



Education and Health Standing Committee

Annual Report 2013–2014

Report No. 3
September 2014

Legislative Assembly
Parliament of Western Australia

Committee Members

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**Published by the Legislative Assembly, Parliament of Western Australia, Perth.
September 2014.**

ISBN: 9781925116274

(Series: Western Australia. Parliament. Legislative Assembly. Committees.
Education and Health Standing Committee. Report 3

328.365

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Presented by

Dr G.G. Jacobs, MLA

Laid on the Table of the Legislative Assembly on 25 September 2014

Chair's Foreword

Following the establishment of the Education and Health Standing Committee after the 2013 election there was a view amongst Committee members that any inquiry should focus on matters that involve the way in which the two largest government agencies (the Departments of Education and Health) manage their programmes and projects. The Committee was also conscious of the need to deliver recommendations and results in a timely manner.

In relation to programme management, a preliminary investigation revealed that the Department of Education's handling of their accumulated leave liability was not satisfactory. The caps decreed by Treasury in June 2012 were not complied with and the cost of the "blow out" that subsequently occurred appeared to be levied onto each school. Eventually, and with some comprehensive work by the department, the committee was mildly reassured that this over accrual would be properly managed and reined in. The Department of Education's progress in decreasing its leave liabilities will be monitored by the Committee. An interesting footnote to this matter is that anecdotally our teachers in our schools are now being requested to take long service when it falls due.

In relation to project management, a formal inquiry came about as a result of the concerns we had as a committee principally around the information and communication technology (ICT) systems for the new Fiona Stanley Hospital. These concerns were prompted in particular by announcements of delays to the opening of the hospital and early questions revealed that ICT management was problematic. Of particular concern to the Committee was the apparent absence of any mechanism to correct these deficiencies and, indeed, a management structure that allowed falsely reassuring information to be reported to the task force that had been specifically created by cabinet to oversee the commissioning of the hospital on time.

One consequence of this was that many things that became clear with the benefit of hindsight, and that perhaps were clear to some working on the project at the time, were only acknowledged at senior levels too late. This was particularly the case with respect to the original vision for a paperless hospital. Indeed, almost all of those that we spoke to recognised that the vision was probably never achievable on the original schedule!

The Committee formed the view that one glaring matter that contributed to this problematic management of the project was the out-dated legislation under which the Department of Health operates. We recommended the repeal and replacement of the *Hospitals and Health Services Act*, which is a law dating back to 1927. The structure it describes now bears no resemblance to how the modern Department of Health is

administered, and the Director General derives much of his authority via a confusing array of delegations and separate statutory powers from other laws. New legislation needs to define the powers of the Director General and reflect the current administrative structure of the Department. Accountability and governance within the Department would be improved by these changes, and the Committee intends to monitor the progress of these legislative changes.

We are thankful to Professor Bryant Stokes and Dr David Russell-Weisz for their help to the Committee during the inquiry and their efforts to see this project to fruition.

With respect to the issue of the fluoridation of our public water supply, there is public interest in the issue, and the Committee has met with representatives from both sides of the debate. The Committee is unsure of the need to initiate a formal inquiry at this stage, but it maintains an open mind and awaits the completion of the National Health and Medical Research Council's review of fluoridation.

Finally, I would like to express my appreciation to the Committee's staff for their assistance during the year, particularly principal research officer Mathew Bates who has been with us all through, and recently assisted by Daniel Govus. The Committee also acknowledges Alice Jones and Catie Parsons for their past roles as research officers and wish them both all the best with their new family additions. I also extend my appreciation to my fellow Committee members for the collegial and cooperative way in which the Committee has functioned.

A handwritten signature in black ink, appearing to read 'G.G. Jacobs', with several overlapping loops and lines extending from the signature.

DR G.G. JACOBS, MLA
CHAIR

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Chapter 1

Committee Activities

Introduction

This report covers the work undertaken by the Education and Health Standing Committee of the 39th Parliament during the financial year 2013–2014. During the period between 1 July 2013 and 30 June 2014, the Committee:

- held 32 deliberative meetings;
- took evidence from 48 witnesses at 22 hearings;
- conducted one inquiry and tabled two reports; and
- did not undertake investigative travel or attend any conferences.

Table 1.1: Summary of activities for the Education and Health Standing Committee, 1 July 2013 to 30 June 2014

Description	Activity
Deliberative meetings	32
Formal evidence hearings	22
Witnesses appearing	48
Reports tabled	2
Report findings tabled	44
Report recommendations tabled	3

Fiona Stanley Hospital Inquiry

The Committee's main concern for 2013–2014 was its inquiry into the commissioning of Fiona Stanley Hospital, which resulted in the tabling of the report *More than Bricks and Mortar* in the Legislative Assembly on 10 April 2014. The inquiry was established by the Committee on 17 October 2013, receiving some 32 submissions and holding thirteen hearings, many of which were closed hearings. The inquiry was launched after reports in the media in June 2013 that Fiona Stanley Hospital's opening would be delayed. Over a series of hearings with the Department of Health (DoH), the Department was asked about the nature of the delay, the implications of this delay on the Department's contract with Serco, and problems with the hospital's ICT. In these hearings it emerged that the Department had been aware of the likely delays during the course of 2012. In addition to this, evidence provided in the Legislative Assembly's Estimates Committees caused the Committee to become further concerned that specific warnings of a delay went unheeded by senior figures within DoH. The Committee therefore resolved to conduct a formal inquiry into the matter.

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The subsequent report made forty-four findings and three recommendations. These recommendations related to the establishment of cross-government taskforces, the repeal and replacement of the *Hospital and Health Services Act 1927* (WA), and the necessity for a permanent appointment to the position of Chief Information Officer, Health Information Network to be made.

Of continuing interest to the Committee is recommendation 2 from the report – namely, that the *Hospital and Health Services Act 1927* be repealed and replaced with an Act which more accurately reflects the current management and organisational structure of the Department of Health. The need for updated legislation in this area was highlighted in the report, with the observation that the current legislative structure ‘is unduly complex and no longer reflects current practice’.¹ The inquiry into the internal decision making processes and lines of authority within the Department revealed a concerning potential for the accountability of Ministers and Governments to be compromised as a result of the blurred lines of authority and accountability. There is therefore a need for new legislation which, for example, will define the delegated powers and authority to act that the Director General of the Department of Health holds.

In the Government’s response to the Inquiry’s recommendations, it was acknowledged that the *Hospitals and Health Services Act 1927* “no longer provides an appropriate legislative framework for the governance of the WA health system”. The Acting Director General, Professor Bryant Stokes, is currently leading a committee that is examining options for improving governance arrangements for the WA Health system, including altering the Act. The Committee intends to seek an update on the progress of this work at a later stage of the year.

The Committee rejects the continued accusations being made by the Minister for Health in the Parliament that the committee did not take into account all necessary information in making some of its findings.

Fluoride in Public Water Supplies

The Committee has also concerned itself with the issue of the fluoridation of public water supplies, and its potential implications for public health. The Committee has held briefings with representatives from Fluoride Free WA and from the Department of Health’s Fluoridation of Public Water Supplies Advisory Committee (FPWSAC) to determine whether the issue merited further investigation. At the briefing with the FPWSAC, the Committee was advised that decisions relating to the fluoridation of public water were informed by research conducted by the National Health and Medical Research Council (NHMRC), a Commonwealth body. FPWSAC also informed the

¹ Education and Health Standing Committee, *More than Bricks and Mortar*, Report No. 2, April 2014, p. 117.

Committee that the NHMRC was considering conducting a review into the safety and efficacy of water fluoridation. The Committee therefore resolved to write to the NHMRC to encourage them to conduct this review, and requesting to be informed of any timeframes around the completion of a potential review. The NHMRC responded that its 2007 *NHMRC Public Statement on the Safety and Efficacy of Fluoridation* was recently reaffirmed by the Council of the NHMRC, and that an update of the evidence on the health effects of water fluoridation would be commenced. The Committee then resolved to forward this correspondence to FPWSAC for its information. The Committee will await the report of the NHMRC and decide on any need for further investigation in relation to public safety.

The Department of Education's budget savings measures Long Service Leave liabilities

In June 2013, the Committee met with representatives from DoE with the intention of discussing the Department's then financial position as the end of the 2012–13 financial year approached.

In September 2012, the State Government announced a public sector-wide cap on the accumulation of leave liabilities by government agencies. The cap was intended to freeze leave liabilities at the levels they were on 30 June 2012 and save the government \$100 million during the 2012–13 financial year. Unfortunately, total public sector leave liabilities increased by 8.7 per cent during the period, with the “vast majority” of the increase – more than 80 per cent – being accounted for by both the Department of Health and the Department of Education (DoE).²

During the course of this hearing, a rather detailed discussion about how the Department was managing its leave liabilities took place. It became clear to the Committee during the weeks following this hearing that some of the answers provided by DoE were not as forthcoming as the Committee would have liked. The Committee raised its concerns about the quality of the Department's answers at a subsequent hearing in October 2013 during which a robust discussion took place. There had been some discussion in the media in relation to matters of contempt of Parliament arising from the June 2013 hearing. The Committee remains unhappy with the Department's conduct; however, the Committee elected to use the October hearing as the means through which the concerns could be raised.

The Committee's other concern relates to the quality of the answers provided by the Department during the October 2013 hearing with respect to its budget. In particular, the Committee was surprised that the Director General described the budget as a “draft and that is what is published”. The Director General later provided a clarification

² 2012–13 Annual Report on State Finances, September 2013, pp. 6–7

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of her comments, but the Committee was unhappy with the lack of rigour and detail provided by the Department during the hearing in relation to its agreed budget.

In addition to allowing the Committee to directly engage with the Department in relation to its concerns about the earlier hearing, the October 2013 hearing was also helpful in further examining DoE's performance with respect to the management of its leave liabilities. During the course of the hearing, DoE confirmed that its leave liabilities increased by \$57.8 million in the 12 months following 30 June 2012, taking its total liabilities to approximately \$820 million at 30 June 2013.³ Despite the existence of the leave liability cap, Treasury funded the increase as it "became evident that [DoE] could not meet that target" thus requiring an additional appropriation.⁴

With respect to the impact of the leave liability cap going forward, DoE confirmed that it intended to meet the \$62 million saving projected for 2013–14 by implementing a leave liability levy charged to each school at the rate of \$600 per teacher and \$400 per non-teacher. It was anticipated that this levy would raise approximately \$15 million, requiring the Department to find additional savings of \$47 million.⁵

The Committee was provided with a detailed breakdown of all savings identified by DoE in order to meet both the impact of the leave liability cap and other savings measures imposed by government. These savings totalled \$103 million and ranged from \$15 million following the reduction of staff in central and regional offices to \$250,000 following the abolition of school innovation grants.⁶ As the Committee considered the range of savings measures being implemented by the Department, it became apparent that the most straight forward means through which the financial implications of the leave liability cap could be met was to decrease the value of the outstanding leave liabilities incurred by the Department.

To that end, the Committee sought additional information about the strategies being employed by the Department to achieve this reduction. The Committee also sought information about the value of the leave liability for each school in Western Australia as well as a specific breakdown of this information for one individual school. This information has been tabled in conjunction with this report.

DoE told the Committee that it had sought independent actuarial advice prior to the announcement of the leave liability cap in 2012 that its leave liabilities would increase

3 Mr Brett Roach, Acting Deputy Director General, Finance and Administration, Department of Education, *Transcript of Evidence*, 7 October 2013, p. 3.

4 Mr Brett Roach, Acting Deputy Director General, Finance and Administration, Department of Education, *Transcript of Evidence*, 7 October 2013, p. 8.

5 Mr Brett Roach, Acting Deputy Director General, Finance and Administration, Department of Education, *Transcript of Evidence*, 7 October 2013, pp. 8–9.

6 Ms Sharyn O'Neill, Director General, Department of Education, Letter, 11 November 2013, pp. 1–4.

by a forecast \$294 million over the four years from 2012–13 to 2016–17. Following the development of new liability reduction strategies, updated actuarial advice had revised the growth down to \$11.2 million over the same period – a saving of \$282.7 million. The Department indicated that it had undertaken to eliminate all outstanding long service leave balances by the end of 2016 in “several stages”.⁷

The Committee engaged in an extended process of correspondence with DoE in order to examine the leave liability issue and is appreciative of the Department’s cooperation in providing at times detailed actuarial information. The Committee intends to continue monitoring the Department’s performance in this area as it implements its leave liability reduction strategies.

Public Hearings

Pursuant to Legislative Assembly Standing Order No. 264, the Committee has the power to send for persons, papers and records. During the period 1 July 2013 to 30 June 2014, the Committee conducted 10 public hearings, taking evidence from 30 witnesses to assist with its investigations.

Table 1.2: Public hearings of the Education and Health Standing Committee, 1 July 2013 to 30 June 2014.

Date	Witness	Position	Organisation
16 July 2013	Professor Murray Lampard	Chair	Road Safety Council
	Linley Crackel	Acting Executive Director	Office of Road Safety
	Bhupinder Singh	Principial Finance Officer	Office of Road Safety
	Professor Bryant Stokes	Acting Director General	Department of Health
	Dr David Russell-Weisz	Chief Executive, Fiona Stanley Hospital Commissioning	Department of Health
	Giles Nunis	Executive Director ICT, Fiona Stanley Hospital	Department of Health
	Wayne Salvage	Executive Director, Resource Strategy	Department of Health
	Brad Sebbes	Executive Director, Fiona Stanley Hospital	Department of Health
11 September 2013	David Malone	Executive Director	Healthway
	Dr Joanna Clarkson	Director, Health Promotion	Healthway

⁷ DoE Letter, 11 July 2014, pp. 1–2.

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	Dominique Monteleone	Acting Director, Sponsorship	Healthway
18 September 2013	Professor Bryant Stokes	Acting Director General	Department of Health
	Dr David Russell-Weisz	Chief Executive, Fiona Stanley Hospital Commissioning	Department of Health
	Wayne Salvage	Executive Director, Resource Strategy	Department of Health
	Brad Sebbes	Executive Director, Fiona Stanley Hospital	Department of Health
	Wayne Salvage	Executive Director, Resource Strategy	Department of Health
	Ian Smith	Chief Executive, South Metropolitan Health Service	Department of Health
	Stephanie Black	Executive Director, Fiona Stanley Hospital ICT Commissioning	Department of Health
7 October 2013	Sharyn O'Neill	Director General	Department of Education
	David Axworthy	Deputy Director General, Schools	Department of Education
	Brett Roach	Acting Deputy Director General, Finance and Administration	Department of Education
	Eirlys Ingram	Acting Executive Director, Statewide Services	Department of Education
4 November 2013	Timothy Marney	Under Treasurer	Department of Treasury
	Michael Andrews	Performance and Evaluation Group 2	Department of Treasury
	Alistair Jones	Acting Executive Director, Strategic Policy and Evaluation	Department of Treasury
	Natasa Spasic	Acting Policy Analyst	Department of Treasury
13 February 2014	Timothy Marney	Under Treasurer	Department of Treasury

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	Alistair Jones	Acting Executive Director, Strategic Policy and Evaluation	Department of Treasury
14 May 2014	Professor Bryant Stokes	Acting Director General	Department of Health
	Dr David Russell-Weisz	Chief Executive, Fiona Stanley Hospital Commissioning	Department of Health

Closed Hearings

In support of the Inquiry into the organisational response within the Department of Health to the challenges associated with commissioning the Fiona Stanley Hospital, the Committee held a total of 12 closed hearings with 15 witnesses.

Chapter 2

Financial Statement

The Education and Health Standing Committee is without its own formal budget, and is consequentially funded from the budget of the Legislative Assembly. Approval for major expenditure is required on a case-by-case basis and is entirely at the discretion of the Speaker.

Committee Financial Statement

The Committee's expenditure for the financial year 1 July 2013 to 30 June 2014 (in accordance with Standing Order 276) is provided below (table 2.1).

Table 2.1: Expenditure Items, 1 July 2013 to 30 June 2014

Expenditure Item	\$
Staff & Member amenities	1,594
Printing	2,418
Postage	66
Couriers	500
Miscellaneous	64
Total	4,642



DR G.G. JACOBS, MLA
CHAIR

Appendix One

Committee's functions and powers

The functions of the Committee are to review and report to the Assembly on:

- a) the outcomes and administration of the departments within the Committee's portfolio responsibilities;
- b) annual reports of government departments laid on the Table of the House;
- c) the adequacy of legislation and regulations within its jurisdiction; and
- d) any matters referred to it by the Assembly including a bill, motion, petition, vote or expenditure, other financial matter, report or paper.

At the commencement of each Parliament and as often thereafter as the Speaker considers necessary, the Speaker will determine and table a schedule showing the portfolio responsibilities for each committee. Annual reports of government departments and authorities tabled in the Assembly will stand referred to the relevant committee for any inquiry the committee may make.

Whenever a committee receives or determines for itself fresh or amended terms of reference, the committee will forward them to each standing and select committee of the Assembly and Joint Committee of the Assembly and Council. The Speaker will announce them to the Assembly at the next opportunity and arrange for them to be placed on the notice boards of the Assembly.

