

# **STANDING COMMITTEE ON ESTIMATES AND FINANCIAL OPERATIONS**

**2016–17 ANNUAL REPORT HEARINGS**



**TRANSCRIPT OF EVIDENCE  
TAKEN AT PERTH  
TUESDAY, 13 FEBRUARY 2018**

**SESSION TWO  
DEPARTMENT OF REGIONAL DEVELOPMENT**

## **Members**

**Hon Alanna Clohesy (Chair)  
Hon Tjorn Sibma (Deputy Chair)  
Hon Diane Evers  
Hon Aaron Stonehouse  
Hon Colin Tincknell**

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**Hearing commenced at 11.14 am**

**Hon ALANNAH MacTIERNAN**

**Minister for Regional Development, examined:**

**Mr RALPH ADDIS**

**Director General, Department of Primary Industries and Regional Development, examined:**

**Mr NIEGEL GRAZIA**

**Acting Deputy Director General, Department of Primary Industries and Regional Development, examined:**

**Mr CAMERON PATTERSON**

**Finance Manager, Department of Primary Industries and Regional Development, examined:**

**Mr PAUL GREGSON**

**Manager, Royalties for Regions Financial Management Branch, Department of Primary Industries and Regional Development, examined:**

**The CHAIR:** On behalf of the Standing Committee on Estimates and Financial Operations, I welcome you to today's hearings. Can the witnesses confirm they have read, understood and signed the document headed "Information for Witnesses".

**The WITNESSES:** Yes.

**The CHAIR:** It is essential that all of your testimony before the committee is complete and truthful to the best of your knowledge. This hearing is being recorded by Hansard and a transcript of your evidence will be provided to you. It is also being broadcast live on the Parliament's website. The hearing is being held in public, although there is discretion available to the committee to hear evidence in private. If for some reason you wish to make a confidential statement during today's proceedings, you should request that the evidence be taken in closed session before answering the question. Agencies have an important role and duty in assisting the Parliament to review agency outcomes and the committee values your assistance with this.

Minister, have you got a brief opening statement no more than two minutes?

**Hon ALANNAH MacTIERNAN:** Yes, thanks, Madam Chair. Obviously, this is the report that deals with the operational matters of the department in 2016–17. I do note that we were in government for one quarter, effectively, of that time, so there maybe elements within this—legacy items—from the previous administration. But we will endeavour to answer all these questions as best we can.

**Hon COLIN TINCKNELL:** My question is on page 16. The annual report lists a total of six programs being funded in the area of education and training at a total of \$27 million. My first question is: What are these six programs and where are they located?

**Hon ALANNAH MacTIERNAN:** We are talking about the education area, right?

**Hon COLIN TINCKNELL:** Yes, education and training, yes.

**Hon ALANNAH MacTIERNAN:** I am a bit surprised. Two of the projects are the Kimberley schools program, which is the introduction to start off with 10 Aboriginal communities offering a mix of explicit instruction and early childhood services to try to overcome the endemic failure of schools

to provide the basic foundation of school for Aboriginal students. You might note that the report that was released this morning talking about so many year 9 students, indeed, from remote communities across Australia actually coming to school with year 1 and year 2 reading and numeracy levels. That, as you would know honourable member from your experience, is absolutely the case. One of the projects is the Kimberley schools project.

Another is the Pilbara schools project, which has been restructured. A component of the Pilbara schools program will be disengaged youth, so taking those kids—largely Aboriginal students—in the Pilbara who have spent so long away from school that the prospect of getting back into a normal classroom is zero, so trying to deal with that, plus much more structured attendance programs. Plus, out in the Martu lands where you have particular experience offering a project that has been funded by private philanthropy for the last three years, that has run out and this is the Jiji program, which is intensive occupational therapy and speech therapy. When it says 16 programs, I do not know —

[11.20 am]

**Hon COLIN TINCKNELL:** Six.

**Mr ADDIS:** It says 16.

**Hon COLIN TINCKNELL:** Sorry, I have only picked up six here, so I am sorry. If it says 16, I am mistaken.

**Mr ADDIS:** For a total of \$27 million?

**The CHAIR:** Yes.

**Hon ALANNAH MacTIERNAN:** I do not know whether you have detail outside the Kimberley and the Pilbara schools, what projects there are.

**Mr PAUL GREGSON:** There are two main ones in that list. One of them is Carnarvon Community College—some funds spent there—and the Kalgoorlie–Boulder Community High School. There were also funds spent in 2016–17. They are the two major ones out of that \$27 million.

**Hon COLIN TINCKNELL:** You have answered the second part where they are located, thank you very much.

My second question is also on page 16. To what projects or programs is the \$90.4 million from the government spending in community, culture and the arts being allocated? Are these programs and projects of a high priority, considering the strained situation the state's finances are currently in. I am talking about the spending that has been made in the community, culture and arts areas. It is \$90.4 million. It is a lot of money.

**Hon ALANNAH MacTIERNAN:** I do not know if we have a list, and we are having to be very vigilant in going through and reviewing, as you know, many programs. But I do say this in defence of culture and the arts that in regional Western Australia, there are actually jobs in culture. Our minister, David Templeman, has got now a seat at our table of our jobs subcommittee because we do recognise that you actually can deliver jobs through culture and the arts. They tend to be pretty labour intensive. The other aspect is that it is very much a contributor to the liveability of regional centres and the ability to attract and retain people living in the regions. I do think that when we are assessing these things, we really have to look, in a regional development sense, at what value-add they do give to the community.

**The CHAIR:** Minister, could we also get a list of those—

**Hon ALANNAH MacTIERNAN:** Projects, yes.

**The CHAIR:** —32 projects that were funded in 2016–17.

*[Supplementary Information No B1.]*

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**Hon ALANNAH MacTIERNAN:** Can I just point out that part of the difficulty is, and some of these we obviously know, that those funds listed here are actually not administered by our department. They are administered by other departments.

**Hon COLIN TINCKNELL:** Arts and culture. Yes, I understand.

**Hon ALANNAH MacTIERNAN:** And a lot of those will be event funding too that will come into that.

**Hon COLIN TINCKNELL:** My last question also refers to note 18, page 56 and the \$3.33 million that was allocated in 2016 to the country local government fund. In 2017 this funding was cut all together. I have three little questions on that: What was this fund used for? Why was this funding discontinued entirely? And why is it necessary to discontinue this fund?

**Hon ALANNAH MacTIERNAN:** I will see if we have some answers on those but it does include great things like singing toilets and plastic cows. Let us have a look. These were projects that were, I think, mainly in the first term of government, was it?

**Hon JIM CHOWN:** Yes, that is correct, minister.

**Hon ALANNAH MacTIERNAN:** Yes, in that first term.

**The CHAIR:** Of the previous government minister?

**Hon ALANNAH MacTIERNAN:** Yes.

**Hon JIM CHOWN:** Still seen to be straying around the city on occasions.

**Hon COLIN TINCKNELL:** I am referring to 2016.

**Hon ALANNAH MacTIERNAN:** It was because people were not ready to spend their money and the money was still coming through. Most of those things now have been completed but my understanding is, and perhaps —

**Mr ADDIS:** The country local government fund was initiated at the start of the first term of the previous government. It ran for approximately three years and then was closed down. It has taken quite a while for the projects that were committed to in that first several years to flow through and be completed. This funding in last year's annual report reflects some of the final expenditure of winding up that overall program.

**Hon JIM CHOWN:** That would be commitments made under the country local government fund?

**Mr ADDIS:** Yes, that is right.

**Hon COLIN TINCKNELL:** Thank you. That is all I have, Chair.

**The CHAIR:** We will move on to Hon Diane Evers.

**Hon DIANE EVERS:** Thank you. My question relates to page 51, note 7 in regard to compensation of key management personnel. I note that in 2016 there was one person in the range of over \$300 000 and the next most highly paid was in the \$160 000 to \$170 000 range. However, after the October 2016 restructure three people were added into the range above this including one at \$250 000 to \$260 000, and rather than having four people earning over \$120 000 as there was in 2016, there were now seven. At the same time, royalties for regions grant funding being administered by the department fell 83 per cent from \$186 million to \$32 million. My question is: what was the rationale for the department for such significant increases in remuneration; and, following on from that, in the machinery-of-government changes how many of these key management personnel remain employed in the new department and are they at similar pay levels?

**Hon ALANNAH MacTIERNAN:** Sorry, member, I am having trouble seeing what you are referring to here.

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**Hon DIANE EVERS:** On page 51, note 7, it shows that in 2016 there was one person. There was a restructure in late 2016 and all of a sudden we had a lot more highly paid people on staff at a time when royalties for regions was falling.

**Hon ALANNAH MacTIERNAN:** Obviously, this was done under the previous government.

**Hon DIANE EVERS:** Yes. I am just wondering if you have less to administer, why is everybody getting paid more?

**Hon ALANNAH MacTIERNAN:** I suspect that part of the reason was that there was an attempt to try to bring some more financial and fiscal management into the scheme. I think there was a sense, which you will probably be hearing a lot more of, that lots of the projects were not properly managed and that the business cases that were being developed were flimsy, if non-existent. Perhaps I will get Mr Addis to talk, but my sense is that there was an attempt by the department to step up the quality of the assessment that was being done and that required getting in some senior people often with corporate experience.

**Mr ADDIS:** Thank you, minister. I must admit that it comes as a surprise to see that I am paid over \$300 000. That is news to me. In accounting terms, apparently I am.

**Hon JIM CHOWN:** Is it more?

[11.30 am]

**Mr ADDIS:** It is more now under the new regime, but I understand that it was less than that in the previous department. Nonetheless, one of those in the higher bracket was actually a termination payment made as part of the restructure, which is a necessary part of doing those sorts of changes.

There was one more senior role created as part of the restructure, but beyond that we had a reduction in the overall number of SES. I think we would need to give your question some considered review and give you a more coherent answer than I can give on the spot.

**Hon DIANE EVERS:** Thanks; I would appreciate that.

**The CHAIR:** We will take that as B2.

[*Supplementary Information No B2.*]

**Hon DIANE EVERS:** My next question is on the southern forest irrigation scheme.

**Hon ALANNAH MacTIERNAN:** Which page is that?

**Hon DIANE EVERS:** It is not actually in there; it is part of the headworks. This organisation would be the one that would have developed the project or funded it in terms of headworks.

**Hon ALANNAH MacTIERNAN:** I think it was part of the Food for Water. It actually was originally, during this year, mainly administered through the Department of Water. It has now been, as of 1 July, transferred over into this department. So it is actually now being managed whilst we wait to see whether federal government funds are going to be awarded to that, but during this previous financial year, it was administered by the Department of Water.

**Hon DIANE EVERS:** But the Department of Regional Development was on all the marketing materials for it, so it was across —

**Hon ALANNAH MacTIERNAN:** Because it was a program under RforR, yes, it did get that cross-branding, because it was important, apparently, to acknowledge the two components of the coalition government on all material.

**Hon DIANE EVERS:** So, can I ask the question?

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**Hon ALANNAH MacTIERNAN:** We will give it a try, but I am just going to say that it is important to understand that it was actually not being administered by these guys; they were on the promo material because we needed to have the RforR minister involved.

**The CHAIR:** Let us just be a little bit clear about what it is we are asking, and then we can put that on notice; okay?

**Hon DIANE EVERS:** Okay.

**Hon ALANNAH MacTIERNAN:** If we can.

**The CHAIR:** If it can be answered; we recognise that.

**Hon DIANE EVERS:** I understand as of 20 January 2018 there have been 14 sub-catchments in the Warren and Donnelly Rivers that have been closed to further grants of licences from self-supply water users—I understand that is a water issue. This project is drawing on significant state and federal funds of \$70 million or more to take water from one group of users and subsidise this cost and provide the water to another group of users. I am just wondering how that is going to benefit the region, when it is simply taking it from some people and putting it somewhere else. In addition to that, I was wondering if there was a cost–benefit analysis done for this and if that could be tabled or provided at a later date. Also, I am interested in the processes that were involved to get a broad cross-section of the community in the development of the project.

**Hon ALANNAH MacTIERNAN:** Good questions. Do we know if there was a business case developed for this project? I presume there was.

**Mr GRAZIA:** Minister, my understanding is that there are two separate matters here that do get confused in the context of the southern forest projects. One is water allocations managed by the Department of Water and then the southern forest irrigation scheme itself. We would need to go back and check. My understanding is that there is business development work underway on the southern forest development scheme and that is a matter of discussion currently between state and commonwealth governments, as I think members here would be aware. There are two separate matters here that do get confused, and that water allocation issue does cut across the understanding of what is being proposed with the southern forest, but my understanding is they are separate matters.

**Hon ALANNAH MacTIERNAN:** But interconnected, one would have thought. You cannot take water from one area—it is the same water.

**Hon DIANE EVERS:** I understand that the water issues and water allocations are kind of separate to what I am looking at as the whole project.

**Hon ALANNAH MacTIERNAN:** The whole project, and was there a business case?

**Hon DIANE EVERS:** Was there a business case? Was the community involved in the planning for it and the development of it?

**Mr ADDIS:** Until 1 July, the Department of Water had carriage of the project. There was a business case put up, which was used both for the royalties for regions commitment, but also for submitting to the commonwealth program. I am not familiar with the details of the communiqué up to that point, but we could —

**Hon ALANNAH MacTIERNAN:** I think Water is coming in later today, is it not?

**The CHAIR:** It is the Water Corporation, not the department.

**Hon ALANNAH MacTIERNAN:** Okay. We will have to get you, perhaps, to take that question and put that to Water. I do know further work was being done on the business case, because the

commonwealth used it as a—they are saying that they would require more work on the business case. We lost out on the first round, so I think some further work was done during the time under our jurisdiction, and additional work has been done recently in terms of the business case and, quite clearly, it was very much focused on expanding the horticultural activity within the region.

**The CHAIR:** We will take what parts of that question the department and the minister are able to answer—they will honestly attempt to answer—as B3.

*[Supplementary Information No B3.]*

**Hon DIANE EVERS:** I have one more shorter question. This is on the key efficiency indicators on page 87. I like key efficiency indicators; they often provide quite a bit of information and they are an integral part of monitoring the effectiveness of the department. However, with regard to the average cost per item of written advice requiring ministers' attention, is this a relevant indicator given that the costs being divided per item are not necessarily related to the written advice given? I am interested to know: will the key indicators be reviewed and checked to actually see that they are giving us information that we can use and is useful?

**Mr ADDIS:** I think the answer to your first question, is it a useful indicator given that we base the calculation—probably not. Are they going to be reviewed in the new structure? Yes.

**The CHAIR:** Just on that, is there work done with the Auditor General's office about what are appropriate and accurate and good measurements of efficiencies?

**Mr ADDIS:** Treasury is working to try to improve the overall quality of reporting measures for all the agencies.

**Hon JIM CHOWN:** In regard to your previous comment in this session, minister, about the department in the previous administration not putting forward appropriate business cases for some RforR projects—in your opinion, I might add—which of these gentlemen here, if any, were part of that department at the time?

**Hon ALANNAH MacTIERNAN:** I am not saying it was necessarily the department that was not putting forward the business cases. In many cases there was a clear desire on the part of government to approve projects. Often a project would be agreed to at a cabinet level or, indeed, included in the budget and, then subsequently they would come back with a business case. Take a classic example, which has been a problem that we are trying to work our way through is the Laverton Hospital. The Laverton Hospital appeared in the budget, but no business case had ever been developed for the Laverton Hospital. So, technically it had not actually been approved by cabinet, but it appeared in the budget.

**Hon JIM CHOWN:** Surely, Regional Development would have been the department to develop these business cases.

**Hon ALANNAH MacTIERNAN:** You see what would happen is that often items were placed in the budget or were subject to omnibus cabinet decisions with the business cases to be developed later.

**Hon JIM CHOWN:** Who was responsible to make these business cases?

**Hon ALANNAH MacTIERNAN:** In my view —

**Hon JIM CHOWN:** In your opinion, yes.

**Hon ALANNAH MacTIERNAN:** In my view, which is what you are asking —

**Hon JIM CHOWN:** Correct.

**Hon ALANNAH MacTIERNAN:** — it is clearly the responsibility of the minister and the government of the day to ensure that there are adequate business cases that are there to underpin these

projects. There have been some cases—I think one is the quite notorious Ningaloo centre with a great big empty aquarium in the centre of it—where the department was certainly concerned about releasing moneys for this project and they were directed to release moneys. I do not know, Mr Addis, if you want to add.

**Mr ADDIS:** In the vast majority of projects funded under RforR, the business case would be generated by other government agencies, local governments or other external proponents.

**Hon JIM CHOWN:** So, my question remains: which of these gentlemen here supporting the minister were part of the previous department?

[11.40 am]

**Mr ADDIS:** Me.

**Hon JIM CHOWN:** All of you. That is fine.

**Hon ALANNAH MacTIERNAN:** I think it would be fair to say that you have all been there for less than two years?

**Mr ADDIS:** I was there for just over two years at the change of government.

**Mr GRAZIA:** Just under.

**Mr PAUL GREGSON:** Five years.

**Hon JIM CHOWN:** Do we know when the report will be tabled, minister?

**Hon ALANNAH MacTIERNAN:** Which report?

**Hon JIM CHOWN:** Langoulant's, as a matter of interest.

**Hon ALANNAH MacTIERNAN:** I think that is a matter for the Premier to comment on.

**Hon JIM CHOWN:** Okay; that is fine.

**The CHAIR:** Do you want to continue with your regional development questions? I remind you that they are questions to the minister and the minister directs the questions to the department. The department is here to assist the committee, not to be criticised by the committee.

**Hon ALANNAH MacTIERNAN:** I think the minister clearly sets the tone and if the whole thesis is to get the money out the door or pour the money out, then departments under our Westminster system act in accordance with the direction of their ministers.

**The CHAIR:** Correct; and these hearings are run on the understanding that our government is run in that way.

**Hon JIM CHOWN:** Page 18 of the annual report, with regard to actual results verses budget targets, indicates the approved salary expense level. My question is in regard to the additional salary expenditure relating to the WA Open for Business unit, which was approved during a midyear process. What is that variance about? What does it relate to?

**Mr CAMERON PATTERSON:** From the original budget there was an approved increase to our salary cap of \$420 000. The actual salary spend for WA Open for Business was about \$360 000, so our original approved salary cap was an increase on top of that.

**Hon JIM CHOWN:** And was the source of that money from royalties for regions?

**Mr CAMERON PATTERSON:** Royalties for regions.

**Hon JIM CHOWN:** My next question relates to investment management on page 7, something that has caused great angst, certainly in regional Western Australia. The third paragraph states —



The division also delivers other core programs developed by the Portfolio as part of its ongoing regional development effort. These include programs such as the Community Resource Centre Network ...

How much was budgeted in this financial year for that particular program and how many CRCs were beneficiaries of that funding?

**Hon ALANNAH MacTIERNAN:** I think it is approximately 101 and I think about \$13 million. It is more a budget question.

**Hon JIM CHOWN:** Will that funding be ongoing?

**Hon ALANNAH MacTIERNAN:** Yes. As we have set out in the budget that came out in September last year and that we have made comment on, it will be, but it will be a reduced level. In line with generally what happened, that CRC funding, like most funding, had been gradually rising CRI increases. Then, very dramatically, around 2011 that funding was doubled. That was during this period of massive expansion of annual expenditure growth of over seven per cent and clearly it is not sustainable. What we have said is that we will continue to fund the CRCs but we will be bringing this back to what would have been the normal growth trajectory had we not gone through this spending bonanza.

**Hon JIM CHOWN:** The last paragraph on page 17 under the regional services reform unit states —

\$20 million Pilbara town-based reserves initiative to enable residents of those reserves to receive the same services and opportunities, and be subject to the same payment responsibilities, as residents in nearby towns.

Could someone here, either yourself, minister, or one of the departmental officers, explain what payment responsibilities are and how much they are likely to be?

**Hon ALANNAH MacTIERNAN:** What we are trying to do is provide a more long-term sustainable base for those town-based reserves. We are trying to lift the standard of services that are provided. Really the idea of a reserve in this day and age operating as it has is highly problematic. It is about people paying for the services that are being provided, but in turn actually getting those services; working through in a detailed way with the communities about how we might structure these things to give a greater degree of amenity and service but at the same time recognising that there does need to be its rights and responsibilities. This is not an easy task, believe me. To be honest, I am not sure how much progress has been made in this regard. Some very detailed work has been done in a number of communities. Whether or not we can say that too much progress has been made yet, I think we cannot, but we have some people actively working on a few of these as trials to see if we can come up with an arrangement that suits the needs and aspirations of those communities, but represents a proper balance of rights and responsibilities.

**Hon JIM CHOWN:** You have a couple of pilot programs running. Where would they be?

**Hon ALANNAH MacTIERNAN:** The work that is being done, obviously we are looking at a couple of communities, one outside Onslow. I can tell you which ones. Let me get this clear: I am not saying that this has been a success. There is work still ongoing, but I can provide you with the communities where the consultation process is underway.

**Hon JIM CHOWN:** Who would be administering these payment responsibilities et cetera? Who would have control of them?

**Hon ALANNAH MacTIERNAN:** This is the body of work that has been done at the moment. The Pilbara Development Commission has the lead on this particular project.

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**Hon JIM CHOWN:** I would assume that in your own mind you must have a set time period for success or failure of this particular program, or will it just be ongoing?

**Hon ALANNAH MacTIERNAN:** This has been something about which there has been some debate around where it might sit. I would certainly like to see us begin to see some progress by the end of this year, but we have to understand that we are not dealing with easy issues here. To suggest that you can just come in and beat your chest and make it all better—we have the funding spread out over the next four years.

**Hon JIM CHOWN:** That is the \$20 million?

**Hon ALANNAH MacTIERNAN:** Yes. I would hope that if we have not by the end of this year landed on some agreement and some path forward in at least a couple of communities, then I think we have to review whether or not this project has what its capability is. Perhaps if we wait to the end of the year, we will see if any progress has been made.

**Hon JIM CHOWN:** I understand what you are saying, minister, but this particular report says “subject to the same payment responsibilities”. Obviously with the \$20 million spread out over the next four years, there has to be some agreement.

**Hon ALANNAH MacTIERNAN:** No, the \$20 million is not for the payment.

**Hon JIM CHOWN:** I understand that, but it is “subject to the same payment responsibilities”.

**Mr ADDIS:** There is an initial commitment out of the \$20 million to community engagement and planning for the pilot projects, as the minister said. The aim is to address the shortfall between what other towns and citizens would be receiving in terms of service, quality and standards in those town-based communities, address the service gap and work out what is the mechanism and what is the method by which we will transition those town-based households towards the same service contributions as other town residents.

[11.50 am]

**Hon JIM CHOWN:** So we can expect an update on this in the next —

**Mr ADDIS:** As the minister said, we are in the community engagement and planning process this year. You would expect some direction to be coming out of that towards the end of the year.

**Hon JIM CHOWN:** Okay, thank you.

I refer to the same page, minister. There was a reform unit visiting nearly all the 274 remote communities that have permanent residents and a report is due early in the 2017–18 financial year. Has that report been finalised?

**Hon ALANNAH MacTIERNAN:** Can I say that the reform unit has now moved over to the Department of Communities. They would be better placed to deal with this. Some of the elements of this, like the Kimberley schools program, is being led by the Kimberley Development Commission in conjunction with the education department, and the town-based reserves with the Pilbara Development Commission. The other two projects are with the Department of Communities.

**Hon JIM CHOWN:** And they are financed by the Department of Communities—no longer financed through Regional Development?

**Hon ALANNAH MacTIERNAN:** Through the RforR budget. It forms part of the RforR budget but the administration of the activities is undertaken by the Department of Communities. It would still appear in our RforR list.

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**Mr ADDIS:** Just to clarify that, the RforR commitment into the first project, the housing project, is only for part of the \$200 million, so it has some Department of Communities' funding going into it plus some commonwealth funding.

**Hon ALANNAH MacTIERNAN:** I have to say this was a really bad deal that was done. I understand Mr Barnett might have been very short of money, but many of these municipal services were funded by the federal government and unilaterally the federal government decided that they were walking out, but promised WA \$93 million up-front, no ties, so that went into the pool and then we really had to go and fix it up.

**The CHAIR:** Just on that, minister, has any work been done on the real cost, the actual cost, of the provision of municipal services or is that coming out of part of all of this when you are working out what is needed?

**Hon ALANNAH MacTIERNAN:** I think it is that that is coming out of it, and I have to say that I think the good process is, hopefully, that we are going to be more realistic about a sustainable future and putting in solar panels rather than having little hybrid mini grids and rather than trucking diesel in and out. Horizon Power and many, indeed, of the private solar providers are working with Indigenous groups, different levels of Aboriginal groups, looking at ways in which they can have a cost-effective method of providing renewable energy into those and, I think equally importantly, getting local people in communities responsible for the maintenance of those facilities. I think it is incredibly important for the social development in those areas that people have the skills to take responsibility for what happens in their community.

**Hon Dr STEVE THOMAS:** Minister, if we can start on page 8 with the office of the director general. I see quite appropriately that a part of the role of the office of director general is that of internal audit. As a former deputy chair of the Public Accounts Committee, I am particularly interested in audit. I have similar concerns, I suspect, to you about the accountability of this whole program, particularly in its early incarnations. Have any of the internal audits been made available in any public form; is there any capacity for any of those internal audits to be made available in any public form; and, if there might be, is a time frame envisaged that might make that information available in a public manner?

**Hon ALANNAH MacTIERNAN:** I will get the director general to reply particularly in relation to the previous year. One of the internal audit functions, obviously, is to look at the internal conduct of staff and whether or not—not the administration of the projects but in terms of the conduct of personnel—they have adhered to the proper public service standards. Certainly, that is a function that is active within the department to ensure that both recruitment procedures and procurement are done in an ethical way and in accordance with the standards laid out. But I am not sure what the function of internal audit is to look at the substantive programs of the department.

**Mr ADDIS:** You may be familiar that the Office of the Auditor General conducted a number of external audits around the RforR program in particular and they are a matter for the public record. The internal audit function within the Department of Regional Development focused primarily on non-program elements, the likes of internal procurements, the use of credit cards, staff issues and HR processes. It did not fundamentally focus on the RforR program. There were other measures within the investment management function that did so and, as I said, there was regular scrutiny given to it by the OAG.

**Hon Dr STEVE THOMAS:** If we can jump to page 29—again, like many others there are a few different places that we can look at this. In the section of grants and subsidies there is a significant difference between—bearing in mind, of course, that the total expenditure is not the equivalent total expenditure of all royalties for regions functioning, but there is a significant drop in grants and

subsidies from \$186 million to \$31 million. I am presuming that this may relate to lumpiness of the delivery of projects, but if we can get some sort of overview of why that significant change has occurred.

**Mr CAMERON PATTERSON:** There was a reduced grants payment issued by DRD in 2017. This was largely due the regional-specific revitalisation initiatives under the regional infrastructure headworks fund. A large proportion of these funds were committed in previous financial years and there were fewer and less progressed for funding in this financial year, 2016.

**Hon AARON STONEHOUSE:** Looking at page 53 and at the grants and subsidies, just noting that that decrease is because a lot of those infrastructure projects presumably come to an end. I note here that the regional grants scheme subsidies have increased a little over tenfold. Aboriginal initiative funding has gone up and community resource network funding has gone up. Can you speak a little bit to the drastic increase there in some of those line items and maybe give us a bit of an explanation as to where that increase has come from?

**Hon ALANNAH MacTIERNAN:** I understand that in some of the regional grants scheme this reflects the decision made under the previous government to have, effectively, two years of the grant scheme happen in one—just before the election, interestingly. The amount of money that you would normally expect to have been previously budgeted to go out 2017–18, effectively the 2017–18 expenditure year was placed in the election year. I think there was the equivalent of two years in many of those funds in the regional grants scheme.

**Hon AARON STONEHOUSE:** Sorry, minister. Just so I can get my head around that, are you saying that there was a decision made to have that grant funding allocated to the 2017 financial year because it was an election year? I suppose that is the inference.

**Hon ALANNAH MacTIERNAN:** I am drawing the conclusion that it was that, but effectively there were two grant rounds in that one year. Is that how it works?

[12.00 noon]

**Mr PAUL GREGSON:** Yes, that is right, minister. The funds were transferred from 2018 through to 2017, so you effectively had two rounds. Also skewing these figures is the fact that these figures are based on the financial year, but the grant rounds were done on calendar years, so that also skews the figures a little bit.

**Hon AARON STONEHOUSE:** So can we expect 2018–19 to return to something closer to what the 2016 grant figures were?

**Hon ALANNAH MacTIERNAN:** All of those schemes are up for review in the budget.

**Hon AARON STONEHOUSE:** Looking at the increase in the grant funding for that year, taking into account that it is skewed somewhat, do we expect to see an increase in any kind of—I am not too sure what the KPI here is on these grants. I was looking at the KPIs and they seem a bit vague to me, but do we expect to see a boost in any of our KPIs as a result of that increased funding in that year there? The regional grants scheme has gone up from \$532 000 to \$5 750 000. That is quite a drastic increase, it seems, and we would expect to see some returns.

**Hon ALANNAH MacTIERNAN:** As I explained, that was bringing forward the post-election year into the pre-election year, so effectively what was budgeted over two years was then brought in together. As we have said, we restructured the budget quite dramatically in September last year. These are legacy items to some extent. The West Kimberley revitalisation, which I presume is the Broome town centre, for example, is continuing, as is the goldfields, but obviously there are many items that have been quite considerably restructured.

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**Hon AARON STONEHOUSE:** I can appreciate that. I suppose —

**Hon ALANNAH MacTIERNAN:** Some of these are coming to their conclusion, like the midwest one, for example. You are at the last end of the project.

**Hon AARON STONEHOUSE:** I suppose the root of my question is: what will we have to show for it, specifically a regional grants scheme, where the funding to that scheme has increased tenfold in a single year? Will we have anything to show for it? How will we measure the success of that increase in funding for that scheme? We are increasing funding tenfold in a single year. Will the return be tenfold what it normally is?

**Hon ALANNAH MacTIERNAN:** We are happy to provide you with a list of the two rounds of the funding that was made in that financial year so that you can make an assessment of whether you think it was of value. They were decisions made by the previous government.

**Hon AARON STONEHOUSE:** Sure. I can appreciate that it is not a decision made under your helm, but we have representatives from the department here, so I was hoping that maybe we could get —

**Hon ALANNAH MacTIERNAN:** These are grant schemes that are signed off. They are designed by a government, and they are executed by a government, approved by a minister and announced. We can provide you with a list, and no doubt there will be some of them that probably have been very useful and others that probably have not.

**Hon AARON STONEHOUSE:** I would be happy to be provided with a list on notice.

*[Supplementary Information No B4.]*

**The CHAIR:** Just to be very clear, under responsible government it is the minister of the day that makes those decisions, not the bureaucracy.

**Hon COLIN TINCKNELL:** Page 22 states that a comprehensive review of the royalties for regions program has been undertaken in order to prioritise the delivery of regional election commitments and support budget repair. I refer to that page 22 and the royalties for regions program and ask: who conducted the comprehensive review of the royalties for regions program, and can we be provided with a copy of that review?

**Hon ALANNAH MacTIERNAN:** This review was a process; it was not a single document that was done. It was a process where we spent a great deal of time, particularly the Treasurer and myself together with various departmental advisers, going through line by line each particular item, because at the end of the day someone has to make a decision. We had to make a decision on which of those items we wanted to proceed with, and we had to be looking constantly. This was an iterative process because there were some early objectives and then, as the budgetary situation deteriorated—as you know, there was a whole series of things that happened that made even our budget commitments difficult to achieve, such as a drop in the GST, for example, and a collapse in royalties revenue—so it was an iterative process; it was not a single process, and there would be discussions going on in each line item. There would be dialogue going on about which were the areas that were considered to be very important by ministers, but there is not a single report.

**Hon COLIN TINCKNELL:** Once again, I refer to page 57, which states that a significant proportion of current restricted cash and cash equivalents is related to unspent funding for committed projects and programs under the royalties for regions fund. I refer to note 19 on page 57, restricted cash and equivalents, and ask: can you provide a breakdown of the unspent cash for the royalties for regions fund; and, further to that, can you provide an explanation for why these funds are not expended?

**Hon ALANNAH MacTIERNAN:** I will get some commentary, but I think it is important to understand that often projects went in at, shall we say, a very early level of development of the idea, and often

they went in as line items in a budget, waiting for a business case to be subsequently developed to justify them.

**Hon COLIN TINCKNELL:** You have referred to that before, yes.

**Hon ALANNAH MacTIERNAN:** That is why am trying to explain why sometimes things in a budget are not necessarily in a ready state to be spent, but I do not know if —

**Mr ADDIS:** Mr Gregson probably has a comment.

**Mr PAUL GREGSON:** The \$32 million you see in 2016 is obviously cash that we had for projects that the department was administering. It has gone up by around \$10 million to \$11 million, and that is mainly because we received some funds back from Ord expansion project, which came to its end, so LandCorp returned those funds during 2017.

**Hon DIANE EVERS:** I have a follow-up question to the question about the community resource centres. As you said, you are just going back to what it was then and bringing it forward, but we are talking about 2009–10, over eight years ago. Things have changed a bit since then. The community resource centres have had to take on considerably more tasks in their communities as banks, post offices, Centrelink offices as many things have left the towns. They are quite a strong hub of activity and some of these towns would be devastated if they were to lose them. I am interested to know—it has been put into the budget as \$8 million for the proceeding two years after next year. I would like to know that there is some scope that this is going to be reviewed. I know there is a review going on as well and we will hear the results of that, but I just wanted to make sure that the department understood how important these CRCs are to their communities.

[12.10 pm]

**Hon ALANNAH MacTIERNAN:** It is not a question of the department understanding; it is the government understanding, because fundamentally we make that decision. We are aware that they have a role within the community. We are also aware that we just cannot keep doing what we have been doing. We cannot keep going with the accelerated level of expense. That is what has taken us into this position, so we do have to make some hard decisions. I am very keen to work with the resource centres, particularly the ones in the smaller communities. This is the budget reality. You tell us how you would like us to deal with this. This is the pie that we have got to play with. How are you going to adjust to this new reality? We have got to understand that there was a distorted reality that went on, particularly over the last four years.

It has created an unsustainable situation. This is why people wanted a change in government. They recognised that it could not last. I want to get a stable arrangement with these communities, but if it is all predicated on us increasing that amount, it is a false assumption. We have that money there. Let us work out how each community centre—maybe some of the small ones can share resources. If a centre came to me and said, “We would be prepared to take 60 percent of what we currently have”, I would say, “Great. We will sign a contract for the following three or four years at that level.” We just have to adapt to this reality. There are things that can be done within those communities for that sort of money. Some of these towns are very small. A CRC maybe could be available three days a week in that town. I need people to understand that that pie is not going to expand. I want them to tell me how they—you are grimacing, but these things change over time. I think we have to understand that these things commenced as telecentres. That was the whole rationale. Now we have everyone with mobile phones and whatever. Notwithstanding that, I understand that in these very small towns—that is what I am particularly interested in—there is a role. We are not wanting to destroy that, but I would urge you to work with us to get an outcome. I cannot increase the amount of money. You have seen how difficult it is. We have really important priorities like

education and health that we have to fund. I really would urge the members who represent those areas to work with us to work out a model where we can get some equity and how we can spread that money out.

**Hon DIANE EVERS:** I think that you are focusing too much on that small amount and what we do with it, because there are a lot of other bigger budget items that dwarf this. We are talking about a couple of million dollars, not half a billion.

**Hon ALANNAH MacTIERNAN:** Unfortunately what happens, member, is that everyone talks about their little bit—that one is only that little bit, that one is that little bit and that one is that little bit, and we want you to pull back on that—and suddenly, the whole fiscal discipline goes out the door. That is what we have seen over the last eight years. That is why we going to have a \$43 billion debt. We have an 87 per cent net-debt-to-revenue ratio.

**Hon DIANE EVERS:** What I would like to suggest then is that maybe we are not valuing all the services that some of the centres provide and also that we look at other services that they could provide to reduce the costs of some of the other items that the government provides. Maybe those centres are not being used to their full potential. Rather than cutting back their budgeted amount, we actually increase what they can do. They are capable of providing a lot of very necessary services to the small communities.

**Hon COLIN TINCKNELL:** They have become a hub.

**Hon ALANNAH MacTIERNAN:** I recognise that, but they were hubs before at a very different level of expenditure. Bear in mind that these have been in place since—was it the 80s or was it the 90s?

**The CHAIR:** When did the state government start funding them? Originally, they were federal government funded—the telecentres.

**Hon ALANNAH MacTIERNAN:** The telecentres were state government funded. Was it in the 80s?

**The CHAIR:** The original funding for the telecentres came from the federal government.

**Hon ALANNAH MacTIERNAN:** It was 1991.

**Mr ADDIS:** But at substantially lower levels than the current program.

**Hon DIANE EVERS:** That is right—fax machines.

**Hon ALANNAH MacTIERNAN:** Some of them actually had teleconferencing. What was the budget allocation in 2008–09 or 2009–10?

**Hon DIANE EVERS:** It was about \$6 000 in 2019–10.

**Hon ALANNAH MacTIERNAN:** But what was the composite —

**Mr ADDIS:** I do not have figures going back that far.

**Hon DIANE EVERS:** Sorry—\$6 million dollars in 2009–10 was the estimated actual.

**Hon ALANNAH MacTIERNAN:** That is right. We are saying that we just do a trajectory up from that. They were there in 2009–10. They were there and functioning.

**Hon DIANE EVERS:** But so were the banks, the post offices, Centrelink and Medicare. Those things are no longer there.

**Hon ALANNAH MacTIERNAN:** With respect, I think that a lot of those things—I do not know how much banking they do, but I would presume that if they are doing a lot of banking at the centres that that would be an income stream. Are you suggesting that they are doing a lot of banking work?

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**Hon DIANE EVERS:** Some do; some don't. You are right. They do get an income stream from that, but even that is changing.

**Hon ALANNAH MacTIERNAN:** And there is an income stream from Centrelink.

**Hon DIANE EVERS:** Not to cover the amount of time that they spend with people and providing care for people. Some people have significant mental health issues that may not be recognised through the health system.

**Hon ALANNAH MacTIERNAN:** That is right. We are funding a whole raft of programs. I understand that for particularly the people who are employed in those CRCs, this is a very important issue. We want to work with them. We are prepared. As I said, we are not removing the funding, but we are going back to a more conservative trajectory. We are looking at the costs of internal administration to see if it can be reduced so that the amount that could go out grants might be increased. I think we are not going to get a good outcome on this if there is going to be a view that the refunding of this is up for grabs. It may well be in some of the larger centres that we do not need these things—where there are substantial council offices —

**Hon COLIN TINCKNELL:** I think that is a fair comment, minister. Obviously, it is most smaller towns where they are really desperate. People want documents and help with documents where they used to previously go to a bank. Those banks have gone now; so it is all of those matters. The smaller communities are the ones that seem to rely on them the most.

**Hon ALANNAH MacTIERNAN:** I would like to lock away a funding arrangement with them.

**Hon Dr STEVE THOMAS:** Minister, page 14 refers to the regional development committees and list of all those government committees. I understand that the government has taken a little while to work out what they see as the role of the regional development committees. Are you in a position to give us an indication of where you see Regional Development Commissions in the new environment, obviously, starting with the first three months of the financial year in the annual report listed, but, then, perhaps, some comments on where you see that going forward. I see that you are, for example, making new appointments to development commission boards. I think that you have centralised some of the decision-making process and that it something that I agree with. I think that is a reasonable outcome. If you can give us some indication of where the government's position is on the regional development commissions is for starters, that might lead us a little bit down the track.

**Hon ALANNAH MacTIERNAN:** I think that in a big state like ours, it is important to have development commissions and have development commissions that have a bit of grunt and leadership. I do not pretend that we have got the model perfect. It is evolving. One of the things that I have done is reduce the number of people on the development commissions. I think you wanted a more focused group.

**Hon Dr STEVE THOMAS:** On the boards, particularly, I am talking about.

**Hon ALANNAH MacTIERNAN:** On the boards—yes.

**Hon Dr STEVE THOMAS:** I agree with you.

**Hon ALANNAH MacTIERNAN:** A lot of them had four local government people on there, and everyone was basically going into the commission and trying to get a little road project or whatever. We are looking for people who are going to be able to provide larger leadership, practical advice and agency on what are the opportunities in that region. It is really important, I think, for us to be getting an independent line of advice within those communities. That is how I really see them. We brought the staff of the commissions, with the exception of the CEO—staff come now within the



department. We were finding that there was a lot of waste in terms of every little commission having a back office and doing that stuff, and there was also a lack of experience, a duplication, and, to some extent, just engaging in unconstructive rivalries.

[12.30 pm]

**Hon AARON STONEHOUSE:** That was answered as to who has undertaken the report and if it would be available?

**The CHAIR:** Yes, the minister answered it.

**Hon AARON STONEHOUSE:** Excellent, that was the final question.

**Hon COLIN TINCKNELL:** It is more of a process, not a document.

**Hon AARON STONEHOUSE:** Okay; all right.

**Hon Dr STEVE THOMAS:** You can read it in *Hansard*.

**Hon AARON STONEHOUSE:** That was it, Chair, thank you.

**Hon COLIN TINCKNELL:** Have we run out of time, Chair?

**The CHAIR:** No, we have not. We have a few more minutes. Are there any more questions?

**Hon Dr STEVE THOMAS:** You have been very generous so far.

**The CHAIR:** I am aware that I am generous, this is true! That draws us to a conclusion for the Department of Regional Development.

On behalf of the committee, I thank you for your attendance today. The committee will forward the transcript of evidence, which highlights the questions taken on notice, together with any questions in writing, after Monday, 26 February 2018. Responses to these questions will be requested within 10 working days of receipt of the questions. Should you be unable to meet this due date, please advise the committee in writing as soon as possible beforehand. The advice is to include specific reasons the due date cannot be met. If members have any unasked questions, I ask them to submit these via the electronic lodgement system on the POWAnet site by five o'clock on Friday, 23 February 2018. Once again, I thank you all for your attendance. Thank you, minister.

**Hearing concluded at 12.31 pm**

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