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**THE LEGISLATIVE COUNCIL GOVERNMENT ADMINISTRATION 'A'  
COMMITTEE MET IN COMMITTEE ROOM 1, PARLIAMENT HOUSE, HOBART,  
ON WEDNESDAY 22 AUGUST 2012.**

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### **COST REDUCTION STRATEGIES OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES**

**Mr MARTIN WALLACE**, SECRETARY, AND **Mr MICHAEL REYNOLDS**, DIRECTOR, BUDGET MANAGEMENT BRANCH, DEPARTMENT OF TREASURY AND FINANCE, WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

**CHAIR** (Ms Forrest) - Thanks for responding to our request and providing the information you did to us already. I know there is a matter that you may want to raise in camera, which we will get you to explain why you want to do that. We also sought information related to the recommended model for local hospital networks, which has not been provided yet.

**Mr WALLACE** - We have provided that. That was provided in the initial set of things that we sent.

**CHAIR** - You have provided it?

**Mr WALLACE** - Yes, we provided that. Remember there was an initial request with quite a number of questions and we provided that information, so that information was provided. I have it in the folder here. This was about the information that Treasury had on how many networks and the constitution of the networks, the boards and that sort of thing.

**CHAIR** - And the modelling around the financial -

**Mr WALLACE** - No, we have never done that. There is not such - what we have given you is everything we have on our files in relation to that.

**CHAIR** - So what you are providing to us now would be the same that you provided earlier, there is nothing else. Is what you are saying?

**Mr WALLACE** - That is right. Anything to do with the Tasmanian health networks, apart from the advice we gave to cabinet, which the Premier has written and said is cabinet information and she does not wish to provide it, everything else we have provided and there is nothing else we have on our records and in our analysis.

**CHAIR** - So the advice to cabinet, the immunity from that is information that describes the deliberations of cabinet, not necessarily the information that goes to cabinet?

**Mr WALLACE** - Yes, it is the information that was contained in the Treasury Advisory, that was I think around December 2010. It is information that is included in the Premier's reply that relates to the cabinet minute from Health and Human Services on the THO

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structures and the Treasury Advisory and the Premier and Cabinet Advisory on that, but that is the only information that you do not have.

**CHAIR** - Right.

**Mr HARRISS** - So I can be clear - that was an advisory prior to cabinet deliberations?

**Mr WALLACE** - It is the normal process around cabinet deliberations, around the Treasury comment on all cabinet submissions.

**CHAIR** - How would it reflect the decision making process of cabinet?

**Mr WALLACE** - I do not know if that is for me to answer. It is a set of cabinet documents that the Premier's letter refers to, maintaining the - I understand she has written to you about cabinet information and that is included in that set of statements.

**Mr HARRISS** - Have you taken any advice as to what documents fall within that confidentiality process and the community chest?

**Mr WALLACE** - A while ago I took advice on my authority to release certain information and that led to the advice back then about cabinet information and information that was owned or the responsibility of the Minister for Health and Human Services. Subsequent to that the Minister for Health and Human Services agreed to the provision of the information on the ... control which was subsequently provided. The Premier wrote to you in relation to cabinet information.

**CHAIR** - The ruling or framework around what can be disclosed and provided to a committee of parliament, whether in camera or not in camera, is whether it actually reveals the deliberations of cabinet. The advice to cabinet is not necessarily the same.

**Mr WALLACE** - All I can tell you is in relation to what I am able to provide you.

**CHAIR** - Your advice is to not provide those advisories?

**Mr WALLACE** - My advice is that that information is information that is in the ownership of cabinet and is part of the cabinet process.

**CHAIR** - That does not necessarily make it exempt. According to the powers -

**Mr WALLACE** - I am not an expert in this area. My understanding is the Premier provided quite detailed comment to the committee about cabinet information.

**CHAIR** - Clearly we need to make a determination.

**Mr HARRISS** - Chair, Martin is in that difficult space. He has taken advice and that is the process and the Premier has -

**CHAIR** - The advice was from the Premier to you.

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**Mr WALLACE** - I only have an imperfect recollection of this, but I sought advice at some stage from the Solicitor-General in relation to this issue about what I, or what any head of agency, had authority to provide. My recollection of that advice was that - I cannot remember the actual words - but this is information that clearly is for parliament sent from the crown, and representatives of the crown are the ministers and in relation to the pieces of information that we did not provide at that time, one the responsible minister was the Premier not the Treasurer, and the other one the responsible minister was Health and Human Services and not the Treasurer, so on that basis I did not have the authority to provide the information.

**CHAIR** - That was the Solicitor-General's advice?

**Mr WALLACE** - It was to that effect.

**CHAIR** - Was there anything else you wanted to say in relation to that?

**Mr WALLACE** - No. Apart from that cabinet advisory comment, as we comment on every cabinet submission, we have given you everything we have on our files on the THOs.

**CHAIR** - Okay. With regard to the other matter relating to the business control team, did you want to discuss that confidentially?

**Mr WALLACE** - Yes, I probably want to put it into context. We have gone through all the documents that are sitting on our electronic document management system. These are the business records and files of Treasury and there is a whole lot of other stuff including emails. We provided everything on that which we saw as directly or indirectly related to the request of the committee. So that we could not be accused of hiding anything, there was one email which I do not believe fitted within the scope of the request but I wanted to draw that to your attention. It is a personal reflection of a senior Treasury person to another person in another agency. The document to which it refers is being supplied to you. Because it talks about individuals and with sensitive personal information, and it is not a Treasury record as such, I want to draw it your attention. If the committee would like to make a judgment about its relevance to your committee, I am happy to provide it in camera to you.

**CHAIR** - We need to consider that request as to whether we are happy to proceed with that in camera or not so I ask people to clear the room for a moment while we do that.

**CHAIR** - Does anybody have an issue with doing this in camera?

**Mr HARRISS** - Pardon?

**CHAIR** - Do you want these guys to go while we discuss this or are you right?

**Mr HARRISS** - No, I am comfortable to have the discussion in their presence as to whether we proceed in camera.

**Mr WALLACE** - I have five copies of the email.

**CHAIR** - Thanks, if you would like to distribute those. We are in camera now.

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**Mr HARRISS** - No, Chair, we are to decide whether we go in camera first, based on that proposition Martin put to us about people. I am happy to have that discussion as to whether we proceed in camera in his presence.

**CHAIR** – With Michael here?

**Mr HARRISS** - Yes.

**CHAIR** - Right, sorry, I thought it was -

**Mr HARRISS** - I am happy to make consideration of that resolution.

**CHAIR** - I am open to the committee's comments here. If there are personal details in it, we probably should at least receive it in camera in the first instance. I appreciate the fact that you have raised the issue in the way that you have, Martin. Do any other members have comment?

**Dr GOODWIN** - I agree with that.

**Mr HARRISS** - I share that view and the only thing that I was interested in that may then be a public matter, is the content with reference to people redacted might well be of substance and relevance to the committee because it goes to the issue, deleting the people's names. There might be information there and we will not know that until we receive it.

**CHAIR** – That is right. We are happy to receive it in camera in the first instance.

*Evidence taken in camera.*

**CHAIR** - Are you happy to go to those other broader matters again?

**Mr WALLACE** - Yes.

**CHAIR** - Thanks, Martin, for providing that information. I want you to go over a few of the issues that Treasury had concerns about in relation to the meaning of the savings targets from Health's point of view, particularly in the size of the requirement and perhaps the issues that you are happy to discuss in open session.

**Mr WALLACE** - As discussed the last time I appeared before the committee and as subsequently discussed with the now secretary of the department, the achievements of the savings strategies by the Department of Health and Human Services were always going to be very challenging.

The department is roughly 40 per cent of the state's budget. The last time I was here I explained the overall financial context, and it was a matter of turning around a major ship in terms of the increases in expenditure that had occurred over the previous five years of more than 10 per cent per annum, to achieving savings in the budget. So processes were put in place with the agency, including the business control team, to assist the agency to work through the strategies, and then for it to provide advice to the

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agency around the implementation of those strategies. There was a very significant delay compared to other agencies in those strategies being finalised and then implemented, and as early as the February 2012 mid year financial report, we identified this would mean that the department would not be able to meet its budget, and we provided the extra \$25 million that was put in, in recognition of that, and it was basically a consequence of the delay. If your strategies generate, say, \$100 million in twelve months, and you do not start until September, it means you are only going to get, in very simplistic terms, nine months or three quarters of the savings. That is roughly the assessment that was done at the time, that probably only about \$75 million of them would be achieved. It was unfortunate for various reasons, and probably best answered by the department, the delay to start with. The end result - while we only have preliminary outcomes, and the details around the budget are best answered by the department - suggests that our assessment was not too far out about the impact of the delay.

**CHAIR** - There is still an expectation that they will meet those savings. It takes a bit longer.

**Mr WALLACE** - Yes, basically as a result of deliberations in the budget process, cabinet agreed to take off the extra savings that were going to be required in 2012-13 to give the opportunity for the agency to finalise achievement of the initial \$100 million, so those extra savings are expected to come through. The difference between what was saved under the current basis out of the \$100 million, and the \$100 million target itself, is to be made up in 2012-13.

**CHAIR** - Do members have any other questions at this point? Thanks Martin and Michael for attending. The committee is not wrapping up at this stage, so there may be further questions we have later, particularly as to how the savings are being achieved, the extra \$25 million or thereabouts that was not forgiven.

**Mr WALLACE** - What was achieved with the \$100 million is for the department to answer. We do not have that information at the moment. All of that is part of the outcomes, but they can best answer that.

### **THE WITNESSES WITHDREW**

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**Mr MATTHEW DALY**, SECRETARY, DEPARTMENT OF HEALTH AND HUMAN SERVICES, WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

**CHAIR** - The purpose of the meeting today is to provide documents that we have requested and not to have a full hearing but to go to the details and whether what you provided is what we are requesting. This may take us some time to look at. I did not see you bring in a big basket full of goods.

**Mr DALY** - No, I thought we had provided in advance, in terms of the VCT documentation that council had asked for.

**CHAIR** – Yes, but the other documents we also summoned were the original cost saving proposals for the Department of Health and Human Services submitted by the DHHS for the Minister for Health for consideration in relation to 2011. These are the documents that led to the formulation of the saving strategy that was then later presented to cabinet. These are the documents we have been seeking. We have been seeking them for a while now. That is what we were hoping you were going to deliver today.

**Mr DALY** - Right. The process was that it was a document that was prepared for the subcommittee of cabinet, the budget subcommittee. My advice is that the documentation that goes to cabinet subcommittees is not routinely provided.

**CHAIR** - Who provided that advice to you?

**Mr DALY** – Crown Solicitor.

**CHAIR** - My advice is now that the standing orders state that the only information that is exempt from being provided to a committee is that which actually reveals the deliberations of cabinet.

**Mr DALY** - Right. The nature of the document was essentially a moving spreadsheet that ended up being the list of savings strategies that was put on the web and that we subsequently, or the THOs in particular, area health services as they were then, implemented as part of their savings strategies for 2011-12.

**CHAIR** - The committee has been informed that there was a range of proposals put forward. We were initially under the impression it was put forward to the minister to consider. We have not been able to question the minister so it is hard to know exactly what happened. One of the problems is that there was a range of proposals put forward.

Some of them were rejected by the minister, basically because the savings that were expected from the original proposals could not be made if you rejected some, sent back to the area health services and the department to reconsider or to propose other savings strategies. These are the documents we are after - what was in the initial mix. It did not go to cabinet because it never went near cabinet.

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These were the things that led to the development of the savings strategy that would have been approved by the budget subcommittee and then went to cabinet. Those documents would not be exempt. The committee has every right to those.

**Mr DALY** - I think you are referring to documents that probably do not exist in as much as looking at the minutes of the BCT and the anecdotal advice that my officers have given me - because obviously all this occurred before I started in January - was that it was about a discussion process both sometimes within the BCT, often one-on-one with individual CEOs and that ideas were explored by discussion.

That is where a lot of issues came up. A lot were routinely rejected for a host of reasons and then it was formulated into a document that went to the subcommittee of cabinet, the budget subcommittee, for their consideration. What was then agreed to was what was implemented and put on the website, as I understand.

I have not seen any paper trail of a proposal around a strategy that did not go to the budget committee, that was modified, went back and forth between various committees. Given the magnitude of the task and the speed with which it had to move, there was a lot of discussion both within the business control team meetings but also individually with not only the CEOs but also deputy secretaries and other people who had budget targets to meet within the Department of Health which was quite significant.

**CHAIR** - The to-ing and fro-ing - there would surely have been some sort of record of suggestions that were put to the budget subcommittee that are not cabinet documents.

**Mr DALY** - It was really a spreadsheet that went to the budget committee, and that spreadsheet was modified and that was the spreadsheet that was then taken for implementation right across the system.

**CHAIR** - The original spreadsheet that went with the range of strategies was not the same as what it ended up being, translated into a savings strategy.

**Mr DALY** - In some cases it would have been, yes.

**CHAIR** - Some points of it and some of them would not.

**Mr DALY** - Yes.

**CHAIR** - Is that a document that is available.

**Mr DALY** - It was provided to the budget committee and so that was the document that I am advised is not routinely and traditionally released.

**Dr GOODWIN** - Through you Chair, can I go through the process. You talked about this spreadsheet being a moving spreadsheet, so things were presumably added and added and added and maybe in some cases taken off before the final spreadsheet made it to the budget subcommittee.

In terms of the process for items getting into that spreadsheet, was there any documentation generated or did all these ideas come up during meetings and verbally

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articulated rather than in writing or would there be supporting documentation for things to get on to that spreadsheet?

**Mr DALY** - There is supporting documentation. We have provided that to council. It was quite a hefty amount of documentation.

**Dr GOODWIN** - We have all of that documentation?

**Mr DALY** - Yes, you have all of that, but that is not to say that every strategy went through - it appears to me anyway - a development process like you have described. As I said, given the magnitude of the budget ask and the speed with which it had to be put into place there was a lot of conversations in developing ideas. CEOs were bringing up ideas, whether it would be in the BCT forum, informally with the Secretary at the time or Deputy Secretaries involved, and they would have a conversation, conversations outside the agency in all probability, and then they would get advice as to whether it would fly with government or not. If it was not acceptable they did not do any other developmental work on it.

**Dr GOODWIN** - So it did not make it onto the spreadsheet if that was the case.

**Mr DALY** - What went onto the spreadsheet was as a result of discussions and what was thought reasonable, and this is my reading of the situation from afar, but once a strategy was thought to be reasonable and presentable to government, it got on the spreadsheet for consideration by the budget committee.

**Dr GOODWIN** - In terms of that decision about whether it was going to be palatable to the government, a particular strategy, was advice taken from the minister or the minister's office at that point, or was it a gut feel from whoever was thinking about the strategy?

**Mr DALY** - Not being here it is hard, but there must have been at times some discussion with the minister's office or staff around some of the strategies. That would be my logical conclusion. If I was faced with that situation there would some things that I would know I would put forward that would not require discussion with staff in the minister's office and some that clearly would be more contentious, but I would make the call that might have been borderline but get some advice from the minister's office.

Logically there was probably some discussion and it is hard to imagine that there was none. The BCT had presence from Treasury and Premier and Cabinet's office. Certainly looking at their involvement, and as I arrived, that their involvement was about structure and process rather than content and decision making, so they were there instilling a kind of discipline around pushing CEOs and other officers into continuing to feed proposals up to the budget committee.

**CHAIR** - Matthew, you said, and I know they were provided previously, and a lot of them in camera, the documents related to the BCT. You provided the documents related to the functioning of the BCT.

**Mr DALY** - That did go to the BCT for consideration.



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**CHAIR** - I am talking about the general papers that you provided previously in relation to the Business Control Team. Are you confident you provided all the relevant documents in that regard?

**Mr DALY** - I rely on my staff and they have assured me with those exceptions that I have touched on, all the documents that went through the BCT have been provided. They have not fibbed to me yet, so I cannot imagine they would over this.

**CHAIR** - I am not suggesting they are. We asked for Treasury to provide their documents related to the Budget Control Team as well and there were some different documents amongst them. I would have thought they would have been common, but would there be an explanation you can offer as to why they may be different?

**Mr DALY** - Unless they were Treasury papers that they prepared for themselves to take to the BCT in preparation for them going into a meeting. If they were part of the agenda then they should have been provided by us as well, but I often take papers into a meeting that no one else in the room has, but it is briefing me around my agency's position and the implications for a meeting issue that implicates only my agency, hence if the secretary of justice and the police commissioner were across the table, then they would not have the paper that I have, so that is quite common, I would have thought.

**CHAIR** - You are confident that everything that the Department of Health and Human Services hold related to the Business Control Team has been provided to the committee?

**Mr DALY** - Yes, as confident as I can be and the reliability of my staff, which has been very solid in the six months I have been here.

**CHAIR** - Do members have any other questions? As you are aware we have not wrapped up the committee's inquiry yet because there is still work to do we think in looking at the impacts of the savings strategies, particularly over the winter period that acute health services face. If we need to discuss it further with you after we have considered more fully the information that has been provided and the explanation given, would you require a summons to reappear before the committee or a simple invitation?

**Mr DALY** - An invitation. I would be more than happy to share what I know. As I said, it is a bit hard for me, being behind, but my focus has been on the implementation of those strategies and I have to give a wrap to the people in this agency who, not only had to contend with a hundred million dollar budget savings but, in the case of the area health services, had underlying budget problems of around another 20 to 30 million dollars that they had to deliver as well. Delivering it to the point that they did, that is, within that \$25 million of supplementation is a remarkable effort, particularly given the outputs that the system has continued to deliver.

**CHAIR** - With regard to the extra \$25 million do you believe you are able to make those savings in this current financial year?

**Mr DALY** - It is never easy but the work that the THOs are now doing through their governing council is about working up plans to a balanced budget. The benefit we have is that a lot of the savings that were put in place last year had a full year effect. We have talked previously at this forum about the delays there were in implementing some for a

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variety of reasons and so, whilst they delivered savings to complement the northern area health service, they delivered virtually on budget performance; \$400 000 unfavourable on a \$200 million budget. That is on budget in my books.

**CHAIR** - The northwest area health service?

**Mr DALY** - The northern area health service.

**CHAIR** - The northern -

**Mr DALY** - They had strategies that they did not implement, as we discussed at Christmas or thereabouts. So there is a full year effect that flows over which all the area health services have. That is an immediate free kick in terms of savings coming into effect. There are other cost pressures on health, around health CPI – it is much higher than the general CPI. Every year, as those who are involved in health would know, it is a constant task of meeting growing demand at a CPI level that is higher than the general community experiences. It is a tough gig running hospitals.

**CHAIR** - Any other questions? No. Thank you for coming. We will be in touch if we need further information and details from you.

**Mr DALY** - Yes, my pleasure.

**CHAIR** - Thank you.

**Mr DALY** - Thank you.

**THE WITNESS WITHDREW**