

**SUBCOMMITTEE OF THE STANDING COMMITTEE ON  
ESTIMATES AND FINANCIAL OPERATIONS**

**INQUIRY INTO PUBLIC SECTOR EXPENDITURE**

**TRANSCRIPT OF EVIDENCE  
TAKEN AT PERTH  
TUESDAY, 24 MARCH 2009**

**SESSION ONE**

**Members**

**Hon Sue Ellery (Chair)**

**Hon Brian Ellis**

**Hon Jon Ford**

**Hon Ken Travers (Participating Member)**

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**Hearing commenced at 10.17 am****O'NEILL, MS SHARYN****Director General, Department of Education and Training,  
sworn and examined:****McCAFFREY, MR PETER****Deputy Director General, Finance and Administration, Department of Education and  
Training,  
sworn and examined:**

**The CHAIR:** I have some formal business that I need to put on the record, then you may want to make an opening statement and we have some questions to put to you. On behalf of the committee, I welcome you to the meeting. Before we begin, I ask you to take either the oath or the affirmation.

[Witnesses took the oath.]

**The CHAIR:** You have signed a document entitled "Information for Witnesses". Have you read and understood that document?

**The Witnesses:** Yes.

**The CHAIR:** These proceedings are being recorded by Hansard. A transcript of your evidence will be provided to you. To assist the committee and Hansard, please quote the full title of any document you refer to during the course of this hearing for the record and please be aware of the microphones and try to talk into them. Ensure that you do not cover them with papers or make noise near them. I remind you that your transcript will become a matter for the public record. If for some reason you wish to make a confidential statement during today's proceedings, you should request that the evidence be taken in closed session. If the committee grants your request, any public and media in attendance will be excluded from the hearing. Please note that until such time as the transcript of your public evidence is finalised, it should not be made public. I advise you that publication or disclosure of the uncorrected transcript of evidence may constitute a contempt of Parliament and may mean that the material published or disclosed is not subject to parliamentary privilege. Would you like to make an opening statement?

**Ms O'Neill:** Yes, if we could. The Department of Education and Training takes seriously its responsibility to deliver on and implement the three per cent efficiency dividend. We believe that such practices head towards continuous improvement for the department in any case, so reflections on programs, practices, policies et cetera by way of efficiency and effectiveness are part of our approach to corporate governance and management of the department in any case. As you are aware as a committee, the three per cent efficiency dividend was applied to the total cost of agency services, which are shown in the income statement for the department in the 2008-09 budget papers. The intention of that was twofold—to reduce the appropriation to the department and to reduce the expenditure of the department. This has proved to be challenging for us due to the expectation, and rightly so, that front-line services would not be affected. I might note that about 75 per cent of the department's budget relates to school-based operations, which in my view are essential to maintaining front-line service delivery. The task is also pretty challenging for us in the department, particularly across schools, because schools are funded on a calendar year, and also resource allocations are determined in term 4 of each year so for our immediate savings, it has been challenging to get to that point. The department has undertaken a rigorous evaluation and review of

its practices, programs and ways of operating in order to provide a submission to the government towards the three per cent efficiency dividend.

**The CHAIR:** Thank you very much for that. We have some questions that we will work our way through. Can you confirm for us that your understanding is that what you are required to meet in terms of the three per cent is \$45.6 million for this financial year, \$93.6 million for the next, \$96.3 million for the next and \$99.3 million for the next, making a total of \$334.8 million?

**Ms O'Neill:** Yes, that is our understanding.

**The CHAIR:** Will you meet the target of \$45.6 million by 30 June this year?

**Ms O'Neill:** We have gone through all our programs for the 2008-09 period. To date, the savings proposed are \$17 million less than the \$46 million required for 2008-09. There are some reasons for that, as we have explained already, to do with calendar year funding of schools and also some of the commitments that we already had in place for contractual arrangements for schools.

**The CHAIR:** Are you able to give us the list—you might not be able to do it now—of how you have made the savings you have made? If you are \$17 million short, that takes you to \$33 million or so that you will meet.

[10.25 am]

**Ms O'Neill:** I am happy to speak about the submissions that we have provided to government that would cover the amount of savings we are talking about. Because of our commitment to maintaining front-line services, the kinds of things that we have done are largely around the administrative and operational budgets of the central and district offices, such as staffing in the central and district offices. That includes, in the central office, the training component and, in districts as well there has been a reduction in the number of staff and a general reduction in the operational budgets. There has been some reduction in programs across both the education and training areas in order to achieve the savings to date.

**The CHAIR:** The state of your budget, if I can describe it that way—how are you travelling in terms of your budget generally? Are you over or are you under budget?

**Ms O'Neill:** We have been managing a budget deficit over a couple of years. We manage it reasonably well through our cashflow variations and we underspend from time to time in key programs. At this stage we would anticipate a shortfall in 2008-09.

**The CHAIR:** To what degree?

**Ms O'Neill:** To the estimation of around \$50 million. However, we believe that we have sufficient cash resources to be able to manage the shortfall for that period.

**The CHAIR:** Is that over or above what you have had in past years? Is there a variation in that? I will get my colleague to clarify.

**Hon KEN TRAVERS:** I think I understood the answer. When you are talking about a shortfall, does that mean your expenditure this year will be \$50 million over budget?

**Ms O'Neill:** Yes, that is right. It would not be unusual for a department of this size to manage a shortfall of around \$20 million to \$30 million.

**Hon KEN TRAVERS:** I guess one of the issues that I have is whether the demand on your services is increasing. I certainly know that a number of students have left the private school sector. Has there been an increase in student numbers in the public sector? What is the estimated increase in demand for services?

**Ms O'Neill:** If you can excuse me for one moment, I will rifle through a few papers here. While I do that, I can say that there has been an increase in the number of students. I will give you some examples of that. Between last year and this year, on the basis of our census, we are looking at around 5 500 additional students coming into the public school system during 2009. Of course that

has a subsequent impact because the number of teachers required is driven by the number of students we have.

**The CHAIR:** Is that because of the population growth in Western Australia—we are having more babies than anyone else is—or is it a function of children transferring from private schools to public schools?

**Ms O'Neill:** I think it is a combination of those factors. Certainly when you look at the increase in the pre-compulsory years of K and P—kindergarten and pre-primary—between last year and this year it is quite a significant growth of 1 775 students. The magnitude of the growth is largely in the early years, which is a product of the increasing birth rate. In addition, we have had more students coming in through migration and the issuing of visas for work purposes. That would also, I understand, be the case for non-government schools. It is possible that there has been a return to government schools this year because of the downturn in the economy, but that is just anecdotal at this stage.

**Hon KEN TRAVERS:** Just to follow on, do you have any idea of what the additional cost to the department is in terms of teachers and capital works?

**Mr McCaffrey:** Capital works at the moment does not seem to be causing us a big problem because there was some capacity, particularly in the inner areas of the city. We are still doing the number crunching on the growth of enrolments, but it could be up to about \$12 million in a full year.

**Hon KEN TRAVERS:** You talked about the reduction in training in your regional offices or your district offices. Does that include a reduction in training for financial management training?

**Ms O'Neill:** We talked about a reduction of staff across the central and district offices. We would anticipate implementing that through natural attrition. If there are existing vacancies now, we would not fill them. That would be the main way that we would do that. We will not be creating redeployees.

**Mr McCaffrey:** The finance offices located in each of the district offices will be maintained. They are not part of any reduction in staffing that we are dealing with. I think that is what you were after when we talked before.

[10.30 am]

**Hon BRIAN ELLIS:** I would just like to refer back to the \$17 million shortfall you mentioned in the dividend for 2008-09. Did I understand correctly that you intend to work towards picking that up before the end of the financial year, or will it be picked up in the next financial year?

**Ms O'Neill:** The remainder—are you asking —

**Hon BRIAN ELLIS:** The \$17 million that you have not got.

**Ms O'Neill:** Yes; we have committed to continue to scour through all of our programs and to reconsider ways of operating such that we would be attempting to deliver the \$17 million, and the total across the four years.

**Hon BRIAN ELLIS:** Across the four years, but not in the end of this financial year?

**Ms O'Neill:** Between now and June?

**Hon BRIAN ELLIS:** Yes.

**Ms O'Neill:** No; we cannot anticipate that —

**Hon BRIAN ELLIS:** Is that taken account for then in your projections of the \$93.6 million saving for next year?

**Mr McCaffrey:** We have not adjusted that out.

**Hon BRIAN ELLIS:** You have not adjusted it?

**Mr McCaffrey:** Yes; we need to do that work that Ms O'Neill was talking about before we are in a position to say which years we will be able to pull it back from. How we manage that will obviously depend on the decisions taken by government as part of this budget process.

**Ms O'Neill:** Perhaps we should add that what I am speaking about here is the substance of our submission to the minister and government, and these are yet to be confirmed.

**The CHAIR:** Are they the submissions that you are going to make available to us?

**Ms O'Neill:** No; these are the submissions that we made to the government.

**The CHAIR:** Alright, just so I can clarify, because I am on an instruction from staff and I do not know that I did it properly, I need for the record to identify the documents that you have said you will provide us. So in answer —

**Ms O'Neill:** We have not listed any documents to be provided.

**The CHAIR:** I thought you did—maybe I misunderstood—when, at the beginning, you talked about the nature of the savings that you were making.

**Ms O'Neill:** No.

**The CHAIR:** Alright, I am going to ask you that question then. Will you provide us with the list of the identified savings that you think you can make to meet the three per cent dividend?

**Ms O'Neill:** For the purpose of clarity, we could take you through now the items that we have proposed to the minister that would constitute the savings that we have discussed, if you would like us to do that.

**The CHAIR:** Alright; if people are happy, we might do that then.

**Ms O'Neill:** Okay. I will just go through my notes. Sorry for that misunderstanding.

**The CHAIR:** That is alright; it might have been mine.

**Ms O'Neill:** We have already talked about the reduction in central office and district office staffing, largely through attrition or vacancies and the non-renewal of contract staff where it is not a front-line service. We have also instituted, or we propose to institute, a reduction in operational budgets. In terms of the program areas in education, a number of programs are coming to a conclusion around curriculum improvement, which is the producing of materials—that work is coming to an end. That was in our forward plan and so we will not continue to develop those products. Learning with ICT is a program that had a couple of hundred—200, I think—schools involved in assisting teachers to develop skills to use ICT—information technology—to deliver learning in classrooms. We have now combined that with another program so we are able to make some savings there. We had in the forward plan, syllabus development, but those syllabuses were delivered at the end of last year, so we have some savings there. We have some probably in the training area—sorry, I will keep going in education. There are once-off adjustments in the running costs of schools that will not impact on front-line services. We also proposed —

**The CHAIR:** Sorry to interrupt you, but can you give us some examples of what that means for schools?

**Ms O'Neill:** Perhaps if I could ask —

**Mr McCaffrey:** There are a number of costs, that we meet centrally, that support the running of schools—for example, property services. There will be some contractual arrangements dealing with copyright and a whole range of those types of things. We also have to provide for public liability insurance, workers' compensation insurances and a whole range of centralised costs. We always project out, as Treasury does, over a four-year period and we base our estimates on the knowledge that we have at the time. Every year we go through and revise these costs based on actual draw

downs. Another one would be security, for arguments sake, depending on the security contracts for the security that we provide around the schools. We will always find that there will be variations up and down depending on what the demands are in particular areas across schools. Those centralised costs—just thinking off the top of my head—would be the establishment of new schools. When a new school is built, we provide funds to the school to equip them with a whole range of resources. When we predict these over four years, we may have been anticipating, for example, six primary schools, starting in a year. As we get closer to that, the demand may change. There are those efficiencies in the running costs of schools that we can access to help offset some of the extra costs that the director general has referred to.

**Hon KEN TRAVERS:** May I just ask a question on that? It does not sound to me like some of those things are long-term sustainable savings. There may be, based on last year, a saving for next year, but there could be a number of break-ins and the cost of providing security will go through the roof. In terms of the establishment of new schools, is there not a fixed commitment by the new government as to the number of new schools?

**Mr McCaffrey:** True.

**Hon KEN TRAVERS:** Are you expecting all of those schools to still be built?

**Mr McCaffrey:** Yes, we are. The projections that we did, going back, I think, to 2007-08, for the out years, were based on a demand for six primary schools. I think it has been announced already that only two will be required to be built in 2010. Those funds are there to assist us in meeting these shortfalls. You are correct about security because it is a contractual arrangement, but the number of break-ins at a school does not necessarily create a need for greater security to the degree that you may expect. The impact on us as an agency is probably more to do with the correction of whatever damage is done, so that is handled as well.

**Ms O'Neill:** The other areas in the training —

**Hon KEN TRAVERS:** Sorry, can I just ask how many schools over the next four years you are basing that on? How many new schools are you predicating will be built over the next four years?

**Mr McCaffrey:** I think it is 14. The Liberal government announced that it is going to build at least 14 schools. We keep a very close watch on the demographic changes across the state that drive the demand in those particular areas. We have always been reluctant to nominate which schools they are—as you are probably aware—more than two years out, because changes can occur quite quickly.

**Ms O'Neill:** We will reduce a number of programs across the training field. I will name some of those. Profit from Experience, which is the provision of career guidance and work experience; we have EDNs—employment directions networks—that will take up, I guess, the slack from reducing the Profit from Experience program, so that will not impact on front-line services; we have various programs for curriculum development and curriculum support in the training field that we are able to reduce without impacting on front-line services, and TAFE colleges have their own capacity to undertake some of that work; we are developing an online package for people to be able to use the First Click program, which is a computer literacy program and is a more efficient way of going about that; there will also be a small reduction in the TAFE research and development fund in order to bring forward some savings. That is a whole range of the examples that we put forward in our submission.

**The CHAIR:** Right; thank you. John?

**Hon JON FORD:** This is a question that we ask most people: how do you define front-line services? What is your definition of front-line services?

**Ms O'Neill:** Front-line services—I just want to find that piece of paper if I could—is in our view certainly the delivery of education in schools. There is no question around teacher ratios or

education assistants. I believe that the delivery of front-line services is the maintenance and good order of schools and the way schools operate. That is why I take us to the point that I made previously about a large part of our budget being fully invested in the delivery of programs in schools.

[10.40 am]

We would include in maintaining schools things like the staffing in schools; direct school expenses; employee housing; redeployment and transfer of staff; maintenance and security issues that Peter was talking about not impacting on maintaining a secure environment but finding more efficient ways of doing that; insurances and workers' compensation. In our view all these things are front-line services, because we need them to be in place to maintain schools.

In the training division we have the TAFE colleges that have put forward submissions in their own right, but from the training perspective. To maintain training programs, particularly in the current economic environment, we would want to ensure that we are able to link people to job opportunities and maintain training effort around apprenticeships and traineeships. So, it is a fair sum of our work.

**Hon JON FORD:** Is the additional number of students of about 5 500 for this year?

**Ms O'Neill:** Yes. It is a rapid increase from 2008 to 2009. We are completing our census now.

**Hon JON FORD:** Are you doing any modelling on trying to forecast demand?

**Ms O'Neill:** Yes, we have done extensive modelling around supply and demand. The committee would be aware that the shortfall in teachers over the past two years has been publicly noted. We started this year with a vacancy of eight teachers, whereas two years ago we were at 264. It is true that the forecast that was put out probably 18 months ago still remains; that is, within a couple of years we will go into considerable shortages of both primary and secondary teachers. People have asked me whether that is ameliorated by a slowing down in retirements and resignations that one would expect in an economic downturn. That is true, but this injection—the point you made of many, many students—offsets the slowing of retirements and resignations. While we are in a good position and we are doing an extraordinary amount of work in attraction, recruitment and retention, our forecast could possibly go into the thousands in four, five or six years, which is consistent across the world.

**Hon JON FORD:** Are you forecasting an ongoing increase?

**Ms O'Neill:** We are forecasting an ongoing shortage of teachers, but not in the next two years because of some of strategies we have in place and the circumstances. Certainly after that, in 2013, the prediction at this point is for a considerable shortage in both primary and secondary teachers.

**Hon JON FORD:** You said that the education budget currently is \$50 million overbudget. Therefore, you will not meet the three per cent efficiency dividend by 30 June. You said that want to still achieve the three per cent efficiency dividend over the next four years. You have forecasted a growth in students. You also talked about how you make your decisions based on demographic changes and watch that carefully. How confident are you that you will make the three per cent cut?

**Ms O'Neill:** As I said from the outset, it will be challenging for us, particularly given that so much of our expenditure is wrapped up in the delivery of front-line services. It is clear to us that we have to find more efficient ways of delivering, and that is what the department has committed to do. Certainly we are confident that we will continue to look at everything; so everything is on the table for consideration. At this point we still believe that while we will need to be discussing the increase in student growth, because it is a challenge for us, we have to find ways of operating differently.

**Hon JON FORD:** I will put this scenario to you: In 12 months, when you are still exceeding your budget expenditure and you have additional growth because of the downturn and people are pulling

their kids out of private schools and putting them into public schools, what areas would you look to for further savings?

**Mr McCaffrey:** When we talk about looking at our projections—when we get the census each year it is the modelling that is done that predicts the likely outcome over the next eight to 10 years. My experience has been that, irrespective of which government persuasion, as part of the normal budget process we are invited to advise Treasury of the cost and demand pressures that are outside the scope of what our initial predictions are. Over the past probably three or four years enrolments have been fairly stable and it is not something that we have needed to deal with in the short term. I have already had discussions with Treasury about what the likely outcome would be if enrolments started to escalate, which is what we are seeing now. I expect that as part of the normal budget process, if not this year, although we had our challenges in 2008 and still do in 2009, when we get to the next budget round we will be in a better position to more accurately reflect to Treasury how our enrolments have grown and what the likely resource requirements would be. We would argue very strongly that it needs to be taken aside from the three per cent scenario and dealt with as a legitimate cost and demand pressure that we had not been able to predict at the time the forward estimates were set.

**Ms O'Neill:** The point is that it is an interim process. While it has been stable, we have been appropriated at that level. The change in demography is good reason for us to have further discussions with Treasury about how we are funded to deal with the cost and demand pressure.

**The CHAIR:** Can you identify what you are seeing as cost pressures in terms of building equipment, wages and those sorts of things?

**Ms O'Neill:** We talked already about the enrolment pressures. Alongside that, and I think we have talked about this publicly as well, is the demand in teacher housing that we face.

**The CHAIR:** Are there particular areas where that occurs?

**Ms O'Neill:** It continues to be in the north west—that would be a reasonable characterisation of it. We also have pressure from teachers in some locations about the standard of that housing and we certainly agree that they deserve to be well housed. Maintenance has been an ongoing pressure for us and we have had discussions with government about responding to maintenance. We need to maintain our effort across many programs for our COAG co-investment. To attract that kind of funding under the new education agreement in areas of, particularly literacy, numeracy, low SES and teacher quality, we have to demonstrate a maintenance of effort across those areas. That has complicated our approach to finding the three per cent. We have been able to deal with that. They are some of the key demands.

Also, the current government has made announcements around behaviour management and that continues to be a cost and demand pressure for schools that we have tried to deal with. We certainly have our eye to improvements in literacy and numeracy on the national test.

[10.50 am]

In the training portfolio, we now have a very strong return to institutionalised-based training, which is normal in this sort of environment. In an economic downturn people tend to return to the programs that very often are provided at TAFE colleges, so we have a growth in demand there as well.

**The CHAIR:** Can I take you back through the list of efficiency savings that you are seeking to put in place, which you listed? Are you able to provide us with the dollar value of each of those items that you listed? You do not have to do that now but can take it on notice and provide to the committee later.

**Ms O'Neill:** We could probably give you an overview of that now, if that suits the committee.

**Mr McCaffrey:** Is it all right if I give you a total over the four-year estimates period?



**The CHAIR:** It would be helpful if we had the components for between now and 30 June, and then further.

**Mr McCaffrey:** In the administration-operations elements that the director general referred to, which are the three per cent cut and the 10 per cent reduction on contingencies, we expect to realise about \$7.4 million. We are targeting \$11 million in the central schools services and programs area of the schools sector. On top of that, in the training sector, there is another \$1 million for administration and operations, and training and support has another \$2.5 million. We have also considered other options, and whilst these options cannot help reduce expenditure we can offer up other revenue streams that come into the department to help ease the appropriation demands from government. So there are a number of options across all those areas. That is what we are aiming for at the moment.

**Ms O'Neill:** If I could also add the reduction of grants directly to TAFE colleges —

**Mr McCaffrey:** Yes, that is correct.

**Ms O'Neill:** — which is required separately, and which for this period would be about \$4 million.

**The CHAIR:** What would that mean for TAFE colleges?

**Ms O'Neill:** Individual TAFE colleges provided submissions individually to the minister for training, so it will mean different things in different colleges. By and large, they would be captured by the same sorts of approaches that we have talked about before: not filling current vacancies; the same reduction in operational budgets and reducing some programs that would not be considered front line. We have taken a similar approach in each TAFE college across the whole system.

**Hon KEN TRAVERS:** Are any TAFE colleges exempt from that reduction?

**Ms O'Neill:** No.

**Hon KEN TRAVERS:** Are regional TAFEs included?

**Ms O'Neill:** It is proportionate to the size and scope of the TAFE college.

**Hon KEN TRAVERS:** We often hear about the difficulties posed for the smaller TAFE colleges. A large TAFE might be able to find a cut easily, whereas a small regional TAFE might find it a lot harder to manage a three per cent reduction across the board.

**Ms O'Neill:** No, they have not been exempt from it. But we certainly will be monitoring very closely any impact on TAFE colleges.

**The CHAIR:** Can I abuse my position in the chair and ask you some questions around capital works projects, and then I will turn to my colleague John Ford.

The committee is aware that the government is doing an across-government review of capital works projects valued at over \$20 million to see what it can pull back from there. Could you identify the projects you might have that fall within that category; and then in those projects that are \$20 million or less the reviews you are doing yourself about your own capital works projects?

**Mr McCaffrey:** The major projects, as part of that review, that affected the department in the short term included the Governor Stirling Senior High School rebuild —

**The CHAIR:** Are you talking about those capital works projects that are over \$20 million?

**Mr McCaffrey:** Yes. — and also the realignment of secondary education in Karratha. The process in the capital audit committee was quite extensive, and I think it is fair to say that at the time we were looking at those particular items, the federal government announced the Building the Education Revolution. One of the requirements on the states that participated in that funding round was that they would not reduce state expenditure. A few weeks ago we have had some discussions with the Treasurer, and we were advised that there would not be any reductions to the capital works program as published in the forward estimates. There would not be any reduction to the

\$300 million investment in schools nor the \$50 million allocation for other smaller projects over the next six years. We worked through that process, and we have been advised that we maintain our program.

In some respects there has been a slight change in the timing of some of the projects, which has enabled us to look at other pressure points, in particular upgrading science facilities in secondary schools, and also some of the areas that contribute to maintenance problems, such as replacing air cooling, air conditioning, heaters and the like in schools. So, at this stage, our capital works program is looking very strong. It is actually so strong it is a bit scary. It looks like it could be up over the \$2.5 billion mark over the next four or five years. It is a big challenge, but we are working towards meeting those deadlines set by the commonwealth.

**The CHAIR:** If I understand you correctly, the commonwealth demanded that you not try to hide savings made in the states by using its money to cut your expenditure. Have you shifted your time lines though?

**Mr McCaffrey:** Only in the context of the demand of some of the projects that were envisaged to be put in place. It is based—again as we mentioned earlier—on the demographic need. Where it may have been envisaged that a particular primary school would be built by 2011, if the numbers are not holding up we have suggested we should not build that school until such time as it is required. They were the sort of changes that we were able to make. The last thing we want to do is build a school and find that it is only partially full.

**Hon JON FORD:** I want to go back to the training portfolio. Unlike other education areas that have a statutory requirement for people to stay at school, we do not have the same requirement in TAFEs. You talked about an increase in demand. Typically, with an economic downturn, people are returning to technical and further education. We know of a lot of young people who left school to go into the mining industry, so it is pretty sure they might come back. When you talk about a reduction in operational expenditure, is not one of those tools that you could use to cap the amount of places that you have available?

**Ms O'Neill:** I will comment on the first part of your question about the leaving age. Under the new legislation students do not have to stay in school, necessarily, until the end of the year in which they turn 17. They have to be either in school, training, employment or university, so they have the option of doing any of those things. With respect to the greater demand for institutional-based training and the kinds of savings that we are envisaging making, we will be able to redirect some of our funding that ordinarily would be spent in the apprenticeship and traineeship area to meet demand. We are not of a mind to cap demand at this point because it is a fairly unstable environment. This is an unexpected turn in our projections and our plans for the future. At this point, we feel that we are able to manage the demand that we have, even with the savings that we are envisaging.

**Hon JON FORD:** I wish you luck with that, given that you are already \$50 million over budget. What do you mean when you talk about operational expenditure, particularly as it relates to the training portfolio?

[11.00 am]

**Ms O'Neill:** Before I answer a question about savings in operational areas, I am not sure whether the committee knows—perhaps it is; I am happy to told—that TAFE colleges are authorities in their own right with their own managing directors and their funding arrangements are different. Okay, then I will not go there.

When I am talking about operational savings, and not talking about TAFE colleges, I am talking about the central office with respect to training in Royal Street. The corporate executive asked education and training, corporate services and everyone to go through all their operational budgets. People have business units for all their work—travel, stationery, marketing. Every one of those

budgets has been reduced by 10 per cent across the board. We believe this is manageable. In fact, this is one area, despite the fact I said that all the lists I went through before are proposals that are yet to be endorsed by government, we have already moved on the 10 per cent operational savings across all those budget areas. It is something we did some years ago. It is manageable and it does not impact on front-line services.

**The CHAIR:** I am conscious of the time.

**Hon KEN TRAVERS:** Regarding the inclusion policy in schools, will the three per cent cuts have any impact on the way you manage children with disabilities in the way they are assessed or resourced?

**Ms O'Neill:** No; we remain, of course, strongly committed to supporting those students. Students with disabilities attract additional support and that would not be within the purview of a three per cent reduction.

**Hon KEN TRAVERS:** Will there be any impact on individual school budgets? Will the individual budgets allocated to schools be in any way reduced?

**Ms O'Neill:** No; the school grants will not be reduced. We have given some consideration to how we manage those across the system but no school grant will be reduced.

**Mr McCaffrey:** We are investigating one element of efficiency. For the past three years, I have been advising schools that we have found that schools have not been using, in the year in which they are allocated, funds that we hold on their behalf centrally in the school salary pool, which they draw on for specific projects. We therefore foreshadowed, I think two years ago, that on an annual basis I will start reviewing how they are using those funds. This year we have identified a number of schools for review and we have communicated to them, based on the information they have provided and the information we have, that we will be withholding a small amount of some of their school salary pool to assist in offsetting some of our additional costs. That is part of the three per cent savings. It is not something that is new as such, it is just that we have taken a harder line on it, I think you could say.

**The CHAIR:** Are you able to tell us now your current FTE for primary, secondary, VET and country high school hostels? If not, you can provide it in writing?

**Ms O'Neill:** We can tell you our total DET FTE but we have not brought with us today the detail by sector.

**Mr McCaffrey:** We have it as part of our forecasting.

**The CHAIR:** You provide it in the budget, for example.

**Ms O'Neill:** It is a level of detail that we did not bring today, but we certainly can tell you our overall DET FTE.

**The CHAIR:** Which is?

**Ms O'Neill:** The average for the year to date as at 19 March is 32 257. So people are aware of it, that includes all DET relief teachers—everyone.

**The CHAIR:** The Treasurer announced on 3 February that he was putting an immediate cap on the public sector workforce at 99 155. Do you know what your component of that is?

**Ms O'Neill:** Yes, we do; it is 31 260.

**The CHAIR:** To the extent there is a difference, what is the requirement on you to do anything about that?

**Ms O'Neill:** FTE, particularly in response to teachers is not something we can cap. If kids turn up, there is demand. It is demand driven so teachers are provided. The ceiling for us is certainly a new and interesting notion. If we go on 19 March figures of 32 257, that is about 1 000 over the ceiling

as provided to this department. We would certainly want to talk about the fact that that includes relief teachers so they are not all continuous staff. Also, if we go back to our previous discussion in terms of growth and enrolment of 5 500 students, in attending to the difference in that ceiling, we think that we are going to come close to that.

**The CHAIR:** I take it from what you are saying that there is a process by which you can have “negotiations” I suppose around how you address the discrepancy. Is that right?

**Ms O’Neill:** As we always do, we intend to have discussions with Treasury. We do that on an ongoing basis as our circumstances change. Our circumstances are changing.

**Hon KEN TRAVERS:** Do any of your industrial agreements contain minimum requirements for staffing levels or other staffing, whether they be teachers or other support staff? How will that impact on the FTE issues? Have you engaged in any consultation with any of those organisations, if you need to, around these changes of FTE and any other changes?

**Ms O’Neill:** Through not only our recent but also our historical enterprise bargain or certified agreement arrangements with the union, we have what are referred to as class-size targets. They are expressed from K right through to years 11 and 12 and include practical and the like. There is also a clause about flexibility, because, in some instances, those class sizes may differ and the flexibility involves teachers making decisions about whether they are willing to have bigger class sizes than what is provided for or what is expected. Often the teacher, and obviously the student, benefit because it might be willing to take one more but we will have a music specialist, so it is by negotiation. That is certainly in the agreement. This department funds schools and the agreement in the teachers certified agreement is that we will fund schools such that they can work and deliver on those class sizes. I am saying that schools will be resourced to meet the class size numbers that they are required to meet in the industrial agreement.

**Hon KEN TRAVERS:** So you do not need to renegotiate with the union. Basically, your negotiations are about increasing your cap rather than having negotiations about increasing class sizes?

**Ms O’Neill:** Yes; we are not negotiating to increase class sizes. Because we do not intend to reduce the number of teachers there is no need to renegotiate with the union around this. With regard to our other FTE reductions, when we talked about the central office and the district office, we do not intend to create redeployees. We think we can manage this by not filling existing vacancies and those that occur by attrition and those sorts of processes, so to date, we have not seen the need to negotiate with unions if that is what you are asking. If we were in a position in which individuals somehow felt they were impacted on, of course we would need to respond specifically to that case and could talk to unions around that. But at this point we do not envisage that need.

**Hon KEN TRAVERS:** I am struggling to work out how, if you have 5 500 students coming in, you are predicting that you need only two schools built in 2010. How does that work? You have had steady enrolments, and we have been building up to six primary schools a year, you are going to build two next year with 5 500 additional enrolments.

**Ms O’Neill:** They do not all turn up to the same school.

**Hon KEN TRAVERS:** I understand that. Are you saying that growth is not happening in the fringe areas of Perth where we have been building the new schools?

**Mr McCaffrey:** Yes it is. It takes us about two years from planning to build a primary school so this aberration of numbers has occurred as part of 2009. Part of our projection modelling would be: how does that affect our plans? Yes, it will be a consequential impact, but when we suggested schools to be opened in 2010, we did not have this data. So, for 2011, based on these projections, there will be a review of the schools and where the priorities areas are and whether it is four, five or six is something we would need to negotiate with the government to explain to it that this has

happened. It comes back to Ms O'Neill's comments about the growth in our salary costs because of these increased enrolments and not changing staffing formulas.

[11.10 am]

As part of the budget process—the interim process that we go through—those are the sorts of cost and demand pressures that we would be putting forward to get some support for resolution.

**Ms O'Neill:** The question is a good one. Will it put some pressure on our accommodation? Yes. We will manage that in the interim.

**Hon KEN TRAVERS:** And your budget over the forward estimates, I would have thought.

**Ms O'Neill:** Yes.

**Hon KEN TRAVERS:** What are we running at—about \$14 million or a bit more for primary schools at the moment?

**Mr McCaffrey:** Yes, it is about \$14.5 million.

**Hon KEN TRAVERS:** Fourteen and half, so you start to add on extra primary schools. That is going to put a cost pressure on your budget in the out years, I would have thought.

**Ms O'Neill:** Yes, so when the member wished us good luck, we take that. Thank you.

**The CHAIR:** I am going to wrap it up, because we have a long day. Thank you very much for your contribution. There may well be things that we want to follow up with you, and we will do that in writing and request your responses within about two weeks of that.

**Ms O'Neill:** Thank you.

**The CHAIR:** Thank you.

**Hearing concluded at 11.10 am**