

**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 THREE

Members

Hon Sue Ellery (Chair)

Hon Brian Ellis

Hon Jon Ford

Hon Ken Travers (Participating Member)

Hearing commenced at 12.16 pm**CHALMERS, DR RONALD****Director General, Disability Services Commission, sworn and examined:**

The CHAIR: I have some formal business that I have to go through, and then I will introduce you to members of the committee. 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.

[Witness took the oath.]

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

Dr Chalmers: Yes, I have.

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. I note that you have provided a document; I would normally ask you whether you would like to make an opening statement to the committee. Would you like to talk to that document?

Dr Chalmers: It is fairly straightforward; it simply outlines magnitude of the three per cent efficiency dividend, and how it applies to the Disability Services Commission. It gives an overview of how the commission plans to meet that three per cent efficiency target, and then turns to the matter of the impact that that is likely to have on our organisation and our operations.

The CHAIR: Thank you. I will deem that to have been tabled. We will ask you some questions. The target for this financial year—\$2.133 million—are you on track to meet that by 30 June?

Dr Chalmers: Yes, we are.

The CHAIR: I am just reading the part of your document that walks the committee through the ways in which you say you will meet the target. It is a combination of savings from growth funding allocations. In part two, at the bottom of page one, you talk about reduction of expenditure within your base activities. You might not be able to do this now, and you can take this question on notice if you want to, but can you identify what each of those is worth in dollar terms? How much are you saving by delaying the filling of vacancies et cetera?

Dr Chalmers: We have estimates for those, but I can come back to the committee with more detail. They move on a monthly basis. Implementation of those strategies will well and truly give us the dollars we need to achieve the target. I can come back with that detail.

The CHAIR: That would be great if you could.

Hon KEN TRAVERS: On that point, if you have that information, could you include the cost you actually save by converting from a six cylinder to a four-cylinder car? Rather than the global figure, what you expect the savings to be on an individual car?

Dr Chalmers: Sure.

The CHAIR: You would be tracking the current state of your budget. Are you over your allocation? Are you spending in excess of your budget or under your budget? How are you travelling?

Dr Chalmers: We are tracking to come in absolutely on budget, as we have for the past eight years.

The CHAIR: Yours is a very good agency!

Hon KEN TRAVERS: Another tick!

The CHAIR: You are the first one to appear before the committee who has done that.

Dr Chalmers: I might just add that perhaps we are in the fortunate position of having unprecedented levels of growth funding coming from both the commonwealth government and the state government. We are in a fortunate position compared with other departments.

The CHAIR: Can you explain, for the purposes of the committee, how much growth funding you are receiving from the commonwealth government? We are certainly aware of the election commitments by the state government, but how much growth funding is coming from the commonwealth?

Dr Chalmers: We actually have three sources of funding coming in under the banner of "growth". We have what is contained in the state government forward estimates; we also have the current government's additional election commitments, which will sit on top of that; and we have what is coming from the commonwealth through the National Disability Agreement. That will be over a four-year period, starting this year. The cumulative combined total across those three sources comes to a tad over \$139 million over that period. I can get the absolute breakdown of the commonwealth dollars, but I do not have them at my fingertips.

The CHAIR: It would be good if you could. For the record, I need to indicate that we will ask you to provide that to the committee within two weeks. The sector continues to say to me that, in terms of services provided to people with disabilities in the area of accommodation, it is still the case that 80 per cent of families, or people with disabilities who are seeking accommodation, cannot get it. What is your comment about that?

[12.20 pm]

Dr Chalmers: It is publicly known that the demand for accommodation support is much greater than the dollars available from the combined commonwealth and state sources. Clearly, that is the case. Two years ago we embarked on some deliberate strategies to try to deal with that to get ahead of the dilemma that we faced. Some of those strategies are starting to bear fruit right now, one of the main ones being the new community living plan arrangement that we have put into place. Instead of our traditional way of funding people for accommodation support, which is through a combined application process, I am pleased to say that unprecedented levels of growth funding have been applied to that strategy over the past year and we are really starting to see some inroads into demand. We set ourselves some targets this year through relatively modest funding, enabling another 40 people with disabilities to come off that cap list and use community living strategies instead. I am pleased to say that at this stage we are well over target, with about 58 plans identified and funded. It is proving to be very popular within the community and it is within our means to fund. There are strategies that we are using to chip away at that demand. The commonwealth now coming to the party with its disability agreement will help us enormously in that regard.

The CHAIR: What sort of modelling do you do around future demand? The anecdotal stories are that babies born with disabilities are living when perhaps 10 or even 20 years ago those babies would not have survived and, equally, adults with disabilities are living longer. What sort of modelling do you do around the predictions for demand on therapeutic and accommodation services?

Dr Chalmers: It is fairly sophisticated. We have always been able to project demand over the following five years—whatever the five-year time period happens to be. It needs to be quite sophisticated. While you get increases in prevalence and incidence of disability in some areas, you actually get reductions in others, so it is not all tracking upwards. We need to be reasonably sophisticated in looking at the quantum of demand but also the type of demand that we will be facing in the future as well. The other part of that is that while you can get a handle on demand expectations or demand into the next half decade or so, community expectations change about what they will be receiving by way of government support. It is not only raw numbers of people but it is also community expectations. We have pretty good forward projections on that demand. One of the things that we embarked on a year ago was longer term planning within the disability services area projected out to 2025, so a 15-year time frame. That has been a very important piece of work for us that looks not only at things such as specialist disability services and accommodation but also how the WA community might gear up for meeting the overall demands of people with disabilities in that sort of time frame into the future. It has occupied us fairly well over the past 12 months.

The CHAIR: That is demand pressure, so the number of human beings demanding your services. What sort of other cost pressures do you face going forward—for instance, salaries, wages and construction costs? What are your cost pressure areas?

Dr Chalmers: It is interesting. Over the past six months some of those pressures have actually started coming off. About a year ago one of the major cost pressures we faced was born out of a lack of workforce. In our own accommodation services a year ago we had something like 130 staff vacancies. I am pleased to say that we have almost filled all of those vacancies in the past six months simply by the turnaround in the economy. You do get some advantages in these situations. That was our biggest pressure. To continue to operate accommodation services when you have vacancies, you have to fill them by overtime or by more expensive agency staff. By turning that around and having almost a full complement of staff in our accommodation services, it actually gives us a budget boost; we do not have to pay for that overtime.

Some of the other pressures, like every other department, include the cost of having a network of staff based in regional areas. The cost of regional areas increases, housing and rental costs continue to creep up in certain parts of the state and leases creep up in some areas, although some of those will now start to trend down with changes in the economy as well. We are on top of those costs.

The CHAIR: We have asked each agency this question. I appreciate what you have said about being able to meet the three per cent efficiency dividend without having an impact on front-line services, but can you define for us what you define as front-line services within your agency?

[12.30 pm]

Dr Chalmers: Everything that is, say, a direct service response to either people with disabilities, their families or their carers. There will be no impact on the non-government agencies that we contract to provide services. The majority of our budget actually finds its way out to the non-government sector now—close to \$220 million a year finds its way out to the non-government sector. That will not be touched, not one dollar. Within our own services—we are talking accommodation, therapy, early intervention for children and local area coordination, which is a statewide program—none of those will be touched by this three per cent efficiency dividend. What we are really applying the dividend to are all of the non-direct service components of what we do.

The CHAIR: Some of the things I think you have identified already are things that you might be able to cut in the short term but they are not the kinds of things, it seems to me, that are a one-off—they may well be one-off savings. What sorts of things are you going to have to think about going forward beyond the end of this financial year?

Dr Chalmers: Some of these do have recurrent implications—if I could take you to a couple. Planned delays of filling staff vacancies within our public service area, not our direct service area, can be a strategy that we can continue into the future. The second one is a recurrent saving. Last year we went through a restructuring process within the commission because we were growing so quickly that the agency has actually doubled its budget in the past 10 years. We went through a restructuring process and, at the end of that, we were moving to an eight directorate model of organisational structure. We have decided not to commission one of those eight directorates. It was an organisational reform change directorate. That was going to cost us close to a third of a million dollars. We had those dollars factored in. We decided not to go ahead with that directorate. So there is a recurrent saving of a third of a million dollars right there, which will assist us in this. The replacement of IT equipment and infrastructure—by simply deferring the renewal of certain pieces of equipment and so on, that can be an ongoing saving within the organisation as well. We have just completed a strategic asset management process. We are getting better use out of the assets that the commission has, both land and other assets that we own. They do bring savings into the future. We are not having to pay lease costs on buildings; we are actually making better use of the buildings that we have got. They do have a recurrent implication.

The CHAIR: What element do you have within your head office, if I can describe it as that, to provide training, given that that component of your organisation's service delivery, which is literally hands-on care of people with disabilities—is there going to be any impact on your capacity to provide those people with ongoing training?

Dr Chalmers: No. If anything, we will see a slight increase because of the commonwealth injection of funds. Part of the national disability agreement has a range of different headers, if you like. Training and development is part of that as well. So the commonwealth actually stepping up is assisting us in our sector. They should have been doing that over the past number of years; thankfully, they are coming to the party on that front.

The CHAIR: Are there any other questions?

Hon KEN TRAVERS: I just had a quick one. I note that in the midyear review you were given an additional \$10.1 million. I assume when you say you are on budget, that includes the additional funding in the midyear review for dealing with the election commitments?

Dr Chalmers: Yes.

Hon KEN TRAVERS: There was about \$10.1 million given into that and then subtracting the three per cent efficiency dividend becomes \$7.9 million in additional funding, although I think there is an issue there with rounding.

Dr Chalmers: Yes.

Hon KEN TRAVERS: In the Treasurer's Advance Authorisation Bill they are allocating \$14.2 million additional money required by your agency, the Disability Services Commission. Can you explain what the difference is between the \$10 million and the \$14.2 million?

Dr Chalmers: I will not pretend to give you all of the detail on that, but there have been some adjustments made. I will give you one example. In the current government's election promises, one item there was \$11.75 million for the construction of five respite facilities in both regional and metro areas. The original election commitment was to have that money directed towards what was known then as the Department of Housing and Works. What we have negotiated through Treasury is for a change in that, thinking that it made better sense for those dollars to actually come to the commission rather than going to the Department of Housing and Works because not only is funding

to be used for construction—the actual build of those facilities—there will also be a significant component of that that will be used for the operation of those facilities into the future. There have been some adjustments between departments.

Hon KEN TRAVERS: Is that \$11.75 million going to be sufficient to build and operate five respite facilities over the forward estimates?

Dr Chalmers: Yes. We have done some good modelling and we think that there will be sufficient funding for both of those purposes.

The CHAIR: Can you explain that in more detail because that sounds really ambitious in terms of the operational funding, depending, I guess, on what model you are using. What sort of model are you talking about?

Dr Chalmers: The current minister made it very clear that we had no preset model that we were going to roll out in five different locations across the state, because we understand that communities want different things in different parts of the state. What will end up being constructed and operated in the west Kimberley is probably going to look very, very different to what might be constructed in parts of the metro area when the announcement is made of where those places are going to be. What we have undertaken to do is to consult with local communities, with families to find out exactly what it is they want to use in those five locations because the last thing we want to do is to construct five white elephants that just do not get used. There was a bit of that going on in the '80s and early '90s and we do not want to repeat that by having unused facilities and money going to waste. We think that there is sufficient in that \$11.75 million to construct five good quality facilities, notwithstanding what I have just said about flexibility and so on, and to actually operate those facilities. I must share that we had some concern at the start about whether there would be sufficient dollars for operational costs in there. Our modelling tells us there will be.

The CHAIR: I am going to press you a bit on this because I find that astonishing. Are you relying on some component of people using access to commonwealth funds for provision of respite services; so cross-subsidisation? I do not see how operationally otherwise you can do it.

Dr Chalmers: Again it would depend on the models. We have been quite up-front, saying that if people want to be utilising their commonwealth resource, the individual dollars to actually purchase respite from this place, because what we want to do is value-add in these five places as well.

The CHAIR: You might end up raising revenue?

Dr Chalmers: I doubt it. What we want to do is sort of value-add in these places as well. For the west Kimberley, a model that is being spoken about is where the facility is actually built so you have got facility-based respite but it might serve as a bit of a base station for some outlying respite as well that can be done on a more mobile basis. If that is the case, we could expand that one as far as you want to go using commonwealth respite dollars as well. You could really get a double whammy coming out of that for the state.

Hon KEN TRAVERS: In terms of the \$11.75 million, when do you expect to be going into an operational phase rather than a planning and construction phase?

Dr Chalmers: The modelling we have done has told us that we will have two of these up and running next year, '09-10. We will have another two running in '10-11 and we will have the final one operational the next year. It is two, two and one. That is to give us time to actually do the consultation phase properly and to build properly and to get them up and running sustainably.

The CHAIR: Are there other questions? I would like to do the FTE one. The Treasurer's announcement on 3 February about a ceiling on the public sector workforce set at 99 155. I had it confirmed in Parliament and I have had the Under Treasurer confirming today that the ceiling for each agency is set at that figure, which was in the target column in the last budget.

[12.40 pm]

I understand that to mean 1 554 for the Disability Service Commission. I understand your current budget puts you some 10 positions over that. What is your understanding of what you are supposed to do to ensure that you are at the ceiling level set by the Treasurer?

Dr Chalmers: The 1 554 was the estimate at the start of this budgetary period; it actually appears in our budget papers as our estimate of what our FTE would be during the course of this year. We had a good look at this last week because the 1 554 was our best estimate when the economic conditions were in boom and we had about 100 vacancies. We have been putting in strategies over the past year to try to reverse that vacancy rate and we have been very successful. The 1 554 was an honest assessment of where we were back then. Our full establishment is well over 1 600—our actual approved establishment is over 1 600—and so the 1 554 is correct. We are negotiating, at the moment, with Treasury and with the Public Sector Commissioner because we believe that that is a figure that was based on an unrealistic understanding of the commission's position. We have quite consciously and deliberately been moving towards filling those vacancies because it costs less to have those vacancies filled. By having 1 554 it would actually cost us more than having our full establishment filled for the reasons I explained before. It is a cost saving exercise to have more permanent staff.

The CHAIR: As I understand the process, is it the case that you have been given advice that if you want, and I do not want to use the wrong word, to take issue with the ceiling set in the budget figures—let me put it another way. In his statement on 3 February, the Treasurer said that the figure is set globally across the public sector at 99 155 and that he reached that figure by taking a particular column of FTEs in the budget papers and adding them all up. If as an agency, you want—and you are not the first to appear before us today—to say you take issue with where you are now and what you need versus what is predicted in the budget, what instruction or advice have you been given about how you take that forward to demonstrate that you have a different case? Do you have a time line in which to do that, remembering that the Treasurer's statement said that the cap was to apply immediately?

Dr Chalmers: I was in conversation last Friday with both the Public Sector Commissioner and senior Treasury officers about that matter. I think it comes from a genuine, I guess, misunderstanding of the commission's situation. It is not a case of saying 1 554 was our establishment a year ago and we must stick with that but was rather based on, as I have mentioned before and will not go over again, a realistic assessment of where we would be if the boom had continued. I am expecting that there will be an opportunity to rectify that particularly —

The CHAIR: Do you know if there is a time line on that process?

Dr Chalmers: No, I do not; but I moved fairly quickly once I became aware of the 1 554 and I anticipate that commonsense will prevail.

The CHAIR: Let us hope so. Are there any other questions?

Hon KEN TRAVERS: Going back to the \$11.75 million; was that originally included in the capital works budget and are you now using it to fund operating costs?

Dr Chalmers: No; it was not. Right —

Hon KEN TRAVERS: There was \$11.75 million for capital works in the Liberals' election costings and I assume that that is for those programs. I was just trying to work out if there was a separate operating budget as well.

Dr Chalmers: My understanding is that it has always been a mix of capital and operational—you would build some Taj Mahals for that—five into \$11.75 million.

Hon KEN TRAVERS: Yes; the other question I have is about your media and marketing budget. Have you reduced that in the budgets for current or future years?

Dr Chalmers: Our media marketing budget is almost non-existent; it never has been very big. I do not know what that budget is, off-hand, but it is minuscule in the grand scheme of things. We do very little in the way of media information.

Hon KEN TRAVERS: Okay; I want to ask one more question. Have you covered capital works yet?

The CHAIR: Not really; I think I know what the answer will be, but will ask the question anyway. In terms of capital works: we are aware that the government is doing a cross-government review of capital works projects worth more than \$20 million. Are you reviewing any capital works projects that you might have to the value of less than \$20 million?

Dr Chalmers: I mentioned before that we have recently been through the development of a strategic asset management plan whereby we are having a very close look at the property assets held by the commission. We are making some strategic decisions on better using some of those facilities; but no, we have no capital works projects over \$20 million. The commission got out of running a big property asset base almost 10 years ago; we transferred them all across to the Department of Housing back then and so capital is a very small part of what we do.

The CHAIR: You do not have any projects less than \$20 million which you have decided that you need to review or push out the time lines for?

Dr Chalmers: No, not at all.

The CHAIR: Okay, thank you.

Hon KEN TRAVERS: I just want to go back to the first item that you identified as post partly a cost savings from growth. I think we touched on it a little earlier and I know that you are going to provide us with a more detailed understanding of how that works over the forward estimates. I would assume that if you are making a savings because, effectively, you have not been able to fill the places and spend the money this year—I assume that is what we are talking about here with that money; it is where you have allowed for the growth but have not actually been able to get the service in place for provision to the client.

Dr Chalmers: Yes.

Hon KEN TRAVERS: Yes; so that would be a savings this year, but not in the forward estimates because you would, I imagine, be spending that money in the following year. When you provide that break-up, I would be interested to see how that works over the forward estimates in terms of what is a savings this year being re-factored back into the ongoing costs and then, obviously, you need to make a savings in the following year.

Dr Chalmers: Can I just have a go at responding very briefly to this?

Hon KEN TRAVERS: Yes.

Dr Chalmers: for at least the past 10 years, in fact it is more than that, the commission has received growth funding from state and, when it feels up to it, the commonwealth as well. For every one of those years, we apply that to a recurrent source, ultimately, but because we run funding rounds during the course of the year, and because we cannot start a new accommodation option for someone on the day we approve it—it can take day, weeks, months or in some cases, unfortunately, years—we start accruing cash from day one in the financial year. It is a significant amount each year and we apply that for good purpose; obviously we do not waste that money, we apply it to good purpose. For every year, we know that we can invest that in developmental work within our overall sector or we can apply it to a range of strategies and some of them are listed. We have school holiday programs that we do not need to worry about funding now because that program has been picked-up as a recurrent item and so on and so forth. Every year for the previous twelve, and every year for the next four, we will be generating that same amount of resource. I guess that for as far into the future as we can see, we are going to be generating this source of funds, which will

allow us to meet any three per cent request over that period of time. It also gives us time, over the out years, to then look at the recurrent savings that we will need to bed down over that period to get the 4.5—that is, to bed it down in the system beyond 2012.

[12.50 pm]

Hon KEN TRAVERS: Again, if that is used to effectively top up, I understand how the system works. I am concerned about the sustainability of that in the long term. Some people in the sector would argue whether, if the money is for accommodation purposes, more packages should not be issued to be ahead of the game rather than post the game, if the funding is coming.

Dr Chalmers: I mentioned this at the start: we are in the fortunate position of having unprecedented levels of growth from both the commonwealth and state. Even with the three per cent efficiency dividend, the community would never have seen such growth in disability services as they will see over the next four years. We are in that fortunate position.

Hon JON FORD: On a percentage basis, how much of the current demand do you meet?

Dr Chalmers: That is a simple question, but an incredibly complex one to answer because it has many dimensions to it. I will use as an example the demand that we meet for early intervention for children with autism. Every child that is diagnosed with autism in the early years gets access to an early intervention service, especially now that the commonwealth has bought into it. We can say in one respect that we kind of meet 100 per cent of that demand. For accommodation services, which has been mentioned previously, we would not claim to meet anywhere near the demand. For local area coordination support, which is another major program, we meet, in some regard, 100 per cent of demand because we have statewide coverage and every person who is eligible gets linked to a LAC. Therefore, depending upon the program of service, we meet either 100 per cent or a proportion of that demand. It is a complex answer to give.

Hon JON FORD: What area does the greatest demand come from?

Dr Chalmers: It is an interesting interaction. The easiest thing for me to say in response is people wanting accommodation. If a person with a profound disability is funded to meet their needs, we might spend \$100 000 or \$120 000 per year on that individual to have his or her support needs met. The moment that individual is funded, we then fund that person for the rest of his or her life. The funding is \$100 000 or whatever times the life expectancy of that person.

There are some interesting interactions between, for example, accommodation and alternatives to employment support. There has been a significant boost to alternatives to employment support. Thankfully both sides of politics were willing to invest in that. The thinking behind that is if young adults are supported during the working week, the pressure is taken off their parents and support; therefore, hopefully the demand for accommodation will start to reduce on that front because people can remain in their natural family networks for a bit longer than they have been because the alternatives to employment funding has been so low in the past. It is a complex question to answer.

The CHAIR: Thank you very much, Ron.

Dr Chalmers: I will come back with the additional information.

Hearing concluded at 12.43 pm
