

LEGISLATIVE COUNCIL STANDING COMMITTEE ON ESTIMATES AND FINANCIAL OPERATIONS
QUESTIONS PRIOR TO HEARING

Standing Committee on Estimates and Financial Operations asked:

- 1) For each matter that had an impact in 2017-18, how much was spent on:
- a) each spending change identified in the 2017-18 Budget and the 2018-19 Budget.

Answer:

2017-18 Budget

	Spending Change \$'000	2017-18 Expenditure \$'000
Election Commitments		
Annual Asian Dialogue Conference – Trade and Investment	200	-
Collie Futures Fund	1,000	-
Event Tourism Baseline Funding	5,963	445
Ferguson Valley Wellington Forest Marketing	300	-
Industry Development – Provision of an Industry Participation Plan Advisory Service	1,018	927
Minninup Pool Tourist Caravan Park	200	-
New Industries Fund	6,746	2,082
Promote Western Australia in Asia – Education and Mining Expertise	300	-
Science, Technology, Engineering and Mathematics Advisory Panel	250	-
Swan Valley Strategy	200	200
Other		
2017-18 Streamlined Budget Process Incentive Funding	317	317
Australia China Natural Gas Technology Partnership Fund program Extension (Externally Funded)	430	376
Bunbury to Albany Gas Pipeline – Cessation of Project	(3,000)	(3,000)
Freeze Salaries and Allowances Tribunal Determined Salaries	(15)	(15)
Return of Surplus Accommodation Appropriations	(929)	(929)

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2018-19 Budget	Spending Change \$'000	2017-18 Expenditure \$'000
Election Commitments		
Senior Executive Service Reduction	(500)	(500)
Other		
Contribution to Broome Port Authority – Dredging Project	(2,250)	(2,250)
New Public Sector Wages Policy	(300)	(300)
Removal of Payroll Tax Liability	(534)	(534)
State Fleet Policy and Procurement Initiatives	(25)	(25)
Transfer Minninup Pool Tourist Caravan Park Program to the Department of Primary Industries and Regional Development (DPIRD)	(200)	(200)
Transfer Part of Collie Future Fund to DPIRD	(1,000)	(1,000)
Voluntary Targeted Severance Scheme	758	741

- b) each capital project listed in the 2018-19 Budget asset investment program?

Answer:

	2017-18 Estimated Expenditure \$'000	2017-18 Actual Expenditure \$'000
Works in Progress		
Information and Communications Technology (ICT)		
Replacement		
Perth Office	15	19
Overseas Offices	45	8
Completed Works		
2017-18 Asset Replacement Program	625	63
Motor Vehicle Replacement – 2017-18 Program	165	-
Other Works Southern Precinct	700	-

- 2) How frequently do you review your:

- a) key performance indicators

Answer:

For Tourism WA, key performance indicators are reviewed as required and were last reviewed in December 2014. The KPI's for the remainder of JTSI were reviewed in 2017.

- b) key performance indicator targets?

Answer:

Key performance indicator targets are reviewed annually.

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3) When were your key performance indicators last reviewed:

Answer:

For Tourism WA, key performance indicators were last reviewed in December 2014.
The KPI's for the remainder of JTSL were reviewed in 2017 however any possible changes to the KPIs were deferred to allow further consultation with its Ministers and with Treasury.

4) Can you provide any documentation from your last review of your key performance indicators?

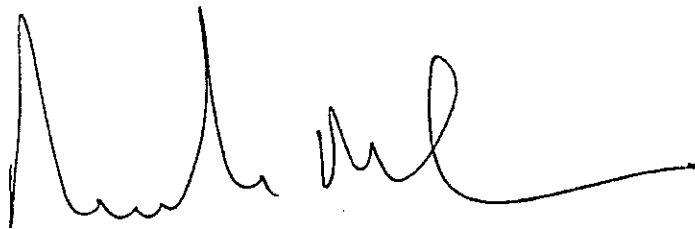
Answer:

Yes, see attached extracts from the Tourism WA Board meeting papers of 12 December 2014. The Board approved the recommendations contained in the December 2014 paper.

5) Can you list any new key performance indicators for this year?

Answer:

There are no new key performance indicators this year for either Tourism WA or for the remainder of JTSL.

A handwritten signature in black ink, appearing to be 'Michael', written in a cursive style.

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Matter for Decision Tourism WA Board Meeting



12 December 2014

DIVISION: Executive and Strategic Services

MATTER FOR DECISION – AUDITABLE KPI MEASURES

ISSUE

A review of Tourism WA's auditable Key Performance Indicator (KPI) measures has been undertaken. This Matter for Decision outlines Management's recommendations based on the findings of the review. If approved, the new measures would take effect in 2015/16 and, therefore, will be reported as part of Tourism WA's Annual Report from September/October 2016.

RECOMMENDATION

That the Tourism WA Board:

1. Approves the recommended auditable Key Performance Indicator (KPI) measures as outlined below.

Key Effectiveness Indicators

1. Total dollar amount spent by visitors in Western Australia
2. Percentage of visitors whose expectations were met or exceeded upon visiting Western Australia
3. Value of cooperative marketing funds provided by the tourism industry
4. Direct economic impact of major events sponsorship
5. Direct media impact of major events sponsorship

Key Efficiency Measures

6. Proportion of Tourism WA's total cost of services allocated to agency overheads
7. Proportion of total cost of services for Destination Marketing allocated to marketing division overheads and corporate overheads
8. Proportion of total cost of services for Events Tourism allocated to events division overheads and corporate overheads
9. Proportion of total cost of services for Tourism Infrastructure and Investment allocated to I&I division overheads and corporate overheads
2. Notes that the implementation of the new measures is subject to further approvals being obtained from the Tourism Minister and the Treasurer.
3. Notes that Management intends to present the Tourism WA Board with proposed targets using the new measures as part of the Budget process and this will occur in April 2015.

POLICY/DELEGATION

WA Government agencies and statutory authorities are subject to the *Financial Management Act 2006*. This legislation, and the associated Treasurers Instructions, requires that KPIs be determined annually and agreed with the relevant Minister and the Treasurer, and that these be confirmed through a Resources Agreement and results reported in an Annual Report.

As the Accountable Authority, the Tourism WA Board is required to approve changes to the KPIs.

PREVIOUS BOARD ADVICE

Management's preliminary analysis of this matter was discussed with the Board at its 14 November 2014 meeting. Management has considered the Board's input in preparing the recommended KPI measures.



RISK

- Risk:** That the Treasurer, Tourism Minister, Office of the Auditor General (OAG) and/or Department of Treasury (Treasury) are not supportive of the proposed changes.
- Mitigation:** Management has consulted with OAG and Treasury and provided an overview of the recommended KPIs. Following lengthy discussions, key staff from both agencies indicated they will not object to the proposed changes. Formal approval will be sought from the Treasurer and the Tourism Minister following the Board's consideration of this Matter for Decision, and in preparation of the 2015/16 State Budget. OAG will be consulted regularly as the new measurement framework is implemented, especially in relation to reporting and improvements to the measurement of the economic and media impact of events.
- Risk:** That Tourism WA does not have the required data to report historical information for the new KPI measures.
- Mitigation:** This matter has been a key consideration throughout the review. Firstly, a number of measures have not changed (visitor satisfaction and industry contributions to marketing). Secondly, financial data is available for the proposed new key efficiency indicators and this can easily be audited. **Attachment 1** demonstrates that historical data will be able to be reported upon implementation of the new KPI measures framework.
- Data for the event effectiveness indicators is not complete for prior years (ie. some major events were not measured). It is expected that the treatment, reporting and disclosure of this will be agreed with OAG prior to the Budget Statement being finalised. All major events where Tourism WA's sponsorship was \$500,000 or more will be measured in 2015/16. Tourism WA will further tighten the reporting and quality assurance processes for this, implementing an additional "sign off" process by the research companies as is currently the practice for the visitor satisfaction KPI measure.
- Risk:** That the information currently reported through the auditable KPI process will not be available to stakeholders. That overall industry performance measures are not reported by Tourism WA.
- Mitigation:** This is unlikely – if anything Tourism WA will be providing more data on its effectiveness and efficiency. Overall industry performance will be clearer with the removal of the confusing ratio measures. Consultations with OAG, and later confirmed by Treasury, indicate that the reporting of industry outcomes could be achieved by including such data in Tourism WA's Annual Reports but that it does not need to be an auditable KPI. OAG indicated that where multiple agencies are responsible for the delivery of services, sometimes a lead agency will take carriage of reporting "whole-of-portfolio" type measures as a way of addressing this need. Management considers that since Tourism WA's programs and activities are primarily focussed on assisting the industry achieve the visitor spend goal of \$12 billion by 2020, that visitor spend should be an effectiveness indicator. Tourism WA also provides detailed public reporting of industry performance on a quarterly basis through its reporting of the International Visitor Survey (IVS) and National Visitor Survey (NVS) results. These reports are available on Tourism WA's Corporate Website and summaries are provided to the Board on a regular basis (refer Item 5.6).
- Risk:** That the new KPI measures are not useful for Management or the Board.
- Mitigation:** The Board was consulted regarding the proposed new measures on 14 November 2014 and the issues with the existing measures have been discussed numerous times since 2013. Management believes that the new KPI measures provide greater clarity around the effectiveness and efficiency of Tourism WA's activities and that they are more appropriate auditable KPIs. Furthermore, it will be simpler to prepare annualised target recommendations due to the closer alignment of the KPI measures with agency outcomes.

CURRENT SITUATION

Over recent weeks further consultation was undertaken with staff from Treasury and OAG. A summary of these discussions is outlined below.

Treasury queried the changes to the events measures, suggesting that they might be less useful for government to assess individual events against an overall benchmark. Management's view is that it is the responsibility of the Tourism WA Board to assess the merits of individual event proposals. The rigorous due diligence and benchmarking analysis undertaken by Tourism WA and interrogated by the Board was explained in detail with numerous examples provided. Treasury staffers seem satisfied with this explanation.

Treasury queried whether the new KPI 6 was necessary given this information was provided for each service area and whether KPI 1 was an effectiveness indicator in the purest sense. Management's view is that these measures provide important information on the overall effectiveness and efficiency of the Agency's activities and alignment with the 2020 industry goal.

OAG also queried whether the new KPI 6 was necessary. Technically, the way services work is that expenditure is allocated to each services area and the efficiency of delivering the service is then measured. An overall efficiency indicator cannot be assigned to any one individual service area because it covers the entire agency. As an alternative, OAG suggested that the intent of reporting overall efficiency could be achieved as part of a narrative disclosure before or following the reporting of the efficiency indicators for each service area.

An explanation of the calculation method of each KPI (new and existing) and proposed disclosures are detailed in **Attachment 1**. For illustrative purposes, this is shown in the same format as it would appear in Tourism WA's Annual Report for 2013/14. Dates and actual data will be revised in the year of publishing (ie. September 2016). It is anticipated that targets for 2015/16 (using the new measures) will be presented to the Board in April 2015 as part of the State Budget process.

BACKGROUND

Material previously communicated to the Board in November 2014 is provided here for reference purposes.

What auditable KPI measures does Tourism WA currently have?

Following the restructure in 2010, Tourism WA's current KPI measures were determined and agreed by OAG and Treasury. Some of these were based on existing measures with some minor refinements. The measures are listed below.

Current Key Effectiveness Indicators

1. Percentage of visitors whose expectations were met or exceeded upon visiting Western Australia
2. Number of inbound visitors to Western Australia from interstate and international sources
3. Western Australia's share of the international visitors to Australia
4. Value of Cooperative Marketing funds provided by the tourism industry

Current Key Efficiency Indicators

5. Ratio of Tourism WA's Destination Marketing and Tourism Investment and Infrastructure spend to visitor spend
6. Ratio of Tourism WA's event spend to the value of direct and media impact generated by events

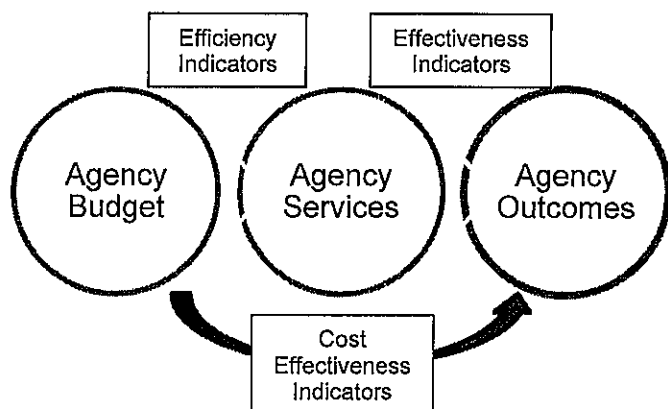
What is the difference between Effectiveness Indicators and Efficiency Indicators?

Treasurers Instruction 904 and the associated Outcome Based Management Guidelines outline the characteristics of good KPIs as being relevant, appropriate and fairly representing indicated performance.

Key Effectiveness Indicators provide information on the extent or progress of achieving a government desired agency level outcome through the delivery of a service or services. Whereas, Key Efficiency Indicators relate to the level of resource input required to deliver those services.

The instructions describe another type of indicator, called cost effectiveness, which relates outcomes directly to inputs. This can provide an overview of both agency effectiveness and

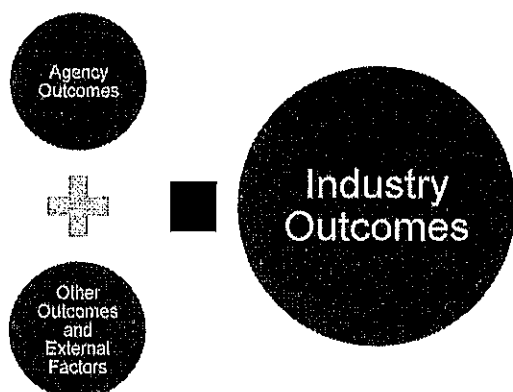
efficiency where "per unit" measurement of efficiency is impractical. The instructions only require reporting of cost effectiveness when reporting efficiency is not feasible. However, reporting of cost effectiveness is encouraged if it adds value to performance information.



Can we still report on industry outcomes without them being auditable KPIs?

No other State and Territory Tourism Organisation (STO) has auditable KPIs. It is in part for this reason that they tend to report on industry outcomes using standard tourism industry measures such as visitor numbers, average spend (per trip or per night), visitor dispersal, etc.

Most of Tourism WA's current KPI measures (especially KPIs 2, 3, 4 and to some extent 1 and 5) attempt to take a similar approach without recognising the various factors that influence those industry results beyond the Agency's remit and influence. This makes it difficult to predict results and determine targets from one year to the next, especially where the relationship between funding and industry outcomes is not a direct one. Also it is not a real cost effectiveness indicator because it attempts to match Agency resources to industry outcomes, rather than agency outcomes.



What is considered best practice? What do other comparable WA Government agencies do?

Water Corporation, with KPIs focussed on unit costs (efficiency) and return-on-assets (cost effectiveness), is considered by Treasury to be a good model. However, in Management's opinion this approach is difficult to apply to Tourism WA because our government desired outcomes focus on value adding to an industry through economic development strategies, not the provision and supply of utilities or services directly to households or the community. Also, unit cost measures (eg cost per event sponsored or cost per marketing campaign) do not recognise the varying scale of events and marketing campaigns or the integrated strategy.

In terms of effectiveness measures, agencies such as the Department of Sport and Recreation, Department of Agriculture and Food and Screenwest utilise stakeholder surveys to measure satisfaction and perceptions of value add provided by those agencies. Because Tourism WA has such a large range and diversity of stakeholders, the results from such a survey are unlikely to be useful as a single, auditable KPI measure. Nevertheless, it could be useful for the Executive and wider management group to identify opportunities from improvement from a stakeholder engagement and communications perspective.

In terms of efficiency measures, Lotterywest, Healthway and the Department of Sport and Recreation consider the administrative costs associated with an average or total amount of sponsorship funding provided. Screenwest also reports on the value of the agency investment as a proportion of the overall value of productions sponsored. These concepts have been applied to Tourism WA, especially in assessing the efficiency with which we administer our marketing and events sponsorship programs. Comparisons between service areas demonstrate the relative administrative costs associated administering Tourism WA's service areas (e.g. event development and contract management compared to destination marketing campaign development and implementation.

ATTACHMENTS

Attachment 1: Proposed reporting template and disclosures for new KPI measures

☐ **SUBMITTED BY** Justin Vaughan

