



LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL TERRITORY

STANDING COMMITTEE ON PUBLIC ACCOUNTS

(Reference: [Inquiry into Appropriation Bill 2017-2018 \(No 2\)](#))

Members:

MRS V DUNNE (Chair)
MR M PETERSSON (Deputy Chair)
MS B CODY
MR A COE

PROOF TRANSCRIPT OF EVIDENCE

CANBERRA

FRIDAY, 9 MARCH 2018

This is a **PROOF TRANSCRIPT** that is subject to suggested corrections by members and witnesses. The **FINAL TRANSCRIPT** will replace this transcript within 20 working days from the hearing date, subject to the receipt of corrections from members and witnesses.

Secretary to the committee:
Dr B Lloyd (Ph: 620 50137)

By authority of the Legislative Assembly for the Australian Capital Territory

Submissions, answers to questions on notice and other documents, including requests for clarification of the transcript of evidence, relevant to this inquiry that have been authorised for publication by the committee may be obtained from the Legislative Assembly website.

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Amended 20 May 2013

The committee met at 9.00 am.

BARR, MR ANDREW, Chief Minister, Treasurer, Minister for Economic Development and Minister for Tourism and Major Events

LEIGH, MS KATHY, Head of Service and Director-General, Chief Minister, Treasury and Economic Development Directorate

BAILEY, MR DANIEL, Executive Director, Procurement, Property and Venues, Chief Minister, Treasury and Economic Development Directorate

CROKE, MS LEESA, Deputy Director-General, Strategic Policy and Cabinet, Chief Minister, Treasury and Economic Development Directorate

THE CHAIR: Welcome to the public hearing of the Standing Committee on Public Accounts inquiry into Appropriation Bill 2017-2018 (No 2) and Appropriation (Office of the Legislative Assembly) Bill 2017-2018 (No 2). These were two separate referrals to the committee, but I have made the executive decision that there will be one report on the two appropriation bills. If anyone wants to fight me over it, we can do it later. Today we will be hearing from the Chief Minister and Treasurer, Mr Barr; the minister for education, Ms Yvette Berry; and the minister for health, Ms Meegan Fitzharris.

Today's proceedings are being recorded and will be transcribed for the public record. Proof transcripts will be circulated to witnesses for comment before publication. Please familiarise yourself with the pink privilege statement on the table in front of you and state that you understand and agree to comply with these provisions. Witnesses, if you are making an opening statement—that is you, Chief Minister—keep them to two minutes max, because we do have quite limited time today. Mr Barr, I presume that you are familiar with the pink privilege statement, after all this time, and that you have read and understood it?

Mr Barr: Yes.

THE CHAIR: Do you wish to make an opening statement?

MR BARR: No, thank you.

THE CHAIR: Mr Barr, there are a range of provisions in the supplementary appropriation. How many of those are election commitments? If they are election commitments, are they complete implementation as per the election commitment, or is there any variation from them?

Mr Barr: There is a mix of initiatives, as you have highlighted. Some are electoral commitments that were entered into in the 2016 campaign. They have been acquitted in accordance with the commitments that we made. There are other initiatives contained within the appropriation that were not explicit election commitments but either meet pressing needs within directorates or respond to other government policy requirements.

THE CHAIR: Do the ones that are election commitments adhere to the commitment made in the run-up to the 2016 election, or has there been variation? You might take this on notice, because I think I will be asking all ministers who appear, and it might

be easier to provide a table that says yes if it complies and, if there is a variation, what the reason for the variation is.

Mr Barr: Yes, I am happy to provide that detail on notice. In some instances it may be that commitments have been brought forward in terms of their rollout, but in most, I imagine, it would be a case of commitments that were made to be delivered during the parliamentary term, some of which are being delivered in this particular appropriation.

MR PETTERSSON: Chief Minister, the Pegasus Economics report provided to PAC as part of its inquiry into the appropriation bill described some of the macro-economic forecasts as optimistic. How have the actual results and updated forecasts, based on new data reported in the budget review, compared with those prior projections?

Mr Barr: The Pegasus report was unduly pessimistic, given the performance of the territory economy across most of the key measures. Employment growth through the calendar year 2017 at 4.6 per cent, or the creation of 10,000 new jobs in the economy, moving from 220,000 jobs, roughly, to 230,000 jobs within the territory, was a very significant increase in employment and, when measured against the long-run average employment growth, was really an outstanding result for the territory.

Pleasing also was our gross state product 2016-17 result of 4.6 per cent growth. In the state final demand figures that were released earlier this week the ACT recorded the strongest growth of all the states and territories, I believe. I can give you a run-down between the different states and territories. In the quarter, we grew by 1.6 per cent as measured by state final demand. Tasmania was the next strongest, at 1.3 per cent. New South Wales was at 1 per cent. Queensland was at 0.9 per cent. The others recorded more modest growth or, in the cases of Western Australia and the Northern Territory, their economies contracted in that quarter.

Through the year, the ACT state final demand growth was five per cent. That was the highest in the nation and ahead of the Australian result, which was 3.1 per cent. All components of ACT state final demand contributed positively to that growth. Private capital investment, particularly strength in dwelling construction, machinery and equipment investment, and both government and household final consumption expenditure increased.

It represents a period of strong economic growth for the territory. It perhaps indicates that, although the art of economic forecasting is a challenging one, those who have been talking down the ACT economy have been unduly pessimistic. Perhaps the estimates committee can consider who they pay to provide commentary on the ACT economy in future.

MR PETTERSSON: What factors do you think contribute to this strong growth?

Mr Barr: We are certainly seeing the export sector of our economy performing strongly. We are seeing growth in professional, scientific and technical services. Higher education exports grew by nearly 25 per cent in the last year. We are also seeing growth in the health and community services sectors. As the NDIS transition

scales up, you are certainly seeing growth in that area.

The commonwealth has outsourced a range of activities, so the commonwealth public sector has not been growing in size, but the volume of work performed for the commonwealth has shown a familiar pattern. The work still needs to be done, so more of it is being done by consultants in the private sector. You are seeing those particular areas associated with commonwealth government requirements growing strongly—defence, national security, cyber and ICT related areas in particular.

Education, retail, tourism, hospitality, construction—a broad range of sectors have contributed positively to both the territory's economic growth and the growth of our labour market.

MR COE: Will you please provide some information about how you scoped the upgrade to facilities at Manuka?

Mr Barr: Yes. We can take that on notice and provide that information.

MR COE: What are you doing at Manuka?

Mr Barr: We are building a media centre and improving landscaping and various other requirements to host the test match next summer.

MR COE: What are the features or specs of the media centre?

Mr Bailey: What we are doing is building an international standard media centre, which was a requirement to host international cricket matches and test matches. There are certain standards that are required, aside from the technology standards that we need. I can take that on notice in terms of getting the specs of the site, the number of rooms and things like that. It is versatile. Aside from the test, the centre will be able to be used at Manuka for the Giants, for example, and they can use it for corporate hospitality as well, when it is not in use for cricket. The location of the centre itself has to be behind one of the bowlers' arms, which is why it is on one of the sides there, but for AFL they actually like it on the side for commentating.

MR COE: How is that going to work?

Mr Barr: There are facilities in the Bradman Stand that allow for commentary and coach boxes and the like for AFL, and this is required for cricket. For AFL games it can be a corporate space, and then in the context of cricket there is more corporate space available in the Bradman Stand.

MR COE: So the boxes in the Bradman Stand could be used for—

Mr Bailey: No.

Mr Barr: The function being on the ground floor, yes, but the upper levels—

MR COE: But you just said that during cricket—

Mr Barr: The media centre is in use for media, and for cricket there is the capacity for players, coaches and others to use the Bradman facilities. But it is the media centre for cricket and it is an additional commercial facility in the AFL context. When neither sport is using the venue, the media centre can be utilised for events, be available for hire, and the like.

MR COE: Is there a demand for additional space outside of sporting events?

Mr Bailey: Manuka is used quite regularly. The Bradman centre now is used for a lot of corporate—

MR COE: Yes, I understand that it is currently, but is there demand for another space—for, in effect, two concurrent events happening?

Mr Bailey: Absolutely, yes. And working with the Giants—they are very happy, as well, that they can utilise this space.

MR COE: If that was one of the features or selling points, do you have any details about revenue—

Mr Barr: Yes, the business case included a revenue amount.

MR COE: What is the revenue stream?

Mr Barr: It is around the \$100,000 a year mark, is it not?

Mr Bailey: Yes, I think that is the price point.

THE CHAIR: On an investment of what?

Mr Barr: The total investment is about 13.

THE CHAIR: That is a pretty low return.

Mr Barr: For non-sport related activities, yes.

MR COE: Whose standards are these international standards that you are complying with?

Mr Barr: ICC and Cricket Australia.

THE CHAIR: What I am understanding is that they are things that you have to do or you cannot get a test match.

Mr Barr: Yes, or host any international cricket. What we had to do previously was build temporary facilities, put up big marquees. All of the international cricket we have hosted has required a temporary media facility to be built. This will mean you no longer have to do that. So the costs of staging any future matches—if we did not do this, we would be up for millions each time we hosted an event, in order to put up the temporary facilities.

THE CHAIR: For instance, when the world cup was here, what would it have cost to put up those facilities?

Mr Bailey: I can take that on notice, but it is quite significant.

THE CHAIR: Thank you.

MS CODY: We are currently successful in getting some more international cricket to Manuka Oval. Obviously this new media centre will assist with those bids.

Mr Barr: Yes, the combination of the lights, the playing surface improvement and the increase in capacity at the venue, together with this investment, gives us the infrastructure necessary to be able to reduce the significant temporary infrastructure that needs to be put in place for those events, and also makes the venue compliant for a future program. Some of that is already contracted with Cricket Australia. Australia will be hosting, as you would be aware, the—

MS CODY: The Women's World Twenty20.

Mr Barr: Men's and women's, and Canberra will be playing a significant host city role for the women's event, yes.

MS CODY: Absolutely.

MR COE: Could you take on notice, Chief Minister, a breakdown of that \$13 million in terms of construction, as opposed to the communications systems and the technology, and also—

Mr Barr: Yes, the available space.

MR COE: if there are any plans or artists' impressions or something like that.

Mr Barr: Yes, they are all publicly available.

MR COE: Thanks.

MS CODY: Chief Minister, the government has made some changes to the utility concessions in the budget review. What are the effects of those changes on pensioners living in caravan parks and other group facilities?

Mr Barr: From 1 January, the utilities concession will be extended to long-term residents of caravan parks and retirement villages with embedded networks. They will become eligible for the concession. Under the previous system, the concession was only applied to people who had an individual electricity meter. For the implementation of this initiative, the Revenue Office has contacted caravan parks and retirement villages with eligible residents. The concessions apply from 1 January 2018. This delivers around \$112,000 per year to that cohort, who previously did not have eligibility for the concession. The concession is increased from 1 July by \$50, from \$604 to \$654. That cost is around \$1.7 million.

MS CODY: That is \$654 per annum?

Mr Barr: Yes, and the cost to the budget is \$1.7 million in 2018-19.

MS CODY: Why has the government prioritised assisting low-income households as the budget improves?

Mr Barr: This is really an opportunity for us to assist those who, for a technical reason, are unable to access a concession. Finding a way through the embedded network electricity issue was an important outcome and one that clearly targets a concession at a group of low-income Canberrans, which is important.

We have undertaken further work, following the concessions review, in terms of how we can better target our concessions. There were changes to the utility concession to consolidate that as a single payment, to focus particularly on those that gave a greater benefit to those who are renting than to those who own. That did target the first and second income quintiles for more assistance.

The work we had done in the concessions review indicated that those two income quintiles were the most vulnerable in Canberra and that there were a variety of ways that we could better target our concessions, increase them and provide them to those who had the greatest need. These initiatives, together with the changes that were brought in following the concessions review, led to a significant improvement for those in the bottom two income quintiles.

MS CODY: That is very good news.

THE CHAIR: I have a question on borrowings, Treasurer. The 2017-18 budget showed an increase in net borrowings from \$176 million in 2016-17 to \$485 million in the 2017-18 budget, but the midyear review shows a further increase in net borrowings to \$501 million. Can you elaborate on what necessitated this increase in borrowing?

Mr Barr: The total territory borrowing program over the budget in forward years remains largely unchanged from the estimates that were set out in the 2017-18 budget. There have been some changes in the update to reflect the timing of cash flows. The estimated actual annual new government borrowings have been re-profiled and put in that particular table contained within the papers associated with the appropriation. That sees new borrowings reduce in 2017-18 and 2018-19.

The cash flow changes that are outlined in the territory banking account reflect an improvement of \$155 million in the territory bank account's actual cash position compared to the estimated outcome. This is due to a higher level of revenue received on behalf of the territory, lower appropriation repayments, expenses on behalf of the territory being lower and the capital injection being lower, offset by lower capital distribution receipts which, I am advised, mostly comprise \$50 million from the environment and planning directorate in relation to the loose-fill asbestos insulation eradication scheme and \$29 million from the former Land Development Agency. If it helps the committee, I will get a reconciliation of that and provide it.

THE CHAIR: That would be good. There were too many numbers running around there. I am still a little confused. The midyear review shows that we are increasing borrowing to \$501 million, but at the same time you are saying that there is less borrowing.

Mr Barr: In terms of new borrowings, yes. The change in profile largely reflects the capital program, the delivery schedule and the need. We do not borrow ahead of needing the capital. As the territory's cash position continues to improve, we are able to re-profile and push out the need for new borrowing.

THE CHAIR: Can you advise the committee, on notice, how that re-profiling might pan out through the outyears?

Mr Barr: Yes, sure.

THE CHAIR: What you are actually saying is that you are bringing some of that expected borrowing forward into this year but that overall there will be less than anticipated in the outyears?

Mr Barr: There is an issue of new borrowing that was foreshadowed in the budget required for this current fiscal year that we are heading towards, being three-quarters of the way through, versus the borrowings for previous years. Then, as the cash position improves, the need for new borrowings reduces. But the infrastructure program, of course, rolls on. It is like a wave as it rolls through the forward estimates.

THE CHAIR: The committee would benefit from seeing that wave on paper.

Mr Barr: We can provide that detail.

THE CHAIR: Thank you. If the cash position is improved, is that because of the additional top-up of commonwealth funding: \$66 million on top of the—

Mr Barr: It depends on what you consider commonwealth funding. The GST is not commonwealth funding; it is a state and territory revenue source. The top-up, such as it is, reflects the fact that the ACT's population share is larger, because the ABS, in between the five-yearly census period, really struggles to track internal migration within Australia. They are very good at capturing births and deaths. About half of the ACT's population growth is the excess of births over deaths. Our natural population increase is about one per cent each year. It is between 0.8 and one per cent. Making babies is not going out of fashion, and certainly—

THE CHAIR: Some would argue about that.

Mr Barr: I can report that that continues to be a significant contributor to the ACT's population growth.

The ABS are pretty good at capturing the first point of arrival for migration into the country, but internal migration between states and territories is very difficult for them to track. What has happened consistently for the ACT in the 15 years for which I have

paid attention to these matters is that, when it comes to census day, their estimates have been out and have erred on the low side in terms of the number of people from interstate who are in Canberra.

What happened was that they found about 10,000 more Canberrans on census night, which meant that our share of the national population increased from 1.6 to 1.7 per cent, roughly, and then our GST pool distribution increased, because we get slightly more than a per capita amount. Our relativity is above one. That meant that the ACT share of the total GST pool increased and, fortuitously, the total GST pool increased marginally from what the commonwealth had been forecasting. That revenue has come into the territory. So, in effect, we have got the catch-up. We do not get five years of catch-up; we really only get the current fiscal year and projected forward—

THE CHAIR: But that was \$66 million that was not anticipated in the budget.

Mr Barr: Yes. And we have been experiencing, of course, all of the expense side of that. The people are here and are enrolling in schools, presenting in hospitals and utilising services, but we were not receiving the appropriate amount of GST revenue. So we are now in that part of the cycle where the official allocation of GST has caught up with the reality of our city's population.

THE CHAIR: The \$66 million was not anticipated in the budget, but it is in the midyear review.

Mr Barr: Yes. We have got the census data and we have got the commonwealth's midyear update, which is the other new data point and proof point for the GST allocation. The two factors working in our favour were our share of the national pool being bigger and the total pool of GST being slightly bigger than the commonwealth had forecast. That has helped. But then our own source revenue has improved, particularly on the payroll side, with the strength of the labour market. Those 10,000 extra jobs, given the fact that almost none of them were in the commonwealth public service, all fall into the payroll tax net—well, not all of them but a larger portion.

THE CHAIR: Could you take on notice what makes up the \$155 million increase?

Mr Barr: The improvement—yes, we can.

THE CHAIR: Thanks.

MR PETTERSSON: The government announced a land tax surcharge for foreign investors in the budget review, which follows the introduction of the vacant property tax in the 2017 budget and new investment in a housing innovation fund. How do these new initiatives fit into the government's broader agenda on housing affordability?

Mr Barr: From 1 July this year, foreign investors will be charged an annual land tax surcharge of 0.75 per cent on the AUV of residential land that they own. To be clear, the charge does not apply to ACT residents or investors, domestic investors. It will

provide, together with a number of other measures that we have announced, assistance for local homebuyers to compete with foreign investors. The surcharge will increase land tax for a median residential unit with an average unimproved value of \$101,372 by around \$760, and for the median house with an AUV of about \$330,000 by \$2,470 in 2018-19.

Similar surcharges, in fact more significant surcharges, have been applied in New South Wales, Victoria and Queensland, and I understand that a number of other states, if they have not already done so in their midyear updates or budgets, will be doing this. The commonwealth have made a number of changes to their requirements in relation to both bank lending to investors and their own range of regulatory interventions around foreign investors in particular. Former Treasurer Joe Hockey, I think, even took a property from a foreign investor as a result of an FIRB examination of that particular acquisition.

The surcharge is estimated to raise around \$4 million over the three years from 2018-19 to the end of the forward estimates period, 2020-21. The suite of measures that have been applied by state and territory governments and by the commonwealth have certainly seen the investor side of the market cool a little. It clearly was a deliberate intention of both the federal government's interventions through APRA and their requirements on the banks around loans for investment properties, tightening those requirements, together with what we have implemented. Arguably this either levels the playing field particularly for first home buyers in our market or possibly even tilts the playing field slightly in their favour.

MR COE: What is the impact on house prices going to be as a result of the 0.75 per cent?

Mr Barr: It will be relatively modest. The experience in the other jurisdictions that have applied these sorts of arrangements has been either a moderation in house price growth or some falls. The Sydney market perhaps is the outlier here in that those prices had risen faster than those in the rest of the country for quite an extended period. I think it was the heat in the Sydney market that led the federal government to make the changes they did in relation to investors, particularly foreign investment. There was a concern, particularly in Sydney and to a lesser extent in Melbourne, that there was a large amount of foreign capital being parked in residential property. It was not even necessarily property that was then made available for rent.

MR COE: True, but here there is excess demand for apartments, is there?

Mr Barr: We have certainly seen it in some sectors of our market. There were about 280 such foreign investment outcomes in the ACT, according to the FIRB data. I will get that number; I think it was something like 274 or 278.

MR COE: Is that the basis of your calculation? It was \$8 million over four years—is that right?

Mr Barr: I think that was the figure that was used to provide an estimate on the revenue side. I am not suggesting, and when we introduced this I did not suggest, that this in and of itself is the only element of a solution to put some downward pressure

on house prices. But people who are out there looking to acquire their first home and the owner-occupier segment of the market have expressed considerable frustration, across the eastern seaboard in particular, about being outbid by foreign investors.

MR COE: Yes, but this is Canberra. With overseas buyers, especially if they are leaving a vacant property, it is often an apartment. In light of that, this is, I guess, going to have the biggest impact on the apartment market. Of those 280-odd properties, how many are units as opposed to standalone dwellings?

Mr Barr: I do not have that figure at hand. We can endeavour to find out. If the FIRB makes that distinction in terms of—

MR COE: But it is not just the FIRB; you are going to be putting a charge in place and you have got to—

Mr Barr: The Revenue Office will be able to—

MR COE: How will you determine that?

Mr Barr: It will relate to the purchase arrangements and which entity actually undertakes the—

MR COE: But as of 1 July there are going to be existing owners who get a 0.75 per cent increase in their land tax. How are you going to work out which ones are going to get that 0.75 per cent?

Mr Barr: We will know, in terms of the ownership of the property, whether it is foreign owned.

MR COE: How will you know that?

Mr Barr: The Revenue Office will have that information in terms of the owner of the property.

MR COE: So, in light of that, you should be able to tell me definitively, through a question on notice, exactly the breakdown of units versus standalone houses.

Mr Barr: Yes, we will be able to do that.

MR COE: Thanks. With regard to the Mr Fluffy scheme, the budget review says on page 38, in the line above the dot point, that an additional five remediated properties have been directly sold to an ACT government agency. Are you able to provide any additional information? Is that Housing ACT?

Mr Barr: I presume it would be, but we will take that on notice for you.

MR COE: Thank you—and also the prices that were paid; whether they are taking up the dual occupancy option, the unit titling option; and whether they were previously put to the market.

Mr Barr: Okay. So that is three questions?

MR COE: On notice, yes.

Mr Barr: Which agency—

MR COE: Price.

Mr Barr: And?

MR COE: A fourth, actually, is whether they are going to take up the unit titling option—and the sale method.

Mr Barr: Okay.

MR COE: Thank you.

MS CODY: Canberra grew by almost 7,000 people last year, as we have heard you say many times before, which follows much stronger population growth than expected between 2011 and 2016. What are some of the drivers of this population growth?

Mr Barr: We have seen a natural rate of increase of population. Births do exceed deaths each year and contribute to the growth of the city. As the city gets larger, the actual number of births over deaths continues to grow each year as well. Interstate migration had a period of at least being reported by the ABS as negative, assumed to be that way as a result of job losses in the commonwealth public sector in the 2014-15 period.

The ABS are now also reporting that that has turned positive. So more people are coming to Canberra from other parts of Australia, and we continue to receive a strong share of international migration associated with our skilled migration program requirements within the territory economy, together with a preference for many newly arrived migrants to settle in the Canberra region broadly.

There are contributing factors to that. Historically the strength of the labour market has had a very strong impact on the rate of our population growth. The stronger the labour market is, the faster Canberra's population grows. Our workforce participation rate is well above the Australian average. A shorthand way to describe Canberra is as a working city. So the more job creation there is, the stronger our population. Our comparative affordability, higher salaries and wages in this economy and relatively lower house prices and rental compared to Sydney, in particular, are a strong attracter for people to move into the region.

One of the other reasons why we have kept very strong levels of population growth is our ability to retain people post their working life. As the city ages—our 105th birthday is coming up over this long weekend—there are now multiple generations of families in the city. People were born in Canberra, so they do not have another city to go back to once their working life has concluded, either in full or in part. There is no doubt that our ability to retain people in that particular demographic has improved considerably. It used to be that people came to Canberra to work and retired back to

where they came from or retired to a spot, say, on the south coast of New South Wales.

MS CODY: Or north Queensland.

Mr Barr: Or north Queensland or wherever. One could speculate that the availability of cheap real estate on the New South Wales south coast has perhaps expired, and the quality of service provision, particularly in health, is not as good the further you are away from a major city. Because of factors of family, of birthplace, of quality of service and quality of life, more people are retiring and staying in Canberra than was the case previously. That, combined with a strong labour market, combined with a strong birth rate, sees our city's population grow ahead of the national average in recent times.

Those who are interested in politics will look at one particular barometer of this: the number of seats we have in the House of Representatives. For a period, we fell below three House of Representatives quotas. We are now well above that and projected to continue to grow very strongly. It will not be long before the ACT's population passes Tasmania's. Our economy is already larger than Tasmania's, and our population will surpass the Apple Isle's within our lifetimes.

THE CHAIR: Is the \$615,000 for the reportable conduct scheme the first extra injection of cash into the reportable conduct scheme? I had a recollection that there was previously a boost in funding for the reportable conduct scheme.

Ms Leigh: There was; that is correct.

THE CHAIR: What was the original amount?

Ms Leigh: I will just check. For the original amount, because it is a new scheme, an assessment was made of what the requirements would be.

THE CHAIR: I recollect that the Ombudsman told the PAC recently that they had received some additional funding.

Ms Leigh: That is correct.

THE CHAIR: Can you tell us what that was? On notice is fine.

Ms Leigh: The additional funding is the additional funding that appears—

THE CHAIR: Is it this \$615,000?

Ms Leigh: That is right.

THE CHAIR: So this is the only injection of funding?

Ms Leigh: This is for one year. This is to address what we now know to be the demands on the Ombudsman's office, because originally, of course, we had to make an assessment. Plus it allows them to begin their preparations for religious organisations being covered.

THE CHAIR: That is from 1 July?

Ms Leigh: That is correct.

THE CHAIR: We have not seen the legislation for that yet, have we?

Ms Croke: No, not as yet. We are still consulting with religious bodies. But that consultation closes on 16 or 18 March, and then we will be preparing the drafting of the legislation.

THE CHAIR: That is a pretty tight time frame if it is going to be implemented by 1 July.

Ms Croke: Yes.

THE CHAIR: Why is this only a one-off?

Ms Leigh: The Ombudsman is conducting a review of exactly what their needs are. This is to address what we currently know.

THE CHAIR: This is the current, immediate need, but there may be increases over time in the outyears?

Ms Croke: They have got base-level funding in 2016-17.

THE CHAIR: Yes, I know. But—

Ms Croke: This is just to address this year.

THE CHAIR: I am just wondering why this is a one-off. It is, in a sense, an interim increase in funding while you work out how much you need?

Ms Leigh: That is correct. You asked what the original funding was. It was \$1.3 million over four years.

THE CHAIR: This is a substantial increase. It is more than doubling the funding in this financial year—yes?

Mr Barr: Yes, it is.

THE CHAIR: Thank you very much. There will be a transcript. We have not anticipated questions on notice because I appreciate that the government would like a quick-ish turnaround on this report, but—

Mr Barr: We will have a quick-ish turnaround on questions on notice.

THE CHAIR: To some extent it will be dependent upon the arrival of the proof *Hansard* as well. I cannot give you a definitive reporting date, because it is in the hands of Hansard to some extent.

Mr Barr: Sure.

THE CHAIR: Thank you very much, Chief Minister and officials.

Hearing suspended from 9.45 to 9.55 am.

BERRY, MS YVETTE, Deputy Chief Minister, Minister for Education and Early Childhood Development, Minister for Housing and Suburban Development, Minister for the Prevention of Domestic and Family Violence, Minister for Women and Minister for Sport and Recreation

HOWSON, MS NATALIE, Director-General, Education Directorate

HUXLEY, MR MARK, Chief Information Officer, Education Directorate

NAKKAN, MR JOHN, Director, Infrastructure and Capital Works, Education Directorate

THE CHAIR: Welcome. I request that you note the pink privilege statement and indicate when you first speak that you are aware of the privilege implications. Minister, would you like to make an opening statement?

Ms Berry: Yes, please.

THE CHAIR: Can you keep it brief, please?

Ms Berry: Yes. I am always brief. I start by acknowledging the Ngunnawal people and paying my respects to their elders, past, present and emerging.

Thanks for giving us the chance to come and talk with you today about some important initiatives for education in the ACT. The ACT government is committed to providing ACT children with the facilities and resources to get a great education. The 2017-18 ACT budget invested millions into the renewal of Canberra's public school facilities. This is a big investment, and work is happening to put it to best use. New learning spaces, toilets, change rooms, garden and horticultural facilities, heating and cooling upgrades, and energy efficiency improvements are all underway.

As part of this investment, the government commenced work on the better schools for our kids program to modernise two of Canberra's older schools, Narrabundah College and Campbell Primary School. They were to have facilities upgraded and asbestos removed. Several of the existing buildings at these schools could not be upgraded, due to the presence of asbestos. The decision was made, as with many old buildings in the ACT, to make sure that these buildings were safely demolished. New suitable and sustainable classrooms will be built for these school communities. New transportable classrooms arrived at Campbell primary in term 4 last year, and transportables are due to arrive at Narrabundah during term 1 and term 2 of this year. The response from both school communities has been very supportive. Staff and students are excited about the opportunities to teach and learn in these new purpose-built transportable classrooms.

Students also need other resources, of course, to foster high quality learning. In 2016 ACT Labor made a commitment to give every public high school student from years 7 to 11 a device. The laptops in schools initiative ensures that all public school students in years 7 to 11 have access to a device to support and enhance their learning. This term, every year 7 to 11 student has received a device, which makes the ACT the first state or territory to provide a device to every school in the public system in years 7 to 11. The provision of this device will support every student and ensure that technology is not a barrier when it comes to education in the ACT.

This supplementary appropriation will invest a further \$23.866 million to progress the better schools for our kids program at Narrabundah and at Campbell Primary School, in addition to the \$1.2 million already allocated in the 2017-18 budget, bringing the total investment in this program to \$25.066 million. An amount of \$11.751 million will be appropriated for the laptops in our schools initiative, which includes recurrent funding from 2017-18 to 2020-21. This funding includes the cost of purchasing the devices, staffing costs and administration. Included in the supplementary appropriation are rollovers to bring the budget figures up to date. This includes various IT and infrastructure upgrades across a range of schools.

THE CHAIR: I will begin with the laptops in schools. What is the unit cost of a laptop?

Mr Huxley: I acknowledge the privilege statement. The unit cost is approximately \$450 per Chromebook.

THE CHAIR: Are we buying them outright, or do they come with some sort of maintenance contract?

Mr Huxley: We are buying them outright, but they do come with 12 months warranty.

THE CHAIR: What happens after that?

Mr Huxley: The schools are being set aside a range of devices that can be used for replacement in the second and third years.

THE CHAIR: So they are essentially disposable items when the warranty runs out, and when they break down they go?

Mr Huxley: They have a three-year life; that is the actual life expectancy of the Chromebook. That is based on a range of these devices already being used in school systems widely across the country and on our own experiences with them. The value proposition of buying the second and third-year warranty does not stack up in terms of the overall cost of the program.

THE CHAIR: It never stacks up.

MR COE: Is that warranty in the first year a replacement?

Mr Huxley: It is a replacement warranty if it arrives in the first two weeks and it is inoperable. That is a direct replacement as we speak today. There is a 24-hour response time for warranty call-outs to the schools. If it can be fixed through a simple mechanism, it is within the warranty to do so. If it cannot be, it will be replaced in the first 12 months.

MR COE: What is the actual model of the Chromebook that you are procuring?

Mr Huxley: It is the Acer Spin 11.

Ms Berry: There is one in my office, if you want to—

MR COE: Yes, I saw that email, thanks.

MS CODY: Can you just refresh my memory? It is for every year 7 and every year 11?

Ms Berry: To year 11.

MS CODY: Years 7 to 11?

THE CHAIR: What has happened to the 12s?

Mr Huxley: The reason why we brought the funding forward was to deliver it to all students in years 7 to 11. It gives teachers consistency in their lesson planning and delivery in the high school and college space when the students in those years have those devices. It means that as they go from the year 7 class to the year 8 class they can continue to apply the same teaching methodology and practice. That is why the initiative was brought forward from the original commitment that was made. For year 12 students there are already a significant number of devices out in schools at the moment. Devices in schools are not a new thing. We have had investment in devices in schools for a period of time. A number of these students have their own access to a device and they are only within the system for another seven months at this point in time, so in terms of sustainability we thought that that was the best model and approach.

MS CODY: So the children take their laptop with them from year 7 through to year 10 or 12—because some schools only go to year 10. Their Acer Spin 11 goes with them basically through their journey through the school system, yes? They do not just leave it at the end of year 7 and have to pick up a new one?

Mr Huxley: No.

THE CHAIR: So in a sense it is theirs. Who owns it?

Mr Huxley: The territory has retained ownership of the device.

THE CHAIR: But the student has possession of it?

Mr Huxley: Yes.

THE CHAIR: Even during the holidays and the like?

Mr Huxley: Yes.

THE CHAIR: Kids leave things on the bus all the time. What is going to stop these turning up in Cash Converters or somewhere like that? What safety mechanisms are there?

Mr Huxley: Part of the attractiveness of the Chromebooks for us is that only students who have an IT account in the public school system can access the devices, so if they

are picked up by anyone else they are unusable; they are essentially bricks. There is no value proposition in trying to on-sell them to anyone else, because they simply will not be able to use them. There will be a return to sender screen if they try.

MR COE: If they do lose them—genuinely lost, as opposed to stolen—what is the policy at this stage?

Mr Huxley: All schools have been provided with a number at the local school level to manage any issues around students in relation to lost, stolen and damaged. We expect the students—and this was part of the terms in signing up—to treat them with good intention. Schools do negotiate with the parents if there are incidents around damage et cetera. They would then negotiate to take one of the stock available at the school to replace it in those circumstances where it was reasonable that the student should receive another device.

MR COE: But in the event that it is not reasonable, in the event that they have just lost it or they have done something stupid, as is inevitable, what is the policy?

Ms Berry: First of all, they are pretty hardy.

MR COE: Yes, but the scenario is—

Ms Berry: Sure, I know. Have a look at my phone.

MR COE: Exactly. So what is the plan? I guess there does come a point where the family cannot afford one, yet if 23 kids in the class have one and one does not—

Mr Huxley: Schools negotiate with families on a regular basis around the use of their assets that the school and the students use. If it is an incidence of malicious damage then the parent might be asked to make a contribution to the replacement of that device—where the student has maliciously done something to it. Where it has been inadvertent, careless—if it is a pattern of behaviour then the school is in a position to make a local decision on whether they should best replace that device.

MR COE: But in the event that parents cannot make a contribution—

Ms Berry: The schools would make a decision based on the family's needs.

MR COE: I understand, but what is that decision? The whole point is that every student at all times has the same platform. I can envisage situations, albeit very rare situations, where there is a problem.

Ms Berry: If there was a problem where there was a family that was unable to manage a contribution or there was something going on with that family or the child or whatever, the school would provide the supports and provide a second, or a third in the unfortunate circumstance that that could occur. There are Chromebooks available to replace, in situations like that, should it—

MR COE: What is the percentage of excess that you are initially ordering, and what is the total, either the percentage or the number, that you think you will require over

the next year?

Mr Huxley: We left an estimated five per cent contingency for each school to manage locally.

MR COE: That is up-front? You will get an extra five per cent delivered up-front? And are you able to procure more at that \$450 rate?

Mr Huxley: We have a panel arrangement available through the territory, which is managed by Chief Minister's, in shared services, and we have taken advantage of that. That is still available to us, moving forward.

MS CODY: Every child has taken up the Chromebook?

Mr Huxley: We have had quite a high uptake. Preliminary figures based on the three-week rollout show a 90 per cent uptake so far. We had a significant impact of fear of missing out, though. When the devices actually did show up at the schools, there were those kids who had been a little bit recalcitrant in getting their forms signed, and we are seeing forms still coming in now from the students. We continue to monitor that rate and continue to expect it to grow.

MR PETTERSSON: Are these kids not bringing their forms in because they already have a device and do not think they need it? Or are they just normal schoolkids and losing notes?

Mr Huxley: In some instances some students do have a device that they prefer to use—a very high-end Mac device or the like. But the vast majority of students elected to take up the device. I think the students are actually quite pleased with the quality of the devices being provided under the initiative, and they have been very responsive, once they have seen them, in getting their form signed.

MR PETTERSSON: There was mention earlier, I think, that students would have the device from year 7 through to year 12. Is that the singular device they are given in year 7 that they are expected to carry through to year 12, or is there an upgrade or a replacement somewhere along the line?

Mr Huxley: So far the initiative has been funded for three years. We are going to review the implementation at that point in time. At the moment the three-year life cycle is what we are expecting.

THE CHAIR: What are the performance measures that you are expecting to see and that you will be reviewing in the three-year review?

Mr Huxley: We are exploring those at the moment. The big focus, though, is on equity of access for all students. Equity will be a fundamental measure of the success of the initiative going forward. The reason is that a significant number of the things that students are asked to do on a day-to-day basis are online. The Australian curriculum is online. Digital curriculum resource materials to support the Australian curriculum are online. Things like Wikipedia, Khan Academy and a whole range of resources kids use to do their research, their assignments and their tasks are all online,

and increasingly even our testing is moving online. To ensure that every student has equitable access to that device is an absolutely key fundamental deliverable under the implementation. We see it as, increasingly, an essential piece of the day-to-day of how a school operates and functions. So that will be the base measure. A range of other variables come into student improvement and performance. Providing a device is one thing, but teacher quality and a whole range of other factors at the school level feed into that.

THE CHAIR: Are you seeing this essentially as an equity measure? You will not necessarily be measuring whether it provides better outcomes in terms of enhanced achievement?

Ms Berry: Because of the equity measure, it will undoubtedly improve academic performance for all kids, because they will all have the same device.

THE CHAIR: Will it?

Ms Berry: They will all have the same device, and that means teachers will be able to spend more time with students rather than being an expert across a whole bunch of different devices. There will be one device that works with the systems in our schools. The outcomes could be measured as a result of this, because teachers will have more time to spend with individual students rather than—

THE CHAIR: But will you actually be measuring outcomes apart from just equity?

Ms Howson: I acknowledge the privilege statement. As Mark was saying, and in answer to your question, Mrs Dunne, we expect that, in the main, this is about demonstrating access to digital technologies. For that reason it is, first and foremost, an equity measure around access, so that all young people and secondary students can participate in the same sorts of learning experiences.

Within the Australian curriculum there are elements of what we call the general capabilities—skills like problem solving, digital citizenship, confidence with the use of ICT technologies. We would be looking at our evaluation being able to demonstrate that those competencies are being met by students. That is an area that we are looking at more broadly, in the way in which we are considering assessment in ACT schools. We would also be looking at measures around teachers' confidence and changes in pedagogical practice as a result of universal access to these platforms.

THE CHAIR: But not necessarily universal improvement in student performance?

Ms Howson: As the minister said, with the contribution of that particular platform to developing general capabilities that exist within the Australian curriculum, we would expect to see some improvement there. But this is a new area of assessment and it is something that we are building a baseline around at the moment.

THE CHAIR: At this stage you have not quite worked out what the review evaluation will look like, and what you will—

Ms Howson: We are in the process of putting that together right now.

THE CHAIR: What sort of time line will there be? If we come back in annual reports hearings or something like that, will you be able to talk about—

Ms Howson: Will we be able to be clearer about the elements?

THE CHAIR: Will you be able to be clearer about that?

Ms Howson: Yes, we will.

MR PETERSSON: Can you tell me about some of the works going on at Narrabundah College and Campbell Primary School?

Mr Nakkan: I acknowledge the privilege statement. The current status of Campbell Primary School is that five transportable buildings have been delivered and have been occupied by students from day one of term 1. The two-storey aged building has been demolished and that site has been rehabilitated.

THE CHAIR: Rehabilitated?

Mr Nakkan: We have cleared the site. It is fenced off at the moment, and we are laying turf on that space.

THE CHAIR: Are you going to replace the building?

Mr Nakkan: We are going out to the community and the school to determine what the next step is—the best way to construct and design an educational facility for the rest of the school.

Ms Howson: But we will be replacing.

Ms Berry: Yes.

Mr Nakkan: Yes.

THE CHAIR: It will be replaced, but you do not have a plan yet for the replacement?

Mr Nakkan: That is right; we are in consultation with the community.

Ms Howson: We have a plan that the buildings will be replaced. What we are consulting with the community about is the form and nature.

THE CHAIR: What is the time line for deciding what you are going to replace it with? It is like asking, “How long is a piece of string?” Depending on what it is, you do not have an end date in sight. You have appropriated money, but you do not know what it is that you are building.

Ms Berry: No. A lot of that was for the transportable classrooms.

THE CHAIR: Does this appropriation include the new building?

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Ms Howson: This appropriation includes our capacity to do the feasibility and design for the new building. It also includes the cost of establishing the transportables and demolishing the buildings that are problematic.

THE CHAIR: But most of that work has already been done.

Mr Nakkan: At Campbell?

THE CHAIR: At Campbell, yes. That work has been done at Campbell?

Mr Nakkan: Yes.

THE CHAIR: So presumably it was already appropriated.

Ms Howson: That is a matter for budget.

Ms Berry: For the future works?

THE CHAIR: No. Where is the appropriation for establishing the five demountable buildings and the demolition and the rehabilitation? Is it in this, because you have already spent that money?

Ms Howson: Yes, that is correct.

THE CHAIR: You have spent that money in anticipation?

Ms Howson: No, that is the money that has been allocated and appropriated for the demolition and procurement.

THE CHAIR: But you have already demolished the building?

MR COE: It has not been appropriated.

Ms Howson: Yes, that is right.

THE CHAIR: It has not been appropriated. The demolition money has not been appropriated, although you have demolished the building?

Ms Howson: We have demolished the building.

THE CHAIR: So you cash manage that through the department?

Ms Howson: Yes.

THE CHAIR: Okay. That is unusual.

MR COE: It does beg the question: what is the appropriation for?

MS CODY: Can I ask a clarifying question? The buildings at Campbell have been

demolished?

Ms Howson: Yes.

MS CODY: There is work going on at Narrabundah school as well. Where are we up to? Have they been demolished?

THE CHAIR: That was Mr Pettersson's question. Before we go to Mr Pettersson's question, I want to clarify this. The money in this appropriation is, in part, for the demountables at Campbell, the demolition and rehabilitation of the site at Campbell and the consultation on what the replacement building will look like. However, you have already expended most of that money without appropriation.

Ms Howson: To be precise, \$1.2 million was appropriated, for the feasibility and design work for the future. We are cash managing—you are correct—the demolition of Campbell Primary School and the procurement of the demountables. We are able to do that in Education because of the size of our capital works program. The appropriation is attributed to these particular projects in order to restore the funding that is available for other capital works.

THE CHAIR: What has been put on hold in your capital works program while you cash manage this?

Ms Howson: The capital works programs are at different stages of delivery. Nothing has actually been put on hold in terms of progressing the initial works.

THE CHAIR: How much money did you have hanging around waiting to be spent?

Ms Howson: It is all attributed to projects—

THE CHAIR: I know, but how much have you spent on demountables, demolition and rehabilitation at Campbell Primary School which was taken from somewhere else to cash manage—

Ms Howson: I would have to get that detail for you, Mrs Dunne.

THE CHAIR: Thank you.

MR PETTERSSON: What about Narrabundah College?

Mr Nakkan: Narrabundah College is obviously much larger and significantly more complex. It deals with three two-storey buildings on the campus. Those buildings contain not just standard learning areas but science labs and art spaces. They are still in use at the moment. The project is to deliver approximately 25 transportable buildings onto the oval site, and as of this week the first building has arrived. They will be progressively delivered and installed over this term and throughout term 2.

Ms Berry: The difference with these ones is that a particular type of building has been required, as they are specialised buildings. There has been more to it than with the Campbell school transportables. There has already been significant consultation

with both school communities. The Campbell school community have been very engaged on the future of their school and the upgrades that will occur going forward.

Narrabundah is a little bit different because the school community is only there for a short period of time, but we will still engage with them, and the school teaching leaders are very engaged in the process as well. We will keep doing the same kinds of consultations there to make sure that students that come to that school in the future are involved in that as well.

MR PETERSSON: What sorts of time lines are we thinking of in terms of consultation and new buildings?

Mr Nakkan: We expect to be consulting at Campbell throughout this year, and with Narrabundah for maybe another six months beyond this year.

MS CODY: I have a supplementary about consultation. Minister Berry, you mentioned there could be an opportunity for students to have their say. Is that something we are looking at?

Ms Berry: Absolutely, and that is what we have encouraged with the Campbell school community as well. We want students to be engaged in that conversation because it is their school. In both cases we want to make sure that we get the best feedback from the community that we can, and not just from the grown-ups.

THE CHAIR: What sorts of time lines do you see for the 25 demountables on the playground at Narrabundah?

Mr Nakkan: Time line for delivery?

THE CHAIR: No; until they are no longer needed.

Mr Nakkan: We would expect a three to five-year sightline.

THE CHAIR: You would have possibly three cohorts through the college. Do you expect, minister, that that might have an impact on enrolments?

Ms Berry: It has been considered, but the important thing, when I have been talking to the school principal at Narrabundah, is that Narrabundah has a very strong culture and a very strong reputation. She is confident, and I think we are all confident, that that culture will mean that enrolments at that school are maintained. Yes, it will be different, but once people go and visit the school they will see the quality of these classrooms, which will be quite outstanding. I think people will be impressed with the quality of education that will occur and continue to occur.

THE CHAIR: What about the common spaces? It is a college. From my recollection of Narrabundah College—it was in the previous millennium, the last time I had a student at Narrabundah College—there are a lot of communal spaces. Has that been catered for?

Mr Nakkan: Yes.

THE CHAIR: What about the connectivity between those spaces? It will be damned cold for long periods of time.

Ms Howson: Ironically, these buildings that we are bringing in, the transportables, will be more efficient in terms of providing comfortable learning spaces for students. In that respect they will be better classrooms, better learning spaces. The buildings are being connected through covered walkways and boardwalks. The way in which we are putting in this temporary accommodation will accommodate those sorts of issues.

Mrs Dunne, in terms of your previous question, there is something I should have mentioned. It does not go to answering your question about the cash management issue. In the budget papers for 2017-18 we did have provisioning for the construction of the new builds in Narrabundah and Campbell. It was not for publication, for obvious reasons around procurement, but the provisioning is there.

MR COE: With regard to independent schools, have there been any changes to the funding arrangement from the commonwealth, through the ACT?

Ms Howson: Not at this stage. In terms of the appropriation that flows through our budget to the independent sector for this calendar year, the federal government have maintained the existing arrangements. They are negotiating for an appropriate transition, in accordance with their new model, I believe to commence from 2019.

MR COE: What funds actually do go through the directorate from the commonwealth with regard to our non-government schools?

Ms Howson: All the funding that flows through from the commonwealth, their 80 per cent contribution or thereabouts, goes through our books to the non-government sector.

MR COE: If there was a rollover of those funds, what would be a cause of that?

Ms Berry: I do not know that this line of questioning, Mr Coe, is appropriate for this committee. It is not information that we have in front of us, to be able to respond and provide that information to the committee. We are happy to—

THE CHAIR: There is a rollover in the appropriation.

MR COE: There is a rollover of \$263,000 and I was wondering—

Ms Howson: They are attributed to specific initiatives within the national partnership agreements—

MR COE: What are those?

Ms Howson: that have not been completely delivered yet. I will see whether my colleagues can support me; perhaps we could come back to that question in the course of this hearing.

THE CHAIR: Okay. On page 61 of the supplementary budget paper, there are a number of FMA 16B rollovers.

Ms Howson: Yes.

THE CHAIR: There is \$263,000 to the independent schools. With the national quality agenda for early childhood education, is that yours as well?

Ms Howson: That is correct. They are all associated with specific initiatives under those national partnership agreements. There is no discretion; it is simply that the programs have not been completed yet, so the rollover is provided for that reason. In terms of the details, if we cannot help you in this hearing, we will take that on notice.

THE CHAIR: Okay; it would probably be better to take it on notice.

MR COE: Are those rollovers actually due to go to schools or are they for administration?

Ms Howson: No. I should say first that I would need to look at the details of the national partnership agreements, but they are always generally associated with funding that flows through to the schools; or, in the case of the national partnership agreement in relation to the national quality framework, that funding would probably be available for the administration of the national quality framework—the regulatory component of that.

THE CHAIR: If you could take that on notice, Ms Howson, that would be great.

Ms Howson: We will do that.

MS CODY: Minister, in your opening statement you raised the significant renewal program that the government has been undertaking. I know that part of that was for heating and cooling at Melrose High School. How is that going?

Mr Nakkan: Those works are continuing.

THE CHAIR: If we are going to be precise about this, is it in this—

MS CODY: I am happy not to ask about it; that is fine. I do have other questions.

THE CHAIR: I do not have a problem with it, but—

MS CODY: The minister mentioned the renewal program in her opening statement, but I am more than happy to move on and ask a separate question.

THE CHAIR: No, I am perfectly relaxed about it. Mr Nakkan is part way through answering the question.

Ms Berry: We can probably give you a better update at another time.

MS CODY: That is fine; I am happy to go with that. Noting the time, I am more than

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happy to put my question on notice.

THE CHAIR: We did start a little bit late, but we have gone over time. I think the main issues have been covered—the school redevelopment and the laptops. Thank you, minister. There have been some issues taken on notice. Thank you very much for your attendance, and that of your officials, today.

The committee adjourned at 10.28 am.