

NATIONAL HEALTH FUNDING BODY

NHFB

Entity Resources and Planned Performance

NATIONAL HEALTH FUNDING BODY

Section 1: Entity Overview and Resources	370
1.1 Strategic Direction Statement	370
1.2 Entity Resource Statement	371
1.3 Budget Measures	371
Section 2: Outcomes and Planned Performance	372
2.1 Budgeted Expenses and Performance	372
Section 3: Budgeted Financial Statements	379
3.1 Budgeted Financial Statements	379
3.2 Budgeted Financial Statements Tables	380

Section 1: Entity Overview and Resources

1.1 STRATEGIC DIRECTION STATEMENT¹

The role of the National Health Funding Body (NHFB) is to support the obligations and responsibilities of the Administrator of the National Health Funding Pool (the Administrator) by providing transparent and efficient administration of the Commonwealth, State and Territory funding of the Australian public hospital system. The Administrator and the NHFB were created through the Council of Australian Governments National Health Reform Agreement (NHR Agreement) of August 2011. The functions of the Administrator are set out in the *National Health Reform Act 2011* and common provisions in relevant State and Territory legislation.

The functions of the NHFB are to assist the Administrator in:

- calculating and advising the Commonwealth Treasurer of the NHR Agreement funding to be paid by the Commonwealth to each State and Territory for public hospital services, including advice on any reconciliation of amounts paid against actual services provided;
- managing the National Health Funding Pool (the Pool), comprised of a Reserve Bank of Australia account for each State and Territory that receive all Commonwealth and State activity-based hospital funding, and make payments to Local Hospital Networks (LHNs) and other parties;
- overseeing transactions through the National Health Funding Pool using the Administrator's Payments System;
- reporting publicly on NHR Agreement funding and payments made from each Pool account and each State Managed Fund;
- developing the Administrator's rolling *Three Year Data Plan* that details the Administrator's data requirements, standards, and timelines to the Commonwealth, and States and Territories; and
- undertaking Commonwealth funding integrity analysis through data matching by linking hospital activity, Medicare Benefits Schedule and Pharmaceutical Benefits Scheme data.

¹ For more information about the strategic direction of the NHFB, refer to the current Corporate Plan, available at: www.nhfb.gov.au/publications/

1.2 ENTITY RESOURCE STATEMENT

Table 1.1 shows the total funding from all sources available to the entity for its operations and to deliver programs and services on behalf of the Government.

The table summarises how resources will be applied by outcome (Government strategic policy objectives) and by administered (on behalf of the Government or the public) and departmental (for the entity's operations) classification.

For more detailed information on special accounts and special appropriations, refer to *Budget Paper No. 4 – Agency Resourcing*.

Information in this table is presented on a resourcing (i.e. appropriations/cash available) basis, whilst the 'Budgeted expenses by outcome' tables in Section 2 and the financial statements in Section 3 are presented on an accrual basis.

Table 1.1: NHFB Resource Statement – Budget Estimates for 2018-19 as at Budget May 2018

	2017-18 Estimated actual \$'000	2018-19 Estimate \$'000
DEPARTMENTAL		
Prior year appropriation available	1,439	1,451
Annual appropriations		
Ordinary annual services ^(a)		
Departmental appropriation	5,844	5,378
s74 retained revenue receipts ^(b)	-	-
Departmental capital budget ^(c)	-	-
Other services ^(d)		
Equity injection	-	-
Total departmental annual appropriations	5,844	5,378
Total departmental resourcing	7,283	6,829
Total resourcing for the NHFB	7,283	6,829
	2017-18	2018-19
Average staffing level (number)	17	21

All figures are GST exclusive.

Prepared on resourcing (i.e. appropriation available) basis.

^(a) Appropriation Bill (No. 1) 2018-19.

^(b) Estimated retained revenue receipts under section 74 of the PGPA Act 2013.

^(c) Departmental Capital Budgets (DCB) are not separately identified in Appropriation Bill (No. 1) and form part of ordinary annual services items. Refer to Table 3.5 for further details. For accounting purposes, this amount has been designated as a 'contribution by owner'.

^(d) Appropriation Bill (No. 2) 2018-19.

1.3 BUDGET MEASURES

This section is not applicable to the NHFB.

Section 2: Outcomes and Planned Performance

Government outcomes are the intended results, impacts or consequences of actions by the Government on the Australian community. Commonwealth programs are the primary vehicle by which Government entities achieve the intended results of their outcome statements. Entities are required to identify the programs that contribute to Government outcomes over the Budget and forward years.

Each outcome is described below together with its related programs. The following provides detailed information on expenses for each outcome and program, further broken down by funding source.

Note:

Performance reporting requirements in the Portfolio Budget Statements are part of the enhanced Commonwealth performance framework established by the *Public Governance, Performance and Accountability Act 2013*. It is anticipated that the performance criteria described in Portfolio Budget Statements will be read with broader information provided in an entity's Corporate Plans and Annual Performance Statements – included in Annual Reports – to provide an entity's complete performance story.

The NHFB's most recent Corporate Plan is available at:
www.nhfb.gov.au/publications

The NHFB's most recent Annual Performance Statement is available at:
www.nhfb.gov.au/publications

2.1 BUDGETED EXPENSES AND PERFORMANCE

Outcome 1

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

Program Contributing to Outcome 1

Program 1.1: National Health Funding Pool Administration

Linked Programs

Other Commonwealth entities that contribute to Outcome 1
<p>Department of Health Program 2.7: Hospital Services The Department of Health has policy responsibility for public and private hospital services, including the Commonwealth Government funding contribution for public hospital services. This includes policy responsibility for the Administrator and the National Health Funding Body.</p>
<p>The Treasury Program 1.5: Assistance to the States for Healthcare Services The Commonwealth Treasury transfers to the National Health Funding Pool the amount of Commonwealth funding to which each State and Territory (including Local Hospital Networks in each jurisdiction) is entitled, and makes the payments on the dates specified in the Intergovernmental Agreement on Federal Financial Relations.</p>

Budgeted Expenses for the NHFB

Table 2.1.1 shows how much the entity intends to spend (on an accrual basis) on achieving the outcome, broken down by program, as well as by administered and departmental funding sources.

Table 2.1.1: Budgeted Expenses for the NHFB

	2017-18 Estimated actual \$'000	2018-19 Budget \$'000	2019-20 Forward Year 1 \$'000	2020-21 Forward Year 2 \$'000	2021-22 Forward Year 3 \$'000
Program 1.1: National Health Funding Pool Administration					
Departmental expenses					
Departmental appropriation ^(a)	5,844	5,378	5,575	4,260	-
Expenses not requiring appropriation in the budget year ^(b)	92	92	92	92	-
Operating deficit (surplus)	-	-	-	-	-
Total for Program 1.1	5,936	5,470	5,667	4,352	-
Total expenses for Outcome 1	5,936	5,470	5,667	4,352	-

	2017-18	2018-19
Average staffing level (number)	17	21

^(a) Departmental appropriation combines 'Ordinary annual services (Appropriation Bill No. 1)' and "Revenue from independent sources (s74)".

^(b) Expenses not requiring appropriation in the Budget year are made up of depreciation expense, amortisation expense, makegood expense and audit fees.



Planned Performance for the NHFB

Table 2.1.2 below details the performance criteria for the program associated with Outcome 1. It also summarises how the program is delivered and where 2018-19 Budget measures have materially changed the program.

Table 2.1.2: Performance Criteria for the NHFB

Purpose
To support the obligations and responsibilities of the Administrator by providing transparent and efficient administration of Commonwealth, State and Territory funding of the Australian public hospital system.
Outcome 1
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.
Program 1.1: National Health Funding Pool Administration
The NHFB supports the Administrator of the National Health Funding Pool in paying and distributing Commonwealth and State and Territory funding for public hospitals – responsible for over \$40.0 billion a year. The NHFB ensures that payments from the Funding Pool are made in accordance with directions from the responsible State or Territory Minister, and in line with the National Health Reform Agreement and the Addendum to the National Health Reform Agreement.
Delivery
<p>A. Producing accurate and timely Commonwealth funding contribution calculations</p> <ul style="list-style-type: none"> • Calculate the Commonwealth funding contribution. • Reconcile the funding entitlement against actual services delivered. • The calculations form the Administrator’s advice to the Commonwealth Treasurer. <p>B. Achieving best practice financial administration of the National Health Funding Pool (the Pool)</p> <ul style="list-style-type: none"> • Develop robust policies and processes to oversee NHR Agreement funding and payments through the Pool. • Assist the Administrator to ensure the operation of the Pool is in accordance with directions from the responsible State or Territory Minister. <p>C. Providing effective public hospital funding reporting</p> <ul style="list-style-type: none"> • Ensure public reporting requirements under the <i>National Health Reform Act 2011</i> are met. • Publish financial statements for the Pool. <p>D. Operating as a compliant agency and developing productive, effective partnerships with stakeholders</p> <ul style="list-style-type: none"> • Adhere to good governance and accountability principles. • Maintain and strengthen partnerships through collaboration with all stakeholders.

Performance criteria²		
A. Producing accurate and timely Commonwealth funding contribution calculations		
The Commonwealth funding contribution is accurately calculated and is accepted by the Administrator and informs the basis of advice to the Commonwealth Treasurer.		
2017-18 Estimated result	2018-19 Target	2019-20 (& beyond) Target
The 2017-18 and 2018-19 Commonwealth Contribution Models have been developed and accepted by the Administrator to calculate the Commonwealth National Health Reform Agreement funding for each State and Territory.	Current and future year Commonwealth Contribution Models are developed and accepted by the Administrator to calculate the Commonwealth National Health Reform Agreement funding for each State and Territory.	As per 2018-19.
B. Achieving best practice financial administration of the National Health Funding Pool (the Pool)		
Publish documents that will provide expert National Health Reform Agreement implementation policy advice to the Administrator and stakeholders.		
2017-18 Estimated result	2018-19 Target	2019-20 (& beyond) Target
Key policy documents will be published to a satisfactory standard, and are on track to be accepted by the Administrator and all jurisdictions. This includes the rolling <i>Three Year Data Plan</i> , accepted by the Council of Australian Governments Health Council, and associated documents that enabled States and Territories to submit all required data.	Timely production of key policy documents to a satisfactory standard to enable acceptance by the Administrator and all jurisdictions. Develop and release policies to provide expert advice on the implementation of the Addendum to the National Health Reform Agreement.	As per 2018-19.



² The National Health Reform Agreement and Addendum secure public hospital funding arrangements until 30 June 2020. The Commonwealth and States and Territories have begun discussions regarding funding arrangements for 1 July 2020 onward.

Develop and implement efficient and robust processes to oversee National Health Reform Agreement funding and payments through the National Health Funding Pool.				
2017-18 Estimated result		2018-19 Target		2019-20 (& beyond) Target
<p>The NHFB and State and Territory Payments System procedures manuals that cover the procedures for the Pool have been reviewed and published.</p> <p>An independent third-party review was completed on the Payments System Internal Control Framework, on behalf of all Auditors-General. The review did not identify any material, systemic control or process weaknesses.</p>		<p>Ensure all payments made in accordance with the authorised Payments System procedures manuals.</p> <p>The independent third-party review of the Payments System Internal Control Framework does not find any material weaknesses and is satisfactory to all Auditors-General.</p> <p>Engage with jurisdictions to enhance data integrity and assurance processes, in line with the Addendum to the National Health Reform Agreement.</p>		As per 2018-19.
National Health Funding Pool operations and payments are in accordance with directions from the responsible State or Territory Minister.				
2017-18 Estimated result	2018-19 Target	2019-20 Target	2020-21 Target	2021-22 Target
100%	100%	100%	TBC	TBC

C. Providing effective public hospital funding reporting				
The Annual Report on the operations of the National Health Funding Pool (the Pool) is submitted to each Health Minister for tabling as per the National Health Reform Act 2011.				
2017-18 Estimated result	2018-19 Target	2019-20 (& beyond)Target		
A single 2016-17 annual report and accompanying financial statements on the operation of the Pool was tabled in the Commonwealth Parliament on 20 October 2017. The annual report included a combined financial statement for the Pool, and financial statements for each State and Territory Pool Account audited by the respective Auditor-General.	Release a single annual report and accompanying financial statements on the operation of the Pool and table in the Commonwealth Parliament. The annual report will include a combined financial statement for the Pool, and financial statements for each State and Territory State Pool Account audited by the respective Auditor-General.	As per 2018-19.		
Financial statements were prepared for each Pool account and received an unqualified audit by the relevant Auditor-General.				
2017-18 Estimated result	2018-19 Target	2019-20 Target	2020-21 Target	2021-22 Target
100%	100%	100%	TBC	TBC
Monthly reports of the funding and payments through the Pool and State Managed Funds are produced and published to support the transparency of public hospital funding.³				
2017-18 Estimated result	2018-19 Target	2019-20 Target	2020-21 Target	2021-22 Target
100%	100%	100%	TBC	TBC



³ This includes a national report, a report for each State and Territory, and a report for each Local Hospital Network.

D. Operating as a compliant agency and developing productive, effective partnerships with stakeholders		
Robust policies and procedures are in place, including ensuring all NHFB values are reflected, and compliant with relevant statutory and legislative requirements.		
2017-18 Estimated result	2018-19 Target	2019-20 (& beyond) Target
<p>Policies and procedures are in place, supporting the integrity of the NHFB and the health and wellbeing of staff. These cover governance, performance, controls, risk management, fraud and human resources.</p> <p>All compliance reporting requirements for the NHFB as a non-corporate entity have been met.</p> <p>The 2016-17 NHFB Annual Report was provided to all Health Ministers and the financial statements received an unqualified audit opinion.</p>	<p>Policies and procedures are in place to support the integrity of the NHFB and the health and wellbeing of staff.</p> <p>All compliance reporting requirements for the NHFB as a non-corporate entity are met.</p> <p>The NHFB Annual Report is provided to all Health Ministers and the financial statements receive an unqualified audit opinion.</p>	As per 2018-19.
Maintain and continually strengthen productive partnerships and collaboration with all stakeholders to support the obligations and responsibilities of the Administrator.		
2017-18 Estimated result	2018-19 Target	2019-20 (& beyond) Target
<p>Effective partnerships were maintained through national and bi-lateral collaboration with the Commonwealth, States and Territories, and other national bodies and stakeholder groups.</p> <p>This was achieved through national workshops and meetings in 2017-18.</p>	<p>Effective partnerships are maintained through national and bi-lateral collaboration with the Commonwealth, States and Territories, and other national bodies and stakeholder groups.</p>	As per 2018-19.
Material changes to Program 1.1 resulting from the following measures:		
There are no material changes to Program 1.1 resulting from measures.		

Section 3: Budgeted Financial Statements

Section 3 presents budgeted financial statements that provide a comprehensive snapshot of entity finances for the 2018-19 Budget year, including the impact of Budget measures and resourcing on financial statements.

3.1 BUDGETED FINANCIAL STATEMENTS

3.1.1 Differences Between Entity Resourcing and Financial Statements

This section is not applicable to the NHFB.

3.1.2 Explanatory Notes and Analysis of Budgeted Financial Statements

Departmental Resources

Comprehensive Income Statement

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

The NHFB's departmental appropriation is allocated to fund employees to assist the Administrator 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 NHR Agreement. These expenses support the delivery of monthly and annual statutory reporting, operation of the 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.

The NHFB will receive additional funding in 2018-19 of \$1.2 million for work associated with the requirements of the Addendum.

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 BUDGETED FINANCIAL STATEMENTS TABLES

Table 3.1: Comprehensive Income Statement (showing net cost of services for the period ended 30 June)

	2017-18 Estimated actual \$'000	2018-19 Budget \$'000	2019-20 Forward Year 1 \$'000	2020-21 Forward Year 2 \$'000	2021-22 Forward Year 3 \$'000
EXPENSES					
Employee benefits	2,349	2,451	2,455	2,191	-
Supplier expenses	3,587	3,019	3,212	2,161	-
Depreciation and amortisation	-	-	-	-	-
Total expenses	5,936	5,470	5,667	4,352	-
LESS:					
OWN-SOURCE INCOME					
Own-source revenue					
Sale of goods and rendering of services	-	-	-	-	-
Total revenue	-	-	-	-	-
Gains					
Other	92	92	92	92	-
Total gains	92	92	92	92	-
Total own-source revenue	92	92	92	92	-
Net cost of (contribution by) services	5,844	5,378	5,575	4,260	-
Revenue from Government	5,844	5,378	5,575	4,260	-
Surplus (Deficit)	-	-	-	-	-
Surplus (Deficit) attributable to the Australian Government	-	-	-	-	-
OTHER COMPREHENSIVE INCOME					
Changes in asset revaluation reserves	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-
Total comprehensive income attributable to the Australian Government	-	-	-	-	-
Note: Reconciliation of comprehensive income attributable to the agency					
	2017-18 \$'000	2018-19 \$'000	2019-20 \$'000	2020-21 \$'000	2021-22 \$'000
Total comprehensive income (loss) attributable to the Australian Government	-	-	-	-	-
plus non-appropriated expenses depreciation and amortisation expenses	-	-	-	-	-
Total comprehensive income (loss) attributable to the agency	-	-	-	-	-

Table 3.2: Budgeted Departmental Balance Sheet (as at 30 June)

	2017-18 Estimated actual \$'000	2018-19 Budget \$'000	2019-20 Forward Year 1 \$'000	2020-21 Forward Year 2 \$'000	2021-22 Forward Year 3 \$'000
ASSETS					
Financial assets					
Cash and cash equivalents	25	25	25	25	25
Trade and other receivables	1,327	1,339	1,339	1,339	1,339
Total financial assets	1,352	1,364	1,364	1,364	1,364
Non-financial assets					
Intangibles	305	305	305	305	305
Total non-financial assets	305	305	305	305	305
Total assets	1,657	1,669	1,669	1,669	1,669
LIABILITIES					
Payables					
Suppliers	244	244	244	244	244
Other payables	18	18	18	18	18
Total payables	262	262	262	262	262
Provisions					
Employees	607	619	619	619	619
Total provisions	607	619	619	619	619
Total liabilities	869	881	881	881	881
Net Assets	788	788	788	788	788
EQUITY					
Contributed equity	-	-	-	-	-
Reserves	-	-	-	-	-
Retained surpluses or accumulated deficits	788	788	788	788	788
Total equity	788	788	788	788	788

NHFB

Table 3.3: Departmental Statement of Changes in Equity – Summary of Movement (Budget year 2018-19)

	Retained earnings \$'000	Asset revaluation reserve \$'000	Contributed equity/ capital \$'000	Total equity \$'000
Opening balance as at 1 July 2018				
Balance carried forward from previous period	-	-	-	-
Surplus (deficit) for the period	788	-	-	788
Capital budget - Bill 1 (DCB)	-	-	-	-
Estimated closing balance as at 30 June 2019	788	-	-	788

DCB = Departmental Capital Budget.

Table 3.4: Budgeted Departmental Statement of Cash Flows (for the period ended 30 June)

	2017-18 Estimated actual \$'000	2018-19 Budget \$'000	2019-20 Forward Estimate \$'000	2020-21 Forward Estimate \$'000	2021-22 Forward Estimate \$'000
OPERATING ACTIVITIES					
Cash received					
Appropriations	5,969	5,366	5,575	4,260	-
Net GST received	-	-	-	-	-
Total cash received	5,969	5,366	5,575	4,260	-
Cash used					
Employees	2,337	2,439	2,455	2,191	-
Suppliers	3,495	2,927	3,120	2,069	-
Net GST paid	-	-	-	-	-
Total cash used	5,832	5,366	5,575	4,260	-
Net cash from (or used by) operating activities	137	-	-	-	-
INVESTING ACTIVITIES					
Cash used					
Purchase of property, plant and equipment	137	-	-	-	-
Total cash used	137	-	-	-	-
Net cash from (or used by) investing activities	(137)	-	-	-	-
FINANCING ACTIVITIES					
Cash received					
Capital budget - Bill 1 (DCB)	-	-	-	-	-
Total cash received	-	-	-	-	-
Net cash from (or used by) financing activities	-	-	-	-	-
Net increase (or decrease) in cash held	-	-	-	-	-
Cash and cash equivalents at the beginning of the reporting period	25	25	25	25	25
Cash and cash equivalents at the end of the reporting period	25	25	25	25	25

DCB = Departmental Capital Budget.

Table 3.5: Departmental Capital Budget Statement (for the period ended 30 June)

	2017-18 Estimated actual \$'000	2018-19 Budget \$'000	2019-20 Forward Estimate \$'000	2020-21 Forward Estimate \$'000	2021-22 Forward Estimate \$'000
CAPITAL APPROPRIATIONS					
Capital budget - Bill 1 (DCB)	-	-	-	-	-
Equity injections - Bill 2	-	-	-	-	-
Total capital appropriations	-	-	-	-	-
Total new capital appropriations represented by:					
Purchase of non-financial assets	-	-	-	-	-
Total items	-	-	-	-	-
PURCHASE OF NON-FINANCIAL ASSETS					
Funded by capital appropriations - equity injection ^(a)	-	-	-	-	-
Funded by capital appropriation - DCB ^(b)	-	-	-	-	-
Funded internally from departmental resources	137	-	-	-	-
Total acquisitions of non-financial assets	137	-	-	-	-
RECONCILIATION OF CASH USED TO ACQUIRE ASSETS TO ASSET MOVEMENT TABLE					
Total purchases	137	-	-	-	-
Total cash used to acquire assets	137	-	-	-	-

^(a) Includes both current Bill 2 and prior Act 2/4/6 appropriations and special capital appropriations

^(b) Does not include annual finance lease costs. Includes purchases from current and previous years' Departmental Capital Budgets (DCB).

Table 3.6: Statement of Asset Movements (Budget year 2018-19)

	Buildings	Other property, plant and equipment	Intangibles	Total
	\$'000	\$'000	\$'000	\$'000
As at 1 July 2018				
Gross book value	-	-	305	305
Accumulated depreciation/ amortisation and impairment	-	-	-	-
Opening net book balance	-	-	305	305
CAPITAL ASSET ADDITIONS				
Estimated expenditure on new or replacement assets				
By purchase - appropriation equity	-	-	-	-
By purchase - appropriation ordinary annual services	-	-	-	-
Total additions	-	-	-	-
Other movements				
Depreciation/amortisation expense	-	-	-	-
Total other movements	-	-	-	-
As at 30 June 2019				
Gross book value	-	-	305	305
Accumulated depreciation/ amortisation and impairment	-	-	-	-
Closing net book balance	-	-	305	305