

## GOVERNMENT RESPONSE TO FINDINGS AND RECOMMENDATIONS

### Public Accounts Committee Tabled Report No 9 – The status of the Ord-East Kimberley Development Plan

The table below outlines the Government’s position on each of the report’s findings and recommendations.

Finding	Recommendation	Commentary
<p>1. The Auditor General’s 2016 report Ord-East Kimberley Development directed four recommendations to the former Department of Regional Development (now the Department of Primary Industries and Regional Development). While the Department has taken some actions against each recommendation, it has fully satisfied the requirements of only one of them: the requirement to finalise and execute the Goomig Development Lease. All other recommendations remain incomplete, despite a 2016 undertaking from the former Minister for Regional Development that all recommendations would be implemented.</p>		<p>Finding 1 is noted.</p> <p>The status against the Office of the Auditor General (OAG) recommendations as at June 2018 was detailed in a letter to Public Accounts Committee (PAC) dated 13 June 2018. The letter, from the Director General, Department of Primary Industries and Regional Development (DPIRD), was included as appendix two to the Public Accounts Committee Report.</p> <p>Other relevant activity underway is detailed below.</p>
<p>2. The Director General of the Department of Primary Industries of Regional Development confirmed that an unwieldy governance structure involving too many agencies contributed to the delay in finalising and executing the Goomig Development Lease. While the Department now has a simplified governance structure in place, the effectiveness of this structure remains somewhat untested with Goomig the only landholding linked to the Ord-East Kimberley Development Plan to progress to the development lease stage.</p>		<p>Finding 2 is noted.</p> <p>Under the simplified governance structure, the McGowan Government was able to bring the Goomig Development Lease to a conclusion after many years of negotiation.</p> <p>The challenges in finalising the lease also concerned ensuring the State’s interests were properly protected in the lease conditions.</p> <p>Given the investment by the State to establish the Goomig Development, once the Goomig Development Lease Milestones have been met, this land will be farmed under a 50 year Irrigated Agriculture Lease with a 25 year option.</p>

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		<p>The Knox Creek, Mantinea, Ord West Bank, Packsaddle and Ord East Bank land parcels did not have this level of government investment. Developers were appointed through an expression of interest process with all approvals and infrastructure requirements the responsibility of the developer including:</p> <ul style="list-style-type: none"> <li>• obtaining water licence and environmental approvals</li> <li>• agreeing the aboriginal development package required under the Ord Final Agreement</li> <li>• agreeing project plan and development milestones with the State</li> <li>• all infrastructure requirements</li> <li>• clearing and land development.</li> </ul> <p>These land parcels are currently in the planning and approvals stage. This can take up to four years to achieve, mainly due to environmental approval requirements.</p> <p>The developer has rights and obligations under an Option to Lease. Once all approvals are obtained a four year Development Lease will be entered into. On completion of the agreed development milestones the land will be converted to freehold in acknowledgement the developer has borne the full costs of development.</p>
<p>3. In September 2016, the former Department for Regional Development advised the Auditor General that the total land under irrigation in the Ord-East Kimberley area would double from 15,000ha in 2011 to at least 30,000ha by 2021. We find it difficult to see how this target will be realised. While a development lease has been signed covering 6,665ha of the Goomig landholding, only 2,200ha of this land is under irrigation. Development leases are yet to be finalised for five other major landholdings representing over 11,000ha of irrigable land.</p>		<p>Finding 3 is agreed.</p> <p>The expectation regarding timeframes for development have been moderated based on the experience in the Ord, primarily due to timeframes to achieve environmental approvals.</p> <p>The estimate of 30,000 hectares under irrigation by 2021 is unlikely to be met given approval timeframes and the significant investment required by developers.</p>

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<p>4. The late delivery of key road and irrigation infrastructure, coupled with the current inability to finalise development leases on at least five major landholdings, has delayed the realisation of the sustainable economic benefits from agricultural development originally envisaged in the 2009 Ord-East Kimberley Development Plan.</p>		<p>Finding 4 is agreed.</p> <p>At the time of developing the Ord-East Kimberley Development Plan there was an underestimation of impact of environmental approvals process on timelines and cost of development.</p>
<p>5. The Director General's Steering Committee established to oversee the implementation of the Ord-East Kimberley Development Plan has been disbanded. In its place, an Ord Responsible Agencies Group (ORA Group) has been formed comprising senior officers from the Department of Primary Industries and Regional Development; the Department of Planning, Lands and Heritage; and the Department of the Premier and Cabinet. The ORA Group's role is to ensure there remains appropriate consultation and collaboration across Government relating to the residual aspects of the Ord-East Kimberley Development Plan.</p>		<p>Finding 5 is agreed.</p>
<p>6. Following criticisms from the Auditor General regarding the quality of project reporting that went to the former Director General's Steering Committee, the Department of Primary Industries and Regional Development has created a quarterly dashboard to monitor financial and performance targets on future projects managed by the Department. While this is a positive development, it remains unclear as to whether quarterly dashboard reporting will apply to the residual aspects of projects associated with the Ord-East Kimberley Development Plan.</p>	<p>1. The Department of Primary Industries and Regional Development implement a regime whereby it prepares quarterly dashboard reports on all outstanding matters relating to the Ord East-Kimberley Development Plan for consideration by the Ord Responsible Agencies Group at its bi-monthly meetings. Any confirmed variations to project costs or key timelines should be promptly and directly reported to the Minister for Regional Development by way of written and verbal briefing.</p>	<p>Finding 6 is agreed.</p> <p>Recommendation 1 is supported and will be implemented for the residual aspects relating to the Ord-East Kimberley Development Plan.</p>

Finding	Recommendation	Commentary
<p>7. In response to one of the Auditor General's recommendations, the Department of Primary Industries and Regional Development has taken some steps to improve governance processes around projects linked to the Ord-East Kimberley Development Plan. These include establishing the Ord Responsible Agencies Group as a smaller oversight body, and committing to ensure all future infrastructure projects are subject to business cases.</p>		<p>Finding 7 is agreed.</p>
<p>8. The Department of Primary Industries and Regional Development is yet to formally review or confirm the State's objectives for the future development of the Ord, despite the Auditor General recommending the Department do this by December 2016.</p>	<p>2. The Department of Primary Industries and Regional Development compile and provide to Parliament a detailed list of the State's specific objectives and clarification of its role for the future development of the Ord region within the next six months.</p>	<p>Finding 8 is agreed.</p> <p>Recommendation 2 is supported.</p> <p>Planning has commenced on the future Strategic Planning for the Ord Region and will be reported to Parliament through Minister for Regional Development; Agriculture and Food by 30 November 2019.</p>
	<p>3. The Department of Primary Industries and Regional Development improve its governance arrangements by ensuring its officers adhere to all elements of the Department of Treasury's Strategic Asset Management Framework, in particular the requirement for business cases, and that all infrastructure projects over \$100 million in value are subject to Gateway Reviews.</p>	<p>Recommendation 3 is agreed.</p> <p>DPIRD has a business case template that is based on the Department of Treasury's Strategic Asset Management Framework (SAMF) principles. Any applicant seeking major project funds from DPIRD would be required to complete this template, as would DPIRD if seeking funds through a budget process.</p>

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<p>9. The Department of Primary Industries and Regional Development is not aware of any significant review or evaluation undertaken by either the Commonwealth Government or the former Department of State Development, to assess the ongoing socio-economic benefits arising from the 27 projects linked to the \$195 million Commonwealth-funded component of the Ord-East Kimberley Development Plan.</p>		<p>Finding 9 is noted.</p> <p>Given the level of public funds invested in the project, our the State Government's focus is to work to complete the project before making an assessment of its socio-economic benefit.</p>
<p>10. The Department of Primary Industries and Regional Development was unable to provide data on crop yields for the 2,200 hectares of land currently being farmed by Kimberley Agricultural Investments Pty Ltd (KAI) at Goomig. Instead, the Department advised us that the data was 'best sourced direct from KAI if required' due to the 'commercial nature' of the information. We find it highly concerning a parliamentary committee cannot obtain such key data from the responsible department when it relates to a \$334 million investment of State money.</p>	<p>4. The Department of Primary Industries and Regional Development ensure that commercial-in-confidence issues within lease agreements related to the Ord-East Kimberley Development Plan do not preclude relevant public sector agencies from being able to provide accurate data on crop yields, or any other performance indicator, requested by the Parliament in future.</p>	<p>Finding 10 is noted.</p> <p>It is difficult to retrofit obligations to provide data on crop yields after contracts have been completed. It would appear that at the time the contracts were entered into, this matter was not pursued.</p> <p>The Department of Primary Industries and Regional Development is in the process of establishing a tool to assess Gross Agricultural Value in the Ord using established economic data overlaid with land use mapping functions.</p> <p>Recommendation 4 will be implemented.</p>
	<p>5. The Department of Primary Industries and Regional Development finalise its Monitoring and Evaluation Framework within the next six months and have it ready to apply to all future investments of public money overseen by the Department. The finalised version of the Framework should address the following shortcomings observed in the current draft version:</p>	<p>Recommendation 5 has been implemented in accordance with the Langoulant Inquiry recommendations.</p> <p>As a result, all projects funded are required to develop Monitoring and Evaluation plans. Standard plans have the following indicators: Employment, local content, leverage and usage (relating to service areas), which are translated into measures for each project.</p> <p>More detailed plans will have indicators sets and measure reflective of those outcome areas as per the Treasury Program Evaluation – evaluation guide.</p>

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	<ul style="list-style-type: none"> <li>• No apparent breakdown of construction and ongoing jobs across local, Aboriginal, interstate, and overseas worker cohorts.</li> <li>• No requirement upon the current developer of the Goomig landholding to report or record Aboriginal participation in its workforce numbers.</li> <li>• No indication that health and well-being indicators (especially relating to the local Aboriginal population) will be taken into account</li> </ul>	<p>Each recipient of funding is required to report on how it is tracking against its Monitoring and Evaluation plan on an annual basis and demonstrate value of the project at completion in the final report through measurement of outcomes.</p> <p>The Monitoring and Evaluation Framework will be reviewed to ensure shortcomings identified have been rectified where relevant.</p>
	<p>6. The Department of Primary Industries and Regional Development commit to regularly publishing the results of its Monitoring and Evaluation Framework on all new major infrastructure investments it oversees.</p>	<p>Recommendation 6 will be implemented.</p> <p>DPRID currently uses an Engagement HQ platform to publish evaluations undertaken. Address is as follows: <a href="https://www.engagingwithrfr.com.au/">https://www.engagingwithrfr.com.au/</a></p> <p>All new projects are required to have Monitoring and Evaluation plans in place. Measures are monitored at varying intervals but reported to DPRID on an annual basis.</p> <p>How best to represent the overall information being collected and analysed is yet to be determined.</p>