

BUDGET ESTIMATES 2020

Questions on Notice

Portfolio Committee No. 1 – Premier and Finance

Treasurer

Hearing: Thursday 9 March 2020

Answers due: Tuesday 21 April 2020

QUESTION – Page 3 of transcript

The Hon. WALT SECORD: Mr Walters, **when was the last time we had negative growth?**

Mr WALTERS: I would need to check on that but I think it was early 2019. Negative quarters of GSP are unusual but we have had them fairly regularly over the last 10 years.

Answer

Note that Gross State Product (GSP) is only published by the ABS annually. The last time NSW had a negative quarterly growth of State Final Demand (SFD) was the December quarter 2018.

QUESTION – Page 7 of transcript

Mr DOMINIC PERROTTET: We have led the way when it comes to wages not only in the State but also around the country. As the State's leading employer, when you are seeing private sector growth at about 1.7 per cent, at a State level we are at 2.5 per cent. I think we lead the way. **I will get you some figures on other jurisdictions.** But it has to be married up. Let's remember, Ms Boyd, that the Government derives its revenues from the taxpayers of this State. There is a balance between wages in the private sector, which may be running at around 1.7 per cent. They are the ones who are funding the public sector wages. We need to make sure that both aspects are considered. When I look at public sector wages around the country from other governments—

Ms ABIGAIL BOYD: Perhaps we could get that on notice. I am not particularly interested in the other States. I am interested in New South Wales.

Answer

Wages Policy settings in all Australian States as of 20 March 2020:

Jurisdiction	Wage policy
NSW	2.5% pa
Victoria	2.0% pa

Queensland	2.5% pa (3% for SOCs)
South Australia	\$1,500 p.a. or 1.5%
Western Australia	\$1,000 pa
Commonwealth	2.0% pa
Tasmania	2.0% pa
ACT	1.35% each 6-month period

QUESTION – Page 12 of Transcript

The Hon. DANIEL MOOKHEY: Treasurer, do you want to explain why 164 contracts and \$118 million in the last two years was put out without tender?

Mr DOMINIC PERROTTET: I am happy to consider and get the advice in relation to that matter.

Answer

As per icare and NSW Government procurement policies, icare uses several market engagement methods for procured services aside from open tendering.

QUESTION – Page 14 of Transcript

Yet every single executive at icare entitled to a bonus got one. Why did your senior leadership of that agency, with this record, get paid their bonuses? How much were their bonuses, by the way?

Mr DOMINIC PERROTTET: I will take the last part of your question on notice. What I will say is that when it comes to measuring success of icare, I believe icare has been incredibly successful as a measure in providing greater and better services to those people who are injured in the workplace.

Answer

Moving to performance pay was a key element of the Government's 2015 establishment of icare and is, as is the case in similar organisations in the private and public sectors, an important method of attracting the required capability to undertake icare's transformation journey towards driving better outcomes for customers.

The Annual Performance Payment (APP) is determined by the APP opportunity for each plan participant, which is variable and set out in their Individual Employment Agreement (IEA). Annual organisational Key Performance Indicators (KPI) are approved by the icare Board. These KPIs are cascaded to all employees including those who are APP participants. In addition, individual KPIs are set based on their functional objectives and the individual's role requirements. The annual KPIs are outlined in icare annual reports and include customer experience, employee engagement, leadership culture, transformation initiatives and more.

icare manages more than \$40 billion in assets, over 65,000 claims and pays around \$4 billion to support injured workers in their recovery every year. Since 2015, icare has

realised nearly \$1 billion through operating and claims-related savings. Of this, less than 0.3 of a per cent was returned to those employees meeting performance outcomes in 2018/19.

QUESTION – Page 19 of transcript

The Hon. MARK LATHAM: Treasurer, in terms of the Treasury's own use of resources in the 2019-20 allocations, **what economic modelling has been undertaken about various climate change impacts on the 75,000 coal-reliant jobs in the Hunter Valley?**

Mr DOMINIC PERROTTET: Obviously when it comes to mining and particularly the royalties off the back of that, we receive around \$2 billion each year so it is an important contribution to the State's budget. The Chief Economist might like to make some comments in relation to climate change and modelling as part of the budget.

The Hon. MARK LATHAM: Treasurer, do you remember **at our last estimates giving an undertaking to do that modelling about the impact on those jobs in the Hunter Valley? Has that been completed?**

Answer

The Department of Planning, Industry and Environment is leading work to assess how coal-reliant communities may be able to transition successfully over time, in consultation with the Department of Premier and Cabinet and Treasury as required

QUESTION – Page 19 of transcript

The Hon. MARK LATHAM: **When do you think the modelling will be completed so we can look at the impact on the various sectors?**

Mr DOMINIC PERROTTET: I will take that on notice and come back to you with a time. But I will make this point without freewheeling too much. When it comes to emissions targets, this is an issue that has been hijacked by the extremities of politics, from the left and the right. You have a side of politics, as we saw at the last Federal election, and this is just my own personal view, one of the reasons why Bill Shorten lost the election was when he was unable to provide an understanding or communicate with the Australian people what the economic costs were of an emissions target.

Answer

Policies targeted towards the net zero emissions aspirational target are being led within the Department of Planning, Industry and Environment. This target will also be one of the long-term scenarios considered as part of the modelling undertaken for the next Intergenerational Report, due to be published as part of the NSW 2021-22 Budget.

QUESTION – Page 19 of transcript

The Hon. MARK LATHAM: So you have taken on notice to get back to us with your **timetable for the economic modelling about net-zero 2050**. Do you agree with the Deputy Premier—

Mr DOMINIC PERROTTET: I cannot confirm that you will necessarily agree with the modelling, but I will come back to you.

Answer

Please see the answer above.

QUESTION – Page 21 of transcript

The Hon. MARK LATHAM: What input did Treasury have to the NSW Electricity Strategy in its development? It is obviously the key document in terms of the energy supply consequences of this policy in New South Wales.... **Why has there not been modelling about the consequences of the energy mix that is outlined here in the policy announced?**

Mr DOMINIC PERROTTET: We will take that on notice.

Answer

This question is more appropriately directed at the Minister for Energy and Environment, The Hon. Matthew Kean MP as the Minister responsible for energy matters.

QUESTION – Page 26 of transcript

The Hon. JOHN GRAHAM: Treasurer, the question is simply this—

Mr DOMINIC PERROTTET: And now people are using the WestConnex—you see, if people are using the WestConnex and paying tolls—The Hon. JOHN GRAHAM: Treasurer, I am just going to stop you there. Are you not better putting on the table the facts and just spelling out **how much are Western Sydney motorists paying over the course of this—**

Mr DOMINIC PERROTTET: I am happy to provide that information.

Hon. JOHN GRAHAM: Thank you, will you provide it on notice?

Mr DOMINIC PERROTTET: Yes, absolutely.

Answer

Please refer to the WestConnex website at <https://www.westconnex.com.au/WestConnexTolls>

QUESTION – Page 33 of transcript

The Hon. MARK LATHAM: —which was: **In your support for battery storage, how much does it cost according to this State Government strategy?**

Mr DOMINIC PERROTTET: I will take it on notice. I will have that figure. (pg. 33)

Answer

This question is more appropriately directed at the Minister for Energy and Environment as the Minister responsible for the development of the NSW Electricity Strategy including the modelling and the assumed costs of battery storage.

QUESTION – Page 38 of transcript

Ms ABIGAIL BOYD: I asked you if you were aware that the current proposal they have for extending their ash dam is not the same as the one they had in their 2013 contract. You said that yes, you were aware of that. My second question was, "**How much will it then cost for the Government to pick up half of the tab for that additional cost of doing the new ash dam extension?**" Your response was just "no". I want to ask again whether you know how much the State will be liable for under that old privatisation contract.

Mr DOMINIC PERROTTET: Mr Gardner?

Mr GARDNER: I will come back in the afternoon session with that. I do not have a number. (pg. 38)

Answer

Treasury understands that Origin Energy has appointed a consultant to identify options and preliminary cost for the ash dam alternative proposal.

Treasury has not received a submission from Origin Energy on the alternative proposal and has no information on the cost of the alternative proposal.

QUESTION – Page 38 of transcript

Ms ABIGAIL BOYD: Okay. The question that I would like you to take on notice is: **Has Origin given you any indication of the cost to the State of that ash dam proposal?** (pg. 38)

Answer

Treasury has not received a submission from Origin Energy on the alternative proposal and has no information on the cost of the alternative proposal.

QUESTION – Page 39 of transcript

Ms ABIGAIL BOYD: (re. Hazelwood rehabilitation cost)... We are still looking at least \$1 billion in rehabilitation costs. **What effort has been made to prepare for that in the future? Do the rating agencies know about that potential liability?**

Mr DOMINIC PERROTTET: You are making an assumption. We will take that on notice and provide you with the relevant advice. (pg. 39)

Answer

Liddell power station closure liability

- Hazelwood is not a valid comparator as it is a mine mouth power station which requires substantial rehabilitation cost.
- Treasury has made a provision for the Liddell power station closure. This amount is included in the Total State Sector provisions of \$2.19 billion as disclosed in Crown Entity 2018-19 financial statements.

Contingent liabilities and ratings agencies assessments

- The Government annually reports its assessment of contingent assets and liabilities as part of the State Budget and Report on State Finances as per AASB 137 Provisions, Contingent Liabilities and Contingent Assets.
- Information published in the State Budget and Report on State Finances form the underlying basis for the annual ratings reviews undertaken by Moody's and S&P Global.

QUESTION – Page 43 of transcript

The Hon. JOHN GRAHAM: Thank you. Lastly, I will ask about the statement in the product disclosure statement:

Sometimes we may disclose your personal information to organisations outside the Westpac Group who help us deliver or support our provision of products and services to you. **How many outside groups might have access to this data? Mr Pratt, do we know that information?**

Mr PRATT: I could not answer that, no.

Mr MIDHA: We can take that on notice, but the data they are using and they can store is anonymised. They are not allowed to use personal information.

Answer

With respect to the RSTC product, Westpac will only provide personal data to approved third party service providers to the extent necessary for the delivery of the card service.

QUESTION – Page 43 of transcript

The Hon. JOHN GRAHAM: **Is that information being passed on to third parties?**

Mr MIDHA: We can check on that and come back, but we do not believe that they can provide personal information to other third-party providers. They can provide anonymous data.

The Hon. JOHN GRAHAM: **But are they not saying that in the product disclosure statement, putting that up in lights?**

Mr MIDHA: We can come back to you on that.

Answer

As above with respect to the RSTC product, Westpac will only provide personal data to approved third party service providers to the extent necessary for the delivery of the card service.

QUESTION – Page 44 of transcript

The Hon. COURTNEY HOUSSOS: Mr Pratt, I understand that there was a scoping study that was recently finalised into the potential sale of Forestry Corporation. I am happy if you provide this on notice. **How many other scoping studies have been undertaken by the Government since 2011?**

Mr PRATT: I would have to take that on notice. I do not know the answer today.

Answer

Since 2011 the government has undertaken 12 scoping studies. Scoping studies are not made public.

QUESTION – Page 45 of transcript

The Hon. WALT SECORD: **When you use the phrase recruitment, have advertisements been placed or is this internal recruitment?**

Mr PRATT: Yes, that was the first one that we publicly advertised. The advertisement was publicly in The Australian Financial Review. I could check this for you, but it was also in one of the newspapers in the local city, in this case London. In addition to that, we have employed a head-hunter to do a global search.

Answer

Following the launch of Global NSW by the Premier, Deputy Premier and the Treasurer on 4 December 2019, external print advertising was placed in the Australian Financial Review on 13 December 2019 and in the Financial Times on 12 December 2019. The advertisement within both publications was available until 27 January 2020.

QUESTION – Page 47 of transcript

Mr DAVID SHOEBRIDGE: In terms of the work they were doing to help with implementing and resolving issues regarding the single provider model, was that under a tender or was that under a direct approach?

Mr NAGLE: EML contracted them directly.

Mr DAVID SHOEBRIDGE: Are the fees being provided by icare to EML the funding source for that EML contract?

Mr NAGLE: I would have to take that on notice. There would be an arrangement but some of that fee would come back to icare. Some of it would be for EML.

Answer

icare agreed to contribute to the direct costs associated with the delivery of the project as the delivery of additional services are not included in the base remuneration. These costs were committed under Project Services Orders, which are issued under clause 15 of the 2018 Service Provider Agreement.

QUESTION – Page 49 of transcript

Mr DAVID SHOEBRIDGE: Can I ask you then to table the conflict of interest register and provide on notice the details of the contracts that Bridge International had and whatever conflicts were declared at the time.

Mr NAGLE: I am happy to take that on notice.

Answer

In accordance with ICAC guidelines, no conflicts of interest were raised.

icare has reviewed the central Conflicts of Interest Register, and it does not include any entries relating to Bridge International.

icare has also not identified any declarations of Conflicts of Interest relating to Bridge International elsewhere in records.

QUESTION – Page 51 of transcript

The Hon. WALT SECORD: **Have there been any discussions or dialogue with Standard & Poor's or Moody's since the bushfires?**

Mr PRATT: I have not personally but our balance sheet function has done. Mr Midha, would you like to comment on that please?

Mr MIDHA: Yes. **We have had conversations with them. I will check and come back a little bit later but they have made a statement.**

Answer

Treasury maintains regular dialogue with the credit ratings agencies. This includes factual input to support the preparation of Moody's 29 January 2020 In-depth Research Note on the impacts of bushfire and drought in New South Wales and 3 April 2020 Credit Opinion reaffirming the triple-A credit rating for New South Wales; and also S&P's 12 January 2020 media release on the impact of bushfires across Australia and 7 April 2020 Research Update reaffirming the triple-A credit rating for New South Wales.

QUESTION – Page 52 of transcript

The Hon. WALT SECORD: To follow up what Mr Latham referred to you about China and the impact, and, Ms Wilkie, you talked about monthly receipts—monthly cash receipts—payroll and that, what has been the response involving, I guess, **mineral royalties in New South Wales? Have you seen a decline? What is happening in that regard?**

Ms WILKIE: Just let me check the revenue numbers we have got. The mining duties are not one of the taxes that we monitor for the purposes of cash receipts so I do not have that information.

Answer

Cash receipts for minerals royalties are reported on a monthly basis. The latest cash receipts are for February 2020, which reflect mining activity in the month of January 2020. As of February, there had not been a noticeable decline in cash receipts that would have been attributable to developments in China.

QUESTION – Page 52 of transcript

The Hon. DANIEL MOOKHEY: Is this bushfires or drought?

MIDHA: Bushfires.

The Hon. DANIEL MOOKHEY: We are asking about drought.

Mr MIDHA: Sorry, my mistake. I can give you the drought numbers. I will have to take that on notice and come back to you with the details on the drought.

Answer

Please refer to the answer provided on page 70 of the Transcript.

QUESTION – Page 54 of transcript

The Hon. DANIEL MOOKHEY: Were you receiving regular written reports from icare for the last two years?

Mr PRATT: I get a report, yes.

The Hon. DANIEL MOOKHEY: Written?

Mr PRATT: Yes. The Hon. DANIEL MOOKHEY: **When was it first brought to your attention that there was a deterioration in the underwriting position?**

Mr PRATT: I would have to take that on notice, Mr Mookhey. It certainly had been an ongoing discussion, yes, definitely.

Answer

Treasury receives annual forecasts and budgets from icare in respect of all their funds. icare also provide quarterly financial reports. In addition, Treasury carries out a wide range of engagement with officials from icare. Through these documents and engagements, Treasury has been kept informed about the Nominal Insurer underwriting position.

QUESTION – Page 54 of transcript

The Hon. COURTNEY HOUSSOS: Can I just check that the savings from that have already been banked? Is that correct?

Mr PRATT: No, there has been some benefit to date, but that benefit will continue because of depreciation, which is in the TAHE rather than in the government sector. That is ongoing.

The Hon. COURTNEY HOUSSOS: But that is very much in place and that has been finalised from a Treasury perspective?

Mr PRATT: Not totally yet; it will be finalised by 30 June. But ongoing implementation, the Government will retain the TAHE model, yes.

The Hon. COURTNEY HOUSSOS: **Perhaps you can provide me on notice with what is yet to be undertaken and what will be done before 30 June?**

Mr PRATT: Yes, we can do that. There will be some work after 30 June as well.

The Hon. COURTNEY HOUSSOS: If you could provide me with what work will be done after 30 June that would be helpful.

Mr PRATT: Thank you.

Answer

Prior to June 30, Treasury expects to appoint directors and a Chief Executive Officer; gazette the legislation and agree the statement of corporate intent. Various other establishment activities including accreditation will continue beyond 30 June as the business implements its operating model.

QUESTION – Page 56 of transcript

Mr GARDNER: Yes, we have working groups that are going on between icare and meeting separately with the SIRA. I do not have day-to-day insights into what the current status of those conversations is, but we are keeping track of the conversations across both the regulator and icare.

The Hon. DANIEL MOOKHEY: When will Treasury complete its work as to the assessment of the capital adequacy provision?

Mr GARDNER: I do not know. I can take that on notice.

Answer

Treasury is working with icare and SIRA to ensure that the funding ratio for the Nominal Insurer improves and returns to the target ratio. This work is ongoing.

QUESTION – Page 56 of transcript

The Hon. DANIEL MOOKHEY: Yes, and I think previously, a couple of years ago, we were trying to target above 130, but that was a different issue. Even on icare's own admission, we are already below that target range, we are at 109 I think at 75 per cent sufficiency or 80 per cent sufficiency, so we are below the target. The scheme is deteriorating even further. Are you effectively saying that you have to wait for that funding ratio to step into negative territory before we start acting?

Mr PRATT: No, Mr Mookhey, I would not want you to take that away from this discussion.

The Hon. DANIEL MOOKHEY: Please correct me in that respect.

Mr PRATT: I take Ms Dore's report seriously. As Mr Gardner has indicated, we have a team working on this with both the regulator and the operator at icare. **I can come back to you with the status of that work, if that is okay with you.**

The Hon. DANIEL MOOKHEY: Sure, if you could.

Mr PRATT: I cannot give it to you now, but I just want to reassure you it has a lot of focus.

The Hon. DANIEL MOOKHEY: I imagine it does—and it should—and I would appreciate it if you could come back to us with a bit of an update on that.

Answer

Please see the answer above.

QUESTION – Page 58 of transcript

Mr DAVID SHOEBRIDGE: **Were you aware of the \$300 million indicative figure, being the deterioration attributable to the deteriorating return to work rates, before now?**

Mr GARDNER: I am generally aware that the return to work rates have been deteriorating. I do not have a recollection of that particular number.

Mr DAVID SHOEBRIDGE: By all means you can take it on notice if you were given any prior notice about it.

Mr GARDNER: I will find out what notice we have got.

Answer

Valuations typically take approximately four months to prepare. As is usual practice, icare provides information to Treasury on a monthly basis.

icare provided information to Treasury on the impacts of the 31 December 2019 valuation of the Nominal Insurer in early March 2020.

QUESTION – Pages 61 to 62 of transcript

The Hon. DANIEL MOOKHEY: **Mr Secretary, when were you first advised about the underpayments issue?**

Mr PRATT: I have to take that on notice, Mr Mookhey. It was not that long ago but I could not give you an exact date.

The Hon. DANIEL MOOKHEY: Mr Nagle, did you provide the advice directly to the secretary?

Mr NAGLE: Not directly to the secretary, no.

The Hon. DANIEL MOOKHEY: **Who did you provide it to? Or did you provide the advice to Treasury?**

Mr NAGLE: I will take that on notice, actually.

The Hon. DANIEL MOOKHEY: Okay, so it was a week. And then you informed the secretary presumably within a week. **When did you inform the Treasurer? Or did you inform the Treasurer?**

Mr PRATT: I would have—I would have to check that. I am not sure whether I had that discussion with the Treasurer or not.

The Hon. DANIEL MOOKHEY: So would you like to take that on notice?

Mr PRATT: Yes, I will take it on notice, Mr Mookhey.

The Hon. DANIEL MOOKHEY: Who did you provide it to? Or did you provide the advice to Treasury?

Mr NAGLE: I will take that on notice, actually. We advised SIRA and then we entered into discussions with SIRA. I would have to check which part of the team notified who.

Answer

icare first advised SIRA, as its regulator, to assist with undertaking further investigation and to provide their advice on the internal hypothesis prior to notifying any other stakeholders.

Deputy Secretary, Phil Gardner was informed by SIRA on 3rd March.

There was no formal notification to the Treasurer from Treasury.

QUESTION – Page 63 of transcript

The Hon. DANIEL MOOKHEY: Do you maintain written records of these discussions?

Mr PRATT: Normally no but if appropriate we would have, yes, for follow-up. But normally I would not, no.

The Hon. DANIEL MOOKHEY: **Have you issued any formal correspondence to the chair of the board in the last six or 12 months about any of these issues?**

Mr PRATT: I would have to take that on notice

Answer

There was no formal correspondence to the Board from Mr Pratt. Treasury and icare regularly engage through other means.

QUESTION – Page 63 of transcript

MOOKHEY: When?

Mr PRATT: This is going back to when the Dore report was being finalised. As Mr Shoebridge has alluded to, there was some real discussion about data integrity and coming out of that discussion was a suggestion that the risk and audit chair of icare meet with the risk and audit chair of SIRA to get over the data conflict issues, that they should sit down between them and work through that. Because what I did not want was Ms Dore's report coming forward and people arguing about the data rather than arguing about substance. I did organise for that to occur, yes.

The Hon. DANIEL MOOKHEY: Is that the only discussion you had with the chair of risk and audit?

Mr PRATT: Yes, it was.

The Hon. DANIEL MOOKHEY: **On notice, can you come back and tell us when that was?**

Answer

10 October 2019.

QUESTION – Pages 63 to 65 of Transcript

Question 17

The Hon. DANIEL MOOKHEY: Those 10 contracts that were listed non-tendered—\$20 million, Deloitte, 16 contracts; \$13 million, no tender; KPMG, six contracts, \$2.1 million, no tender; PwC, 11 contracts, \$3.5 million, no tender – surely Deloitte could have been performing the work of KPMG, KPMG could have been performing the work of PwC yet all of them got millions without tender. Why?

Mr NAGLE: I would have to look up the individual contracts that you are talking about.

Answer

The 37 contracts in question were procured from pre-qualified suppliers from the NSW Government Performance and Management Services Scheme and the ICT Services Scheme for a range of services.

QUESTION – Page 64 of transcript

The Hon. DANIEL MOOKHEY: For example, just because you are handed a contract to a prequalification participant does not mean you do not have an obligation to potentially tender that work. That is correct?

Mr GARDNER: Yes. So icare has a responsibility to comply with the Procurement Policy Framework. **The specific detail around this and the schemes that they have operated under, I would need to take on notice.**

Answer

icare uses varying market engagement methods, including open tendering, in line with NSW Government policy and Prequalification Scheme requirements.

QUESTION – Page 65 of transcript

Mr NAGLE: There is one executive who has had a delegation of \$3 million.

The Hon. DANIEL MOOKHEY: Who is that?

Mr NAGLE: Mr Rob Craig.

The Hon. DANIEL MOOKHEY: And which contracts did he enter into?

Mr NAGLE: I would have to look through the list to understand that. I am happy to come back on notice with that.

Answer

Eight of the published contracts were approved by Rob Craig, in line with icare's delegations instrument.

QUESTION – Page 65 of transcript

The Hon. DANIEL MOOKHEY: How many have you done yourself? How many have you authorised directly?

Mr NAGLE: I would have to come back to you on notice with that. Any contract that is above \$3 million would have to come through me.

Answer

Three contracts were directly approved by Mr Nagle including auditing services and IT support for the claims platform.

QUESTION – Page 66 of transcript

The Hon. DANIEL MOOKHEY: Do you maintain a central register of your direct negotiations?

Mr NAGLE: We maintain a central register of all of our contracts.

The Hon. DANIEL MOOKHEY: I am asking about the negotiation phase though.

Mr NAGLE: I would have to look at that. I am happy to take that one on notice and come back to you.

Answer

icare retains details of the sourcing method, including direct negotiations, in the procurement records management system. A centralised Direct Negotiation Register has recently been established to provide enhanced reporting functionality.

QUESTION – Page 66 of transcript

The Hon. DANIEL MOOKHEY: The other requirement that is listed in the ICAC guidelines is that every officer who is undertaking a direct negotiation has to undertake declarations of any conflicts of interest. That is an issue that Mr Shoebridge was alluding to before. In respect of all of the 170 direct negotiations, did your officers provide written declarations of any conflicts of interests, including written declarations that there were no conflicts of interest?

Mr NAGLE: For all of the major tenders I know that is a standard form of the tender arrangements. I think with where you are going, I am happy to give you a complete rundown of all of our tendering arrangements.

Answer

There are no conflicts of interest declared or notified.

QUESTION – Page 66 of transcript

The Hon. DANIEL MOOKHEY: I would appreciate that, of course, but I am actually just checking your compliance with the ICAC guidelines. Because that is what it says. As you said, you apply this to your contracting. I just return to my question: Did all of your staff who entered into these direct negotiations, particularly those who executed the contracts, provide written declarations of any conflicts of interest or no conflicts of interest?

Mr NAGLE: As I mentioned, I am happy to take that on notice and look through that.

Answer

See Question relating to **Page 66 of Transcript - PROCUREMENT/CONFLICTS OF INTEREST**

QUESTION – Pages 66 to 67 of transcript

The Hon. DANIEL MOOKHEY: **Secretary, is this going to be something that Treasury reviews in terms of icare? Do you have the power to review this?**

Mr PRATT: I would have to check whether I have the authority or not.

The Hon. DANIEL MOOKHEY: If you have the authority, will you review it?

PRATT: If I have the authority **I will look at whether we do undertake a review or not**, yes. I will not commit at this point, Mr Mookhey, until I have looked at the detail.

Answer

Under the Workers Compensation Act 1987, the Nominal Insurer is exempt from NSW Government procurement rules. As such, Treasury has no legislated ability to enforce a review. Nevertheless, icare will be providing full details of the highlighted issues to Treasury. Treasury will consider any necessary follow-up actions

QUESTION – Page 67 of transcript

The Hon. DANIEL MOOKHEY: I understand. Mr Nagle, why did it take you so long to publish on the database?

Mr NAGLE: I do not have an answer for that. Unfortunately, I will have to take that on notice.

Answer

icare has been undertaking a remediation process to ensure disclosure of contracts in line with requirements. Many contracts have already been cited in our Annual Reports through separate disclosure requirements.

icare's goal is to ensure full transparency to the community in line with all requirements. The remediation process includes ensuring disclosure timelines are met moving forward.

QUESTION – Pages 68 to 69 of transcript

Mr DAVID SHOEBRIDGE: Mr Nagle, have you got any 31 December figures for the underwriting result of the Home Building Compensation Fund?

Mr NAGLE: I do.

Mr DAVID SHOEBRIDGE: The figures I have were that as at 30 June there was a \$235 million negative underwriting result on a \$202 million net negative result—the December figures.

Mr NAGLE: I would have to double check those numbers. The scheme deficit in the most recent year—the 2018-19 year—was \$201 million.

Answer

The underwriting result for the HBCF scheme in the six months from 1 July 2019 to 31 December 2019 was a loss of \$76 million (\$235m in full year FY19).

It is noted that home warranty premiums in NSW have been below the sustainable rate since the early 2000s, leading to the collapse of the private market. Government reformed HBCF in 2016 to ensure that policies written would move towards full cost recovery to reduce impost on taxpayers. icare has staged the transition to sustainable pricing since 2017, and has achieved full sustainable pricing for all classes of construction except multi-dwelling construction. Multi-dwelling construction is anticipated to be at sustainable pricing by 2021.

QUESTION – Page 69 of transcript

Mr DAVID SHOEBRIDGE: The net result in your annual report was \$202 million. What about the figures as at the end of the financial year, December? How is it tracking? How much did it go backwards in that six months?

Mr NAGLE: I do not have those details.

Mr DAVID SHOEBRIDGE: Can you provide them on notice?

Mr NAGLE: Happy to take them on notice.

Answer

See answer above.

QUESTION – Page 72 of transcript

The Hon. DANIEL MOOKHEY: What is the notice requirement if you intend to terminate the contract?

Mr NAGLE: Termination? You will have to take this from the top of my head. It is six months.

The Hon. DANIEL MOOKHEY: But you are saying that if you decide to not give them a one-year extension you will not be paying them any termination payment?

Mr NAGLE: There is no termination for the end of the contract, no.

The Hon. DANIEL MOOKHEY: What fees would be due to them?

Mr NAGLE: As I say, there is a mechanism whereby we work out—some staff may be made redundant if that occurred and we would reimburse them for those redundancies.

Answer

The termination of EML under the 2018 EML Agreement can either be for any reason by giving EML three months' notice in writing or for cause on the grounds outlined in the agreement and effective immediately.

QUESTION – Page 72 of transcript

The Hon. DANIEL MOOKHEY: Are you able to provide the Committee with an itemised list of what fees are payable—not the amount that is payable but what fees are payable if the contract is terminated?

Mr NAGLE: Yes, I am happy to do so. I will take that on notice.

Answer

If the 2018 EML Agreement is terminated, icare is liable to cover certain costs associated with the redundancy payments for EML personnel who are not offered employment by icare and certain costs in relation to the assets used by EML in performing the services.

QUESTION – Page 72 of transcript

The Hon. DANIEL MOOKHEY: State Emergency Services personnel, Police, paramedics will be going through the same triage model that is currently used for claiming through the Nominal Insurer effectively?

Mr NAGLE: Ultimately that is our aim but it is at least a few years away. For the triage model—and we are happy to provide you with the latest update—the problem is the Dore report is cast in time.

Answer

Triage is a process by which the risk profile of claims is assessed against expected injury duration and biopsychosocial risk factors. It is an ongoing assessment that is most

effective 3-7 days after lodgement when initial contact has been made in the first 72 hours and further information gathered. The triage process consists of both a triage algorithm and a team of qualified allied health professionals. Claims re-segmentation generally occurs as a result of the additional information that is gathered when first contacts are made on a claim.

As at 31 December 2019, for all claims lodged (and now closed) since icare launched its new claims system (4 February 2019), 90 per cent of claims had the same segment at lodgement and final segment, 93 per cent at day 7 and 97 per cent at day 30. The median time to re-segment a claim has reduced to less than one week, reflecting the gathering of new information during initial contact with the customer (employer and worker).

The Insurance for NSW claims model has been tailored to meet the needs of all government agencies including emergency services. After an initial contact (72 hours), the information provided by the injured worker, agency and doctor allows the claims manager to determine the degree of support needed. The Claims Managers are then required to triage their claims into Low and High Complexity service segments according to the degree of support, to concentrate resources where they are most needed.

QUESTION – Page 73 of transcript

The Hon. DANIEL MOOKHEY: We were talking about the decision to commission a KPMG forensic claim file review. As you said in supplementary estimates, I think last year, the only one that you have done in a while has not been in the time that you have been CEO. How many versions of the KPMG report were created?

Mr NAGLE: I could not answer that. I know that there was a preliminary report. That report had some deficiencies. There was a series of questions put back to KPMG that we asked them to investigate and they then issued a supplementary report.

The Hon. DANIEL MOOKHEY: Were four versions produced?

Mr NAGLE: I do not have that information.

The Hon. DANIEL MOOKHEY: What I am asking is: Was the final draft the fourth draft?

Mr NAGLE: I do not have that information.

The Hon. DANIEL MOOKHEY: Are you in a position to provide each version of that report?

Mr NAGLE: I can make inquiries and I am happy to provide that on notice.

Answer

The draft and final KPMG report following its forensic claim file review has been the subject of applications under the *Government Information (Public Access) Act 2009*. At this time, third party consultation resulted in the decision to decline the request. The matter is currently the subject of a review by the NSW Civil and Administrative Tribunal. The claim is also currently the subject of a work injuries damages claim.

Given all of this, it would be inappropriate for icare to release the draft and final reports at this time.

QUESTION – Page 76 of transcript

The Hon. WALT SECORD: A number of years ago, former Premier and, before that, Treasurer Mike Baird talked about something called the Waratah Bonds. **What has**

happened with the Waratah Bonds? Do they still exist? What if you had made deposits involving the Waratah Bonds?

Mr PRATT: Yes, the Waratah Bonds do still exist. They are more of a form of retail bonds. I would have to come back to you with how much is still outstanding, Mr Secord, but Mr Gardner might have that number. I think it is below \$100 million—to my knowledge, anyway.

Mr GARDNER: Yes, it is a very small program and there is very new additional uptake for that.

Mr PRATT: **May I come back to you with the detail?**

Answer

\$23.6 million of Waratah bonds were on issue at the end of 2019. The program is now closed to new investors. Existing investments are unaffected and may be held to maturity.

QUESTION – Page 76 of transcript

The Hon. WALT SECORD: That is very small. **Was it very unsuccessful in uptake, so to speak?**

Mr PRATT: One would think so, but if I can please come back with the detail on that—I do not have that with me today.

Answer

\$23.6 million of Waratah bonds were on issue at the end 2019. The program had a lower uptake than was originally hoped.

QUESTION – Pages 76 to 77 of transcript

The Hon. WALT SECORD: There is something that came to my attention several days ago. The Treasurer issued a directive involving gifts of government property. It was circular TD 20-01 and it was quite comprehensive. **What triggered this declaration or this directive from the Treasurer involving gifts of government property? What prompted this?**

Mr PRATT: I will check with the team if anyone is aware of that.

The Hon. WALT SECORD: There is an unusual clause in here that says it does not authorise a person to make a gift of firearms. **Can you, as part of your answer, explain why there is a special clause that relates to the giving of firearms and why did it occur?**

Answer

Prior to the GSF Act, previous legislation was silent on requirements for gifting of government property and reliance was had on common law, which did not provide certainty as to whether and in what circumstances gifting can occur.

Section 5.6 Gift of Government Property of the GSF Act is a new provision under the Act, and in combination with the Treasurer's Direction (TD20-01), addresses the gap.

TD 20-01 was developed to cover the full range of potential property that could be gifted across the sector, which includes equipment managed by NSW Police, including firearms and other potentially dangerous devices and equipment including those used by agencies involved in primary industries, parks and wildlife or construction activities.

QUESTION – Page 78 of transcript

Mr DAVID SHOEBRIDGE: Were you approached by employers from the transport, construction and property sector with significant grievances about the way in which they were being served through EML and the single provider?

Mr NAGLE: Not that I am aware. We announced the authorised provider model in late 2017, before we moved to the new model. We provided an update in January 2018, where we advised the market that Allianz was piloting it for us and from that pilot we have kept a small reference group that was involved in the pilot all the way through. Construction—there is a group of construction industries who, every year, apply—or every second year—for their own licence. I know we have had some discussion with transport operators but I am not aware of any particular issues such as you are raising.

Mr DAVID SHOEBRIDGE: When I say you, I mean icare more broadly. Will you take that on notice?

Mr NAGLE: I am happy to, yes.

Answer

icare has not been approached by employers from these sectors representing significant grievances about the way they were being served. That being said, icare has acknowledged the launch of its new claims service model in January 2018 and enhanced claims system in February 2019 led to some temporary delays in claims decision-making and some confusion for some customers as the new systems, and changes to agents, were implemented. icare has responded to the individual circumstances of these customers. System performance has now improved and icare is publishing current performance on its website.

QUESTION – Page 79 of transcript

Mr DAVID SHOEBRIDGE: How many workers have had their benefits terminated under section 39 to date? That is section 39 of the 1987 Act.

Mr NAGLE: I would have to check the exact number. I do not want to hold you up but it is about 5,300.

Mr DAVID SHOEBRIDGE: About 5,300. How many have now seen their medical entitlements terminated under section 59A?

Mr NAGLE: There are about 4,400 but I would have to take that on notice.

Answer

A total of 4418 workers have transitioned from the scheme due to section 39 to date.

A total of 1284 claims were transitioned from the scheme due to section 59a between 1 September 2019 and the end of March 2020.

QUESTION – Page 79 of transcript

Mr DAVID SHOEBRIDGE: Do you know how many of those people were cut off from medication for pain or psychological treatment? Do you follow that?

Mr NAGLE: We do but I do not have those details in front of me.

Mr DAVID SHOEBRIDGE: Can you provide that on notice?

Mr NAGLE: Yes.

Answer

Between Sept 2019 to Feb 2020:

Pharmacy – 3

Psych - 33

Pain management – not tracked as a distinct field

QUESTION – Page 79 of transcript

Mr DAVID SHOEBRIDGE: What are the figures you have to date for injured workers who have self-harmed or suicide?

Mr NAGLE: I would like to take that on notice rather than trying to find it in the form here at the moment but the numbers are very low.

Answer

As part of the workers assistance program that was established to support workers who would be transitioning from the scheme as a result of section 39, icare established a number of support initiatives. This included the pilot of a Community Support Service which was an independent service to provide workers with access to a range of community services that are not covered by the workers compensation legislation. The services were available regardless of whether the individual's needs were directly related to the claim or other personal circumstances. Following a successful trial this service is now an ongoing program that is made available to workers who need this support.

icare has protocols for all of its claims managers to respond to threats of self-harm that provide immediate support to the worker and ensure notification to the relevant treating providers (e.g. GP, psychologist) who can provide ongoing intervention and escalation and reporting to icare.

Since 2016, icare has managed over 240,000 workers compensation claims by injured workers. Since icare formally started tracking exits under s39 and 59a in 2016, there have been 115 incidents of self-harm. icare has no direct evidence of deaths arising from actions under the workers compensation system.

QUESTION – Page 79 of transcript

Mr DAVID SHOEBRIDGE: Do you track the number of those workers who have had their benefits terminated under either section 39 and/or section 59A?

Mr NAGLE: We do.

Mr DAVID SHOEBRIDGE: Can you provide a breakdown of that data?

Mr NAGLE: Absolutely.

Answer

See Question relating to **Page 79 of Transcript - SECTION 39/SECTION 59A**

QUESTION – Page 81 of transcript

The Hon. WALT SECORD: **Can you provide me with a number of regional headquarters that were established or were announced in 2018-19 and 2019-20?**

Ms CURTAIN: I do not have them with me in terms of a regional split but we can take that on notice

The Hon. WALT SECORD: **And also the number of jobs involved and the number of cases that involved waiving payroll tax and investment into the economy.**

Ms CURTAIN: I will take that on notice.

Answer

2018/2019 – 30 new Investment projects were attracted with 5 identified as Asia Pacific headquarters. This represents new 2,446 jobs created, including 93 jobs with the new Asia-Pacific headquarters.

June to Dec 2019 – 13 new Investment outcomes were attracted with 2 identified as Asia Pacific headquarters. This represents 1,004 new jobs created, including 95 jobs with the new Asia-Pacific headquarters.

QUESTION – Page 81 of transcript

The Hon. WALT SECORD: Mr Pratt, now to the NSW Treasury graduate program. How many people are taken in? I think it is an 18-month program, is that correct?

Mr PRATT: Yes.

... The Hon. WALT SECORD: **Can you provide the numbers that entered in 2018-19 and 2019-20?**

Mr PRATT: I will take that on notice.

Answer

Commenced Feb 2018 – 20

Commenced Feb 2019 – 11

Transition to TSY after MoG (July 19) – 4

Rotation to Treasury Aug 2019 to Jan 20 – 11

Commenced Feb 2020 – 13

QUESTION – Page 81 of transcript

The Hon. WALT SECORD: If you could tell me **the number of graduates that worked on the WestConnex, the Sydney Metro and the Sydney light rail developments? Can you also tell me what level of duties they were given?**

Mr PRATT: We can do that.

Answer

Treasury currently has one graduate employed in the Commercial Transactions team working on the projects listed. The Graduate commenced in February 2020. Duties involve

– taking minutes of meetings / follow up actions and Financial Analysis as appropriate for a Graduate.

QUESTION – Page 82 of transcript

Mr DAVID SHOEBRIDGE: Mr Nagle, you answered regarding the contract renewal process for EML. You said there were some 128 criteria that were being considered, is that right?

Mr NAGLE: Yes, we are assessing its performance against 128 criteria.

Mr DAVID SHOEBRIDGE: I am not going to ask you to list them now, but would you mind providing on notice what those 128 criteria are?

Mr NAGLE: Absolutely.

Answer

EML is required to monitor performance against service standards, KPIs and Outcome Measures and other metrics as appropriate using its Quality Management framework, and report underperformance, non-performance and delay

QUESTION – Page 82 of transcript

Mr DAVID SHOEBRIDGE: Have you taken on board the concerns that this loss of income would potentially prejudice the effectiveness of regional development committees?

Mr PRATT: We do appreciate that, but then there are the broader issues of integrity and other issues I have raised.

Mr DAVID SHOEBRIDGE: **Are you able to provide on notice any further details about those integrity issues?**

Mr PRATT: As much as we can given that some of this is subject to investigation.

Answer

Due to matters of confidentiality, and so as to not compromise ongoing investigations, no further information can be provided regarding integrity issues with Regional Development Australia committees at this stage.

QUESTION – Pages 82 to 83 of transcript

Mr DAVID SHOEBRIDGE: (re. impact of climate change) So that modelling is underway? **What is it modelling against? Is it modelling against a 1½ degrees Celsius increase, which seems to be already in the bank, or is it modelling against an increase of 2 degrees Celsius, 3 degrees Celsius, 4 degrees Celsius?**

Mr WALTERS: Specifically, I cannot answer that detailed question but I am happy to take that on notice and find out if it is the 4 per cent or those lower numbers you mentioned.

Mr DAVID SHOEBRIDGE: Or potentially a number of different scenarios.

Mr WALTERS: Potentially. I would need to check on that.

Answer

The Long-Term Fiscal Pressures Model, that forms the basis of the Intergenerational Report, currently does not explicitly include a capacity for projecting any climate variation impacts on the long-term economic or financial sustainability of NSW. The Treasury Intergenerational Report team is undertaking research and engaging with relevant stakeholders to identify the key assumptions and methods that are relevant for modelling the NSW context. This work is being undertaken in preparation for the 2021 Intergenerational Report which is due for release as part of the 2021 -22 Budget.

QUESTION – Page 83 of transcript

Mr DAVID SHOEBRIDGE: **Are you able to provide on notice any further details about the brief to that team in terms of the climate modelling?**

Ms WILKIE: It is at a very early stage. The modelling is not going to be completed probably until the second half of this year. But yes, we can provide you with what detail, on notice, that we have—

Mr DAVID SHOEBRIDGE: **Including an indication of when that modelling will be available?**

Ms WILKIE: Yes.

Answer

No briefing for the team has been received, however, the purpose of undertaking the modelling is to provide more robust baseline projections and scenarios around New South Wales' long-term future. This modelling will be taking place over the next year and will be available as part of, or prior to, the 2021 IGR.