

NATIONAL HEALTH FUNDING BODY

NHFB

Entity Resources and Planned Performance

National Health Funding Body

Health Portfolio Entity

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The logo for the National Health Funding Body (NHFB) is a black vertical rectangle with the letters "NHFB" written in white, oriented vertically from bottom to top.

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.

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*, which communicates to the Commonwealth and States and Territories, the data requirements, standards and timelines to determine the Commonwealth's funding to LHNs. The NHFB undertakes matching of hospital activity, Medicare Benefits Schedule (MBS) and Pharmaceutical Benefits Scheme (PBS) data to ensure Commonwealth funding integrity. The NHFB also facilitates transparent public 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 equivalent legislation in States and Territories. Operational details are contained in the Corporate Plan, which is available on the NHFB website.

Following the signing of the *Heads of Agreement between the Commonwealth and the States and Territories on Public Hospital Funding* on 1 April 2016, the Government has reinstated the Administrator and the NHFB. The Administrator and the NHFB had been scheduled to cease from 31 March 2018, as announced in the *2015-16 Mid-Year Economic and Fiscal Outlook*.

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, please 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 2016-17 as at Budget May 2016

	2015-16 Estimated actual \$'000	2016-17 Estimate \$'000
DEPARTMENTAL		
Prior year appropriation available	1,541	1,510
Annual appropriations		
Ordinary annual services ¹		
Departmental appropriation	4,314	4,307
s74 retained revenue receipts ²	40	-
Departmental capital budget ³	-	-
Other services ⁴		
Equity injection	-	-
Total departmental annual appropriations	4,354	4,307
Total departmental resourcing	5,895	5,817
Total resourcing for NHFB	5,895	5,817
	2015-16	2016-17
Average staffing level (number)	19	19

All figures are GST exclusive.

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

¹ Appropriation Bill (No. 1) 2016-17.

² Estimated retained revenue receipts under section 74 of the PGPA Act 2013.

³ Departmental capital budgets (DCB) are not separately identified in Appropriation Bill (No. 1) and form part of ordinary annual services items. Please refer to Table 3.5 for further details. For accounting purposes, this amount has been designated as a 'contribution by owner'.

⁴ Appropriation Bill (No. 2) 2016-17.

1.3 Budget Measures

Budget measures in Part 1 relating to NHFB are detailed in *Budget Paper No. 2* and are summarised below.

Table 1.2: NHFB 2016-17 Budget Measures

	Program	2015-16 \$'000	2016-17 \$'000	2017-18 \$'000	2018-19 \$'000	2019-20 \$'000
Public Hospitals – new funding arrangements						
National Health Funding Body						
Departmental expenses	1.1	-	-	(258)	4,376	4,376
Total expenses		-	-	(258)	4,376	4,376

Only NHFB inputs of this measure are shown here. For all entity impacts of this measure refer Table 1.2 in the Department of Health chapter of this publication.

This entity was impacted by the 2015-16 *Mid-Year Economic and Fiscal Outlook* measure *Public Sector Savings – Shared and Common Services Program*. For details refer to Table 1.2 in the Department of Health chapter of this publication.

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 which 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: From 1 July 2015, performance reporting requirements in the Portfolio Budget Statements sit alongside those required under the Enhanced Commonwealth Performance Framework. It is anticipated that the performance criteria described in Portfolio Budget Statements will be read with broader information provided in an entity's corporate plan and annual performance statement – included in Annual Reports from October 2016 – to provide an entity's complete performance story.



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

Linked Programs

Commonwealth entity and linked program	Contribution to Outcome 1 made by linked programs
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.
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.

Budgeted Expenses for NHFB

This table 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 NHFB

	2015-16 Estimated actual \$'000	2016-17 Budget \$'000	2017-18 Forward Year 1 \$'000	2018-19 Forward Year 2 \$'000	2019-20 Forward Year 3 \$'000
Program 1.1: National health funding pool administration					
Departmental expenses					
Departmental appropriation ¹	4,354	4,307	4,330	4,353	4,388
Expenses not requiring appropriation in the budget year ²	49	51	53	55	57
Operating deficit (surplus)	132	-	-	-	-
Total for Program 1.1	4,535	4,358	4,383	4,408	4,445
Total expenses for Outcome 1	4,535	4,358	4,383	4,408	4,445
	2015-16	2016-17			
Average staffing level (number)	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 are made up of depreciation expense, amortisation expense, makegood expense and audit fees.

Table 2.1.2: Performance Criteria for NHFB

Table 2.1.2 below details the performance criteria for each program associated with Outcome 1.¹ It also summarises how each program is delivered and where 2016-17 Budget measures have created new programs or materially changed existing programs.

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 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.
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.
Delivery	Program activities, which are intended to benefit the Australian community, will be delivered under the following program objectives: A. Assisting the Administrator to develop the <i>Three Year Data Plan</i> and associated funding calculation approach B. Assisting the Administrator to calculate the Commonwealth contribution to the National Health Funding Pool C. Assisting 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 D. Assisting the Administrator to transparently report on the operations of the National Health Funding Pool and state managed funds as outlined in the Agreement



¹ Progress against the performance criteria published in the 2015-16 Portfolio Budget Statements will be reported in the 2015-16 NHFB Annual Report.

Program objective	
A. Assisting the Administrator to develop the <i>Three Year Data Plan</i> and associated funding calculation approach	
<p>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 <i>Three Year Data Plan</i> and funding calculation approach and arrangements.</p>	
Qualitative performance criteria	2016-17 Reference point or target
Deliver the rolling <i>Three Year Data Plan</i> .	Determine the data required to calculate the Commonwealth’s contribution, conduct reconciliation and data matching activities and ensure national comparability under the Agreement. ²
Program objective	
B. Assisting the Administrator to calculate the Commonwealth contribution to the National Health Funding Pool	
<p>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.</p> <p>In 2016-17, 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.</p> <p>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.</p>	
Qualitative performance criteria	2016-17 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 hospital services in 2016-17. ³

² The target for this performance criterion has been revised to more accurately reflect the simplified data specification structure detailed in the Administrator’s 2016-17 to 2018-19 *Three Year Data Plan*. The target published in the 2015-16 *Portfolio Budget Statements* has been achieved.

³ The target for this performance criterion has been revised. The target reported in the 2015-16 *Portfolio Budget Statements* has been achieved.

Program objective					
C. Assisting 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					
<p>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.</p> <p>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.</p>					
Qualitative performance criteria		2016-17 Reference point or target			
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.			
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 performance criteria	2015-16 Target	2016-17 Target	2017-18 Target	2018-19 Target	2019-20 Target
Percentage of payments made in accordance with directions from the responsible State or Territory Minister.	100%	100%	100%	100%	100%



Program objective	
D. Assisting 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 National Health Funding Pool and state managed funds.	
Qualitative performance criteria	2016-17 Reference point or target
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.
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.
Material changes to Program 1.1 resulting from the following measures:	
<ul style="list-style-type: none"> Public Hospitals – new funding arrangements 	

Section 3: Budgeted Financial Statements

Section 3 presents budgeted financial statements which provide a comprehensive snapshot of entity finances for the 2016-17 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

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 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 Budgeted Financial Statements Tables

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

	2015-16 Estimated actual \$'000	2016-17 Budget \$'000	2017-18 Forward estimate \$'000	2018-19 Forward estimate \$'000	2019-20 Forward estimate \$'000
EXPENSES					
Employee benefits	2,149	2,322	2,079	2,183	2,183
Supplier expenses	2,386	2,036	2,304	2,225	2,262
Depreciation and amortisation	-	-	-	-	-
Total expenses	4,535	4,358	4,383	4,408	4,445
LESS:					
OWN-SOURCE INCOME					
Own-source revenue					
Sale of goods and rendering of services	40	-	-	-	-
Total revenue	40	-	-	-	-
Gains					
Other	49	51	53	55	57
Total gains	49	51	53	55	57
Total own-source revenue	89	51	53	55	57
Net cost of (contribution by) services	4,446	4,307	4,330	4,353	4,388
Revenue from Government	4,314	4,307	4,330	4,353	4,388
Surplus (Deficit)	(132)	-	-	-	-
Surplus (Deficit) attributable to the Australian Government	(132)	-	-	-	-
OTHER COMPREHENSIVE INCOME					
Changes in asset revaluation reserves	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-
Total comprehensive income attributable to the Australian Government	(132)	-	-	-	-
Note: Reconciliation of comprehensive income attributable to the entity					
	2015-16 \$'000	2016-17 \$'000	2017-18 \$'000	2018-19 \$'000	2019-20 \$'000
Total comprehensive income (loss) attributable to the Australian Government	(132)	-	-	-	-
plus non-appropriated expenses depreciation and amortisation expenses	-	-	-	-	-
Total comprehensive income (loss) attributable to the entity	(132)	-	-	-	-

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

	2015-16 Estimated actual \$'000	2016-17 Budget \$'000	2017-18 Forward estimate \$'000	2018-19 Forward estimate \$'000	2019-20 Forward estimate \$'000
ASSETS					
Financial assets					
Cash and cash equivalents	12	12	12	12	12
Trade and other receivables	1,669	1,689	1,701	1,713	1,713
Total financial assets	1,681	1,701	1,713	1,725	1,725
Non-financial assets					
Land and buildings	-	-	-	-	-
Property, plant and equipment	-	-	-	-	-
Intangibles	-	-	-	-	-
Other non-financial asset	43	-	-	-	-
Total non-financial assets	43	-	-	-	-
Total assets	1,724	1,701	1,713	1,725	1,725
LIABILITIES					
Payables					
Suppliers	257	261	261	261	261
Other payables	94	54	54	54	54
Total payables	351	315	315	315	315
Provisions					
Employees	398	411	423	435	435
Other provisions	-	-	-	-	-
Total provisions	398	411	423	435	435
Total liabilities	749	726	738	750	750
Net Assets	975	975	975	975	975
EQUITY					
Contributed equity	-	-	-	-	-
Reserves	-	-	-	-	-
Retained surpluses or accumulated deficits	975	975	975	975	975
Total equity	975	975	975	975	975

NHFB

Table 3.3: Departmental Statement of Changes in Equity — Summary of Movement (Budget year 2016-17)

	Retained earnings \$'000	Asset revaluation reserve \$'000	Contributed equity/ capital \$'000	Total equity \$'000
Opening balance as at 1 July 2016				
Balance carried forward from previous period	975	-	-	975
Surplus (deficit) for the period	-	-	-	-
Capital budget - Bill 1 (DCB)	-	-	-	-
Estimated closing balance as at 30 June 2017	975	-	-	975

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

	2015-16 Estimated actual \$'000	2016-17 Budget \$'000	2017-18 Forward estimate \$'000	2018-19 Forward estimate \$'000	2019-20 Forward estimate \$'000
OPERATING ACTIVITIES					
Cash received					
Goods and services	-	110	-	-	-
Appropriations	4,345	4,137	4,318	4,341	4,388
Net GST received	150	152	152	155	-
Other cash received	40	-	-	-	-
Total cash received	4,535	4,399	4,470	4,496	4,388
Cash used					
Employees	2,051	2,362	2,067	2,171	2,183
Suppliers	2,334	1,885	2,251	2,170	2,205
Net GST paid	150	152	152	155	-
Total cash used	4,535	4,399	4,470	4,496	4,388
Net cash from (or used by) operating activities	-	-	-	-	-
INVESTING ACTIVITIES					
Cash used					
Purchase of property, plant and equipment	-	-	-	-	-
Total cash used	-	-	-	-	-
Net cash from (or used by) investing activities	-	-	-	-	-
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	12	12	12	12	12
Cash and cash equivalents at the end of the reporting period	12	12	12	12	12

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

	2015-16 Estimated actual \$'000	2016-17 Budget \$'000	2017-18 Forward estimate \$'000	2018-19 Forward estimate \$'000	2019-20 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 ¹	-	-	-	-	-
Funded by capital appropriation - DCB ²	-	-	-	-	-
Funded internally from departmental resources	-	-	-	-	-
Total acquisitions of non-financial assets	-	-	-	-	-
RECONCILIATION OF CASH USED TO ACQUIRE ASSETS TO ASSET MOVEMENT TABLE					
Total purchases	-	-	-	-	-
Total cash used to acquire assets	-	-	-	-	-

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 (DCB).



Table 3.6: Statement of Asset Movements (Budget year 2016-17)

	Buildings	Other property, plant and equipment	Intangibles	Total
	\$'000	\$'000	\$'000	\$'000
As at 1 July 2016				
Gross book value	-	-	-	-
Accumulated depreciation/amortisation and impairment	-	-	-	-
Opening net book balance	-	-	-	-
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 2017				
Gross book value	-	-	-	-
Accumulated depreciation/amortisation and impairment	-	-	-	-
Closing net book balance	-	-	-	-