

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

## **INQUIRY INTO THE GOVERNMENT'S LOCAL PROJECTS, LOCAL JOBS PROGRAM**



**TRANSCRIPT OF EVIDENCE  
TAKEN AT PERTH  
MONDAY, 2 SEPTEMBER 2019**

**SESSION ONE  
DEPARTMENT OF PRIMARY INDUSTRIES AND REGIONAL DEVELOPMENT**

**Members  
Hon Tjorn Sibma (Chair)  
Hon Alanna Clohesy (Deputy Chair)  
Hon Diane Evers  
Hon Jacqui Boydell  
Hon Colin Tincknell**

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**Hearing commenced at 10.01 am**

**Mr RALPH ADDIS**

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

**Mr BRETT SABIEN**

**Acting Director, Investment Management, Department of Primary Industries and Regional Development, sworn and examined:**

**Mr GAVIN TREASURE**

**Chief Executive Officer, Mid West Development Commission, sworn and examined:**

**The CHAIR:** On behalf of the committee, I would like to welcome you to this morning's hearing. Today's hearing will be broadcast, and before we go live, I would just like to remind all parties that if you have any private documents with you, keep them flat on the desk to avoid the cameras. I require you to take either the oath or the affirmation.

[Witnesses took the affirmation.]

**The CHAIR:** Thank you. You will have each signed a document titled "Information for Witnesses", have you each read and understood that document?

**The WITNESSES:** Yes.

**The CHAIR:** Okay, three responses in the affirmative.

Thank you very much, gentlemen, for appearing in front of this inquiry hearing this morning. We will endeavour to keep things moving at the appropriate pace and we would not look to detain you much beyond 11.00 am. In the course of our interaction here, there might be cause to take supplementary questions away. Can we go on air? We are, good.

This inquiry into the government's Local Projects, Local Jobs program focuses largely, as the terms of reference indicate, on the administration of the program through departments and agencies of government. Can I first get some context around DPIRD's administration and involvement in this scheme by getting a sense of the dollar value of all of these individual projects which the department is administering.

**Mr ADDIS:** We were asked by, I think, the Department of the Premier and Cabinet at the time to take carriage of delivering the regional small grants through the Local Projects, Local Jobs broader program. The budget for the regional part that we administered was \$9 294 650 spread across 305 projects in total.

**The CHAIR:** That is nearly one-quarter of the program. Can I get a sense of the diversity of the individual projects that the department took carriage of, I suppose, in terms of the scope of the projects themselves and the dollar value? The reason I ask you that question is that we have a master list of about 890-odd projects that the Department of the Premier and Cabinet has provided us with. It just gives us a bit of a steer about where the level of effort has been from your department.

**Mr ADDIS:** Grants under our portion of the program ranged from \$750 for an equipment upgrade for the Bunbury Masters Swimming Club carnival through to the largest grant at \$350 000 for an equipment upgrade for community safety at Mandurah. The average grant was just over \$30 000—

\$30 538. Brett might provide a breakdown in terms of the spend under the various categorisations that we used, if you can see that?

**Mr SABIEN:** Yes, I can. There were 108 projects for facility upgrades, and that was \$5 006 000. The equipment upgrades were 139 projects, and that was just over \$3 million—\$3 068 650. Facilities and equipment upgrades combined, with 35 projects, and that was \$330 000. Program support was 16 projects, and that was \$590 000. There were two tourism projects, and that was \$125 000. There were five training projects, and that was \$175 000. That was the broad breakdown of them.

**Mr ADDIS:** It might be of interest that 96 of the 305 projects, totalling \$1.972 million, had a youth focus.

**The CHAIR:** That is precise information that I think is of interest to inquiry members. Would it be possible to provide that dataset by way of supplementary questioning?

**Mr ADDIS:** Yes.

**The CHAIR:** Thank you, I will give that the designation of A1.

With respect to the administration of the 305 programs overall, could we get a sense, please, of the status of delivery? Have all of those projects effectively been completed or are there still some receiving milestone payments? If you could give us a sense of where they are all that.

**Mr ADDIS:** Sure, I will give you the broadbrush and then Mr Sabien can provide some more detail. One project has been cancelled and the money withdrawn. I think it is 224 that have been completed and reported and acquitted. You might want to pick up the rest between 224 and 304.

**Mr SABIEN:** Mr Addis has pointed out that out of the 305, 224 have been completed and fully acquitted. The range of projects between the 224 and 305 are still live and still underway or in a process of being completed. They have agreements in place and they are being monitored through the regional development commissions.

**The CHAIR:** With respect to the 81 projects underway, have they been subject to partial payments, some of these, at the moment or are they awaiting payment or resolution?

**Mr SABIEN:** I could not provide the detail of exactly what the payment schedules are across all of those projects. Some may be awaiting further payments based on milestones as part of their agreements, but I cannot provide that detail at any granular level.

[10.10 am]

**The CHAIR:** Would it be possible for you to take, as a supplementary question, the specifics around those 81 projects which are underway?

**Mr SABIEN:** The progress of each project?

**The CHAIR:** The progress of each project and, perhaps, an indication of when it is likely that final payment will be made.

**Mr ADDIS:** So, progress in terms of payment status and project completion?

**The CHAIR:** Payment status and project completion. I think that is interesting. Mr Addis, you might be able to answer this. We have been advised by the Department of the Premier and Cabinet that a meeting took place in early April 2017 and the government sought the best means by which it was to administer its election commitments through different agencies. Bearing in mind that there was an MOG change after that, can I get a sense of who at DPIRD may have been in the early meetings around how these payments were to be moved through what then became the Department of Primary Industries and Regional Development?

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**Mr ADDIS:** I was involved in some of those meetings at DG level. There is certainly one I can recall, even though those were hectic days. From memory, Brett would have been—no?

**Mr SABIEN:** Aaron Minchin.

**Mr ADDIS:** Aaron Minchin—that is right—who was a former executive director within the Department of Regional Development took carriage of it from a DRD point of view at the time—setting up our role and then setting up the basic administrative arrangements. Aaron has subsequently left the department.

**The CHAIR:** My understanding, from the evidence provided by other departmental officials from other agencies is that those early meetings were, effectively, used to determine, among other things, which agencies should take responsibility, what it was more appropriate for them to manage, and that around about that time there was a decision made by ERC about the overall funding envelope for these programs. As it relates to DPIRD, though, the \$9 million that has been allocated by your department to the Local Projects, Local Jobs scheme—could I get a sense of the source of funding?

**Mr ADDIS:** The \$9.2-odd million was sourced from the royalties for regions program.

**The CHAIR:** Directly? So there was no other supplementation?

**Mr ADDIS:** Not from memory. That is correct, is it not, Brett?

**Mr SABIEN:** I am pretty sure.

**The CHAIR:** I think some members might get back to that, I might just finish off my line of questioning and then open it up. In attempting to understand how this program, the Local Projects, Local Jobs program, compares against other grant programs or grant-like programs administered by your department now—how do DPIRD or the regional development commissions normally administer grants programs? I am trying to contextualise this program against the broader grants landscape that the department has some ownership and carriage of.

**Mr ADDIS:** Perhaps it is useful for me to start by saying that we very early on reached the view that these grants, these projects, would be best administered by the commissions in the respective regions, so DPIRD's became a facilitative role, where we provided consistent templates and the like for the various project agreements. It very much shifted responsibility for the delivery and ongoing monitoring and accountability to the regions affected, which we think made good sense, given their local networks and ability to engage locally to good effect. That seems to work pretty well, I think, by and large. It has been a relatively pain-free and relatively positive process overall. Obviously, our major involvement in grants and grants administration is through the royalties for regions program. That has had a raft of different ways of delivering projects and grants over the years. The most relevant have probably been, under the previous government, the regional grant scheme and the community chest—both of which catered for more medium-sized, \$100 000-plus in the first and smaller, in the tens of thousands, in the second. That is reasonably consistent with the current regional economic development scheme. I think the second round for this new government is out at the moment across the nine regions. It is a broadly similar scale of dollars overall and a broadly similar make-up of projects funded. In terms of administration, we have adopted very similar and consistent approaches right through all that—through the evolution of the royalties for regions program under the previous government there were quite well-developed financial and system agreements and processes to control and make sure there was appropriate delivery of grants, clarity of project delivery responsibilities, and, essentially, rules around variations. We adopted very much a business as usual, for that sort of grant, approach. That has worked pretty well. I think that is about

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as much as I can usefully say. There is fairly standard use of templates, and tools have been consistently applied.

**The CHAIR:** I know another member is very keen, but can I ask one follow-up question along this line? We might get into it a bit more later. You mentioned before—you gave a great indication of the types of program categories that were funded. I would imagine, for something like project support, which sounds to me like a pretty broad definition, that the kind of grant agreement that you might enter into with a recipient in that category would differ significantly from a capital facilities upgrade. Can I get a sense of whether or not there are different kinds of grant templates or agreements templates that you used, or was there a uniform —

**Mr ADDIS:** It was a fairly uniform for this program, but, obviously, across the broader RforR program, which ranges from hundreds of millions to very micro, there are different approaches. Brett is the resident expert in such matters, so I might give him a chance to provide some detail.

**Mr SABIEN:** Thank you. This was a standard template agreement that was passed through the State Solicitor's Office. Every recipient obtained a standardised agreement. The variations were part of an attachment that listed all of their responsibilities in terms of milestones and the type of project. The front end was consistent and standard, but the back end of the contracts did reflect at quite a reasonably granular level, the type of project that was being delivered and how that needed to happen.

**Hon JACQUI BOYDELL:** Just a couple of questions—along the lines of the regional grant scheme and community chest under the previous government, if you can just give an analysis of how communities accessed the money at that time, and the difference between how that occurred and Local Projects, Local Jobs. You were delivered a list of projects under Local Projects, Local Jobs. In listening to your answer, you found the best way to deliver that was the framework in place of the RGS and community chest, because it fit in terms of the limits of money, but the difference being in the administration of those two. I would like you to clarify any differences in how community accessed that money and how the department came across the projects.

[10.20 am]

**Mr ADDIS:** The clear differentiation was the RGS, and community chest was facilitated through the regional development commission, essentially an open call for expressions of interest. In this case it was a process that was approved by ERC in June 2017 as a whole package. We were not involved in the identification selection process at all. Up to that point that is not really anything we had anything to do with. Beyond that, it was broadly a pretty similar process of delivery.

**Hon JACQUI BOYDELL:** So, essentially you as the department were delivered a suite of projects to deliver from ERC, and the framework that you found to be able to administer it in the means in which you had available was through the regional grants scheme and community chest?

**Mr ADDIS:** I think that is right. It is similar in all material.

**Mr SABIEN:** That had been a successful model, and we adopted that on that basis, yes.

**Hon JACQUI BOYDELL:** With the difference being that they were open applications under the previous government?

**Mr SABIEN:** That is correct.

**Hon JACQUI BOYDELL:** Were there any variations to the project—once they were delivered to you—in terms of funding or the principle of the funding?

**Mr ADDIS:** There were a number of variations. Brett had some stats in there. There were 20 or 17-odd varied?

**Mr SABIEN:** Bear with me for a second and I will give you an overview of that. To answer your question, yes, there were a number of variations made to projects, and that was triggered through the schedule that was attached to the overall agreements, so recipients would see that they were meant to deliver by a certain date a particular component of that project, and that triggered a negotiation to do an extension. They had to come through a formalised process through the commission.

**Mr TREASURE:** Through us; yes.

**Hon JACQUI BOYDELL:** Is that the main reason why those 81 projects are still outstanding? Is that one of the major reasons that there are variations in how to deliver?

**Mr TREASURE:** There is a combination of things. Time delays also occur with all grants, because project milestones are not met or contractors are not able to deliver on time. They come back to us and say, "Can we ask for an extension of time", and we look at the merits of the request. Usually, if it is reasonable, we will support it and allow the variation to occur. That is a minor one. On the other side there are some other variations which need more thinking through in terms of around the original intent that the money was provided. That becomes a lot more detailed discussion in understanding what the variation is, and then try to work out was it a reasonable position to take that aligns with the original intent of the funds that were provided. In our case, the midwest region had 34 grants to deliver, of the LPLJ, currently with 22 acquitted. There were 12 remaining to be completed. Of those 12, they are either on track, acquittal pending or under review. They are all at various stages where we are happy that the progress of those remaining projects will be delivered in reasonable time.

**Hon JACQUI BOYDELL:** Were there any scenarios where other local members of Parliament made approval to variations in projects, that then came back to you to have to sort through?

**Mr TREASURE:** All the interaction between the proponent and the project was through the commission. We were the first port of call. We established the agreement between the proponent and the state government. As Brett alluded to, that included a front-end template which was exactly the same. The back-end milestones were the key areas that we were involved in shaping the conditions of the funds and the milestones for that delivery. That is where we play our active role, to try to make sure the original intent of the funds provided were aligned.

**Hon JACQUI BOYDELL:** I am not sure if you captured this previously, Chair. Is there a way of being able to access the information around those 81 projects that are still outstanding about what the delays are? What is causing the delay?

**The CHAIR:** I think we might have covered that, member, in supplementary question, I think, A1.

**Hon JACQUI BOYDELL:** I know we asked for a list, but just the status of them all?

**The CHAIR:** If you do not mind, I think there might be two issues here. There are 81 projects which are at a certain stage of development. Is that where the entire variation load exists? Because I think there are two separate things here. The interest is in, I think, the number of variations to agreements that have been sought and the reasons for the variation and where that request has actually come from. I just want to be a bit more potentially helpful and precise about that.

**Mr SABIEN:** Out of the full suite of projects of 305, we have only had 27 projects that have sought variations. Sorry to not answer that before; I did not have the numbers in front of me. As was described, those variations are through the relevant development commission that has authorised and signed the agreement with the proponent.

**The CHAIR:** Member, do you want to ask for details on that?

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**Hon JACQUI BOYDELL:** Yes, that is what I would like to understand.

**Mr ADDIS:** For those 27, what were the basis for the variations?

**Hon JACQUI BOYDELL:** Yes.

**The CHAIR:** We might ascribe that supplementary question A3, just for record-keeping purposes.

**Hon JACQUI BOYDELL:** Just going back to the \$9 million that was allocated through the royalties for regions funds to Local Projects, Local Jobs, do you have any record of what you had to adjust out of the royalties for regions fund or what essentially missed out or did not get funded as a result? Was there an impact like that on the royalties for regions funds, apart from obviously regional grants scheme and community chest? Because that no longer became available, I would assume.

**Mr ADDIS:** Obviously, they have sort of been replaced by a similar scheme in the regional and economic development scheme. You would be well aware that at the time and in that first budget under the new government there was a very substantial re-calibration of the royalties for regions program. It would not be possible to say that item was affected by the inclusion of this item, because there was quite a bit of change in the overall program, which I am sure you are well acquainted with.

**Hon JACQUI BOYDELL:** Do you think then that it would be fair to say that funding otherwise made available through the royalties for regions fund was diminished as a result of the Local Projects, Local Jobs funding?

**Mr ADDIS:** I just think there was a substantial change in the overall program. There was clearly a reprioritising and repositioning. This is a relatively small part of that overall picture, which is obviously a \$400 billion program over four years. I think focusing on this particular item in that sort of context—I am not sure this is the biggest issue in that scope.

**Hon JACQUI BOYDELL:** I am sure that is the case, it is just that is the inquiry, so I am wondering what the impact of that was on the availability of funds in other areas.

**Mr ADDIS:** I think the fact that there is an ongoing commitment in the regional economic development scheme grants, which is the most similar to the previous RGS and community chest; in fact, it is fairly similar in nature to what came out of the Local Projects, Local Jobs program. That, I think, is a pretty reasonable indication those sorts of needs in our regional communities continue to get a reasonable level of attention.

**Hon JACQUI BOYDELL:** Has the department got any means either through your financial agreement contracts, or any other way of determining local jobs in the acquittal process of these projects, of what jobs have been created?

[10.30 am]

**Mr ADDIS:** Obviously, the average grant in this program was about \$30 000-odd at a point in time. We have quite deliberately focused on local content as the local stimulus effect, which clearly will have some direct jobs impact, but they are quite small in scale and very much in the nature of one-off. In terms of creating new jobs, I think that was less the point; it was more to provide an immediate stimulus into local content that does play a role in holding up local economies. Gavin might have a comment from a closer-to-the-ground level than I would.

**Mr TREASURE:** Anecdotally, our experience has been that proponents have endeavoured to deliver the intent on local content. There was a clause within the agreement which sort of frames that position. It is clause 19, which talks about local products and services. The clause says that the grantee agrees to use products and services from the region for the project wherever reasonably practical, using an open and competitive process to the satisfaction of the grantor. That clause was

to try to make sure we get better local content out of the outcomes. We have not monitored that situation in terms of recording actual measurements of data to local content, but anecdotally our experience is the broader intent of that condition has been abided by.

**The CHAIR:** Just on that point, would you be able to table that template with that clause in so we can see it? You can strip out the actual identifiers.

**Mr ADDIS:** We can give you a complete copy.

**Hon ALANNA CLOHESY:** The template or the whole?

**The CHAIR:** Or versions of the templates that you use would be pretty helpful. I will give that supplementary question A4.

**Mr ADDIS:** That would be the grant agreement. What are the other key —

**Mr SABIEN:** There was a letter that made the arrangements or struck the arrangements between the Department of Primary Industries and Regional Development and the commissions that may be useful for the committee to reference.

**The CHAIR:** That would be useful, if you could provide it to us as part of that supplementary question.

**Mr SABIEN:** It devolves the responsibility to the commissions. Then there was the agreement with the proponents. We also have an acquittal template that may be of interest.

**The CHAIR:** This is music to my ears, this sort of stuff. I am an odd person like that.

**Mr SABIEN:** We have a lot of—I think, Ralph, we could bring together the governance arrangements around the distribution of these funds and give the committee more clarity in relation to that.

**The CHAIR:** The department took what appears to me *prima facie* to be a sensible view that the administration of these programs create a different set of umbrellas depending on which regional development commission was the most appropriate body to administer. But when it came to variations, I get the impression—I do not want to put words into people's mouths—that the individual development commission, and perhaps the project recipient originally identified, might come to a view that \$50 000 for this would be nice but they have a pressing need for this kind of upgrade and they have come to an agreement about perhaps re-scoping or reshaping that original pledge. Was there any guidance provided by the Department of the Premier and Cabinet either directly to DPIRD or to the development commissions themselves about how variations to project scope might be treated?

**Mr ADDIS:** Not to my knowledge. We have a well-established process for dealing with variation requests or requirements when they come up. It was, in large part, dealt with between the project proponent and the respective commissions. I am not sure; have you got anything to add to that? That is essentially it. Broadly speaking, it is a pretty practical matter of what is going on in the project on the ground and what needs to be done to make it work.

**Mr SABIEN:** We would have to provide some supplementary information, but I do believe that there was a particular trigger point that if the project was actually changing its purpose altogether, that there would need to be a ministerial-level approval for that to take place. I would have to go back and obtain more detail about when that was agreed to.

**The CHAIR:** That would be very helpful. I think that is A6.

**Mr SABIEN:** If I can just clarify. If the project was kept within scope but there were some changes in relation to how long it took, or there might have been a minor variation to the project, that was

agreed to at development commission level, but if it was a completely different proposal from A to B, there was the requirement, and I can clarify that.

**The CHAIR:** To the best of your recollection at the moment, you cannot recall any or many instances of seeking that kind of —

**Mr SABIEN:** I cannot recall at this point. I would have to provide you with that as supplementary.

**The CHAIR:** That was not set up to have you say, “I can’t recall”, at a committee hearing, by the way. It just occurred to me at the time.

**Mr SABIEN:** I honestly cannot.

**The CHAIR:** With respect to reporting, in terms of the overall program and DPIRD’s involvement and relationship with the various development commissions, have you been required to report to the minister or to DPC about overall project status in terms of grant agreements successfully disbursed or projects completed or anything of that nature?

**Mr ADDIS:** Yes, there has been regular reporting to the Minister MacTiernan on essentially the status of the 305 projects. I think that has also been fed in to DPC reasonably with you too, Brett.

**Mr SABIEN:** That is correct. It is quarterly reporting and we provide that reporting through our minister’s office.

**The CHAIR:** Is that process still live?

**Mr SABIEN:** Yes.

**The CHAIR:** Those sorts of briefs—could you categorise them as for information or for noting rather than for decision or action?

**Mr ADDIS:** It is provision of information for the point of monitoring progress to completion.

**Hon COLIN TINCKNELL:** Most of the questions I was going to ask have asked, so I have a couple of different questions. You mentioned it was \$9 million of funds made available for royalties for regions; was there any new funding at all other than that?

**Mr ADDIS:** I do not think so, no.

**Mr SABIEN:** For our component of the program that was royalties for regions—I would not be able to answer for the other aspects.

**Mr ADDIS:** For our regional component that we had carriage of that was the \$9.29 million that was RforR.

**Hon COLIN TINCKNELL:** I got that, yes. Also, this may be hard to quantify but the program is called Local Projects, Local Jobs; is there any way the agency can measure how many jobs may have been created from this program?

**Mr ADDIS:** As I commented earlier on, the average grant was about \$30 000, which is very small and very much at a point in time, so the focus was on trying to encourage the delivery of the projects through local content rather than getting into the fine, granular detail of jobs. Because, to be honest, in a grant of that scale and that time limitation it is not that purposeful a measure. We took a pragmatic view that we should be encouraging local content as the key driver of stimulus in the local economies. We think that has been reasonably effective, but it is a modest overall grant program, and delivered through a lot of small one-off time-limited grants.

**Mr TREASURE:** I think there is a slight nuance here to, Colin. In regional economies, which are doing it quite tough at the moment, just retaining jobs is pretty important to us as well. As long as the recipients supported the local community and local businesses with those grants, we were happy to

keep people in a job than create new ones. I agree with Ralph that it is more the number and the nature of the grants make it difficult to quantify new jobs, but retention is just as important at the moment.

**Hon COLIN TINCKNELL:** I do see that. Royalties for regions was a great reason for that, and most people acknowledge that that was all about creating opportunities in the regions; I was just trying to see whether we could quantify this at all. I had other questions on other things but they have been asked. Was there any conflicts of interest or perceived conflicts of interest during this program that the department was undercover?

[10.40 am]

**Mr ADDIS:** Thanks for the question. The conflicts of interest, as I said earlier, we deliberately vested responsibility to delivery administration into the commissions. The commissions have each got their own policies and approaches for managing conflict where they arise in the conduct of their business. I am not aware of any that came up, but they were to be managed at the commission level.

**Mr TREASURE:** It is not unusual for small communities to have links all across the community, but we have a well-developed process around conflict of interest, so if one of my project officers has a relationship with a proponent, they remove themselves from working on that project and another officer picks up the responsibility for that project.

**Hon ALANNA CLOHESY:** Just out of interest, is that conflict-of-interest policy documented?

**Mr TREASURE:** Yes. We have got a range of policies under the commission, as most commissions I speak to all have, and conflict of interest is one of those policies.

**Hon ALANNA CLOHESY:** Is it in one document or is it hard to deliver?

**Mr TREASURE:** No, we can tease that out for you, if you need a copy of it.

**Hon ALANNA CLOHESY:** It would be good as an example.

**Mr TREASURE:** I am happy to do that.

**Mr ADDIS:** Noting that they will be different forms across the nine.

**Hon ALANNA CLOHESY:** Which is why an example of that —

**Mr TREASURE:** I am with the Mid West Development Commission, not all the commissions, so I am happy to provide the midwest conflict-of-interest policy.

**Hon ALANNA CLOHESY:** And of course you would say the midwest would be the best, right?

**Mr TREASURE:** Biggest and the best!

**The CHAIR:** For recordkeeping, I will give that supplementary question A6. It was an indication of the Mid West Development Commission's conflict-of-interest policy.

**Hon COLIN TINCKNELL:** Just one to finish off with, you mentioned that there were quarterly meetings with the minister and that was relayed on to DPC. Is that normal? Is that how it was for royalties for regions? How was this different from, say, royalties for regions?

**Mr ADDIS:** It is quarterly reporting to the minister, not necessarily quarterly meetings. There was often discussions about progress with some of these projects on an ad hoc, needs-to basis, but I cannot remember having a specific meeting with Minister MacTiernan about the quarterly reports per se. We just put them up and they were put through to DPC as part of that broader monitoring process.

**Hon COLIN TINCKNELL:** Was that any different under the previous government or with the royalties for regions in the past, or was it pretty similar?

**Mr ADDIS:** Under the previous government, because there was a minister with essentially one focus and not also on ag, it was perhaps a more constant focus on the royalties for regions program, probably not as structured in the reporting, though.

**Hon DIANE EVERS:** I go back to royalties for regions. I notice that all of the projects that were in the regional areas went through royalties for regions through the development commissions. I am just wondering, given these projects spanned the range of education, health, sport, local government and arts, did that make sense, or should that have gone out to the different departments to administer, or would the development commissions be the normal place for all of those types?

**Mr ADDIS:** It is very consistent with the sorts of community-focused grants that happened under the previous government through the Department of Regional Development and royalties for regions, and it is also fairly consistent in nature and scope to the current community-focused grants through the RED scheme. It is pretty consistent and fairly usual.

**Hon DIANE EVERS:** Did you see any other projects within there that might not normally go through the development commissions?

**Mr ADDIS:** No—I mean, they were all fairly small in size. The biggest was, I think, \$300 000, which is pretty consistent with all of those sorts of other grant schemes that I have referred to.

**Hon DIANE EVERS:** So then my concern, the usual amount that the development commissions would be able to expend, say, in a year on this grants scheme, did that continue through each of these years or has this lump sum of \$9 million going out curtailed that grants program for a year?

**Mr ADDIS:** So there was a RED grant—perhaps Gavin or Brett, you will be more familiar with the detail and timing of the RED grant since the change of government.

**Mr SABIEN:** We could probably, as a supplementary item of information, give you a bit of an understanding of the time lines, but, broadly, it would be fair to say that the new government did bring the Local Projects, Local Jobs scheme into place and shortly after that, the Regional Economic Development Grants scheme kicked in in the ensuing budget year. So for the first year, it would be fair to say that Local Projects, Local Jobs was in place in lieu of any other scheme that was operational at that time.

**Mr ADDIS:** The RED scheme operated in 2018 in sort of roughly the middle of 2018, I think from memory, and is again in play as we speak and, broadly, similar quantum. What was the quantum last year, Gavin? Can you remember?

**Mr TREASURE:** In terms of each commission?

**Mr ADDIS:** Each commission allocation.

**Mr TREASURE:** So it was about \$690 000 thereabouts, circa, as an estimate. The maximum grant request is \$250 000 and it is open to the regional community. It is open at the moment and it is due to close very soon.

**Mr ADDIS:** To put that in a bit of context, the regional grant scheme and the community chest under the previous government went up and down from year to year, had a couple of gap years, but was broadly in the range of that number to about \$1 million per region, from memory.

**Hon DIANE EVERS:** I understand under royalties for regions, there is a board, I believe, that approves royalties for regions funding. I am just wondering how this went through that process. Was it just Local Projects, Local Jobs it is going to go through and the board just says —

**Mr ADDIS:** I think you are probably referring to the WA Regional Development Trust. Is that the one?

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**Hon DIANE EVERS:** I am not certain of its name. People refer to it.

**Mr ADDIS:** Under the Royalties for Regions Act, there is a trust constructed. They actually do not have a project decision-making role; they have more of an overall program governance and advisory role to the minister, so they have not been involved in project-by-project decisions, either under the last government or through this scheme.

**Hon DIANE EVERS:** Were they involved in those initial meetings in terms of saying that this \$9 million is going to come from royalties for regions? Would they have been involved at all at that point?

**Mr ADDIS:** They would have had some visibility of that through the broader budget process. They would normally have some level of visibility of the overall royalties for regions budget planning and program formation. They would have some visibility, but not at a level of detail.

**Hon DIANE EVERS:** Not at the project level. All right, that is fine.

**The CHAIR:** Can I just get a sense, please—director general, perhaps you are best placed to answer this question or perhaps Mr Sabien is—of the \$9-odd million that DPIRD has allocated to Local Projects, Local Jobs, would you be able to break down how that expenditure has been spent over the last few financial years and what proportion of funding, presumably to those 81 projects, is still not yet spent?

**Mr ADDIS:** So timing of expenditure by year and what is left to spend?

**The CHAIR:** Yes. Do you have that to hand; if not, we could take that —

**Mr SABIEN:** Not to hand. We would be able to obtain that.

**The CHAIR:** That would be fabulous. I will give that A8.

**Mr SABIEN:** Can I just seek clarity, though, if I could, as to exactly what you are looking after?

**The CHAIR:** The type of the \$9 million, or thereabouts, that the total Local Projects, Local Jobs allocation that DPIRD is administering—the time in motion study of when money has been spent on a fiscal year basis.

**Mr SABIEN:** Okay, yes.

**The CHAIR:** Similarly, is it possible to break down at the level of development commission, the amount of money and also how that money has been spent or is likely to be spent across each fiscal year?

**Mr SABIEN:** I can read the list out.

**The CHAIR:** That would be useful.

**Mr SABIEN:** In terms of each of the development commissions across the total quantum of funding, the Goldfields–Esperance Development Commission was provided with \$728 000 and there were 14 projects. The Gascoyne Development Commission did not obtain any funding. The Great Southern Development Commission obtained \$1 million and there were 27 projects. The Kimberley Development Commission, \$1.005 million and 51 projects. The midwest was \$966 000 and 34 projects. The Pilbara Development Commission was \$1.142 million and 63 projects. The Peel Development Commission was \$2.070 million and 44 projects. The South West Development Commission was \$2 383 650 and 72 projects; and the Wheatbelt Development Commission did not obtain any funding.

[10.50 am]

**The CHAIR:** That is very useful information.

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**Hon JACQUI BOYDELL:** Given that there are nine development commission regions, and you have to manage all the development commissions, and the relationships and aspirations that they have, how did you manage the Gascoyne Development Commission and the Wheatbelt Development Commission getting no funding from that program? Was there any feedback to you in the department from the development commissions about that?

**Mr ADDIS:** I am sure there was some level of disappointment from those regions but, essentially, that was the decision we were asked to deliver on by ERC and, broadly, I think the commissions have all just got on with delivering on it.

**Hon JACQUI BOYDELL:** The ones that got funding?

**Mr ADDIS:** Yes, and I am certainly not aware of enormous feedback on that measure from either of those two commissions, but that is a while ago now.

**Hon COLIN TINCKNELL:** Had you ever seen that sort of funding in the past —

**Mr ADDIS:** Differential?

**Hon COLIN TINCKNELL:** — where six or seven get funding and two miss out completely?

**Mr ADDIS:** From time to time over the last several years, there have been times when the funding has been skewed to these regions, and not to those regions. It has shifted over time —

**Hon JACQUI BOYDELL:** But absolutely no funding to the development commission—have you seen that before?

**Mr ADDIS:** No, I do not recall; I do not think so.

**Hon ALANNA CLOHESY:** Have you ever analysed election commitments prior to this? Have you ever analysed them by region, by development commission? You characterised these series of projects, so they were given to you as a series of election commitments to administer, and implement. Is that correct?

**Mr ADDIS:** Yes.

**Hon ALANNA CLOHESY:** Have you ever analysed a series of election commitments by development commission before, to see the variation of the difference in those election commitments by region, by development commission?

**Mr ADDIS:** I am just trying to think if we have done that sort of region-by-region breakdown for election commitments per se. We always try to keep track of election commitments from all sides going into an election. I am not sure that I can recall having done region by region in that context, but, certainly, we do that on the broader department's, I suppose, program, region by region.

**Hon ALANNA CLOHESY:** I just want to stay with the election commitment component. Any government that comes, in prior to being elected to office, makes a series of election commitments. The election commitments prior to these ones, have they ever been analysed in terms of their equity and distribution across the development commissions?

**Mr SABIEN:** Are you referring to this term of government, or any?

**Hon ALANNA CLOHESY:** Any.

**Mr ADDIS:** I am presuming previous, because we have done it here, obviously, but the previous changes of government —

**Hon ALANNA CLOHESY:** Yes, but has that been done, in your memory?

**Mr ADDIS:** I do not recall doing an analysis of it, other than that we have probably had to answer a question on where the allocations were. So, for example, in the royalties for regions budget, quite fairly, we can say which ones were made as election commitments and which ones were not.

**Hon ALANNA CLOHESY:** And was there variation between the royalties for regions announcements? Some of those would have been election announcements prior to the previous term. Has there been any analysis done on the way in which the royalties for regions was distributed evenly across the development commissions?

**Mr ADDIS:** I do not think it was just as a result of election commitments, or that that has had a reasonably substantial impact on shaping the RforR program, so certainly we did regularly review the regional distribution of the overall program, and I think it would be broadly fair to say that, throughout the last term of government—I started shortly into that—there was a shift from essentially midwest, Pilbara, Kimberley and Gascoyne to some of the southern regions towards the back half of the last term of government. There was a shifting of regional allocation and balance.

**Hon ALANNA CLOHESY:** So the community chest grant scheme, for example—did each of the development commissions receive the same amount of money to administer per region?

**Mr ADDIS:** I think it had always been pretty much a split.

**Mr SABIEN:** Each commission was provided with an allocation.

**Hon ALANNA CLOHESY:** But the variation came in election commitments and other shifts in government priorities?

**Mr ADDIS:** Yes, that is right, but keep in mind the RforR program in whole is \$1 billion a year, and the RGS and community grants are sort of several million, as a very small part of the whole.

**Hon ALANNA CLOHESY:** Okay, so it is a small component.

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

**The CHAIR:** Can I ask, just with respect to the useful breakdown by development commission of allocation, is it possible as well to get a sense of which seat, or which location within each development commission, received a certain amount of projects, funding or support?

**Hon ALANNA CLOHESY:** By “seat”, he means “electorate”.

**The CHAIR:** By electorate—do you keep that dataset?

**Mr SABIEN:** We do not keep that dataset.

**The CHAIR:** All right; it is not a request for supplementary either. I just wanted to know what—if you do not ask, you do not receive. In respect of the 305 projects which your department takes carriage of—you have got a very thorough grant application and acquittal process—have any of those 305 projects been problematic from the perspective of satisfying yourself that they have been properly acquitted?

**Mr ADDIS:** Keep in mind that I only acquitted 227 or so. From my perspective, and I am not in the detail of this, week in, week out, but my sense has been of a fairly smooth overall process. I have not been made aware of any major dramas, but ideally most of the small dramas get dealt with at commission level, and there is never a need to put them up to me.

**Mr TREASURE:** I can answer from a regional, midwest perspective. Again, we had 34 projects; 22 have been acquitted. The process has been pretty good. There is a lot of work at the front end to actually sit down with the proponent, establish parameters, put the milestones in place, get agreement, sign up, and we are both on the same track. Then it is just a matter of monitoring milestones on the way through, and being flexible so that if something happens in delivery, they

need to come back for an alternative approach. Commissions are very strong on grants. We have been doing it for a long time, and our process is pretty much watertight.

**The CHAIR:** At the outset, it was mentioned that one project had been cancelled. Can I get a sense of what that commitment was, and why it was cancelled?

**Hon ALANNA CLOHESY:** Perhaps, Chair, maybe it is just —

**The CHAIR:** I will ask the question first, and then I will see what response.

**Hon ALANNA CLOHESY:** You might want to be careful about naming the name in public.

**The CHAIR:** I am just asking, we will see what the —

**Mr ADDIS:** It was a small grant of \$5 000 for program support to a community entity in the south west.

**The CHAIR:** Okay, and the reason for cancellation?

**Mr SABIEN:** I do not know what the answer is, but we could certainly obtain that information if you wish to find out.

**The CHAIR:** Yes, by way of supplementary question, please—supplementary A9. You do not have to identify the recipient. I am actually not interested in the recipient, but I find that interesting. A \$5 000 allocation, in the broad sweep of things, is actually quite a small amount of money, so to me that is an interesting indicator.

This is my last question, unless anyone else wants to jump in. We have gone in and out of this, but with respect to the job creation element, and I understand that the focus of the department was, I suppose, local content, which is axiomatic of any program that a development commission is going to have some carriage of—someone locally has to provide the service—have you been asked, at departmental level, to undertake any form of economic analysis of the benefits of the Local Projects, Local Jobs program, in terms of job creation?

[11.00 am]

**Mr ADDIS:** I do not think so.

**Mr SABIEN:** No. There has been no direct request.

**The CHAIR:** And that has not been a feature of the quarterly reporting that you have put up to the minister or the DPC to date?

**Mr ADDIS:** No.

**The CHAIR:** Are you likely to do a desktop analysis?

**Mr ADDIS:** I think our analysis pretty early on was that this was a modest overall program spread across a large number of projects, which meant that the average was just on \$30 000 per project. To do any useful, meaningful, detailed analysis was difficult in the extreme and likely to provide limited benefit, so we thought the project logic that said, “If we encourage local content as a key driver, that’s likely to provide the best local stimulus that we can hope for, given the scale and parameters.”

**The CHAIR:** Okay.

**Hon JACQUI BOYDELL:** I might make a comment and then get your assessment back. I would not have thought that the development commissions and the Department of Regional Development, as it was previously, would not have already had local content as a driver of regional development. So in itself, I would think that that is a perfectly sensible way to approach the issue of how do you either

sustain or create local jobs is through local content, but that is not purely a driver of Local Projects, Local Jobs, it is a principle of your department.

**Mr ADDIS:** Yes, that is right, and I think increasingly so, now that the commissions each have a local content officer whose sole job it is to drive that outcome, so I think it is a sharpening focus, which I think is a positive thing.

**Hon JACQUI BOYDELL:** When did that officer —

**Mr ADDIS:** In about the first two months of the government. It was a pretty immediate priority. It took a while to happen everywhere in a settled state, but I think it has been a pretty constructive thing.

**Mr TREASURE:** They have been great appointments for the region. We have now really strong connectivity between the business sector and the regions because of those positions. You get good line of sight now with any state government contracts coming up and because of the relationship buyers have with the business community, they are very much a good early indication of those opportunities, so that connection puts us in a stronger position to try to —

**Hon JACQUI BOYDELL:** Are there reporting mechanisms on that?

**Mr TREASURE:** Sorry?

**Hon JACQUI BOYDELL:** Is there a reporting mechanism back to the minister on that position?

**Mr SABIEN:** On those, all nine of them, there is regular reporting back into —

**Hon JACQUI BOYDELL:** But that position had no link to Local Projects, Local Jobs?

**Hon ALANNA CLOHESY:** Other than it was an election commitment.

**Mr ADDIS:** Yes, and it had roll-out —

**Hon JACQUI BOYDELL:** To the delivery of the program, there was no link in those positions?

**Mr ADDIS:** The local content officers were being rolled out at the same time, but it certainly did not really hit the ground until this was well advanced.

**The CHAIR:** Can I ask one final question on the job creation element? I am going to assume that this might relate to the program support category. Are you aware of any salary positions being supported or FTE or partial FTE positions in any recipient organisation being funded by a Local Projects, Local Jobs allocation?

**Mr ADDIS:** Not off the top of my head, no. Are you?

**Mr SABIEN:** Not off the top of my head, no.

**The CHAIR:** Could I ask whether it would be possible to undertake that analysis as a supplementary question—whether any funding disbursement actually contributed to a salary cost?

**Mr SABIEN:** The program is not complete, so we would only be able to give you a partial answer to that question. That would —

**The CHAIR:** To date?

**Mr SABIEN:** That would require a little bit of time, because we would have to consult with all nine development commissions. I do not know how accurate that answer would be.

**Mr TREASURE:** Some context is important, too. A lot of these recipients are community organisations, so they run on the smell of an oily rag. There is not much there, so a lot of support we provide for some of those projects is not so much FTE-related but more support to the entity

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around trying to deliver on their agenda. Some of those have been supported in that context, so it is a little wider remit around community development.

**The CHAIR:** Okay, I understand where you are going. Does that mean that the program is being used to effectively support the operating expenses of some recipient groups? Because then there is an issue of the sustainability of those groups, post —

**Mr SABIEN:** I suppose the majority of these organisations, as Gavin has pointed out, are non-government organisations, and the funding would have been provided to assist them in delivering on a particular aspect. I suppose some small amount may have been contributed to assist that organisation in developing the paperwork or going to contract or doing the things they needed to do, but the bulk of the money was in actually delivering —

**The CHAIR:** What I am getting at is that there is no recipient group that has said, “Actually, we need this money to support a dedicated individual within our organisation, to” —

**Mr ADDIS:** Ongoing overheads; not as far as I am aware, and I would be surprised if it was, but we could do a basic scan to see if there are any —

**The CHAIR:** Well, an overview of if that has ever been; the answer might be no, but I am just curious to know, because job creation is a focus of the program and our term of reference. Perhaps it is more appropriate through you, director general, as a departmental high-level scan. That will be supplementary information A10.

**Mr TREASURE:** Can I just comment there, too. We are reluctant to commission or support a project which will create problems in, so we really try to make the project specific around the focus of the intent. So that is well-shaped and we work very closely around what is the makeup of a project to make sure we do not leave the entity in a worse position than they start with, so it has got to be around sustainability in terms of how we go about doing it.

**The CHAIR:** I would hope that attitude pervades every other development commission as well.

**Mr TREASURE:** I cannot speak for the other development commissions!

**Hon COLIN TINCKNELL:** I just want to get some sense of whether any extra measures are needed to ensure financial probity and accountability. Did you find that this program was different and that you needed to have special measures to ensure that?

**Mr ADDIS:** No, not that I am aware of. It was a pretty standard approach. The front end probably required a little more attention, given that it was not a standard grant process, so we had to go and engage with proponents and groups of proponents in the community.

**Mr TREASURE:** Usually, with the grants submission, some of the details in the submission. In this case, we had a proponent where the project, we had to put the parameters around it, so I think there was quite a lot of work at the front end between the commission and proponents to develop that content, and that formed the framework to the back end of the agreement in terms of milestones. A lot of work at the front end, but well worth it to make sure we get it right.

**Mr ADDIS:** To the extent that that front-end engagement with the proponents was a special measure to get it right from the get-go, the answer could be yes.

**The CHAIR:** That might do us today. Thank you for attending today. A transcript of this hearing will be forwarded to you for corrections. If you believe that any corrections should be made because of typographical or transcription errors, please indicate these corrections on the transcript. Errors of fact or substance must be corrected in a formal letter to the committee. When you receive your transcript of evidence, the committee will also advise you of when to provide your answers to questions taken on notice; I think we have about 10 of those today. If you want to provide additional

information or elaborate on particular points, you may provide supplementary evidence for the committee's consideration when you return your corrected transcript of evidence. Thank you very much for attending.

**Hearing concluded at 11.08 am**

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