

Mr FENNESSY — With my best attempt in non-planning speak, and I do not have a planning degree so that is a good start, in terms of more recent approvals — that is a planning word — for rail projects, we have had planning scheme amendments, so no EES, for Burke Road, North Road, Furlong Road, McKinnon Road, so quite distributed across Melbourne, Blackburn Road, Scoresby Road and a range of other roads.

Mr T. SMITH — But these were not up in the air, Sir.

Mr FENNESSY — Some of those are over — well, they all involve some sort of crossing. The important point that we made to the other parliamentary committee, acknowledging it is a different committee to this one, is that under the EE Act and the guidelines, the proponent makes that assessment and we then assist the minister to make a decision under whichever pathway is chosen. The large majority of rail level crossing projects have been under section 20(4), or planning scheme amendments, because they are all brownfield corridors. Often they have been in place for more than a century and many of them are right in the heart of either residential or shopping precincts. Of course they have impacts, but that context about the long-term nature of the rail being there is very much relevant to the pathway.

I think one example of where an EES was considered, and Christine, please correct me if I am wrong, was for the greenfield section of the regional rail link project —

Ms HOUGHTON — Correct.

Mr FENNESSY — which was going through the Tarneit–Werribee part of Melbourne, and that was the first time any rail had been laid there. While it will always relate to the specific case, if it is in an area where it has been operating for decades, it is more likely that there will be a planning scheme amendment; if it is in a new greenfield area, it is more likely it will be under an environment effects statement.

Ms PENNICUIK — I would like to follow up on your opening question if I could, Chair, with regard to the desalination plant. On page 22 of your answers to our questionnaire, in the output variances at the top, there is a variance that relates to carryover of output appropriation into 2016–17 to complete projects with previous years finish dates, including the Victorian desalination plant project. I was listening very carefully to what Ms Houghton was saying about the principles of the water order. If I am correct, the water order was made in March last year, so nearly a year ago, and if I look on the DELWP website, there still has not been any water delivered. So if I could ask: what is the actual nature of the technical problem with the desalination plant — what is the problem with the plant? And also: is there an ongoing problem with AusNet with regard to the operation of the plant?

Ms HOUGHTON — The Victorian desalination plant is a public-private partnership between the Victorian government and AquaSure. The company is contracted to finance, design, construct, operate and maintain the project until 2039. The capital cost of the project is \$3.5 billion and includes the plant, 84 kilometres of underground transfer pipeline and an 87-kilometre underground power supply. Under the contract, the annual water order decisions are required to be made by 1 April each year for the delivery of any water ordered in the following financial year. The water volumes can be zero, 50, 75, 100, 125 to 150 gigalitres, and AquaSure can deliver that water at any time during the financial year.

The water order decisions are made by the Minister for Water, and I have set out the process of how she actually makes that decision. The water order in the 2015–16 financial year was zero gigalitres. The water order which was made for the 2016–17 financial year was 50 gigalitres, with two non-binding 50-50 into the out years, and that decision was made in March 2016. In terms of the key points under the contract, AquaSure can provide that 50 gigalitres of water at any time during that financial year, so the government is expecting that the 50 gigalitres of water will be delivered by 30 June 2017.

I also refer you to a statement that the minister made, which is not in this reporting period —

Ms PENNICUIK — In December?

Ms HOUGHTON — In December 2016 — regarding issues with equipment on start-up of the plant. AquaSure has provided assurances to government that the water will be delivered by 30 June 2017, and AquaSure are continuing to do work to enable the start-up and delivery of that water.

Ms PENNICUIK — Thank you, Ms Houghton, for all that information, most of which I already knew. The question is: what is the nature of the problem with the desalination plant, because there is no transparency around that and there certainly has been a report of a technical problem in that the government may be expecting the water to be delivered by the end of June, but certainly rumours abound that that may not happen and that there are problems at the plant. Could you advise us what the nature of the problems are?

Ms HOUGHTON — In regard to the nature of the problem, and it is part of the minister's statement and she also had a press release and a press conference on that day, work is underway to fix a piece of equipment that was damaged during the restart process of the Victorian desalination plant. In restarting the desalination plant, there was an issue in powering it up. AquaSure is undertaking works to remedy the cause of the problem but also to ensure that it understands why it happened before it restarts it again and to ensure that it does not actually repeat exactly the same issue with that piece of equipment.

Ms PENNICUIK — I do not think I have got a lot further than what is already publicly available. What is the nature of the problem and when was it first found? We are now heading towards the end of February. Is the problem fixed, is it nearly fixed, is your advice that it is ever going to be fixed and what is the issue with AusNet? Not only are the problems with AusNet or the interaction with AusNet mentioned on your website, but they are also mentioned in the minister's statement that you just referred to. So what is the issue there?

Ms HOUGHTON — The issue, which the minister has been quite transparent about, occurred in the middle of December. The minister informed the public on 30 December that in starting up the powering of the desalination plant there was an issue in the start-up phase. I am not an engineer. I am not a planner either. I can take it on notice in terms of the specifics of the actual equipment failure, but it was on start-up. Adam and the minister have met with the chair and the CEO of AquaSure and also had similar conversations with AusNet. AquaSure have assured us that they are working to deliver the water by the contracted period, which is 30 June.

Mr FENNESSY — I can confirm that while AquaSure is the entity responsible for delivering water, AusNet Services plays a role in the electricity cable. So as well as seeking assurances from AquaSure — from the chair and the CEO — the minister and I met with the chair and the CEO of AusNet, and they gave similar assurances that they are doing everything through their technical people. To us the important question is: will AquaSure deliver the water order by 30 June? They have committed that to the minister and me. More importantly, they have committed to that publicly, and they did that on 30 December, the end of last year.

Ms PENNICUIK — Chair, if I could just follow up with one more question.

The CHAIR — Briefly, Ms Pennicuik.

Ms PENNICUIK — If I could briefly say that despite the assurances, Ms Houghton, about transparency, I am not getting a lot of transparency here, except for you telling me what we already know, which is that there was a problem on start-up. It is a pretty big problem if we are still months down the track and it is not looking like any water is going to be produced, and also that the first time you start it up, it does not work. This is a concern for the community and also in terms of the water security payments. So what is the situation — —

The CHAIR — Is there a question there, Ms Pennicuik?

Ms PENNICUIK — A little bit more detail as to what the actual nature of the problem is is what I am after.

Mr FENNESSY — I certainly agree that it is a concern, and that is why the department, myself and the minister have gone directly to those responsible and asked — —

Ms PENNICUIK — As we would hope you would.

Mr FENNESSY — Yes, so we did that. We have been given those assurances. Yes, there is lots of technical work, lots of testing and lots of electrical engineering involved. Our role and our responsibility is to seek the delivery under AquaSure's obligations, and they have given that assurance. Our other role is to remind them of their obligations, and they have been very forthcoming in acknowledging their responsibility to deliver on the water order and of course to make sure that the energy supply is sufficient to do that. That is the role of the department and the minister.

AquaSure has committed to do that delivery by 30 June, so our role in the department is to make sure that they are committed to doing that. Our role is not to go and question whatever the engineering experts are saying. Our role is to question AquaSure as to whether they can deliver on their commitment, so that is what we have done.

The CHAIR — Mr O'Brien, I think you just had a brief question.

Mr D. O'BRIEN — Just a very brief follow-up to that, a technical question: how long does it take to deliver 50 gigalitres if the plant is operating at full tilt?

Ms HOUGHTON — With all three streams of the desalination plant going, it takes three and a half to four months to do that.

Mr D. O'BRIEN — Four months for the full 50 gigalitres?

Ms HOUGHTON — Correct.

Ms PENNICUIK — So they will need to be able to tell you pretty soon whether it is fixed if they are going get to 30 June?

Ms HOUGHTON — Correct. Can I also add that the contract that AquaSure and the state is bound by has abatement provisions, particularly in regard to the water security payments and the delivery of water. It is also the department's job to ensure that that contract and those legal rights not only of the state but also obviously of water consumers are protected and understood.

Ms PENNICUIK — Thank you. That was part of an earlier question.

The CHAIR — When you were here last year I asked you a question about what the department was doing in relation to diversity inclusion for African Australians, particularly in relation to work experience and

internship opportunities as well as in relation to opportunities for working with the department. I note in your presentation that you have got a note about diversity inclusion and a subheading, 'Diversity inclusion council'. Could you perhaps inform the committee of what work the department has undertaken in the course of the 2015–16 financial year to provide opportunities for African Australians?

Mr FENNESSY — Thank you, Chair, for that question. As you suggested, the department put a lot of focus into our diversity inclusion strategy, and it has at least seven different streams of diversity. Last year we talked about, particularly in our forest fire management workforce, how we reflect communities as much as possible. That includes diverse communities who live in peri-urban Melbourne. It also reflects diverse communities across the state. As part of those diversity streams, there is certainly a multicultural diversity stream, there is a gender diversity stream and there is a LGBTI diversity stream.

We also consider the regional and urban diversity of our workforce. Also very recently — it is out of the reporting period, but coming out of that plan that we did in the reporting period — we have been working with interns and students as well to help do a lot of our work. They reflect the more diverse cohort of students in regional Victoria as well as in Melbourne. In terms of some of the outcomes, I will ask Peter Beaumont, who is the corporate services deputy secretary and who chairs our diversity inclusion council, to go to some of the detail.

Mr BEAUMONT — As Adam said, our diversity and inclusion strategy covers a number of groups or categories, such as multiculturalism — this being culturally and linguistically diverse communities — Aboriginal communities, gender, life stage, abilities and LGBTI. As part of that we have three objectives set out, one of which is improving service delivery and decision-making through strong, inclusive leadership and training and development; the second being fostering attitudes and practices that better support diversity and inclusion; and the third being creating opportunities to recruit from diverse groups in the community and to retain those recruited within DELWP.

In terms of your specific question, we do not actually have any programs that target specific groups of people in terms of their background, with the exception of Aboriginal communities. However, we do have very much a focus on ensuring we are a workplace and an organisation that understands our community and is able to connect with it, and also on ensuring that staff who we do attract feel safe and supported in their workplace. That is certainly any people from any cultural background or with any other differences.

We also do not actually track or keep data on the background of staff or the originating countries from where staff may come, so we cannot actually tell you how many staff we may have from, say, African countries. In that sense it is a little bit hard to give you a more targeted response, but it is certainly very important for us to be able to ensure to the broader community that we reflect the make-up of the community itself. That is important for us in terms of how we deal with the community, and it is also important for our staff as well.

Mr FENNESSY — Chair, can I add that many organisations are making this part of their core business, and we have, for a number of years now, commissioned some specific research into the barriers impacting, for example, on women entering into fire emergency management roles. We have done a lot of work with Craig Lapsley, the emergency management commissioner, and with Rowena Allen, the gender and sexuality commissioner.

As part of that work, which is evidence based, we have now got a target of 50 per cent of women into our fire and emergency management workforce, based on that same driver — that the more we reflect our communities, the safer communities will be — as we work with them in response, recovery and indeed our planned burning. That is on the basis of commissioned research.

We were also very proud to be marching, as part of the emergency management cohort, in the Pride March a few weekends ago. There is an increasing focus across all emergency service agencies on diversity, because it keeps communities safer. Because we have got this broader focus on a range of levers, that is something we will continue to do research on and report on, and we are happy to continue to give more detailed reporting back to PAEC on that.

The CHAIR — That would be great. I would appreciate that greatly.

Mr T. SMITH — Mr Fennessy, turning again to sky rail, the Premier said today, referring to the Frankston line:

... there are a range of environmental issues ... a range of really technical engineering challenges being so close to the water, elevated water table, sand and soil ...

and so on, the Premier said. I am just wondering what works your department have undertaken perhaps around an EES during 2015–16 in preparation for sky rail down the Frankston line?

Mr FENNESSY — I can certainly make some comments about the level crossings relating to the Frankston line, and I will check with Christine about the timing. On the Frankston line, I do not think we have an application yet from the proponent.

The answer is that whatever environmental considerations there are relating to the Frankston corridor will be assessed on their merits. Because they are in a different part of the metropolitan area, it will depend on what those environmental issues are. I said before that, historically, brownfield rail projects in Melbourne and in peri-urban Melbourne have mostly been assessed under the Planning and Environment Act, but it always depends on the case.

So for the 2015–16 period I do not think we had done any assessment work with the Level Crossing Removal Authority on the Frankston corridor.

Ms WYATT — That is correct.

Mr FENNESSY — We will wait. We have not got it yet in the 2016–17 period either. We will wait till the applicant comes to us for an assessment under those different pathways.

Mr T. SMITH — Okay. Thanks very much. Moving on to local government, when will the review of the Local Government Act be complete?

Ms WARD — What has that got to do with the 2015–16 reporting period, Mr Smith?

The CHAIR — Order! Through the Chair.

Ms WARD — Through you, Chair. My apologies.

Mr T. SMITH — I am pretty sure that the review was undertaken in 2015–16.

Ms WARD — ‘Pretty sure’ or do you know, Mr Smith?

Mr D. O’BRIEN — Those questions about how a toothpaste company can get access to the export market was not really about 2015–16 either. Come on! It cuts both ways.

Ms WARD — It was a LaunchVic grant.

Mr DIMOPOULOS — It was a LaunchVic grant.

The CHAIR — Order! I am happy for the question to stand as it relates to the 2015–16 output year.

Mr FENNESSY — Through the Chair, we had before given some advice on the broader local government reforms. Terry Garwood is leading those. Through the Chair, I will ask Terry to comment further on the time frame.

Mr T. SMITH — Sure.

Mr GARWOOD — As I said earlier, the government released a directions paper, which is entitled *Act for the Future*. That was released last year. The government is now working on the preparation of an exposure draft, and that will be released later this year. That is the process up to this point.

Mr T. SMITH — So when will it be complete, sorry?

Mr GARWOOD — The government's commitment is to introduce a new piece of legislation to replace the current Local Government Act. So an exposure draft will be released later this year, and then after the process of engagement with the community a bill will be introduced into the Parliament in due course, so that will be the process.

Mr T. SMITH — Okay. So you cannot specifically tell me when it is going to be completed?

Mr GARWOOD — The government has given an election commitment to review — —

Mr T. SMITH — I know all that. I just want to know when this thing is going to be finished.

Mr GARWOOD — The exposure draft will be released later this year, and after that sometime the government will introduce a bill into the house. I cannot give you exactly when that will be introduced. That would be a matter for the government.

Mr DIMOPOULOS — But the review is finished once the exposure draft happens, then Parliament takes over, so you have completed your output — —

Mr T. SMITH — Thanks, Steve. Can you confirm that major industry bodies, such as VCCI, have indicated their opposition to the government's position in its directions document that non-resident property owners and businesses should be stripped of voting rights in local government elections?

Mr GARWOOD — I think I have indicated we have had 333 submissions to the review process, so I cannot pull out any individual one and say what somebody has commented on. But where people have provided comment and input, that will be taken into consideration in the government's decisions about releasing the exposure draft. That is the normal process, as you would expect.

Mr T. SMITH — What is your view on this?

Mr GARWOOD — It is a government matter really as to what the position is. I cannot comment on individual submissions that are provided. The government is going through a review process — a genuine engagement process. Let us not understate this: this is a significant piece of reform to establish a new Local Government Act for the whole of the state, affecting all 79 councils. It is a major piece of work, and the government has gone through an intense consultation process, and — —

Mr T. SMITH — With business?

Mr GARWOOD — With business. Everybody has been able to engage — provide submissions et cetera — and have a view, and that will all be taken into account through the process. When the exposure draft is released there will be another opportunity for more comment, more input and more views to be taken into account.

Mr MORRIS — Just on a point of order, Chair, members of the opposition have been extremely forbearing throughout the hearings thus far, particularly in the face of the government's broken commitment to abolish Dorothy Dixers at PAEC. If we are going to have opposition members heckled by government members while they are trying to ask questions, then we will reciprocate.

Ms WARD — To the point of order, Chair, there is no intention to heckle on this side of the house; it is always just to ensure clarity.

The CHAIR — Order! Let us continue.

Mr T. SMITH — So have you written to non-resident voters about your proposed changes?

Mr GARWOOD — Have we written to every non-resident voter? I will take that on notice.

Mr T. SMITH — Okay. Thanks very much.

Ms WARD — I want to turn your attention to your submission this afternoon where you speak about the 34 community infrastructure projects on the infrastructure fund totalling \$47.9 million that is now a part of what is now called the Growing Suburbs Fund. I would like to know how effective that fund has been and the kinds of projects that it has been directed towards. I know within my own community it has funded the rebuilding of

the Eltham Leisure Centre as well as the Eltham Community and Reception Centre. I am interested in the scope of this funding, the kinds of projects it is invested in and whether or not it has been successful.

Mr FENNESSY — Through the Chair, I might give the broader context. From the point of view of specifically the Minister for Local Government but also DELWP more broadly, the pressures in Melbourne's interface suburbs have been high for many years. That is where much of the growth has come from, and the Interface Growth Fund, as it was known in the 2015–16 period, was very much focused on those growing suburbs, and in fact it is now known as the Growing Suburbs Fund. In the 2015–16 state budget \$50 million was provided to support that critical community infrastructure for those interface areas, alongside Local Government Victoria, which sits in a local infrastructure group. I will get Terry Garwood to talk about that, as his team also administers what was the Interface Growth Fund and what is now the Growing Suburbs Fund.

Mr GARWOOD — Thanks, Adam. Thanks for the question. In Melbourne's 10 interface council areas, it is no secret they are facing unprecedented growth and change. The current projections are that those 10 council areas will accommodate something like 46 per cent of the state's population growth from now until 2031. As well, of those interface council, 10 of them are diverse and in some places they include some of the city's most vulnerable communities. They also play a critical role in supporting Victoria's economy. They contain, for example, productive rural land, and they are also responsible for 90 per cent of Melbourne green wedge areas.

Local infrastructure, as the name suggests, provides a platform to deliver a broad range of services for the communities, from maternal and child health care and sporting opportunities to a whole raft of integrated community centres, for example. That is why as part of the 2015–16 budget the government announced the establishment of the Interface Growth Fund, which, as Adam said, is now termed the Growing Suburbs Fund, in order to try and reduce the pressure on strained facilities, resources and services in those interface council areas. The Growing Suburbs Fund has been specifically designed to quickly respond to pressures being experienced by those interface councils.

I might say, we have had fabulous support, involvement and contribution in the design of the program with each of the councils. I myself met personally on three occasions with the CEOs of the 10 councils as we designed up this particular funding program. There was an initial investment of \$50 million in 2015–16. It was a huge success. It leveraged an additional \$76 million to begin the process of renewing and building new infrastructure in those particular communities.

Many of the projects announced in 2015–16 have already been completed. I think you alluded to one or two of them. For example, the Epping Community Services Hub is now opening, and it is providing a range of community services to the Whittlesea community. The improved physical connections for communities in Wyndham program has provided safe pedestrian and cycling access for new communities into the heart of Werribee, improving access to employment and education. New play spaces in Wallan and Melton not only provide a place where local families can come together but attract visitors as well to the local economy. And more projects, I might say, will be completed this year, providing better facilities for female participation in sport, such as in soccer and football, state-of-the-art facilities for early childhood services and improved public realm spaces that will benefit local traders in particular.

Recognising the effectiveness of the fund, the government announced a further \$50 million to fund and help Melbourne's fast-growing outer suburbs to build those priority community projects I spoke about. I have got a raft of details about where the funds have been allocated, but I think you understand where I am going.

Ms WARD — You have spoken about how it has eased some of the pressure on local councils and is addressing the growing populations within these 10 LGAs. Are you able to drill down a bit further and talk about what, if any, the economic benefits have been to communities and what jobs have been created through this investment?

Mr GARWOOD — Thank you again for that follow-up question. In the first round we received, I think, 87 applications for funding seeking more than \$140 million towards a total infrastructure investment of \$360 million. There is a lot of investment that is required in interface councils. A total of 34 projects were approved by the Minister for Local Government in 2015–16 and, as Adam said, \$47.9 million was approved in grant funding. But those projects will create an estimated 1379 jobs during construction, as well as in ongoing operations. As I said earlier, four projects were completed in 2015–16, and the majority of the projects will be completed before the end of this year. We went through a two-stage application process, again working very

closely with the 10 interface councils involved to make sure that we are really hitting the mark with important local community infrastructure in those growth areas.

Ms WARD — How are the priorities determined?

The CHAIR — Briefly.

Mr GARWOOD — We work closely with the councils involved. Fundamentally I would say the councils put forward proposals. I mean, they are the only applicants under the program at the moment, so they have their own internal priority setting process about the sorts of applications that they will bring forward. So in that sense they then put forward what they see as their local priorities, which we think is important, and then it goes to the Minister for Local Government. Following a very detailed assessment process from the department — and we involve other departments with us in the assessment process — in the normal course of events we as a department provide advice to the minister about the applications that have come in.

Mr FENNESSY — I should add, through the Chair — and Terry may have already said this — that there is a published set of program guidelines with very specific criteria, so that ensures transparency. It is very much driven by the local feedback on the local needs of council.

Mr D. O'BRIEN — I just want to go back to the desal, our favourite topic at the moment. The 2015–16 budget paper 5, page 107, lists the annual payment of \$620 million to AquaSure via retailers, Melbourne Water and the state government. Can you just confirm if that was the figure that was paid?

Ms HOUGHTON — Sorry, can you reference that again?

Mr D. O'BRIEN — Budget paper 5, page 107. The Victorian desalination project finance lease liability is listed for 2015–16 as \$620 million.

Ms HOUGHTON — Yes. It was actually \$613.3 million. There was a reduction of \$6.7 million largely as a result of indexation and refinancing savings.

Mr D. O'BRIEN — Okay. Are those payments made on a monthly basis to AquaSure?

Ms HOUGHTON — They are, actually.

Mr D. O'BRIEN — Yes. To the end of 30 June 2016, can you give me the total sum of money that had been paid to AquaSure since the contract first began?

Ms HOUGHTON — I would have to take that on notice.

Mr D. O'BRIEN — Okay. Likewise — and you just alluded, I guess, to my next question — there has been refinancing of the project by AquaSure a number of times, I think, and the previous government, through the desalination project team, had PwC do a list of the actual and forecast service payments. Since the last update, has there been a document produced of those payments? It looks a bit like this one.

Mr FENNESSY — I could make a general point, and then we will see if we can be more specific for your question. As you have referred, over the life of the contract there have been savings made on particularly renegotiation of refinancing, and that has taken place over a number of years. I think so far in nominal terms \$1.5 billion has been saved since the contract was signed in 2009 on those service payments over the life of the contract. That certainly goes to your point that over time we can save on refinancing. As to the latest additional amounts under refinancing up to 2015–16, we could confirm that on notice, I think.

Ms HOUGHTON — Yes.

Mr D. O'BRIEN — Thank you. Just going back to the minister's order of March last year, can you confirm that customers have not been charged a cent yet for that?

Ms HOUGHTON — Customers have not been charged for the variable use, the \$27 million; yes, that is correct.

Mr D. O'BRIEN — When does that begin? Does it begin the day the first water is delivered?

Ms HOUGHTON — That is correct. The premise of the government is that Melbourne water users will not pay for water that they have not received yet, so once the water starts flowing, the bills in their cyclical payments will catch up.

Mr D. O'BRIEN — The answers before to Ms Pennicuik indicated that the plant is faulty; it is obviously not working at the moment when they try to start it up. Was there any consideration given to the government being able to suspend the annual service payments? Did the department take any legal advice or accounting advice on that? Effectively we are paying for something that does not work. If we needed it tomorrow, we could not start it up.

Mr FENNESSY — I think the way that the concession deed works is that upon delivery we then acquit payments, both water use and the security payment. AquaSure has committed publicly to delivering the water, so if they deliver they get both streams of payment. Back at the end of 2016, when the minister made those public statements that we referred to before, she said that the government has made it clear to the water retailers that there will be no extra charges on water bills until the water is flowing. But I think at this point in time from a legal point of view AquaSure will acquit its delivery, so we cannot make a legal decision as to whether we withhold security payments, because they are committing to us they will deliver the water.

Mr D. O'BRIEN — But in terms of the service payments, irrespective of an order, given that it is not working, has the department taken any legal advice as to whether it could suspend the \$613.3 million, for example, for this year?

Ms HOUGHTON — I would just reiterate what Adam has said on the water security payment. They are still reassuring the government that they can deliver that 50 gigalitres by 30 June. If they fail to deliver part or all of the water, then the abatement for water security and the variable payment then kick in.

Mr D. O'BRIEN — So there will be penalties for them on both the service payments and the delivery.

Ms HOUGHTON — Correct.

Mr D. O'BRIEN — Can you tell me what those are? I suppose they are probably quite detailed.

Ms HOUGHTON — It is a very complicated project deed, so it is pro rata both on abating the water security payment and the variable payment. So they do not get paid for the water that they do not deliver to the government and to the Melbourne people.

Mr D. O'BRIEN — I would hope not, but if it is not delivered, there is also a reduction of the service payment as well. That is my understanding.

Ms HOUGHTON — Correct.

Mr D. O'BRIEN — When the order was placed the minister said part of the reason to act was to deliver on Ballarat's and Geelong's water supplies. Ballarat is currently at 93 per cent, Geelong is at 72 per cent and we have got Melbourne at — —

Ms PENNICUIK — The state is at 77 per cent.

Mr D. O'BRIEN — What did you say, Sue?

Ms PENNICUIK — Seventy-seven.

Mr D. O'BRIEN — And the storages in Melbourne are actually higher than this time last year. Has the department done any modelling or sought any assurances on risk in terms of putting this extra 50 gigalitres into Melbourne storages ahead of the filling season in terms of spill?

Ms HOUGHTON — In the original advice from the three retailers and Melbourne Water, the current actual storage levels are still within the bounds of the model storage projections used in forming the water order advice, which are tracking between median and wet scenario.

Mr D. O'BRIEN — If we get a wet winter, though, I guess my question is: what is the risk of us putting extra water into the dams from the desal that then ends up spilling out of the dams and flowing down the Yarra?

Ms HOUGHTON — That is part of the balance of the principles. One of the principles is risk of spill, and in the detailed advice it is, say, 25 or 10 per cent risk of spill, so that risk aside from the water security component was balanced in terms of the advice that they provided to the minister, so it was accounted for in the balance of providing water security for Melbourne and the cost, as well as risk of spill.

Mr D. O'BRIEN — Sorry, Chair, just very briefly.

The CHAIR — Briefly.

Mr D. O'BRIEN — You mentioned 10 or 25 per cent risk of spill. Are they figures that were actually estimated?

Ms HOUGHTON — That is part of the technical analysis in the modelling, and that is all on the Melbourne website.

Mr D. O'BRIEN — I am just trying to understand. Do we accept a 25 per cent risk of spill as one of the bounds?

Ms HOUGHTON — That is right, and a 10 per cent. So those two things are modelled, and I cannot remember what the figures came up with from a 50-50-50 gigalitre perspective.

Mr FENNESSY — Through the Chair, I would add that Melbourne's water storages are currently sitting at 68.3 per cent, so that is 1237 billion litres. Historical modelling shows that between seasons and years the increases or falls can be quite significant, so that is why we as a department have to rely on that technical modelling of the Bureau of Meteorology, Melbourne Water and the retailers. Given Melbourne storage systems have significant storage capacity, probably compared to Bendigo, Ballarat and Geelong, which are all connected, that is where the modelling particularly focuses — on that significant storage capacity in Melbourne's catchments, which is still sitting at 68.3 per cent.

Mr DIMOPOULOS — Secretary, just a question about the New Energy Jobs Fund: BP3, page 24, makes an allocation of \$20 million for the fund. I am just wondering if you can give us a sense of in the reporting period what this fund funded.

Mr FENNESSY — Thank you for the question. I get to say the phrase, 'On a point of order'. In terms of the machinery of government changes, the energy portfolio came in on 1 July 2016 and we have agreed on behalf of DEDJTR to speak to the energy portfolio, which is now in DELWP. It commenced in DELWP in the 2016–17 period, but to make sure you get that information we can answer that question, if you are happy with that, Chair.

The CHAIR — Sure.

Mr FENNESSY — Paul Smith is responsible for the energy programs, and they do fit very clearly alongside the work we did in the 2015–16 period on climate change, so I will ask Paul to go into the detail.

Dr SMITH — Thanks, Adam. As you mentioned, in the 2015–16 budget there was \$200 million allocated to the Future Industries Fund, of which \$20 million was for the New Energy Jobs Fund. That fund supports innovative Victorian-based new energy technology, commercially ready projects that create long-term sustainable jobs, the premise being to drive economic development and promote community participation, increase renewable energy generation and build capability and capacity in the state of Victoria.

The program is designed to run over three annual rounds, with round 1 successfully completed in 2016 and round 2 now open for applications. For round 1 we received 93 applications, including 62 from community organisations and 31 from projects across manufacturing, technology and energy storage categories. At the end of the process 24 projects were selected from round 1, and the funding awarded to those 24 projects was \$5.88 million in grant funding. The projects have a combined value of \$47 million once you factor in the leveraged funding investment from that. The projects have a combined value, as I mentioned, of \$47 million and will create 50 direct jobs. Round 2 applications opened in November 2016, outside the reporting period, and close on 1 March. You asked me specifically about the detail of the projects that have been funded — —

Mr DIMOPOULOS — Even just a couple so we can get a flavour.

Dr SMITH — Absolutely. There are 18 projects that have been funded that are community projects, six industry. Three of those have been manufacturing, two are technology companies and one is storage. What I will provide to you is some further information about what those projects will achieve. The key thing, what we are seeking to do, is to get start-up companies and community organisations better able to manage their own energy needs, but also to get start-up companies to provide further investment into new technology and new jobs in Victoria.

Mr DIMOPOULOS — The storage one, was that a battery storage one?

Dr SMITH — It absolutely is, yes.

Mr DIMOPOULOS — You have done well given you have only just taken over this. Part of it is obviously jobs, because it comes from the Premier's Jobs and Investment Fund, but part of it is also securing a sustainable energy future for Victoria. Can you give us an example of one that might excite you or me or laypeople about how it could end up being one that contributes to the creation of a sustainable energy future?

Dr SMITH — I would like to be able to provide that detail; it is not available to me here. But I am aware that one of the community-based projects is getting local residents to work together to join up their energy generation rooftop solar in order that they can share that energy across their local community.

Mr DIMOPOULOS — Do you know where that is?

Dr SMITH — It is in the outer eastern suburbs, but I can provide that information.

Mr DIMOPOULOS — That is suburban?

Dr SMITH — Yes, it is.

Mr D. O'BRIEN — Can I just briefly go back to the risk issue with desalination, and I am sorry, Ms Houghton, I am just trying to get this in my head. When you talked about a 10 to 25 per cent risk of spill, was that that the government makes an order even if there is a 25 per cent risk of spill?

Ms HOUGHTON — In the technical analysis of the modelling that Melbourne Water and the retailers do, they do about 250 stream place scenarios, across from very wet to a repeat of a 2006, 2007, 2008 millennium drought, and within that they have principles. Then they have thresholds which they report against that modelling. They have results around a 10 per cent risk of spill and a 25 per cent risk of spill. Then when you have got the numbers across — if you order 50, 50, 50, then what that risk of spill is; is it 0.1 of a 10 per cent risk of spill or is it 0.2 per cent of a 25 per cent risk of spill? — that is how they provide advice to say, 'Against the five principles, one of those is foregone harvest risk of spill, and this is what it would look like if you did order X, Y or Z'.

Mr D. O'BRIEN — Is the decision then taken on an average year? Coming up, the risk of spill would only be 13.5 per cent or whatever?

Ms HOUGHTON — It is bounded by the first two principles, which are around that it must be above 34 per cent and then above 54 per cent, which is 'return to dry conditions'. Then it is a matrix of what the scenarios look like across all of that, including the last principle about cost to consumers — 'on balance, this is how we are looking across those five principles' — and they come up with their recommendation to the Minister for Water.

Mr D. O'BRIEN — I do not want to labour this, because we could go on for hours, I am sure, but was there a figure then on the risk of spill given an average season when the decision was made?

Ms HOUGHTON — There would have been. I do not have it in front of me at the moment.

Mr D. O'BRIEN — Is it possible to get that on notice?

Ms HOUGHTON — Yes, it is publicly available, but we can do that. I also would like to say that the 50 gegalitres which have been ordered actually translates to 2.5 per cent of the total storage of Melbourne's storage system — we are currently at 68.3 per cent full — so that would bring it up to just over 70 per cent.

Mr D. O'BRIEN — And are those figures updated monthly in terms of risks and things, or is it only for the purposes of a potential order?

Ms HOUGHTON — It is based on leading up to the 1 April order, but it does include projections from the Bureau of Meteorology as to potential streamflow and climatic conditions across not only that year but the three years out.

Mr D. O'BRIEN — For example, though, is the department or Melbourne Water, doing analysis now as to whether there is a greater or increased risk, or a lesser risk of spill?

Ms HOUGHTON — We are not. For the contract and financial security of actually delivering an order that advice stays. The minister provides certainty to a private company that this is what we need. We would do in any ordinary fashion lots of streamflow modelling, lots of CSIRO and BOM information. Melbourne Water, as the operator of all Melbourne storages, can then do their own modelling when they are actually physically receiving the water to ensure that their storages minimise any risk of spill if it was to occur.

Mr D. O'BRIEN — Great, thank you. I appreciate that this is a complex area when you are doing water modelling. Can I just move on to be the Goulburn-Murray connections project. The response to the questionnaire on page 8 states that the completion date will be quarter 4 of 2017–18. Is that practically achievable? Is there an updated completion date for that project?

Mr FENNESSY — I might start that, through the Chair, if that is okay. You will be aware of the broader context, because we would have gone to this last year, that the connections project is a very significant modernisation project in the GMID, the Goulburn-Murray irrigation district. The critical activity in the 2015–16 period was the 2015 midterm review, and that really goes to your question about resetting the project's delivery in terms of the quantity of water returned to irrigation and environment, and also the timing, and given there is a co-investment with the commonwealth government, that is of critical importance to Victoria and the commonwealth as well as irrigators and the environment.

The actual reset announcement was in 2016, in September last year, so it is outside the 2015–16 period, but I guess within the 2015–16 period we undertook a lot of action to get this reset happening in support of the minister and get greater clarity around the target numbers of high loss and the timing around that. The overall time line for completion of works I think has been extended to October 2020, and that is keeping in mind that this is a multi-year \$2 billion-dollar investment. I will ask Kate to comment on the specifics.

Mr D. O'BRIEN — Sorry, just before you do, the questionnaire we got talked about quarter 4 next year, effectively next financial year. We are now seeing 2020. That is a more than two-year difference.

Ms HOUGHTON — So in regards to connections, it is an investment from the commonwealth government and the state government. The commonwealth government provides \$1.2 billion into it. Over the last six months we have reset the project and only recently with the federal minister and our minister have agreed on the next project schedule of the connections project. So there might be a delay in the reporting of the questionnaire to the final end point of where this project is actually landing.

Mr D. O'BRIEN — That is a big gap, though. What is the reason for the delay?

Ms HOUGHTON — The project itself in terms of how it produces water savings for the Murray-Darling Basin plan, the water will be delivered by 1 July 2019, as required by the Murray-Darling Basin plan.

Mr D. O'BRIEN — That is part of the agreement with the commonwealth as well.

Ms HOUGHTON — That is correct. The commonwealth have also agreed to allow the project to be extended in terms of physical works to October 2020 because there is another element alongside this to return water savings to irrigators. That is part of the investment.

The CHAIR — Last question.

Mr D. O'BRIEN — So presumably they would have to wait. So say these have not all been achieved, that portion going to the irrigators would be what is held over?

Ms HOUGHTON — Correct.

Mr D. O'BRIEN — The last question, Chair, is the reference in the connections project delivery plan says that recognition of these savings relies on proposed updates to the protocol. What advice have you had or do you have with respect to that protocol? How is it being updated? Is it simply through accounting measures that will save more water?

Ms HOUGHTON — The water savings protocol will be reviewed to ensure it is based on best available data and may require refinement in accordance with established processes to enable assessment of these savings. So it is one part of how we could achieve water savings in this whole project. The water savings protocol has been reviewed before. I am not sure if amendments were made after that, but it is not unusual for that protocol to be reviewed in terms of how we are assessing water savings.

Mr D. O'BRIEN — Are we going to rely on that to — —

The CHAIR — Order! Ms Pennicuik.

Ms PENNICUIK — I want to turn to the growth areas infrastructure contribution. I have some questions about that, if I may, Mr Fennessy. On page 5 of the questionnaire it says that with this growth areas infrastructure contribution there is a special appropriation under section 30 of the act, and the explanation is that on an annual basis the department raises a special appropriation from the state to recognise payments made from the GAIC.

I think 'recognise' is an interesting verb. Perhaps you might want to explain what 'recognise' means. But if you look at the DELWP annual report, page 85, it states that \$67 million was collected from GAIC receipts for the year ended 30 June 2016. Why is there a discrepancy between the special appropriation and the figures in the questionnaire and the figures in the annual report?

Mr FENNESSY — I will start the answer. I may call on our chief finance officer if we need to go into the specifics, Chair, if that is all right. We have already talked earlier, and I thank you for your question, about the growth areas. As you would know, the GAIC, or the growth area infrastructure contribution, funds state infrastructure in those growth area councils. During the 2015–16 financial year, GAIC applied at \$90 470 or \$107 440 per hectare depending on when rezoning occurred. A lot of it is very much in line with that sequencing.

At the end of the last financial year, at the end of the reporting period, over \$170 million total revenue had accumulated for the two funds — the building new communities and the growth areas public transport fund. It then gets split into those two funds and then applied through those two, whether it be community infrastructure or transport. What I will do to go your question is how that is then accounted for, and Xavier Hinckson who is our chief finance officer may be able to assist, or we may need to take it on notice.

Mr HINCKSON — Thank you, Chair. There are two different sort of accounting recognition standards that are applying. Some of the transactions of the trust accounts are recognised on a cash basis only, whereas the presentation in the primary financial statement is on an accrual basis. The difference between the two presentations just shows the difference between cash and accrual. For special appropriations, that is just showing the amount of funding that was collected prior to the trust account being created and then the balance being drawn into the trust account at the opening date.

Mr FENNESSY — Does that go to your question, through the Chair?

Ms PENNICUIK — I will take that as given. So the follow-on question: if we are looking at the annual report then and the figure of \$67.3 million in GAIC receipts for the year to 30 June, the total paid out is 4.3 per cent — the proportion paid out of contributions received for each growth area. For each growth area it is \$176 million, so it is a different figure from the total receipts. But anyway, 4.3 per cent has been paid out, so my question is: why is that so low when the growth areas have such an infrastructure deficit, and why is only a small proportion of those funds being spent?

Mr FENNESSY — I will start. In terms of the overall process, it is very important — similar to the Growing Suburbs Fund, which is different to GAIC — that we go through an assessment and a criterion process, so there are very specific selection criteria and assessment, and partly the flow of funds relates to project approvals. So

when appropriate, or when projects come through that meet the guidelines and the criteria, then we are in a position to invest in those projects. Until the end of June 2016, \$13.9 million had been approved from the Building New Communities Fund and \$7.3 million from the Growth Areas Public Transport Fund, so that is a total of \$21.2 million, and those projects are bus interchanges, car parking, bicycle facilities, road improvements and regional community centres. The underlying answer is that we have got to make sure that projects are consistent with the terms of the fund. Some of it also goes to the cash or accrual reporting requirements. Did you want to add to that, Xavier?

Mr HINCKSON — Yes, just a little bit more detail. Obviously the collection of revenue from the growth areas infrastructure contributions is based upon a formula, and so that is set at the time the approvals are actually made, whereas the expenditure relates to individual projects being approved, so as a result there is a time delay between those two things occurring. In relation to the specific projects that are under approval at the moment, a number of them are highly complex, so the time taken to properly develop appropriate business cases and planning is a bit more significant, and that has pushed out the expenditure beyond the current reporting period.

Mr FENNESSY — Yes, and, through the Chair, the DELWP annual report on page 86 lists the allocations, payments and projects still waiting. You can see, whether they be park-and-ride upgrades or upgrades of intersections, they will then depend on VicRoads or Public Transport Victoria and their processes. So the money will be there and is then drawn down according to VicRoads, PTV, DHHS, which has got a project for an ambulatory care centre, or Hume City Council for car parking. A lot of it is dependent on the project assessment, procurement and delivery, which is why there is quite a lag between the collection of funds and then the investment. That is all set out in the DELWP annual report, page 86 — or those examples that I referred to.

Ms PENNICUIK — Indeed. Thank you, Mr Fennessy, because I have been looking at that. Out of those projects that you mention on page 86 to 87 of the report, seven of the nine of them are car parks or roads. So the question is, going back to the criteria, why are more of the funds not directed to other forms of infrastructure, such as public transport and community infrastructure? There are a lot of car parks and roads listed there.

Mr FENNESSY — I think one comment I would make is that some of those reflect the intermodal approach to park-and-ride and car parking to facilitate public transport, but the important point for the fund is that if it is relevant to the fund, we will assess that, and we will then work with PTV or VicRoads. From our experience we also look at the needs as expressed by growth area councils and make sure that they are relevant to the terms of reference. So there will invariably be a mix of road, intermodal and more specific public transport on one side, as well as community through the second fund.

Mr GARWOOD — So for just some supplementary information in the interests of being helpful to the committee — I mean, this is outside of the annual report period that you are looking at — we are cognisant of the need to increase expenditure in the GAIC area, and more recently the Minister for Suburban Development announced eight additional projects to the value of \$11.8 million. So far we therefore have a total of 20 projects that have been approved and announced funding of \$33 million out of GAIC. So we are cognisant of the need to make sure that we get that expenditure increase out there in terms of services and infrastructure for those growth areas.

Ms PENNICUIK — I have one more question, Chair.

The CHAIR — Last question briefly, Ms Pennicuik.

Ms PENNICUIK — So as I have pointed out, a lot of them are car parks and roads, so I was just wondering: what is the interchange there with VicTrack's own station car parking construction programs, because there are already those occurring as well?

Mr GARWOOD — The GAIC is for state infrastructure, and as Adam indicated, of those different funds, one is for public transport and one is for community infrastructure. You have seen some of the projects that have been funded. So it is quite legitimate for the fund to be used to support intermodal activities associated with public transport such as trains or buses, for that matter. So in the interests of VicTrack — another state agency providing state infrastructure — we would consider them along with any other state agency in relation to expenditure of GAIC funds.

Ms PENNICUIK — You mentioned rail and buses, but most of it is car parks and roads, so that is the crux of my question. You are saying that, but that is not actually what is being funded.

Mr GARWOOD — Well, it goes to the point that Adam mentioned earlier about intermodal capacity. The state is in that space to support — you know, you have got to have road connections to train stations and car parking capacity et cetera — but the point I make generally is that we want to increase the expenditure of GAIC in those communities where it is being collected, and that is exactly what has been announced more recently by the Minister for Suburban Development.

The CHAIR — Okay, I would just like to turn now to apartments. Obviously in my electorate there are a large number of apartments that have been developed over the past few years. It is a bit of the vexed issue. On the one hand, you do want to encourage the economic activity that flows from that level of investment; you also want to balance that against the pressures that brings to bear on local infrastructure. I am interested, though, in how you try to get the balance right between ensuring that you have got affordable housing in place but accommodation which will basically last the distance.

I think most of us will be familiar with the six-pack apartments we see around inner Melbourne which were built in the late 1960s and 1970s. While they might not be the most beautiful or aesthetically pleasing of buildings, they are nonetheless functional and they have lasted the time, whereas I think with some of the apartment buildings that have been built in more recent years you have to question what they are going to look like in 20 years or 30 years time. So just in relation to the 2015–16 financial year, secretary, I was wondering if you could advise the committee on the progress the government made in relation to the Better Apartments guidelines, which I think was trying to increase the size of the built form, putting in those minimum standards, and how you try to balance that while not undermining affordability.

Mr FENNESSY — Thank you, Chair, for that question. This has been a particular priority for both the department and the Minister for Planning. In the reporting period, in 2015 we initiated the Better Apartments project, which goes directly to your question. That looked at in particular those trade-offs and important drivers of internal amenity, functionality and environment performance apartments. That goes to the built outcome but also to the experience of the amenity of living in those apartments. You would have heard of phrases like ‘borrowed light’, which becomes very important in apartment design. Project delivery was a partnership between DELWP and the Office of the Victorian Government Architect. That was the critical design overlay. As you may know through this committee, the Office of the Victorian Government Architect now sits within the Department of Premier and Cabinet, so that has got a whole of Victorian government remit for design outcomes.

So it was very important that we worked with the government architect, and the other driver was diverse and affordable housing. We have already discussed that today. It is looking at that longer term outcome for a quality product and making sure that good design apartments are a part of Victoria’s economic development. The risk is you can create stimulus through poorly designed built outcomes, but how do we look more into the longer term so we have got good quality housing stock that also supports affordability? That led to a discussion paper being released in May 2015. A lot of that work was led by Christine, so if you are happy, Chair, I will get Christine to go to your question in more detail.

Ms WYATT — Thanks, Adam. I think, Chair, you described another problem that most people articulated really well. Everyone would really like to see really well designed apartments, but nobody wants to see that a burden on the affordability of housing. Some of the approaches that we took in 2015–16 were to ensure that we had a lots of consultation, because one of the big pieces of feedback that we got when we embarked on the start of this process was that everybody actually wanted to have a say, because it is very important to everybody, about departments, whether they be the development industry or purchasing an apartment or whether they live in one. It was also becoming very clear that it is many different types of households that we need to look at — it is young, it is people with limited mobility, it is families, it is middle-aged downsizers and the aged. It is quite a broad spectrum of occupants and potential people impacted.

There are also a lot of key issues that we need to address, because up until the process of starting on apartment guidelines a lot of our planning requirements were about the built form and the siting — the exterior; so what the block or the apartment was like on the piece of land as opposed to the interior amenity. There was no particular standards for that. I suppose it is almost like a natural progression that we have been through in the planning cycle, and also reflecting the fact that by this stage in the development industry we were getting up to

30 per cent of our building product becoming apartments, which is a big change from where we were perhaps post war, which was everybody with their quarter-acre block and single house on a block. It is a very different mindset and different population requirements. That led to 2015–16 being a very big consultation year, because it was important to make sure that people could have a say in what they thought was important.

In 2015–16 we kicked it off with a Better Apartments discussion paper. That was released in May 2015. That deliberately went out with more of a proposition of: ‘What is important to you, the community, in apartments? What is it that is important?’, as opposed to going out with, ‘Here are some draft standards; what do you think?’ That was what I would describe as a very lively conversation. It was one of the best conversations in planning I think we have had for a very long time. We had online community surveys, public submissions, in-depth interviews and stakeholder workshops, and throughout that process there were 1700 people taking part in the surveys, and we got 145 submissions — individual submissions about the nature of the issues that we were looking at. That was everything from health and wellbeing issues to detailed ventilation and lighting, and how things were to work within apartments.

That took us through to December 2015, and we published the better apartments public engagement report, because one of the other things we heard at the very start of this process was, ‘Please keep us informed. Please keep us in the loop as you develop design standards so that we can see what the feedback has been and where are the next steps going to’. So we did that in December 2015, and in February 2016 we had established a reference group of peak local government, industry and consumer bodies and also a local government working group to advise the department and the OVGA — the Office of the Victorian Government Architect — as we were developing up the standards themselves. It was becoming very evident that there were a lot of players involved, and it is not just a planning issue; it becomes an architectural issue and a building issue. It will intersect with how things operate in the building regime and regulations as well the planning side of the regulations. So that group was very informative to the process from the technicians’ side, if you like, and the peak bodies, and that had representatives from the Institute of Architects, the planning institute, the Property Council, the Building Designers Association, the Housing Industry Association, the Master Builders Association, the Municipal Association of Victoria, the Real Estate Institute, the Urban Development Institute and the Victorian planning and environment law institute.

That group, as I said, was one reference group. The second reference group we had was actually a local government working group, because again we needed to make sure that the design standards and thought processes we were developing were going to be appropriate for a lot of different settings — not only metropolitan, it would have to be right across Victoria and right across metropolitan Melbourne, where the settings are very different in very different municipalities. There were 15 municipalities on that, and rather than read them all out I will just let you know that there was quite a mix of rural and metropolitan councils — inner, outer and middle, so quite a good mix.

From February to May 2016 the department and the office of the government architect also undertook a range of technical studies to test some of the design standards, because there was a lot of need for us to have a look at and benchmark what we were doing, particularly against New South Wales, which at that point were almost seen as leading the charge a little bit with their apartment standards, and we wanted to make sure that we got feedback from New South Wales and learned from the standards that were put in place and learned from some of the feedback that the community had expressed in relation to the standards of New South Wales.

We also took on board some work that Moreland City Council were doing at a detailed level, because they themselves had designed some apartment codes that were being contemplated in a planning process, and so had the City of Melbourne. So we had two municipalities progressing down that path as well. We also tapped into some health and wellbeing impacts associated with apartment living that was in some research that was emerging at a national and an international level. Again, one of the pieces of feedback that we got, particularly from the peak industry reference group, was that there needed to be some evidence base to the design standards that were going to be put in place. Rather than standards that might be nice to have, they really wanted to see what the evidence base was of the impacts of those standards to ensure good health and wellbeing and good outcomes. That in itself goes right back to the proposition of wanting to make sure that our apartment standards do not impose an unnecessary cost burden on developments at the end of the day and impact on their affordability.

The CHAIR — Okay.

Ms WYATT — Sorry, that was very long, but it has been a very hot topic.

The CHAIR — No, no. I appreciate it is a very involved area of public policy. I wish you well.

Mr D. O'BRIEN — Mr Fennessy, can I go to the Leadbeater's Possum Advisory Group? As you will be aware, the advisory group's targets for new identified colonies included a review once 200 new colonies had been confirmed or two years had passed. When did that review begin, because I believe the 200 level was hit at the end of 2015–16?

Mr FENNESSY — My advice is that that review commenced after either two years of surveying or 200 colonies. I think those milestones were both met in June 2016. We can go into more detail, and Paul Smith can take you through that, but that is the date, I think, in answer to your question.

Mr D. O'BRIEN — When will it be completed? What is the status of it at the moment?

Dr SMITH — I will just come back to the question, 'Has the review commenced?'. In December 2016 the current government released the report called *Supporting the Recovery of the Leadbeater's Possum: Progress Report December 2016*. This provided an update on the recovery of the possum. The report notes that the:

... review of the effectiveness of establishing timber harvesting exclusion zones around all new colonies was scheduled to commence after two years of surveying, or once 200 new colonies with timber harvesting exclusion zones are established.

Mr D. O'BRIEN — Yes, I have got that. It just says, though, that it is being implemented.

Dr SMITH — And that:

Both these milestones have now been met and the review is being implemented following key input into the design from DELWP and VicForests.

So the review, in its commencement, has three objectives: firstly, to document the extent of improved protection for Leadbeater's possum colonies from the 200-metre buffer rule; secondly, to assess the effectiveness of the additional protection provided by this action in supporting the species' recovery; and thirdly, to assess the impact on the timber industry of those additional timber-harvesting exclusion zones.

In undertaking the review, possible alternative options for protecting the possum colonies will be explored and their potential effectiveness in the possum's recovery and the impact on the timber industry. We will not be looking beyond the individual areas where particularly new verified colonies have been found. We will not be looking at the broader landscape scale of the Leadbeater's possum management; that is being addressed under the Forest Industry Taskforce afoot.

The report, further to your supplementary question, will be prepared by April this year, collating and synthesising the valuation benefits to Leadbeater's possum recovery and the impact on the industry of this action.

Mr D. O'BRIEN — Can I just ask on that: you will be aware obviously of the Heyfield mill issue and a task force being established within the government to deal with that. They have said four weeks, as of about two weeks ago. Would the review of the 200-metre exclusion zone not be part of that and therefore be brought forward?

Dr SMITH — Well, no, that is an allocation issue for a separate department and a different minister.

Mr D. O'BRIEN — But it is directly related to the sightings of the possums and the 200-metre exclusion zone. That is what I am getting at.

Dr SMITH — I understand the question you are asking me, but I think to connect the two at this forum is not something I can make a comment about.

Mr D. O'BRIEN — Okay. I understand funding was allocated previously to either the department or the Arthur Rylah Institute to do detailed work to look at colonies in reserves and national parks. Has that work ever been done, and what did it find? How much of the allocation was actually spent?

Dr SMITH — That research is part of the 200-colony detection. In fact it is part of the work that the current government added to what was then the 2014 possum advisory group report. The incoming government decided that it wanted to take a few new measures to help secure the long-term survival of the possum, so further survey work has been undertaken. I can provide further detail on that in terms of the expenditure question as a question on notice.

Mr D. O'BRIEN — Sure. So there is further survey work in existing reserves and national parks?

Dr SMITH — It was tenure blind. It was looking at the reserve system as well as state forests.

Mr D. O'BRIEN — In terms of the verified sightings — sightings is probably the wrong word — the discoveries of initial colonies of the possum, I understand there is a range of resources: VicForests, DELWP surveys, Arthur Rylah surveys and community and environmental groups.

Dr SMITH — Yes.

Mr D. O'BRIEN — Can you confirm that you accept third-party contributions, and can you outline how you verify those sightings?

Dr SMITH — Yes. I should just be clear about this. When there is a claim of a sighting or a detection, that is then provided through to DELWP, and we will then provide an independent assessment of that sighting or that detection. It is not just a crowdsourcing kind of exercise in finding new colonies, because as you know, there is a lot at stake in this from an environmental perspective but also from an economic, jobs and investment perspective. So we absolutely have to get it right, and we have.

Mr D. O'BRIEN — So literally if someone comes in and says, 'I've heard calls at this location', DELWP will go out physically to the site and do a verification?

Dr SMITH — That is correct, yes.

Mr D. O'BRIEN — Are there any organisations where those sightings — detections — are taken on face value?

Dr SMITH — Not to my knowledge, no.

Mr D. O'BRIEN — What about Arthur Rylah, for example?

Dr SMITH — That sits with me, basically. That research institute is the leading scientific research institute for a number of things, and we have one of the leading scientists there, Lindy Lumsden, who is probably the best source of scientific expertise on Leadbeater's, and she has led a lot of the work both in terms of design and execution.

Mr D. O'BRIEN — Finally, and you may wish to take this on notice, the previous government, as you know, allocated I think \$11 million to the advisory group and the overall Leadbeater's process. Can you advise what the level of funding support was for 2015–16, how much of that was expended and how much was left over, effectively?

Dr SMITH — I could not hear the question. Was it 11 — —

Mr D. O'BRIEN — The original announcement was \$11 million for the Leadbeater's Possum Advisory Group, going back into 2014.

Dr SMITH — Yes. That continues to be part of the expenditure in addition to further supplementation from within the department to undertake further work.

Mr D. O'BRIEN — Okay, could I perhaps get on notice then how much of that was spent in 2015–16, including how much of that was allocated to detections in, I guess quite clearly, reserves and national parks?

Dr SMITH — Yes.

Mr D. O'BRIEN — Thank you.

Ms WARD — Living where I do, I am sure that you can all appreciate that the issue of pests and weeds is something that comes up quite regularly. I also have to declare that it has come up a few times in an investigation I am doing on another committee. Can I refer you to page 56 of the 2015–16 budget and ask about roadside weeds and the pest program, and how this is working with rural communities and what need it is addressing?

Mr FENNESSY — Thank you for the question. I will make two comments, and then I will ask Terry to address some of the detail of your question. DELWP has a broader interest in weeds and pests on public land and on private land, in particular that investment that you referred to is how we work with rural communities and rural and regional councils. They have got a much broader spread of land and landscape to manage, and it becomes a real challenge when you think about the 100 000 kilometres of rural local roads. So through the Minister for Local Government we administer a specific program designed to help rural and regional councils, and through the Chair, I will ask Terry Garwood to comment on how we administer that program.

Mr GARWOOD — Thanks, Adam, and thanks for the question. This is in the area of rural and regional councils. The government's view is that they do have a limited capacity to undertake weed management on roadsides, so the government has a roadside weeds and pest program, which has provided \$2.6 million to 56 local governments in 2015–16 to support them in the management of weeds and pest animals along rural roadsides.

Ms WARD — So that is \$2.6 million per annum?

Mr GARWOOD — Yes.

Ms WARD — For how many years is that funding?

Mr GARWOOD — It is across the forward estimates. So Victoria's rural and regional councils are responsible through state legislation for the maintenance, as Adam said, of nearly 100 000 kilometres of rural local roads, and the reality is that those roads really provide a ready means by which weeds and pests spread throughout the state. That can threaten the \$11.4 billion of agricultural production within the state as well as the state's environmental assets, such as the parks and forests that Adam alluded to as well.

Weeds also reduce farm and forest productivity, they displace native species and they contribute to land degradation. In 2006–07 an Australian Bureau of Statistics survey estimated that the direct cost to agriculture of controlling weeds to be something like \$253 million, which would be much, much more now. Once they are allowed to establish large infestations, for example, some weeds can be very difficult to remove. The cost may greatly exceed the value of the production of the land as well.

As I said earlier, weeds can compete with and displace native fauna. They can also affect habitat suitability and food resources for native fauna. Some weeds, as well, can increase fuel loads for fire, and they can also alter water flow through aquatic systems or lead to erosion problems. So the reality is that this is a very important program for those 56 local governments involved in it, and it is a very extensive program throughout the state.

Ms WARD — Thank you. Given the complexity that you have spoken about, what role does LGV play? Do they play any role in offering support and guidance to help councils manage this problem efficiently?

Mr GARWOOD — It is actually something we do in consultation with our colleagues in the Department of Economic Development, Jobs, Transport and Resources — DEDJTR — but just to go a little bit more deeply into the way in which funding is allocated, there is an allocation-based formula. As part of the funding, all councils receive \$5000 per year to ensure they have in place a weeds and pest animal control plan. These plans are completed in partnership with our colleagues in DEDJTR, at the regional offices in particular.

There is also a detailed FAQ — frequently asked questions — that has been developed for councils, along with technical advice on the types of weeds and pests that can be treated through the program. Guidelines for the use of funding have also been developed and circulated to all councils, and we continue to work very closely with DEDJTR to make sure that we target this particular area and focus of interest for local government.

Ms WARD — What sort of weeds are covered? Is there a general list? Does it change?

Mr GARWOOD — The types of work that can be covered with this funding is in line with what I talked about earlier — the control plan. Those sorts of things are treating what are called regionally prohibited weeds on rural roadsides; controlling and preventing the spread of regionally controlled weeds on rural roadsides; controlling rabbits on rural roadsides that align with DEDJTR’s compliance project areas; and/or supporting community-led weed and pest control activities.

There are also control activities for regionally controlled weeds and rabbits on roadsides that support other investment for integrated landscape protection projects or address particular community concerns, and there are a lot of consultation activities to establish community priorities for inclusion in what are called control plans. A lot of this is going at the local level — very active local involvement.

A list of specific weeds in each category has been developed by our colleagues in DEDJTR in line with state priorities. The type of works eligible under the program are determined following consultation with local governments and key stakeholders, such as the Victorian Farmers Federation, and they are jointly approved by the Minister for Local Government and the Minister for Agriculture. They are reviewed periodically to ensure they keep meeting the needs of communities.

Ms WARD — So I am assuming Paterson’s Curse is still on the weeds list. Or I am hoping, because I see it everywhere. It drives me nuts.

Mr GARWOOD — Do not pull out an individual weed for me to give an answer about.

Mr FENNESSY — I think that is a fair assumption.

Mr GARWOOD — If they are a regionally designated pest, then they will be identified.

Ms WARD — Excellent. Thank you.

Mr MORRIS — Good afternoon, everyone. I would like to ask a little bit about fire management. Page 4 of the 2015–16 general questionnaire outlined additional funding after the initial budget. An additional \$8.593 million and \$1.818 million were made available separately for fire and emergency management aviation resources. Was the funding for each of those appropriations made available before, after or during the fire season?

Mr FENNESSY — Thank you, Deputy Chair, for the question. In terms of our overall allocations, a lot of our funding is drawn for protective equipment, vehicles and plant, and in particular supplies and services. Lee Miezis is the deputy secretary for forest, fire and regions, so I might ask Lee to go to the detail about the fuel aspect of your question.

Mr MIEZIS — Thanks, Adam. Certainly looking at the 2015–16 fire season, the predictions were early on that it was going to be what we would describe as an above-normal fire season. That was really based on advice through the experts and in the published ‘Southern Australia seasonal bushfire outlook’.

We assessed — and the state assessed it, so it was not DELWP alone but working with the emergency management commissioner — what that meant in terms of our preparedness requirements. As a result of that assessment a number of decisions were taken to increase our preparedness. That included a range of things, including bringing firefighters on earlier — early activation of our regional readiness and response plan so our rostering of firefighters commenced earlier — and then there were also decisions taken around increasing the available equipment we had for aviation. Those were decisions that were taken pre-fire season. Depending upon usage during fire season, there may be requirements for supplementation of funding, depending upon usage.

Mr MORRIS — Okay. Thank you. Were there sufficient funds provided initially for the aviation resources? Given what you have said about conditions and so on, were sufficient funds allocated initially?

Mr MIEZIS — We had more than \$20 million available to fund our fleet of specialist firefighting aircraft to help keep the community safe during 2015–16. That was 47 aircraft, including the two large air tankers that were on hand to support emergency services in fire suppression activities in 2015–16. We also had more than 100 aircraft available on a call-when-needed list, which can be activated at any time during the year. That activation process is managed through the emergency management commissioner, and we, through what we call the aviation services unit, administer those arrangements.

Mr FENNESSY — Perhaps to go to the Deputy Chair's question, I know that in the lead-up to each season, and sometimes during the early parts of the season, we will then supplement fuel purchases and also retardant purchases, depending on how the season is evolving. I will often either sign delegations myself or will ask the minister, depending on the amount required. So it is very much a best efforts planning approach and then there is the ability to draw down and bring more funding in. The practice over many, many years has been to then supplement that with a Treasurer's advance at the end of the season, which is why the reporting, post season, is often a reconciliation of Treasurer's advances as well as the forward projected funds.

Mr MORRIS — Right. Okay.

Mr FENNESSY — It is very common in my experience that we are purchasing retardant and fuel as we go through the season, because this season alone has shown us that we cannot predict the weather, or the weather predictions on which we rely, from the Bureau of Meteorology and the south-eastern forecasts, will give us a good indication but will not always confirm what has been, for example, quite a seasonally cooler January this year. We have also got our chief fire officer, Stephanie Rotarangi, if that helps, to give you further advice on that.

Mr MORRIS — Yes, that would be helpful.

Ms ROTARANGI — Thank you, Adam. Just building on what has already been said and to help add context to the 2015–16 season, there were a number of international deployments early in our winter to North America. I just wanted to make the point that aircraft are global assets, and so we needed to secure our aircraft early. Also in the context, there were deployments to South Australia and Tasmania that year. So the emergency management commissioner made the call on the number of aircraft for that season based on the global picture as well as what was happening around us.

Mr MORRIS — Thank you. On a related but slightly different subject, the questionnaire on page 28 indicates that an extra \$26.3 million was spent on employee benefits for variances in wages et cetera as associated with additional planned burning works. Are you able to indicate to the committee the number of FTEs involved in the planned burning program in 2015–16 relative to 2014–15?

Mr FENNESSY — I can certainly start by commenting that, as we have to model and manage aviation resources, we also manage and bring forward our project firefighter intake for each season. Lee has already mentioned that for the 2015–16 season we brought forward some of our so-called PFF — project firefighter — recruitment, and that then goes directly to the wages cost. That is also a predictive tool, because we have got to forecast ahead to get enough staff for the professional forest fire management team we have in DELWP. Lee or Stephanie, could you comment further?

Mr MIEZIS — Yes. To the specifics, DELWP works very closely with obviously Parks Victoria, Melbourne Water and VicForests in terms of how it looks at its workforce for undertaking fire response activities. In 2014–15 the total cohort we had available for fire response was 2672, and that comprised 627 project firefighters. That is a number taken at 1 January — project firefighters are staggered in terms of how they come on based upon the risk. And then there were an additional 2045 other staff members, if you like, that are not project firefighters, and that was a number taken on 3 November 2014.

In contrast to 2015–16, we had 2628 in total: 669 project firefighters and 1959 other staff. That was a measure taken at 1 January 2016. When I say 'other staff', that is often a combination of our permanent field-based workforce but also staff drawn from across the broader department that in addition to, if you like, their day job will also have a role either in an incident management team or as a general firefighter. So there can be some variance in that number depending upon their personal circumstances and their ability to take on that additional work. But by and large the numbers have been fairly steady between the two years that you have referenced.

Mr MORRIS — Thank you. Just a quick final one, without wishing to aggravate my colleagues on the other side of the table: there was some AWU industrial action within the department; did that have any impact on the capacity to carry out planned burns?

Mr FENNESSY — My recollection of going into the 2015–16 fire season is that there certainly was some industrial action. It did not affect our preparation or our response. We were able to resolve any outstanding

issues, and that was around a cyclical renegotiation of an enterprise bargaining agreement. Lee, can you add to that in any detail?

Mr MIEZIS — Yes, that is correct. Our workforce by and large is, if you like, represented by two unions, either the CPSU or the Australian Workers Union — the AWU. The action taken that you referenced did exclude emergency response activities, so it had no material impact upon our ability to keep communities safe.

Mr MORRIS — Thank you.

Mr DIMOPOULOS — I might just continue on fire management. Did I understand, Secretary, that there has been an increase in staff for fire — what did you call them?

Mr FENNESSY — Project firefighters.

Mr DIMOPOULOS — Sorry. Has there been an increase in the project firefighters in that reporting period? If that is the case, what was the increase — I did not quite hear it — and what do you think of the impact? You do not have a parallel universe to compare what it would have been had you not had those extra staff, but can you give us a sense of what the impact was?

Mr FENNESSY — To put a general frame around it, within DELWP the responsibilities of the secretary are for public land, and that makes up about 30 per cent of the state. So we will have a standing project firefighting force, which Lee referred to, and we then supplement that with project firefighters. To me that is a very good workforce management opportunity to get new people into the department. Often people will start as a casual. If they really enjoy the work, they will continue and become a permanent employee of our forest fire management workforce. To me, really importantly, a lot of those people are distributed regionally, so it is very helpful, I think, for both regional communities and the regional economy.

At the very outset of the presentation today I was saying we have 101 depots and offices across the state, so we will be employing people from Cann River to Corryong to Heyfield, Heywood and Irymple, so it is quite a good reach. A lot of the people we get in really like the opportunity to do project firefighting if they are casuals or students or working in agriculture, and then if they choose to pursue a career, they can. That is the context. In terms of the numbers, we did increase our intakes, but Lee or Stephanie, could you comment on that?

Mr MIEZIS — There are probably two elements at play here: there is the raw number of project firefighters we have, which between 2014–15 and 2015–16 increased by 42, and then there is the duration over which we employ our project firefighters, which can vary. What we did have in 2015–16 was some funding supplementation which enabled us to bring firefighters on earlier if we needed to based on an assessment of risk by the chief fire officer and to keep them longer at the end of the season if we did have an extended season. So there is the raw number, if you like, and then there is the duration that the project firefighters are able to be kept within the department, and both of those increased in the reporting period.

Mr DIMOPOULOS — You have talked about preparedness. Was that all? Did communities say to you, ‘We feel better protected’? Were there less fires? What is the outcome of those extra — —

Ms ROTARANGI — Specifically, in the 2015–16 season it was acknowledged that there was a limited opportunity to deliver the autumn burn program. That was a recognition of the underlying dryness, particularly in the west of the state, coming into that season. So the model that Lee has been describing contributes in the way that we can build a model around surge capacity. For example, if we understand, getting into the autumn season, that there is going to be a limited window in which to deliver our burn program, we can keep those project firefighters on for a longer period of time to assist us with the surge capacity that is required.

Mr DIMOPOULOS — Thank you. That was a comprehensive answer. Just finally, I note that your annual report, at pages 69 and 70, specifically page 70, shows the total output cost has increased by close to \$60 million, and you say that is:

... primarily due to budget supplementation to meet the cost of responding to major bushfire incidents ...

I think you have sort of answered Mr Morris’s question in relation to that. I also note that in 2013 the then minister talked about a freeze on the recruitment of staff like the ones we have been discussing. Have we made up that lost ground, so to speak, from the 2013 financial year?

Mr MIEZIS — The short answer in terms of our firefighting capacity, if I go to 2013–14 as a reference year, is we had 2921 in total, and as I said before, we have now got 2628. So we have not quite made up that gap. There is about a 300 difference. That is largely in the broader VPS cohort that we draw on for fire response. The number of project firefighters we had from 2013–14 was 602, and as I said before, in 2015–16 we have had 669. So there is some variance between those two.

Mr D. O'BRIEN — Just on that, sorry, are those figures broken down by department — the 1959 you said you had for the VPS?

Mr MIEZIS — I do not have them broken down. I will take that on notice.

Mr D. O'BRIEN — Could we get it on notice?

Mr MIEZIS — We can break them down between DELWP, Parks Victoria, Melbourne Water and VicForests.

Mr D. O'BRIEN — That would be great if we could get that on notice. Thank you.

Mr MORRIS — If we can go to Parks Victoria and other related issues, when we had the budget estimates, as Mr Fennessy may recall, the then minister for the environment told the committee that the key critical issue for Parks Victoria was the Twelve Apostles and that the toilet system was about to collapse. I understand that there have been some delays in the funding and that the completion date is subject to change, and some 'overflows of wastewater' have occurred. Is the project now complete?

Mr FENNESSY — So to start — and thank you for the question — we certainly outlined funding of \$4.4 million for the Twelve Apostles sewer project. I will get Paul to clarify, but I think some of that has occurred in the 2016–17 period, but the original funding was used to identify those critical needs, and that is due for completion. Paul, can you go to the detail of that project?

Dr SMITH — What was allocated to Parks Victoria in the 2015–16 budget was \$5.7 million over four years for Parks Victoria to address some of the critical infrastructure issues. As you mentioned, part of that, \$4.4 million, was for the Twelve Apostles sewer project, and that is currently underway. There have been a number of different issues encountered looking at the different geological and environmental challenges that could be had in that type of environment. So we have worked through those in a quite considered way. That is due for completion in late 2018.

With respect to the question — —

Mr MORRIS — Do we know what the total cost of that project is going to be?

Dr SMITH — That \$4.4 million will be the total cost of that.

Mr MORRIS — Does that leave about \$600 000 for the rest of the state? Am I right there?

Dr SMITH — Yes, if you do the maths, you would end up with something of that order — about \$1.6 million, I think.

Mr MORRIS — Okay, thank you.

Mr FENNESSY — Just to expand on that, at the time as a department we were working with the minister to identify critical infrastructure renewal. So of course Parks Victoria manages \$1.8 billion of assets across the state, and we work constantly with Parks Victoria on their underlying asset management approach. This was, the way I would frame it, a top-up for critical infrastructure. So other assets will be renewed through the normal Parks Victoria investment, and for the critical infrastructure, it was the Twelve Apostles. Some of the other projects were at Lake Eildon and Lake Catani. I think they were the ones that were identified as critical.

Dr SMITH — There was also a need, with the Arthurs Seat gondola project, to upgrade the Parks Victoria toilet facilities there. That was \$360 000 to enable the Arthurs Seat Eagle gondola to open on 3 December.

Mr MORRIS — Are we able to get just the details of those projects and the dollars attached to each of them?

Dr SMITH — Absolutely, yes.

Mr MORRIS — That would be good. Given that it is a top-up, are there any critical infrastructure projects that have not been able to proceed that have had an impact on visitor numbers to any parks?

Dr SMITH — Following that financial year, the 2015–16 financial year, there was an allocation to Parks Victoria of \$54 million; \$20 million of that was for addressing some of their critical shortfall issues, their budget shortfall issues that they have had from recent years of cuts. That \$54 million comprised an amount of money to deal with broader issues of infrastructure decline and public risk, and also access for all abilities.

Mr MORRIS — Right, okay. Moving to a slightly different subject, there was a report in the *Age* in January 2016 regarding chemical waste washing into the Yarra at Warrandyte.

Dr SMITH — Yes.

Mr MORRIS — There was obviously a public health risk created. Are we able to know now what chemicals were released into the river?

Dr SMITH — That facility at Warrandyte was basically a Parks Victoria legacy asset — a wash-down facility for Parks Victoria trucks and other vehicles. The EPA undertook an investigation, and the board of Parks Victoria also requested an audit be taken on that site but also across all of the other similar Parks Victoria sites. The board has satisfied itself that, firstly, the off-site impacts from that are zero. The EPA issued a notice. That has now been all dealt with from the perspective of those facilities being upgraded, and in order of priority and risk, other Parks Victoria wash-down facilities that carry an external or off-site risk impact are being addressed in due course.

Mr MORRIS — So it was basically material off the trucks?

Dr SMITH — Yes.

Mr MORRIS — So we are not able to identify particular chemicals?

Dr SMITH — Yes. It would be the sorts of things that you would expect off commercial off-road vehicles.

Mr MORRIS — Just one final one, bearing in mind the time. This is more public land than parks, but Secretary, can you update the committee on how many caravan parks were closed or were noted by the department as likely to close in 2015–16? And if you can give us the number now or on notice, can we also have a list of those caravan parks, please?

Mr FENNESSY — I think for the benefit of the committee: because we are a Crown land manager we will manage or be the committee of management for some caravan parks. We will take that on notice.

Mr MORRIS — Yes, you are responsible for some, but presumably the committees of management are then responsible to you as well?

Mr FENNESSY — That is correct, and what I mean by that is there will be caravan parks on all sorts of land tenures. Then we will have direct responsibility or through a committee of management that we appoint on behalf of the minister for environment, so the state has the broader responsibility. So we will go to the ones where we have any state interest or responsibility.

Mr MORRIS — Broader responsibility?

Mr FENNESSY — Yes, anything on Crown land.

Mr MORRIS — The whole lot in other words?

Mr FENNESSY — The whole lot.

Mr MORRIS — Exactly, thank you.

The CHAIR — The time is 4.24. I think we have got 6 minutes left — 5 minutes actually now. Ms Pennicuik, you have the call. I would encourage you to be brief.

Ms PENNICUIK — Thank you, Chair. You do not leave me with much choice. If I could turn, Secretary, to page 245 of your annual report. On that page, under ‘Environmental programs’, the grant recipient list has VicForests as a recipient of \$658 662. Quickly, on page 44 of the VicForests annual report it also mentions that VicForests received a \$678 000 community forestry grant. My question is: are they the same thing? They seem to be \$20 000 different. That is one question, and what was the environmental program grant used for by VicForests?

Mr FENNESSY — I think we will take that on notice. Whether we have got any general information, I am looking to Paul or Lee.

Mr MIEZIS — No, we will have to take that on notice.

Mr FENNESSY — Yes, we will have to take that one on notice.

Ms PENNICUIK — While you are doing that, also on page 44 of the VicForests annual report, it lists a \$2.9 million — nearly \$3 million — reimbursement of forgone revenue, and it is mentioned or incurred for the Leadbeater’s possum recovery program, presumably from DELWP. Could you advise how that amount is calculated?

Mr FENNESSY — I think that amount would be covered by the discussion we had earlier about the \$10 million or so amount. Paul, have you got any further information on that?

Dr SMITH — I think it is a legacy of what the then government set in place as a way of putting into action the Leadbeater’s Possum Advisory Group recommendations. So the potential revenue impacts of actions taken to protect the possum, from recollection, were agreed to be offset through a revenue offsetting arrangement, which is what I would think — having not looked at the annual report — you are referring to in the VicForests annual report.

Ms PENNICUIK — If you have any further information about how that is calculated, I would appreciate that. One very quick question if I could, Chair. In your presentation, you mentioned the consultation on the Protecting Victoria’s Environment — Biodiversity 2036 strategy.. On the website it says you are looking at the submissions. I am just wondering what the progress is there?

Mr FENNESSY — Paul’s group is leading that, so I will ask Paul to give you some comments. What I can say is we started that process in the 2015–16 year, if not earlier, so now we are out of that period but of course we are in the consultation phase. Paul, do you have any further detail on that?

Dr SMITH — This is one of three quite ambitious elements of the incoming government’s environment and biodiversity election platform. We have undertaken a very thorough review of the biodiversity plan. As you know, the discussion paper was issued. We have the benefit now of a consultation report that was put out last year in August. The release of that plan we are anticipating in March this year, so an implementation plan and a monitoring and evaluation strategy will be released following that plan’s release.

The CHAIR — I would like to thank the witnesses for their attendance. By my reckoning I think there were about 12 questions on notice. The committee will follow up on these questions taken on notice in writing, and a written response will be provided within 10 business days of that request. All recording equipment must now be turned off.

Committee adjourned.