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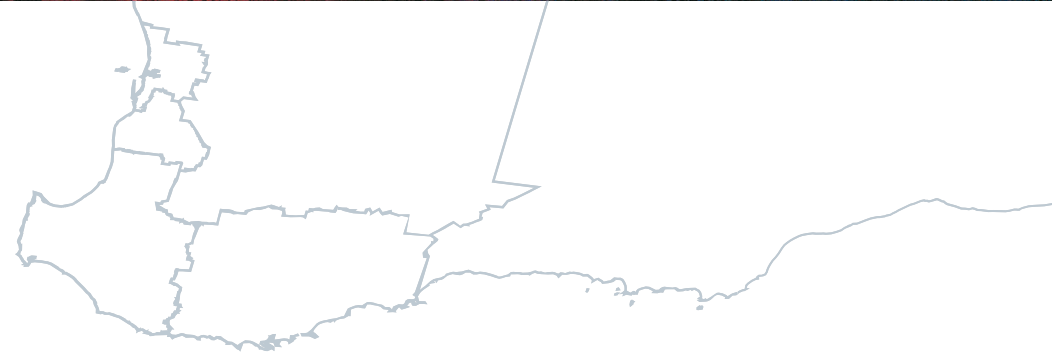
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Western Australian Regional Development Trust



ANNUAL REPORT 2012-2013



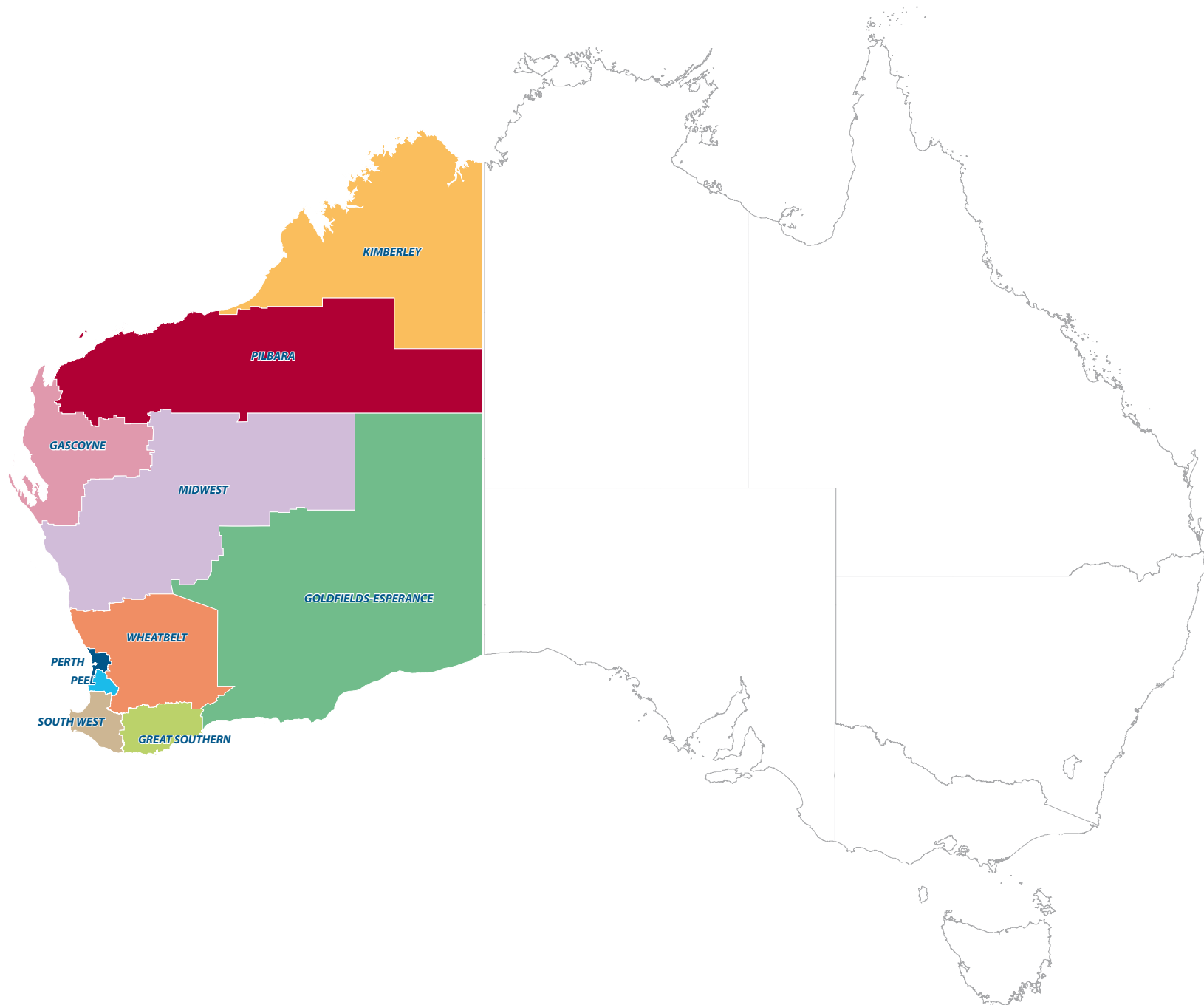


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Acronyms and abbreviations

Acronyms

AACC Aboriginal Affairs Coordinating Committee

ALT Aboriginal Lands Trust

CLG Country Local Government

CLGF Country Local Government Fund

COAG Council of Australian Governments

DoH Department of Housing

DRD Department of Regional Development [formerly RDL]
(effective 1 July 2013)

EOI Expression/s of interest

FOI Freedom of information

FF Future Fund

GFC Global financial crisis

NRM Natural Resource Management

PDC Pilbara Development Commission

PSC Public Sector Commission

RCSF Regional Community Services Fund

RDCo Regional Development Council

RDC Regional Development Commission/s

RDF Regional Development Fund

RDL Department of Regional Development and Lands

RIB Regional Investment Blueprints

RIHF Regional Infrastructure and Headworks Fund

SPA Special Purpose Account

SRDF Strategic Regional Development Fund

TIAC Technology and Industry Advisory Council

WA Western Australia

WACRN Western Australian Community Resource Network

WAPC Western Australian Planning Commission

Abbreviations

Act *Royalties for Regions Act 2009*

Fund Royalties for Regions Fund

Minister Minister for Regional Development

SuperTowns Regional Centres Development Plan

Trust Western Australian Regional Development Trust

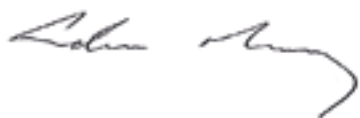
Statement of Compliance

Hon Brendon Grylls MLA Minister for Regional Development

Dear Minister

In accordance with section 28 of the *Royalties for Regions Act 2009*, I submit for your information and submission to Parliament the annual report for the Western Australian Regional Development Trust (Trust) for the financial year 2012-13.

Section 28(1)(b) of the Act requires the report to contain any other information required by the Minister. On 8 August 2013 the Minister advised he did not have any specific requests under section 28 (1)(b) but sought the Trust's public comment and assessment of Royalties for Regions investment focus in the potential of the State's underground water for food and fibre production. This is covered under the section: 'Advice and recommendations 2012-13 - Other matters'.



Andrew Murray
Chair

20 September 2013

Chair's Introduction

Section 28(1)(a) of the *Royalties for Regions Act 2009 (Act)* requires the Western Australian Regional Development Trust (Trust) to submit a report to the Minister for Regional Development (Minister) that contains information about the activities of the Trust during the financial year. Section 28(2) of the Act requires the Minister to table that report in Parliament within ninety days of the financial year end.

The Trust is an independent statutory authority established in July 2010. The Trust is tasked by the Act to perform a broad oversight role on the Royalties for Regions program, and to provide high level independent and impartial advice and recommendations on the policy, allocation and management of expenditure from the Royalties for Regions Fund (Fund) constituted by the Act.

There are three principal players in the Act – the Minister that makes decisions after taking advice from various sources, the Department of Regional Development and Lands (RDL)¹ that executes those decisions, and the Trust that advises the Minister and oversees the Fund.

The Act is specific as to the work the Trust must do. Its principal task is to provide advice to the Minister, and that is why this report concentrates on a summary of that advice. As an aid and adjunct to its obligations under the Act, the Trust consults across State government as necessary, and both consults with and is consulted by agencies, entities and individuals.

The measure of the Trust's work will be outcomes; including, the range, nature and content of advice it has provided the Minister, the response to that advice, and the consequence of that advice being accepted.

The Trust ensures that it informs itself widely with respect to Royalties for Regions and its various stakeholders. This is used as a basis for a close and productive engagement with RDL and other stakeholders.

The Trust does not involve itself in the selection of specific Royalties for Regions projects and programs for funding, or advise in that regard, because it considers that would conflict with its duties under the Act. Neither does the Trust attempt to regulate or audit the Fund, as this is outside its remit.

The object of the Act is "to promote and facilitate economic, business and social development in regional Western Australia through the operation of the Fund". To help it assess performance in that regard, the Trust visits the regions and consults with individuals, agencies, and entities concerned with regional development and Royalties for Regions projects. The Trust is grateful to the many individuals and organisations that have shared their wisdom and views with it.

The work of the Trust is intended to affect the way in which RDL and the Minister develop and administer Royalties for Regions policy and projects. The Trust has been assisted by the positive and cooperative attitude of both the Minister and RDL to its views and findings.

The Trust continues to be impressed by the Royalties for Regions concept, policy, and impact. The program is making an important social and economic contribution to the development of regional Western Australia (WA).

1 - From 1 July 2013 RDL's function has been taken over by the Department of Regional Development (DRD).

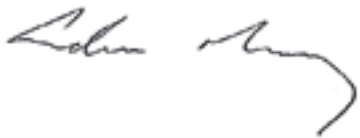
The State has always funded projects, programs and services in regional WA, and continues to do so. Royalties for Regions boosts that ongoing funding significantly. Over the ten years from 2008-09 the Trust anticipates that Royalties for Regions will directly deliver at least \$10 billion in project and program funding to WA regions.

Further, because expenditure from the Fund brings forward and leverages regional expenditure by other State agencies and local government; similarly from the Commonwealth; and similarly from the corporate and the not-for-profit sector, the multiplier effect of the Royalties for Regions program is expected to be significant.

Trust membership has been stable. The Trust is dependent on the commitment, quality, experience, background, and independence of its Trust members, and its staff member. The Trust continues to be well served in that respect. In addition, RDL has provided valuable and valued support to the Trust.

It has been a pleasure to chair the Trust in 2012-13.

The Trust looks forward to the challenges and opportunities of 2013-14.

A handwritten signature in dark ink, appearing to read 'Andrew Murray', with a long, sweeping flourish extending from the end.

Andrew Murray
Chair

The Western Australian Regional Development Trust

Responsible Minister

Hon Brendon Grylls MLA Minister for Regional Development.

Enabling Legislation

Royalties for Regions Act 2009.

Excepting for Parts 3 and 5, the Act was proclaimed on 27 March 2010 to provide for the operation of the Royalties for Regions Fund (Fund). Prior to the proclamation of the Act, the Royalties for Regions program operated pursuant to section 10(a) of the *Financial Management Act 2006*.

Parts 3 and 5 of the Act were proclaimed on the 13 July 2010, and concern the Trust. Following proclamation, the Trust held its first meeting on 16 July 2010.

Object of the Royalties for Regions Act 2009

Section 4: The object of the Act is to promote and facilitate economic, business and social development in regional Western Australia through the operation of the Royalties for Regions Fund.

Functions

Pursuant to section 12 of the Act the functions of the Trust are –

- (a) to provide advice and make recommendations to the Minister for the purposes of sections (5)(2) and 9(1); and
- (b) to provide advice and make recommendations to the Minister on any other matter relating to the operation of the Fund that is referred to it by the Minister.

Section 5(2) of the Act – the Treasurer, on the recommendation of the Minister, is to determine from time to time the way in which money standing to the credit of the Fund is to be allocated between the subsidiary accounts.

Section 9(1) of the Act – the Minister, with the Treasurer's concurrence, may authorise the expenditure of money standing to the credit of the Fund for the following purposes –

- (a) to provide infrastructure services in regional Western Australia;
- (b) to develop and broaden the economic base of regional Western Australia;
- (c) to maximise job creation and improve career opportunities in regional Western Australia.

Section 9(2) of the Act – There are to be charged to the Fund –

- (a) expenditure authorised under subsection (1); and
- (b) expenditure incurred in the administration of the Fund; and
- (c) expenditure incurred in the administration of the Trust, including any remuneration or allowances payable to its members; and
- (d) any other expenditure incurred in the administration of this Act.

Role

The Trust is an independent statutory advisory body to the Minister on the Fund. The Trust performs an oversight role and provides independent and impartial advice and recommendations on the allocation of funds from the Fund.

The Fund

Royalties

The income for Royalties for Regions is derived from 25 per cent of the mining and onshore petroleum royalties estimated in the annual State budget to be expected to accrue to the State Government in the following financial year. This is credited to the Fund periodically during the financial year.

As Table 1 shows, these forward estimates are difficult to make and the variance to actual royalties can be considerable, due to constantly changing market conditions over the year.

Table 1 - Total Royalty Income - as per Budget Paper No. 3 Economic & Fiscal Outlook

Year	Budget	Actual	Variance	
Pre Royalties for Regions				
	\$m	\$m	\$m	%
2000-01	535	701	166	31%
2001-02	644	651	7	1%
2002-03	670	707	37	6%
2003-04	670	676	6	1%
2004-05	751	864	113	15%
2005-06	1,153	1,205	52	4%
2006-07	1,528	1,484	-44	-3%
2007-08	1,830	1,680	-150	-8%
	\$7,781	\$7,968	\$187	2%
Post Royalties for Regions				
	\$m	\$m	\$m	%
2008-09	2,646	2,348	-298	-11%
2009-10	2,577	2,324	-253	-10%
2010-11	3,271	4,213	942	29%
2011-12	4,794	4,343	-451	-9%
	\$13,288	\$13,228	\$-60	1%
Total	\$21,069	\$21,196	\$127	1%

Note:

- All years and rounds of estimates are on an AASB 1049² basis.
- The budget figure for the Total Royalty Income for 2012-13 was \$1,218 million and for 2013-14 was \$1,456 million. The actual for 2012-13 was not available when this report went to print.

2 - Australian Accounting Standards Board (AASB) 1049 – Whole of Government and General Government Sector Financial Reporting.

There is no reconciliation and consequent adjustment at the end of the financial year between the estimated royalty budget the Fund has received and the actual royalty income received by the State. Neither the Act nor any other Act authorises any excess amount assessed because ‘forecast royalty income’ exceeds actual royalties to be charged to the Fund and returned as a credit to the State’s Consolidated Account. Conversely, there is also no provision to automatically authorise any shortfall amount assessed because ‘forecast royalty income’ was less than actual royalty income, to be credited to the Fund.

The Fund’s revenue is dictated by the budget estimate used for that financial year. Any change to the methodology used to calculate forecast income may have an effect on the actual revenue received by the Fund.

The Fund

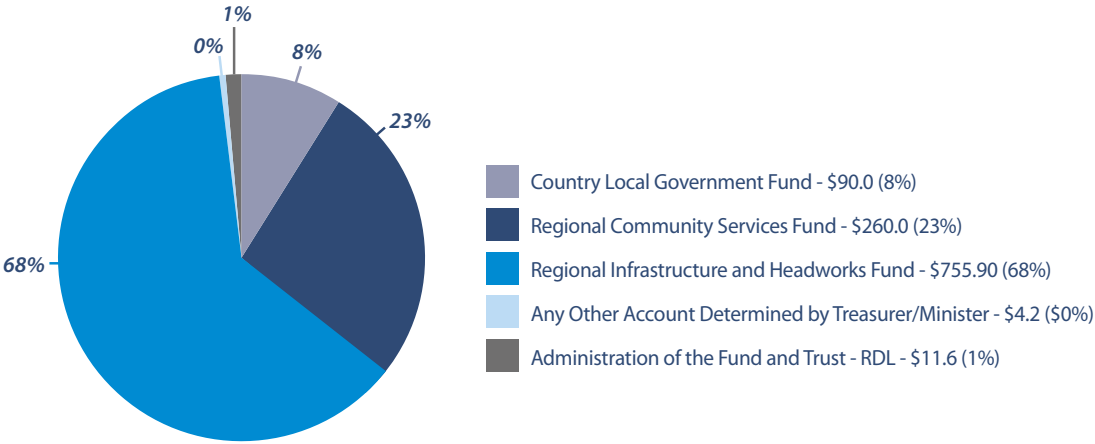
Section 5(1) of the Act states that the Royalties for Regions Fund is to consist of the following subsidiary accounts:

- (a) the Country Local Government Fund;
- (b) the Regional Community Services Fund;
- (c) the Regional Infrastructure and Headworks Fund;
- (d) any other account determined by the Treasurer, on the recommendation of the Minister, to be a subsidiary account.

In 2012-13, the budget of the Fund was \$1,121.7 billion, allocated as follows:

The Country Local Government Fund	\$ 90.0 million
The Regional Community Services Fund	\$260.0 million
The Regional Infrastructure and Headworks Fund	\$755.9 million
Any other account determined by Treasurer/Minister	\$ 4.2 million
Administration of the Fund and Trust by RDL	\$ 11.6 million

Royalties for Regions Funds 2012-13 Allocated Budget in Millions



Provision of services and facilities to the Trust

Pursuant to section 27 of the Act RDL provides the Trust with services and facilities necessary for the Trust to perform its function.

In the 2012-13 financial year RDL provided the Trust with the services of a full-time Executive Officer and policy and advice services as required.

As per sections 9(2)(c) and section 27 of the Act, RDL provides the Trust with the funds for the expenditure incurred in the administration of the Trust; including remuneration and allowances to Trust Members. Pursuant to section 10 of the Act information about the operation of the Fund is included in RDL's Annual Report. However, further detail regarding Trust Members' remuneration and some administrative costs for the Trust is provided in the section on Trust internal governance in this report.

Membership

As per Section 13 of the Act Trust Members are appointed by the Minister. With the exception of the member appointed under section 13(1)(a) for the prescribed one-year term, members are appointed for a term of three years.

In February 2011 Mr Peter Rundle – Chair of the Great Southern Development Commission, was appointed as the representative on the Trust from a regional development commission as per section 13(1)(a) for a one-year term. Mr Rundle was reappointed to the Trust for a further one-year term expiring on 27 February 2014 as per sections 15(2) and 15(3).

In July 2013, Mr Andrew Murray, Chair; Ms Sue Middleton, Deputy Chair; Mr Paul Rosair, Member and Mr Tim Shanahan, Member were reappointed members of the Trust for a three year term.



As at 30 June 2013 the membership of the Trust is as follows:

Andrew Murray



Chair – 3 year appointment, expires 7 June 2016 (appointed as per section 13(1)(b) of the *Royalties for Regions Act 2009*).

Andrew Murray is a Rhodes Scholar and former businessman who was a Senator for Western Australia from 1996 to 2008.

Andrew's Senate career focussed on finance, banking, accounting, audit, economic, business, industrial relations and tax issues; on accountability, governance and electoral reform; and on institutionalised children. Andrew is an experienced legislator and policy maker with a strong focus on accountability.

Andrew has a strong and varied business background as an executive and director in public and private corporations as well as owning and managing his own businesses. He has also chaired and been a member of community, business and political boards, committees and associations, including parliamentary committees with statutory obligations. Andrew has a number of other interests, but of note in this role is his membership of the Commonwealth's Northern Australia Expert Advisory Panel, the Western Australian Transport Policy Advisory Group, and Western Australia's Ministerial Roundtable on Affordable Housing.

Andrew is also a Royal Commissioner for the Royal Commission into Institutional Responses to Child Sexual Abuse.

Sue Middleton



Deputy Chair – 3 year appointment, expires 7 June 2016 (appointed as per section 13(1)(b) of the *Royalties for Regions Act 2009*).

Sue Middleton was the Australian Rural Woman of the Year for 2010 and was awarded the Centenary Medal for services to regional and rural Australia in 2003. Sue and her husband's family manage a diverse range of farming operations including a citrus orchard, grain and pork enterprise in the Central Wheatbelt.

Sue works with rural and regional communities and organisations to manage change processes and to help develop community capacity, raise capital for community projects and help groups to work together effectively.

Sue is also part of the Council of Australian Governments (COAG) Reform Council, Western Australian Agricultural Produce Commission and she chairs the International Institute for Agrifood Security at Curtin University.

Paul Rosair



Trust Member – 3 year appointment, expires 7 June 2016 (appointed as per section 13(1)(b) and 13(3) of the *Royalties for Regions Act 2009*).

Paul Rosair was the Director General of the Department of Regional Development and Lands and is (from 1 July 2013) the Director General of the Department of Regional Development. Paul previously held an Executive Director position within the Department of Local Government and Regional Development, where he established and rolled out the State Government's Royalties for Regions program. Prior to that, Paul held the position of Director of Regional and Business Operations within the Department of Water and previously the Department of Environment.

Paul has worked in numerous senior government roles across the regional development, environment, water, land management, indigenous capacity building, infrastructure, planning and natural resources management portfolios. He also has extensive experience working across the state and a broad perspective on issues of particular importance to regional Western Australia.

Peter Rundle



Trust Member – 1 year appointment, expires 27 February 2014 (as per section 13(1)(a) of the *Royalties for Regions Act 2009*).

Peter owns and runs a mixed enterprise farm in Katanning (sheep, canola, barley and cross bred lambs). Peter is Chair of the Board of the Great Southern Development Commission, and it is by virtue of this position that he has been appointed to the Trust for the statutory one-year term.

Peter has a strong interest in waste-water recycling and chaired the community project which resulted in the reticulation of the Katanning Golf Course. He has also been a member of the Water Corporation's Customer Advisory Council.

Previously Peter worked in the share market, and managed Wesfarmers Share Department while working for Ernst & Young Share Registry and later Computershare. He is a graduate of the Australian Institute of Company Directors.

Tim Shanahan



Trust Member – 3 year appointment, expires 7 June 2016 (appointed as per section 13(1)(b) of the *Royalties for Regions Act 2009*).

Tim Shanahan has a strong professional and managerial background. Tim was initially appointed for one year to the Trust by virtue of his position as the Chair of the Pilbara Development Commission. Following his resignation from that position in 2011 he was reappointed as a member of the Trust. Tim has a wealth of experience from his work in regional and local government policy and advocacy as well as with industry, including as the former Chief Executive of the Chamber of Minerals and Energy of Western Australia and in his current position as the inaugural Director of the Energy and Minerals Institute with the University of Western Australia.

Tim was awarded the Public Service Medal in 2001 and the Centenary medal in 2003, both for service to Local Government. Tim is a Director of the Local Government Superannuation Plan and is the President of the Royal Automobile Club of Western Australia.

Trust Meetings

The Trust formally meets approximately every two months and on other occasions as required. The Trust held six ordinary meetings and two special meetings in 2012-13 on the following occasions:

Ordinary Meetings

	Date	Location
Meeting Twelve	8 August 2012	Exmouth
Meeting Thirteen	29 October 2012	Perth
Meeting Fourteen	5 December 2012	Perth
Meeting Fifteen	1 March 2013	Perth
Meeting Sixteen	10 April 2013	Perth
Meeting Seventeen	12 June 2013	Esperance

Special Meetings

Western Australian Community Resource Network Review discussion
18 March 2013, Perth

2013-14 Budget discussion with Minister
27 June 2013, Perth

Attendance

Following is the record of attendance of Trust Members for the Trust Meetings in 2012-13. Trust Members are required to attend formal Trust meetings and are required to have any leave of absence approved by the Chair. This was done and apologies provided.

Andrew Murray

Attendance at all six Trust meetings.
Attendance at all two Special meetings.

Sue Middleton

Attendance at all six Trust meetings (one via Teleconference).
Attendance at all two Special meetings (one via Teleconference).

Paul Rosair

Attendance at four Trust meetings (one via Teleconference).
Attendance at one Special meeting.

Peter Rundle

Attendance at five Trust meetings.
Attendance at all two Special meetings.

Tim Shanahan

Attendance at all six Trust meetings.
Attendance at all two Special meetings (one via Teleconference).

Regional Observations

The Trust considers it important that Trust members personally apprise themselves of conditions and prospects and Royalties for Regions projects in regional WA. Between the Trust members, all nine country regions of WA were visited during the year, some more than once.

Trust Work Program 2012-13

For the 2012-13 year, the Trust organised its work under the broad headings of:

- Governance
- Royalties for Regions project/program selection
- Royalties for Regions project/program execution
- Regional development
- Finance



Advice and recommendations from 2010-11

The Trust keeps track of advice and recommendations that are still extant.

Advice and recommendations in 2010-11 arising from sections 12(a) and 12(b) of the Act were summarised in the Trust's Annual Report 2010-11. The 2010-11 advice covered:

1 October 2010: to amend the Act

25 October 2010: to create a strategic regional development fund

9 February 2011: to RDL on governance

16 February 2011: to develop a human capacity program

20 March 2011: on Royalties for Regions budget proposals

21 March 2011: on a water program

27 April 2011: to review the Country Local Government Fund

28 June 2011: on the Fund being used to retire State debt

28 June 2011: to review the Country Local Government Fund

Some of this 2010-11 advice warrants further comment in this 2012-13 annual report.

Advice to amend the Act

As a result of its role in overseeing the Royalties for Regions policy and the Act, in 2010-11 the Trust recommended the Act be amended to:

- Include 'actual royalty income' to allow for a year-end reconciliation between estimated and actual royalties;
- Remove section 8 that imposes a \$1 billion cap on the Fund; and
- Create a further subsidiary account for a strategic regional development fund;

The Trust further recommended technical amendments to:

- Make section 13(1)(a) appointments mirror section 13(1)(b) appointments to also 'be not longer than three years' as per section 15(1); and
- Ensure the resignation of a section 13(1)(a) member or members allows the Trust to continue operating until a replacement appointment is made.

With respect to four of these matters, no progress has been made in amending the Act. With respect to the fifth matter, in the May 2012 Budget papers the Government agreed to create a Regional Development Fund (RDF) in 2012-13, and this has been done administratively.

Advice to develop a human capacity building program

The Trust had recommended that Royalties for Regions engage more in the development of human capacity in the regions.

The Trust asked that the Minister or RDL establish a process of formal review to determine principles, projects, proposals and priorities to advance human capacity building in regional development. This did not occur.

The Trust identified five subject heads under which regional and rural human capacity building could be considered:

- Leadership development
- Skills development and retention
- Entrepreneurial/innovation development
- Addressing unemployment and under-employment and excess capacity
- The needs of new regional populations resulting from regional development

The Minister responded positively to the Trust's advice. The 2011-12 Royalties for Regions budget included key initiatives to improve social infrastructure, which included key theme areas of investment in education; skills training; Aboriginal initiatives, including leadership and governance; the Regional Centres Development Plan (SuperTowns); and the Public Sector Commission's (PSC) Leadership Program.

The Trust considered that Royalties for Regions human capacity building should start with leadership development.

A situational analysis of regional leadership programs in WA was finalised by RDL in November 2011, which highlighted the ad hoc nature of current programs and the need for a coordinated approach to leadership development across the state.

A range of processes to best meet the identified leadership needs across regional WA have been reviewed by RDL with input from the Regional Development Council (RDCo) and other agencies.

A Regional Leadership Reference Group has been formed which is chaired by the Trust. This Reference Group is progressing the development of a Regional Leadership Initiative.

The Trust believes a regional development leadership development program is a key and necessary investment for regional WA, and the Trust will continue to advocate this policy objective.

As outlined earlier, the Trust had also recommended that Royalties for Regions better support the development of innovation and entrepreneurship in the regions, advice that was supported by the Minister. A core function under the Act is to deliver regional business development and it is the Trust's view that at best to date this has been done on an ad hoc basis.

The Trust took an active interest in RDL's work on innovation. In 2012-13 RDL undertook an environmental scan of various programs, projects and research facilities and investments which uncovered a significant amount of innovation and entrepreneurship work being carried out in the private and public sectors. RDL then completed an extensive consultation process with stakeholders in the innovation supply chain/system to better understand how the innovation process works and how to invest in the process in the regions.

The Department of Commerce's Technology and Industry Advisory Council (TIAC) had also commissioned research on exploring the factors contributing to successful innovation in regional WA. RDL and the Trust consulted with TIAC to try to ensure that their findings and progress on the topic would be aligned with Trust/RDL views. The TIAC report is in the process of being finalised and the Trust will then further examine how to progress investment in innovation and entrepreneurship in the regions.

Advice on a water program

The Trust had recommended that water policy and projects be given greater emphasis in Royalties for Regions on a focussed, planned and strategic basis.

Regional development cannot occur sustainably unless the basic development underpinnings are available of water, power, transportation, communications, and housing and social resources. Of these, water is often the biggest challenge to regional development.

The Trust recommended that the Minister consider giving RDL a direction to develop an appropriate water strategy for Royalties for Regions, with two primary goals. The first is to supplement existing or planned water investment by the Department of Water, the Water Corporation and other agencies, or the private sector, in order to maximise productive outcomes in Royalties for Regions projects. The second is to identify priority geographic areas where better water data and water investment could provide for or accelerate major regional development.

The Minister responded positively, with the 2011-12 Royalties for Regions budget including expenditure on water and Natural Resource Management (NRM) initiatives. The four key themes of the NRM budget funding allocation of \$78.2 million over four years were:

- Regional water availability planning and investigation;
- Regional economic development – water opportunities;
- Gascoyne food bowl, including flood mitigation measures; and
- Regional natural resource management.

Progress on understanding the regional economic development water opportunities and the Gascoyne food bowl, including flood mitigation measures, has been steady.

The 2011-12 new water initiatives securing funding included:

- Improving Water Quality in Remote Aboriginal Communities Initiative - \$12.2 million over three years.
- Combined Pilbara Water Projects - \$20.7 million over four years.

The Pilbara Water Opportunity Pilot Projects have been positive and have highlighted the potential for a significant investment in irrigated agriculture within the Pilbara.

A potentially large water-related project that aligns to the Trust's advice was under investigation by RDCo. It is the Peel Waste Water Pipeline Project to deliver waste water from the Gordon Road Waste Water Treatment Plant to the Alcoa Refinery and other potential industrial and agricultural users. The Trust has been advised that funding has been allocated to the Water Corporation to undertake a feasibility study on this project.

Advice on Royalties for Regions budget proposals

During 2010-11 the Trust expressed views and formally provided advice and recommendations to the Minister on a range of issues that affect or may affect future Royalties for Regions budget processes and decisions.

Such advice included the need for RDL to develop a more advanced evidence and experience-based regional development, philosophy, policy and destination to assist in its decision-making.

There is no doubt that the experience gained by RDL in regional development over the past four years has been invaluable. However, evaluation of regional development outcomes remains a difficult task. Many projects will require a number of years operation to assess the full benefits.

RDL has advised the Trust that it has developed an evaluation framework that assesses the evidence outcomes and benefits to the regional communities. RDL has successfully completed its first evaluations of projects.

Further, on the 17 December 2012 RDL, RDCo and the Trust jointly provided the Minister with a draft Regional Development Framework for him to consider adopting. There has been no response as yet.

The Trust advised that there was a need for RDL to develop regional development priorities against specific criteria. The Trust has been advised that all Royalties for Regions projects are developed through a business case process and are objectively assessed against established criteria to ensure consistency across all Royalties for Regions funded projects, including achieving the objectives of Royalties for Regions.

The Trust advised that there was a need for coordinated and holistic regional planning to inform Royalties for Regions project and program selection.

There has been considerable progress on this front.

Regional Investment Blueprints (RIB) are being or have been developed in each region, informed by the Western Australian Planning Commission's (WAPC) draft State Planning Strategy, regional planning and infrastructure frameworks, and the State Planning and Development Framework. In time, these will influence Royalties for Regions. However Royalties for Regions budgets do not yet align with State and Regional planning strategies and frameworks. The Trust looks forward to how the RIB will demonstrate priorities for Royalties for Regions funding and alignment to State plans and frameworks.

The Trust advised that there was a need for Royalties for Regions programs and projects to be outcomes-based, and to include timelines and deadlines, wherever feasible.

A concerted effort has been made on this front.

The Trust advised that there was a need for Royalties for Regions programs and projects to have business cases, and cost/benefit analyses where sensible. This has been implemented.

The Trust advised that Royalties for Regions budgets should include 'themes' designed to address specific areas of need, transformation, or policy. This has occurred.

The Trust advised that there was a need for greater attention to building human capacity in the regions.³ Progress has been slow on the program front.

3 - The Organisation for Economic Co-operation and Development (OECD) research demonstrates that where there is only development in physical infrastructure, and not human capacity, that growth and development is limited.

Other matters

Among the 'other matters' raised by the Trust in the 2010-11 annual report was that of the need for targeted investment in specific policy areas affecting Aboriginal communities. The Trust is pleased that Royalties for Regions continues to make progress on this front.

While most Royalties for Regions expenditure is not directed to a particular demographic,⁴ there is a case for targeted investment aimed at specific areas of disadvantage or opportunity in WA's regional Aboriginal community.

Investment has occurred targeted at Aboriginal workforce participation, but much remains to be done.

On investment and policy to increase Aboriginal home and business ownership, progress is slow despite the efforts being made in programs like the Department of Housing's (DoH) Transitional Housing Program and its *Opening Doors* Affordable Sales program.

The Trust first raised the issue of land tenure reform three years ago but progress has been disappointing in both pastoral rangelands and in Aboriginal lands.

The normalisation of land tenure to facilitate Aboriginal home and business ownership should be a regional development objective.

In the Trust's 2010-11 annual report the Trust remarked that Hedland and Kununurra (to take two examples), are Aboriginal Lands Trust (ALT)⁵ owned settlements. The Trust stated that in theory these two ALT communities were just suburbs of these country towns under different tenure, but in practice these are degraded areas without access to municipal services, and in a bad state with respect to housing, roads, footpaths, lighting, rubbish-collection, postal services and amenities maintenance. There was excessive litter, and poor community standards reflect the poor urban environment.

The Trust noted that such conditions are apparently long-standing, but considered their continuation unacceptable. The Trust stated that suburbs like these should be normalised and be provided with the same municipal services and funding as any other suburb.

There has not been much change overall, but there are some bright spots of real and major transformation, such as in the town of Roebourne under the Pilbara Cities program.



4 - There are notable exceptions, such as for older Western Australians with the Country Age Pension Fuel Card Scheme.

5 - The Aboriginal Lands Trust was established by the *Aboriginal Affairs Planning Authority Act 1972*, which is the responsibility of the (Western Australian) Department of Aboriginal Affairs.

Advice and recommendations from 2011-12

Some of the 2011-12 advice warrants further comment in this 2012-13 annual report.

Advice and recommendations in 2011-12 arising from sections 12(a) and 12(b) of the Act were summarised in the Trust's Annual Report 2011-12.

The advice was:

- 20 July 2011: on using the Fund for State debt retirement
- 28 July 2011: on 2012-13 budget themes
- 30 September 2011: on amending the Act
- 17 October 2011: on anti-development issues; and on further public policy development
- 27 January 2012: on amending the Act
- 31 January 2012: on the review of the Country Local Government Fund
- 27 March 2012: on Royalties for Regions 2012-13 Budget Proposals
- 11 April 2012: on affordable housing in the regions
- 11 April 2012: on the proposed State Future Fund
- 30 April 2012: on the transfer of RDL Royalties for Regions responsibilities to two Regional Development Commissions (RDC)

Advice on 2012-13 budget themes

In its advice following its review of the Minister's 2011-12 budget proposals, the Trust had suggested that Royalties for Regions budgets should include 'themes' designed to address specific areas of need, transformation or policy.

The Trust considered that in terms of the Act and Royalties for Regions policy, five themes (drawn from its deliberations and consultation, including visits to all the regions) were priorities worthy of being considered as key focus areas for investment in the 2012-13 Royalties for Regions budget:

- Regional land and food strategy and planning⁶
- Investment in regional strategic corridors⁷
- Retaining aged populations in the country⁸
- Regional business and industry innovation and support⁹
- Energy supplementation¹⁰

6 - The growth of China, India and others will result in the Asia-Pacific middle class reaching 3 billion by 2030, and should see considerable growth in demand for WA's land and sea food, beverages, and regional tourism. Source: Commonwealth Budget Strategy and Outlook Budget Paper No. 1. 2012-13, Page 2-28.

7 - 'Corridors' are strategic easements down which road, rail, telecommunications, water, gas, and electricity do or might go, down which services are delivered, or where regional development is occurring or could occur.

8 - Retirement provision and subsequent aged care meets a community need and is a potentially profitable regional development opportunity, generating jobs via a labour-intensive service that involves a job-range from unskilled to very highly skilled.

9 - One approach is to concentrate on projects or programs that are new or supplement innovation, productivity, efficiency and viability. Another approach is selecting or supporting key industry development plans and incentives to stimulate sustainable regional industry such as food and food processing, marine services, or housing, where potential has already been identified and a competitive advantage can be determined.

10 - It is worth considering supplementary, alternate or renewable energy wherever power is inadequate weak or unreliable in significant regional areas, and where extending conventional supply is not cost-effective.

The Trust recommended the Royalties for Regions 2012-13 budget not only continue with water and human capacity (leadership and improving Aboriginal participation) investment from 2011-12,¹¹ but that the Minister consider increasing budget investment in both water and human capacity projects and programs.

The Minister accepted the Trust's advice, but advised that budget restrictions for 2012-13 meant that no additional priority projects could be considered for funding in 2012-13.

The Minister and RDL have advised the Trust that they continue to use the themes recommended by the Trust as an aid to budget planning.

Advice on anti-development issues and on further public policy development

On the 17 October 2011 the Trust provided advice on anti-development issues and on further public policy development.

The Trust supports a balanced approach to assessing regional development proposals, including consideration of economic, native title, environmental, social, and cultural issues. The Trust supports assessing each regional development proposal on its merits.

What concerns the Trust are actions and attitudes that can result in sub-optimal outcomes for regional development, which affect the realisation of the object and the purpose of the Act.

11 - The 2011-12 budget took up aspects from the Trust's advice to the Minister on water and on human capacity.

With respect to impediments to development, red and green tape is a concern and open-ended processes add to both risk and cost. The result of poor regulation and process is sub-optimal social and economic outcomes, lost productivity, and reduced competitiveness.

The Trust remains concerned at these issues, and there is no indication that relief on this front is yet in sight.

The Trust considers that public policy development¹² needs boosting in order to better support regional development with sound evidence based information.

The Trust recommended that the Minister consider funding a regional development unit in a university, group or consortium of universities, or some other institution/s.

The role of the proposed unit should be to provide credible independent research analysis, information, and advice to government and the non-government sector on regional development in WA, and to contribute professionally to the development of public policy, public debate and community awareness on regional development.

The Minister has not supported this recommendation.¹³

12 - Due to the nature of his interests and employment, Trust Member Tim Shanahan did not participate in the discussion of this advice; neither was Mr Shanahan a signatory to this advice, nor had he sighted this advice prior to its delivery to the Minister.

13 - DRD however currently conducts, coordinates and accesses a range of regional development research activities. As part of these activities, DRD has entered into an agreement with the Regional Australia Institute whereby it provides access to research material and conducts research on behalf of the Department, including in partnership with Western Australian universities.

Advice on the review of the Country Local Government Fund

The Minister referred a review of the Country Local Government Fund (CLGF) to the Trust pursuant to section 12(b) of the Act. The Trust report was made public by the Minister on 10 April 2012. Readers should refer to the CLGF Review report for fuller information.¹⁴

On the 31 August 2012 the State Government released its response¹⁵ to the CLGF Review. The Government accepted 23 of the 26 recommendations, and partially accepted the remaining 3. The Trust was pleased with this response.

In June 2013 the Minister advised the Trust that Royalties for Regions expenditure from the CLGF is to be heavily reduced, and that the CLGF sub-fund will be wound down over a few years. (See later coverage in this Report).

This policy decision represents an overturning of the Government's support for the Trust's Review of the CLGF, as provided in its formal response.

Advice on Royalties for Regions 2012-13 budget proposals

Included in its advice on the 2012-13 Royalties for Regions budget proposals were the issues of carry-overs and Special Purpose Accounts (SPAs).

The Trust remarked on the considerable carry-over of committed but unspent or un-acquitted Royalties for Regions funds from 2011-12 to 2012-13.

Carry-overs indicate a failure to execute projects within the planned timeline. For some projects and programs carry-overs are explained by exogenous matters beyond the control of the Minister and RDL, including weather events or Commonwealth or third party processes. Carry-overs can also be a direct result of process failure.

Carry-overs continue to be an issue and RDL now provides the Trust with the reasons for significant carry-overs from one financial year to another, by major line item.

SPAs are a Government accounting mechanism used to record amounts in a specific agency's books that are set aside for special purposes.

When the Fund pre-pays a State agency the funding it is due for a Royalties for Regions project (the special purpose) that payment acts as a debit on the Fund and represents a credit to the agency. The double-entry means that the State cash position is unaffected.

The Trust recommended that RDL maintain a register of Royalties for Regions' SPAs, to detail the relevant statutory or agreement provisions (including audit provisions), the date of establishment and expected duration, the purpose, and the amount expended by SPAs each quarter and after the close of each financial year. This register is now in place and RDL reports to the Trust on its constituents.

14 - <http://www.drd.wa.gov.au/publications/Documents/CLGF-Review-Report.pdf>

15 - <http://www.drd.wa.gov.au/grantandfunding/country/Pages/default.aspx>

Advice on affordable housing in the regions

Royalties for Regions has placed great emphasis on underpinning effective regional development with housing for the public sector, as with the Government Regional Officer's Housing program, and providing affordable housing for essential lower income residents and workers, as in the Pilbara Cities program.

In 2012 the DoH advised the Trust that there was an acute housing problem for young people, people on single incomes, the elderly, indigenous people, key workers and renters. That remains the case.

The DoH proposed a financing mechanism whereby a Royalties for Regions equity (i.e. refundable) contribution of \$100 million would result in leveraging around \$2.5 billion in housing projects over 10 years, representing a 25-fold multiplier on each dollar of refundable equity, and delivering an average of 500 dwellings annually.

The Trust recommended that the Minister support the DoH proposed 15-month (i.e. ending in August/September 2013) feasibility, modelling, and preparatory study.

The Minister responded positively to the feasibility study proposal. He also supported trials being established in Port Hedland, Karratha and Newman.

The Trust awaits the result of the feasibility study.

Other matters

As reported above, in the Trust's 2010-11 Annual Report the Trust commented on the need for targeted investment in 'work' and 'land', affecting Aboriginal communities.

As part of a whole of government approach, RDL advised the Trust that it would assist in the delivery of the Aboriginal economic participation strategy that had been developed through the Western Australian Aboriginal Affairs Coordinating Committee (AACC).

The Trust's 2011-12 Annual Report recorded that RDL had advised the Trust that it proposed to explore the following outcomes:

- Increased participation of Aboriginal communities in regional economic development through leveraging the value of Aboriginal-owned assets, including land.
- Developed Aboriginal human capital through education, training, increased workforce participation and overcoming barriers to economic participation (such as access to housing and justice services).
- Increased number of Aboriginal owned businesses and expanded Aboriginal entrepreneurialism through improved access to capital such as opportunities through government procurement and access to business consultancy, advisory and support services.
- Development of effective partnerships that will ensure long term, sustainable economic development.

Progress on these fronts has been slow.

Earlier in this Report the Trust summarised its advice to the Minister on anti-development issues.

In responding to the Commonwealth's 1999 Independent Review of the *Environment Protection and Biodiversity Conservation (EPBC) Act* (Hawke review)¹⁶ the federal government said its priorities were to move to a single set of environmental approvals through the accreditation of State and Territory assessment and approval processes that meet national standards.

With respect to the Hawke review the COAG agreed to a reform agenda on 19 August 2011, and on 13 April 2012 COAG agreed to pursue:

- reforms to reduce duplication and double handling of environment assessment and approval processes;
- reforms to rationalise carbon reduction and energy efficiency policies and programs that are not complementary to a carbon price; or are ineffective, inefficient or impose duplicative reporting requirements on business;
- reforms to interconnected energy markets, to improve competition and the efficiency of electricity networks so that energy regulation places greater weight on the outcomes for consumers;
- reforms to improve the approval processes for major projects;
- reforms to improve development assessment processes for low risk, low impact developments; and
- reforms to lift regulatory performance.

Progress on these critical COAG reforms has been poor and slow.

¹⁶ - Section 522A requires the EPBC Act to be reviewed every 10 years.



Advice and recommendations 2012-13

Section 12(a) of the Act requires the Trust to provide advice and make recommendations to the Minister for the purposes of sections 5(2) and 9(1). In summary, those sections refer to the allocation of Fund monies to the various subsidiary accounts; and, to where Fund expenditure should be directed.

Section 12(b) requires the Trust to provide advice and make recommendations to the Minister on any matter relating to the operation of the Fund that is referred to it by the Minister.

In the financial year 2012-13, under section 12(b) the Trust had the following matters referred to it by the Minister:

- 7 August 2012: review of the Western Australian Community Resource Network
- 7 August 2012: review of the Regional Housing Program
- 7 August 2012: advice on the proposed regional development fund

In the financial year 2012-13, on its own motion under section 12(a), the Trust provided advice and made recommendations to the Minister on the following matters:

- 10 September 2012: Planning for new large Royalties for Regions projects
- 13 December 2012: The Pilbara and risk management
- 20 December 2012: Regional development, Royalties for Regions and indigenous policy
- 8 April 2013: Royalties for Regions and education
- 27 June 2013: Royalties for Regions budget proposals 2013-14

Review of the Western Australian Community Resource Network

On the 7 August 2012 the Minister raised the prospect of a review of the Western Australian Community Resource Network (WACRN) with the Trust, and on the 29 September 2012 the Minister referred a review of the WACRN to the Trust to be completed by no later than 30 June 2013.¹⁷

The Trust provided the Minister with a draft report on the 28 March 2013, and the final report on the 6 May 2013. The Review resulted in ten recommendations.

On the 4 July 2013 the Minister advised the Trust that he supported the Trust's recommendations and was in the process of referring the Report to Cabinet.

Review of the Royalties for Regions Regional Housing Program

On the 7 August 2012, the Minister proposed that the Trust consider reviewing Royalties for Regions regional housing, once the Trust had completed a review of the WACRN.

On the 10 December 2012 the Minister provided Terms of Reference with a reporting date of September 2013. Subsequently the Trust advised the Minister that the proposed review will require expert external advice, and could not be completed earlier than 30 June 2014.

On the 28 May 2013 the Minister tasked RDL to provide the Trust with the necessary resources to support the Trust in undertaking the review.

¹⁷ - <http://www.drd.wa.gov.au/aboutus/independentpartners/RegionalDevelopmentTrust/Pages/Review-of-the-Community-Resource-Network.aspx>

The proposed Royalties for Regions Regional Development Fund

In May 2012 in its 2012-13 budget the Western Australian Government had announced the creation of the Regional Development Fund (RDF) to be added as another Royalties for Regions sub-fund, to fund major strategic initiatives and to implement significant infrastructure projects, including those currently in the planning stage.

At that time the Government announced that from 2012-13 funds that are yet to be allocated to projects or initiatives will be held in the RDF. It announced that contributions to the RDF would amount to \$38 million in 2012-13, \$50 million in 2013-14, \$303 million in 2014-15 and \$640 million in 2015-16, totalling \$1 billion over four years.

The Regional Development Fund holds unallocated royalties to support major strategic initiatives aligned to Royalties for Regions themes. Based on the current approved expenditure program contributions to this Fund are estimated to be \$59 million in 2014-15, \$223 million in 2015-16 and \$694 million in 2016-17 totalling \$976 million by the end of 2016-17.

At year end for 2012-13 the RDF held \$38 million. The Trust is advised that these funds will be applied to expenditure in the 2013-14 period, which is contrary to its cumulative intention. The RDF is for funding of major initiatives. Several major initiatives have been funded through the RDF such as the \$161 million Northern Health Initiative.

The establishment of such a Fund is consistent with the intent and earlier advice that the Trust provided to the Minister on 25 October 2010.

On the 7 August 2012 the Minister requested advice from the Trust on governance arrangements that would guide the utilisation of the proposed RDF, which the Trust provided on the 23 August 2012.

The Minister responded to the Trust on the 10 April 2013, and thanked the Trust for its advice. All elements of the advice have not yet been implemented.

RDF governance advice

The Trust advised the Minister that as the RDF is a different type of Royalties for Regions fund, being a large accumulative strategic fund intended for major projects, that the RDF should be subject to additional governance arrangements to those that presently exist for Royalties for Regions, including that of oversight by the Trust, as outlined below.

The RDF will be used to select a few very large capital projects for funding from a number of competing alternative regional development possibilities. Due to the quantum involved and the impact on the sub-region or region affected, there will be an even greater need to justify the RDF choice made than is necessary for Royalties for Regions projects in general.

It is therefore vital that the Minister is assured that the decision to give particular large projects priority over others is not only soundly and strategically based, but will deliver strong regional outcomes that meet the prescriptions of sections 4 and 9(1) of the Act.

The Trust emphasised that no expenditure from the RDF should be announced or authorised without being supported by formal advice.

RDF funding and amendment to the Act

The Trust advised that the creation of the RDF should require amendment to the Act. The Trust understands that until the Act is amended, RDL will arrange for the RDF to be created within the Royalties for Regions SPA.

The Trust had previously recommended that a strategic RDF be initially funded by the allocation of monies from the existing Royalties for Regions subsidiary accounts and from new royalties income, and could be supplemented by additional central budget allocations, Royalties for Regions partnership contributions from other private sources, and Royalties for Regions partnership contributions from the Commonwealth.

The Trust advised that the proposed amendment to the Act should

- a) enable such extra funding to be accommodated, if it materialises; and
- b) ensure that any additional non-royalties monies held in the RDF are exempt from the \$1 billion cap provisions of section 8, that is, if section 8 is not repealed as recommended (and still recommended) by the Trust.

Identification and approval of major RDF projects

Since the RDF is to 'fund major strategic initiatives and to implement significant infrastructure projects, including those currently in the planning stage', it is important that those initiatives and projects are clearly itemised, agreed by the Minister and then Cabinet in the usual manner for Royalties for Regions approvals, and that the Cabinet decisions and progress on the projects be periodically reported to Parliament.

With respect to those initiatives and projects:

- RDL is best placed to work with their stakeholders in identifying and progressing those initiatives and projects, and should have particular regard to the advice of RDCo and the strategic determinations of the RIB.
- The identification of major projects should be consistent with the State's infrastructure priorities and the recommendations of the WAPC Infrastructure Coordinating Committee. Exceptions to that rule should be identified, justified, and reported.

The Trust recommended that RDL be tasked by the Minister to undertake the necessary consultation and to devise guidelines for determining the threshold for initiatives and projects to be considered for the RDF, the characteristics those initiatives and projects must have, the method for solicitation or identification of those initiatives and projects, and the process to be undertaken in allocating the RDF to projects.

As is usual practice, such guidelines should be provided to the Minister for his endorsement.

The Trust recommended that 'smaller and lower priority' projects (as defined by RDL in due course) should not be considered for the RDF, and that initiatives and projects should clearly be both strategic and a regional development priority. The long term cumulative nature of the RDF makes it essential that depletion of the fund for smaller projects be guarded against to protect the capacity to engage with major projects that will enhance the development of the State.

From both a perceptual and a strategic point of view it is important that the gateway for projects accessing the RDF is not easy to enter, and acceptance is subject to policy and process rigour. It is important that those bodies required to sign off on any RDF recommendations for the Minister's (and Cabinet's) endorsement are clearly specified.

Further, if the RDF is indeed to be created within the Royalties for Regions SPA before the Act is amended, the guidelines and processes discussed herein should be in place to operate from the moment the RDF is functional.

The Regional Infrastructure and Headworks Fund

The Regional Infrastructure and Headworks Fund (RIHF) has to date been the principal vehicle for major Royalties for Regions strategic infrastructure projects.

In previous advice the Trust had stated that the key difference between the RIHF and the proposed new strategic RDF was that the RIHF is a non-cumulative fund for large-scale construction-ready projects that need funds within the budget cycle, and the proposed new strategic RDF should be a cumulative fund for very large as yet unidentified future regional projects that will need funds beyond the budget out-years.

The Trust recommended that RDL be tasked to undertake the necessary consultation and to reformulate the guidelines for determining the threshold for initiatives and projects to be considered for the RIHF, the characteristics those initiatives and projects must have, the method for solicitation or identification of those initiatives and projects, and the process to be undertaken in allocating the RIHF to projects, and to consult with RDCo in this regard. Such guidelines should be provided to the Minister for his endorsement.

RDF budgetary considerations

The Trust suggested budgetary considerations, including:

- There is a need to ensure that there are RDF funds available to support feasibility studies for major projects as well as the construction of those.
- If the RDF is to be also subject to the section 8 \$1 billion cap, there will be a requirement for major projects to be cash flow managed within the capacity of the cap.
- Cash flow management of expenditure from the RDF should allow for projects of greater value than \$1 billion to be considered.



Planning for new large Royalties for Regions projects

On the 10 September 2012 the Trust provided advice to the Minister on planning for new large Royalties for Regions projects.

Forward royalty estimates are difficult to forecast due to changing and dynamic market conditions. Nevertheless, it is reasonable to expect substantial additional unallocated Royalties for Regions funds being available from 2016-17 onwards for new projects and programs, after deducting existing Royalties for Regions commitments to a set percentage allocation to the Future Fund, and commitments to recurrent spending, principally through the Regional Community Services Fund (RCSF).

On the 28 July 2011, at the request of the Minister, the Trust provided advice on budget themes. The Minister accepted those themes as worth pursuing. Two of those five themes were:

- Regional land and food strategy and planning
- Investment in regional strategic corridors

At the time of the advice there were a number of major projects falling into these two themes that were being actively considered by RDL and other agencies which would extend over a number of years and involve both economic and social infrastructure.

Accepting that the projects list below is not exhaustive, and that not all of these projects could be funded by Royalties for Regions, the large projects listed below fall into the regional land and food strategy and planning theme:

- The Peel Waste Water Pipeline Project
- The West Kimberley and further extension of the Ord Irrigation Expansion project
- Intensive large-scale agricultural projects in the Gascoyne, Pilbara, Mid West and South West regions

The large projects listed below fall into the investment in regional strategic corridors theme:

- The Bunbury to Albany gas pipeline
- The new Oakajee port and its hinterland
- PortLink, linking the ports in Goldfields-Esperance, the Mid West and the Pilbara through an inter-modal hub in Kalgoorlie
- James Price Point and its hinterland
- The Roads to Export Greater Bunbury Infrastructure Investment Plan
- The Pilbara Maritime Common User Support Facility

In concert with State, Commonwealth and private funders Royalties for Regions may be able to partner meaningfully in some of these regional development opportunities in the medium and longer term. It is important to decide on which projects to concentrate.

The Trust recommended that the Minister task RDCo and RDL to advise him as to which large projects (among those listed above or any other) it considers are priorities for large future Royalties for Regions infrastructure expenditure over the medium to longer term.

The Trust recommended that sections 4 and 9(1) of the Act are the starting point, with particular regard paid to the RIB, and the State's strategic planning framework, and consultation with agencies such as Department of State Development, Department of Agriculture and Food and the Department of Transport.

Since the Trust's advice the State Regional Freight Transport Network plan has been released. This will assist in determining which large projects Royalties for Regions could support.

The Minister's response to the Trust's advice stated that the Directors General of the Departments of Planning, Local Government and Communities and Regional Development have launched a new State Planning and Development Framework that aligns and integrates delivery of services to regional WA. This framework describes the relationships between such initiatives as the development of RIB to local government Strategic Community Plans, under the overall direction of the WAPC's draft State Planning Strategy.

The Pilbara and risk management

On the 13 December 2012 the Trust provided advice to the Minister on the Pilbara and risk management. The Minister responded on the 24 January 2013.

The Trust had previously advised¹⁸ the Minister regarding the transfer of the Pilbara Cities Office from RDL to the Pilbara Development Commission (PDC) and the consolidation of the Royalties for Regions Pilbara administration and oversight.

The Trust was concerned at the risk of such a transfer without the complementary development of operational capacity.

RDL and the PDC subsequently established appropriate Memoranda of Understanding, a Service Level Agreement, and instituted additional operational and governance arrangements.

The Trust recommended that the Minister ensured that oversight and action to mitigate risks continued. The Minister reassured the Trust that the risks identified by the Trust have been identified in the Royalties for Regions Risk Register, were being managed by a Treatment Action Plan, and were buttressed by a number of other important governance mechanisms and actions.

18 - See the Trust's Annual Report 2011-12 <http://www.drd.wa.gov.au/publications/Documents/WARDT-Annual-Report-2011-12.pdf>

Regional development, Royalties for Regions and Aboriginal Affairs policy

On the 20 December 2012 the Trust provided advice to the Minister on regional development, Royalties for Regions and Aboriginal Affairs policy.

As guiding principles the Trust had recommended that RDL must be clear and specific on Royalties for Regions Aboriginal priorities, and have a sharp focus on those policies and programs that can deliver significant and measureable outcomes.

The Trust was advised that annually there is about \$300 million specifically directed to projects and programs for the Aboriginal community, which is funded by the State government (including Royalties for Regions), and a further \$2 billion of State funding that indirectly benefits Aboriginal people and communities.

On the 22 August 2012 the Trust wrote to the multi-agency AACC for its views on the present direction and future targeting of Royalties for Regions investment.

In doing so, the Trust was aware of the Minister's support for RDL referring all Royalties for Regions investment related to Aboriginal outcomes to the AACC, so that it is considered within the context of existing government funding and programs, so ensuring alignment and minimising duplication.

The AACC responded to the Trust's letter on the 28 November 2012. Of particular note with respect to this Trust advice to the Minister was the AACC's emphasis on:

- Leveraging and alignment with Royalties for Regions within the context of targeted and efficient investment (particularly with Native Title trusts).
- Identification of opportunities for greater investment, particularly to support economic development for and by Aboriginal people.

Collaboration

The State Government has emphasised the principle of working in partnership and targeting investment in the *Western Australia Aboriginal Economic Participation Strategy 2012-2016*.

The State Government's Economic Audit Committee's report¹⁹ made 43 recommendations directed toward achieving the vision of a more collaborative and innovative public sector, and minimising 'silo activity' in government.

The referral process to the AACC appears to the Trust an effective and useful contribution to productive collaboration and better governance, in a policy field that has been difficult.

The Trust recommended that the Minister satisfy himself that in matters of Aboriginal regional development, inter-agency collaboration is assured by appropriate protocols where necessary, to ensure that RDL's task of regional development and managing and progressing Royalties for Regions projects effectively, is facilitated.

Land tenure

In the Trust's 2011-12 Annual Report the Trust said that the normalisation of land tenure to facilitate Aboriginal home and business ownership should be a regional development objective.

The Trust also indicated concern over the poor state of a number of Aboriginal suburbs in some country towns. Those suburbs were under different tenure to the rest of the suburbs in those towns.

¹⁹ - *Putting the Public First: Partnering with the Community and Business to Deliver Outcomes* – October 2009.

The Trust recognises that the task associated with tenure reforms and realising economic opportunities for Aboriginal people is significant, given the legacy of reserves, remote communities and ALT properties that exist across WA, the current limited funding directed to their management, and risks associated with some key governance bodies.

The Trust considers that the Minister has an opportunity, given his regional development and lands responsibilities, to take a lead role in promoting tenure and land use for Aboriginal people that could better support regional development and stronger Aboriginal economic participation and outcomes.

The Trust recommended that the Minister secure the support of the Premier and the Minister for Aboriginal Affairs for a review of Aboriginal tenure across regional WA with those objectives in mind.

Funding and governance

Tied in with land tenure issues are questions of funding and governance.

Native title negotiations and resolutions that generate significant income streams will likely provide opportunities for some Aboriginal communities.

The question is what more could be done by RDL and the relevant State agencies to engage with emerging and increasingly well-funded Native Title corporate bodies on regional development, economic participation and service delivery.

Leveraging the considerable funding available to these corporate bodies with substantial State and Commonwealth government funding and resources (including Royalties for Regions) could magnify the benefits that could be achieved in better, significant and efficient service delivery outcomes, and greater regional development opportunities for Aboriginal people.

However, such collaboration and leveraging would require greater understanding of the relevant entities. The nature of the entity structures (which apparently are often trusts of varying sorts) is not readily available to the State or the Commonwealth.

The Trust considers that the Minister has an opportunity, given his regional development responsibilities, to take a lead role in advocating a better understanding of the structures, governance and funding arrangements with respect to Aboriginal entities across WA, in order to consider enhanced service delivery and development outcomes. The Trust recommended that the Minister engage with the Premier and the Minister for Aboriginal Affairs to seek support for such a stocktaking process.

In his response to the Trust's advice the Minister drew the Trust's attention to the Aboriginal Affairs Cabinet Sub-Committee comprising the Ministers for Aboriginal Affairs; Health; Mental Health and Regional Development. He stated the committee will drive better co-ordination across Government and improve collaboration with Aboriginal leaders and the non-government sector.

He also advised that the Government would set up an Aboriginal Economic Development and Governance Sub-Committee of the AACC. The Department of Regional Development (DRD) will lead this sub-committee, with Mr Paul Rosair as chair.

The Minister assured the Trust that he will progress the matters the Trust had raised, through these committees. The Minister further stated that he intends to actively drive Aboriginal economic development and land tenure issues as part of the Government's desire to seriously address the broader issue of Aboriginal wellbeing.

Royalties for Regions and education

On the 8 April 2013 the Trust provided advice to the Minister on Royalties for Regions and education.

Educated and skilled populations are more competitive and more productive. Education fits within the Trust's previous advice on human capacity building (in this case, specifically skills development and retention); advice that has been accepted by the Minister.

The Trust appreciates that improving education in the regions will not stop some parents still choosing a metropolitan education because they prefer the values, networks or experience that entails. For such children, creating a pathway back to the regions is vital, and that ties into improving prospects in the regions.

WA is reported as having the lowest proportion of university enrollees from the regions of any Australian state. WA should have highly competitive schools in the regions.

The Trust is aware that over \$400 million has been invested over five years by Royalties for Regions in a broad range of training and education initiatives in regional areas.

These education initiatives have so far largely been a result of expressions of interest processes or approaches by interested parties, meaning that Royalties for Regions activity in education has been broadly spread, project-based and reactive.

The Trust believes that as has been done in health, a stronger co-ordinated strategic emphasis from a regional development perspective is warranted.

The Trust recommended that the Minister task RDL to consult as necessary in a reassessment of Royalties for Regions investment in education, in order to develop a regional development focussed strategic outcomes-based approach.

In the Minister's response he advised that the majority of investment through the Department of Education is in infrastructure projects such as the Regional Schools Plan (\$100.5 million), Regional Schools Year 7 Relocation (\$42.6 million), Country High School Hostels (\$51 million) and the Kalgoorlie-Boulder Community High School Re-development Stage 1 (\$45 million). The majority of these are not yet complete and the facilities accessible.

He also outlined expenditure in additional Clontarf Academies, additional Foodbank sites, increasing the Boarding Away from Home allowance, the development of projects as part of the Pilbara, Gascoyne and Mid-West Investment Plans, the significant support for the development of Regional Skills and Training infrastructure.

The Minister stated that there is a time lag between the completion of these infrastructure projects and the realisation of community and customer benefit. Projects are governed through Memorandum of Understanding requiring agencies to evaluate the project, and to continue to report on outcomes after the project is complete.

Given the infancy of a number of educationally themed projects being supported through Royalties for Regions the Minister stated that it may be premature to embark on detailed analysis of the level of investment until they are completed and better positioned to articulate educational benefit and outcomes.

Royalties for Regions 2013-14 budget proposals

Prior to the formulation of the Minister's Royalties for Regions 2013-14 budget proposals, the Trust had formally expressed views, and formally provided advice and recommendations to the Minister, on a range of issues that affect or may affect Royalties for Regions budget processes and decisions.

Such views and advice in 2012-13 have included:

- The budget advice in March 2011 and March 2012;
- The proposed Regional Development Fund;
- Planning for new large Royalties for Regions projects;
- The Review of the Western Australian Community Resource Network;
- Regional development, Royalties for Regions and indigenous policy; and
- Royalties for Regions and education.

The budget was delayed to 8 August 2013 because of the 9 March 2013 State election.

On the 27 June 2013 the Trust met with the Minister at a Special Trust Meeting convened to consider the 2013-14 Royalties for Regions budget proposals. On the 8 July 2013 the Trust provided advice to the Minister pursuant to their review of those proposals.²⁰

20 - Due to the nature of his employment, Trust Member Paul Rosair did not participate in the discussion of this advice; neither was Mr Rosair a signatory to this advice, nor had he sighted this advice prior to its delivery to the Minister.

The Trust's advice provided the Minister firstly with the Trust's view as to whether the 2013-14 Royalties for Regions budget proposals it was presented with meet the requirements of the Act and are consistent with Royalties for Regions policy; and secondly, provided the Minister with Trust recommendations to assist in his budget management.

The Trust does not take a view with respect to individual line-items, except where line items are of a size or nature that warrant assessment against Royalties for Regions policy or the Act.²¹

The hypothecated revenue due to Royalties for Regions through the legislation is clearly a material issue. The Trust has not been briefed on those matters and does not offer an opinion on the revenue side of the program.

The Trust's approach to its statutory responsibility to provide advice on the budget entails budget appraisal at a high level. It does not entail, and therefore the Trust has not conducted, a detailed review of the material and process surrounding proposed budget line items.

Trust budget views need to be placed in that context, and with those limitations in mind.

The Trust advised the Minister that with respect to those items it had been briefed on, namely a number of continuing Royalties for Regions projects and programs to be funded from 2013-14 and a number of new items, the 2013-14 budget proposals do appear to comply with the Act, and to be consistent with Royalties for Regions policy.

21 - As a general principle the Trust is wary of pre facto involvement in project or program selection, as there could be a conflict of interest and roles. This general approach will not preclude the Trust from giving advice pre facto if asked to, or in respect of specific budget proposals.

The Trust advised the Minister that one exception should be noted. The Trust advised the Minister to secure advice from the State Solicitor that the proposal to fund the new Department of Regional Development (DRD) [formerly RDL] and RDCo/RDCs in their entirety from the Fund from 1 July 2013 is within power and meet the requirements of the Act.

Further, if there is any doubt as to whether any other Royalties for Regions project or program is within power and meets the requirements of the Act, the Trust recommended that advice be sought from the State Solicitor.

The 2012 budget advice for 2012-13

Good progress was made in responding to the Trust 27 March 2012 budget advice.

In its advice for the 2013-14 budget the Trust referred to matters from its 2012 advice that it was still concerned with.

The Trust remains concerned that the process for selecting and determining the priorities for Royalties for Regions projects and programs is not yet fully centred on those that will contribute meaningfully or significantly to regional development; or those that align with state regional and local strategic planning.

However, the Trust is aware of work being undertaken by the Directors General of the Departments of Local Government and Communities, Planning and Regional Development and Lands. They have developed a State Planning and Development Framework that detail how planning, local government and regional development initiatives work together with the ultimate aim of providing State and local governments with the capacity to make better decisions faster.

The Trust also notes that projects seeking Royalties for Regions funding need to address the integrated State planning framework including Regional Strategies, the draft State Planning Strategy, RIBs, Local Government Forward Capital Works Plans and Local Government Integrated Planning where they exist.

The Trust advised the Minister that business cases presented to Cabinet should indicate whether they enhance the development of regional physical capacity or regional human capacity or both, and broadly how, and whether they are linked to state and regional strategies or not, and specifying which.

In 2013 the Trust again stated that it is sound policy to ensure that projects likely to continue beyond the budget out-years remain in aggregate considerably within the long-term Royalties for Regions royalty trend line, to enable government to continue to fund such projects within long-term anticipated royalty revenue.²²

The Trust advised the Minister that the Royalties for Regions budget papers should identify the main Royalties for Regions programs that continue beyond the budget out-years, with an estimate of their cost.

22 - The Trust notes that DRD has advised that the Royalties for Regions 2013-14 budget papers will identify existing year's budget implications together with funding implications for budget out years.

DRD has stated that all Royalties for Regions funded projects are for an approved number of years and should not be considered as permanent inclusion in the budget with the exception of the legislated requirement to administer the Fund.

The carry-over and SPAs

The Trust was advised that this financial year there will again be a carry-over of committed but unspent or un-acquitted Royalties for Regions funds from 2012-13 to 2013-14, of an estimated \$146.9 million.

As discussed earlier in this report, the issues of carry-overs and the use of SPAs have attracted Trust comment in previous Budget advice. In response to the advice of the Trust RDL has put into place sound governance and reporting mechanisms with respect to SPAs.

RDL has made efforts to reduce the size of the carry-overs and to better manage the system, but the nature of the Royalties for Regions income and program makes it unlikely that the natural lags between income, expenditure and acquittal can be overcome.

The carry-overs and the income flowing into Royalties for Regions have threatened a breach of the section 8 cap. This threatened breach has principally been managed through the SPA device.

To better manage the carry-overs the Trust notes how from 2013-14 the use of over programming is intended to work by allowing the individual projects to total 110% of the total budget, or expenditure limit. The concept recognises that not all projects will spend their respective budgets, with the traditional underspends ensuring the total budget remains slightly in surplus, rather than a high surplus.

SPAs do not of themselves breach the requirements of Royalties for Regions policy and the Act, but the Trust considers using SPAs as a method for getting around a limitation established by statute to be unsatisfactory.

The Trust repeats its previous advice dating back to 2010 recommending the amendment of the Act by deleting Section 8.

Cost shifting and Royalties for Regions funding of administration

The Minister advised the Trust that the new DRD, RDCo and the RDCs will be entirely funded by Royalties for Regions from 1 July 2013.

RDL is presently funded from both the Consolidated Account and Royalties for Regions. This general administration contribution from Royalties for Regions is distinct from the fee third parties are paid as an administration cost component in Royalties for Regions project and program contracts.

RDCo and the RDCs are presently funded from the State's Consolidated Account.

The dropping of the State's Consolidated Account contribution to DRD, RDCo and the RDCs and its uptake by Royalties for Regions represents a direct cost shift to Royalties for Regions.²³ It means Royalties for Regions will have less money to spend on regional development and will spend more on administration than it otherwise would.

There is the material risk that the administration fee charge could grow as a proportion of the Royalties for Regions Fund.

There is a grave risk that this precedent (if allowed to stand) could be used in future budgets and governments to justify further Royalties for Regions administration funding for core government activity in the regions by major agencies such as health, education or transport.

The Trust advised the Minister that it does not support this budgetary measure because it is a direct cost shift to Royalties for Regions.

23 - Other budget items may well merit a mention, but of those the Trust was briefed on, Royalties for Regions funding of the Greenough River Bridge repairs could be considered the Department of Transport's core business, and Royalties for Regions taking over funding for the multi-million Remote Area Housing program is another example of cost-shifting.

The Trust recommended that the Minister examine ways in which a formal limit may be imposed on DRD and other agencies' administration costs to address the risk that over time the administration fee charge could grow as a proportion of the Royalties for Regions Fund.

There is also a risk that there will be DRD, RDCo and RDC functions that Royalties for Regions fund from 1 July 2013 that may not be valid and within power under the Act.

The Trust therefore recommended that if this budgetary measure is implemented, that

- the Minister ensure that from 1 July 2013 the role, function, responsibilities and expenditure of the DRD in its entirety be aligned with and be valid and within power under the *Royalties for Regions Act 2009*.
- the *Regional Development Commissions Act 1993* be aligned with the *Royalties for Regions Act 2009* and that the role, function, responsibilities and expenditure of RDCo and the RDCs in their entirety be valid and within power under the *Royalties for Regions Act 2009*.

The Trust is obliged to provide advice and make recommendations to the Minister on matters arising from Sections 5 and 9 of the Act, and on other matters relating to the operation of the Royalties for Regions Fund.

The Trust advised the Minister that as a result of DRD being funded by Royalties for Regions from 2013-14, the Trust is obliged to consult with the PSC and to take such advice as is required to establish the consequences and obligations for Trust oversight under the Act.

Now that RDCs are to be funded by Royalties for Regions, the Trust can see the need for an enhanced role for RDCs to meet the objectives of Royalties for Regions, and to be aligned more with DRD's revised role.

The Trust has long taken the view that DRD needs to be better represented in the regions. Seconding key DRD staff to the RDCs might serve the revised DRD role well, contribute to an enhanced RDC role (revisiting the Duncan Review), and provide invaluable field experience for rotated DRD staff.

The Trust recommended that the Minister consider the benefits of seconding DRD staff to the RDCs.

Lead agency

The Minister advised the Trust of a major new initiative in agricultural development to be funded by Royalties for Regions. The Trust considers this initiative to be significant and positive. It supports a number of budget themes previously recommended by the Trust and supported by the Minister.

The Trust advised the Minister that the importance of his 2013-14 agricultural initiative requires lead agency and other issues to be resolved at the outset.

The CLGF and RDCo/RDCs

The Minister advised the Trust that Royalties for Regions' expenditure from the CLGF is to be heavily reduced, and that the CLGF sub-fund will be wound down over a few years.

This policy decision represents an overturning of the Government's support for the Trust's Review of the CLGF, as provided in its formal response of the 31 August 2012.

Implementation of the Trust's CLGF Review recommendations would have improved performance, efficiency and effectiveness, and added value to the program, while retaining the program's virtues.

The Trust advised the Minister that it does not support the decision to wind down the CLGF.

The Trust requested that it be advised as to which of its CLGF Review recommendations will survive this policy change.

The Trust advised that winding down the CLGF entirely will require the Act to be amended to remove it as a sub-fund.

A significant number of country local governments (CLGs) have used the past four years to good effect by significantly improving their planning, systems, and capacity, and would be expecting to leverage Royalties for Regions funding into a number of significant social and economic projects.

The Trust considers that Royalties for Regions project development and execution by country local government remains valid and valuable.

The Trust suggested that DRD should advise the Minister on ways in which Royalties for Regions project development and execution by country local government can continue. In particular the Trust recommended that the considerable effort in producing country local government asset and strategic plans be put to good use in furthering regional development projects and programs.

Past Royalties for Regions policy has balanced spending on large strategic projects through the RHIF with spending on multiple smaller projects through the other two sub-funds.

Royalties for Regions spending under the CLGF and by RDCo/the RDCs benefited from the desirable practice of subsidiarity, and from enhanced regional planning and prioritisation.

The Trust's view is that it is essential that the multiple layers that contribute to regional development are not neglected. Royalties for Regions needs to keep investing in development activities at multiple levels to get 'regional expansion' as outlined in the draft State Planning Strategy.

CLGs, RDCo and the RDCs are important mechanisms to help deliver development under the Act at multiple levels. The Trust is concerned that losing the discretionary RDCo funding and the CLGF will be retrograde steps for the State and the hundreds of communities that make up our regions.

The Trust has identified an emerging concern and frustration among some regional actors that the emphasis on planning, frameworks, strategies and so on, does or could become a costly end in itself, with insufficient action and investment resulting.

CLGs and RDCs now have to find their way through the maze of RIBs, the draft State Planning Strategy, Director Generals Reference Group processes, Regional Planning and Infrastructure Frameworks, Local Planning Strategies, Growth Plans, the Infrastructure Coordinating Committee processes, individual Agency processes, Royalties for Regions and DRD processes to obtain funding and secure Cabinet approval.

The Trust recommended that the Minister task DRD to consider whether the process of business case construction, application and approval can be streamlined.

Other matters

The development of northern Australia

The Trust was pleased to see inter-governmental interest shown in reviewing land tenure in northern Australia, including Aboriginal land tenure. The Land Tenure and Water Rights Reform Review by the Expert Advisory Panel of the Northern Australian Ministerial Forum (NAMF) was released in June 2013.²⁴

The media release of the 14 June 2013 following the meeting of the NAMF stated:

The diversity of tenure types across northern Australia has created considerable complexity that has been noted at various times in this Forum, and elsewhere, as a potential barrier to economic development.

24 - The Land Tenure and Water Rights Reform review was asked to focus on:

- a description of existing tenure systems across northern Australia (and proposed in WA), including prevalence, common features and important differences;
- a description of how specific tenure arrangements impede or support industry and/or business development, along with an indication of the relative importance of impediments;
- an assessment of whether tenure security is an impediment to attracting working capital and investment, and a specific assessment of the 'bankability' of Aboriginal tenures;
- a brief update on the status of reforms underway or proposed in northern Australia; and
- advice on the feasibility and merit of harmonising arrangement across northern Australia, including an assessment of potential economic benefits and key implementation issues.

Northern land tenure reform is important. Governments/stakeholders need to concentrate on a focused, targeted and outcomes-based program for reform. The Trust considers that agreement is needed on the broad framework of:

- What must be done to achieve efficient effective productive and sustainable land tenure reform (concentrating on the most important, the 'must-do')
- Who must do it (in particular lead agencies)
- How it must be done (concentrating on the most important, the 'must-do')
- Over what timeframe must the important actions happen

In addition to the efforts of other WA agencies, RDL has been working through the WA Government and through its links to the NAMF to promote sustainable agricultural development where significant sources of available water and suitable land coexist.

There is considerable federal policy interest in the development of Northern Australia, and in addressing impediments to sustainable development.

In that context the Federal Coalition's Dams and Water Management Task Group's 2012 Interim Report attracted the Trust's interest. The Trust considered that there were some additional perspectives and comments it should suggest for consideration by the Task Group.

The Trust therefore provided a submission on the 18 December 2012.²⁵ The submission was not intended to be a comprehensive response to the Interim Report, or of the dams and water subject matter.

25 - <http://www.drd.wa.gov.au/publications/Documents/WARDT-Submission-Dams-and-Water-Management-Task-Group-December-2012.pdf>

Consideration of major dams and water projects require a longer-term time horizon because of the process needed to bring projects to fruition, the related economic and social infrastructure required, financing issues, the number of Federal, State, Local Government and other entities involved, and regulatory and native title considerations.

Noting that the Trust is independent and does not speak for or represent the WA government, the Trust advised the Task Group that with respect to WA and as a general proposition there is a need for the Commonwealth to:

- Develop a process and criteria with the States/Territories for prioritising dam and water projects, and then facilitating their development;
- Assist with the strategic water mapping of WA;
- Help fund and support the assessment of new agricultural lands and dams in WA;
- Review regulatory requirements such as the *Environment Protection and Biodiversity Conservation Act 1999*; and
- Review the 2011 heritage listing of the Kimberley.

Investment in WA's water and land resources

The strategic importance of food and water security is rightfully becoming an increasing focus of State, Territory and Commonwealth Governments and WA is well placed to be an active player in that space given WA's proximity to Asia, development experience, abundant water and fertile soils.

In order to maximise the regional development opportunities, the attraction of private sector investment, developing partnerships, co- investment and the like is needed. To successfully do this a better understanding of the State's water resources and land availability opportunities is required, and the Trust has previously recommended this.

The progression of land and water initiatives by various state government agencies, funded by Royalties for Regions, such as the Ord-East Kimberley Expansion, West Kimberley La Grange ground water studies, Gascoyne Food Bowl initiatives, Pilbara hinterland agriculture opportunities and Manjimup Agricultural Expansion are advancing this knowledge at targeted areas across the state. They emphasise the importance of the required planning that is needed for successful projects.

The Trust welcomes the Government's investment in this vital area and the expansion of RDL's role from primarily acting as a Royalties for Regions funding body to include other strategic enabling functions such as project management, stakeholder engagement, agency coordination and economic diversification facilitation. These activities support investor confidence in the regions and can also assist in the streamlining of approval processes and timelines which can be otherwise a major barrier to private sector investment.

The Trust supports the continuation and expansion of this effort into the future, including Royalties for Regions funding dedicated resources. A collaborative and coordinated approach across relevant government agencies is essential to maximise the success of this effort.

Freedom of Information Application

On the 12 October 2012, Mr Mark McGowan MLA, Leader of the Opposition lodged a Freedom of Information (FOI) Application, under the *Freedom of Information Act 1992* seeking all correspondence between the Trust and the Minister for the period 1 January 2011 to 1 September 2012.

On the 31 October 2012, Mr McGowan reduced the scope of the FOI application to copies of correspondence which relate to the Future Fund and correspondence which refer to the State Treasurer.

On the 26 November 2012, the Trust provided a Notice of Decision and gave access to those documents within the scope of the application. RDL's FOI Coordinator assisted the Trust with processing the application.



Trust Internal Governance

Trust Finances

Operating budget

Pursuant to section 9(2)(c) and section 27 of the Act, RDL provides the Trust with an operating budget to cover the expenditure incurred in the administration of the Trust. These funds are managed by RDL and are reported on in the Financial Statements section of RDL's 2012-13 Annual Report.

The operating budget for the Trust for 2012-13 was \$440 000 and actual expenditure was \$350,000. The major variance was the provision of \$70 000 to enable the Trust to contract in professional services during the year which was not utilised.

A summary of some of the Trust expenditure is provided below.

Trust Members' remuneration

As per section 20 of the Act and the Public Sector Commissioner's determination Trust Members are entitled to remuneration and travel allowances, excepting the member of the Trust who is the Director General of RDL. The remuneration for Trust members is as follows:

Chair	\$ 111,377 per annum
Deputy Chair	\$ 40,160 per annum
Members	\$ 12,500 per annum

The total remuneration paid to Trust Members for the 2012-13 was \$184,000 (exclusive of superannuation).

Travel expenditure

The Trust held regional meetings in Exmouth and Esperance, country members of the Trust incurred travel costs to attend to Trust business, and the Chair of the Trust travelled to and within the regions of WA and to Canberra.

The total travel expenditure for 2012-13 was \$32,270.

Western Australian Community Resource Network (WACRN) Review budget

The operating budget for the WACRN Review for 2012-13 was \$120,000 and actual expenditure was \$56,130. Travel costs to undertake regional consultations as part of the review were \$12,460. This figure is included in the total travel expenditure for 2012-13. The major variance was that a budget allocation for the engagement of external consultants was not utilised. There will be some carry-over costs in 2013-14 for printing and distribution of the Review report.



Trust Governance Framework

The Trust's internal Governance policies were endorsed on the 16 July 2010. The Framework was developed using public sector best practice and comprises a Charter, Code of Conduct and Conflict of Interest Policy. These documents were reviewed and amended in 2012-13. The Trust has asked for a review of these documents by the PSC in 2013-14.

Charter

The Charter was developed using recommendations on best practice for boards and committees from the PSC's Good Governance for Western Australian Public Sector Boards and Committees guide.

The Charter outlines the roles and relationships, key activities, Trust operation and administration.

Code of Conduct

The Code of Conduct was developed using the best practice for boards and committees from the PSC's Good Governance for Western Australian Public Sector Boards and Committees guide.

The Code of Conduct sets out the minimum standards of conduct and integrity to be complied with by all Trust members in accordance with Commissioner's Instruction No. 7.

Conflict of Interest Policy

The Conflict of Interest Policy was developed to assist Trust Members to identify, declare and manage conflicts of interest. The policy goes further than the requirements under section 24 of the Act to disclose "direct or indirect pecuniary interests". Trust Members have agreed that a more expansive declaration is appropriate and that the Act is the minimum required.

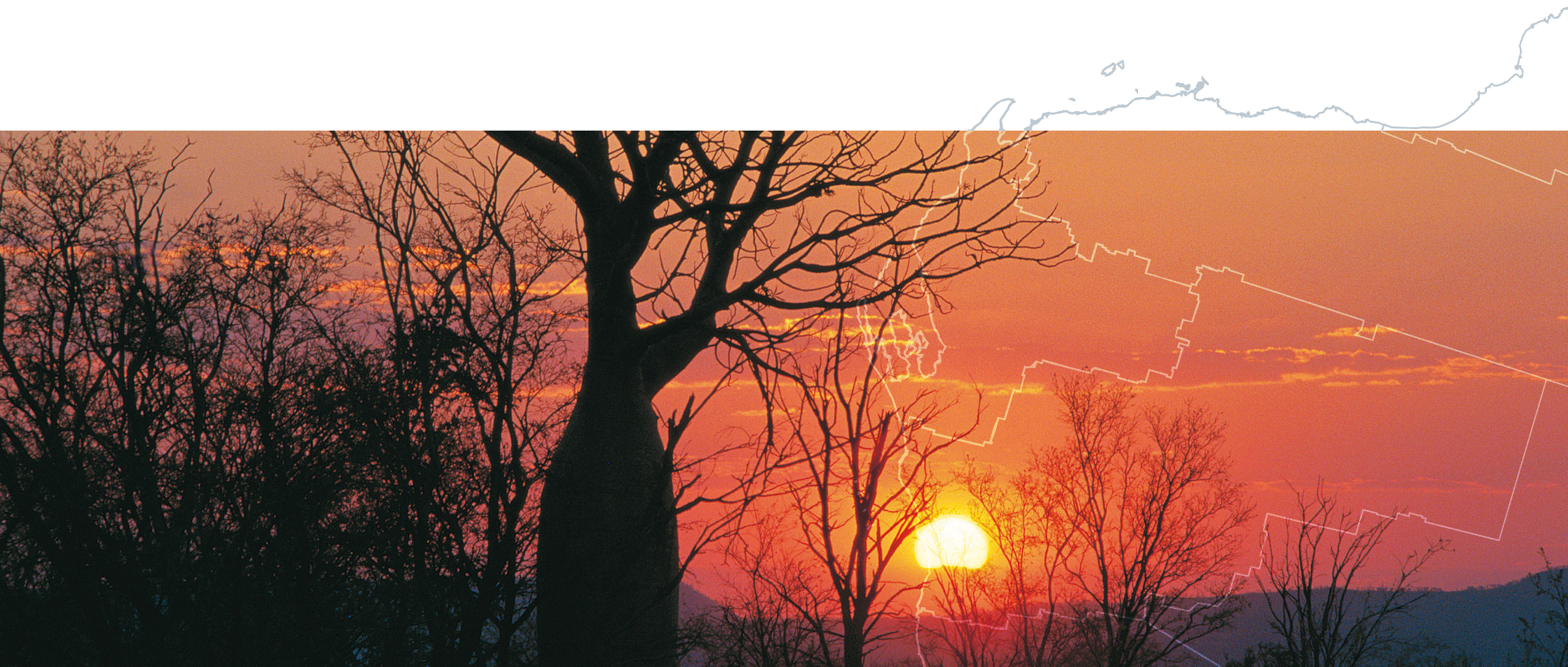
The Conflict of Interest Policy contains the following forms:

- Registration of Private Interests
- Advice of Private Associations
- Disclosing Conflicts of Interest
- Notification of Alteration to Statement of Interests
- Resolution and Management of Interests

Trust Members have completed all of the appropriate forms and further disclosures are made as they occur. The agenda for formal Trust meetings includes a section at the beginning for disclosures of interest relevant to agenda items. Trust Members excuse themselves from agenda items where a potential conflict of interest arises. Advice to the Minister records whether any potential conflict of interest has required a Trust Member not to participate in that advice.

Trust Administrative Functions

Pursuant to section 27 of the Act RDL provides the Trust with the services and facilities necessary for the Trust to perform its function. This includes the provision of a full-time Executive Officer who provides support to the Trust. The Executive Officer is responsible for operational administrative and procedural arrangements for the Trust.



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