

**WESTERN AUSTRALIAN FUTURE FUND AMENDMENT  
(FUTURE HEALTH RESEARCH AND INNOVATION FUND) BILL 2019**

*Receipt and First Reading*

Bill received from the Assembly; and, on motion by **Hon Alanna Clohesy (Parliamentary Secretary)**, read a first time.

*Second Reading*

**HON ALANNA CLOHESY (East Metropolitan — Parliamentary Secretary)** [10.07 pm]: I move —

That the bill be now read a second time.

The purpose of the bill is to amend the Western Australian Future Fund Act 2012 to provide a secure, long-term source of funding to support medical and health research, and medical and health innovation and commercialisation activities in the state. The bill will establish the Western Australian future health research and innovation account, which I will refer to as the FHRI account, to allow for funding to be made available for those activities. The original purpose of the Western Australian Future Fund, which was to provide for the accumulation of revenue for the benefit of future generations, will be repealed. Instead, the future fund will be repurposed to create the Western Australian future health research and innovation fund, which I will refer to as the FHRI fund, and will be used for the purposes of crediting the new FHRI account.

As members may be aware, in 2012 the WAFF act established the future fund to set aside and accumulate a portion of the royalties earned from the finite mineral resources of the state. The actions of the former Liberal government to establish the future fund now presents an opportunity for this government. We have the resources available to set the state on the path to keeping Western Australians healthier for longer and transforming our health system.

The opportunity to diversify the economy and create jobs is also significant for the state. In March 2017, the Western Australian Labor government reaffirmed its election commitment to amending the WAFF act to repurpose the future fund and allow access to investment earnings to drive this important sector. The amended act will be supported by a detailed governance framework, which provides guidance in relation to key features of the FHRI fund and account to support its effective and responsible operation and to promote accountability and transparency of decision-making. It defines roles and responsibilities related to the FHRI fund and account and sets out strategic instruments that will guide how research and innovation will be supported with funds from the FHRI account. On 26 September 2019, this governance framework was tabled in the other place, and I now table the governance framework to assist members in their consideration of the bill.

[See paper 3404.]

**Hon ALANNA CLOHESY:** The object of the bill is to provide a secure source of funding to support activities that improve the financial sustainability of our health system; improve the health and wellbeing of Western Australians; improve our state's economic prosperity; and advance Western Australia's position to being, or maintaining its position as, a national or international leader in qualifying activities, including activities such as medical and health research and innovation. The bill will also establish the FHRI account; provide the Minister for Health with the power to make arrangements and make disbursements under those arrangements; provide the Minister for Health with the power to establish and maintain an advisory group; and establish the FHRI fund.

Part 2 of the bill will establish the FHRI account. This is an agency special purpose account administered by the Minister for Health. The FHRI account will be credited annually with the forecast investment income from the FHRI fund. Forecast investment income means the estimate of income derived from investment of the money standing to the credit of the FHRI fund. Money from other sources, such as private sector contributions or parliamentary funding, may also be credited to the FHRI account. Part 2 of the bill also gives the Minister for Health specific powers. The Minister for Health may make or approve arrangements that further, or facilitate the furthering of, qualifying activities that contribute to one or more of the four matters outlined in the new object of the amended act. This covers a variety of arrangements, including contracts for monetary grants and service agreements. The Minister for Health can also apply money standing to the credit of the FHRI account for the purposes of, or in relation to, an arrangement. Funding awarded from the FHRI account will be based on competitive excellence, with clear selection criteria and transparent selection processes to ensure government accountability in decisions about public money.

The FHRI account is not intended to be a substitute for existing funding sources. In fact, a key design consideration for the FHRI account is that it will act to bring additional research and innovation funding into Western Australia, boosting the state government's investment. For example, being able to make money available will provide opportunities to leverage new funding from the Australian government through its \$20 billion Medical Research Future Fund.

Under part 2 of the bill, the Minister for Health must establish and maintain an advisory group. The primary role of the advisory group is to provide strategic advice and guidance to the Minister for Health or the Department of Health, as the relevant department, on issues and priorities for Western Australia in relation to research and innovation. The advice of the group will inform how the money in the FHRI account is to be applied to ensure the best value for money and the highest return on investment.

The advisory group will comprise at least eight members: an expert in research; an expert in innovation; a community representative; and at least three other persons with relevant expertise and experience and who could come from fields such as business, law, philanthropy or the not-for-profit sector. The advisory group will also include the chief executive officers, or their nominees, from two state government departments: one from the Department of Health, as the department that is responsible for administering the FHRI account, and the other from the department that the minister decides is most relevant to the activities of the FHRI account. The advisory group will consist of highly capable, respected and broadly knowledgeable members.

Aboriginal health and regional Western Australia health issues are recognised as requiring particular attention by the advisory group. The state government is committed to building a new relationship with Aboriginal people and communities. Therefore, at least one member of the advisory group will have a sound understanding of and experience in dealing with the complex health issues that currently face Aboriginal people and communities in Western Australia. Likewise, the state government recognises the complex challenges posed by providing health care to regional areas in a jurisdiction as vast as Western Australia. As a result, at least one member of the advisory group will have significant experience in or knowledge of regional, rural and remote health issues. This membership requirement also acknowledges the origins of the funding from the royalties for regions fund.

This advisory group will be an enduring, independent source of strategic guidance regarding the funding priorities for the FHRI account and the overarching strategic direction for medical and health research and medical and health innovation and commercialisation in the state. For example, the advisory group will be tasked with leading a recurring cycle of broad consultation that will inform development of a strategy for medical and health research, and medical and health innovation and commercialisation for the state, and the specific priorities of the FHRI account. The advisory group will serve as an advocate for research and innovation and a link with private industry and philanthropy and, perhaps most importantly, provide assurance to the people of Western Australia that the future health research and innovation account is being applied appropriately. Dealing effectively with conflicts of interest—both real and perceived—will be critical to the effectiveness of the advisory group. Therefore, part 2 of the bill will require that conflicts of interest be addressed in a member's instrument of appointment, which will set out not only the steps to avoid conflicts, but also the steps to be followed if a conflict, in fact, arises. The effective and ethical operation of the advisory group will be further supported by Public Sector Commission governance principles and guidelines.

Part 3 of the bill will discontinue the Western Australian Future Fund and establish the future health research and innovation fund. The FHRI fund will continue to be a Treasurer's special purpose account and administered by the Treasurer. All the money currently standing to the credit of the future fund will stand to the credit of the FHRI fund and the FHRI fund will continue to be credited each year with one per cent of the state's forecast royalty income. Capital in the FHRI fund will continue to be preserved in perpetuity to ensure that the funding stream will be available over the long term.

Although the basic components of the future fund have been retained for the FHRI fund, the bill proposes some notable changes. Importantly, section 9 of the Western Australian Future Fund Act will be repealed. This section provided for income derived after 30 June 2032 from investment of money standing to the credit of the future fund to be applied for the purpose of providing public works and other public infrastructure in the metropolitan area and regions of Western Australia. New section 9 of the amended act will instead make forecast investment income available immediately for the purpose of crediting the FHRI account. The bill includes a provision allowing the Minister for Health and the Treasurer to return any uncommitted funds in the FHRI account to the FHRI fund. This provision will ensure that if any funds accumulate in the FHRI account, they can be returned to the FHRI fund and reinvested to earn the highest possible rate of return at all times.

The bill will impose reporting requirements for both the FHRI account and the FHRI fund in addition to that required under the Financial Management Act 2006 for special purpose accounts. There will be robust policy, governance and evaluation guidelines to ensure accountability and transparency in the use of public money. For example, the performance of initiatives that are funded from the FHRI account will be independently evaluated under an evaluation framework developed according to national and international best practice. Standardised processes will also be implemented for risk identification and mitigation.

Part 4 of the bill will outline the final provisions. Most notably, the amended act will retain the manner and form requirements in section 10(2). Any amendments to sections 6 to 10 of the WAFF act, which this bill purports to do, must pass both houses of Parliament with an absolute majority. On 26 September 2019, this bill was introduced in the other place and on 13 November 2019, it passed with an absolute majority at both the second and third

reading stages. No amendments were made to the bill. It will also need to pass this house with an absolute majority at both the second and third reading stages. This manner and form requirement will continue to apply to any amendments to sections 7 to 10 of the amended act until 30 June 2032 to protect the FHRI fund and the money credited to the FHRI account.

The central purpose of this bill is to provide a secure source of funding to support health and medical research and innovation now, not wait until 30 June 2032, to ensure that Western Australia can make the most of all the opportunities that present themselves over this coming decade. In summary, the sooner we take positive action to boost medical and health research, and medical and health innovation and commercialisation, the sooner we can expect the resulting health benefits to be available to our family and friends, the sooner we can see new industries and jobs for our children; and the sooner we can see Western Australia regarded as a hotbed of innovation and a centre of exceptional research.

Pursuant to Legislative Council standing order 126(1), I advise that this bill is not a uniform legislation bill. It does not ratify or give effect to an intergovernmental or multilateral agreement to which the government of the state is a party; nor does this bill, by reason of its subject matter, introduce a uniform scheme or uniform laws throughout the commonwealth.

I commend the bill to the house and I table the explanatory memorandum.

[See paper 3405.]

Debate adjourned, pursuant to standing orders.

*House adjourned at 10.20 pm*

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