

# **NATIONAL HEALTH FUNDING BODY**

## **Entity Resources and Planned Performance**



# National Health Funding Body

Health Portfolio Entity

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## Section 1: Entity Overview and Resources

### 1.1 Strategic Direction Statement

The Administrator of the National Health Funding Pool (the Administrator) and the National Health Funding Body (NHFB) were created through the Council of Australian Governments' National Health Reform Agreement (Agreement) of August 2011.

The role of the NHFB is to assist the Administrator in carrying out functions under Commonwealth, and State or Territory legislation. These functions include managing the National Health Funding Pool which has been established to optimise the transparency and efficiency of public hospital funding. The National Health Funding Pool receives all Commonwealth and activity-based state hospital funding. It is comprised of a Reserve Bank of Australia account for each State and Territory (state pool account) for the distribution of funds to Local Hospital Networks (LHNs) and other parties. Each State and Territory also has a separate fund (state managed fund) for receiving Commonwealth block funding and for making payments of block funding by the State or Territory to the LHNs or other parties.

In addition, the NHFB develops the Administrator's rolling *Three Year Data Plan*, which communicates to the Commonwealth and States and Territories, the data requirements, standards and timelines to determine the Commonwealth's funding contribution. The NHFB also facilitates transparent reporting on the operations of the National Health Funding Pool and state managed funds.

The NHFB commenced operations in July 2012, and is independent of both Commonwealth and State and Territory Governments. The NHFB is a Non-corporate Commonwealth entity under the *Public Governance, Performance and Accountability Act 2013*. The NHFB's responsibilities and functions are set out in the *National Health Reform Act 2011* and corresponding jurisdictional legislation.

From 2017-18, the Australian Government will introduce revised public hospital funding arrangements, to recognise State and Territory responsibilities for managing an efficient public hospital sector.

## 1.2 Entity Resources

Table 1.1 shows the total resources from all sources. The table summarises how resources will be applied by outcome and by administered and departmental classifications.

**Table 1.1: NHFB Resource Statement – Budget Estimates for 2015-16 as at Budget May 2015**

	Estimated available appropriation	Estimate of prior year amounts available in	Proposed at Budget	Total estimate
	2014-15 \$'000	2015-16 \$'000	2015-16 \$'000	2015-16 \$'000
<b>Ordinary annual services<sup>1</sup></b>				
<b>Departmental appropriation</b>				
Prior year departmental appropriation <sup>2</sup>	1,278	1,147	-	1,147
Departmental appropriation <sup>3</sup>	4,348	-	4,315	4,315
s74 Retained revenue receipts <sup>4</sup>	-	-	-	-
<b>Total</b>	<b>5,626</b>	<b>1,147</b>	<b>4,315</b>	<b>5,462</b>
<b>Total ordinary annual services</b>	<b>5,626</b>	<b>1,147</b>	<b>4,315</b>	<b>5,462</b>
<b>Other services - Bill 2<sup>5</sup></b>				
<b>Departmental non-operating</b>				
Equity injections	-	-	-	-
Previous years' programmes	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total other services</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total available annual appropriations</b>	<b>5,626</b>	<b>1,147</b>	<b>4,315</b>	<b>5,462</b>
<b>Total net resourcing for NHFB</b>	<b>5,626</b>	<b>1,147</b>	<b>4,315</b>	<b>5,462</b>

All figures are GST exclusive.

- 1 Appropriation Bill (No. 1) 2015-16.
- 2 Estimated adjusted balance carried from previous year for annual appropriations.
- 3 NHFB did not receive any appropriation in 2014-15 for the Departmental Capital Budget (see Table 3.2.5).
- 4 Estimated retained revenue receipts under s74 of the *Public Governance, Performance and Accountability (PGPA) Act 2013*.
- 5 Appropriation Bill (No. 2) 2015-16.

## 1.3 Budget Measures

Section 1.3 is not applicable to the NHFB.

## Section 2: Outcomes and Planned Performance

### 2.1 Outcomes and Performance Information

**Provide transparent and efficient administration of Commonwealth, State and Territory funding of the Australian public hospital system, and support the obligations and responsibilities of the Administrator of the National Health Funding Pool**

#### Outcome Strategy

The NHFB supports the Administrator to ensure that Commonwealth and State or Territory deposits into the National Health Funding Pool, and payments from the National Health Funding Pool to LHNs or other parties, are made in accordance with directions from the responsible State or Territory Minister, and in line with the Agreement.

The NHFB applies best practice financial frameworks and processes, and provides leadership and support to the Commonwealth and States and Territories in undertaking the funding arrangements under the Agreement.

The provision of timely, accurate and reliable public hospital data is vital to inform the determination of the Commonwealth's funding contribution. To support this, the NHFB develops the Administrator's rolling *Three Year Data Plan*, Commonwealth Contribution Methodology, Growth and Funding Guarantees and the Reconciliation Framework. This is informed by policy advice provided by the NHFB, incorporating jurisdictional considerations through established expert reference committees.

In undertaking these activities, the NHFB will contribute to improving transparency and efficient administration of public hospital funding.

## NHFB Budgeted Expenses and Resources

Table 2.1 provides an overview of the total expenses for NHFB by programme.

**Table 2.1: Budgeted Expenses for NHFB**

	2014-15 Estimated actual \$'000	2015-16 Budget \$'000	2016-17 Forward Year 1 \$'000	2017-18 Forward Year 2 \$'000	2018-19 Forward Year 3 \$'000
<b>Programme 1.1: National health funding pool administration</b>					
Departmental expenses					
Departmental appropriation <sup>1</sup>	4,348	4,315	4,322	4,350	4,380
Expenses not requiring appropriation in the budget year <sup>2</sup>	-	-	-	-	-
Operating deficit (surplus)	-	-	-	-	-
<b>Total for Programme 1.1</b>	<b>4,348</b>	<b>4,315</b>	<b>4,322</b>	<b>4,350</b>	<b>4,380</b>
<b>Total expenses for Outcome 1</b>	<b>4,348</b>	<b>4,315</b>	<b>4,322</b>	<b>4,350</b>	<b>4,380</b>
	<b>2014-15</b>	<b>2015-16</b>			
<b>Average staffing level (number)</b>	19	19			

- 1 Departmental appropriation combines "Ordinary annual services (Appropriation Bill No. 1)" and "Revenue from independent sources (s74)".
- 2 Expenses not requiring appropriation in the Budget year is made up of depreciation expense, amortisation expense, makegood expense and audit fees.

## **Programme 1.1: National Health Funding Pool Administration**

### **Programme Objectives**

*Assist the Administrator to calculate the Commonwealth contribution to the National Health Funding Pool*

The Administrator, with the support of the NHFB, calculates the annual Commonwealth contribution to be paid into the National Health Funding Pool for the following financial year.

In 2015-16, the Commonwealth will fund 45 per cent of efficient growth of activity-based services. The calculation of the Commonwealth contribution also includes the reconciliation of actual patient level hospital activity data in relation to the previous financial year.

The reconciliation is based on estimated and actual volume of service delivery, informed by the outcomes of data matching and other adjustment activities. The result of the reconciliation is incorporated into the calculation of the Commonwealth contribution to the National Health Funding Pool.

*Assist the Administrator to develop the Three Year Data Plan and associated funding calculation approach*

The NHFB supports the Administrator in determining the minimum level of data required to calculate the Commonwealth's contribution, conduct reconciliation activities and ensure national comparability. Established data sets are used to reduce the burden on data providers in line with the single provision multiple use concept stated in the Agreement.

As the primary policy advisor to the Administrator, the NHFB is responsible for the development of the Administrator's rolling *Three Year Data Plan* and funding calculation approach and arrangements.

*Assist the Administrator to ensure the National Health Funding Pool operations are in accordance with directions from the responsible State or Territory Minister, and in line with the Agreement*

The NHFB supports the Administrator to ensure that Commonwealth and State or Territory deposits into the National Health Funding Pool, and payments from the National Health Funding Pool to LHNs or other parties, are made in accordance with directions from the responsible State or Territory Minister, and in line with the Agreement.

The NHFB maintains proper records in relation to the administration of the National Health Funding Pool by utilising the National Health Funding Administrator Payments System.



*Assist the Administrator to transparently report on the operations of the National Health Funding Pool and state managed funds as outlined in the Agreement*

The NHFB provides the administrative mechanism for the aggregation and public reporting of funding by the Administrator. This enables the Administrator to provide monthly and annual reports, including financial statements, for the operations of the funding pool and state managed funds.

## **Programme 1.1: Deliverables**

### **Qualitative Deliverables for Programme 1.1**

**Assist the Administrator to develop the *Three Year Data Plan* and associated funding calculation approach**

<b>Qualitative Deliverable</b>	<b>2015-16 Reference Point or Target</b>
Deliver the rolling <i>Three Year Data Plan</i> .	Determine minimum level of data required to calculate the Commonwealth's contribution, conduct reconciliation activities and ensure national comparability under the Agreement.

**Assist the Administrator to ensure the National Health Funding Pool operations are in accordance with directions from the responsible State or Territory Minister, and in line with the Agreement**

<b>Qualitative Deliverable</b>	<b>2015-16 Reference Point or Target</b>
Maintain proper records and reporting in relation to the administration of the National Health Funding Pool, including records of all payments made to and from those accounts and the basis on which the payments were made.	Monthly publication and verification from the States and Territories in relation to the operations of the National Health Funding Pool and state managed funds.

**Assist the Administrator to transparently report on the operations of the National Health Funding Pool and state managed funds as outlined in the Agreement**

<b>Qualitative Deliverables</b>	<b>2015-16 Reference Point or Target</b>
Annual report of the National Health Funding Pool to the Commonwealth, and State and Territory Governments.	Produce and table a single annual report and accompanying financial statements on the operation of the National Health Funding Pool in the Commonwealth Parliament, and each State and Territory Parliament. The annual report will include combined financial statements for the National Health Funding Pool, and financial statements for each State or Territory state pool account audited by the respective Auditor-General.

Qualitative Deliverables	2015-16 Reference Point or Target
Public reporting on the operations of the state managed funds and National Health Funding Pool.	Produce monthly reports on the operation of the state managed funds and the National Health Funding Pool.

## Programme 1.1: Key Performance Indicators

### Qualitative Key Performance Indicators for Programme 1.1

**Assist the Administrator to calculate the Commonwealth contribution to the National Health Funding Pool**

Qualitative Indicator	2015-16 Reference Point or Target
Calculate the Commonwealth contribution to the National Health Funding Pool.	The calculation informs the Administrator's advice to the Treasurer, and under the Agreement, Commonwealth funding will include a 45 per cent contribution to efficient growth in public hospital services in 2015-16.

**Assist the Administrator to ensure the National Health Funding Pool operations are in accordance with directions from the responsible State or Territory Minister, and in line with the Agreement**

Qualitative Indicator	2015-16 Reference Point or Target
Oversee and authorise all payments for public hospital services through the National Health Funding Pool as required under the Agreement.	Improvements to the National Health Funding Administrator Payments System allow the NHFB, and States and Territories, greater flexibility in managing payments.

### Quantitative Key Performance Indicators for Programme 1.1

**Assist the Administrator to ensure the National Health Funding Pool operations are in accordance with directions from the responsible State or Territory Minister, and in line with the Agreement**

Quantitative Indicator	2014-15 Revised Budget	2015-16 Budget Target	2016-17 Forward Year 1	2017-18 Forward Year 2	2018-19 Forward Year 3
Percentage of payments made in accordance with directions from the responsible State or Territory Minister.	100%	100%	100%	100%	100%

## **Section 3: Explanatory Tables and Budgeted Financial Statements**

Section 3 presents explanatory tables and budgeted financial statements which provide a comprehensive snapshot of entity finances for the 2015-16 Budget year. It explains how budget plans are incorporated into the financial statements and provides further details of the reconciliation between appropriations and programme expenses, movements in administered funds, special accounts and Australian Government Indigenous expenditure.

### **3.1 Explanatory Tables**

#### **3.1.1 Movement of Administered Funds Between Years**

Section 3.1.1 is not applicable to the NHFB.

#### **3.1.2 Special Accounts**

Section 3.1.2 is not applicable to the NHFB.

#### **3.1.3 Australian Government Indigenous Expenditure (AGIE)**

Section 3.1.3 is not applicable to the NHFB.

## **3.2 Budgeted Financial Statements**

### **3.2.1 Differences in Entity Resourcing and Financial Statements**

Section 3.2.1 is not applicable to the NHFB.

### **3.2.2 Analysis of Budgeted Financial Statements**

An analysis of the NHFB's budgeted financial statements for 2015-16 is provided below.

#### **Departmental Resources**

##### **Comprehensive Income Statement**

The NHFB's appropriation revenue is largely in line with its statutory functions and the National Health Reform Agreement (the Agreement) agreed by the Council of Australian Governments.

The NHFB's departmental appropriation is allocated to fund employees to assist the Administrator of the National Health Funding Pool and to carry out the NHFB's functions. The remaining departmental appropriation is allocated to fund supplier expenses to support the Administrator's obligations under the Agreement. These expenses support the delivery of monthly and annual statutory reporting, operation of the national payments system, and determination of the Commonwealth health funding as required under the *National Health Reform Act 2011*. The appropriation is also allocated to the review and assurance of data application, and controls over the processes and systems managed by the NHFB.

##### **Balance Sheet**

The NHFB does not anticipate the purchase of any major assets with the balance sheet largely reflecting the appropriation held to meet employee and supplier provisions and payables.

##### **Cash Flows**

Cash flows are consistent with projected income and expenses.

### 3.2.3 Budgeted Financial Statements Tables

**Table 3.2.1: Comprehensive Income Statement (showing net cost of services) for the period ended 30 June**

	Estimated actual 2014-15 \$'000	Budget estimate 2015-16 \$'000	Forward estimate 2016-17 \$'000	Forward estimate 2017-18 \$'000	Forward estimate 2018-19 \$'000
<b>EXPENSES</b>					
Employee benefits	2,411	2,503	2,579	2,656	2,736
Supplier expenses	1,937	1,812	1,743	1,694	1,644
Depreciation and amortisation	-	-	-	-	-
<b>Total expenses</b>	<b>4,348</b>	<b>4,315</b>	<b>4,322</b>	<b>4,350</b>	<b>4,380</b>
<b>LESS:</b>					
<b>OWN-SOURCE INCOME</b>					
<b>Revenue</b>					
Sale of goods and rendering of services	-	-	-	-	-
<b>Total revenue</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Gains</b>					
Other	-	-	-	-	-
<b>Total gains</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total own-source income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net cost of (contribution by) Services</b>	<b>4,348</b>	<b>4,315</b>	<b>4,322</b>	<b>4,350</b>	<b>4,380</b>
Revenue from Government	4,348	4,315	4,322	4,350	4,380
<b>Surplus (Deficit)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Surplus (Deficit) attributable to the Australian Government</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>OTHER COMPREHENSIVE INCOME</b>					
Changes in asset revaluation reserves	-	-	-	-	-
<b>Total other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income attributable to the Australian Government</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Note: Reconciliation of comprehensive income attributable to the agency</b>					
	2014-15 \$'000	2015-16 \$'000	2016-17 \$'000	2017-18 \$'000	2018-19 \$'000
<b>Total comprehensive income (loss) attributable to the Australian Government</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
plus non-appropriated expenses depreciation and amortisation expenses	-	-	-	-	-
<b>Total comprehensive income (loss) attributable to the agency</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Table 3.2.2: Budgeted Departmental Balance Sheet (as at 30 June)

	Estimated actual 2014-15 \$'000	Budget estimate 2015-16 \$'000	Forward estimate 2016-17 \$'000	Forward estimate 2017-18 \$'000	Forward estimate 2018-19 \$'000
<b>ASSETS</b>					
<b>Financial assets</b>					
Cash and cash equivalents	12	12	12	12	12
Receivables	1,150	1,251	1,268	1,280	1,292
<b>Total financial assets</b>	<b>1,162</b>	<b>1,263</b>	<b>1,280</b>	<b>1,292</b>	<b>1,304</b>
<b>Non-financial assets</b>					
Land and buildings	-	-	-	-	-
Property, plant and equipment	-	-	-	-	-
Intangibles	-	-	-	-	-
Other non-financial asset	42	42	42	42	42
<b>Total non-financial assets</b>	<b>42</b>	<b>42</b>	<b>42</b>	<b>42</b>	<b>42</b>
<b>Total assets</b>	<b>1,204</b>	<b>1,305</b>	<b>1,322</b>	<b>1,334</b>	<b>1,346</b>
<b>LIABILITIES</b>					
<b>Payables</b>					
Suppliers	198	201	205	205	205
Other payables	66	66	66	66	66
<b>Total payables</b>	<b>264</b>	<b>267</b>	<b>271</b>	<b>271</b>	<b>271</b>
<b>Provisions</b>					
Employees	335	433	446	458	470
Other provisions	-	-	-	-	-
<b>Total provisions</b>	<b>335</b>	<b>433</b>	<b>446</b>	<b>458</b>	<b>470</b>
<b>Total liabilities</b>	<b>599</b>	<b>700</b>	<b>717</b>	<b>729</b>	<b>741</b>
<b>Net Assets</b>	<b>605</b>	<b>605</b>	<b>605</b>	<b>605</b>	<b>605</b>
<b>EQUITY</b>					
Contributed equity	-	-	-	-	-
Reserves	-	-	-	-	-
Retained surpluses or accumulated deficits	605	605	605	605	605
<b>Total equity</b>	<b>605</b>	<b>605</b>	<b>605</b>	<b>605</b>	<b>605</b>

**Table 3.2.3: Departmental Statement of Changes in Equity — summary of movement  
(Budget year 2015-16)**

	Retained earnings	Asset revaluation reserve	Contributed equity/ capital	Total equity
	\$'000	\$'000	\$'000	\$'000
<b>Opening balance as at 1 July 2015</b>				
Balance carried forward from previous period	605	-	-	<b>605</b>
Surplus (deficit) for the period	-	-	-	-
Capital budget - Bill 1 (DCB)	-	-	-	-
<b>Estimated closing balance as at 30 June 2016</b>				
	<b>605</b>	-	-	<b>605</b>

DCB = Departmental Capital Budget.

**Table 3.2.4: Budgeted Departmental Statement of Cash Flows  
(for the period ended 30 June)**

	Estimated actual 2014-15 \$'000	Budget estimate 2015-16 \$'000	Forward estimate 2016-17 \$'000	Forward estimate 2017-18 \$'000	Forward estimate 2018-19 \$'000
<b>OPERATING ACTIVITIES</b>					
<b>Cash received</b>					
Appropriations	4,479	4,214	4,305	4,338	4,368
Net GST received	144	150	152	152	155
Other cash received	-	-	-	-	-
<b>Total cash received</b>	<b>4,623</b>	<b>4,364</b>	<b>4,457</b>	<b>4,490</b>	<b>4,523</b>
<b>Cash used</b>					
Employees	2,509	2,405	2,566	2,644	2,724
Suppliers	1,970	1,809	1,739	1,694	1,644
Net GST paid	144	150	152	152	155
<b>Total cash used</b>	<b>4,623</b>	<b>4,364</b>	<b>4,457</b>	<b>4,490</b>	<b>4,523</b>
<b>Net cash from (or used by) operating activities</b>	-	-	-	-	-
<b>INVESTING ACTIVITIES</b>					
<b>Cash used</b>					
Purchase of property, plant and equipment	-	-	-	-	-
<b>Total cash used</b>	-	-	-	-	-
<b>Net cash from (or used by) investing activities</b>	-	-	-	-	-
<b>FINANCING ACTIVITIES</b>					
<b>Cash received</b>					
Capital budget - Bill 1 (DCB)	-	-	-	-	-
<b>Total cash received</b>	-	-	-	-	-
<b>Net cash from (or used by) financing activities</b>	-	-	-	-	-
<b>Net increase (or decrease) in cash held</b>	-	-	-	-	-
Cash and cash equivalents at the beginning of the reporting period	12	12	12	12	12
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>12</b>	<b>12</b>	<b>12</b>	<b>12</b>	<b>12</b>

DCB = Departmental Capital Budget.



Table 3.2.5: Departmental Capital Budget Statement (for the period ended 30 June)

	Estimated actual 2014-15 \$'000	Budget estimate 2015-16 \$'000	Forward estimate 2016-17 \$'000	Forward estimate 2017-18 \$'000	Forward estimate 2018-19 \$'000
<b>CAPITAL APPROPRIATIONS</b>					
Capital budget - Bill 1 (DCB)	-	-	-	-	-
Equity injections - Bill 2	-	-	-	-	-
<b>Total capital appropriations</b>	-	-	-	-	-
<b>Total new capital appropriations represented by:</b>					
Purchase of non-financial assets	-	-	-	-	-
<b>Total items</b>	-	-	-	-	-
<b>PURCHASE OF NON-FINANCIAL ASSETS</b>					
Funded by capital appropriations - equity injection <sup>1</sup>	-	-	-	-	-
Funded by capital appropriation - DCB <sup>2</sup>	-	-	-	-	-
Funded internally from departmental resources	-	-	-	-	-
<b>Total acquisitions of non-financial assets</b>	-	-	-	-	-
<b>RECONCILIATION OF CASH USED TO ACQUIRE ASSETS TO ASSET MOVEMENT TABLE</b>					
<b>Total purchases</b>	-	-	-	-	-
<b>Total cash used to acquire assets</b>	-	-	-	-	-

DCB = Departmental Capital Budget.

- 1 Includes both current Bill 2 and prior Act 2/4/6 appropriations and special capital appropriations.
- 2 Does not include annual finance lease costs. Includes purchases from current and previous years' Departmental Capital Budgets.

**Table 3.2.6: Statement of Asset Movements (Budget year 2015-16)**

	Buildings	Other property, plant and equipment	Intangibles	Total
	\$'000	\$'000	\$'000	\$'000
<b>As at 1 July 2015</b>				
Gross book value	-	-	-	-
Accumulated depreciation/amortisation and impairment	-	-	-	-
<b>Opening net book balance</b>	-	-	-	-
<b>CAPITAL ASSET ADDITIONS</b>				
<b>Estimated expenditure on new or replacement assets</b>				
By purchase - appropriation equity	-	-	-	-
By purchase - appropriation ordinary annual services	-	-	-	-
<b>Total additions</b>	-	-	-	-
<b>Other movements</b>				
Depreciation/amortisation expense	-	-	-	-
<b>Total other movements</b>	-	-	-	-
<b>As at 30 June 2016</b>				
Gross book value	-	-	-	-
Accumulated depreciation/amortisation and impairment	-	-	-	-
<b>Closing net book balance</b>	-	-	-	-