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Western Australian
Regional Development Trust

2018-19

Annual Report



STATEMENT OF COMPLIANCE

Hon Alannah MacTiernan MLC
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 for the
financial year 2018-2019.



Brendan Hammond
CHAIR

13 September 2019



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● **COVER:** (inset) Harvesting in the Wheatbelt.

● **COVER:** (main image) Aerial view of Cygnet Bay Pearl Farm in the Dampier Peninsula – Kimberley region.

● **LEFT:** Pilbara landscape.
Credit Travis Hayto.

● **BELOW:** Lake Goegrup in the Peel Yalgorup Wetlands – Peel region.
Credit Les Imgrund.



CHAIR'S FOREWORD

It gives me great pleasure to report on the activities of the Western Australian Regional Development Trust (Trust) for the second year as Chair.

It has been an extremely important twelve months, where the Trust has undertaken a number of activities to help lay the foundations for a reinvention and realignment of the approach to regional development in Western Australia.

By any measure, regional Western Australia is an important source of economic growth, with significant opportunity for diversification and job creation. Regional development done well generates value chains that provide follow-on economic benefits throughout the State and for future generations.

In my first year as Chair, the Trust undertook a major review of the efficiency and effectiveness of the broader Regional Development Portfolio (Portfolio), comprising the Department of Primary Industries and Regional Development (Department), the nine Regional Development Commissions (Commissions), the Regional Development Council (Council) and the Trust.

This review was conducted with the engagement of all stakeholders following the fundamental governance changes introduced by the McGowan Government that now see Royalties for

Regions Fund (Fund) expenditure occurring as an integral part of established government budgetary and planning processes. As reported last year, the generic conclusion from this review was that a holistic approach to regional development was needed to ensure that required activity is driven in an efficient, effective and systemic way. The Trust also made recommendations regarding the architecture of such a system.

Following endorsement by the Minister for Regional Development (Minister), the activities of the Trust this year have primarily been directed towards engagement across the Portfolio and Government to assist with implementation of those recommendations.

The key components of the system are outlined in more detail in the Trust Engagement section of this Report and include:

- Creating a shared definition of 'regional development'.
- Articulating what success looks like, including appropriate measurement criteria.
- Articulating a set of strategic themes that guide the action to be taken to deliver success.
- Organisational Structure – aligning the activities of the organisational components of the Portfolio to work in synergy as a collective.

Progress over the last twelve months has been pleasing. This has only been possible as a result of the significant increase in collaboration across the Portfolio and with other key Government agencies that have direct involvement with regional development. It is a credit to the Portfolio that this progress has been achieved, despite the challenges resulting from ongoing Machinery of Government changes.

In summary, 2018-19 has been an important year for us to redefine, reorganise and begin to put effective systems and structures in place to establish the conditions for success in regional development.

However, it must be noted that we are at the beginning of a very long journey to ensure our aspirational outcome eventuates, as it will have a lasting and profound impact on the quality of life and living standards of future generations of all Western Australians.

The Trust will thus remain involved, as and where necessary, in the ongoing implementation of these initiatives and will revert to its overarching assurance and governance role as the new system becomes operationally functional.



● Chair of the Western Australian Regional Development Trust, Brendan Hammond.

One of the early manifestations of practical operational success will be the creation of an ongoing pipeline of significant proposals that are of a sufficiently compelling nature and quality to attract the investment required to drive the regional development agenda well into the future.

The Trust, and I as Chair, will continue to connect and collaborate with the broadest range of stakeholders in order to continue to develop and prosecute the compelling argument for proper regional development. We are confident the necessary foundational systemic elements that will lead to a new and better future are now established.

Our governance and oversight will also focus on ensuring appropriate structures are in place to support the optimum conditions for ongoing success.

I would like to acknowledge my fellow Trust members, both past and present, for their dedication and thank the Departmental officers that have provided the Trust with the support required to undertake its role throughout the year.

Brendan Hammond
CHAIR



2018-19 has been an important year for us to **redefine, reorganise** and begin to put **effective systems** and **structures in place** to establish the conditions for success in regional development.

Overview



ABOUT ROYALTIES FOR REGIONS

The Fund was established under the Royalties for *Regions Act 2009* (Act) to promote and facilitate economic, business and social development throughout regional WA. It underpins a long-term commitment to developing regional areas into strong and vibrant regional communities that are desirable places to live, work and invest.

Since December 2008 the Fund has invested over \$9.3 billion of the State's mining and onshore petroleum royalties into regional initiatives. This expenditure includes transfers to the Future Fund and Regional Reform Fund. Many of these investments have focussed on addressing infrastructure and service gaps caused by decades of under investment and have assisted to re-build the economic strength and capacity of our regions. During this period over \$1.71 billion was returned to the consolidated account, in accordance with the requirements of the Act relating to the management of expenditure from the Fund.

Across the State, pressing infrastructure and service gaps have been addressed or partially addressed and this sustained investment is continuing to deliver outcomes that benefit all Western Australians.

However, the context for regional development has changed significantly in recent years. The transition of the WA economy from a peak in the resources sector through the construction phase toward operations and maintenance, has seen the State economy experience a period of change and slower growth. For various sectors and regions this resulted in a more challenging environment for job growth, investment and business activity, highlighting the reliance of the State economy on natural resource extraction.

Since the McGowan Government was elected in 2017, the Fund has made a significant contribution to support the Budget repair process and the announcement by the Hon Treasurer of a projected operating surplus for the State Budget in 2018-19, the first in Western Australia in five-years, was welcomed by the Trust. Emerging signs of a new wave of investment in the resources sector are also encouraging and expected to support growth in business investment across the State.



Emerging signs of a new wave of investment in the resources sector are encouraging and expected to **support growth in business investment** across the State.

The focus of the Fund is shifting in line with the need to develop and deliver a more strategic and targeted approach to investment that will maximise opportunities and provide sustainable economic development for the State, through the creation of jobs and a more diverse economy that will benefit future generations of Western Australians.

● **LEFT:** Maureen and Kayla – Sharing a Story in the Goldfields.

● **RIGHT:** Exmouth Marina Bridge over the main Exmouth canal – Gascoyne region.



ROLE OF THE WESTERN AUSTRALIAN REGIONAL DEVELOPMENT TRUST



The Trust works to engage and enhance relationships with key regional stakeholders and influencers with the aim of driving greater **collaboration and innovation** in the delivery of regional development in WA.

The Trust is an independent statutory advisory body to the Minister established under the Act. The functions of the Trust are to provide advice and make recommendations to the Minister:

- for the purposes of sections 5(2) and 9(1) of the Act; and
- 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 relates to the allocation of Royalties for Regions funds between subsidiary accounts. For example, between the Regional Community Services Fund and the Regional Infrastructure and Headworks Fund or other established accounts.

Section 9(1) of the Act relates to the application of the Fund,

whereby the Minister, with the concurrence of the Treasurer, may authorise expenditure for the following purposes:

- to provide infrastructure and services in regional Western Australia,
- to develop and broaden the economic base of regional Western Australia,
- to maximise job creation and improve career opportunities in regional Western Australia.

In addition to its monitoring and advisory role, the Trust also works to engage and enhance relationships with key regional stakeholders and influencers with the aim of driving greater collaboration and innovation in the delivery of regional development in Western Australia.



● Minister for Regional Development; Alannah MacTiernan with members of the WA Regional Development Trust; Paul Farrell, Chair Brendan Hammond, Deputy Chair Karlie Mucjanko and Nick Belyea.

ROYALTIES FOR REGIONS ACT 2009

Responsible Minister

Hon Alannah MacTiernan MLC

Enabling legislation

Royalties for Regions Act 2009

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

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

Object of the Act

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 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 WA;
- b) to develop and broaden the economic base of regional WA;
- c) to maximise job creation and improve career opportunities in regional WA.

Section 9(2) of the Act:

These are to be charged to the Fund –

- a) expenditure authorised under subsection (1);
- b) expenditure incurred in the administration of the Fund;
- 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.

The Fund

Pursuant to section 6(2) of the Act, in each financial year the Treasurer is to cause an amount equal to 25 per cent of the mining and onshore petroleum royalties forecast in the annual State Budget to be credited to the Fund. This is credited to the Fund periodically during the financial year and section 8 of the Act requires the Treasurer to ensure that the credit of the Fund at any time does not exceed \$1 billion.

Section 5(1) of the Act:

The 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.

TRUST MEMBERSHIP

Under section 13 of the Act, the Trust is to consist of the following members appointed by the Minister:

- the Chair of a Commission; and
- at least three but not more than five other people.

As at 30 June 2019, the membership of the Trust was as follows:



● Children enjoying Bunbury's Dolphin Discovery Centre in the South West.



Brendan Hammond
Chair

Appointed since 1 November 2017 under sections 13(1)(b) and 14 of the Act.

A skilled executive and senior leader with more than 22 years of experience in senior roles across the energy, water, ports and resources sectors, including as Managing Director of Rio Tinto Argyle Diamonds. He has more than ten years' experience as a board Chair of listed businesses and government trading enterprises, including Horizon Power and the Dampier Port Authority. Brendan has worked with regional communities, in WA and around the world, to drive economic and social change. He is a partner in Centric Digital LLC (New York), the owner of Seymour Associates Pty Ltd and contributes widely in the not-for-profit sector. He is also Chair of the Pilbara Development Commission.

Brendan actively imparts his experience and knowledge to next generation leaders, most recently as an Adjunct Professor of Sustainability with the Curtin University of Technology Sustainability Policy Institute. In 2011, Brendan was awarded the Western Australian Citizen of the Year award for his contribution to regional development.



Karlle Mucjanko
MAICD

Deputy Chair

Appointed as Deputy Chair since 4 July 2016 under sections 13(1)(b) and 14 of the Act. Trust Member since November 2015.

Karlle is a strategic communications specialist with experience in managing brands and reputations, complex stakeholder relationships and communications. She has 20 years' experience spanning industry advocacy, publishing and research and development.

Karlle joined Australia's largest agribusiness, the CBH Group in 2005 where she subsequently spent almost a decade as General Manager Grower and External Relations working directly with grain growing producers, their rural communities and CBH's many other stakeholders.

Karlle has established a communications consultancy, is currently a Director of Fremantle Ports, serves as a Board member of the Guildford Grammar School Foundation and is a member of the Australian Institute of Company Directors.



Paul Farrell
Trust Member

Appointed since 4 July 2016 under section 13(1)(b) of the Act.

Paul is the Managing Director of the NGIS Australia, a leading provider of digital and location intelligence technology solutions to large enterprises. He has worked in the business for 25 years in a variety of locations nationally and internationally and helped form significant partnerships with global technology players such as Google and Microsoft.

Paul has a keen interest in using digital means to assist regional areas to become more connected and productive, as well as helping promote the comparative advantages of each of WA's regions both nationally and internationally.

Paul is a former Vice Chair of the Australian Information Industry Association, as well as being a past National Chairman of the Spatial Industry Business Association. He is voluntarily involved in many community groups and is a former President of the North Fremantle Amateur Football Club.



Nick Belyea
Trust Member

Appointed since 1 June 2018 under sections 13(1)(a) and 15(2) of the Act.

Nick is Chair of the South West Development Commission and has extensive high-level experience in aviation, tourism and transport, in both the public and private sectors.

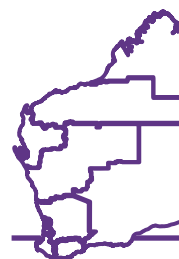
He spent nine years as Chief Executive Officer of Broome International Airport and worked at the Department of Transport for ten years overseeing aviation, rail, port and freight policy.

Nick maintains a keen interest in all facets of the aviation industry and has held a pilot licence since 1979.



● Canola windmill near Dowerin in the Wheatbelt.

REGIONAL DEVELOPMENT PORTFOLIO



The Regional Development Portfolio includes the Trust, the Council, the Department and the nine Commissions.

The Council is an advisory body to the Minister on regional development issues and comprises the chairpersons of the nine Commissions and the Director General of the Department.

As part of the Public Sector reforms announced by the Premier in April 2017, the Department was formally established on 1 July 2017, through the amalgamation of the former Departments of Agriculture and Food WA; Fisheries; and Regional Development. These Machinery of Government changes also included the transfer of all staff, except the Chief Executive Officers (CEOs), formerly employed within the Commissions to the Department.

The development of highly effective and efficient management systems across the Portfolio is crucially a work-in-progress. However, it must be noted that ongoing staff changes and restructuring continue to cause uncertainty and concern within the Portfolio, which makes developing such systems challenging.

Accordingly, establishment of the Western Australian Regional Development Alliance (WARDA) in April 2019 deserves specific mention as a key element of the collaborative mode of operation that is required for the Portfolio to operate effectively. Comprising the nine Commission CEOs and the Deputy Director General of the Department, WARDA provides a forum for regional development leadership that aims to foster co-operative and collaborative effort across the Portfolio.

The structural components of a **holistic regional development system** are largely in place.

The Trust believes the structural components of a holistic regional development system are largely in place and given requisite ongoing leadership, the Portfolio is well positioned to be a central contributor to State development.

● Shark Bay World Heritage
Discovery & Visitor Centre at Denham
in the Gascoyne region.



Trust & Fund Performance



ROYALTIES FOR REGIONS

FUND SNAPSHOT



In accordance with section 6(2) of the Act, in each financial year the Treasurer is to cause to be credited to the Fund an amount equal to 25 per cent of the forecast royalty income for the financial year. The following snapshot reflects the Fund at the time of the 2019-20 approved Budget.

Royalties for Regions Account

Operation of the Act provided for up to 25 per cent of the forecast royalties for 2018-19 to be credited to the Royalties for Regions Account as follows:

2018-19 Royalties for Regions Funding by Fund:

Regional Community Services Fund	\$427.9 million
Regional Infrastructure and Headworks Fund	\$392.5 million
New Regional and Statewide Initiatives	\$48.8 million
Regional Reform Fund	\$26.8 million
	\$896.0 million
Less: Overprogramming provision ^(a)	-\$67.0 million
Total approved expenditure limit	\$829.0 million
Appropriation Required ^(b)	\$671.0 million
25% of Royalties Plus Interest	\$1,307.0 million
Funds Returned to Consolidated Account	\$635.9 million

Source: 2019-20 Approved Royalties for Regions Budget.

^(a) The overprogramming provision recognises there will be individual project overspending by adding a percentage to the Royalties for Regions budget. It allows individual project budgets to total more than the total approved expenditure limit, as historically the full amount is not spent.

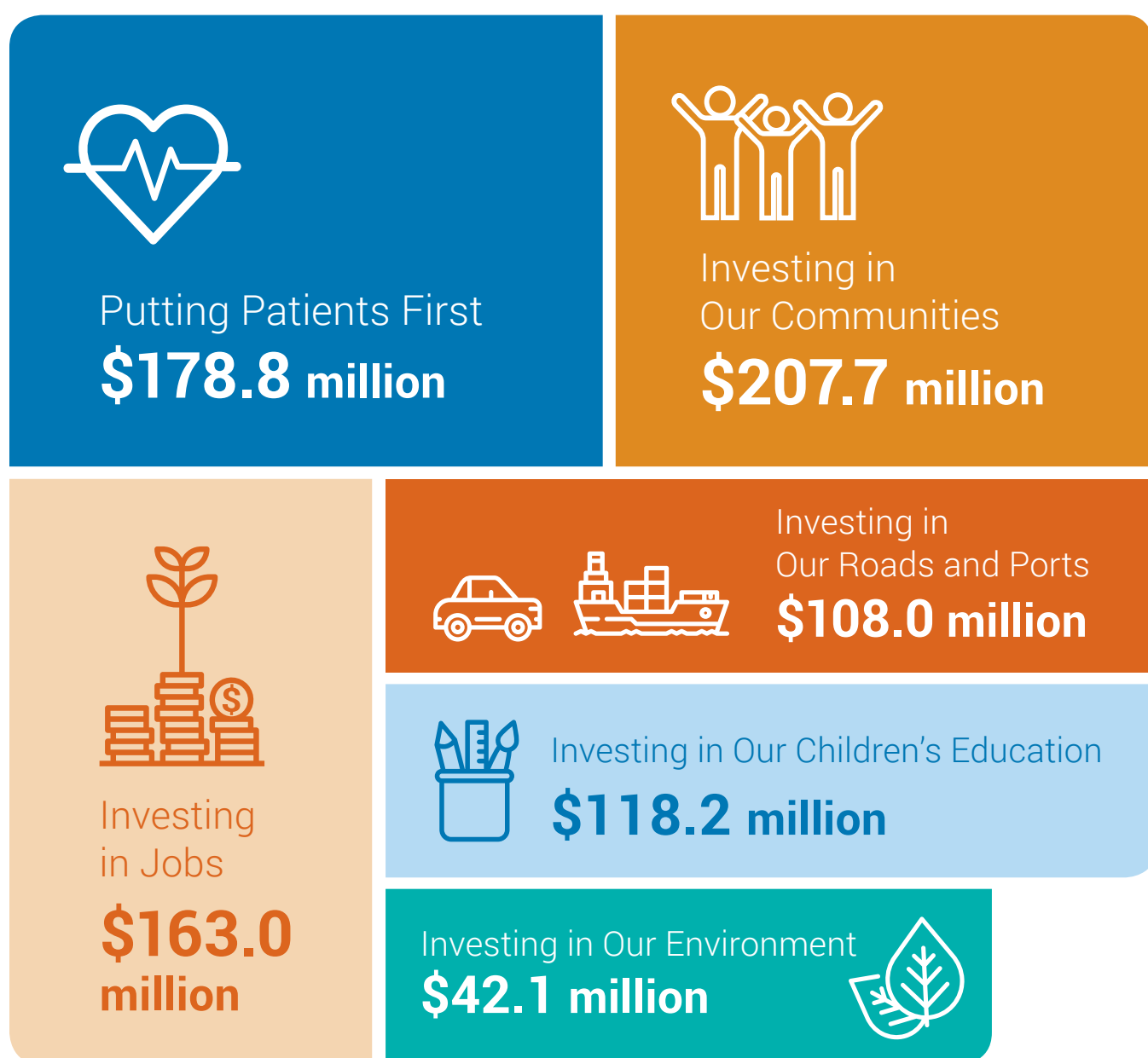
^(b) Appropriation required differs from the budget amount due to transfers from other Special Purpose Accounts and agency cash holdings.

● **ABOVE:** Lucky Bay near Esperance in the Goldfields-Esperance region.

● **PREVIOUS PAGE:** Aerial view of Dampier Port in the Pilbara. Credit Shot in Oz.

The Royalties for Regions Final 2018-19 Budget allocation is shown below in the McGowan Labor Government priority areas.

Diagram 1: Royalties for Regions Final Budget 2018-19



Source: 2019-20 Government Bilateral Budget Projections Statement.



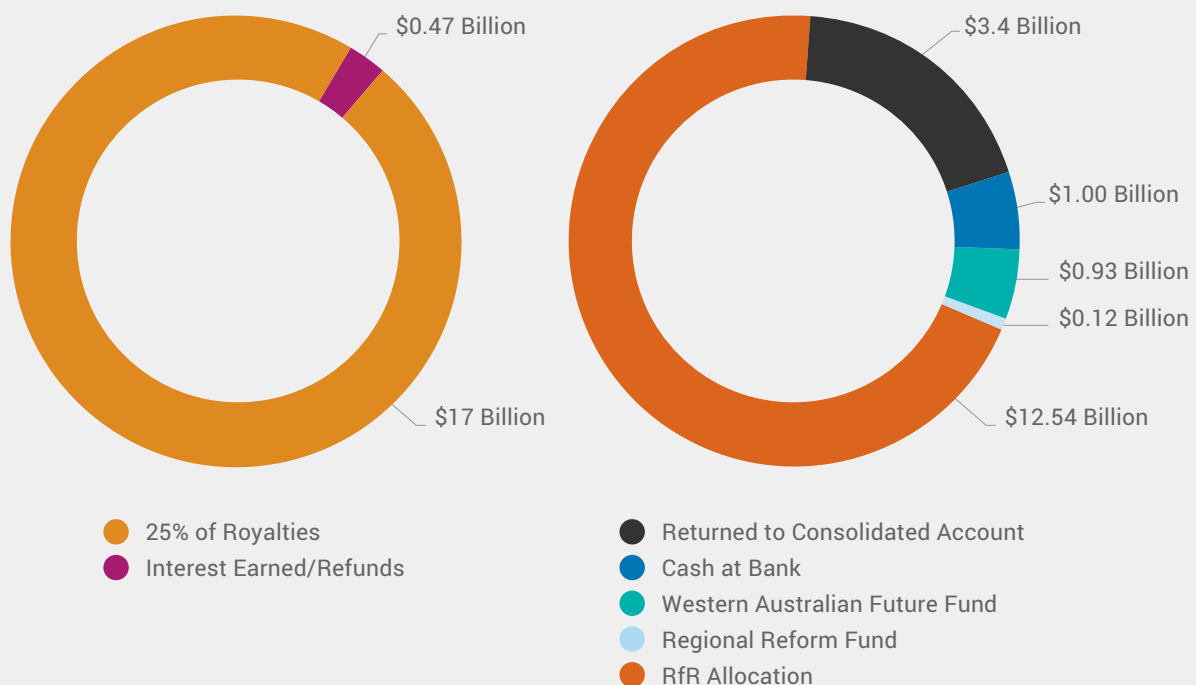
A total of **\$3.4 billion** is forecast to be returned to the consolidated account, **\$933 million** transferred to the Future Fund and a further **\$116 million** into the Regional Reform Fund.

In addition to the \$1 billion legislated cap on the balance of the Fund, an annual expenditure limit of \$972.7 million was imposed by the State Government as part of the 2018-19 Mid-Year Review Budget.

As part of the 2019-20 Budget process, the Royalties for Regions expenditure limit was decreased to \$829 million.

Since the inception of the Royalties for Regions program in 2008-09 and over the forward estimates period ending 2022-23, a total of \$3.4 billion is forecast to be returned to the consolidated account, \$933 million transferred to the Future Fund and a further \$116 million into the Regional Reform Fund. This is shown in Diagram 2, which is a summary of the budgeted cashflow of the Fund from 2008-09 to the 2022-23 financial year as at the 2019-20 approved Budget.

Diagram 2: Royalties for Regions projected cashflow summary: 2008-09 to 2022-23

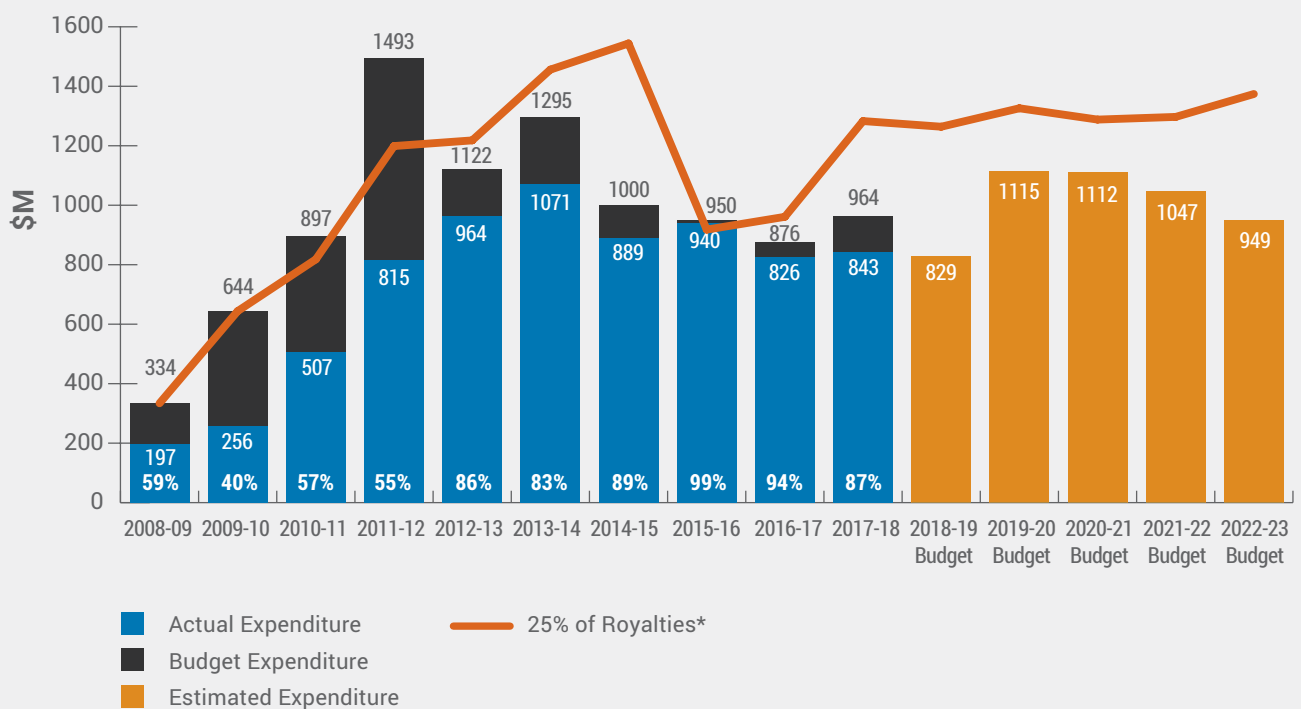


Source: Department of Primary Industries and Regional Development (WA).

Budgeted funds, expenditure and 25 per cent of royalties are shown in Diagram 3. The chart demonstrates the growth of the Royalties for Regions program from the inception years to 2018-19 and projected into the forward estimates period with the application of the respective approved expenditure limits.

Diagram 3 below, reflects the forecast of the royalties in 2019-20 and the forward estimates at the time of the 2019-20 approved Budget. It should be noted that the royalties forecast has been revised in line with the 2019-20 State Budget, which includes revised royalties forecasts from the Department of Treasury and expenditure forecasts. Critical numbers are the royalties forecasts in the budget papers.

Diagram 3: Royalties for Regions Budget compared to expenditure history and forward estimates with 25 per cent of Royalties



Source: Department of Primary Industries and Regional Development (WA).

* Does not include interest.

Allocation of Funds over Forward Estimates

The allocation of money from the Fund to the investment priorities of the Government over the projected forward estimates period is shown in Table 2 below. It should be noted that the following table reflects the forward estimates at the time of the 2019-20 approved Budget.

Table 2: 2018-19 Allocation of Funds over Forward Estimates

	2018-19 (\$M)	2019-20 (\$M)	2020-21 (\$M)	2021-22 (\$M)	2022-23 (\$M)	5 Year Projection
Investing in Jobs	163	183	146	121	59	672
Putting Patients First	179	203	158	150	133	823
Investing in Our Children's Education	118	124	93	150	146	631
Investing in Our Communities	208	462	482	469	468	2,089
Investing in Our Roads and Ports	108	108	82	33	29	360
Investing in Our Environment	42	55	28	21	15	162
Administration and Administered Items	78	98	122	102	100	501
Total	896	1,234	1,112	1,047	949	5,238
Less overprogramming percentage	-67	-119				-186
Expenditure Limit	829	1,115	1,112	1,047	949	5,052
Special Purpose Accounts			16			16
Total – Royalties for Regions Fund	829	1,115	1,128	1,047	949	5,068
Appropriation Required	671	1,081	1,088	1,039	945	4,824
25% of Royalties and Interest	1,307	1,612	1,449	1,406	1,398	7,172
Funds Returned to Consolidated Account	636	531	361	368	453	2,349

Source: 2019-20 Approved Budget.



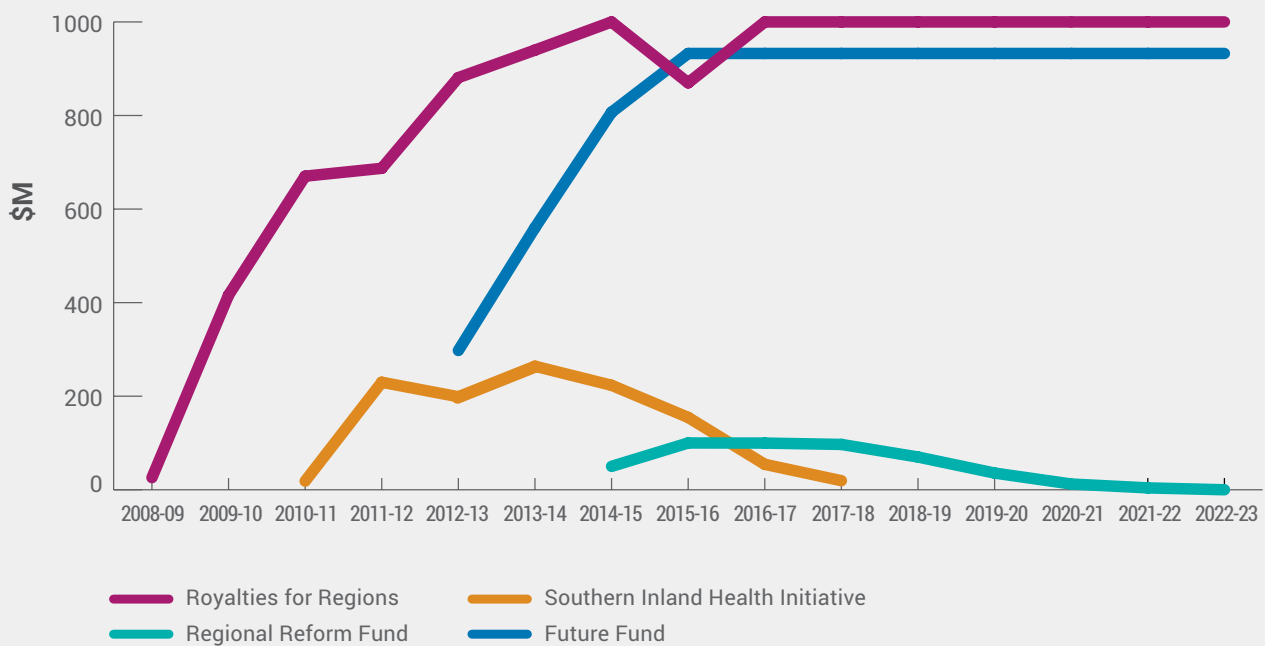
● Replacing 51 km of the State Barrier Fence on Tardie Station, northwest of Yalgoo in the Mid West region.

Special Purpose Accounts

There are three Royalties for Regions Special Purpose Accounts (SPA) – the Royalties for Regions Fund; the Southern Inland Health Initiative; and the Regional Reform Fund. In addition, Royalties for Regions funds are also held in a SPA for the Western Australian Future Fund, established under the *Western Australian Future Fund Act 2012*.

Diagram 4 below shows when the Royalties for Regions SPA and Future Fund were created and their balances at the time of the 2019-20 approved Budget.

Diagram 4: Royalties for Regions special purpose accounts and future funds: 2008-09 to 2022-23



Note: The Future Fund figures quoted above are only the Royalties for Regions contributions. Forecast receipts include 1% of the State's budget-time forecast of royalty revenue and interest earned on the account balance.

TRUST **ENGAGEMENT**



In 2018-19, the Trust focused its engagement efforts on the Portfolio, key State economic development agencies across Government and the regions.



The Trust engages with stakeholders throughout the year with the purpose of maintaining awareness, increasing knowledge and attracting participation in regional development for Western Australia.

In 2018-19, the Trust focused its engagement efforts on the Portfolio, key State economic development agencies across Government and the regions more broadly, to further develop and progress a shared view of regional development. During the year, these interactions moved from agreement to design and implementation with an emphasis on the following components.

Creating a shared definition of 'regional development'

A shared definition of 'regional development' has been accepted by the Portfolio and communicated throughout, on an ongoing basis, to ensure it is properly internalised.

"Regional development is the sustainable economic development of regional Western Australia in collaboration with the metropolitan area."

Articulating what success looks like, including appropriate measurement criteria

Defining a future state and measurement of the journey towards this has been accepted as a logical aspirational goal and is being adopted by the Portfolio.

"A diversified State economy that is independent of non-renewable resource extraction."

The Trust, in close collaboration with key State economic development agencies, has engaged with the Center for International Development (CID) at Harvard University (Harvard) to pursue the use of its Economic Complexity Index, as an appropriate high level metric to measure progress towards the future state. Harvard is widely recognised as the global leader in this field and provides an international basis of expertise, upon which to identify new and different approaches to diversifying the State's economy. There is significant alignment between this approach and the Government's focus on job creation and economic diversification.

In essence, this work will produce:

- An evidence-base to build pathways to economic diversification
- Identification of new sectors that will drive economic growth
- New thinking, policy design and capable implementation to accelerate economic growth and more inclusive job creation in Western Australia.

An important opportunity arising from this initiative is the potential to encourage a shared conceptual framework across relevant State economic development agencies and to build alignment and connection in support of the emerging economic agenda for our State.

Articulating a set of strategic themes that guide the action to be taken to deliver success

The Trust previously provided advice about the importance of having a single set of strategic themes for regional development. Accordingly, the following five strategic themes have now been established:

Theme 1:	Grow* existing, and find and develop new, non-renewable-resource and related industries
Theme 2:	Grow* existing, and find and develop new, alternative industries
Theme 3:	Normalise regional living standards
Theme 4:	Normalise Aboriginal economic development a) Full involvement of employable and entrepreneurial people into existing workplaces b) Modify workplaces to give full involvement to not-currently-employable people
Theme 5:	Organisational excellence

* Grow in this context means:

- Extend temporally
- Expand spatially
- Go downstream and/or
- Leverage economically

These themes describe, at a high level, the groups of activities that are required to take place in order to deliver the future state that the Portfolio has agreed upon. They also serve as a common framework to guide the thinking and planning of the separate components of the Portfolio and are critical to creating the collaborative innovation and synergies required to assure successful regional development.

Following extensive engagement by the Trust, the themes have been adopted and most importantly, are now being applied to business and budget planning processes across the Portfolio.

● Minister for Regional Development, Alannah MacTiernan with members of the Portfolio at a Regional Development Portfolio Leadership meeting in May 2019.





● Karijini Experience in the Pilbara.

Organisational Structure – aligning the activities of the organisational components of the Portfolio to work together in synergy as a collective

After extensive consultation, the Trust actively encouraged the Portfolio to adopt a more cohesive, collaborative and purposeful approach to deliver the outcomes that have been agreed upon.

It was evident that a new organisational component, comprising senior leadership from across the Portfolio was necessary to create and assure Commission and Department alignment. This required changing the historical approach, to now operate collaboratively and in conjunction with the rest of the Portfolio and Government.

As a result of consultation with the Trust, the nine Commission CEOs and the Deputy Director General of the Department autonomously established WARDA in April 2019, with the objective of fostering co-operative and collaborative effort across the Portfolio. WARDA has a significant role to play to ensure improved alignment and efficient execution of regional development across State.

During the year, the Trust also visited the Wheatbelt and Great Southern Regions to better understand the changing needs and emerging opportunities within those regions. During each visit, the Trust met with regional leaders, local business operators and emerging regional place-makers, to hear directly from the people living, working and investing in the regions.

The Chair of the Trust has continued to engage in significant consultation with senior representatives at all levels of Government, industry and the community, to promote and facilitate a collaborative approach to regional development in Western Australia.

THE FUTURE



The Trust believes regional development undertaken in a **holistic, effective and efficient manner** will by definition lead to highly favourable economic, business and community outcomes.

- Continuing to monitor and provide advice and recommendations to the Minister on the operation of the Fund and any other matters relating to the Fund referred to it by the Minister.

The Advice and Recommendations section of this Report discusses some of these activities in more detail.

● The Wiluna-Meekatharra road upgrade will support local jobs in the Mid West.

The Trust is pleased with the progress made in 2018-19 towards a more connected approach to regional development and maintains its strong belief that regional development undertaken in a holistic, effective and efficient manner will lead to highly favourable economic, business and community outcomes. In order to achieve this, members have engaged with a broad range of stakeholders over the past year to determine the key activities the Trust will focus on leading, facilitating and delivering in the next 12-18 months.

As the Portfolio reforms and the cross-Government approach to developing the economic complexity and diversity of the State is progressed, the Trust has identified it must maintain and reinforce its focus on governance and oversight of the Portfolio to ensure momentum and material outcomes are delivered for the State. This can be achieved through planning processes, allocation of resources, execution, monitoring and evaluation, together with correction as necessary and periodic review of the overall system.

Accordingly, key activities for the Trust to focus on over the next 12-18 months include:

- Prosecuting a compelling value proposition for regional Western Australia to raise awareness, appreciation and understanding of the value created by regional Western Australia.
- Developing and using an evidence based approach, such as economic complexity, to ensure focussed Government action that will realise regional opportunities.
- Stimulating big-picture thinking and interest from both Government and the private sector in the future potential of the regions and the economic and social impact to the State and its economic development.
- Evaluating population and settlement, including regional migration.
- Place-based responses to regional development opportunities and challenges.



ROYALTIES FOR REGIONS

CASE STUDIES

The program aims to strengthen Aboriginal economic participation in regional economies by upskilling regional Aboriginal leaders through business leadership training, mentoring and coaching opportunities.

Since December 2008, the Fund has invested over \$9.3 billion of the State's mining and onshore petroleum royalties into regional initiatives, with the focus for investment now directed towards supporting sustainable economic development, jobs growth and leveraging further investment in the regions.

GOLDFIELDS ABORIGINAL BUSINESS LEADERSHIP PROGRAM

The Aboriginal Business Leadership Program (ABLP) in Kalgoorlie was the third in a series of programs funded through the \$2.3 million Royalties for Regions Aboriginal Governance and Leadership Development Program.

With support from the Goldfields-Esperance Development Commission and the Department's Aboriginal Economic Development program, this is the second program delivered by Western Australian business consultancy and training provider Betterlink. The ABLP was also successfully implemented in the Mid-West region in 2017 and the South West region in 2018.

Co-designed with Aboriginal people from the Goldfields region, the ABLP planning stages revealed a strong existing and emerging Aboriginal network of entrepreneurs. Aboriginal development needs were identified and used to design and deliver the ABLP to meet the specific requirements of participants and the region.

Fifteen Aboriginal entrepreneurs were engaged in a series of interactive workshops on business establishment, business planning and financial planning along with business development, marketing, tendering and procurement and the maximising of human capital.

The workshops provided a great opportunity for the Aboriginal entrepreneurs to network and share business ideas.

The business interests of participants covered a range of industries and included resource contracting, tourism, fashion, art, media, community services, beauty therapy and traditional medicine.

The program enabled participants to increase their skills, knowledge and confidence to take their enterprises to the next level and has helped drive increased Aboriginal participation in regional growth and jobs. Latoya Lewis, founder of Benang Bidee custom design clothing, said the program improved her clarity, vision and planning.

Latoya now has a number of mining companies interested in using her design work on their corporate high-visibility work wear.

While the Goldfields ABLP concluded in June 2019, the program continues to have a positive impact in the region as family members and friends of participants begin to explore additional business opportunities, drawing upon the knowledge gained and resources provided during the program.

An ABLP is in the early stages of planning for delivery in a fourth region, with potential linkage to the three previous regions being considered.



● ABLP graduate Latoya Lewis with the 'Going out Bush 2018' mural by artist Buudoon Edie Ulrich in Kalgoorlie – Goldfields-Esperance region.

● Aerial view of the Abrolhos Islands west of Geraldton in the Mid West region.



REGIONAL ECONOMIC DEVELOPMENT GRANTS

Commencing in 2018, the Regional Economic Development Grants (RED Grants) program is a new State Government initiative established to stimulate economic growth and development in regional Western Australia, with a budget of \$28.85 million over five years.

By investing in a variety of regional economic and community development initiatives, the RED Grants program will help promote growth and build stronger regional communities in Western Australia.

In partnership with the Department, the nine Commissions are responsible for implementing each of the funding rounds within their regions. Applications are assessed by the relevant Commissions against the RED Grants' objectives and identified regional priorities prior to recommendations being made to the Minister.

The first RED Grants round opened in September 2018 and 70 projects across the nine regions received funding totalling \$6.3 million. The total value of these projects exceeded \$30 million.

The broad range of applications received from industry, business and community organisations highlighted the diverse nature of regional economies across the State and included:

- **Avon Valley Beef:** \$190,000 to install a new automated lamb supply chain at its Northam abattoir, creating opportunities for producers to increase supply and provide more locally processed sheep meat products to markets. The abattoir expansion will provide an estimated 30 new jobs in Northam.
- **Lucky Bay Brewing:** \$198,442 to support its relocation to a new site in Esperance, helping the business to expand, employ more local people and further support the local grains industry.
- **Mamabulanjin Aboriginal Corporation:** \$100,000 to establish a two-hectare commercial orchard and trial site for wild harvest Kakadu plum production in the Kimberley region.
- **Abrolhos Island Oysters Pty Ltd and Australian Pearling Company Pty Ltd:** \$250,000 to assist with water and nutrient monitoring at the Abrolhos Islands site in order to obtain accreditation and classification as a harvest area for human consumption.
- **Gravity Discovery Centre:** \$190,000 to build accommodation at the Gravity Discovery Centre near Gingin to provide visitors to the observatory with an experience linked to Aboriginal culture.

The program has been well received and a further Red Grants round will take place in 2019.



RED Grants invests in community driven projects that contribute to economic growth and development in regional WA.

WESTERN AUSTRALIAN REGIONAL FILM FUND



● Behind the scenes on the set of *Mystery Road – Series 2* in the Kimberley region.
Credit John Platt.

Managed by Screenwest, the Royalties for Regions funded \$16 million Western Australian Regional Film Fund (WARFF) has supported high-quality WA productions filmed throughout regional WA, with further projects planned well into 2019-20.

More than \$11.8 million has been invested in 11 projects delivered in regional Western Australia over the past three years. In 2018-19, the WARFF invested over \$5.5 million in projects with the total production budgets exceeding \$36.5 million and a contracted spend in the regions of more than \$7 million.

The unprecedented growth of the WA screen industry over the past few years is largely attributable to WARFF and its positioning as a

major incentive to encourage film production in regional WA.

Film production in regional towns creates a level of excitement within local communities and more broadly increases Western Australia's profile, highlighting the State's stunning regional towns and locations, as well as providing opportunities for local businesses and increased tourism.

Funded by the WARFF, the first series of *Mystery Road* was filmed in the Kimberley region and televised in 2018. It was the most watched non-children's series on ABC's iView platform and its success led to WARFF funding a second series in 2018-19. With filming again taking place in the Kimberley region, the second series is anticipated for release in 2020.

The Western Australian Regional Film Fund aims to encourage and promote regional film industry activity, build local capacity and contribute to the livability and vibrancy of regional Western Australian communities.

Projects approved for funding in 2018-19:

- **H is for Happiness** (Feature Film) – filmed in the Great Southern region.
- **Dirt Music** (Feature Film) – filmed in the Kimberley, Mid West and Goldfields-Esperance regions.
- **Aussie Gold Hunters** – Series 4 (Documentary Series) – filmed in the Goldfields-Esperance, Mid West, Kimberley and Wheatbelt regions.
- **Itch** (Drama Series) – filmed in the Great Southern region.
- **The Furnace** (Feature Film) – to be filmed in the Mid West region.

TRANSFORM PEEL

Transform Peel contributes to addressing the region's high population growth rate, high unemployment, and transition from a population-driven economy to an export-traded economy.

The \$49.3 million Transform Peel program is supported by Royalties for Regions and consists of three components: the Peel Food Zone; the Peel Business Park; and the Peel Integrated Water Initiative. The program is coordinated by the Peel Development Commission in partnership with LandCorp, the Department of Primary Industries and Regional Development, the Department of Water and Environmental Regulation, the City of Mandurah and the Shire of Murray.

The Peel Business Park investment of \$45.2 million to LandCorp will activate 290ha of industrial land through the delivery of trunk infrastructure including water, power, sewerage, gas, telecommunications, roads and common-user facilities. Only a small

number of the ten lots in Stage 1 remain available with LandCorp now receiving registrations of interest for Stage 2.

Major achievements in 2018-19 include:

- Wormal Civil, a WA business headquartered in Peel, was awarded the first two civil works contracts worth \$7.3 million and has commenced infrastructure construction. This is a significant regional outcome arising from the State Government's *Western Australian Jobs Act 2017* and Local Content program.
- LandCorp approved energy consortium Enwave to deliver the Solar Array and Battery Storage Microgrid that will provide a renewable energy option and cheaper power to industry at the Park.
- The State Government's investment has leveraged \$21.75 million from the Federal Government to the Shire of Murray's Agri Innovation Precinct at the Park.



A long-term program to support economic growth, diversification and creation of jobs in the Peel region.

This will build common-user cold storage, logistics, warehousing, research and development and small scale value-add food processing facilities.

- Murdoch University has linked the recently funded Future Food Systems Cooperative Research Centre and the Australian National Phenome Centre to the Peel Business Park – Agri-Innovation Precinct project.
- The Department of Fire and Emergency Services announced the new Bushfire Centre of Excellence will be built at Peel Business Park.

● Infrastructure works underway at the Peel Business Park.
(Image supplied courtesy of Wormal Civil)



ADVICE AND RECOMMENDATIONS 2018-19

The activities of the Trust during the year have been largely directed towards assisting all components of the Portfolio implement the foundational elements of a holistic regional development system that was recommended and endorsed by the Minister last year.

This work has involved providing detailed advice and recommendations to members of the Portfolio. Significant effort was devoted to directly assisting the senior leadership understand how the system needs to operate and take the requisite action for implementation across their respective spheres of influence.

In this regard, the most important pieces of work that the Trust has advised on are as follows:

Pipeline of regional development proposals

The absence of a pipeline of cogent, investment-ready regional development proposals is obvious and a source of frustration across the Portfolio. It is visible in the decreasing deployment of the Fund for such proposals in the Budget out-years. The Trust and the Portfolio share the view that this situation is symptomatic of the fact that there has not historically been any system in place to generate such a pipeline of proposals.

The system we are now implementing together is the only way in which we will innovate, create and deliver the projects necessary to assure the future we desire for the State and regional Western Australia.

Economic diversity

The Trust previously advised that a tool to measure economic diversity and to assist in project prioritisation was necessary. Following endorsement of this by the Minister, the Trust determined that the Economic Complexity Index developed by CID at Harvard was the most appropriate instrument to use.

The Trust established contact with Harvard and collaborated across the Portfolio and with key State economic development agencies to engage and involve them in this work. As a result, a formal arrangement has been established with Harvard to develop the sub-national metrics for Western Australia and establish the evidence base to build pathways to economic diversification and growth. This initiative will also build capability and capacity within Government to identify and progress appropriate economic diversity opportunities.

Strategic Themes

As the Portfolio began adopting a common definition of 'regional development', together with a common view of future success and common metrics for measurement, it became clear that more detail was necessary around the Trust's previous recommendation regarding the formalisation of actions to deliver regional development outcomes.

A framework of overarching strategic themes was required to provide a clear long-term

connection of intent to outcomes, and to align planning, processes and activities across the Portfolio. Accordingly, five strategic themes were developed by the Trust and have been adopted by the Portfolio.

Considerable work was undertaken to map all existing activities against the five new themes in synergy with the Premier's Priorities for the whole of Government. This exercise has provided a firm foundation for future planning and the five strategic themes are now being applied to business and budget planning processes across the Portfolio.

Portfolio structure

Following the Trust's recommendation last year, regarding the need to clearly define roles and responsibilities within the Portfolio, it became evident that the Trust could play a valuable role in providing more detailed internal advice together with direct assistance where required.

The Trust, together with the rest of the Portfolio, formed a collaborative view of how the different components of the Portfolio would work best together. This was essential, given the fundamentals of a clear definition of purpose; a clear vision of success with attached metrics; and a clear description of what needed to be done to deliver success, had all been identified and were being implemented.

Contiguous with previous reporting, the Trust recommended:

- The Commissions operate in a common, regionally specific manner, as the key agents for regional development and be actively used as the senior representatives of State Government across regional Western Australia.
- The key role for the Department is as the overall “custodian” of regional development and an efficient central supplier of processes, resources and services to the rest of the Portfolio.
- The Council assumes a key governance and assurance role with regard to the Commissions ensuring they, together with the service and support functions of the Department, operate seamlessly.
- The Trust continues to provide governance and assurance, as well as direct support, across the full regional development activity of the Portfolio as necessary.
- A new organisational component, comprising senior leadership from across the Portfolio was necessary to create and assure Commission and Department alignment. Following this advice, the nine Commission CEOs and the Deputy Director General of the Department autonomously established WARDA in April 2019, with the objective of fostering co-operative and collaborative effort across the Portfolio.

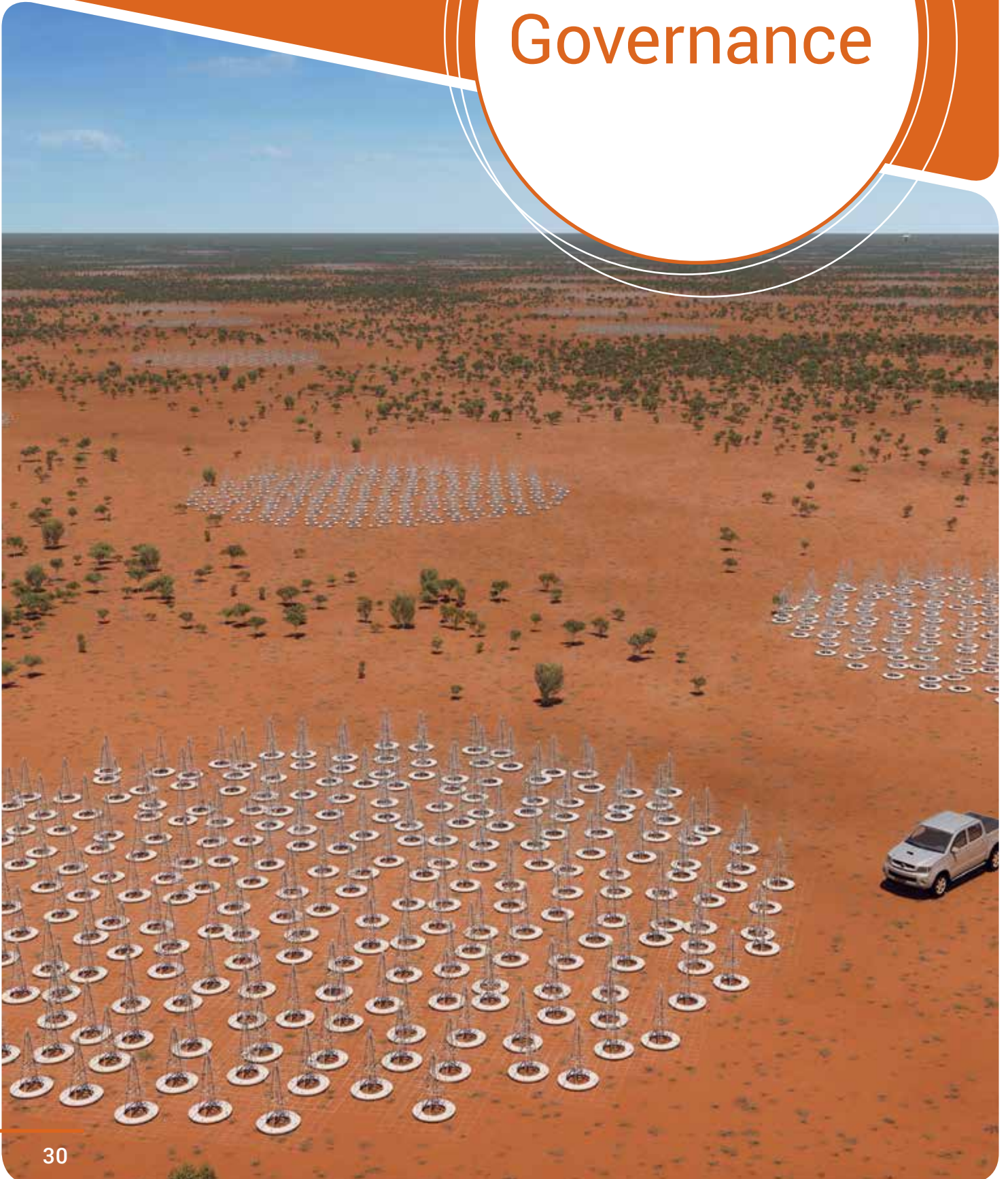


Five strategic themes were developed by the Trust and have been adopted by the Portfolio.

● Trust Chair Brendan Hammond and Deputy Chair Karlie Mucjanko reviewing a report.



Governance



FREEDOM OF INFORMATION

The Trust received no Freedom of Information applications in 2018-19 under the *Freedom of Information Act 1992*.

TRUST INTERNAL GOVERNANCE

Trust Finances

Operating budget

Pursuant to section 9(2)(c) and section 27 of the *Royalties for Regions Act 2009*, the Department provides the Trust with an operating budget to cover the expenditure incurred in the administration of the Trust. These funds are managed by the Department and are reported in the Financial Statements section of the Department's 2018-19 Annual Report.

The operating budget for the Trust for 2018-19 was \$285,717 and actual expenditure was \$187,859.

Travel

The total travel expenditure for 2018-19 was \$8,260.

Trust Member remuneration

As per section 20 of the Act and the Public Sector Commissioner's determination, Trust members are entitled to remuneration and travel allowances. The remuneration entitlement for Trust members is as follows:

Chair:	\$97,175 per annum
Deputy Chair:	\$42,260 per annum
Members:	\$12,500 per annum

The total remuneration paid to Trust Members for the year 2018-19 was \$163,909.46 (exclusive of superannuation).

Position	Name	Type of remuneration	Period of payment	Gross remuneration
Chair	Brendan Hammond	Board member fee	1/07/18-27/06/19	\$96,864.56
Deputy Chair	Karlie Mucjanko	Board member fee	1/07/18-27/06/19	\$42,124.94
Board Member	Paul Farrell	Board member fee	1/07/18-27/06/19	\$12 459.98
Board Member	Nick Belyea	Board member fee	1/07/18-27/06/19	\$12,459.98

Provision of services and facilities to the Trust

Pursuant to section 27 of the Act, the Department provided the Trust with services and facilities necessary for the Trust to perform its function, including executive support services via a Secretariat. Policy and advice services are also provided to the Trust as required.

In accordance with sections 9(2)(c) and section 27 of the Act, the Department 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 the Department's Annual Report.

Trust meetings

Under section 21(2) of the Act, meetings are to be held at times and places determined by the Trust. The Trust formally meets approximately every two months and on other occasions as required. The Trust held six ordinary meetings in 2018-2019 on the following occasions:

Meeting 48, 16 August 2018, Perth

Meeting 49, 22 October 2018, Perth

Meeting 50, 13 December 2018, Perth

Meeting 51, 26 February 2019, Perth

Meeting 52, 11 April 2019, Perth

Meeting 53, 27 June 2019, Perth

Attendance

Trust Members are to attend formal Trust meetings and have any leave of absence approved by the Chair. The record of attendance of Trust Members for the Trust Meetings in 2018-19 is as follows:

Brendan Hammond

Attendance at six Trust meetings.

Karlie Mucjanko

Attendance at six Trust meetings.

Paul Farrell

Attendance at four Trust meetings.

Nick Belyea

Attendance at four Trust meetings.

Special meetings

The Trust met with Minister MacTiernan in November 2018, May 2019 and June 2019.



Trust governance framework

The Trust's internal governance policies were endorsed on 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 updated in 2017-18.

Charter

The Charter was developed using recommendations on best practice for boards and committees from the Public Sector Commission's (PSC) *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 – Code of Ethics*.

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; and
- Resolution and Management of Interests.

A review of interests was conducted in 2018-19. Trust Members have completed all of the appropriate forms and further disclosures are made as they occur.

● Christmas canal lights Mandurah – Peel region. Credit Stewart Scott, Clip Media Motion.



GLOSSARY

ABLP	Aboriginal Business Leadership Program
Act	<i>Royalties for Regions Act 2009</i>
CEO	Chief Executive Officer
CID	Center for International Development
Commissions	Regional Development Commissions
Council	Regional Development Council
Department	Department of Primary Industries and Regional Development
Fund	Royalties for Regions Fund
Harvard	Harvard University
Minister	Minister for Regional Development
Portfolio	Regional Development Portfolio Includes the Department of Primary Industries and Regional Development, nine Regional Development Commissions, the Regional Development Council and the Western Australian Regional Development Trust
PSC	Public Sector Commission
RED Grants	Regional Economic Development Grants
SPA	Special Purpose Accounts
Trust	Western Australian Regional Development Trust
WA	Western Australia
WARDA	Western Australian Regional Development Alliance
WARFF	Western Australian Regional Film Fund



● Field of Light: Avenue of Honour created by artist Bruce Munro in homage to the Anzacs who departed from Albany for the Great War – Mount Clarence, Great Southern region.



**Western Australian
Regional Development Trust**

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