

Division 39: Water and Environmental Regulation — Services 4 to 9, Environment, \$82 547 000 —

Ms L.L. Baker, Chair.

Mr R.R. Whitby, Parliamentary Secretary representing the Minister for Environment.

Mr M. Rowe, Director General.

Mr W. Millen, Chief Finance Officer.

Ms S. McEvoy, Executive Director, Strategic Policy.

Dr N. Goyal, Executive Director, Science and Planning.

Mr S. Cowie, Executive Director, Compliance and Enforcement.

Mr G. Gilbert, Executive Director, Corporate Services.

Mr A. Sutton, Executive Director, Environmental Protection Authority Services.

Mr E. Schuller, Acting Executive Director, Regulatory Services.

Dr S. Meredith, Senior Policy Adviser.

[Witnesses introduced.]

The CHAIR: This estimates committee will be reported by Hansard. The daily proof *Hansard* will be available the following day. It is the intention of the Chair to ensure that as many questions as possible are asked and answered and that both questions and answers are short and to the point. The estimates committee's consideration of the estimates will be restricted to discussion of those items for which a vote of money is proposed in the consolidated account. Questions must be clearly related to a page number, item, program or amount in the current division. Members should give these details in preface to their question. If a division or service is the responsibility of more than one minister, a minister shall be examined only in relation to their portfolio responsibilities.

The parliamentary secretary may agree to provide supplementary information to the committee rather than asking that the question be put on notice for the next sitting week. I ask the parliamentary secretary to clearly indicate what supplementary information he agrees to provide, and I will then allocate a reference number. If supplementary information is to be provided, I seek the parliamentary secretary's cooperation in ensuring that it is delivered to the principal clerk by Friday, 31 May 2019. I caution members that if a parliamentary secretary asks that a matter be put on notice, it is up to the member to lodge the question on notice through the online questions system.

I give the call to the member for Cottesloe.

[5.40 pm]

Dr D.J. HONEY: I refer to page 583 in volume 2 of budget paper No. 2. One of the things that intrigues me in this appropriation is that substantial cash assets are left at the end of each period to the tune of around \$60 million, which seems to appear in the next area. I wonder why we require such significant appropriations when there are such large cash assets at the end of the reporting period. It seems unusual compared with what other departments do.

Mr R.R. WHITBY: Thank you, member. The item shows the Department of Water and Environmental Regulation cash assets as at 30 June each year, obviously. It includes funds on hand to meet emerging commitments, such as accounts payable, unspent capital funds and the cash component of the leave liability reserve. I am happy to pass on to Mr Millen for a more thorough understanding of that.

Mr W. Millen: A component of restricted cash lives within the cash reserve, which is not available for our operations. As the parliamentary secretary mentioned, we keep a working capital reserve so we can maintain enough funds to pay accounts payable, as they are due and payable within 30 days. We also keep a certain amount of cash so we can pay leave liabilities as they fall due.

Dr D.J. HONEY: I think I understand the content of it, but I am surprised at the quantum. Other departments may carry forward a few million but not \$60 million year on year.

The CHAIR: Is there a question there, member?

Dr D.J. HONEY: Yes. I am intrigued about why it is so large compared with what other departments do. This seems to be a very large reserve compared with other departments' amounts.

Mr W. Millen: We have a large component of the restricted cash that I mentioned before. The waste avoidance and recovery account is probably the largest component of that. It is cash that sits there. It is not available for our operations. Treasury will reach in and take a lot of that cash back into the consolidated fund. What it does not take remains in our budget on our balance sheet.

Dr D.J. HONEY: What is the quantum of that particular reserve?

Mr W. Millen: I could give an approximate figure. It is about the \$39 million to \$40 million mark as at the end of last year, so it would be similar across the forward estimates period.

Mr R.S. LOVE: I refer to the establishing and maintaining native vegetation offsets account on page 571, which states —

The Establishing and Maintaining Native Vegetation Offsets Account was established for the purpose of establishing or maintaining native vegetation as a condition of a permit to clear native vegetation ... The Department may require an offset to counterbalance residual significant environmental impacts expected from clearing ...

How does the payment of money help to offset residual and significant environmental impacts expected from clearing?

Mr R.R. WHITBY: The requirement for an offset counterbalance is the loss of native vegetation as a condition of a native vegetation clearing permit being issued. Obviously, the first steps are to try to minimise and mitigate the impacts of clearing in the first place, but often the offset account can allow for a more strategic approach to offsets. Land can be purchased or revegetation can occur using contributions made by the offsets fund. The department works with the Department of Biodiversity, Conservation and Attractions to identify and acquire appropriate areas of native vegetation in addition to the conservation estate. In addition, it is important that the government also develop a policy on native vegetation, which looks at improved vegetation mapping and monitoring and strategic regional planning. I can get Ms McEvoy to elaborate on that issue.

Ms S. McEvoy: The requirement for offsets under section 51I(2)(b) of the Environmental Protection Act establishes the account. Those offsets are for establishing and maintaining native vegetation. As the parliamentary secretary said, they could be for establishing vegetation—revegetation, or something like that—or acquiring land. They are restricted to those purposes. An offset can only be for those purposes; it cannot be for other things, even though other things could be useful, such as research, but they cannot be funded through that account. It could also do things like enter into a conservation covenant for particular land if that is agreed.

Mr R.S. LOVE: I am not interested in that. It is the use of this offset money that I am interested in. The \$3 million in the budget this year for environmental offset accounts matches an amount in 2017–18 of roughly \$3 million. There is absolutely nothing in the account for 2018–19. Were there no applications that required an offset in 2018–19?

Mr R.R. WHITBY: I refer to the director general.

Mr M. Rowe: The funding comes into the account on an ongoing basis. The cash sits with the department. It is up to the government of the day to determine how much money is set aside at any given time for the purpose of acquisition or the fund.

Mr R.S. LOVE: I am talking about the heading “Details of Controlled Grants and Subsidies” on page 581. Is that not the collection of the offset?

Mr R.R. WHITBY: Which line item?

The CHAIR: We are on page 581; whereabouts on the page, member?

Mr R.S. LOVE: The line item “Vegetation Offsets Account” under the heading “Details of Controlled Grants and Subsidies”.

The CHAIR: It is the bottom table.

Mr M. Rowe: As I was saying before, this is the amount the government has approved for the department to expend on this in the next financial year.

Mr R.S. LOVE: Parliamentary secretary, where in the budget will I find the amount of money collected by the government from offsets?

Mr R.R. WHITBY: As I understand the member’s question, the government has allocated an amount of money and he is interested to know where that money is coming from and how do we know it is \$3 million each year. Is that the member’s question?

Mr R.S. LOVE: That is exactly my question.

Mr R.R. WHITBY: It is a good question. I pass it on to the director general.

Mr M. Rowe: I might ask Mr Millen to clarify the funding.

Mr W. Millen: There is approximately an \$8 million balance sitting there at the moment. This is another one of those special purpose accounts that sits in the restricted cash that I was referring to before. It does not appear in a specific note in budget paper No 2 because of the specific section of the Financial Management Act that it sits

under, as opposed to some of the others. There is about \$8 million there. Within our expenditure limit we can spend \$3 million of that cash in the 2019–20 year.

Mr R.S. LOVE: How will that \$3 million be expended?

Mr R.R. WHITBY: There could be a range of ways, as I discussed before. It could be to acquire new land that has conservation qualities.

Mr R.S. LOVE: The Department of Biodiversity, Conservation and Attractions has a few hundred thousand dollars for land purchases in its budget this year, so where will the rest of the \$3 million be expended if not by that department? Does this department expend the money itself?

[5.50 pm]

Mr R.R. WHITBY: I will get Ms McEvoy to elaborate.

Ms S. McEvoy: As I understand the Department of Biodiversity, Conservation and Attractions budget, those hundreds of thousands of dollars were in addition to this \$3 million. Whether particular pieces of land will be acquired is a matter for determining, depending on the values that are being sought to be offset. If it was going to DBCA for land acquisition, that would be on top of its existing budget.

Mr R.S. LOVE: So where will this \$3 million that has been brought into the account be spent?

Ms S. McEvoy: It would depend on which particular values were being sought to be offset. At any time, a range of offsets are being sought through conditions of a permit. With land acquisition, it depends on whether the owner is willing to sell a particular piece of land that might be suitable as an offset, under what conditions and for what price. We always have to look at matching the condition in the offset with the land that is available at reasonable cost.

Mr R.S. LOVE: When we say “we”, are we talking about the Department of Water and Environmental Regulation or about the Department of Biodiversity, Conservation and Attractions?

Mr R.R. WHITBY: If the member is talking about the purchase of land, I believe it is the current agency that we are talking about now, in consultation with DBCA. I think the member is trying to work out a direct correlation between money going out and coming in.

Mr R.S. LOVE: Can I declare what I am trying to do?

Mr R.R. WHITBY: Yes.

Mr R.S. LOVE: I am trying to establish that the money collected by the Western Australian government as a contribution from developers when they clear land is expended for the purposes for which it is collected, and I want to see that there is a transparent way of finding out exactly where that money goes, because so far I have very little idea of where it is going.

Mr R.R. WHITBY: I understand the member’s concern and I would be concerned too if there was any doubt that that was not the case. Obviously, there has to be a contingency each year that an amount has been set aside. If the member is asking whether this money ends up in consolidated revenue and is spent on something else, absolutely not, but I will get Ms McEvoy to elaborate.

Ms S. McEvoy: The government maintains an offset register that includes the details of offsets imposed under conditions either of a clearing permit or through park approvals. That has the details of land purchases, so it allows us to track what offsets have gone to what things. On the matter of determining who is spending the money, obviously the Department of Water and Environmental Regulation needs to determine compliance with the conditions; in other words, is the offset that is being sought appropriate and does it counterbalance those impacts? The transaction is undertaken by the Department of Biodiversity, Conservation and Attractions.

Mr R.S. LOVE: That department has a much smaller amount of money in its budget to purchase land than the amount that this department is removing from the controlled funds to distribute. I am trying to work out why this department is drawing out \$3 million and that department is spending a few hundred thousand dollars.

Mr R.R. WHITBY: I think Ms McEvoy explained earlier two different amounts of money. We cannot be exact. We have to purchase new land that is like the land that is being compensated for. It is very hard to sit down at one point in time and do an exact transaction for what land will be purchased and how much it will cost, so there has to be a contingency for that. That money is earmarked; and, if it is not spent in one year, it will be there for the next year to create a legitimate offset in land that has been lost through clearing. Ms McEvoy might like to clarify that as well.

Ms S. McEvoy: The funding from the offset account that DBCA uses to make purchases does not appear in its budget; it appears in this department's budget. Subject to the agreement of the CEO, as the decision-maker under the Environmental Protection Act, it will be able to purchase those lands that satisfy that condition and add them to the conservation estate.

Dr D.J. HONEY: I refer to page 573 of volume 2 of budget paper No 2. My favourite area in all of estimates is metrics. We had some discussion last year during this division about the percentage of assessments that have met agreed time lines. We heard then that a new management information system was being installed at some considerable expense. I was concerned last year that there had been an apparent drop in expected targets. In the table, the 2017–18 actual indicates that 92 per cent of assessments met agreed time lines under the old failing system. Under the new you-beaut system, the budget was 75 per cent and we achieved slightly better than that this year, with 80 per cent. The budget for 2019–20 is only 75 per cent. I wonder whether it is time to admit defeat and go back to the old system, under which we seemed to perform much better.

Mr R.R. WHITBY: We are on a path that will see improvement, but I will get the director general to explain why.

Mr M. Rowe: The system to which I think the member is referring is Environment Online. That system will deal with a lot of the approvals processes that the combined Department of Water and Environmental Regulation administers. That is being scoped at the moment and will be built over the coming years. In relation to this assessment, however, these assessments relate to the Environmental Protection Authority. The system we are scoping at the moment is unlikely to deal with the administrative arrangements associated with the EPA's approvals processes, so it might be helpful if we refer to Mr Sutton to explain the distinction between those indicators if the member is after further clarification on that matter. It is unrelated to the building of Environment Online.

Mr R.R. WHITBY: Would the member like to hear from Mr Sutton?

Dr D.J. HONEY: Yes; I am intrigued.

Mr A. Sutton: This time line refers to the EPA reports that it provides advice to the minister on. It is set at 75 per cent, so that means that 7.5 out of every 10 reports meet the time frame. In the past, we have managed to do that quite competently, with 92 per cent. We still aim for the 75 per cent target and this year we are on track for 85 per cent of those reports to be on time. The ones that do not meet time are out by a couple of weeks rather than a longer period. It is an indicator of the time it takes for the EPA to do the assessment and report to the minister.

Dr D.J. HONEY: I am intrigued. We have gone from 92 per cent, which looks okay, down to 80 per cent and the target next year is 75 per cent. I hear that it may be 85 per cent, but it seems to be a substantial degradation. We are more than a couple of years into this term of government and we have supposedly had an efficiency gained through the amalgamation of departments and systems are simpler. I am intrigued about why the government is accepting such a degradation in the provision of that service, especially given that this is advice to the minister. I would have thought, at a minimum, we should be able to achieve what we had before these changes were made.

Mr R.R. WHITBY: I meant to raise this before; I was just trying to work out the particular issue with the EPA. It is a good news story. What has happened is—the member for Nedlands might have experienced this previously—that a lot more applications have come through. As well as there being more applications for approvals, their complexity is increasing, so the EPA is taking longer to assess them. That might be because there has been a change in the economy. Companies are investing in and taking on projects, and there has been a marked increase in the number of applications and their level of complexity. I have some more details on that. To ensure that the EPA can keep up with this workload—the quicker we can get these projects approved and out the door, the quicker they can start and the quicker they can start employing people—in October last year, the minister announced an additional \$3.3 million in funding for DWER to help tackle the steep increase in state significant proposals requiring assessment by the EPA.

The CHAIR: Parliamentary secretary, I have to stop the proceedings to put the question.

The appropriation was recommended.

Meeting suspended from 6.00 to 7.00 pm