



APPENDIX B

LEGISLATIVE COUNCIL STANDING COMMITTEE ON ESTIMATES AND FINANCIAL OPERATIONS

Questions Prior to Hearings

Department of Primary Industries and Regional Development

Hon Diane Evers MLC asked:

1) I refer to Table 4 Key efficiency indicator targets, results and variations (continued) on page 41, and I ask:

- a) Given that the target is so strongly influenced by a change in GRP as per note 4, how can this target demonstrate efficiency; and

Answer:

The Department of Primary Industries and Regional Development (DPIRD) seeks to contribute to the growth of Western Australia's Gross Regional Product through multiple services, including:

- regional technical and technological development
- regional skills and knowledge development
- regional social amenity development.

Net Cost of Service as a factor of Gross Regional Product has been used to indicate efficiency of these services.

A reduction in the KPI result for a service would represent efficiency because Western Australia (WA) is able to grow or maintain its Gross Regional Product without the government significantly increasing the resources expended on these services that promote regional growth.

In 2018/19 the results for the KPIs that use Gross Regional Product in their calculations were not only influenced by the change in Gross Regional Product, which is an anticipated variable. As explained on pages 182 and 186-188, they were also influenced by an unanticipated refinement of the calculation of the actual allocation of DPIRD's funding to its seven services. This refinement evidences an improvement on the high level budgeting process undertaken during the initial stages of amalgamating the legacy agencies, on which the KPI targets were based. However, it has had a de-claring impact on the KPI outcome for 2018/19. The now refined calculation of funding allocation will be more stable in coming years, which will provide more reliable KPI outcomes.

DPIRD acknowledges the deficiencies in this style of efficiency KPI. It is currently reviewing its KPIs for 2020/21 to make them more meaningful.

- b) Has the Department considered efficiency indicators that are related to waste of time or resources not necessarily use of funds?

Answer:

The Treasurer's Instruction 904 (Key Performance Indicators) defines the characteristics of suitable efficiency indicators. An average cost per unit is a practical measure to report against

as changes over time are usually meaningful and explainable. In order to be considered for use in an efficiency indicator, an input or output must meet audit requirements as to the quality of the data, its ability to be accurately measured and must have appropriate governance in place.

Development of DPIRD's 2018/19 KPIs commenced in 2017 shortly after DPIRD's establishment. At this time, DPIRD had limited integration of core business systems and reporting tools, therefore, DPIRD chose to use existing robust data sources to support reporting where possible.

2) I refer to Point 5: Net cost of this Service as a factor of RDC support, in Table 4: Key efficiency indicator targets, results and variations (continued), and I ask:

- a) Given that the target and actual are not directly comparable owing to direct expenditure of RDCs (i.e. the cost of each RDC board and related expenditure) being included in DPIRD budget papers and excluded from DPIRD's annual report due to reporting requirements, and that if the target is recast to exclude direct expenditure of RDCs, the actual exceeds the target, why is this target/result considered to be a useful indicator?

Answer:

This indicator was selected to report the efficiency by which DPIRD provides support to Regional Development Commissions (RDCs) because it provides a measure of the efficiency with which inputs (cost) are used to provide outputs (hours of service).

While one year's figure may not be a meaningful representation of the efficiency with which we deliver services, changes over time can indicate increases in efficiencies through a lower average cost per hour result. Similarly increases in the average cost per hour may highlight situations in which additional funding have been directed to supporting RDCs due to emerging issues.

DPIRD is currently reviewing its KPIs for 2020/21 to make them more meaningful. It is currently undertaking the mandatory consultation with the Department of Treasury and Office of Auditor General on proposed changes.

3) I refer to I refer to point 7.1b Extent of total soil organic matter (carbon) does not decrease in Table 3 Key effectiveness indicator targets, results and variations (continued) on page 39, and I ask:

- a) Given the important of soil organic carbon in addressing climate change, and given the increasing emphasis on regenerative agriculture, why is there inadequate data available to meaningfully measure the change across WA agricultural region and what will be done to rectify this situation?

Answer:

This indicator has been replaced in 2019/20 with the percentage change in the spatial extent of the southwest cropping region that maintains sufficient year-round ground cover for protecting and improving soil health", to provide a suitable proxy measure for trends in soil organic matter.

The basis for this decision is that there is no suitable data collected across the WA agricultural area in accordance with carbon accounting protocols. The validated protocols for the measurement of soil carbon are expensive and time consuming and this data can be highly variable over time and spatially. The Report card on sustainable natural resource use in



agriculture (published by the former Department of Food and Agriculture in 2013) identified that changes in soil organic matter are likely only to be evident over decadal periods.

The use of year-round ground cover is not only a more practical measure of soil organic matter but also provides a measure of the risks of soil erosion.

However we are committed to working to develop methodologies for monitoring soil carbon and will reinstate that KPI if it can be sensibly audited.

4) I refer to Table 3 Key effectiveness indicator targets, results and variations (continued), and I ask:

a) What was the incident referred to in note 7 on page 38?

Answer:

The incident was a test positive result of exotic microsporidia in prawns.

Following the detection of an exotic microsporidia *Enterocytozoon hepatopenaei* (EHP) in prawn faeces at an aquaculture facility in the State's North DPIRD undertook an investigation to resolve the finding. Regulatory measures were implemented and a comprehensive surveillance and diagnostics plan was undertaken with DPIRD and the National Aquatic Consultative Committee for Emergency Animal Diseases (AqCCEAD). The investigation concluded that there was sufficient evidence of absence of infection and the initial detection was unviable EHP genetic material likely originating from contaminated feed.

The incident ran from 17 June to 24 July 2019.

5) I refer to Table 3 Key effectiveness indicator targets, results and variations on page 37, and I ask:

a) How are the figures presented in points 1.1, 1.2 and 1.3 of this table calculated; and

Answer:

Effectiveness KPIs 1.1, 1.2 and 1.3 are:

- 1.1. Percentage increase of co-investment that DPIRD attracts to its industry and community development initiatives
- 1.2. Percentage increase of co-investment that DPIRD attracts to its Aboriginal business development initiatives
- 1.3. Percentage increase of co-investment that DPIRD attracts to its aquaculture development initiatives

The 2018/19 Targets, presented on page 37, were estimates made in March 2018 prepared with limited integration of core systems and reporting tools.

The 2018/19 Actuals for these KPIs, presented on page 37, were calculated using the following method:

- The numerator was "value of co-investment attracted during 2018/19" minus "value of co-investment attracted during 2017/18".
- The denominator was "value of co-investment attracted during 2017/18".
- The result was expressed as a percentage.
- "Co-investment attracted" for KPI 1.1 was defined as the external (i.e. non-WA Government) financial contributions that DPIRD received directly into its budget for the Industry and Economic Development pillar of DPIRD - the business area which leads DPIRD's industry and community development initiatives.
- "Co-investment attracted" for KPI 1.2 and 1.3 was a subset of KPI 1.1: the co-investment specifically for Aboriginal business development initiatives and aquaculture development initiatives, respectively.

a

- The value of co-investment was determined by analysing DPIRD's external funds database and contracts.
- While this type of co-investment is quite typical for our research and development activities (not the subject of this KPI), it is not typical for our broader community and economic development grants investment program where co-investments in projects are made directly by external proponents and not via DPIRD's accounts.

Page 164 to 166 of the annual report explain the results in more detail.

- b) Given there was no baseline data to support calculation of the figures in points 1.2 and 1.3, will this effectiveness indicator be used in future, and if so how will it be calculated?

Answer:

Effectiveness indicators 1.2 and 1.3 have been discontinued for 2019/20. KPI 1.1 has been continued using the same method for 2019/20. DPIRD is currently reviewing its KPIs for 2020/21 to make them more meaningful. It is currently undertaking the mandatory consultation with the Department of Treasury and Office of Auditor General on proposed changes.

- 6) I refer to Table 2a Financial targets 2018/19, specifically the re-cashflowing of RfR-funded projects, \$38m and the reallocation of \$13.4m to the Core Systems Upgrade project into 2019/20, and I ask:

- a) Which projects were underspent or recashflowed?

Answer:

With regards to the re-cashflowing of Royalties for Regions projects the following projects were recashflowed from 2018/19 to 2019/20.

RFR Projects	Re-cashflowed 19/20 Budget (\$'000)
WA Open for Business	3,000
State Agricultural Telecommunication Infrastructure Fund - Unallocated	9,150
Digital Farm	3,000
Albany Wave Project	1,952
Regional Aged Accommodation Program	3,500
Regional Development Leverage Unit	3,000
Carnarvon Flood Mitigation Works - Stage 2	2,728
Pilbara Aboriginal Town Based Reserves	1,000
Regional Telecommunications Project #2	5,022
Boost Grains Research and Development Support	3,692

The reallocation of the \$13.4m to the Core Systems Upgrade project utilised DPIRD's operational underspends in 2018/19 through a reduction in Consolidated Appropriation. These savings came from underspends in salaries due to unfilled vacancies in the DPIRD structure as the agency restructures in response to the 2017 Machinery of Government changes.

Q