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Victorian Auditor-General's Office

Protecting Critically Endangered Grasslands

June 2020

Independent assurance report to Parliament
2019–20: 16

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Ordered to be published

VICTORIAN GOVERNMENT PRINTER
June 2020

PP no 132, Session 2018–20

The Victorian Auditor-General's Office acknowledges Australian Aboriginal peoples as the traditional custodians of the land throughout Victoria. We pay our respect to all Aboriginal communities, their continuing culture and to Elders past, present and emerging.

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ISBN 978 1 925678 72 7

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Victorian Auditor-General's Office

The Hon Shaun Leane MLC
President
Legislative Council
Parliament House
Melbourne

The Hon Colin Brooks MP
Speaker
Legislative Assembly
Parliament House
Melbourne

Dear Presiding Officers

Under the provisions of the *Audit Act 1994*, I transmit my report *Protecting Critically Endangered Grasslands*.

Yours faithfully

Andrew Greaves
Auditor-General

17 June 2020

Contents

Acronyms

DELWP	Department of Environment, Land, Water and Planning
DTF	Department of Treasury and Finance
GEWR	Grassy Eucalypt Woodlands Reserve
IDC	interdepartmental committee
KPI	key performance indicator
MRF	Monitoring and Reporting Framework
MSA	Melbourne Strategic Assessment
PAO	public acquisition overlay
UGB	urban growth boundary
VAGO	Victorian Auditor-General's Office
WGR	Western Grassland Reserve

Abbreviations

CaLP Act	*Catchment and Land Protection Act 1994*
EPBC Act	*Environment Protection and Biodiversity Conservation Act 1999*
the Minister	the Minister for Energy, Environment and Climate Change
MSA Act	*Melbourne Strategic Assessment (Environment Protection Mitigation Levy) Act 2020*
MSA program	*Delivering Melbourne's Newest Sustainable Communities* program report

Audit overview

Context

Native grasslands

Grasslands are types of native vegetation, which in Victoria include Natural Temperate Grasslands and Grassy Eucalypt Woodlands. They help the state's ecosystem by storing carbon, improving water infiltration, reducing soil erosion, and providing habitat to animals. This supports land productivity.

Natural Temperate Grasslands and Grassy Eucalypt Woodlands used to be widespread across the Victorian Volcanic Plain, in the state's south west.

The Melbourne Strategic Assessment program

The Melbourne Strategic Assessment (MSA) examined threatened ecological communities and species—including native grasslands—affected by the expansion of Melbourne's urban growth boundary (UGB).

In June 2008 and June 2009, the Australian Government listed Natural Temperate Grasslands and Grassy Eucalypt Woodlands respectively as critically endangered under the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act).

On 2 February 2010, the Australian Government endorsed the *Delivering Melbourne's Newest Sustainable Communities* program report (the MSA program). This commits Victoria to streamline environmental approvals under both state and federal legislation. The MSA program manages the environmental impact of urban development in Melbourne's growth areas.

Under the MSA program, the Victorian Government made commitments to improve conservation outcomes, including to establish a 15 000-hectare Western Grassland Reserve (WGR) and a 1 200-hectare Grassy Eucalypt Woodlands Reserve (GEWR) by 2020.

This audit focused on the grassland reserves because:

- conservation measures in these areas also help protect inhabiting species listed under the MSA program
- these are the most important measures to offset losses from urban development
- the government committed to establishing both reserves by 2020.

Why this audit is important

Two of Victoria's most important and biodiverse ecological communities—the Natural Temperate Grasslands and Grassy Eucalypt Woodlands of the Victorian Volcanic Plain—are under serious threat. While they once covered over a third of the state, they are now small and fragmented. Their protection is vital to ensure their future existence.

Objective and scope

Our objective was to determine whether the management of native vegetation clearing is protecting state and nationally significant native vegetation in the extended UGB areas.

We examined the Department of Environment, Land, Water and Planning's (DELWP) implementation of the MSA program, focusing on the key commitments to establish two reserves.

We assessed:

- progress made toward establishing the reserves
- monitoring, evaluation and reporting processes by DELWP and its predecessors to support the delivery of these commitments
- program governance and risk management practices.

Conclusion

DELWP has not met its commitments to deliver the WGR and GEWR by 2020.

DELWP intended these reserves to offset native vegetation loss from urban development within the extended UGB. However, delays in acquiring land, and continuing threats of degradation, pose significant risks to the ecological values of native vegetation within the reserves.

The delays in acquiring these reserves also mean they will likely require a significantly greater investment to restore and retain these ecological values than if they had been purchased within the intended 10-year timeframe.

Significant changes by government to the funding model for the WGR and GEWR, made only shortly after the 2020 commitment was made, meant DELWP have had limited ability to purchase the necessary land. Recent changes to the regulatory framework supporting the MSA program are likely to help DELWP deliver Victoria's commitment to establish these reserves and provide it with better information about its progress in achieving its conservation outcomes.

However, current governance arrangements are not adequate to effectively oversee the MSA program's future delivery and manage risks because they do not include all delivery partners nor separate oversight from management.

Findings

Establishing the reserves

The reserves as offsets

The Victorian Government is relying on the WGR to offset the destruction of Natural Temperate Grasslands within the UGB. The planned 15 000-hectare reserve will be the largest consolidated area of Natural Temperate Grasslands in Australia and will increase the amount in secure conservation reserves from 2 per cent to 20 per cent.

To date, land acquisition and management is keeping pace with vegetation cleared due to urban developments. However, DELWP has not provided evidence to demonstrate that the quality of land purchased in the WGR matches the quality of land cleared in the UGB.

Areas of Grassy Eucalypt Woodlands within the UGB are protected from destruction and therefore only a small amount required offsetting outside the UGB. To do this, the government committed to a 1 200-hectare GEWR in Melbourne's north. However, DELWP did not identify parcels of land to be protected in the MSA program. It has identified an investigation area for the GEWR but has not progressed beyond this.

Importance of early acquisition

The MSA was established and conservation commitments were developed on the basis of early acquisition of land for the WGR and GEWR. However, DELWP has not met the 2020 acquisition target set by the MSA program.

A **PAO** signals that land is reserved for a public purpose. Land under a PAO can be compulsorily acquired.

Modelling by DELWP shows the significant ecological benefit gained from buying land early. The longer the period between the state applying a public acquisition overlay (PAO) and purchasing land, the greater the risk that affected landowners may not manage their land for invasive weeds and animals.

As at December 2019, DELWP had acquired around 10 per cent of land in the WGR, or 1 568.6 hectares. It has not yet acquired any land for the GEWR.

Condition of land in the reserves

DELWP designed the WGR to offset losses of Natural Temperate Grasslands in the UGB. However, the extended acquisition timelines and limited interim management activities risk the ecological value of the WGR because of degradation that may have been prevented. Early acquisition, as predicted by DELWP's modelling in its 2009 report, may have better preserved the ecological value of the sites.

Nutrient-enriched grassland includes areas that have not been de-rocked but have elevated nutrient levels because of grazing and fertiliser application. Higher nutrient levels can lead to non-native species—usually noxious weeds—dominating these landscapes.

As at December 2019, DELWP has surveyed 1 268 hectares in the WGR. Approximately 1 000 hectares constitute Natural Temperate Grasslands. DELWP has assessed much of these grasslands as nutrient-enriched, and therefore low quality. However, they still contain important ecological communities requiring protection under the EPBC Act to prevent further degradation.

Condition of private land

DELWP does not have the power to enter and inspect private property without landowner consent. This means DELWP is not fully aware of the condition of private land under the PAO, since it has not conducted a condition assessment of private land or mapped native vegetation within it since 2011.

Without up-to-date, comprehensive ecological data, DELWP cannot effectively prioritise management actions or acquisition of private land in the WGR.

Grassy Eucalypt Woodlands Reserve

DELWP has a poor understanding of the ecological condition of land containing Grassy Eucalypt Woodlands earmarked for protection. It still lists the area identified for the GEWR as an 'investigation area'.

Despite the state committing to this action under the MSA program, DELWP advised us that it has not prioritised protection of the GEWR because:

- it is not subject to a PAO
- there is no legal mechanism to enter into purchasing arrangements with landowners
- there is limited funding available to purchase and protect land across both reserves.

Funding constraints

The government has used two funding models to generate funds to implement the MSA program. These are the:

- native vegetation credits funding model
- habitat compensation fee model.

These are both based on the 'polluter pays' principle, through which the party responsible for pollution pays for ecological damage.

Native vegetation credits funding model

DELWP used a native vegetation credits funding model for the first three years of implementation. This approach required upfront government funding for initial land purchases.

The 2010–11 state budget reported a total estimated investment of $190 million.

DELWP received $10 million in 2009–10 and expected to receive $20 million each year through to 2013–14. An additional $100 million was committed beyond the forward estimates. The government recognised it would require upfront funding to fund land purchases in the WGR.

In 2010, the government reduced funding. The $10 million provided in 2009–10 is, to date, the only funding DELWP has received from the Victorian Government for the MSA program.

Habitat compensation fee model

Since 2013, DELWP has used a habitat compensation fee model, based on full cost recovery, to fund the MSA program's implementation. Cost recovery is the process of setting and collecting charges to cover the costs incurred in undertaking activities.

DELWP aims to achieve cost recovery over the life of the MSA program, to 2062. This means that the fees collected from land developers will fund all aspects of program delivery, including administration.

Under the habitat compensation fee model, DELWP collected $117 million from developers to 30 June 2019. DELWP has used this money to administer and deliver the MSA program.

However, current habitat compensation fees will not achieve full cost recovery, as they have not been indexed or raised since 2013, during which time land value has increased. DELWP has therefore not had enough funds to purchase land in the WGR.

Legal and financial risks of the habitat compensation fee model

In 2013, DELWP identified the need for legal clarity about its powers to increase fees through the habitat compensation model. Under this model, fees were established under Australian government legislation and there was a risk that DELWP was not able to independently impose or control them.

For the last seven years, DELWP has not increased fees because of these limitations. As a result, revenue generated has not kept pace with increasing land and maintenance costs. DELWP estimates the current fees only cover approximately 43 per cent of the estimated MSA program delivery costs.

To address this, in 2014 DELWP began work on creating legal certainty through a new legislative framework.

The *Melbourne Strategic Assessment (Environment Protection Mitigation Levy) Act 2020*

The *Melbourne Strategic Assessment (Environment Protection Mitigation Levy) Act 2020* (MSA Act) will come into effect on 1 July 2020. It establishes measures to ensure that the MSA program fully recovers costs over its life.

Two indices will operate in parallel in the first five years of the MSA Act. One is a composite index of the Consumer Price Index and wages used to adjust fees annually for the life of the MSA program.

The second index will increase levies by around 20 per cent per year over the first five years of the MSA Act, to ensure that the MSA program achieves full cost recovery.

DELWP will review the cost base for the MSA Act every five years.

While the MSA Act appears to address the above revenue risks, the financial risks associated with increased land values and landowners' willingness to sell will continue to affect program delivery.

Protecting land before and after acquisition

Managing land before acquisition

In August 2010, the government placed a PAO over land in the WGR. A PAO signals to landowners that their land is reserved for a public purpose. The longer the state takes to acquire the land under the PAO, the greater the risk that its ecological value declines.

DELWP cannot demonstrate that interim management to date, to preserve the ecological value of the WGR, has been and will be cost effective.

DELWP developed an interim management strategy in 2011 to guide management of the WGR land. The strategy assumed it would acquire all land by 2020 and was based on land conditions at the time.

Since then, DELWP has tried a range of interim management activities to preserve the ecological value of land under a PAO. For example, DELWP and Wyndham City Council are finalising a three-year funding agreement for a WGR weed control program. This includes funding for a fixed-term environment officer at the council to provide administrative support and handle engagement and education activities.

However, managing WGR land before acquiring it has been challenging. DELWP advised us that many landowners have refused property access to contractors. While DELWP consider modelling of biodiversity values, site data, council information and expert opinion to guide priorities and target weed control, DELWP can only undertake this work where landholders permit it. As a result, DELWP's weed control has focused on properties were landowners were willing to participate.

DELWP advise that it will develop an interim management plan, to complement the 2011 strategy, by December 2020. The plan will include an analysis of works it funds under its grant program compared to what landowners should be doing to fulfil their land management obligations under the *Catchment and Land Protection Act 1994* (CaLP Act).

Expenditure

From 2012–13 to 2018–19, DELWP spent $695 695 on activities associated with managing land before acquisition. This represents less than 1 per cent of the total MSA program expenditure to date.

Communications with landowners

In August 2010, DELWP informed landowners that it would place a PAO on their land to establish the WGR. It sent them fact sheets, a map and a landowner survey. DELWP employed a staff member to liaise with affected landowners directly, and produced and circulated progress update newsletters.

However, beyond this, DELWP's communication approach has been reactive. It has responded to landowner's correspondence and individual enquiries, rather than use a communications plan. Given that initial communications indicated it would acquire properties over the last 10 years and this has not occurred, and given recent legislative changes, it is now timely for DELWP to more proactively engage with stakeholders.

Managing land after acquisition

Parks Victoria

DELWP transfers the land it buys to Parks Victoria to manage in perpetuity. As at February 2020, Parks Victoria has 1 198.6 hectares of WGR land to manage, mostly comprising unconnected parcels.

Parks Victoria faces key management challenges due to the slow and piecemeal nature of land acquisition. It needs a critical land mass for cost-effective management actions. Without this, management is restricted to small, isolated blocks rather than across a large area. This has a flow-on effect for capacity and budget planning.

Funding challenges

DELWP funds Parks Victoria's management of land in the WGR for the first 10 years. Following this, Parks Victoria's management costs come out of its recurrent funding.

Funding responsibility for at least one land parcel has transferred to Parks Victoria. Parks Victoria will progressively fund the remaining parcels from 2024. When DELWP transfers the full 15 000 hectares, the WGR will increase Parks Victoria's managed estate in the western Melbourne district by 451 per cent—from 3 329 hectares to 18 329 hectares.

Management activities for grasslands cost more per hectare than for some other ecosystems, such as forests. Grasslands require annual active management for actions such as weed control and burning regimes.

Parks Victoria advised us that it is more difficult to get a recurrent funding bid for small, disconnected parcels approved, compared to large, contiguous areas, which can provide greater benefits from the expenditure.

Future park planning

Parks Victoria does not have certainty on future management of the WGR. Currently, the WGR is being managed as a nature reserve. DELWP and Parks Victoria agree that it will eventually be managed as a national park. However, Parks Victoria does not know when this will happen. Certainty about the timeframe is important, as it guides Parks Victoria's management actions and requires planning.

Program oversight

The governance structure for the MSA program has changed several times. Both the Victorian and Australian governments endorsed the program in 2010. When established, the governance structure included an interdepartmental committee (IDC), project control board and a project management group. However, formal governance structures were not fully in place until 2013.

The IDC was the peak governance body for MSA program oversight and was accountable to the then Minister for Energy, Environment and Climate Change (the Minister). It comprised multi-agency representatives who provided direction for resolving cross-portfolio policy and implementation issues, ensuring risks were managed and that progress was communicated to stakeholders. However, this group met only twice, in 2013.

Since 2013, DELWP used several stakeholder and internal working and advisory groups to inform planning and implementation requirements of the MSA program.

Then from 2016, as DELWP focused on addressing the legal and financial issues that were affecting program outcomes, it has managed the MSA program internally. The current governance structure has no external stakeholder involvement, such as through an IDC.

Once DELWP has established the administrative instruments under the new regulatory framework, it will need to review governance arrangements to ensure they provide sufficient oversight, stakeholder involvement and transparency to support program delivery.

Managing risk

The MSA program did not have a risk management framework when it began. DELWP developed a risk register in 2013. However, it did not include the assessment and treatments for identified risks.

Since 2015, DELWP has had a risk framework, including a register to record and maintain MSA program risks. DELWP regularly reviews its risks through:

- annual risk workshops
- six-monthly meetings of the Biodiversity Executive Team
- business planning meetings.

DELWP did not maintain records of potential risks or issues it considered during risk workshops. This would have provided insight into DELWP's process to identify risks and issues and shown whether its approach met DELWP's risk management guidelines.

Evaluation framework

Monitoring and reporting

DELWP has a Monitoring and Reporting Framework (MRF) for how the Victorian Government will assure the Australian Government that it is meeting the MSA program's outcomes of protecting endangered ecological communities.

Although public reporting has not been a program commitment, DELWP has published three progress reports on outcomes and outputs, in 2014–15, 2015–16 and 2016–17. This improved transparency and accountability. However, DELWP is yet to publish reports for 2017–18 and 2018–19.

The MSA Act legislates the requirement to make the reporting and review of conservation outcomes public.

Monitoring program outcomes and outputs

Monitoring of MSA program outcomes is robust and backed by strong, scientific rigour. DELWP assesses key performance indicators (KPI) against a baseline, which sets the target that the relevant attribute must remain above (such as for populations of threatened species) or below (such as for weeds).

KPIs for MSA program outcomes are comprehensive and clear. KPIs logically relate to the relevant output and are clear and measurable.

DELWP uses flora and fauna inventory reports to thoroughly assess sites once it has purchased properties. These reports detail the quality and quantity of vegetation and the species present on each site.

However, DELWP has not assessed land not yet acquired. This means there is limited data to monitor KPIs. Five of the seven KPIs cannot be assessed, with the other two assessed as 'met'.

DELWP has not developed meaningful KPIs with associated targets to support MSA program outputs. The KPIs do not give insight into how well DELWP is performing. For example, the KPI 'number of parcels under interim management' does not provide insights into whether the figure is good or bad.

Independent monitoring

The MRF states that DELWP will engage auditors in two phases during the first 10 years of the MSA program to:

- audit the implementation of the program
- provide reasonable assurance to the Australian Government that the program is being implemented in accordance with the program report.

The auditors were to prepare reports on the results for the Victorian and Australian governments. DELWP was to also publicly release these reports.

Independent monitoring has not occurred in line with the MSA program or the MRF. DELWP published one independent monitor report in 2014–15. This report did not address issues or give any insights into possible changes to the MSA program's implementation or risks.

The schedule of independent monitoring also included further reviews in 2016–17 and 2017–18. These did not occur.

Program evaluation

The MRF states that the Victorian Government will evaluate the MSA program's implementation every five years to:

- determine the effectiveness of program activities and processes to deliver program outputs
- test assumptions made as part of the program logic
- inform a review of the habitat compensation cost-recovery model and prices
- inform any necessary adaptive improvements to the implementation of the MSA program.

The Australian Government agreed with the MRF's commitment for the first evaluation to occur in 2015. However, DELWP has not yet evaluated the MSA program's implementation.

Recommendations

We recommend that the Department of Environment, Land, Water and Planning:

1. finalises a strategy to progress the Grassy Eucalypt Woodlands Reserve that sets how land for the reserve will be acquired and the funding strategy for delivering this commitment (see Section 2.2)
2. undertakes an up-to-date condition assessment of the conservation and ecological values contained in the private land designated for the Western Grassland Reserve to inform priority land acquisitions, future interim management and ongoing management planning (see Section 2.5)
3. reviews and updates its Western Grassland Reserve interim management strategy in line with the extended acquisition timeline and in collaboration with relevant stakeholders and delivery partners (see Section 3.2)
4. evaluates the effectiveness of its interim land management agreement and shares learnings with relevant councils and/or land groups (see Section 3.2)
5. improves its landowner communications approach by finalising a communications strategy that identifies all relevant stakeholders, communication methods, timing and responsibilities for actions (see Section 3.4)
6. strengthens its governance arrangements by including delivery partners in the governance structure for the Melbourne Strategic Assessment program (see Section 4.2)
7. reviews key performance indicators for *Delivering Melbourne's Newest Sustainable Communities* program outputs and outcomes to:
    - improve program reporting and transparency through more meaningful performance information
    - include output targets that align to outcome measures and Melbourne Strategic Assessment program objectives
    - guide management actions in both reserves (see Section 4.4).

Responses to recommendations

We have consulted with DELWP and Parks Victoria and we considered their views when reaching our audit conclusions. As required by the *Audit Act 1994*, we gave a draft copy of this report to those agencies and asked for their submissions or comments.

We also provided a copy of the report to the Department of Treasury and Finance (DTF).

The following is a summary of those responses. We include the full responses in Appendix A.

DELWP supports all of the recommendations and provided an action plan detailing how it will address them.

Parks Victoria did not have any recommendations directed to it. However, Parks Victoria looks forward to working with DELWP to achieve conservation outcomes.

1 Audit context

The trees, shrubs, herbs and grasses indigenous to Victoria are key to our natural heritage. They provide habitat for many plant and animal species and form ecosystems that support land productivity and contribute to human wellbeing.

The native grasslands of the Victorian Volcanic Plain have a rich biodiversity and provide environmental, economic and social benefits, including green spaces for Victorians to enjoy. However, the quality and extent of these grasslands has drastically diminished since European settlement.

To help address this, the Victorian and Australian governments have made a long-term plan to protect endangered species in Melbourne's growth areas. The MSA program includes establishing two grassland reserves to offset the impact of development.

An **offset** compensates for biodiversity losses arising from native vegetation removal.

1.1 Why this audit is important

Two of Victoria's most important and biodiverse ecological communities are under serious threat—the Natural Temperate Grasslands and the Grassy Eucalypt Woodlands of the Victorian Volcanic Plain.

Protection of these critically endangered ecological communities is vital for the survival of many species, as well as for soil health, land productivity and human wellbeing. The MSA program aims to drive conservation-focused planning outcomes on a larger scale than has previously been achieved.

This audit assesses the Victorian Government's progress in implementing the ecological commitments of the MSA program. This includes ensuring DELWP has access to the necessary funds and the governance structure, risk management, and monitoring, evaluation and reporting processes to meet the agreed commitments.

An **ecological community** is a naturally occurring group of plants, animals and other organisms that are living together and interacting in a unique habitat.

1.2 Victoria's endangered grasslands

Many native grassy vegetation communities, once widespread in temperate regions of Australia, have diminished in area and in quality.

Land clearances have mostly caused this depletion, principally for agriculture but also for urban development. Inappropriate land management and invasion by non-indigenous plant species have also contributed.

The Victorian Volcanic Plain

A **biodiversity hotspot** is a biogeographic area that has significant levels of biological diversity and which is threatened by destructive activities. Timely intervention in hotspot areas may prevent long-term or irreversible loss of their values and provide high return on the conservation dollar.

The Victorian Volcanic Plain bioregion covers some 2.3 million hectares. It is one of only 15 biodiversity hotspots in Australia and supports and provides habitat for 65 species that are nationally threatened and 173 that are threatened in Victoria.

Prior to European settlement, Natural Temperate Grasslands and Grassy Eucalypt Woodlands covered over a third of Victoria, primarily in this plain (see Figure 1A). Now these vegetation communities are small and fragmented, with less than 5 per cent of their former extent remaining.

Figure 1A
Victorian Volcanic Plain prior to European settlement

Source: VAGO.

Natural Temperate Grasslands

Natural Temperate Grasslands tend to be treeless and are characterised by tussock grass species (see Figure 1B).

The Royal Society of Victoria estimates that prior to European settlement these grasslands covered between 800 000 and one million hectares. That area has declined by more than 98 per cent. Of the 2 per cent that remains, it is estimated that less than half is in good condition.

Grassy Eucalypt Woodlands

These open woodlands are characterised by a grassy understorey (see Figure 1B), and intact examples are now rare in Victoria. Since European settlement, around 95 per cent (697 300 hectares) of Grassy Eucalypt Woodlands has been lost and the remaining pieces are in poor condition.

Figure 1B
Ecological communities of the Victorian Volcanic Plain

Natural Temperate Grasslands

Supports 54 plant species and 71 species of birds. Natural Temperate Grasslands are home to 31 EPBC Act-listed threatened plant and animal species.

–

Trees and large shrubs are usually absent.

–

Tussock grass species dominate landscapes.

–

Wildflowers may be abundant, especially in spring when they usually flower.

Grassy Eucalypt Woodlands

Supports 90 plant species and is likely to support over 30 threatened plant and animal species listed under the EPBC Act.

–

An open woodland with a tree canopy and grassy understorey.

–

River red gum typically dominate the tree canopy.

–

Tussock grass species dominate the understorey, with wildflowers active among the grasses in spring.

Source: VAGO.

1.3 Threats to native grasslands

The introduction of foreign animal and plant species, changing land use and population growth have severely impacted Victoria's native grasslands.

Weed invasion

Invasive plants have significant impact on Victoria's biodiversity, agricultural production and other human use of land.

Across the Victorian Volcanic Plain, land disturbance and agricultural land use have made native grasslands vulnerable to weed invasion.

Some of the most aggressive weed species in these areas are:

- serrated tussock (*Nassella trichotoma*)
- cane needle grass (*Nassella hyalina*)
- African boxthorn (*Lycium ferocissimum*)
- artichoke thistle (*Cynara cardunculus*).

As shown in Figure 1C, these weeds pose serious threats to the quality and extent of native grasslands and are difficult to control. Despite this, they have largely been unmanaged.

Figure 1C
Invasive plant example

Serrated tussock

This prolific seeder can dominate a native grassland in just seven years, threatening native plants species and resulting in a loss of flora biodiversity.

It spreads rapidly, cannot be grazed by livestock, and can remain dormant in the soil for up to 15 years.

Source: VAGO, from http://agriculture.vic.gov.au/agriculture/pests-diseases-and-weeds/weeds/a-z-of-weeds/serrated-tussock.

Land clearance and changes in use

Progressive land clearance in Victoria has significantly reduced the quality and extent of native grasslands. Historically, land clearance was for agricultural development. More recently, urban development has threatened the critically endangered ecological communities on Melbourne's fringe.

A 2005 study of native grasslands reported that a 7 230-hectare sample from 1985 had diminished to 4 071 hectares (56 per cent) by 2000:

Of the 3 159 lost hectares:

- 1 670 (23 per cent) were destroyed by urban development
- 1 469 (20 per cent) had degraded to non-native grassland.

Urban development

In 2008, the government announced a review of Melbourne's UGB. This review was in response to its estimation that an additional 600 000 dwellings would be needed by 2030 to accommodate population growth. This included 284 000 in urban growth areas.

Three areas were identified for expansion:

Area of Melbourne	Places identified for growth
West	Melton–Caroline Springs Wyndham
North	Whittlesea Hume Mitchell
South-east	Casey Cardinia

The government also identified that expansion and development in these areas may impact on the critically endangered Natural Temperate Grasslands and Grassy Eucalypt Woodlands.

1.4 Protecting native grasslands in Victoria

The government can protect critically endangered grassland by:

- avoiding any losses
- minimising losses
- offsetting any loss that occurs.

Avoiding and minimising native vegetation loss

Until the late 1980s, native vegetation clearance was a conventional and legally condoned practice. Such clearance prepared land for agriculture or modified it for personal use.

The removal of native vegetation on public and private land in Victoria is now regulated through a range of Acts, state and local planning provisions, regulations, guidelines and agreements. However, Victoria remains the most cleared Australian state, with an estimated 66 per cent of Victoria's native vegetation cleared since European settlement.

Under the current regulatory frameworks, landowners must avoid, minimise, and offset any native vegetation loss.

Offsetting native vegetation loss

Where native vegetation removal cannot be avoided, landowners must offset the loss with vegetation and/or biodiversity gain of similar value. The Victorian 2017 *Guidelines for the removal, destruction or lopping of native vegetation* outlines the type of offset that may be required:

A …	**Is required when …**
Species offset	the removal of native vegetation has a significant impact on habitat for a rare or threatened species. These offsets must compensate for the removal of that species' habitat.
General offset	the removal of native vegetation does not have a significant impact on any habitat for rare or threatened species.

The offset must balance the habitat destruction by restoring, enhancing or protecting a similar but separate habitat.

1.5 Commonwealth protections

In Australia, threatened ecological communities and species listed under the federal EPBC Act are subject to protection as Matters of National Environmental Significance.

This listing recognises that the long-term survival of these communities is under threat and aims to prevent further decline and promote recovery.

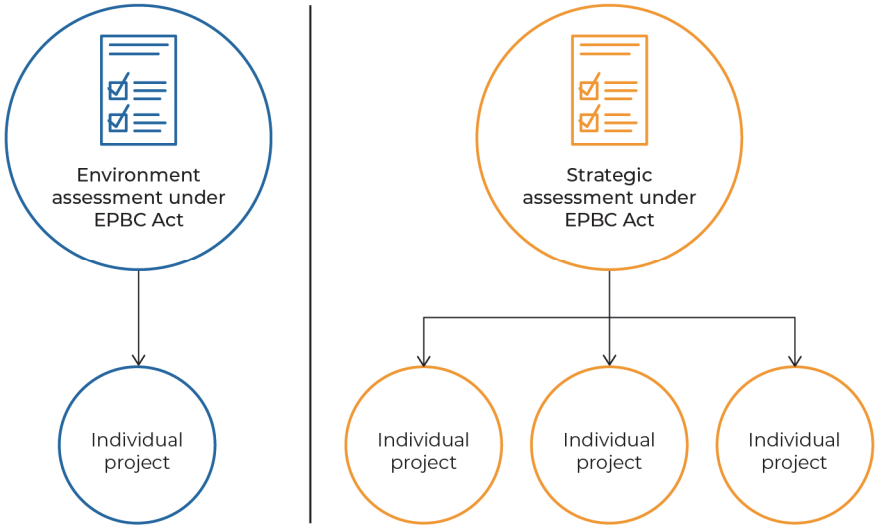
In June 2008, the Australian Government listed Natural Temperate Grasslands as critically endangered under the EPBC Act and did so for Grassy Eucalypt Woodlands in June 2009.

Strategic assessment process

As shown in Figure 1D, the EPBC Act offers two pathways for assessing and potentially approving an action that is likely to have significant impact on nationally significant native vegetation:

- Environmental assessment process—a project-by-project referral, assessment and approval process.
- Strategic assessment process—considers a series of new proposals or developments over a much larger scale and timeframe. This process examines the potential impacts of actions that might stem from one or more policies, programs or plans.

Figure 1D
Environmental assessments and strategic assessments under the EPBC Act



Source: VAGO.

Project-by-project assessments result in individual conservation actions.

Strategic assessments are a landscape scale assessment. They can deal with cumulative impacts on Matters of National Environmental Significance and look for conservation and planning outcomes on a much larger scale. They have the potential to not only reduce red tape but also provide better conservation outcomes by strategically responding to impacts on the environment.

The MSA program was the first strategic assessment endorsed in Australia.

1.6 The Melbourne Strategic Assessment

The MSA examined Matters of National Environmental Significance, including native grasslands, impacted by the expansion of Melbourne's UGB. It identified 41 000 hectares of developable land that did not require further referrals under the EPBC Act and initiated a long-term plan to protect endangered species in Melbourne's growth areas.

The MSA program

On 2 February 2010, the Australian Government endorsed the MSA program.

Under the MSA program, the Australian and Victorian governments committed to these outcomes and measures:

MSA program outcomes are to …	By establishing and preserving …
improve the composition, structure and functioning of Natural Temperate Grasslands and Grassy Eucalypt Woodlands	• two grassland reserves outside the UGB to offset the impact of development occurring in the expanded growth areas • 36 conservation areas in the expanded UGB to protect areas with the highest identified biodiversity values.
improve conservation outcomes for several other EPBC Act-listed flora and fauna species.	

This audit focused on the grassland reserves because:

- conservation measures in these areas also help protect other inhabiting species listed under the MSA program
- these are the most important measures to offset losses from urban development
- the government committed to establishing both reserves by 2020.

MSA program implementation

The MSA program business plan states that the program will be implemented by 2062. As shown in Figure 1E, there are four key implementation stages. Given the breadth of the program, there are overlaps between stages.

Figure 1E
Program implementation stages

Source: VAGO, from information provided by DELWP.

Planning provisions, controls and frameworks

In Stage 1, the Australian Government endorsed the MSA program and the state government changed the Victorian Planning Provisions to give effect to the planning requirements. This included expanding the UGB around Melbourne's growth areas and the designation of non-urban land and land suitable for urban development.

DELWP prepared the planning controls and frameworks for implementing the various parts of the program. This work occurred during Stage 2, and included developing:

- growth area framework plans
- precinct structure plans
- biodiversity conservation strategies
- interim management plans.

Biodiversity Conservation Strategy

The 2013 *Biodiversity Conservation Strategy* is the overarching strategy for the protection of biodiversity in the growth corridors. It sets out the conservation measures required for Matters of National Environmental Significance and state significance to satisfy the commitments to the Australian Government and to meet state requirements. These conservation measures include:

- the protection and management of land of high biodiversity value within defined conservation areas and areas outside the UGB

- requirements to provide offsets for removal of native vegetation and threatened species habitat on land not required for conservation and suitable for urban development
- requirements to salvage and translocate certain threatened species prior to removal of habitat on land not required for conservation and suitable for urban development.

The *Biodiversity Conservation Strategy* identifies 36 conservation areas within the growth corridors that will be protected and managed in perpetuity.

Grassland reserves

Under the MSA program, the Australian and Victorian governments agreed to establish two grassland reserves by 2020, the:

- 15 000-hectare WGR
- 1 200-hectare GEWR.

Acquiring land for the grassland reserves

The MSA program reserves are designed to offset grasslands lost due to development. This means acquiring suitable land outside Melbourne's expanded UGB.

In August 2010, the state government made planning scheme amendments to expand the UGB and place a PAO on private land in the proposed WGR.

DELWP is progressively transferring land acquired for the reserve to Parks Victoria to manage. Once complete, the WGR will increase the area Parks Victoria manages in and around Melbourne by more than a third.

Acquisition of land for the GEWR has not yet begun.

1.7 Regulatory environment

Commonwealth legislation

Environmental Protection and Biodiversity Conservation Act 1999

The federal EPBC Act aims to protect and regulate the removal of nationally significant native vegetation. The EPBC Act identifies seven Matters of National Environmental Significance, including listed threatened species and ecological communities, migratory species and World Heritage properties.

Under the EPBC Act, an action that has, will have, or is likely to have a significant impact on Matters of National Environmental Significance requires approval from the federal Environment Minister.

Actions associated with urban development in the MSA program area have approval under the EPBC Act and are not required to be referred separately to the Australian Government.

State legislation

Melbourne Strategic Assessment (Environment Mitigation Levy) Act 2020

The MSA Act imposes a levy for funding measures to mitigate impacts on the environment caused by the development of land in Melbourne's growth corridors.

The MSA Act and associated regulations begin on 1 July 2020 and replace existing habitat compensation fees and increase the levy amount over the next five years. The MSA Act also:

- establishes the MSA fund into which all levy payments must be paid
- provides for review of levy amounts to identify if the existing rates help achieve conservation outcomes
- delegates reporting on the MSA conservation outcomes every two years to the Commissioner for Environmental Sustainability.

Planning and Environment Act 1987

The *Planning and Environment Act 1987* is the primary legislation for regulating the MSA program. It sets out procedures for preparing and amending the Victoria Planning Provisions and planning schemes. It also sets out the process for obtaining permits under schemes, settling disputes, enforcing compliance with planning schemes and permits, and other administrative procedures.

Catchment and Land Protection Act 1994

The CaLP Act is the main legislation covering noxious weed and pest animal management in Victoria. One of the main aims of the CaLP Act is to protect primary production, Crown land, the environment and community health from the effects of noxious weeds and pest animals.

Under the CaLP Act, all landowners have legal obligations regarding the management of declared noxious weeds and pest animals on their land. Landowners must take all reasonable steps to eradicate regionally prohibited weeds, prevent the growth and spread of regionally controlled weeds, and prevent the spread of—and as far as possible eradicate—established pest animals on their land.

1.8 Government agencies

Commonwealth agencies

Department of Agriculture, Water and the Environment

The Department of Agriculture, Water and the Environment administers the EPBC Act, including assessing any proposals to undertake and completes a strategic assessment prior to submission to the federal Environment Minister. Its responsibilities are to:

- identify key issues with regards to Matters of National Environmental Significance

- identify desired outcomes in entering into the strategic assessment
- provide clear advice on actions to mitigate environmental impacts.

The department and the federal Environment Minister have an approval role at various stages of the MSA program.

The department has overall responsibility for ensuring only approved actions are taken under the MSA program and that all actions by the Victorian Government are consistent with the program's outcomes.

State agencies

Department of Environment, Land, Water and Planning

DELWP is responsible for developing and administering government legislation and policy for the management and protection of native vegetation. This includes overall responsibility for administering and implementing the MSA program. DELWP's responsibilities include:

- delivery of the conservation commitments
- monitoring and reporting grassland quality and progress against the MSA program
- communications with landowners in the PAO area
- developing and administering tools, models, and maps to assess native vegetation condition, extent and value.

Changes to responsibility for the MSA program

Since the MSA program began, machinery of government changes have affected DELWP. Changes in title and structure include:

- Department of Sustainability and Environment and Department of Primary Industries (2002–13)
- Department of Environment and Primary Industries (2013–15)
- DELWP (2015–).

In this report, 'DELWP' also refers to DELWP's predecessors or agencies that no longer exist that had responsibility for the MSA program.

Parks Victoria

Parks Victoria manages a diverse and representative network of parks that are home to more than 4 300 native plant species and 948 native animal species.

The park network includes some of Victoria's largest and most undisturbed ecosystems, such as the Alps, the Mallee, grasslands, and inland waters and wetlands. It also includes smaller urban parks.

DELWP transfers acquired land for the WGR to Parks Victoria, which is responsible for its long-term management.

Councils

Councils manage the local implementation of statewide planning priorities for native vegetation, primarily through the planning system.

1.9 What this audit examined and how

This audit examined DELWP's implementation of the MSA program to meet the two key state conservation commitments to the Australian Government, and specifically:

- program governance
- risk management practices
- monitoring, evaluation and reporting to support the delivery of these commitments.

The audit did not examine:

- planning or decision-making that informed the MSA program commitments
- conservation areas within growth corridors
- the implementation of conservation commitments the state made under the MSA program to protect and offset the loss of other critically endangered federally listed threatened animal and plant species.

The principal audited agency is DELWP. We also examined Parks Victoria's role before and after DELWP acquires reserve land. The audit did not examine the activities of local government and other key stakeholders in managing private land within the proposed conservation reserves but did look at how DELWP has engaged with these key stakeholders.

Our methods included:

- consultation with subject matter experts
- interviews with the audited agencies' staff and other relevant stakeholders
- observation, including a site visit to the grasslands in the Victorian Volcanic Plain
- document review, including key agency documentation relating to administration, management, implementation, monitoring and review, and reporting of the MSA program
- identification and analysis of relevant datasets used to inform decision-making, monitoring and reporting.

Unless otherwise indicated, any persons named in this report are not the subject of adverse comment or opinion.

We conducted our audit in accordance with the *Audit Act 1994* and ASAE 3500 *Performance Engagements*. We complied with the independence and other relevant ethical requirements related to assurance engagements. The cost of this audit was $715 000.

1.10 Report structure

The remainder of this report is structured as follows:

- Part 2 examines how the reserves are being established.
- Part 3 examines how land is being managed before and after acquisition.
- Part 4 examines MSA program oversight.

2 Establishing the grassland reserves

The main purpose for establishing the WGR and GEWR is to offset the losses of Natural Temperate Grasslands and Grassy Eucalypt Woodlands. The reserves will also protect other grassland-inhabiting species.

2.1 Conclusion

DELWP has not met the state's commitment to the Australian Government to establish the WGR and GEWR by 2020.

The MSA program schedule and associated protection of environmental values in the reserves was based on early acquisition of the land. The MSA program based the 10-year land acquisition timeframe on the understanding that the state would commit significant funding for the program. This did not occur and DELWP has not acquired land as intended, which increases the risk that its ecological condition has degraded and may continue to do so.

To address this, DELWP recently updated the regulatory framework that supports the MSA program and is changing its approach to acquisition and management of targeted land. However, it has yet to show whether it can offset losses of native vegetation due to urban development, or how it will preserve ecological values to meet its commitments under the MSA program.

DELWP has found that most of the land purchased for the WGR is of low quality, as much of it is nutrient-enriched, but still has significant ecological value. Improving its ecological condition will require long-term effort from DELWP and Parks Victoria and incur significant management costs.

2.2 How the reserves offset losses from urban development

Under the MSA program, clearing within Melbourne's UGB is subject to compliance with vegetation offset requirements in *Victoria's Native Vegetation Management: A Framework for Action* 2002.

The MSA program identifies several protection mechanisms to offset the loss of almost 46 287 hectares of land, containing 6 249.50 hectares of native vegetation and 2 856 scattered trees, as a result of urban development. These include establishing two large grassland reserves.

Western Grasslands Reserve

DELWP identified the 15 000-hectare WGR as the primary offset for expected losses of almost 3 278 hectares of Natural Temperate Grasslands in the UGB.

In 2009, the state government told developers:

> … the retention of native vegetation within the [UGB] is now the exception rather than the rule. Therefore, with few exceptions, all native grassland will be cleared within urban development areas. This is because the protection of native vegetation has been considered in a more strategic manner and because the focus has been on protection of the largest and most significant areas, mostly outside the UGB …

In August 2010, the government implemented planning scheme Amendment VC68, which restricts development in areas that contain Natural Temperate Grasslands by:

- expanding the UGB around Melbourne
- reserving land for the Regional Rail Link and Outer Metropolitan Ring Road
- placing a PAO on land in the WGR and applying an environmental significance overlay on other areas of conservation significance.

Once complete, the WGR will be the largest consolidated area of Natural Temperate Grasslands in Australia.

Figure 2A shows WGR locations.

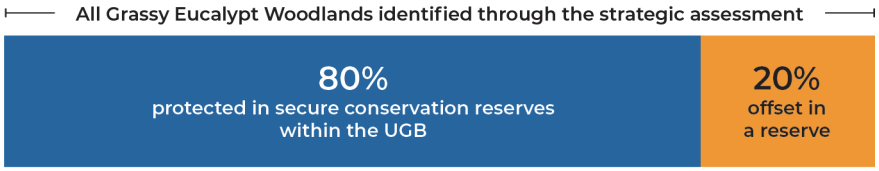
Figure 2A
Location of the WGR

Source: VAGO.

Grassy Eucalypt Woodlands Reserve

As shown in Figure 2B, under the MSA program, DELWP listed how it would offset Grassy Eucalypt Woodlands lost through urban development. This included establishing a 1 200-hectare GEWR outside the UGB by 2020. This is yet to begin.

Figure 2B
Protection of Grassy Eucalypt Woodlands through the MSA



Source: VAGO.

Unlike the approach to the WGR, DELWP decided not to place a PAO on land identified as containing Grassy Eucalypt Woodlands. Instead, it would primarily protect these grasslands from destruction in the UGB and offset only a small amount outside the UGB.

DELWP did not identify specific parcels of land to be protected for the reserve. Instead, it proposed an 'investigation area' for the GEWR in Melbourne's north, but has not finalised the location of the reserve.

2.3 Importance of early acquisition

The MSA program was established and conservation commitments developed on the basis of early acquisition of land in both the WGR and GEWR, to best preserve ecological value.

Potential for ecological degradation

A 2005 study of native grasslands to the west of Melbourne reports on the significant loss of this habitat due to development and land degradation between 1985 and 2000, including due to weed infestation:

> The remaining grasslands will continue to be threatened by weed invasion and other degradation processes. Many highly invasive alien species, particularly introduced stipoid grasses such as Nassella neesiana, currently threaten Victorian native grasslands (Carr et al., 1992; McLaren et al., 1998; Morgan, 1998). Although weed control techniques are being developed (Lunt and Morgan, 2000; Campbell et al., 2002), due to the lack of active management at many grassland remnants, particularly railway reserves, it seems many sites will continue to degrade in the future.

This study supports DELWP's own findings regarding grassland degradation.

DELWP's 2009 modelling of future extent and condition of native grasslands to the west of Melbourne under four possible scenarios shows the significant ecological benefits from purchasing properties early. The longer the period between the state applying the PAO and acquiring land, the greater the risk to achieving these benefits.

DELWP's modelling shows that the:

- greatest benefit to grassland quality occurs if land is purchased upfront
- ecological benefits of a strategic approach significantly reduce if properties are progressively purchased over an extended period
- the likelihood of significant ecological degradation occurs within the first 10 years, which is the present case.

In addition, purchasing all land upfront as a contiguous reserve helps land management and provides economies of scale.

The planning scheme amendments that DELWP introduced to ensure landowners within the WGR do not develop or use their land in a way that affects its environmental value provide some controls to protect these grasslands. However, the threat of ecological degradation from weed invasion remains.

Attempt to change acquisition timelines

In 2012, the Victorian Government wrote to the Australian Government requesting an extension to the 2020 acquisition deadline for both reserves. To justify the extension, DELWP cited limited funds and slower than expected development rates.

In July 2012, the Australian Government agreed in principle to the extension, noting that both governments would need to work together to formally extend the acquisition timeframe.

This has not occurred. At the time of this audit, the original 2020 timeframe for establishment of both reserves remains in the MSA program.

2.4 Progress on establishment of reserves

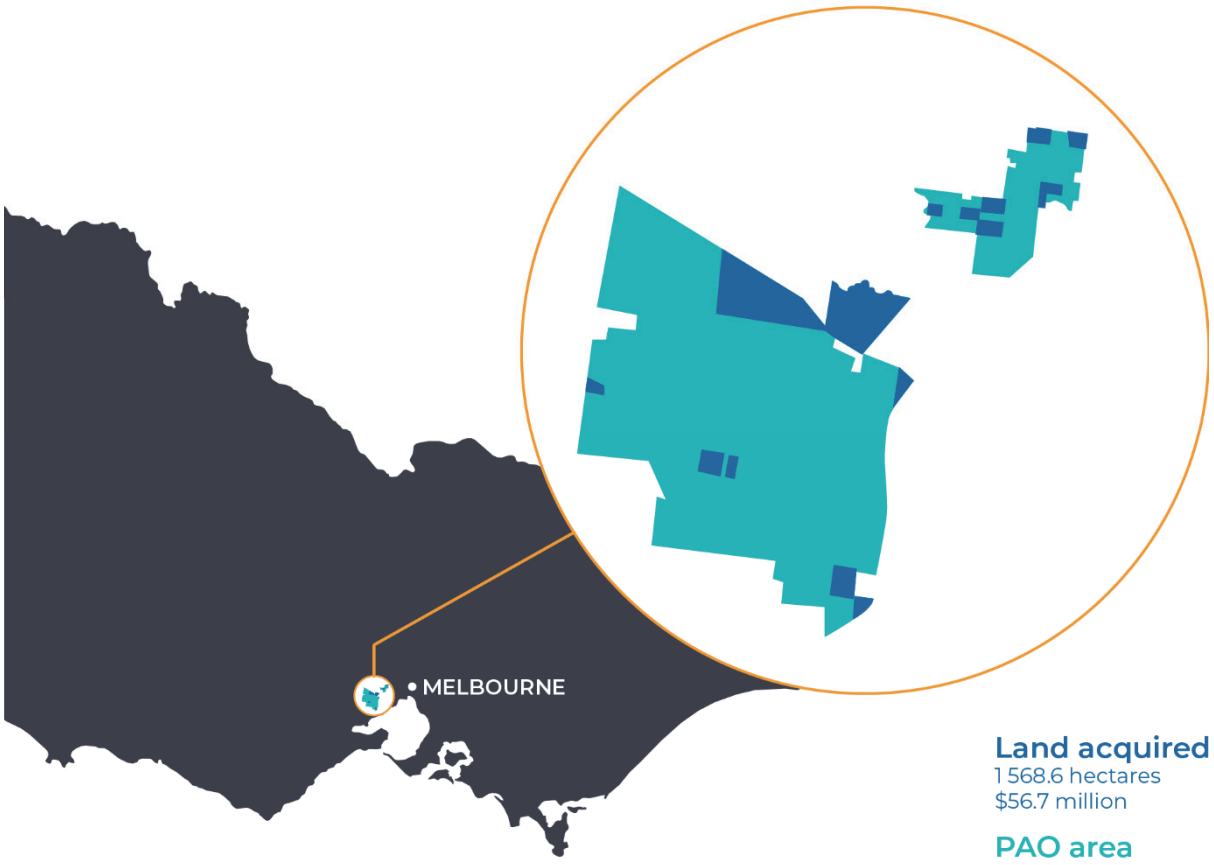
DELWP acknowledges that it will not achieve the MSA program's 2020 deadline for WGR acquisitions. It advised us that a range of factors have affected its ability to acquire land, including failed landowner negotiations and funding constraints.

WGR acquisition progress

The government is significantly behind its land acquisition target.

As shown in Figure 2C, by December 2019 the state had acquired around 10 per cent of the flagged WGR land. Of this, almost 64 per cent came from a single purchase of 1 000 hectares in 2012.

Figure 2C
WGR land acquisition as at October 2019



Source: VAGO, from DELWP data.

DELWP acquisition prioritisation criteria

To guide acquisition, DELWP assesses and scores each parcel of land against six prioritisation criteria:

Criteria	Prioritises acquiring land where …
Vegetation state	high-quality grasslands exist (to reduce risk of loss/degradation)
Values of ecological significance	significant ecological values other than Natural Temperate Grasslands and wetlands, such as native plant species like the Spiny Rice-flower or animal species like the Striped Legless Lizard, are identified
Risks to the quality of the values	weeds threaten the condition of the land
Strategic fire management requirements	there are major fire zones (for ease of fire management)
Parcel features	landowners are highly impacted by the PAO
Neighbourhood	it will add to a consolidated area (to facilitate more effective land management).

DELWP revises scores if an adjacent parcel has been acquired. In these instances, when the neighbourhood score increases, the parcel is given a higher priority.

DELWP has also prioritised offers to purchase land from landowners who are experiencing personal or financial distress.

Factors leading to low acquisition rates

DELWP has not yet purchased some properties assessed as the highest priority. In part, this is because DELWP is allowing landowners to decide when to sell rather than compulsorily acquiring the land.

Acquisition is also limited by the amount of money DELWP has to make purchase offers, and by landowners' willingness to accept the offers made.

GEWR acquisition progress

In June 2014, DELWP developed a proposal to establish the GEWR. The proposal outlined the location of the proposed reserve area, protection measures and management considerations. However, the proposal did not include the commitment to establish the reserve by 2020, as identified in the MSA program, or say how this would be achieved.

Figure 2D details the different protection mechanisms for Grassy Eucalypt Woodlands.

Figure 2D
Protection mechanisms for Grassy Eucalypt Woodlands

Protection criteria	Protection mechanism
Grassy Eucalypt Woodlands dominated by kangaroo grass	Voluntary purchase by the Crown for areas larger than one hectare.
Grassy Eucalypt Woodlands dominated by native grasses	Voluntary purchase by the Crown for areas larger than five hectares.
Derived grasslands and thickets	Voluntary on-title agreements under the *Conservation, Forests and Lands Act 1987.*
Scattered trees or 'fertilised woodlands'	Voluntary on-title agreements under the *Conservation, Forests and Lands Act 1987*. These areas will consolidate and connect the areas of higher-quality habitat.

Source: VAGO, from information in the *Land Protection under the Biodiversity Conservation Strategy 2014*, pp. 11–12.

DELWP has not decided on the protection mechanisms the reserve requires and has not acquired any land for this reserve.

2.5 Ecological condition of the grassland reserves

From its beginning, a lack of reliable, accurate and comprehensive ecological information has hampered the MSA program. This continues to impact DELWP's ability to deliver on outcomes, including:

- identifying high-value areas
- strategically implementing interim management activities
- prioritising land acquisition
- providing assurance to the Australian Government that the two reserves will offset losses of Matters of National Environmental Significance in the UGB.

Condition of the WGR

DELWP does not have a complete and comprehensive understanding of the ecological values and condition in the WGR.

Without up-to-date, comprehensive ecological data, DELWP cannot effectively prioritise management actions or which private land in the WGR to acquire.

There is a significant risk that native grasslands on identified WGR land have since been lost to degradation and weed infestation.

Condition of private (unacquired) land

As DELWP does not have the power to enter private property, it cannot undertake onsite assessments to determine the state of the land.

DELWP has not conducted a condition assessment and mapping of native vegetation values on private land since 2011. In 2011 DELWP gathered data on the quality of the land within the WGR from sources outlined in Figure 2E.

Figure 2E
Condition assessments commissioned by DELWP

Conducted by	Year	Purpose	Method
DELWP	2011	To undertake vegetation mapping and condition assessments of ecological values of private land.	Field-based surveys were conducted on private land where landowners had requested it because they challenged DELWP's modelled extent of native vegetation within their properties. Two botanists surveyed native vegetation based on habitat hectares and collected mapping data using a portable computer.
Serrated Tussock Working Party	2011	To map weed infestations of serrated tussock, Chilean needle grass and cane needle grass	Field-based surveys conducted in southern section of the WGR along transect lines 200 metres apart. Surveys from roadside in northern section due to restricted access.
Arthur Rylah Institute for Environmental Research	2011	To map state of the WGR to inform an adaptive management approach.	In-field observations. Observations from property boundaries. Analysis of patterns visible on aerial photographs where access was restricted or no data available.

Source: VAGO, from information provided by DELWP.

Since 2012, the Arthur Rylah Institute has conducted 'over the fence' assessments for DELWP of what is visible without accessing the land. DELWP advise that these assessments are useful but do not provide a full understanding of the land's condition. However, DELWP does not document these assessments to demonstrate how frequently or extensively they occur.

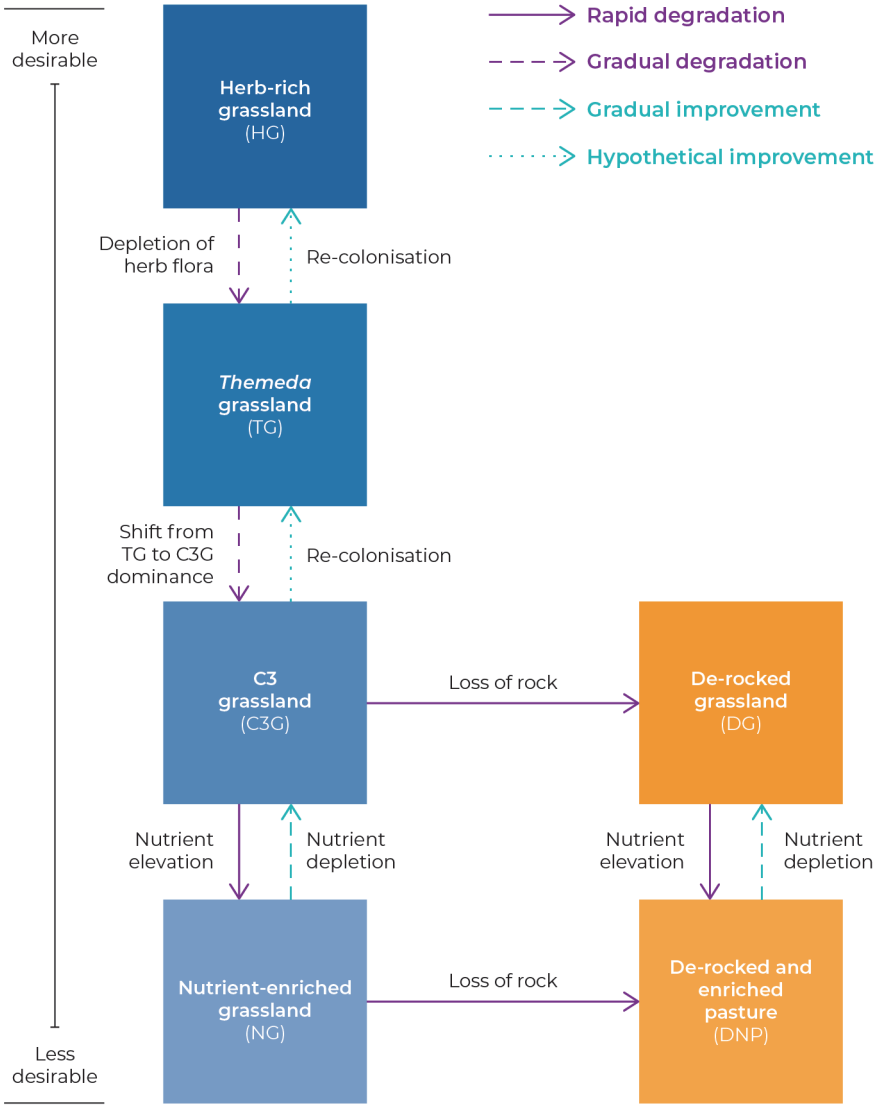
Without access to complete onsite inspections, DELWP cannot be fully aware of the condition of private land subject to the PAO.

Land impacted by rock removal and nutrient enrichment

Previous land use, such as for agriculture and urban development, has changed grassland quality. Researchers have developed models to categorise the different states that occur in Natural Temperate Grasslands and these can be used to guide management.

The *Australian Journal of Botany*'s State and Transition Model, shown in Figure 2F, categorises the condition of Natural Temperate Grasslands from more to less desirable. This is often determined by previous land use, such as agriculture, and includes a nutrient rich classification.

Figure 2F
State and transition model for natural temperate grasslands



Source: VAGO, from Sinclair et al, 'A state-and-transition model to guide grassland management', *Australian Journal of Botany*, vol. 67, pp. 437–453.

Grasslands that have fertiliser applied (nutrient-enriched) and/or have had naturally occurring basalt rock removed (de-rocked) are categorised as less desirable. This is likely to occur where landowners have intensively cropped the land.

Higher nutrient levels can lead to non-native species—usually noxious weeds—dominating these landscapes.

DELWP's technical advisory group classifies nutrient-enriched grassland as the second lowest conservation value of all grassland states. While land acquired to date still qualifies for EPBC Act listing, much of it is nutrient rich and therefore not high quality.

DELWP's progress reports state that approximately 1 000 hectares of acquired WGR land is classified as 'EPBC-listed Natural Temperate Grasslands'. However, as recorded in DELWP's vegetation inventory reports, over 900 hectares of this land is classified as nutrient-enriched grassland, as shown in Figure 2G.

Nutrient-enriched grasslands need intensive management to return to a more desirable state.

Figure 2G
State of EPBC-listed Natural Temperate Grasslands acquired by DELWP

Grassland state	Ranking	Area (hectares)	% of total EPBC land
Herb-rich	More desirable	22.9	2.3
Themeda	More desirable	12.2	1.2
C3 Grassland	Less desirable	164.6	16.5
Nutrient enriched	Less desirable	937.7	93.8
De-rocked and nutrient enriched	Less desirable	84.2	8.4

Note: Data as at 2015.
Source: VAGO, from information provided by DELWP.

Condition of the GEWR

DELWP has a poor understanding of the ecological condition of land containing Grassy Eucalypt Woodlands and earmarked for protection. DELWP has not provided any ecological condition surveys or reports for the GEWR. The area identified for the GEWR is still listed as an 'investigation area'.

DELWP has not prioritised protection of the GEWR. This is because there is:

- no PAO for the GEWR land
- no legal mechanism to enter purchasing arrangements with landowners
- only a small pool of money to purchase and protect land across both reserves.

DELWP's ecological modelling that informed the 2009 assessment identified areas where Grassy Eucalypt Woodlands were highly likely. Based on this, DELWP identified that 294 hectares of Grassy Eucalypt Woodlands must be protected within the UGB to meet the 80 per cent target. DELWP later identified that the area of Grassy Eucalypt Woodland is much less and the initial modelling overstated losses within the UGB and resultant offset obligations.

Grassy Eucalypt Woodlands are commonly represented by River Red Gums, with a degraded understorey. These dominate the investigation area for the GEWR.

In August 2016, DELWP wrote to the Australian Government requesting changes to the MSA program outputs to reflect identified modelling inaccuracies.

DELWP requested:

That …	and	be combined …
a 1 200-hectare conservation reserve outside the UGB	80 per cent (294 hectares) of Grassy Eucalypt Woodlands in secure conservation areas in the UGB	as a single target to deliver 1 494 hectares within and outside the UGB rather than two separate targets.

DELWP also requested that the River Red Gums with a degraded understorey, contribute toward achieving its Grassy Eucalypt Woodland commitments. The Australian Government agreed to this.

Detailed condition modelling would help DELWP prioritise parcels for protection and ensure that the loss of Grassy Eucalypt Woodlands is appropriately offset through the implementation of the MSA program.

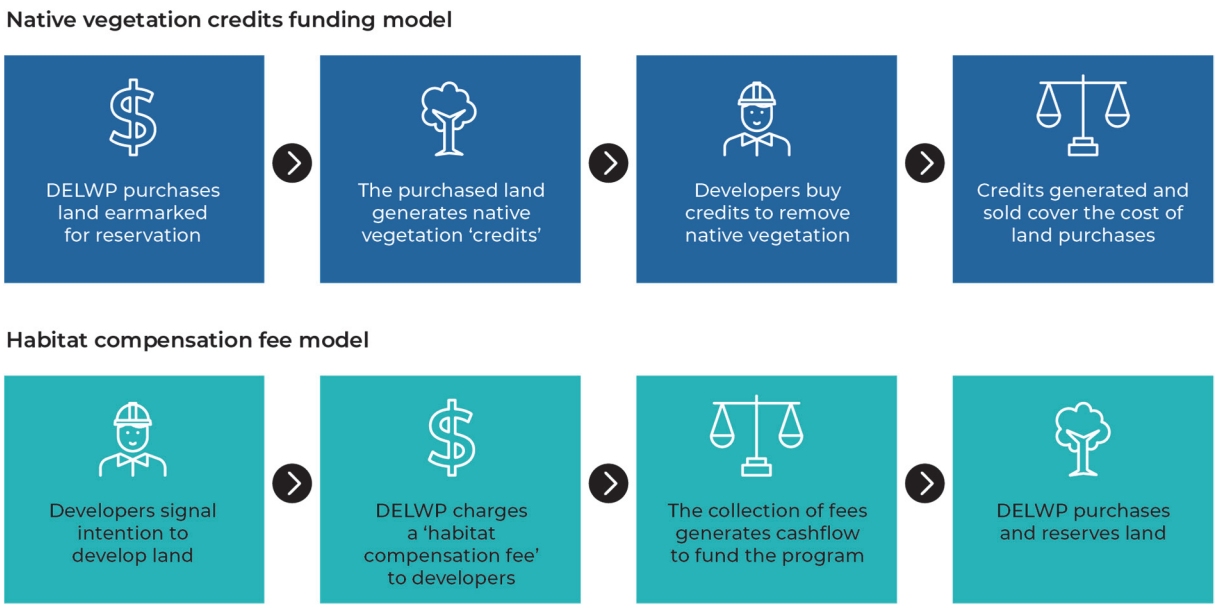
2.6 Funding models and constraints

Since its outset, the government has used two funding models to generate funds to implement the MSA program:

- the native vegetation credits funding model
- the habitat compensation fee model.

Both models are based on the polluter pays principle—in this instance, the developers. Figure 2H compares the two.

Figure 2H
Comparison of the MSA funding models



Source: VAGO, from DELWP documentation.

Native vegetation credits funding model

Between 2010 and 2013, DELWP used the native vegetation credits funding model to implement the MSA program. This mirrored the general offsetting provisions in place at the time.

This approach required upfront funding for initial land purchases. This is reflected in the MSA program report which indicates that the resources required to publicly acquire land—within a 10-year acquisition program—had been committed. The government recognised it would require upfront funding in its 2010–11 budget, where it committed to a total estimated investment of $190 million over the life of the MSA program. DELWP received $10 million in 2009–10 and expected to receive $20 million a year through to 2013–14.

In 2010, the state government reduced funding to the MSA program. As a result, the only funding DELWP has received from the government for the MSA program has been the $10 million provided in 2009–10.

Habitat compensation fee model

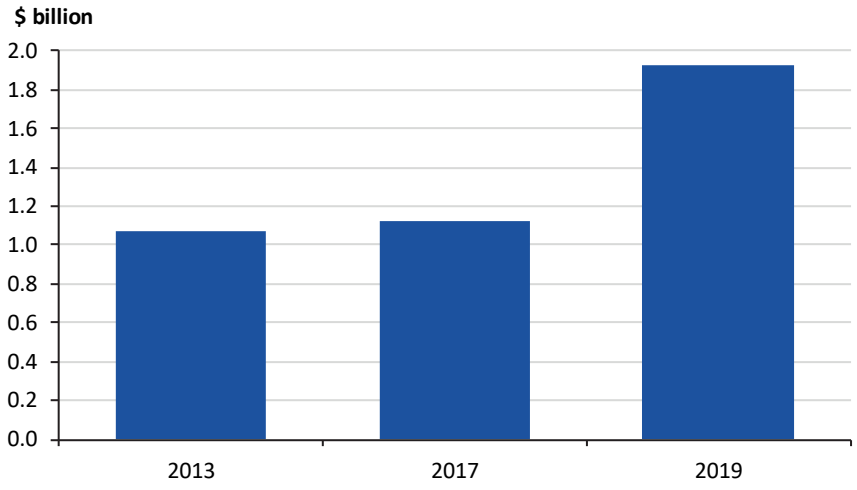
Since 2013, DELWP has used a habitat compensation fee model, based on full cost recovery, to fund implementation of the MSA program. Cost recovery involves setting and collecting charges imposed on developers.

DELWP aims to achieve full cost recovery over the life of the MSA program—to 2062—through the collection of habitat compensation fees from developers.

Estimated MSA program costs

DELWP modelled MSA program costs in 2013, 2017 and 2019 to determine likely costs to 31 December 2060. Figure 2I shows the estimated MSA program costs in real terms.

Figure 2I
Estimated MSA program costs in real terms



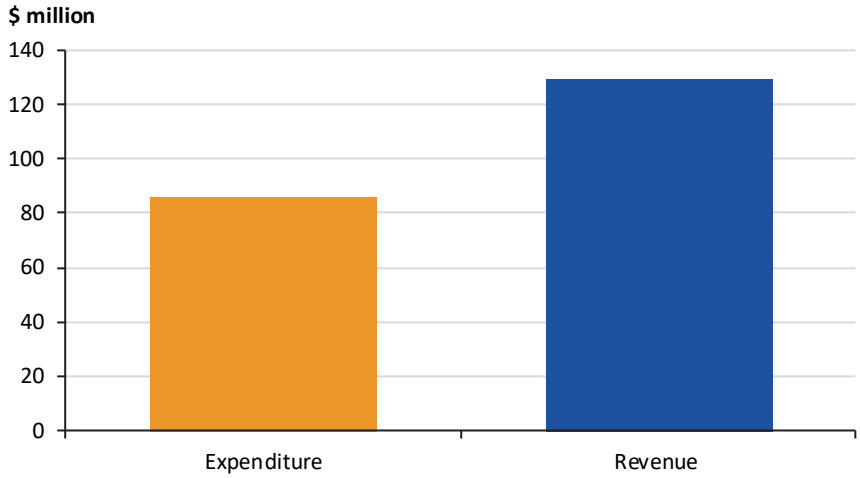
Source: VAGO, from information provided by DELWP.

Between 2013 to 2019, in real terms, the estimated costs have increased by around 80 per cent. This is due primarily to land values in the WGR increasing at a faster rate than inflation.

MSA program expenditure and fees collected

Figure 2J shows total MSA program expenditure and revenue from 2010–11 to 2018–19.

Figure 2J
MSA Program expenditure and revenue to 30 June 2019

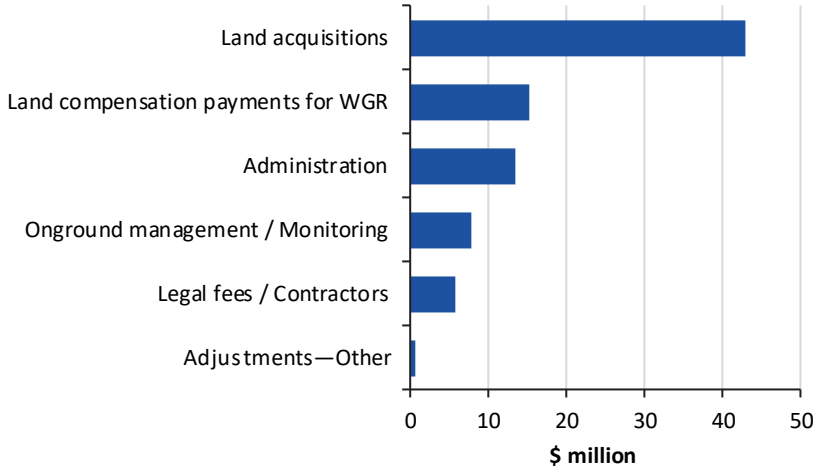


Source: VAGO, from information provided by DELWP.

Over 90 per cent of revenue collected has been from habitat compensation fees, with the remainder in state appropriation funding.

Around half of MSA program expenditure has been for land acquisitions, as seen in Figure 2K.

Figure 2K
MSA program expenditure 2010–11 to 2018–19



Source: VAGO, from information provided by DELWP.

Administration expenditure is 15.6 per cent of total program expenditure. DELWP acknowledge that administration costs are high. However, DELWP has had to commit resources to develop various frameworks and policies for the MSA program, and to develop the MSA Act. DELWP has reduced these to 7 per cent for 2018–19.

At 30 June 2019, the MSA trust account balance was around $44 million. In addition to using money for acquiring land, DELWP needs to ensure there are sufficient funds available for potential 'loss on sale' compensation claims.

Loss on sale compensation

Loss on sale compensation is a consequence of the PAO and is legislated under the *Planning and Environment Act 1987*.

Loss on sale compensation claims occur in the following circumstances:

If …	**And …**	**Then …**
a landowner sells their land at a lower price than they expected to get if the land had not been under a PAO	the landowner gave the state 60 days written notice of their intention to sell	the landowner may claim compensation after the sale.
a landowner sells their land to a third party	the sale price is below unaffected market value (market value without the PAO)	the landowner may be entitled to compensation after the sale.
a loss on sale claim is successful		DELWP has 30 days to pay the claim.

Payment of a loss on sale claim does not result in the land transferring to ownership by the Crown.

Limitations of existing fee arrangements

DELWP has not indexed or raised habitat compensation fees since 2013. DELWP did not increase these fees because of limits on its capacity to impose or control them. This has limited the funds generated and put full cost recovery for the MSA program at risk.

This issue also slowed the pace of land acquisition and DELWP's ability to secure and protect priority WGR sites.

As of 30 June 2019, DELWP has collected $117 million from developers to administer and deliver the MSA program. The revenue generated has not kept pace with increasing land and maintenance costs. DELWP estimates the current fees cover approximately 43 per cent of the estimated MSA program delivery costs.

To address these issues, in 2014, DELWP began to create a new regulatory framework for the MSA program.

The Melbourne Strategic Assessment (Environment Mitigation Levy) Act 2020

The MSA Act sets measures to ensure that the MSA program remains fully cost recoverable over its life.

It replaces habitat compensation fees with an environment mitigation levy. There will be two indices that operate in parallel in the first five years. One is a composite index of the Consumer Price Index and wages used to adjust fees annually for the life of the MSA program.

The second index increases levies by around 20 per cent per year over the first five years of the MSA Act to ensure that the MSA program achieves full cost recovery.

DELWP will review the cost base for the MSA Act every five years to determine if it is appropriate to achieve conservation outcomes.

2.7 A changing approach

DELWP acknowledges that planning for the MSA program was rushed and not carefully thought through. It believes that 2020 was never realistic as an establishment date for the two grassland reserves. However, the Australian Government endorsed and approved the MSA program based on this commitment.

DELWP's revised implementation

In August 2019, DELWP briefed the state government that the habitat compensation fee scheme '…was not designed to acquire the WGR by 2020, instead it was designed to implement the Program in accordance with Victoria's offsetting principles…' as outlined in Victoria's native vegetation regulations, the *Guidelines for the removal, destruction or lopping of native vegetation* 2017.

Acquiring land in pace with development

DELWP advised the state government that it has been acquiring WGR land to keep pace with development, and for every one hectare of land cleared, two have been protected in the WGR. Figure 2L shows the amount of land cleared in the UGB and offset in the WGR as of June 2019.

Figure 2L
Native vegetation cleared for urban development and offset in the WGR

	Hectares	Percentage of total
Native vegetation cleared in the UGB	654 (of 6 412)	10.2%
Native vegetation protected inside and outside the UGB	1 308 (of 12 802)	10.2%

Note: Data correct as of June 2019.
Note: 6 412 is the total estimated to be cleared until 2060. 12 802 is the total amount of native vegetation within the reserves.
Source: VAGO, from DELWP data.

To date, land acquisition and management is keeping pace with vegetation cleared due to urban developments. The MSA Act will ensure that DELWP's previous costs shortfall, due to land value increase and inflation, are fully recovered over the first five years of its operation.

The use of a multiplying factor—on a hectare basis—of two is not a good measure of an offset. The *Guidelines for the removal, destruction or lopping of native vegetation* 2017 does not use this measure to calculate offset requirements.

According to these guidelines, offsets compensate for biodiversity losses as a result of native vegetation removal. The guidelines do not operate on a hectare basis. Rather, a habitat score (habitat hectare multiplied by a general landscape factor) determines the offset size.

The **habitat hectare** method is a vegetation assessment method that measures the condition of native vegetation against a benchmark for the same vegetation type. It is a measure of vegetation quality.

The **landscape factor** is derived from landscape scale information. It represents the importance of one location relative to all other locations in Victoria.

Further, under the EPBC Act, the Australian Government's guidance states that offsets should be tailored specifically to the attribute of the protected matter that is impacted to provide a conservation gain. The guideline suggests that any direct offset must meet, as a minimum, the quality of the habitat at the impact site (that is, like-for-like).

DELWP stated that it has purchased land in line with development that has occurred, and therefore aligns with offsetting best practice. However, DELWP cannot demonstrate how the land acquired in the WGR would satisfy requirements using a scoring system commensurate with the guidelines.

DELWP has also not provided evidence to demonstrate that the quality of land purchased in the WGR matches the quality of land cleared in the UGB.

Alignment with the MSA program

DELWP's approach of purchasing land in line with development is not the original intent of the MSA. The MSA program made it clear that early acquisition of land was important to preserve the environmental values of critically endangered Natural Temperate Grasslands.

While the aim was to offset losses from urban development, the commitment to the Australian Government was to acquire and establish the WGR by 2020.

3 Protecting land before and after acquisition

The extended timeframe for land acquisition makes controlling threats to grassland ecological values increasingly critical. Managing privately held land is important to ensure that grasslands do not further degrade before formal acquisition.

As noted in Part 2, DELWP has not progressed the GEWR. Therefore, this Part focuses on the WGR.

3.1 Conclusion

DELWP has not targeted action to areas of greatest ecological value or those under greatest threat. DELWP has not worked effectively with landowners and other government agencies to control noxious weeds and protect important biodiversity values. As a result, it has not effectively mitigated the risk of degradation to the ecological assets the reserves are designed to protect.

3.2 Managing land before acquisition

In 2011, DELWP developed an interim management strategy to guide pre-acquisition land management in the WGR. The strategy assumed it would achieve full land acquisition by 2020 and was based on land condition at the time.

DELWP's strategies for managing WGR land

The key objectives of DELWP's 2011 strategy included:

- reducing the risk of landowners allowing their land to degrade
- establishing relationships with landowners to influence private land management and gain access to large areas of the reserve to improve datasets
- ensuring landowners comply with legal obligations regarding land management.

The strategy prioritised weed control across the WGR due to the prevalence of weeds on private land parcels and their impact on native vegetation if not controlled. However, DELWP could not access many WGR areas, as landowners did not give consent.

DELWP advised us that it will develop a plan to complement the interim management strategy by December 2020. It intends to include an analysis comparing:

- works it contributes funds to under its land management grants
- what landowners should be doing to fulfil their land management obligations under the CaLP Act.

Pre-acquisition management activities and challenges

Private ownership of land

In August 2010, the government placed a PAO on land in the WGR. At the time, DELWP intended to acquire all land by 2020. This has not occurred and, as at January 2020, around 90 per cent of land is still in private ownership.

Managing WGR land before it is acquired has been challenging. DELWP advise that many landowners have refused property access to contractors. As a result, DELWP's weed control has focused on properties where landowners were willing to participate.

Weed management activities

There have been a range of weed control programs since the beginning of the MSA program, as shown in Figure 3A.

Figure 3A
DELWP's weed control programs in the WGR

Program	Year	Purpose/Actions	Hectares treated
Serrated Tussock Working Party	2011	DELWP funded $260 000 to map serrated tussock infestations, produce an implementation plan and undertake on-ground weed treatment. Landowners of 13 sites expressed interest in weed treatment. However, limited funding allowed for only six properties to be treated.	652
Weed control services	2012	DELWP established a panel of seven weed control service providers for works. Documents provided by DELWP do not identify the number of hectares treated.	Not identified
Bush Tender	2012–17	Landowners submitted a tender to improve the quality or extent of native vegetation on their land. Successful tenders were assessed based on the best environmental value for money. Landowners received funding over five years for weed management activities under agreement with DELWP.	88
DELWP weed control grants program	2016–19	DELWP fully or partially funded weed control actions carried out directly by landowners, or by licensed/accredited contractors.	177
Wyndham City Council land protection grant program	2016–18	Wyndham provided land management support services to landowners under its land protection grant program. Around 10 000 hectares of the WGR falls within Wyndham City Council's jurisdiction.	1 144
Land Protection Grant Scheme (collaboration with Wyndham City Council)	2018	DELWP and Wyndham City Council signed a one-year joint funding agreement for $80 000 to support eligible landowners to control noxious weeds.	331

Note: Hectares treated may overlap across the various activities listed in this table.
Source: VAGO, from information provided by DELWP.

Three-year Wyndham funding agreement

DELWP and Wyndham City Council are in the process of finalising a three-year funding agreement. This includes funding for a WGR weed control program and a fixed-term Environmental Officer at the council.

The Environmental Officer will handle engagement and education activities and provide administrative project support associated with the grant program. This partnership is intended to help address stakeholder concerns that native grasslands are being affected by weeds on private land in the WGR.

Aerial serrated tussock control trial

In 2016 and 2017, DELWP conducted an aerial trial to control serrated tussock. It selected three adjacent private properties in the Natural Temperate Grasslands ecological community for aerial spraying due to their extensive serrated tussock invasion.

For the trial, DELWP randomly chose 22 plots to be either treated or a control (not treated). It used weak, medium and strong concentrations of the treatment.

Of the plots, those receiving	The trial showed …
no treatment	serrated tussock coverage would likely increase without treatment.
weak treatment	no living individual weeds. However, application errors reduced the number of sample plots to three. This is not enough for reliable results.
medium treatment	near total removal of serrated tussock, with only one weed remaining in three of the six sample plots.
strong treatment	serrated tussock cover was reduced to zero, with no surviving weeds in the sample plots.

DELWP advised us that the land management activities described above have been applied to 4 500 hectares of private land and this information is available in various agreements and associated council documents. However, based on the information provided by DELWP, we were unable to verify this figure.

Landowner compliance with land management obligations

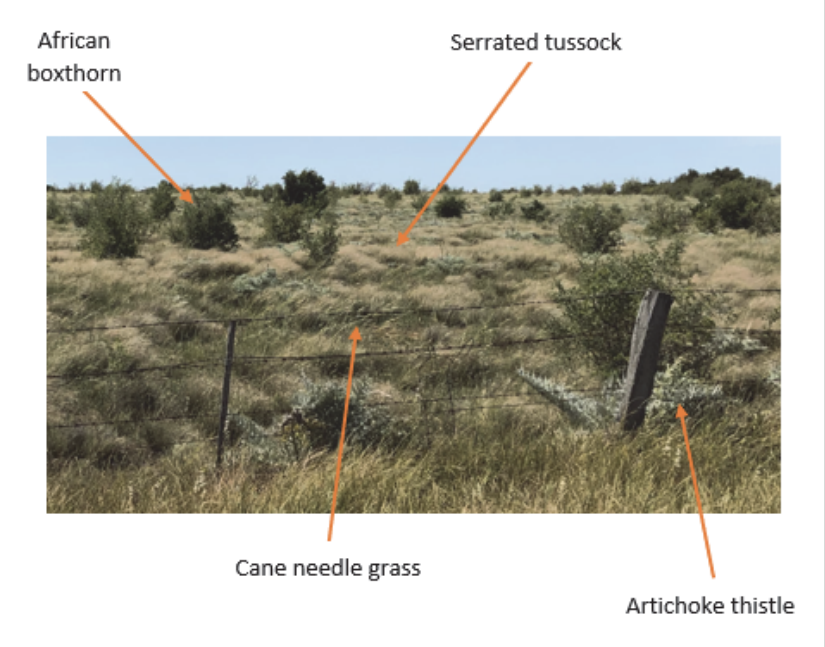
DELWP's interim management strategy outlines several options for ensuring private landowners meet legal obligations to control noxious weeds and protect important biodiversity assets:

- Under the CaLP Act, landowners must manage declared noxious weeds and pest animals on their land. They must take all reasonable steps to eradicate regionally prohibited weeds, prevent the growth and spread of regionally controlled weeds, and prevent the spread of established pest animals on their land. Agriculture Victoria may issue a Directions Notice or Land Management Notice specifying a control action and timeframe.
- Some local governments have laws that allow Directions Notices to be issued, directing landowners to control weeds.
- In extreme cases, DELWP may initiate compulsory acquisition.

It is important to control weeds because they can change the natural diversity and balance of ecological communities. Land in the WGR is of varying quality. Figure 3B shows a property with significant levels of noxious weeds.

Figure 3B
VAGO WGR site visit: November 2019

On a site visit to the WGR, we observed several properties yet to be acquired by DELWP that contained significant levels of noxious weeds. Despite landowners having an obligation to manage noxious weeds, these properties contained African boxthorn, cane needle grass, artichoke thistle and serrated tussock.



Note: Photograph is not representative of all properties in the WGR.
Source: VAGO—taken during a site visit on 11 November 2019.

DELWP advise that its position is to educate and inform landowners of their obligations. The DELWP Secretary delegates responsibility for enforcing compliance to the Secretary of the Department of Jobs, Precincts and Regions, specifically Agriculture Victoria. This means that DELWP does not carry out enforcement under the CaLP Act.

Managing non-compliance

DELWP's interim management strategy states that in extreme cases of non-compliance, it may initiate compulsory acquisition of land under the PAO. This would bring the property into the reserve and under immediate departmental management.

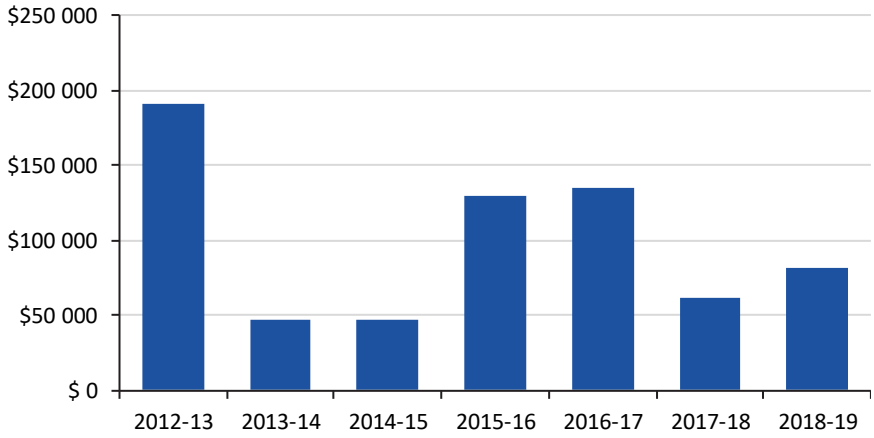
DELWP has yet to exercise this option, as it is contrary to its policy of voluntary acquisition.

Expenditure on pre-acquisition land management

Since 2012–13, DELWP has spent $695 695 on pre-acquisition land management, as shown in Figure 3C. This represents:

- less than 1 per cent of total MSA program expenditure
- around 2 per cent of operating expenditure
- 9 per cent of total on-ground management expenditure.

Figure 3C
Interim management expenditure



Source: VAGO, from information provided by DELWP.

DELWP advise that there is no specified budget for pre-acquisition land management activities, as there is a constant trade-off between funding land management and land acquisition. Further, take-up of interim management programs by private landowners has been low.

DELWP hopes that its agreement with Wyndham City Council will be more successful in engaging landowners in the management of their land.

3.3 Ongoing management

DELWP transfers land it acquires to Parks Victoria to manage. As at February 2020, DELWP has transferred 10 parcels totalling 1 198.6 hectares. Figure 3D shows these.

Figure 3D
Parcels managed by Parks Victoria

Parcel no.	Size (hectares)	Year assigned to Parks Victoria
1	339.3	2014
2	94.3	2014
3	306.1	2014
4	260.2	2014
5	41.1	2016
6	20.2	2017
7	20.0	2017
8	93.0	2016
9	18.4	2016
10	6.0	2016
	1 198.6	

Note: Figures as at February 2020.
Source: VAGO, from information provided by Parks Victoria.

In addition to the parcels in Figure 3D, Parks Victoria manages 51.75 hectares of existing Crown land within the WGR. At the time of this audit, DELWP was in the process of transferring a further 286.1 hectares (11 parcels) to Parks Victoria.

Parks Victoria management of WGR

Parks Victoria developed a draft land management proposal in May 2012. It contains estimated management costs and resourcing requirements based on acquisition by 2019–20. This proposal needs revising to reflect:

- the slow land acquisition rate
- Parks Victoria's management model for isolated and fragmented parcels with varying historic land uses
- challenges in managing the WGR in perpetuity.

Management of WGR parcels

DELWP management guidelines document the location of biodiversity values as well as land management risks and opportunities for each land parcel.

Parks Victoria provides input into the development of DELWP's management guidelines for each parcel of acquired land. Parks Victoria uses these guidelines to manage land transferred to it.

Management challenges for Parks Victoria

Slow transfer of land in small parcels

Under the MSA program, Parks Victoria was expected to receive all or most parcels of land in the WGR by 2019. DELWP's delayed land acquisition and subsequent handovers will continue to present management difficulties for Parks Victoria.

Parks Victoria advises that it needs a critical land mass to make management actions cost-effective. The piecemeal nature of its assigned parcels means management is restricted to small, isolated blocks.

This has a flow-on effect for capacity and budget planning. Fire planning and cultural heritage planning is difficult, as these generally require a strategic approach across the entire reserve.

Funding arrangements

DELWP's funding of Parks Victoria for managing WGR land extends for 10 years after transfer. Following this, Parks Victoria's management costs come out of its recurrent funding.

DELWP has transferred funding responsibility for at least one land parcel to Parks Victoria. The remaining parcels will progressively fall under Parks Victoria funding from 2024.

When the full 15 000 hectares is transferred, the WGR will increase Parks Victoria's managed estate within the western Melbourne district by 451 per cent—from 3 329 to 18 329 hectares.

Parks Victoria advises that management activities for grasslands cost more than other ecosystems. They require active annual management, including weed control and burning regimes. Parks Victoria also advises that it is more difficult to develop a recurrent funding bid for the management of small disparate parcels, as opposed to large contiguous areas.

Future park planning

The World Commission on Protected Areas' 2013 *Guidelines for Applying Protected Area Management Categories* provides recognised best practice guidelines that classify protected areas according to their management objectives.

The two relevant categories for the WGR are:

The protected area management category for …	Which are …
Strict nature reserves	Strictly protected for biodiversity. Human visitation, use and impacts are controlled and limited to protect conservation values.
National parks	Large natural or near-natural areas set aside to protect large-scale ecological processes, with characteristic species and ecosystems. These areas also have environmentally and culturally compatible recreational and visitor opportunities.

Currently, the WGR is being managed as a nature reserve. DELWP and Parks Victoria agree that it will eventually be managed as a national park. However, Parks Victoria does not have clarity on when this will happen.

Certainty about the timeframe is important, as it guides Parks Victoria's management actions and requires planning. For example, as a nature reserve, Parks Victoria cannot leave areas (often those areas most degraded) earmarked for recreational facilities, such as car parks or visitor centres. Instead, it must actively manage these for conservation protection.

3.4 Communicating with landowners

Communications with landowners in the PAO is critical, and DELWP's 2011 interim management strategy outlines the importance of this. Keeping landowners informed:

- provides them with accurate information to help them make informed land management decisions
- ensures they are aware of their legislative obligations
- builds DELWP and landowner relationships to help access private land for condition surveys and land management

- enables DELWP to receive information about landowners' intentions relating to their properties.

DELWP's approach to communicating with landowners has become reactive because it cannot provide landowners with any certainty around acquisition. It is limited to responding to landowner's correspondence and individual enquiries, rather than guided by a communications strategy.

DELWP communication with landowners

Notice of PAO

In August 2010, DELWP wrote to landowners in the WGR informing them that their properties would be subject to a PAO. It accompanied the letter with an information pack that included:

- fact sheets about the MSA, the WGR and the acquisition process
- a map of the area covered by the PAO
- a landowner survey to collect information to assist with WGR design and interim management.

Landowner interviews

In November 2011, DELWP engaged consultants to interview landowners in the WGR on future negotiation processes and engagement. The consultants interviewed around 50 of the 106 affected landowners. The consultants prepared a draft report with key findings, conclusions and recommendations. These are summarised in Figure 3E.

Figure 3E

Key findings, conclusion and recommendations from consultant interviews with landowners

Key findings	Conclusion	Recommendations
• Landowners considered that DELWP communication was sporadic. • Information was difficult to access and confusing. • Landowners reported that the letter DELWP sent in August 2010 on the rezoning and the PAO was the first information they had received. • Some landowners indicated they had not received any information at all and had to rely on neighbours for updates.	The report concluded DELWP lacked the confidence of landowners and this was impeding access to the WGR land for habitat maintenance. It needed clear and transparent communication and negotiation to rebuild trust.	DELWP should: • undertake a fresh round of communication • provide a series of opportunities for landowners to interact with DELWP including follow-up group meetings with landowners, drawing on feedback • conduct meetings in the two geographic reserve areas • provide transparent communication between meeting groups • coordinate content of relevant information with other agencies.

Source: VAGO, from information provided by DELWP.

DELWP has not yet acted on these recommendations.

Liaison officer

From October 2010 to January 2014, DELWP employed an officer to liaise with landowners affected by the PAO. The officer had a background in biodiversity and was familiar with the area. However, they had no training in communication and faced some engagement challenges.

Progress update

In March 2014, DELWP provided landowners with a progress update including information about where they could access support such as personal and financial counselling services.

Landowner engagement challenges

Figure 3F summarises challenges DELWP staff have faced in engaging private landowners.

Figure 3F
Engagement issues

Issue	Challenges faced by DELWP staff
Lack of strategic plan	Landowner engagement was not guided by a stakeholder and engagement strategy or a communications strategy.
Lack of consultation on the PAO	The liaison officer started after the PAO was publicly announced. This was not ideal, especially as there was little or no initial consultation with landowners about the PAO.
Lack of engagement support	Although DELWP created the landowner engagement position, it provided no support for this role. For example, there was a large cohort of non-English speaking landowners. Engagement took considerable time as it meant dealing with landowner's children and grandchildren.
Varying levels of understanding of the MSA program	Landowners varied, and included primary producers, individuals with hobby farms and development companies with large holdings. Landowners had various levels of understanding of biodiversity, landowner obligations and PAO implications.
Acquisition timeframe	DELWP advised landowners that it would acquire their land within 10 years. However, this depended on funds from development fees. As development was slower than forecast, land acquisition has occurred more slowly than anticipated. This has caused considerable uncertainty for landowners.

Source: VAGO, from information provided by DELWP.

Developing a stakeholder strategy

In March 2014, DELWP briefed the Minister, noting that it would develop a joint communications approach with the Australian Government to address the likelihood that acquisition of land would extend beyond 2020. DELWP advised us that this did not go ahead as it could not be certain about when it would acquire land.

In 2016, DELWP drafted an MSA stakeholder strategy. However, it never finalised this document. The draft names a range of MSA program stakeholders, including their level of interest and influence in the MSA program, but does not document an engagement approach.

The draft stakeholder strategy indicates that landowners in the WGR and GEWR have high interest and low influence on MSA program outcomes. Figure 3G outlines how DELWP defined level of influence.

Figure 3G
Level of influence definitions

Level of landowner influence	Definition
Low	Stakeholder has limited influence on the success of projects outcomes.
Medium	Stakeholder can influence implementation and affect the success of the project outcomes without adequate engagement.
High	Stakeholder can critically impact on the success of the project outcomes without adequate engagement.

Source: VAGO ,from DELWP's draft MSA stakeholder strategy, 2016.

The draft strategy also identifies specific stakeholder issues and approaches for managing them. Figure 3H outlines those relating to landowners.

Figure 3H
Landowner issues and management approach

Landowner issues	Management approach
Concern and uncertainty about landholder rights, responsibilities, process and timing of MSA.	Plain English fact sheets.
Lack of central source of easily understandable information.	Website redesign, plain English fact sheets.

Source: VAGO, from DELWP's draft MSA stakeholder strategy, 2016.

Keeping landowners informed and addressing concerns is important. Disengagement risks the MSA program's implementation and outcomes. For example, there may be negative outcomes if a landowner:

- sells their property to a third party after offering it to DELWP first, potentially resulting in a loss on sale claim compensation
- does not fulfil their land management obligations
- does not take up weed management grant programs.

DELWP advised us that the introduction of the MSA Act on 1 July 2020 will provide more certainty about the MSA program. This provides DELWP with an opportunity to reassess and reset its engagement with affected landowners.

4

MSA program oversight

A governance framework should have the structures, systems and practices to ensure:

- decisions align with strategic intent and direction
- services are delivered
- policies, programs and plans are implemented effectively and efficiently
- risks are monitored and adequately controlled
- performance is monitored, reported and used to drive continuous improvement.

Sound governance is achieved through strong leadership, clear accountability, good communications, and appropriate committee structures that change in response to program needs and requirements.

4.1 Conclusion

DELWP was slow to establish governance arrangements for the MSA program and changed them several times. This has limited their effectiveness and meant DELWP missed key oversight activities or did not always do them consistently or to expected standards.

DELWP's arrangements are not adequate to effectively oversee the MSA program's future delivery, including ensuring risks are effectively managed and progress adequately communicated to key stakeholders.

4.2 Impact of governance changes

Delivery of the MSA program requires the involvement and coordination of multiple government departments and agencies. DELWP has overall responsibility for ensuring the state meets its commitments to the Australian Government.

Initial governance structure (2010–16)

DELWP did not fully establish formal governance arrangements until 2013, three years after the MSA program was endorsed. This means that at its critical startup phase, the MSA program lacked necessary leadership and oversight.

The initial intended governance structure included an IDC, a Project Control Board and a Project Management Group. Figure 4A details their responsibilities. However, this was not in place until several years into the MSA program.

Figure 4A
Key MSA Program governance committees and responsibilities 2010–16

Committee	Reported to	Responsibilities
IDC[(a)]	The Minister	Responsible for MSA program oversight by: • providing direction for the resolution of emerging cross-portfolio agency issues • ensuring effective coordination of cross-portfolio policy to support MSA program implementation • ensuring appropriate governance arrangement and risk management • ensuring effective communication of MSA program objectives, status and outcomes to stakeholders.
Project Control Board	DELWP Secretary	Provide departmental management, direction coordination and decision making for MSA program implementation.
Project Management Group	Project Control Board	Ensure effective implementation of the MSA program on the ground.

(a) The IDC comprised multi-agency representatives from departments and agencies involved in MSA Program delivery as well as the Departments of Premier and Cabinet and Treasury and Finance.
Source: VAGO, from DELWP documentation.

Issues with leadership and oversight

The government appointed the IDC in mid-2010 to provide whole-of-government direction and coordination to effectively implement the MSA program.

Given the MSA program's scale and breath, the IDC was to operate as the peak project governance body. Its terms of reference stated it would meet quarterly, with more regular meetings to deal with key issues during the startup phase. However, the IDC first met in March 2013, three years after it was established. It met again in September 2013, but there is no evidence of it meeting since then.

Working groups

DELWP established working groups at the start of the MSA program, to provide specialist advice and inform planning and implementation. These included the:

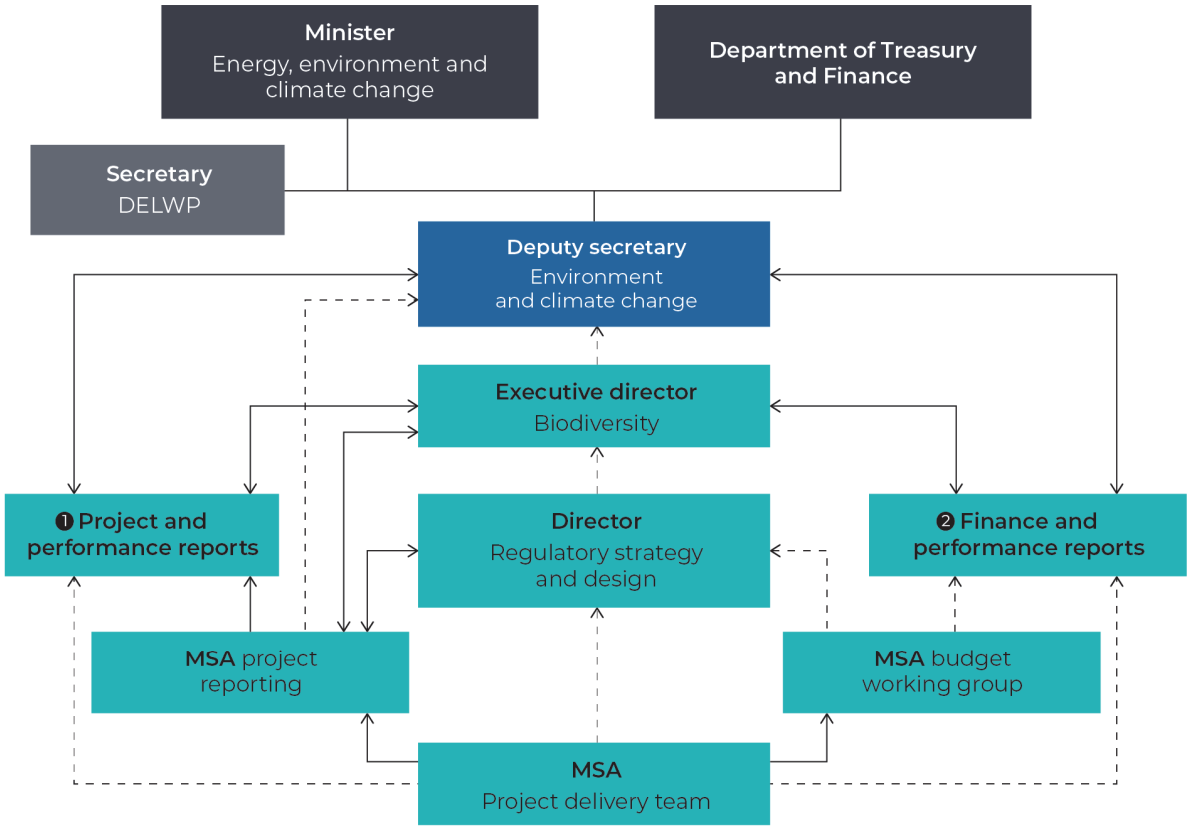
- Land Prioritisation Advisory Group
- Stakeholder Reference Group
- Ecological Reference Group
- Environment Stakeholder Group
- Adaptive Management Working Group
- Local Government Liaison Group.

DELWP has disbanded some of the groups as there is no longer a need for them, while others have an ongoing role in MSA program delivery.

Governance since 2016

Since 2016, DELWP has managed and reported on the MSA program internally, as shown in Figure 4B.

Figure 4B
Current governance and reporting structure



❶ **Executive Leadership Team performance reports**
Group level reporting to the executive leadership team, undertaken in the group with an update based on exception/priority.

Group business plan
Reporting to the deputy secretary on priority projects, could include components of MSA based on exception.

❷ **Finance and committee reporting**
Finance and performance reports at an organisational level to the senior executive team, with components of MSA filtering in to wider level reporting.

Group finance reporting
Environment and climate change finance and performance reporting to the Finance and Performance Committee sub-committee, with aspects of MSA presented within.

indirect/informal reports
formalised reporting

Source: VAGO, from information provided by DELWP.

Oversight and reporting

The current MSA program governance is integrated into DELWP's business reporting processes. External oversight occurs via the Minister and DTF. There is no formal external oversight body such as the IDC.

Reporting processes include:

- monthly reporting to the relevant group executive team, the finance and performance committee, and the Minister as required
- monthly dashboards providing the senior executive team with a high-level view of performance, detailed notes explaining material variations, key risks and next steps
- quarterly reports to the Secretary
- one-on-one meetings between divisional directors and senior executives.

Priority service project reporting

Priority service projects are key policy deliverables for government and often reflect legislative obligations.

In 2018, DELWP identified the MSA program as a priority service project. These projects have additional reporting requirements, including:

- progress on KPIs and financial milestones as captured in the group's business plans, noting percentage complete and explanations
- an overall project status of 'on-track', 'monitor' or 'off-track' with commentary
- next steps, risks and budget commitments.

Our review of monthly reports identified that DELWP:

- reported the MSA program as 'on-track' against its annual business plan outputs, since listed as a priority project in 2018 through to 30 September 2019. When a project's status is 'on-track', DELWP's senior executive do not receive reports for review.

DELWP also:

- reports MSA program progress and risks to its senior executive through other avenues, such as briefings and informal meetings
- has reported to government on the MSA program through briefings relating to development of the MSA Act.

However, government briefings have focused on the legal and financial risks associated with the MSA program. They did not adequately reflect the impact of delays in acquiring land on meeting commitments to the Australian Government to establish the reserves by 2020.

4.3 Managing risk

Risk management is designed to identify, analyse, evaluate, treat and monitor risks that impact a program's delivery and achievement of its objectives. It covers strategic as well as operational, financial and compliance risks.

The MSA program is to be implemented over the next 40 years and has been significantly impacted by uncertainty due to factors such as sluggish development growth, insufficient revenue and unexpected compensation claims.

DELWP's risk management practices

Although DELWP has a department-wide risk management framework, it has not adequately managed risk around the MSA program. This includes not identifying all risks, as well as poorly or reactively managing issues as they materialise without appropriate mitigation.

DELWP's risk management guidelines are consistent with Australian and New Zealand standards and the government's *Risk Management Framework—March 2015*. DELWP regularly reviews its strategic and corporate risks via:

- annual risk workshops
- six-monthly executive team meetings
- business planning meetings.

Managing MSA program risks

DELWP's risk management for the MSA program between 2010 and 2013 was poor. A draft risk register dated December 2013 identified 14 MSA program risks. However, DELWP did not finalise this or assess or put in place actions to manage or mitigate these.

Recording and reporting risks

Since 2015, DELWP's MSA program delivery team has been responsible for recording and maintaining the MSA program risk register. DELWP advised us that most risks are managed on a day-to-day basis by the project team and not recorded in the register. As a result, there are no records of the potential risks or issues discussed and considered.

DELWP did not maintain records of potential risks or issues it considered during risk workshops. This would have provided insight into DELWP's process to identify risks and issues and shown whether its approach has met DELWP's risk management guidelines.

The corporate risk register only includes one MSA program risk, as seen in Figure 4C. DELWP advised us that it is not common to have multiple operational risks recorded for the same program.

Figure 4C
MSA program's operational risk included on DELWP's corporate risk register

As at November 2019, DELWP's corporate risk reporting system had one operational risk identified for the MSA program.

This item related to the need for legal certainty so that revenue generated would keep pace with the increasing costs associated with MSA program delivery. The MSA Act is partly designed to address this risk.

This risk was rated 'significant' and, in line with DELWP's risk management framework, it was not required to be reported to the senior executive team or DELWP's Risk and Audit Committee. This only occurs for risks rated 'high'.

Source: VAGO, from information provided by DELWP.

MSA program operational risks

Not meeting the MSA program's 2020 deadline

In seeking approval for the cost recovery model in 2013, DELWP advised the government about the financial risk associated with the MSA program's 2020 deadline. The advice indicated that the habitat compensation cost recovery approach would slow the rate of land acquisition and that the state would need to renegotiate the agreed MSA program targets with the Australian Government.

DELWP advised DTF and the Department of Premier and Cabinet that the Australian Government would need to amend the conditions of an approval issued under the EPBC Act to give the states and territories increased powers for approvals and allow them to renegotiate targets. However, this amendment did not occur and DELWP and the Australian Government now consider that an amendment of the approval is not necessary.

DELWP does not have legal advice confirming whether there are legal risks for DELWP not meeting the 2020 timeframe. In November 2019, the Australian government advised DELWP in an email that it does not consider the failure to meet the 2020 timeframe as a legal risk.

Ecological risks of extended timeframe

Not meeting the 2020 deadline for acquiring WGR land creates risks for its overall value and ecological condition. As previously noted, current monitoring practices cannot fully reveal the impact of this delay on grassland quality. Unacquired grassland may be further degraded by poor land management practices.

Financial risks

Land price increases

The Valuer-General estimated that from 2017 to 2019 increases in land prices led to a tripling of MSA program costs. Figure 4D shows the changes in price estimates.

Figure 4D
Increases in land values from 2017 to 2019

Vegetation	Area (ha)	Total estimated value		Percentage increase
		Jun 2017	Feb 2019	
WGR	13 800	$430 m	$1 290 m	200%
GEWR	1 200	$62 m	$124 m	100%
36 conservation reserves within UGB	4 330	$25 m	$30 m	20%
Further reserves outside the UGB	1 345	$13 m	$13 m	0%
Total		**$530 m**	**$1 457 m**	**175%**

Source: VAGO, from DELWP documentation.

Increases in land value to February 2019 and delayed land acquisition have contributed to the increase in MSA program costs.

Cost recovery

Prior to the recent passing of the MSA Act, there was a significant financial risk that habitat compensation fees—for each habitat area—would not recover the cost of delivering the MSA program's conservation commitments.

The MSA Act introduces a new environment mitigation levy for each habitat area from 1 July 2020, as shown in Figure 4E.

Figure 4E
Existing habitat compensation fee amounts compared to the environment mitigation levy introduced in 2020–21

Habitat area	Existing habitat compensation amount ($) per hectare	Environment mitigation levy 2020–21 ($) per hectare
Native vegetation	95 075	113 441
Scattered Tree[(a)]	13 218	15 768
Growling Grass Frog	7 529	7 846
Golden Sun Moth	7 914	10 005
Spiny Rice-flower	7 937	8 522
Matted Flax-lily	11 196	11 351
Southern Brown Bandicoot	4 015	4 138

(a) Scattered Tree is charged per tree lost or removed.
Source: VAGO, from information provided by DELWP.

The environment mitigation levy will be indexed annually to 2024–25 and is intended to achieve full cost recovery. Over the life of the MSA program it is expected that this will provide sufficient revenue to enable the state to meet its commitment to the Australian Government to establish the two reserves.

There is an ongoing risk that slow land development will mean that DELWP will have insufficient revenue to enable timely land acquisition for the MSA program. DELWP considers land acquisition timely if it keeps pace with land cleared for urban development. However, this does not address the issue of ecological degradation of land not yet acquired.

4.4 Evaluation framework

Monitoring, evaluation, reporting, and improvement are integral components of any successful program. These promote accountability, enable the impact, appropriateness, effectiveness and efficiency of a program to be assessed, and help identify and address strengths and weaknesses.

The Monitoring and Reporting Framework

DELWP developed the MSA program's MRF in May 2015. It is supported by two additional technical documents, both published in June 2015:

- *Technical Protocol for Program Outputs* (MRF: Program Outputs).
- *Technical Protocol for Program Outcomes* (MRF: Program Outcomes).

These documents provide a framework for how the Victorian Government will provide assurance to the Australian Government that it is meeting the MSA program's ecological outcomes.

Public reporting was not a commitment of the MSA program. DELWP's inclusion of public reporting on outputs and outcomes in its framework has improved transparency and accountability. However, this reporting has been ad hoc.

Monitoring MSA program outputs and outcomes

DELWP has developed KPIs to measure the MSA program's performance. It has grouped these according to outputs and outcomes.

Output KPIs

MSA program output KPIs are not adequate to allow for meaningful, transparent reporting. KPIs and targets for the Natural Temperate Grassland and Grassy Eucalypt Woodlands outputs are listed in Figures 4F and 4G.

Figure 4F
Output KPIs and targets for establishment and management of the WGR

KPI	Target
Parcels under interim management	None
Number of landowners participating in interim management	None
Units of interim management undertaken	None
Hectares of land secured	15 023 hectares
Per cent of reserve secured	100%
Hectares of EPBC-listed community secured	None
Hectares of ecological vegetation class secured	None
Units of land management (DELWP standard outputs) undertaken	None

Source: VAGO, from information provided by DELWP.

Figure 4G
Output KPIs and targets for management and protection of the GEWR

KPI	Target
Hectares of land secured	None
Percent of reserve secured	None
Total hectares secured through purchase by the Crown	None
Hectares of land secured through permanent protection on-title agreement with management plan	None
Hectares of land secured through permanent protection on-title agreement	None
Hectares of EPBC-listed community secured	None
Hectares of ecological vegetation class secured	None
Units of land management (DELWP standard outputs) undertaken	None

Source: VAGO, from information provided by DELWP.

The lack of output targets associated with the KPIs means there is a limited understanding of what 'good' performance looks like.

Deficiencies with the MSA program output KPIs and targets

DELWP's KPIs and targets for the MSA program outputs do not allow DELWP to analyse performance and determine areas for improvement.

While the KPIs …	They …	For example …
are quantity-based measures of performance	do not provide meaningful insight into the quality of performance	the KPI 'Parcels under interim management' does not have associated targets or timeframes. It only measures aspects of progress/ activity, is quantity-based and provides limited information about quality of the activity.
specify hectares, percentages and units	do not align with actions or performance measures identified in the MSA program	the KPI for establishment of the WGR is 'hectares of land secured'. In the MSA program, an action for establishing the WGR is to publicly acquire 15 000 hectares of land within 10 years and a performance measure is to purchase and reserve land in the WGR by 2020. DELWP has not included this performance measure in its KPIs.

Outcome KPIs

KPIs and targets for the Natural Temperate Grassland and Grassy Eucalypt Woodlands outcomes are listed in Figures 4H and 4I.

Figure 4H

Outcome KPIs and targets for the composition, structure and function of Natural Temperate Grasslands

KPIs	Target
Hectares making transition between grassland states	0 hectares make undesirable transitions between states
Cover of native perennial herbs	The mean cover of native perennial herbs in each Natural Temperate Grasslands state remains above the baseline
Diversity of native perennial herbs	The mean diversity of native perennial herbs in each Natural Temperate Grasslands state remains above the baseline
Cover of Kangaroo Grass	The mean cover of Kangaroo Grass in each Natural Temperate Grasslands state remains above the baseline
Cover of native perennial grasses	The mean cover of native perennial grasses (excluding Kangaroo Grasses) in each Natural Temperate Grasslands state remains above the baseline
Per cent of plots that have bare ground cover between 25–75 per cent	5–30 per cent (inclusive) of plots have per cent cover of bare ground between 25–75 per cent every year
Per cent of all perennial vegetation comprised of weeds	Mean change in per cent cover of perennial vegetation that is comprised of weeds across all permanent plots in each Natural Temperate Grasslands state remains below the baseline

Source: VAGO, from information provided by DELWP.

Figure 4I

Outcome KPIs and targets for the composition, structure and function of Grassy Eucalypt Woodlands

KPI	Target
Hectares making transition between states	0 hectares make undesirable transitions between states
Cover of native perennial herbs	The mean cover of native perennial herbs in each Grassy Eucalypt Woodlands state remains above the baseline
Diversity of native perennial herbs	The mean diversity of native perennial herbs in each Grassy Eucalypt Woodlands state remains above the baseline
Cover of target grass species	The mean cover of target grass species in each Grassy Eucalypt Woodlands states remains above the baseline
Relative abundance of woodland structural types	The percentages of plots in each woodland structure category are within the target range for each category
Per cent of plots with Eucalypt recruits	25–75 per cent of plots have some Eucalypt recruits
Per cent of all perennial vegetation comprised of perennial weeds	Mean change in per cent cover of perennial vegetation that is composed of weeds across all permanent plots in each Grassy Eucalypt Woodlands state remains below the baseline

Source: VAGO, from information provided by DELWP.

DELWP's monitoring of MSA program outcomes is well-placed and done with strong, scientific rigour. KPIs developed for MSA program outcomes are comprehensive and clear. KPIs logically relate to the relevant outcome and give a performance benchmark that is measurable.

Once DELWP has purchased properties, it completes thorough onsite assessments through flora and fauna inventory reports. These reports detail the quality and quantity of vegetation, the species present on each purchased site and the location of threats.

However, DELWP has not acquired land in a timely manner, which has affected the ability to conduct comprehensive monitoring of its KPIs in the WGR. Five of the seven KPIs are unable to be assessed, with only two assessed as 'met'.

Monitoring condition

DELWP does not monitor properties it has not yet acquired—this only occurs once a property is purchased. Delayed acquisition impacts the baseline against which improvement is measured.

When DELWP has acquired three sites with the same baseline state, which reflects the condition of the grassland, it then sets the baseline state for that land parcel. DELWP then continues to assess grassland condition across multiple sample plots for five years.

To set the baseline from which the KPI improvement is measured, DELWP determines an annual mean averaged across the five years. The relevant attribute must then remain above (for desirable species, such as populations of threatened species) or below (for undesirable species, such as weeds) this to meet the target.

Progress reports

DELWP committed to publishing annual progress reports on MSA program outputs. Figure 4J shows the reporting schedule and the status of each report.

Figure 4J
Required MSA program reporting schedule and status

MRF task	2014–15	2015–16	2016–17	2017–18	2018–19
Progress report on MSA program outputs	✓	✓	✓	✗	✗

Source: VAGO, from DELWP documentation.

DELWP has not published progress reports for 2017–18 or 2018–19 as these reports have not been finalised. This has decreased the MSA program's transparency and accountability, as the broader community has not had an opportunity to scrutinise progress in these years.

Independent monitoring

Under the MSA program, DELWP is required to appoint an independent monitor to provide the Australian Government with a report to cover all projects. Figure 4K shows the reporting schedule for independent monitoring under the MRF.

Figure 4K
Schedule of independent monitoring

MRF task	2014–15	2015–16	2016–17	2017–18	2018–19	2019–20
Independent audit of Stage 2	Required		Required			
Independent audit of Stage 3				Required		

Note: Green cells mean the task is complete. Red cells mean the task is not complete.
Source: VAGO, from DELWP data.

DELWP has therefore not complied with its independent monitoring obligations under the MSA program or the MRF.

Moving forward

The MSA Act implements controls to ensure comprehensive independent monitoring of the MSA program. It delegates responsibility for reporting to the Commissioner for Environmental Sustainability.

The Commissioner will conduct strategic audits—and prepare a report—on the implementation of MSA program conservation outcomes every two years. The Commissioner must submit the report to the Minister, who will table it in Parliament. The first report is due by 1 July 2022.

DELWP advised us that the MSA Act regulations will specify the conservation outcomes the Minister must publish.

The inclusion of these provisions in the MSA Act are important and will benefit the MSA program by strengthening accountability and transparency. The Commissioner is intended to act as an independent voice to the Minister, the Australian Government and the community on the state's progress in implementing the MSA program's conservation commitments.

MSA program evaluation

The MRF states that the Victorian Government will evaluate the MSA program's implementation every five years. The Australian Government agreed with the MRF's commitment for the first evaluation, which was due to occur in 2015.

The evaluation of the MSA program aims to:

- determine the effectiveness of program activities and processes to deliver program outputs
- test assumptions made as part of the MSA program's logic
- inform a review of the habitat compensation fee and prices
- inform any necessary adaptive improvements to the implementation of the MSA program.

DELWP has not yet completed an evaluation of the MSA program delivery.

Appendix A
Submissions and comments

We have consulted with DELWP and Parks Victoria, and we considered their views when reaching our audit conclusions. As required by the *Audit Act 1994*, we gave a draft copy of this report, or relevant extracts, to those agencies and asked for their submissions and comments.

Responsibility for the accuracy, fairness and balance of those comments rests solely with the agency head.

Responses were received as follows:

RESPONSE provided by the Secretary, DELWP

Department of Environment, Land, Water and Planning

PO Box 500, East Melbourne,
Victoria 8002 Australia
delwp.vic.gov.au

Mr Andrew Greaves
Auditor-General's Office
Victorian Auditor General's
Level 31, 35 Collins Street
MELBOURNE VIC 3000

Ref: SEC014676
"*SEC014676*"

Dear Auditor-General

PROPOSED PERFORMANCE AUDIT REPORT PROTECTING CRITICALLY ENDANGERED GRASSLANDS

Thank you for providing a copy of the Victorian Auditor-General's Office's (VAGO) *Protecting Critically Endangered Grasslands Proposed Report* examining the implementation of the Melbourne Strategic Assessment (MSA) program, and the establishment of the Western Grassland Reserve (WGR) and the Grassy Eucalypt Woodland Reserve (GEWR).

The proposed report's recommendations are supported by the Department of Environment, Land, Water and Planning (DELWP) and a Management Action Plan is attached as required to implement the recommendations.

DELWP has welcomed the opportunity to provide extensive support to the VAGO audit team, including the provision of a large volume of documents and records, regular explanatory discussions, workshops, field trips and several purpose-written documents providing clarification on relevant aspects of the MSA program. I note DELWP also provided extensive feedback on VAGO's End of Conduct Brief and Provisional Report and I am advised most of the issues raised through that process have been resolved.

However, DELWP maintains the report presents a view of the importance of the 2020 WGR acquisition target that is inconsistent with the regulatory requirements as imposed by the Commonwealth's approval of the MSA program. DELWP acknowledges references to 2020 in other documents such as *Delivering Melbourne's Newest Sustainable Communities: Program Report* (2009). However, the principal authorising documents for the MSA program remain the relevant Commonwealth Government approvals and associated conditions under Part 10 of the *Environment Protection and Biodiversity Conservation (EPBC) Act 1999*, that followed the release of the 2009 Program Report.

If you would like more information, please contact Warrick McGrath, Director Regulatory Strategy and Design, DELWP, on 0400 872 469 or email warrick.p.mcgrath@delwp.vic.gov.au.

I look forward to overseeing the implementation of the recommendations to strengthen the delivery of the program.

Yours sincerely

John Bradley
Secretary

4 / 6 /20

Encl.

VICTORIA State Government

VAGO performance audit – Protecting critically endangered grasslands

DELWP Management Action Plan

VAGO Recommendation	DELWP Agreed Action	Agreed Completion Date	Accountable Officer
Recommendation #1 That the Department of Environment, Land, Water and Planning finalises a strategy to progress Grassy Eucalypt Woodland Reserve that sets how land for the reserve will be acquired and the funding strategy for delivering this commitment (see Section 2.2).	**DELWP supports the recommendation** DELWP will consult stakeholders and publish a strategy for the Grassy Eucalypt Woodland Reserve that details the funding source, which mechanisms for acquiring the land will be used and specify the criteria for identifying suitable land for inclusion in reserve.	30 April 2021	Executive Director Biodiversity
Recommendation #2 That the Department of Environment, Land, Water and Planning undertakes an up-to-date condition assessment of the conservation and ecological values contained in the private land designated for the Western Grassland Reserve to inform priority land acquisitions, future interim management and ongoing management planning (see Section 2.5).	**DELWP supports the recommendation** DELWP will develop a scientific method for assessing the condition of the ecological values on private land in the Western Grassland Reserve to inform and improve land acquisition and interim land management strategies. DELWP will prepare the method by 30 June 2021 and undertake on-ground site assessments in Spring 2021 and 2022 where landowners agree to provide access to collect information on biodiversity condition and extent and weed extent. The Department will also utilise remote sensing technology to collect information. An interim report will be prepared following the first round of assessments will be completed 28 February 2022.	28 February 2023	Executive Director Biodiversity
Recommendation #3 That the Department of Environment, Land, Water and Planning reviews and updates its Western Grassland Reserve interim management strategy in line with the extended acquisition timeline and in collaboration with relevant stakeholders and delivery partners (see Section 3.2).	**DELWP supports the recommendation** DELWP will engage key stakeholders, land management experts and researchers and update the interim management plan to prioritise the location and type of interim management actions on private land in the Western Grassland Reserve. Completion of this action is dependent on the development of the scientific method described in Recommendation 2.	30 November 2021	Executive Director Biodiversity
Recommendation #4 That the Department of Environment, Land, Water and Planning evaluates the effectiveness of its interim land management agreement and shares learnings with relevant councils and/or land groups (see Section 3.2).	**DELWP supports the recommendation** DELWP will work closely with delivery partners to evaluate the effectiveness of the three-year interim land management agreement, which is due to finish June 2023. The results will be compared other potential land management models or program improvements. The Department will produce a report to share learning and continually improve the arrangements for interim land management.	30 November 2023	Executive Director Biodiversity
Recommendation #5 That the Department of Environment, Land, Water and Planning improves its landowner communications approach by finalising a communications strategy that identifies all relevant stakeholders, communication methods, timing and responsibilities for actions (see Section 3.4).	**DELWP supports the recommendation** DELWP will to improve the landowner communications approach by finalising a new communications strategy that identifies all relevant stakeholders, communication methods, timing and responsibilities for actions.	30 January 2021	Executive Director Biodiversity
Recommendation #6 That the Department of Environment, Land, Water and Planning strengthens its governance arrangements by including delivery partners in the governance structure for the Melbourne Strategic Assessment program (see Section 4.2).	**DELWP supports the recommendation** DELWP will implement appropriate governance arrangements with delivery partners to ensure the arrangements optimise cohesion, accountability, effective decision making and innovation.	1 December 2020	Executive Director Biodiversity

VAGO performance audit – Protecting critically endangered grasslands

VAGO Recommendation	DELWP Agreed Action	Agreed Completion Date	Accountable Officer
Recommendation #7 That the Department of Environment, Land, Water and Planning reviews key performance indicators for Delivering Melbourne's Newest Sustainable Communities program outputs and outcomes to: • improve program reporting and transparency through more meaningful performance information, • include output targets that align to outcome measures and Melbourne Strategic Assessment program objectives, • guide management actions in both reserves (see Section 4.4).	**DELWP supports the recommendation** DELWP will annually prepare plain English progress reports including maps and publish on the DELWP website (by September 30 each year). The Commissioner for Sustainability will audit outcomes every two years from commencement of the *Melbourne Strategic Assessment (Environment Mitigation Levy) Act 2020* (By 31 October every second year). .	31 October 2022	Executive Director Biodiversity

RESPONSE provided by the Chair, Parks Victoria

Parks Victoria
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ABN 95 337 637 697

27 May 2020

Mr Andrew Greaves
Auditor General
Victorian Auditor-General's Office
Level 31, 35 Collins Street
MELBOURNE VIC 3000

Dear Mr Greaves

PROPOSED AUDIT REPORT – PROTECTING CRITICALLY ENDANGERED GRASSLANDS

Thank you for your letter of 21 May 2020 providing the opportunity for Parks Victoria to comment on the Proposed Audit Report.

Parks Victoria makes no further comment on the Proposed Audit Report.

Parks Victoria has welcomed the participation in the audit and looks forward to working with the Department of Environment, Land, Water and Planning to achieve the important conservation outcomes of protecting the western grasslands.

Should you require further advice on this matter please contact Stuart Hughes, Director Park Planning and Policy on (03) 8427 3383.

Yours sincerely

Jeff Floyd
Chair
Parks Victoria

Auditor-General's reports tabled during 2019–20

Report title	Date tabled
Managing Registered Sex Offenders (2019–20:1)	August 2019
Enrolment Processes at Technical and Further Education Institutes (2019–20:2)	September 2019
Cenitex: Meeting Customer Needs for ICT Shared Services (2019–20:3)	October 2019
Auditor-General's Report on the Annual Financial Report of the State of Victoria: 2018–19 (2019–20:4)	November 2019
Council Libraries (2019–20:5)	November 2019
Market-led Proposals (2019–20:6)	November 2019
Results of 2018–19 Audits: Local Government (2019–20:7)	November 2019
Sexual Harassment in the Victorian Public Service (2019–20:8)	November 2019
Follow up of Access to Public Dental Services in Victoria (2019–20:9)	November 2019
Follow up of Regulating Gambling and Liquor (2019–20:10)	November 2019
Managing Development Contributions (2019–20:11)	March 2020
Freight Outcomes from Regional Rail Upgrades (2019–20:12)	March 2020
Ravenhall Prison: Rehabilitating and Reintegrating Prisoners (2019–20:13)	March 2020
Personnel Security: Due Diligence Over Public Sector Employees (2019–20:14)	May 2020
Managing Support and Safety Hubs (2019–20:15)	May 2020
Protecting Critically Endangered Grasslands (2019–20:16)	June 2020
Responses to Performance Audit Recommendations 2015–16 to 2017–18 (2019–20:17)	June 2020

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