



National Health
Funding Body

Annual Report 2018-19

\$50 billion
in funding
for Australian
public hospitals

Our Vision

To improve transparency of public hospital funding in Australia

Our Purpose

To support the obligations and responsibilities of the Administrator through best practice administration of public hospital funding

Our Objectives



Accurate and timely calculation of Commonwealth funding contributions



Best practice financial administration of the National Health Funding Pool (the Pool)



Effective reporting of public hospital funding



Productive relationships with stakeholders and partners



Operate as a high performing organisation

The vision, purpose, objectives, values and behaviours described align with the National Health Funding Body (NHFB) *Corporate Plan 2018–19* and *Strategic Direction for 2018–22*. Copies are available from publichospitalfunding.gov.au

Our Values

We are committed to observing the Australian Public Service Values and Code of Conduct, both of which represent our approach to interacting and collaborating with colleagues, stakeholders, and the community.

Impartial

We are apolitical and provide the Administrator with advice that is frank, honest, timely and based on the best available evidence.

Committed

We are professional, objective, innovative and efficient, and work collaboratively to achieve the best results for our stakeholders and partners.

Accountable

We are open and accountable to the Australian community under the National Health Reform Agreement (NHR Agreement) and the national health reform legislative requirements of the Commonwealth, States and Territories.

Respectful

We respect all people, including their rights and heritage.

Ethical

We demonstrate leadership, trust, and act with integrity in all that we do.

Our Behaviours

Behave our way to new thinking
— 'It starts with me'.

We are committed to sharing a common set of behaviours and working together as a united team to achieve our objectives:

One NHFB

We contribute as a united team and are empowered to do our best work.

Enhance Trust

We treat others as equals and collaborate openly across boundaries.

Open Communication

We listen actively to the views of others and share information.

Own It

Everyone has ownership of their performance by knowing, accepting and performing their role to the best of their ability.

This Annual Report details the activities of the National Health Funding Body (NHFB) from 1 July 2018 to 30 June 2019.

The NHFB CEO is required to prepare and present this report to the Commonwealth Parliament, pursuant to section 70 of the *Public Service Act 1999* and section 267 of the *National Health Reform Act 2011* (the NHR Act), and provide a copy of this report to each State and Territory Health Minister under section 267(c) of the NHR Act.

This Annual Report is prepared in accordance with the requirements for Annual Reports issued by the Department of Finance.

This Annual Report should be read in conjunction with the *Administrator's National Health Funding Pool Annual Report 2018–19*.

Further information

If you require further information or have any queries in relation to this Annual Report, please contact NHFB's Executive Support:

National Health Funding Body

GPO Box 1252 Canberra ACT 2601

PHONE 1300 930 522

EMAIL nhfb.enquiries@nhfb.gov.au

WEB publichospitalfunding.gov.au

An accessible copy of this Annual Report is available online at publichospitalfunding.gov.au



Note on cover: The \$50 billion in funding for Australian public hospitals represents the total funding contributions for public hospital services from the State Pool Accounts and State Managed Funds. Further detail can be found on page 3.

Letter of Transmittal



**National Health
Funding Body**

National Health Funding Body
GPO Box 1252 Canberra ACT 2601
ABN: 15337761242
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Email: nhfb.enquiries@nhfb.gov.au

1 October 2019

The Hon. Greg Hunt MP
Minister for Health
PO Box 6022
CANBERRA ACT 2600
minister.hunt@health.gov.au

Dear Minister,

National Health Funding Body Annual Report 2018–19

In accordance with section 46 of the *Public Governance, Performance and Accountability Act 2013*, I am pleased to provide you with the National Health Funding Body Annual Report and Financial Statements for the year ended 30 June 2019, for presentation to Parliament.

This report has been prepared in accordance with the Public Governance, Performance and Accountability Rule 2014.

The Financial Statements are prepared as required by the *Public Governance, Performance and Accountability Act 2013* and the Public Governance, Performance and Accountability (Financial Reporting) Rule 2015. They are general purpose financial statements and have been prepared in accordance with the Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that apply for the reporting period.

As per section 267 of the National Health Reform Act 2011 a copy of this Annual Report and Financial Statements will be provided to each state and territory Health Minister.

Yours sincerely,

Shannon White
Chief Executive Officer
National Health Funding Body

*Proudly assisting the Administrator
of the National Health Funding Pool*



Contents

I	Our Vision, Purpose, Objectives, Values and Behaviours
IV	Letter of Transmittal

1 Our Organisation

2	Who we are
2	What we do
3	Financial Year 2018–19 Highlights
4	Our Environment
6	Public Hospital Funding
9	Our Stakeholders and Partners
12	Summary of 2018–19 Performance
13	Highlights and What's Ahead
14	Message from the CEO

17 Our Performance

18	Annual Performance Statement
19	Performance in 2018–19

35 Our People

36	Our Team
42	Management of Human Resources
52	Work Health and Safety

55 Our Governance

56	NHFB Governance
59	Risk Management
62	Audit and Assurance
66	Other Accountabilities

69 Our Finances

70	Summary of Financial Performance
73	Independent Auditor's Report
75	Statement by the Accountable Authority and Chief Financial Officer
76	Financial Statements

101 Endnotes





OUR ORGANISATION

Who we are

The Administrator and the NHFB were established through the Council of Australian Governments' (COAG) *National Health Reform Agreement* of August 2011.

The Administrator is independent of the Commonwealth, State and Territory governments. The functions of the Administrator are set out in the NHR Act and common provisions in relevant State and Territory legislation.

The NHFB is a Commonwealth non-corporate entity under the PGPA Act and was established to support the obligations and responsibilities of the Administrator.

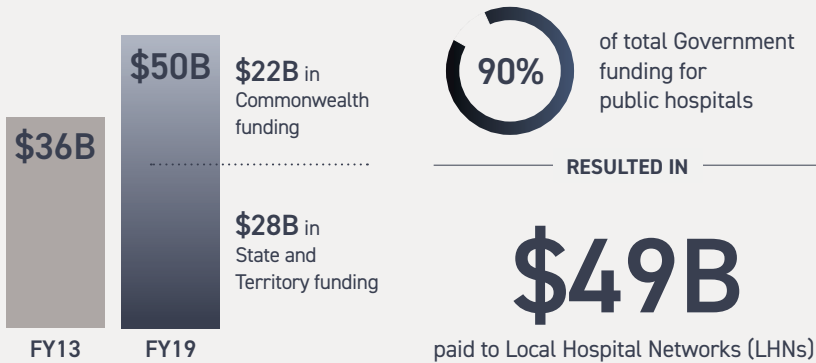
What we do

To achieve our objectives, our primary functions are to assist the Administrator in:

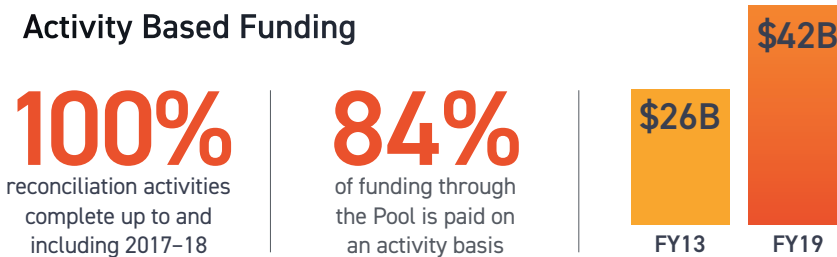
- + calculating and advising the Commonwealth Treasurer of the Commonwealth's contribution to public hospital funding in each State and Territory
- + reconciling estimated and actual hospital services, and adjusting Commonwealth payments
- + undertaking funding integrity analysis to identify public hospital services that potentially received funding through other Commonwealth programs
- + monitoring payments of Commonwealth, State and Territory public hospital funding into the National Health Funding Pool (the Pool)
- + making payments from the pool to each state Local Hospital Network (LHN)
- + reporting publicly on NHR agreement funding, payments and services
- + developing and providing Three Year Data Plans to the Commonwealth, States and Territories

Financial Year 2018–19 Highlights

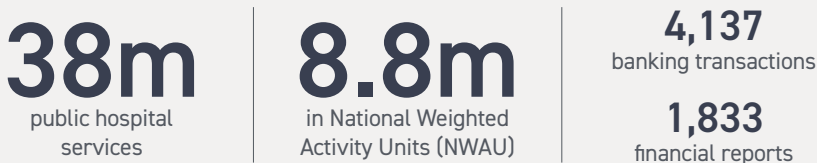
Public Hospital Funding



Activity Based Funding



Delivered



Supporting



Our Environment

Our role in Australia's health system was the result of significant public hospital funding reforms agreed by the Commonwealth and all States and Territories in August 2011.

National Healthcare Specific Purpose Payment Pre-2012

Prior to the NHR Agreement, States and Territories were paid a contribution for public hospital services from the Commonwealth via 'block grants' under the National Healthcare Specific Purpose Payment (SPP) arrangements. These grants (referred to as 'block funding') were calculated based on historical costs, negotiation and government decisions.

There was little transparency of the actual services delivered for the funding provided under block grants. This growth in funding was simply linked to an indexation factor under the Intergovernmental Agreement (IGA) on Federal Financial Relations.

National Health Reform Agreement 2012-13 to 2016-17

In August 2011, COAG agreed to major changes in how public hospitals were to be funded by Commonwealth, State and Territory governments.

The most significant change moved the Commonwealth from block funding public hospitals to a combination of activity-based funding (ABF) and block funding, with a strong preference for ABF where appropriate. These changes, detailed in the NHR Agreement, included establishing the Administrator and the NHFB to improve transparency of public hospital funding arrangements.

Addendum to the National Health Reform Agreement 2017–18 to 2019–20

In July 2017, amendments were introduced to the NHR Agreement in the form of a time-limited Addendum. The Addendum reaffirmed universal health care for all Australians as a shared priority and committed parties to public hospital funding arrangements from 1 July 2017 to 30 June 2020.

The Addendum preserves important parts of the existing public hospital funding system, including ABF, National Efficient Price (NEP), and the role of the Independent Hospital Pricing Authority (IHPA) and the Administrator, while also focusing on reducing avoidable readmissions, and improving patient safety and service quality.

Future Agreement 2020–21 to 2024–25

In February 2018, COAG drafted a new five-year Heads of Agreement (HoA) on public hospital funding and health reform, for commencement on 1 July 2020. The HoA maintains a commitment to ABF and extends reforms under the Addendum to improve Australians' health outcomes and decrease avoidable demand for public hospital services.

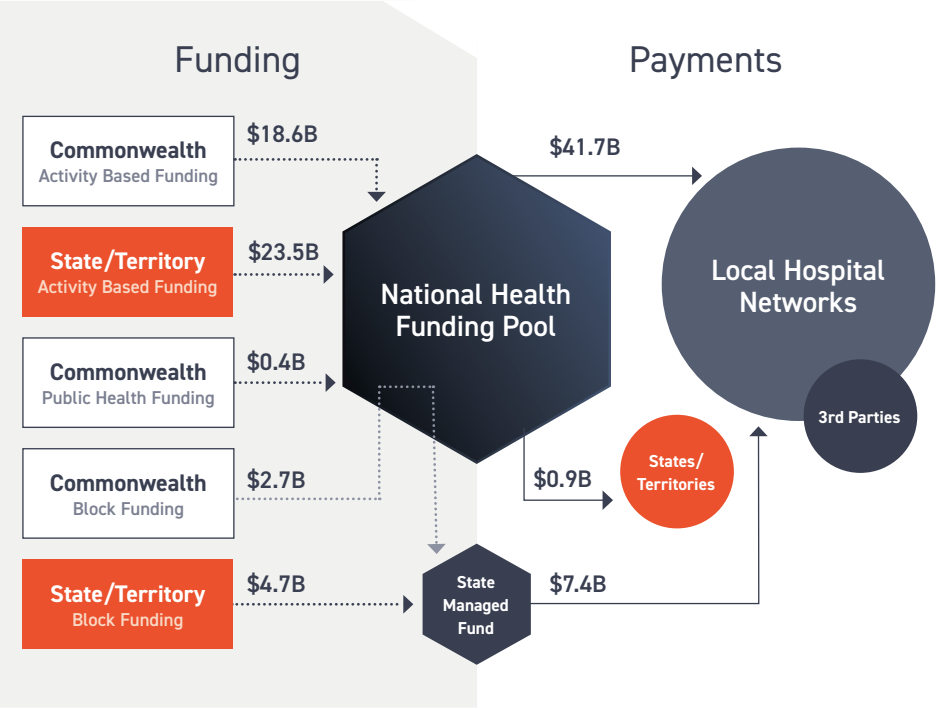
The intention of the parties to continue the administrative arrangements under the existing NHR Agreement until 2025 provides certainty for the Administrator's role and future operations of the NHFB.

Public Hospital Funding

Under the NHR Agreement reforms to improve the transparency of public hospital funding, the Commonwealth, State and Territory governments are jointly responsible for funding public hospital services through the Pool, using either Activity Based Funding or Block Funding.

Figure: 2018–19 Public Hospital Funding Payment Flows highlights the source, types and amount of funding that flows through as payments to LHNs.

Figure: 2018–19 Public Hospital Funding Payment Flows



The Pool

The single Pool, comprising a Reserve Bank of Australia (RBA) account for each State and Territory, was established on 1 July 2012 through enabling legislation to receive all Commonwealth (ABF and block) and State and Territory (ABF only) public hospital funding. Each State and Territory has established a State Managed Fund to manage block funding.

Commonwealth payments into the Pool are made as equal monthly instalments of an estimated annual payment, while States and Territories can determine how much and when they deposit funds into the Pool and State Managed Funds.

The Commonwealth's contributions to LHNs are adjusted in arrears at the end of each 6 and 12 months for each financial year once actual volumes have been validated.

To ensure that payments from the Pool are correct, no payment will be made until the respective State or Territory has validated and instructed the Administrator to make payment on its behalf.

The Pool accounts are audited each year, have transparent accounting and reporting, and meet all other COAG and legislative requirements.

Activity Based Funding

ABF is a funding method for public hospital services based on the number of weighted services provided to patients, and the price to be paid for delivering those services.

The method uses national classifications for service types, price weights, the National Efficient Price (NEP) that is independently determined by the Independent Hospital Pricing Authority (IHPA), and the level of activity as represented by the National Weighted Activity Unit (NWAU).

An NWAU represents a measure of health service activity expressed as a common unit of resources. This provides a way of comparing and valuing each public hospital service (whether it is an emergency department presentation, admission or outpatient episode), by weighting it for clinical complexity.

The NEP is the price paid per NWAU.

Block Funding

Block funding supports teaching, training and research in public hospitals, and Public Health programs. It is also used for certain public hospital services where block funding is more appropriate, particularly for smaller rural and regional hospitals.

Further details of NHR funding types and payment flows can be found in the *Administrator of the National Health Funding Pool Annual Report 2018–19*.

Legislation

The functions of the Administrator and the NHFB were established under the NHR Act. In accordance with the NHR Agreement, this legislation is supported by common provisions in statutes in each State and Territory that create the position of the Administrator and set out their functions. The list of State and Territory legislation is at **Figure: State and Territory legislation supporting the NHR ACT**.

Figure: State and Territory legislation supporting the NHR Act



Our Stakeholders and Partners

As outlined in our *Strategic Direction 2018-2022* and *Corporate Plan 2018-19*, the NHFB aims to establish productive and effective partnerships with stakeholders.

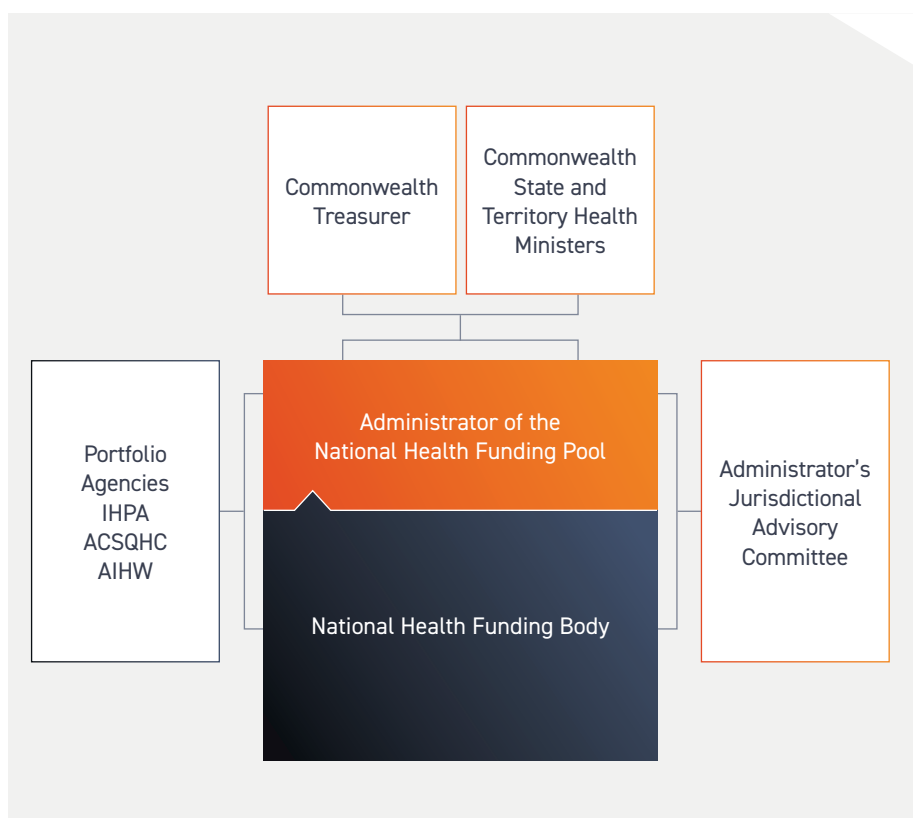
This year, we developed a Strategic Communication and Stakeholder Engagement Framework.

The Framework supports our agency to provide a holistic approach to our stakeholder engagement, considering the operating environment of our stakeholders as well as the need for transparent and timely information.

We developed the Framework with two outcomes in mind:

- i. Actively collaborate and consult with stakeholders; and
- ii. Provide trusted and impartial advice.

Figure: Administrator and NHFB's Key External Relationships



Early and impartial engagement with all relevant stakeholders, especially the Commonwealth, States and Territories, allows time to discuss and resolve issues in a collaborative manner. The Administrator's Jurisdictional Advisory Committee (JAC) is a key channel for this engagement. This committee is comprised of senior representatives of States and Territories and relevant Commonwealth agencies. The Administrator's JAC's objectives are to:

- + Consider and provide advice to the Administrator on strategic issues related to the Administrator's functions under the NHR Agreement and NHR Act; and
- + Enable collaboration between the Administrator, NHFB, Commonwealth, State and Territory Health Departments and Independent Hospital Pricing Authority (IHPA) on the relevant operational arrangements and priorities under the NHR Agreement and NHR Act.

The NHFB is a member of committees such as the IHPA Jurisdictional Advisory Committee (IHPA JAC) and Technical Advisory Committee (IHPA TAC), and increasingly participates in Australian Institute for Health and Welfare (AIHW) committees.

The NHFB also participates in national committees chaired by other expert health bodies, including the Australian Commission on Safety and Quality in Health Care (ACSQHC).

Commonwealth, States and Territories

We have been proactively engaging with the Commonwealth, States and Territories through a range of forums, from multilateral workshops through to informal strategic stakeholder discussions. This engagement provides valuable guidance to assist all parties to understand the basis of funding calculation outcomes, and to build further trust in our functions. Our formal engagement forum is the Administrator's JAC which met four times in 2018–19:

- + August 2018;
- + September 2018;
- + November 2018;
- + February 2019; and
- + June 2019 (deferred to July 2019)

In 2018–19, we will continue to proactively engage with our stakeholders and partners, as productive discussions not only provide valuable guidance to assist all parties understand the basis of funding calculations and outcomes, but also build trust in our functions.

Independent Hospital Pricing Authority (IHPA)

The IHPA is an independent government agency established by the Commonwealth as part of the *National Health Reform Act 2011* to contribute to significant reforms to improve Australian public hospitals.

The IHPA determines the National Efficient Price (NEP), the price applied to ABF services, and the National Efficient Cost (NEC), the price applied to block funded services. The NEP and NEC serve as a major determinant of the level of Commonwealth Government funding for public hospital services.

We routinely engage with the IHPA, including as a member of IHPA's JAC and IHPA's TAC.

Australian Institute of Health and Welfare (AIHW)

The AIHW develops, collects, compiles, analyses, manages and disseminates Australian health and welfare data. We collaborate with the AIHW on public hospital funding related matters via a number of committees including the Strategic Committee for National Health Information, the National Health Data and Information Standards Committee, the

National Hospitals Information Advisory Committee, and the Health Expenditure Advisory Committee.

Australian Commission on Safety and Quality in Health Care (ACSQHC)

The ACSQHC leads and coordinates national improvements in the safety and quality of health care through supporting the inclusion of safety and quality into national funding and pricing models. This includes work on:

- + Sentinel events;
- + Hospital-acquired complications; and
- + Avoidable hospital readmissions.

We have been working with the ACSQHC to gain a better understanding, from a clinical perspective, on our funding integrity analysis work to identify public hospital services that potentially received funding through other Commonwealth programs.

Summary of 2018-19 Performance

All performance measures required to meet our strategic objectives, legislative requirements and obligations of the Administrator and Commonwealth, States and Territories were achieved in 2018-19



Accurate and timely calculation of Commonwealth funding contributions



Commonwealth funding calculations are accurate	Met
Funding entitlements reconcile to actual services delivered	Met
Public hospital services are funded through the appropriate Commonwealth program	Met
The Treasurer of the Commonwealth is advised by the Administrator in a timely manner	Met



Best practice financial administration of the National Health Funding Pool (the Pool)



Maintain the integrity of the Administrator's Payments System in accordance with policies and procedures	Met
Payments to each Local Hospital Network (LHN) accord with directions from responsible State and Territory Ministers	Met
Unmodified audited financial statements	Met



Effective reporting of public hospital funding



Monthly and annual reporting of payments made into and from each State Pool Account and State Managed Fund	Met
Monthly and annual reporting of public hospital services	Met
All relevant Ministers receive required information in a timely manner	Met



Productive and effective partnerships with stakeholders



Work plans and information requirements are developed in collaboration and consultation with stakeholders	Met
Provide trusted and impartial advice to enable effective health reform	Met



Operate as a compliant agency



A positive workplace culture where people adopt best practice approaches and good governance principles to achieve results	Met
Policies and procedures comply with relevant statutory and legislative requirement	Met
Unmodified NHFB audited financial statements	Met

Highlights and What's Ahead

2018	Released <i>NHFB Corporate Plan 2018–19</i>	AUGUST
	Administrator's payment advice provided to the Commonwealth Treasurer (included 2016–17 annual reconciliation)	SEPTEMBER
	Published NHFP and NHFB 2017–18 Annual Reports	OCTOBER
2019	New SAS Commonwealth Contribution Model (CCM) implemented	JANUARY
	Administrator's Data Governance Policy published	FEBRUARY
	Administrator's payment advice provided to the Commonwealth Treasurer (included 2017–18 annual reconciliation)	MARCH
	Administrator's Three Year Data Plan considered by COAG HC and published New website publichospitalfunding.gov.au launched	JUNE
	Released <i>Strategic Direction 2019–23</i> Released <i>Risk Tolerance Statement 2019–20</i>	JULY
	Released <i>NHFB Corporate Plan 2019–20</i> Administrator's payment advice provided to the Commonwealth Treasurer (included 2018–19 Six month Reconciliation)	AUGUST
	New Administrator's Payments System launch Publish NHFP and NHFB 2018–19 Annual Reports	OCTOBER
	Data Matching Progress Report to COAG HC Provide payment advice to the Commonwealth Treasurer	NOVEMBER
	Publish Administrator's Three Year Data Plan following consideration by COAG HC	JUNE
	Next NHR Agreement to commence	JULY
2020		

Message from the CEO

I am pleased to present this year's Annual Report for what has been an outstanding year of achievement for the National Health Funding Body (NHFB).

Appreciation and recognition

I would like to thank Michael Lambert, the Administrator of the National Health Funding Pool for his impeccable integrity, sound judgement and strong leadership throughout his first year in the role. I would like to thank my professional, agile and innovative team at the NHFB who really excelled over the last 12 months and finally, I would also like to thank all of our stakeholders and partners who have been instrumental in our success in 2018-19.

Outstanding 2018-19 achievements

I am proud to be leading an independent agency that delivers best practice financial administration of \$50 billion in public hospital funding across Australia. Together with the Administrator we finalised the outstanding annual reconciliations for 2016-17 and 2017-18, providing States and Territories with an additional \$1 billion in payments in 2018-19 through the National Health Funding Pool.

The 2017-18 Budget provided the NHFB with additional funding of \$4.2 million over three years to complete key projects. At the end of 2018-19, we delivered an improved Commonwealth Contribution Model (CCM), an enhanced website (publichospitalfunding.gov.au) as well as progressing development work on a new payments system and further funding integrity through the data matching proof of concept.

We worked with our independent Audit and Risk Committee to improve our approach to organisational performance reporting, financial management, risk management and oversight and, audit and assurance.

Innovation in 2018-19

Innovation has been a core element of our strategic direction and our achievements in 2018-19. Our ability to embrace new technology as part of our digital transformation agenda has supported us to streamline business transactions, save money and create space for strategic priorities.



Preparing for the future

One of the key challenges for the future is the implementation of a new five year National Health Reform (NHR) Agreement which will shape the future of health reform and public hospital funding. The Commonwealth, State and Territory Governments are committed to implementing a new agreement by 1 July 2020 for the period 2020–21 to 2024–25.

For 2019–20 and beyond our focus is also on strengthening our leadership, culture, and organisational capabilities to deliver our core calculate, pay and report functions. We will continue to invest in our people through learning and development. We will increasingly leverage our service level agreements to ensure our limited resources are focused on our highest priorities.

Collaboration is vital for our success, both internally and externally. I look forward to working with Michael Lambert, our stakeholders and partners, and my professional team in achieving further success in 2019–20.

Our ability to improve productivity, achieve cost efficiencies and invest in digital transformation have been key to achieving high performance in 2018–19 and provides us with a strong platform for 2019–20





OUR PERFORMANCE

Annual Performance Statement

Agency Outcome

We are proud to report that we have met our objectives for the 2018-19 reporting period. Significant achievements were made throughout the year across our five key objectives.

Reporting approach

Our performance is measured against our purpose through a range of performance criteria outlined in the *Corporate Plan 2018-19* and *Portfolio Budget Statements* (PBS) 2018-19.

Figure: Relationship between 2018-19 Portfolio Budget Statements, the 2018-19 Corporate Plan and the 2018-19 Performance Statement (page 19) provides an overview of our purpose, corporate plan objectives and PBS performance criteria.

The following section reports on the five objectives set out in the Corporate Plan and provides further analysis against each criterion to demonstrate how performance was met against each objective.

Statement of Preparation

I, as the accountable authority of the NHFB, present the 2018-19 annual performance statement, as required under paragraph 39(1)(a) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

In my opinion, this annual performance statement is based on properly maintained records, accurately reflects the performance of the entity and complies with subsection 39(2) of the PGPA Act.



Mr Shannon White
Chief Executive Officer
National Health Funding Body

1 October 2018

Performance in 2018–19

Figure: Relationship between 2018–19 Portfolio Budget Statements, the 2018–19 Corporate Plan and the 2018–19 Performance Statement

2018–19 Portfolio Budget Statements

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

PERFORMANCE CRITERIA A

Producing accurate and timely Commonwealth funding contribution calculations

PERFORMANCE CRITERIA B

Achieving best practice financial administration of the National Health Funding Pool

PERFORMANCE CRITERIA C

Providing effective public hospital funding reporting

PERFORMANCE CRITERIA D

Operating as a compliant agency and developing productive, effective partnerships with stakeholders

NHFB Corporate Plan 2018–19

Purpose

To support the obligations and responsibilities of the Administrator through best practice administration of public hospital funding





Objective One: Accurate and timely calculation of Commonwealth funding contribution



Analysis of 2018-19 performance

We continue to achieve our purpose through improving the accuracy and timeliness of Commonwealth National Health Reform (NHR) contribution calculations. These calculations support the advice provided by the Administrator to the Commonwealth Treasurer on Commonwealth public hospital funding contributions.

We provided expert policy advice to the Administrator and all Australian governments on NHR funding entitlements, including the 2016-17 and 2017-18 annual reconciliation outcomes. We refined our policies, procedures and frameworks to ensure our actions were compliant with the Addendum.

We focused on greater transparency, integrity and assurance of payments for public hospital services through progressing data matching activities.



In January 2019, the SAS CCM became the primary calculation engine.

Structural changes were made to the CCM to provide a more robust platform for the calculation of public hospital funding entitlements. In 2019-20 we will continue to explore options for developing a user interface for improved access by jurisdictions.

The year ahead

- + Finalise 2018-19 Annual Reconciliation;
- + Finalise 2019-20 Six month Reconciliation;
- + Continue to implement the Addendum requirements in the CCM;
- + Process 2017-18 and 2018-19 data matching and provide outcomes to stakeholders; and
- + Provide COAG Health Council with a progress update on data matching activities.

Commonwealth funding calculations are accurate

Performance criteria 1.1 (Corporate Plan) and A (PB Statement Performance)

2018–19 Target	Result	Analysis
Current and future year Commonwealth Contribution Models (CCMs) are accepted by the Administrator.	Met	Following the appointment of Michael Lambert on 17 July 2018, the CCM calculation outcome was approved by the Administrator and underpinned the Administrator's August 2018 payment advice. The CCM was successfully upgraded to the SAS platform in January 2019. The SAS CCM was reviewed and assured by an independent external party and is now the primary calculation engine.

Funding entitlements reconcile to actual services delivered

Performance criteria 1.2 (Corporate Plan)

2018–19 Target	Result	Analysis
Adjustments made to Commonwealth payments to Local Hospital Networks (LHNs) due to reconciliation are accepted by the Administrator.	Met	<p>There were two major adjustments in 2018–19 accepted by the Administrator and advised to the Commonwealth Treasurer including:</p> <ul style="list-style-type: none"> + Annual reconciliation for 2016–17 and six month reconciliation for 2017–18 (additional \$846 million); and + Annual reconciliation for 2017–18 (additional \$171 million).

Public hospital services are funded through the appropriate Commonwealth program

Performance criteria 1.3 (Corporate Plan)

2018–19 Target	Result	Analysis
Integrity analysis of hospital activity and other Commonwealth program (such as MBS and PBS) activity identifies instances where the same hospital service has been funded more than once.	Met	<p>This initiative has progressed with linked data sets, along with the Public Interest Certificate (PIC) and Statement of Assurance (SoA) for MBS data being shared with jurisdictions.</p> <p>The initial linked data sets provided for jurisdictional review and investigation relate to FY 2014–15, 2015–16 and 2016–17. The Administrator will be providing a progress report to COAG Health Council later in 2019.</p>

The Treasurer of the Commonwealth is advised by the Administrator in a timely manner

Performance criteria 1.1 (Corporate Plan) and A (PB Statement Performance)

2018-19 Target	Result	Analysis
The advice regarding the amounts required to be paid into each State (and Territory) Pool Account is provided to the Treasurer in a timely manner.	Met	<p>The Administrator provided four advices in 2018-19 including:</p> <ul style="list-style-type: none"> + August 2018 payment advice (\$20.569 billion) provided to the Commonwealth Treasurer on 2 August 2018; + October 2018 payment advice (\$21.422 billion) provided to the Commonwealth Treasurer on 28 September 2018; + April 2019 payment advice (\$21.714 billion) provided to the Commonwealth Treasurer on 27 March 2019; and + June 2019 payment advice (\$21.737 billion) provided to the Commonwealth Treasurer on 28 May 2019.

Performance highlights

The NHFB calculated
funding for an estimated

38million

public hospital services



ACROSS

693

public hospitals

The NHFB oversaw

4,137

transactions



TOTALING

\$49B

PAID TO

143

Local Hospital Networks (LHNs)
through the National Health Funding Pool

DELIVERY OF

1,833

financial reports detailing public hospital
funding and activity at the National,
State and Territory, and LHN level





Objective Two: Best practice financial administration of the National Health Funding Pool



Analysis of 2018-19 performance

We continue to achieve our purpose through transparency, accountability and engagement with our stakeholders in our role to assist the Administrator fulfil his duties.

We followed the Administrator's Payments System policies and procedures throughout 2018-19, and processed all payments through the Pool in accordance with directions from the responsible State or Territory Minister.

We made \$49 billion in payments to LHNs (across 4,137 banking transactions) from a total of \$50 billion in funding contributions for public hospital services. This equates to 90% of total Government (Commonwealth, State and Territory) funding for public hospitals.

We made significant progress on the development of a new Payments System which will deliver simpler processes and better reporting capabilities.

We held two face to face workshops with jurisdictions to assist in the design and configuration of the new Payments System.



\$49 billion in payments to LHNs for public hospital services.

Following the launch of the new Payments System in 2019-20, new policy and procedure documents will be provided to stakeholders and published on our website.

The year ahead

- + Implement new Payments System; and
- + Promote greater understanding of the NHR Agreement to ensure funding flows are in accordance with requirements.

Maintain the integrity of the Administrator's Payments System in accordance with policies and procedures

Performance criteria 2.1 (Corporate Plan) and B (PB Statement Performance)

2018-19 Target	Result	Analysis
Administrator's Payments System Policies and Procedures are maintained.	Met	<p>The Administrator's Payments System policies and procedures were followed throughout 2018-19.</p> <p>Payments adhered to operational protocols which requires payments to be approved through a three stage approval process of create, verify and approve.</p> <p>The Administrator's Payments System internal control framework was reviewed and assured by an independent external party.</p>

Payments to each LHN accord with directions from responsible State and Territory Ministers

Performance criteria 2.2 (Corporate Plan)

2018-19 Target	Result	Analysis
All payments from the Pool are made in accordance with directions.	Met	All payments from the Pool (\$49 billion) were made in accordance with directions from State and Territory Ministers and in alignment with the Administrator's payment advices.

Unmodified audited financial statements

Performance criteria 2.3 (Corporate Plan)

2018-19 Target	Result	Analysis
Financial statements receive an unmodified audit opinion.	Met	All Financial Statements for each State and Territory Pool Account received unmodified opinions from each Auditor-General.



Objective Three: Effective reporting of public hospital funding



Analysis of 2018-19 performance

We achieved our purpose by providing transparency of public hospital funding payments made into and from the National Health Funding Pool and each State Pool Account and State Managed Fund.

Since our inception Public Hospital Funding has increased from \$36 billion in 2012-13 to \$50 billion in 2018-19, representing an increase of \$14 billion over six years.

We combined the Administrator's Public Hospital Funding and National Health Funding Body's websites into one and transitioned the website to the whole of government GovCMS platform.



**1,833 financial reports detailing
\$50 billion in funding published to
the website.**

The year ahead

- + Review the *Administrator's Three Year Data Plan* in collaboration with our stakeholders;
- + Review and implement the *Administrator's Data Compliance Policy* in collaboration with our stakeholders; and
- + Rollout phase two of our website redevelopment project to include additional reporting functionality.

Monthly and annual reporting of the payments made into and from each State Pool Account and State Managed Fund

Performance criteria 3.1 (Corporate Plan) and C (PB Statement Performance)

2018-19 Target	Result	Analysis
Monthly and annual reporting of funding and payment is uploaded to the Administrator's website.	Met	All monthly and annual reports for 2018-19 funding and payments (\$50 billion) have been published on the Administrator's website however, due to late data submissions from some States and Territories, monthly reports for April, May and June were unable to be published until July and August 2019.

Monthly and annual reporting of public hospital services

Performance criteria 3.2 (Corporate Plan)

2018-19 Target	Result	Analysis
Monthly and annual reporting of activity is uploaded to the Administrator's website.	Met	All monthly and annual reports for 2018-19 activity (8.8 Million NWAU) have been published on the Administrator's website however, due to late data submissions from some States and Territories, monthly reports for April, May and June were unable to be published until July and August 2019.

All relevant Ministers receive required information in a timely manner

Performance criteria 2.3 (Corporate Plan)

2018-19 Target	Result	Analysis
Annual Report for the Pool is tabled in the Commonwealth, and State and Territory parliaments within stipulated timeframes.	Met	The 2017-18 Annual Report was tabled in the Commonwealth Parliament on 17 October 2018 and subsequently all State and Territory parliaments during 2018-19.



Objective Four: Productive and effective partnerships with stakeholders



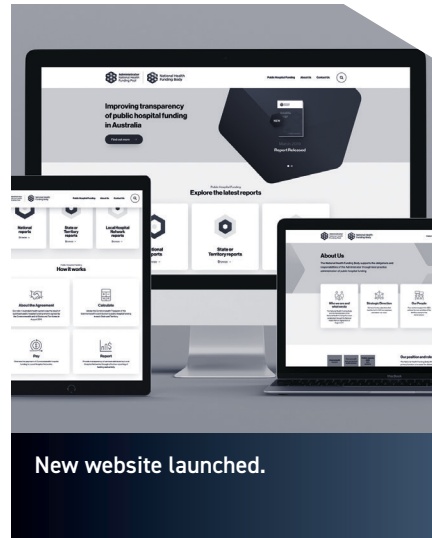
Analysis of 2018–19 performance

We achieved our purpose through maintaining and strengthening productive and collaborative relationships with stakeholders to support the obligations and responsibilities of the Administrator.

The Administrator, CEO NHFB and NHFB staff participated in a number of Commonwealth, State and Territory and Portfolio Agency forums during 2018–19.

We focused on maintaining and strengthening productive and collaborative relationships with all stakeholders to support transparent and timely information sharing.

We identified ways to improve our stakeholder's access to information, including through the launch of the new public hospital funding website.



The year ahead

- + Review our Strategic Communication and Stakeholder Engagement Framework and implement improvements;
- + Explore options for sharing modelling, analytic and reporting tools with our stakeholders;
- + Actively participate in bilateral and multilateral forums with jurisdictions
- + Actively engage and collaborate with Portfolio Agencies (IHPA, AIHW, ACSQHC); and
- + Promote greater understanding of the NHR Agreement.

Work plans and information requirements developed in collaboration and consultation with stakeholders

Performance criteria 4.1 (Corporate Plan) and B (PB Statement Performance)

2018-19 Target	Result	Analysis
Three-year data plans are completed on time, endorsed by the Administrator and agreed with stakeholders.	Met	The <i>Administrator's Three Year Data Plan 2020-21 to 2022-23</i> was developed in consultation with the Administrator's Jurisdictional Advisory Committee and submitted to Australian Health Ministers Advisory Council (AHMAC) in February 2019. It was then considered by COAG Health Council in March 2019 and subsequently published in June 2019.

Provide trusted and impartial advice to enable effective health reform

Performance criteria 4.2 (Corporate Plan)

2018-19 Target	Result	Analysis
Advice accepted and incorporated into the drafting of the future Agreement by 1 November 2019.	Met	The Administrator and CEO NHFB discussed various potential proposals with members of the Administrator's JAC prior to providing advice to the Commonwealth Department of Health in October 2018.



Objective Five: Operate as a compliant agency



Analysis of 2018-19 performance

We met all of our legislative reporting obligations and achieved our purpose through embedding our four sign-post behaviors; one NHFB, enhance trust, open communication and own it.

We identified ways to improve our organisational, financial and risk performance reporting to track progress throughout the year against our five strategic objectives. During this process we also made improvements to sharing information with our stakeholders and made progress on shared risks with our portfolio agency partners.



United Leadership: It starts with me.

The year ahead

- + Implement our 2019-2023 Workforce Plan;
- + Implement our 2019-20 Learning and Development Strategy; and
- + Apply enhancements to our risk management and assurance practices.

A positive workplace culture where people adopt best practice approaches and good governance principles to achieve results

Performance criteria 5.1 (Corporate Plan)

2018–19 Target	Result	Analysis
Our united leadership behaviours are demonstrated through annual employee survey results.	Met	<p>Improving our workplace culture and embedding our united leadership behaviours has been a key focus of 2018–19 and will continue to be in 2019–20.</p> <p>2019 APS Employee Census: The NHFB ranked 8th out of 97 agencies for 'Innovation', 20th for 'Engagement', and 36th for 'Wellbeing'. The overall results for each of these categories improved on last year and we remained above the APS average overall.</p>
All compliance reporting requirements for the NHFB as a non-corporate entity are met within timelines.	Met	All compliance obligations under the PGPA Act were met, including publishing the 2017-18 Annual Report and 2018–19 Corporate Plan.

Policies and procedures comply with relevant statutory and legislative requirements

Performance criteria 5.2 (Corporate Plan)

2018–19 Target	Result	Analysis
Corporate policies are current and endorsed by the CEO.	Met	<p>In 2018–19, the NHFB delivered:</p> <ul style="list-style-type: none"> + Strategic Direction 2018–2022 + Corporate Plan 2018–19 + Risk Tolerance Statement 2018–19 + Section Plans <p>The NHFB has established a rolling policy update schedule to ensure all corporate policies are regularly reviewed and updated in line with relevant statutory and legislative requirements.</p>


Unmodified NHFB audited financial statements

Performance criteria 5.3 (Corporate Plan)

2018-19 Target	Result	Analysis
The Australian National Audit Office provides an unmodified audit opinion.	Met	NHFB Financial Statements received an unmodified audit opinion from the ANAO.


Performance highlights

The Administrator, CEO NHFB and staff participated in over




70

Commonwealth, State and Territory, and Portfolio Agency forums



The NHFB reshaped its internal corporate governance arrangements to better align with the PGPA Rule and meet our objectives









OUR PEOPLE

Our team

We are a professional, agile, innovative and unique portfolio agency. We have a small and specialised workforce that is capable, culturally diverse and gender balanced.



Photo National Health Funding Body

Seated left Shannon White, Chief Executive Officer National Health Funding Body

Seated right Michael Lambert, Administrator, National Health Funding Pool

Our workforce is supported by a flexible legislative framework under the *Public Service Act 1999* with terms and conditions governed by the National Health Funding Body Enterprise Agreement 2016–2019.

We recognise that skilled, engaged and versatile people are critical to the achievement of our objectives.

We aim to cultivate and build our workforce by:

- + Supporting and developing the capabilities of our staff to meet our work requirements;
- + Attracting and retaining skilled, adaptable and responsive people;
- + Promoting a culture where people work within and across teams to maximise expertise and produce results that benefit the agency as a whole; and
- + Refining our organisational approaches to reflect the requirements of a professional, capable, flexible, technology-enabled, citizen-focused agency.

Over time, we have developed a sound understanding of our culture and workforce needs, including the requirement for data analysts as well as experts in finance and compliance.

Our workforce is supported by a flexible legislative framework under the *Public Service Act 1999* with terms and conditions governed by the *National Health Funding Body Enterprise Agreement 2016–2019* (the EA).

In 2018–19, we were classified as a specialist small agency, with 22 staff supporting the Administrator to oversee the responsible, efficient and effective administration of Commonwealth, State and Territory public hospital funding and payments under the National Health Reform (NHR) Agreement.

We work collaboratively across four key functions to support the Administrator and achieve our strategic objectives.



Calculate

- + Data collection
- + Calculate funding entitlements
- + Reconcile actual activity
- + Payment advice
- + **Project** – CCM
- + **Project** – data matching



Report

- + Funding, payment and activity reporting
- + Trend analysis and reporting
- + Data Compliance Policy and reporting
- + **Project** – New website



Pay

- + Payments System administration
- + Funding Pool Financial Statements
- + **Project** – New Payments System



Organisation

- + Strategic communication
- + Corporate planning
- + Organisational performance
- + Leadership and Culture
- + Risk Management
- + Audit and Assurance

The Administrator, Mr Michael Lambert

My name is Michael Lambert and I was appointed to the role of Administrator of the National Health Funding Pool (the Administrator) on 17 July 2018. My career has covered four broad areas: public policy and finance in the NSW Treasury; investment banking; non-executive director roles; and working in areas related to the health sector.

In my previous roles I have worked as senior executive in investment banking, working for a number of international investment banks and specialising in advising governments in Australia and overseas. Prior to that, I had worked for the NSW Government for 17 years in a range of senior positions culminating in the role of Treasury Secretary. Whilst working in NSW Government, I had oversight of the health sector.

I have also held Non-Executive Directorships within the health sector, including the NSW Northern Suburbs Area Health Board and the NSW Cancer Council. More recently I have held a number of non-executive director positions including with Energy Australia and the State Superannuation Fund. I also

am currently a non-executive director with the Sax Institute, a not for profit organisation that seeks to align health research to health policy and programs in order to improve health outcomes, and act as a pro bono senior advisor on health economics.

I hold an Honours and Masters degree in Economics, and a Masters in Philosophy, and am also a Graduate of the Australian Institute of Company Directors (GAICD).

My Responsibilities

I am supported by the NHFB to oversee the responsible, efficient and effective administration of Commonwealth and State and Territory funding and payments under the National Health Reform (NHR) Agreement.

The great bulk of these payments are to fund Local Hospital Networks (LHNs) which provide hospital based acute and sub-acute services but also non-admitted services outside the hospital environment through community health centres and other facilities.



In addition, the payments include the Commonwealth's contribution to State and Territory public health funding.

A vital part of the role of LHNs is to work closely with their regional Primary Health Network (PHN) which have responsibility for coordinating and supporting the provision of primary care, promoting improved public health and undertaking preventive health activities.

A coordinated approach across each region involving LHNs and PHNs facilitates effective health planning for the region, delivers integrated care for patients and can avoid unnecessary hospitalisations.

A particular priority will be to provide advice on ways to improve funding arrangements as part of the development of the new NHR Agreement.

The year ahead

During the coming year I will actively engage with all jurisdictional representatives and allied organisations such as the IHPA, the AIHW and the ACSQHC. A particular priority will be to provide advice on ways to improve funding arrangements as part of the development of the new NHR Agreement.

Another area to be explored is whether the funding system encourages the provision of integrated care across the health system or if there are disincentives in this regard and if so, how to address these.

Further details of the Administrator's functions can be found in the Administrator's Annual Report 2018–19.¹

¹ publichospitalfunding.gov.au/publications/annual-reports

Chief Executive Officer, Mr Shannon White

My name is Shannon White and I am the Chief Executive Officer (CEO) of the NHFB. With the support of my professional, agile and innovative team, I am responsible for the effective delivery of the NHFB's outputs to support the Administrator to fulfil his functions.

Prior to my appointment as the NHFB CEO, I was the Assistant Secretary of the Health System Financing and Evaluation Branch within the Commonwealth Department of Health.

In this role, I worked extensively on national health reform issues and represented the Department in various national and international committees. These included health system fiscal sustainability as well as the negotiations on public hospital funding under the Addendum to the NHR Agreement.

I also have 26 years experience in the Australian Public Service across executive positions at Health, Immigration and Border Protection, and Defence with a strong focus on financial management and strategic advice on budget related policy and operational matters.

These roles have provided me with a broad blend of experience across national security, economic and social policy environments.

Together with my professional, agile and innovative team, we are committed to improving the transparency of public hospital funding in Australia.



2018–19 Achievements

2018–19 was a record year for the amount of public hospital funding paid into the Pool, with \$50 billion in funding. To achieve this record result, we processed 4,137 banking transactions and prepared 1,833 financial reports.

We also strengthened the Commonwealth Contribution Model (CCM), enhanced our funding integrity capabilities, launched a new website and continued important work on the payments system modernisation project.

The year ahead

I have worked with my colleagues to develop and release a new Strategic Direction, Corporate Plan and Risk Tolerance Statement for 2019–20. These documents set our direction for the next four years to 2022–23 and outline the approach we will take to achieve our objectives.

Embracing digital transformation

In 2019–20 we will continue to operate as a high performing organisation, that is professional, innovative and technology enabled. We are committed to making it easier for our stakeholders to access our core technology platforms to better support their business operations.

We will be focused on delivering a new payments system to create a more integrated financial system with improved efficiency and effectiveness of processes between our systems, the Reserve Bank of Australia and, States and Territories. In addition we will continue to improve the transparency of public hospital funding by enhancing our reporting capabilities and website functionality. We are working closely with all of our stakeholders and industry partners to ensure a seamless implementation and transition.

Together with my professional, agile and innovative team, we are committed to improving the transparency of public hospital funding in Australia.

Management of human resources

Since our inception in 2012, we have developed a sound understanding of our culture and workforce needs.

While current staffing levels allow us to perform our duties, like most organisations we are vulnerable when there is a loss of corporate knowledge due to turnover or unscheduled absences.

Our organisation supports and develops individuals in an environment that allows them to work to their full potential, innovate and display leadership.

Employee Census

For the second year in a row, we were the only Australian Public Service (APS) agency to achieve a 100 per cent response rate to the annual Australian Public Service Commission (APSC) Employee Census.

Following the release of the 2018 Census results and all staff discussions we developed a seven point action plan looking at those areas where we are doing well, where we could improve and those results which correlated to our united leadership behaviours.

Our action plan included:

- + Clarity of strategy and individual responsibilities;
- + Celebrating achievements;
- + Improving communication;
- + Embedding our united leadership behaviours;
- + Expanding learning and development opportunities;
- + Encouraging innovation and efficiency; and
- + Supporting workplace flexibility.

This work resulted in a number of improvements to the 2019 Census results.

Our 2019 results indicate the Agency is an organisation which promotes and enjoys a respectful, collegiate and honest workplace with a motivated team culture and a strong sense of strategic direction:

- + The NHFB ranked 8th out of 97 agencies for 'Innovation', 20th for 'Engagement', 36th for 'Wellbeing'. The overall results for each of these categories improved on last year and we remained above the APS average overall;
- + 90% of staff believe strongly in the objectives of the agency;
- + 90% of staff are clear on what their duties and responsibilities are;
- + 100% of staff agreed that their supervisor encourages them to contribute ideas;
- + 100% of staff identified they had collaborated with people from other APS or Commonwealth Government Agencies; and
- + 95% of staff indicated their supervisor actively supports the use of flexible working arrangements, with half of our organisation working flexibly.

Similar to 2018–19, we will hold further discussions with all staff on the survey results and develop an action plan in early 2019–20 to ensure that we:

- + Continue with the activities we are doing well;
- + Have a plan in place to focus on key areas we'd like to improve; and
- + Link the above activities back to our four sign-post behaviours:
 - One NHFB
 - Enhance Trust
 - Open Communication
 - Own it

Our 2019 results indicate the Agency is an organisation which promotes and enjoys a respectful, collegiate and honest workplace with a motivated team culture and a strong sense of strategic direction.

Employee Profile

All NHFB employees are based in our Canberra office.

Our Average Staffing Level (ASL) allocation for 2018–19 was 21 employees, however, this number includes the Administrator of the National Health Funding Pool. The Administrator is 0.6 of a full-time equivalent (FTE) and is included in the following tables.

At 30 June 2019:

- + We had a staffing headcount of 22
 - Of the 22, two were on long-term leave and one was on secondment to another Commonwealth Agency.
- + The number of FTE employees was 20.2; and
- + Our ASL rate was 18.06

Table: Headcount, FTE and ASL 2016–17 to 2018–19 (as at June 2019)

Year	ASL Cap	Headcount	FTE	ASL
2018–19	21	22	20.2	18.6
2017–18	21	23	19.4	18.9
2016–17	19	21	18.5	17.9
2015–16	19	17	10.7	11.6
2014–15	19	16	7.0	10.8

Table: Headcount by Employment Status

Employment Status	2014–15	2015–16	2016–17	2017–18	2018–19
Ongoing	10	13	16	16	20
Non-ongoing	6	4	5	7	2
TOTAL	16	17	21	23	22

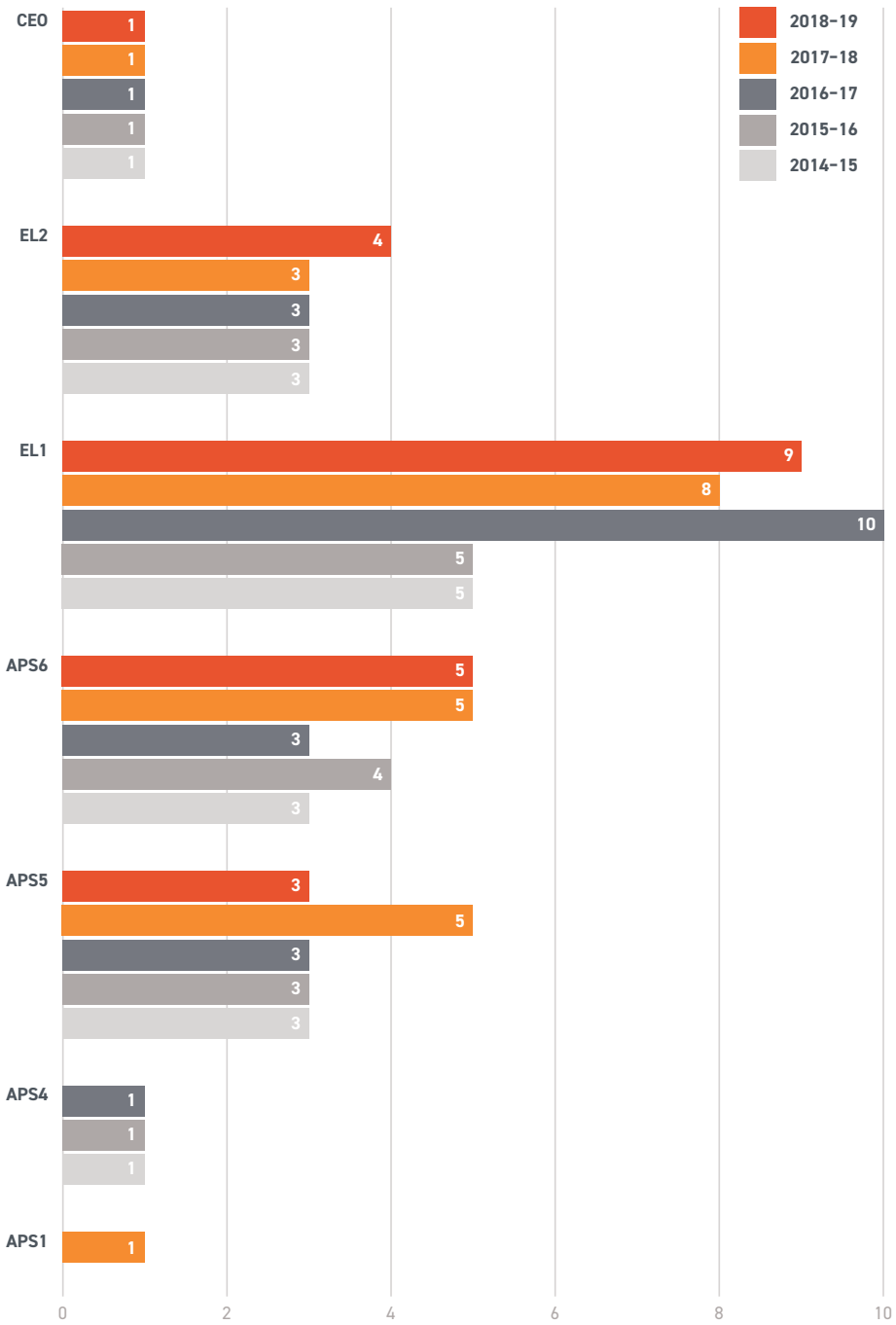
Table: Headcount by Gender and Employment Status

		Male	Female	TOTAL
2018-19	Ongoing	7	13	20
	Non-ongoing	1	1	2
2017-18	Ongoing	5	11	16
	Non-ongoing	4	3	7
2016-17	Ongoing	6	10	16
	Non-ongoing	2	3	5
2015-16	Ongoing	4	9	13
	Non-ongoing	2	2	4
2014-15	Ongoing	2	8	10
	Non-ongoing	2	4	6

Table: Senior Executive — Holders of Public Office

Senior Executive	Male	Total
Holder of Public Office — Office of the CEO	1	1

Figure: Headcount by Classification



Workforce Planning, Employee Retention and Turnover

We have been operational for seven years and our workforce retention rates remain strong with a blend of experience and new perspectives. The average length of service for our employees in 2018–19 is 2.8 years with 35 per cent of staff having been employed with us for more than three years and 35 per cent of staff having been employed with us for less than 12 months.

Table: Average length of service 2016–17 to 2018–19

Year	Length of service (years)
2018–19	2.8
2017–18	2.3
2016–17	2.0
2015–16	1.5
2014–15	0.8

Our turnover rate for 2018–19 was 30 per cent, down ten per cent from 2017–18.

Table: Turnover rate 2016–17 to 2018–19

Year	Turnover rate (per cent)
2018–19	30.1
2017–18	40.6
2016–17	14.0
2015–16	24.7
2014–15	52.9

Workforce Diversity

We are committed to the recruitment and retention of a diverse workforce. This is reflected in our Workplace Diversity Plan 2017–2020 and is evidenced by our culturally diverse workforce¹:

- + 80% of senior management positions are held by women.
- + Our gender demographic is 68% female and 32% male.
- + 5% identify as being Indigenous.
- + Over 70% have a formal education qualification.
- + 42% were born outside of Australia, and 26% speak a language other than English at home.
- + Our age profile spans between 24–64 years.
- + 10% of our workforce identified having an ongoing disability.

¹ NHFB APS Employee Census 2019

Remuneration Framework

Our only SES-level appointment is the position of CEO, who is appointed as a Holder of Public Office. The employment conditions and remuneration for the CEO are set by the Commonwealth Remuneration Tribunal.

Terms and conditions of employment for all our other employees are governed by the National Health Funding Body Enterprise Agreement 2016–2019.

Salary ranges for the 21 non-SES employees are at **Table: Salary Range by Classification**. Three non-SES employees were covered by both an Individual Flexibility Arrangement and the Enterprise Agreement. Zero employees received performance pay in the 2018–19 financial year.

Table: Salary Range by Classification

Classification	Salary Range \$
EL2	119,896 – 141,952
EL1	100,492 – 114,613
APS6	81,776 – 92,256
APS5	73,050 – 79,000

Non-Salary benefits

The NHFB provides for a range of non-salary benefits that are incorporated into our HR policies. Any changes to policies are reviewed by the Workplace Consultative Committee (WCC) and cleared by the CEO. HR policies that include non-salary benefits are:

- + Home Based Work
- + Studybank
- + Travel
- + Allowances
- + Workplace Health, Safety and Wellbeing; and
- + Domestic Violence

These policies cover a number of artefacts that are not included in our EA and provide for:

- + Flexible working locations and home-based work;
- + Business tools such as mobile phones and mobile computing devices;
- + Influenza vaccinations;
- + Blood donation leave;
- + Leave for Australian Defence Force Reserves and continuous full-time service; and
- + Financial assistance to access financial advice for staff 54 years and older.

Table: Key Management Personnel

Name	Position title	Term as KMP
Michael Lambert	Administrator of the National Health Funding Pool	Part-year - Appointed 17 July 2018
Shannon White	Chief Executive Officer	Full year

Table: Key Management Personnel Remuneration

Name	Position title	Short-term benefits			Post-employment benefits	Other long-term benefits		Termination benefits	Total remuneration
		Base salary	Bonuses	Other benefits and allowances		Long service leave	Other long-term benefits		
Michael Lambert	Administrator	206,228	-	-	16,905	4,626	-	-	227,759
Shannon White	Chief Executive Officer	198,330	-	42,807	30,543	6,472	-	-	278,152
Total		404,558	-	42,807	47,448	11,098	-	-	505,911

Learning and Development

We actively provide learning and development opportunities for employees to support them in their work and enhance their skill sets. We will further embed these practises during 2019-20 through the implementation of a Learning and Development Strategy.

In 2018-19, NHFB staff expanded their knowledge and skill sets through a variety of channels including:

- + Formal learning and development (e.g. University courses);
- + APS, and private sector conferences;
- + Communities of Practice forums;
- + Participation in Commonwealth and State and Territory technical and advisory committees;
- + Leadership forums; and
- + Agency guest speakers.

In 2018-19, employees received tailored training (classroom or online) for:

- + Risk management;
- + Internal audit;
- + Fraud control; and
- + Records management.

Employees are eligible to apply for our Study Assistance Scheme, which offers financial assistance, time off for study purposes or a combination of both.

Table: Employee Qualifications

Qualification	Number of employees
Professional Industry Qualification (e.g. GAICD/CPA)	6
Post Graduate Qualification	9
Undergraduate Qualification	8
Total	23

Performance Management

In 2018–19, we implemented a new performance and development framework for staff. The new framework provides greater emphasis on an individual's professional development and links performance to our five strategic objectives and four sign-post behaviours.

During 2018–19, there were zero instances of employees needing to be managed for under performance.

Unscheduled absences

Our unscheduled absences continue to decrease over time and remain well below the APS average.

Table: Unscheduled absences (days)

Year	NHFB	APS
2018–19	9.8	Not yet available
2017–18	9.9	11.4
2016–17	10.8	11.4
2015–16	19.7	11.5
2014–15	18.8	11.6

Code of Conduct

As an agency governed by the Public Service Act 1999, our employees are bound by the *APS Values and Code of Conduct*. The *APS Values and Code of Conduct* are reinforced through day-to-day behaviour by all employees within the agency as well as annual online training.

We had zero investigations relating to the Code of Conduct during 2018–19. Additionally, there were zero claims of bullying and harassment during the reporting period.

Productivity Gains

We worked on progressing a range of productivity initiatives throughout the year, including monitoring and reviewing pricing structures for our outsourced services via a Memorandum of Understanding (MoU) with the Department of Health.

Through a number of internal reviews of policies and processes, we were able to commence streamlining a number of our internal processes that will improve collective and individual productivity over the 2019–20 financial year.

Work Health and Safety

We are committed to safeguarding the health and safety of our employees, workers and visitors by providing and maintaining a safe working environment.

We aim to eliminate all preventable work related injuries and illnesses through active management. Additionally, we are committed to supporting and promoting the health and wellbeing of our employees.

The NHFB WCC is an internal committee which provides a forum to facilitate communication and consultation with employees in line with Part J *Consultation and Communication of the NHFB Enterprise Agreement 2016–2019* (Enterprise Agreement).

The WCC also serves as a forum to ensure the NHFB meets the requirements of the *Work Health and Safety Act 2011* (WHS Act) and the *Work Health and Safety Regulation 2011* (the WHS Regulation).

The WCC members include Management, Human Resources, a Health and Safety Representative and an Employee Representative and report to the CEO on matters including:

- + Workplace Conditions
 - For example, the implementation and operation of the Enterprise Agreement, HR policies and change management.
- + Workplace Health and Safety
 - For example, policies and procedures, hazard identification and risk management.

We provide an ongoing commitment to maintain a safe and healthy workplace, and to meet our obligations under the *Work Health and Safety Act 2011* and the *Safety, Rehabilitation and Compensation Act 1988*. In 2018–19, no directions or notices were issued under the *Work Health and Safety Act 2011*.

We have a rehabilitation management system as required under Comcare's *Guidelines for Rehabilitation Authorities 2012*. These Guidelines provide a framework for our health and safety management arrangements.

Online Work Health and Safety training is available to all employees which assists us in meeting our obligations, and to create a safety-aware workplace.

First Aid Officers and First Aid Kits are located on-site to ensure assistance is available when needed. Workplace Health and Safety training was arranged for new health and safety representatives, and refresher training organised as required for ongoing representatives.

We promote health and wellbeing awareness among employees by supporting an annual program focused on health and lifestyle, which is developed in consultation with employees through the WCC.

In 2018–19, our employees had access to:

- + Workplace assessments and ergonomic equipment;
- + Influenza vaccinations;
- + Rest-break guidance;
- + Access to the Employee Assistance Program;
- + Use of taxis after hours to provide safe transport to and from work;
- + Blood donation leave;
- + Eye sight testing;
- + Family care assistance;
- + Financial assistance to access financial advice for staff 54 years and older;
- + Leave for Australian Defence Force Reserves and continuous full-time service; and
- + Flexible working locations and home-based work (including access to the internet and laptop computers).

Health and Safety Outcomes

In 2018–19, there were no Workers Compensation claims accepted by Comcare. As there were zero workers compensation claims during the reporting year, the NHFBs Workers Compensation premium has decreased for 2018–19.

Table: Comcare premium rates

Year	Premium \$ (ex GST)
2018–19	26,710
2017–18	35,976
2016–17	44,447
2015–16	37,108
2014–15	59,183

Disability Reporting

The National Disability Strategy 2010–2020 sets out a ten-year national policy framework to improve the lives of people with disability, promote participation, and create a more inclusive society. A high-level, two-yearly report will track progress against each of the six outcome areas of the strategy and present a picture of how people with a disability are faring. These progress reports can be found at www.dss.gov.au.





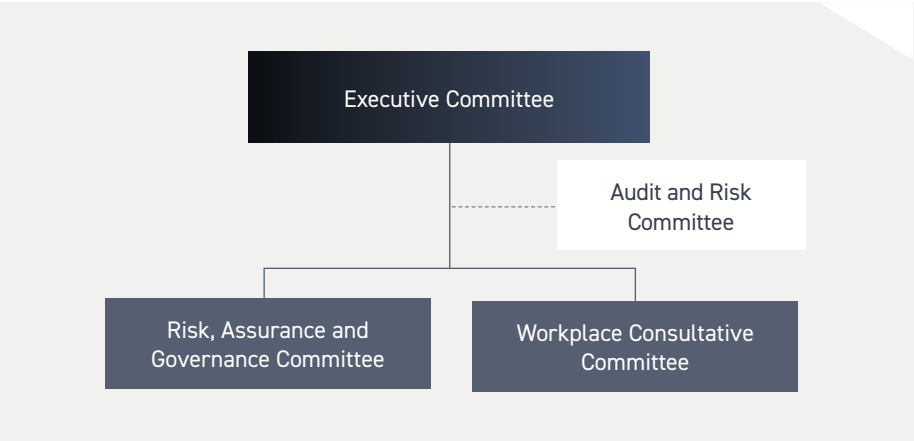
OUR GOVERNANCE

NHFB Governance

We are committed to managing our business operations to meet our strategic objectives, statutory obligations and ethical standards. This commitment is an integral part of our management practices and is the foundation of our Corporate Governance Framework.

Our Corporate Governance Framework includes the following committees: the Executive Committee (EC); the Risk, Assurance and Governance Committee (RAGC); and the Workplace Consultative Committee (WCC).

Figure: Internal Governance Structure



Executive Committee

The Executive Committee (EC), supported by the Risk, Assurance and Governance Committee and Workplace Consultative Committee is our peak decision making body which provides advice and recommendations to the CEO NHFB on agency policies, direction, initiatives and key immediate and emerging issues.

The Members of the EC are:

- + Shannon White – CEO
- + Svetlana Angelkoska - Director
- + Beci Imbriano – Director
- + Val Price-Beck – Director

Some of the key focus areas of the EC during the past year included:

- + Reviewing NHFB's Strategic Direction;
- + Planning for a sustainable future;
- + Monitoring the progress and delivery of key projects (new SAS CCM, Payments System and website);
- + Monitoring organisational performance against our Corporate Plan; and
- + Planning for the implementation of, and championing the United Leadership program.

Risk, Assurance and Governance Committee

The Risk, Assurance and Governance Committee (RAGC) provides assurance to the CEO NHFB, EC and the independent Audit and Risk Committee on the adequacy, effectiveness and performance of our governance arrangements. This includes risk management, compliance and control, audit and assurance, information governance, security and business continuity.

The members of the RACG are:

- + Val Price-Beck – Chair
- + Svetlana Angelkoska – Director
- + Beci Imbriano – Director
- + Sab Bonelli – Risk Manager
- + Suchith Gunatillake – Enterprise Information Architect
- + Vincent Lorimer – Internal Auditor

Key areas of focus for the RACG in the past year included:

- + Reviewing and publishing NHFB's Risk Tolerance Statement;
- + Monitoring and reviewing NHFB's risk performance reporting;
- + Overseeing the review and endorsement of the Internal Audit and Assurance Strategy, Plan and Program; and
- + Reviewing and streamlining NHFB's internal committee structure.

Workplace Consultative Committee

The Workplace Consultative Committee (WCC) is our consultative body for communication, consultation and employee participation in the management of the agency and Work Health and Safety matters.

The members of the WCC are:

- + Val Price-Beck – Chair
- + Cath Maurer – Human Resource representative
- + Sab Bonelli – Employee Representative
- + Connie Liu - Health and Safety Representative
- + Beci Imbriano – Management representative

Key areas of focus for the WCC in the past year included:

- + Establishing a forward work plan of HR policy updates;
- + The operation of the Enterprise Agreement, including planning for next steps beyond the terms of the agreement (expiry October 2019);
- + Tabling of issues/questions raised by staff; and
- + Reviewing and updating Terms of Reference.

Risk management

The NHFB operates in a complex and challenging environment, involving a wide range of internal and external stakeholders. It is subject to legislation, regulations, standards and guidelines applicable to its status as a non-corporate entity under the PGPA Act and the *Public Governance, Performance and Accountability Rule 2014*. When assisting the Administrator, the NHFB is subject to Commonwealth, State and Territory legislation and its obligations under the Act and Agreement.

Effective risk management is an important component of NHFB's governance arrangements and is an integral part of the NHFB's processes, including strategic planning, business planning and all project and change management processes.

The *Commonwealth Risk Management Policy* sets out nine elements which are to be incorporated in an appropriate system of risk oversight. These elements are addressed within the NHFB's Risk Management Policy and Framework, reinforcing our commitment to the effective management of risks and promoting a positive risk culture throughout the organisation.

The NHFB's approach to managing risk is consistent with the *Commonwealth Risk Management Policy*, Comcover's *Better Practice Guide: Risk Management* and the *ISO 31000:2018 Risk Management Guidelines*.

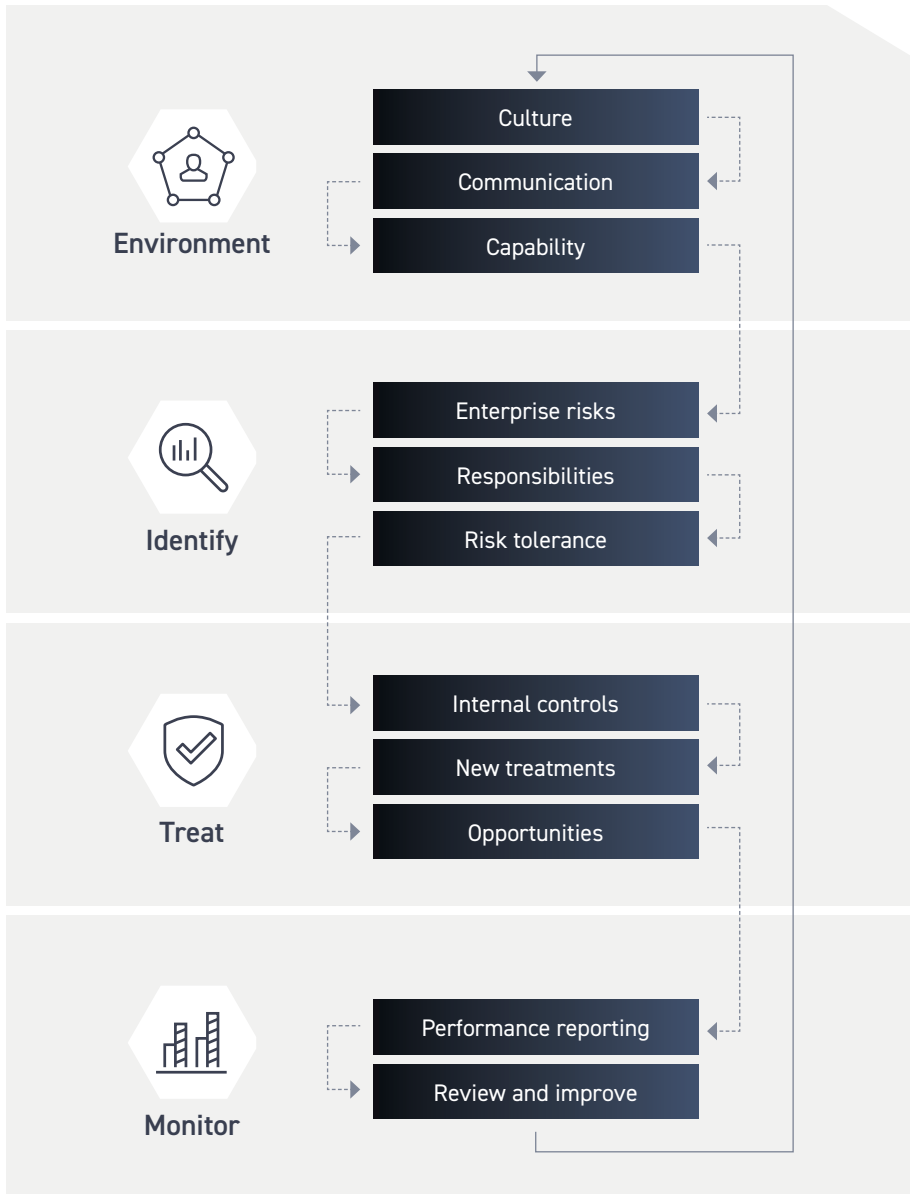
The NHFB manages risk to its five strategic objectives and works with the Administrator to assess and monitor broader risks to the successful operation of the Pool.

Following a number of workshops in 2018–19, the NHFB undertook a comprehensive review of all risks, sources, consequences, controls, treatments and risk ratings. As a result the NHFB has reviewed and updated its:

- + Risk Tolerance Statement;
- + Risk Management Policy and Framework;
- + Risk Management Instructions;
- + Risk Assessment Worksheets; and
- + Risk Performance Report.

Managing risk is the responsibility of all staff within the NHFB. Effective risk management within the NHFB is dependent on all staff understanding risk and the role they play in managing risk. As such, it is critical that there is adequate emphasis on accountability, leadership, ethical conduct and risk capability throughout the NHFB.

Figure: National Health Funding Body approach to risk management



Risk Tolerance 2019–20



Message from the CEO

Effective engagement with risk is necessary to support the obligations and responsibilities of the Administrator of the National Health Funding Pool (the Administrator) to provide best practice administration of public hospital funding in Australia.

As the Accountable Officer under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), it is my responsibility to establish and maintain appropriate systems of risk oversight and management, including setting our risk tolerance.

Our growing risk maturity helps us embed risk management within our business and supports innovation. This statement allows our organisation to set objectives, comply with legal and policy obligations, allocate and utilise resources, and improve transparent and accountable decision making.

By engaging people early, we manage our risks and opportunities effectively. As valued members of the NHFB team I encourage you all to engage with and adopt mindful practices so that together, we can achieve better risk-based decision making in the workplace.

Mr Shannon White, CEO

Engagement is key

Our organisational culture supports innovation and creativity by providing an environment where risk-aware decision-making is encouraged. Early and open conversations about risk tolerance are the most important element when assessing our risks and opportunities.

With our objectives clearly defined, we can confidently determine how much risk tolerance we are prepared to accept and make informed decisions that achieve the right balance between meeting our objectives and exploring opportunities.

Our Risk Tolerance

We have assessed our level of risk tolerance that we are willing to accept or retain against each of our five objectives. These tolerance levels highlighted below are based on the supporting business function and, the potential cost and/or the benefit of engaging with risk to improve our decision-making ability.

Calculations	Low Tolerance
 <ul style="list-style-type: none">Timely adviceAccurate calculationReconcile activityFunding integrity	<p>An error in the calculation of payments results in inaccurate advice to the Commonwealth Treasurer</p> <p>We have a LOW tolerance for incorrect calculations resulting from internal failures due to poor governance, processes and delivery</p> <p>Delay or errors in reconciliation of payments made to jurisdictions</p> <p>We have a LOW tolerance for inaccurate reconciliation processes between estimated and actual service volumes that impact funding to Local Hospital Networks (LHNs)</p>
Payments	Low Tolerance
 <ul style="list-style-type: none">Payments to LHNsPayments SystemFunding Pool Financial Statements	<p>Delay or errors in payments to jurisdiction(s) due to system or process failure</p> <p>Given the scale of the funds paid through the Funding Pool, we have a LOW tolerance for internal failures resulting from poor governance, processes and delivery, or illegal activity</p> <p>A modified audit opinion is given on the Administrator's Financial Statements</p> <p>We have a LOW tolerance for risks that impact transparency due to failures to meet our compliance reporting requirements</p>
Reporting	Low Tolerance
 <ul style="list-style-type: none">Information providedFunding reportsCompliance reports	<p>Reporting of public hospital funding and/or activity is delayed or inaccurate</p> <p>We have a LOW tolerance for failure to meet our reporting requirements resulting from poor governance and engagement with stakeholders</p> <p>Inappropriate data release results in loss of confidence in the Administrator and the NHFB</p> <p>We have a LOW tolerance for internal failures that impact the management and security of data in accordance with relevant legislative requirements</p>
Stakeholders	Medium Tolerance
 <ul style="list-style-type: none">Impartial adviceEngagement	<p>Strategic and operational goals are unmet due to unproductive relationships</p> <p>We have a MEDIUM tolerance for risk when developing stakeholder relationships that advance strategic and operational goals whilst maintaining the integrity of the Administrator and the NHFB</p>
Organisation	Medium Tolerance
 <ul style="list-style-type: none">Positive cultureInnovationGood governanceFunding Body Financial Statements	<p>Poor workplace culture impacts planned outcomes due to a lack of engagement or loss of high-performing staff</p> <p>We have a MEDIUM tolerance for risks which jeopardise our ability to attract, retain and develop talent to achieve our outcomes</p> <p>Outcomes are not achieved due to the inability to adapt and innovate</p> <p>We have a MEDIUM tolerance to explore best practice approaches that allow for innovation in policies, procedures and technology</p> <p>Inadequate WHS policies and procedures result in impacts on the health, safety and wellbeing of staff</p> <p>We have a LOW tolerance for activities and environments that adversely impact the health, safety and wellbeing of staff</p> <p>Fraudulent activity impacts the agency's integrity</p> <p>We have a LOW tolerance for internal failures that are the result of poor governance or illegal activity</p>

Audit and Assurance

Audit and Risk Committee

The CEO of the NHFB has established the Independent Audit and Risk Committee (ARC) in compliance with section 45 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and section 17 of the PGPA Rule - Audit Committee for Commonwealth entities.

The role of the ARC is to provide independent advice and assurance to the CEO on the agency's performance and financial reporting, risk oversight and management, and system of internal control (including the CEO NHFB and the Administrator on the operation, management and financial reporting of the Pool). The ARC is not responsible for the executive management of these functions.

Key areas of focus for the ARC in the past year included:

- + Financial Reporting (Pool Financial Statements and departmental expenditure);
- + Performance Reporting (organisation and financial);
- + System of Risk Oversight and Management (Policies and Instructions); and
- + System of Internal Control (internal and external audits and assurance activities).

The ARC comprises of up to four independent Members, including the Chair, and all appointments are made by the CEO. Members, taken collectively, will have a broad range of skills and experience relevant to the operations of the NHFB, including the functions of the Administrator. At least one member is to have accounting or related financial management experience, with an understanding of accounting and auditing standards in a public sector environment.

ARC members as 30 June 2019 were:
Carol Holley (Chair, since March 2013),
Ken Barker, Jeremy Chandler and
Chris Brook.

The Audit and Risk Committee met six times in 2018-19:

- + August 2018
- + Twice in September 2018
- + November 2018
- + March 2019
- + June 2019

Audit Committee Members

Carol Holley

Ms Holley is a Non-Executive Director of the Australian Nuclear Science and Technology Organisation, and a member of its Audit and Risk Committee. She is also the Independent Chair of numerous committees in NSW and a member of the Risk and Audit Committee of the NSW Mental Health Commission.

Ms Holley is a Chartered Accountant, and a Fellow of the Australian Institute of Company Directors.

Ken Barker

Mr Barker has more than 40 years experience in public sector management and finance, previously working for NSW Police, the former Public Works, Corrective Services, and NSW Health.

Mr Barker has a number of board and committee appointments. Mr Barker is a Fellow of the Institute of Public Accountants, and a graduate member of the Australian Institute of Company Directors.

Jeremy Chandler

Mr Chandler is the Director of Business WIDE Consulting Support Pty Ltd. He is also a Senior Adviser to Nous Group and an Associate with Executive Intelligence Group.

Mr Chandler is an Independent Audit Committee Member for the ACT Health Directorate–Canberra Health Services, the Australian National University and the Australian Communications and Media Authority.

Chris Brook

Professor Chris Brook currently sits as Chair of the Clinical Trials Project Reference Group (COAG/ Commonwealth Department of Health); as Chair of the Australian Commission on Safety and Quality in Health Care Clinical Trials Governance Framework Steering Committee; and as a member of the Advisory Board of the National Blood Authority.

Audit and assurance reviews

In 2018–19, audit and assurance functions were provided by a combination of internal and external resources to provide assurance to the CEO and ARC that the NHFB's risk management, governance and internal control processes are operating effectively.

Key 2018–19 audit and assurance activities covered:

- + Commonwealth Contribution Model (CCM);
- + Half year and annual reconciliations;
- + Administrator's Payments System;
- + Risk Management Framework;
- + Business Continuity; and
- + Stakeholder Engagement.

Outcomes of all audit and assurance activities were reported through the RAGC, to the CEO and ARC.

In 2018–19 we will further streamline our audit and assurance plan, ensuring coverage of:

- + Calculations (CCM and reconciliations);
- + Payments (control framework, data migration and new Payments System);
- + Reporting (privacy and website);
- + Stakeholders (communication and engagement); and
- + Organisation (Business continuity, security and fraud).

Australian National Audit Office

During 2018–19 the Australian National Audit Office conducted a Performance Audit titled *'Australian Government funding of public hospital services – risk management, data monitoring and reporting arrangements'*.

The audit report contained three recommendations directed to the Commonwealth Department of Health and a number of enhancement suggestions for the NHFB and the IHPA. The NHFB has actioned suggested enhancements:

- + **Measuring and reporting on Risk Management Performance** —The NHFB developed a Risk Performance Report which is presented to the Independent Audit and Risk Committee quarterly.
- + **MoU between the Independent Hospital Pricing Authority and the NHFB** — A MoU has been developed between the two organisations.
- + **Review of risk management documentation including the NHFB Risk Register** — The NHFB's Risk Register has been reviewed along with the Risk Management Policy and Framework and Risk Management Instructions.
- + **Reporting of Public Hospital Funding** — The NHFB meets regularly with all stakeholders to discuss reporting of public hospital funding.

External scrutiny

During 2018–19, there were no:

- + Judicial, tribunal or Australian Information Commissioner reviews;
- + Auditor-General, Parliamentary Committee, or Commonwealth Ombudsman inquiries; or
- + External capability reviews.

Freedom of Information

The *Freedom of Information Act 1982* (the FOI Act) gives members of the public a right to access copies of documents, other than exempt documents, that we hold however the NHFB can refuse access to some or part of those documents that have an exemption under the FOI Act.

We publish FOI information on our website at www.publichospitalfunding.gov.au/freedom-information

In 2018–19, one FOI request and one Internal Review Request was received by the NHFB.

Fraud control

Following an external review of our fraud control arrangements, we updated our *Fraud Control Plan* in February 2019 and presented it to our ARC in March 2019. Following these activities, an all staff fraud awareness training session was conducted.

Consistent with Section 10 of the PGPA Act and the *Commonwealth Fraud Control Policy*, the NHFB's *Fraud Control Plan* puts in place a comprehensive program that covers prevention, detection, investigation and reporting.

In 2018–19 the NHFB did not detect any instances of fraud.

Certification of fraud control arrangements

I, Shannon White, certify that I am satisfied that for 2018–19, the NHFB has:

- + Prepared a fraud control plan and associated fraud risk assessments;
- + Appropriate fraud prevention, detection, investigation and reporting mechanisms that meet NHFBs needs; and
- + Taken all reasonable measures to appropriately deal with fraud relating to the NHFB.



Shannon White
Chief Executive Officer

1 October 2019

Other accountabilities

Data Privacy

The *Administrator's Data Governance Policy* (updated November 2018) details the information collected, the purpose for the collection, its use, storage, disclosure and disposal by the Administrator. A summary of the information collected or produced is available at www.publichospitalfunding.gov.au

The NHFB *Data Governance Policy* aims to help NHB staff, including contractors, to understand and apply NHFBs best practice approach to managing data,

A range of procedures and policies relating to data governance have been established and are subject to regular audit and assurance reviews.

2018–19 provides an opportunity to further refine and simplify our processes under an updated data governance framework.

Purchasing

In 2018–19 NHFBs purchasing activities were conducted in line with the *Commonwealth Procurement Guidelines* and the *NHFB Accountable Authority Instructions*.

Consultants

The NHFB engages consultants when specialist expertise or independent research, review or assessment is required. All decisions to engage consultants are made in accordance with the PGPA Act and related regulations including the Commonwealth Procurement Rules and NHFB internal policies. In 2018–19 the NHFB did not enter into any new consultancy contracts.

Australian National Audit Office Access

In 2018–19 NHFB did not enter into any contracts precluding access by the Commonwealth Auditor-General.

Exempt Contracts

In 2018–19 the NHFB did not enter into any contracts that were exempt from publication on the AusTender website.

Grants

There were no grant programs undertaken by the NHFB in 2018–19.

Procurement initiatives to support small business

The NHFB supports small business participation in the Commonwealth Government procurement market. Small and medium-sized enterprise and small enterprise participation statistics are available on the Department of Finance's website at www.finance.gov.au/procurement/statistics-on-commonwealth-purchasing-contracts/

Advertising and Market Research

No advertising campaigns or market research were conducted by the NHFB in 2018–19.

Assets Management

In 2018–19 the NHFB leased assets from the Commonwealth Department of Health.

Ecological and Environmental Reporting

The NHFB is committed to the principles of ecologically sustainable development.

In 2018–19 the NHFB continued to minimise its environmental impact by:

- + Encouraging staff and contractors to reduce the volume of printing;
- + Turning off lights and computers when the office is not in use;
- + Using a waste recycling station; and
- + Limiting travel by using technological solutions whenever possible.





OUR FINANCES

Summary of Financial Performance

The net operating result as at 30 June 2019 was a surplus of \$0.133 million.

Revenue for the year was \$5.468 Million. This includes additional funding as a result of a New Policy Proposal at the 2017–18 Budget to strengthen the legislative functions of the Administrator and successfully implement the Addendum to the NHR Agreement.

Expenditure for the year to 30 June 2019 was \$5.335 million, compared to budgeted expenses of \$5.470 million. The underspend of \$0.135 million is attributable to some minor delays in planned projects. These projects are now nearing final stages of completion in 2019–20.

Table: NHFB expenses 2013-14 to 2018-19

	2013-14 \$ Millions	2014-15 \$ Millions	2015-16 \$ Millions	2016-17 \$ Millions	2017-18 \$ Millions	2018-19 \$ Millions
Budgeted Expenditure*	4.4	4.6	4.4	4.4	5.9	5.5
Employee Benefits	2.5	1.9	2.0	2.5	2.7	3.1
Supplier Expenses**	1.7	2.2	2.4	2.2	2.6	2.2
TOTAL ACTUAL EXPENDITURE	4.2	4.1	4.5	4.7	5.3	5.3
Surplus (Deficit)	0.2	0.5	-0.1	-0.3	0.6	0.1

* Includes 'Ordinary annual services (Appropriation Bill No. 1)' and 'Revenue from independent sources' under s74 of the PGPA Act.

** Includes depreciation, amortisation and asset write-downs.

Table A: NHFB resource statement, 2018–19

	Actual available appropriations for 2018–19 \$'000	Payments made in 2018–19 \$'000	Balance remaining in 2018–19 \$'000
ORDINARY ANNUAL SERVICES			
Departmental appropriation ¹	7,837	7,072	765
Total ordinary annual services	7,837	7,072	765
Special appropriations	0	0	0
TOTAL RESOURCING AND PAYMENTS	7,837	7,072	765

1 Appropriation Bill (No. 1) 2018–19, prior year departmental appropriation and section 74 receipts.

Table B: Expenses for outcome, 2018–19

	Budget ¹ 2018–19 \$'000	Actual expenses 2018–19 \$'000	Variation 2018–19 \$'000
--	--	---	--------------------------------

Outcome: To 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

Departmental expenses

Departmental appropriation ²	5,470	5,335	135
Special appropriation	0	0	0
Total for Program 1.1	5,470	5,335	135
TOTAL FOR OUTCOME 1	5,470	5,335	135

	2018–19	2017–18
AVERAGE STAFFING LEVEL (NUMBER)³	19	18

1 Full year budget, including any subsequent adjustment made to the 2018–19 Budget.

2 Departmental appropriations combine 'Ordinary annual services (Appropriation Bill No. 1)' and 'Revenue from independent sources' under section 74 of the *Public Governance, Performance and Accountability Act 2013*.

3 Represents the number of staff paid per fortnight averaged across the financial year.

National Health Funding Body Financial Statements For the year ended 30 June 2019

Financial Statement Contents

Independent Auditor's Report	73
Statement by the Accountable Authority and Chief Financial Officer	75
Statement of Comprehensive Income	76
Statement of Financial Position	77
Statement of Changes in Equity	78
Cash Flow Statement	79
Notes to and forming part of the Financial Statements	80



INDEPENDENT AUDITOR'S REPORT

To the Minister for Health

Opinion

In my opinion, the financial statements of the National Health Funding Body ('the Entity') for the year ended 30 June 2019:

- (a) comply with Australian Accounting Standards – Reduced Disclosure Requirements and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of the Entity as at 30 June 2019 and its financial performance and cash flows for the year then ended.

The financial statements of the Entity, which I have audited, comprise the following statements as at 30 June 2019 and for the year then ended:

- Statement by the Accountable Authority and Chief Financial Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement; and
- Notes to the financial statements, comprising a summary of significant accounting policies and other explanatory information.

Basis for opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Entity in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Accountable Authority's responsibility for the financial statements

As the Accountable Authority of the Entity, the Chief Executive Officer is responsible under the *Public Governance, Performance and Accountability Act 2013* (the Act) for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards – Reduced Disclosure Requirements and the rules made under the Act. The Chief Executive Officer is also responsible for such internal control as the Chief Executive Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Executive Officer is responsible for assessing the ability of the Entity to continue as a going concern, taking into account whether the Entity's operations will cease as a result of an administrative restructure or for any other reason. The Chief Executive Officer is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

GPO Box 707 CANBERRA ACT 2601
19 National Circuit BARTON ACT
Phone (02) 6203 7300 Fax (02) 6203 7777

Auditor's responsibilities for the audit of the financial statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accountable Authority;
- conclude on the appropriateness of the Accountable Authority's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Accountable Authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Australian National Audit Office



Rahul Tejani
Audit Principal

Delegate of the Auditor-General

Canberra
01 October 2019

Statement by the Accountable Authority and Chief Financial Officer

In our opinion, the attached financial statements for the year ended 30 June 2019 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

In our opinion, at the date of this statement, there are reasonable grounds to believe that the National Health Funding Body will be able to pay its debts as and when they fall due.

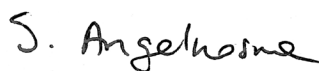
Signed



Shannon White
Chief Executive Officer

30 September 2019

Signed



Svetlana Angelkoska
A/Chief Financial Officer

30 September 2019

National Health Funding Body
Statement of Comprehensive Income
for the year ended 30 June 2019

	Notes	2019 \$	2018 \$	Original Budget \$
NET COST OF SERVICES				
Expenses				
Employee benefits	2A	3,132,382	2,715,457	2,451,000
Suppliers	2B	2,177,528	2,583,329	3,019,000
Depreciation and amortisation	5A	24,900	–	–
TOTAL EXPENSES		5,334,810	5,298,787	5,470,000
OWN-SOURCE INCOME				
Own-source revenue				
Resources received free of charge	3A	90,000	90,000	92,000
Total own-source revenue		90,000	90,000	92,000
TOTAL OWN-SOURCE INCOME		90,000	90,000	92,000
NET COST OF SERVICES		5,224,810	5,208,787	5,378,000
Revenue from Government	3B	5,378,000	5,844,000	5,378,000
SURPLUS/(DEFICIT) ATTRIBUTABLE TO THE AUSTRALIAN GOVERNMENT		133,190	635,213	–
OTHER COMPREHENSIVE INCOME				
TOTAL COMPREHENSIVE INCOME/ (LOSS) ATTRIBUTABLE TO THE AUSTRALIAN GOVERNMENT		133,190	635,213	–

The above statement should be read in conjunction with accompanying notes.

National Health Funding Body
Statement of Financial Position
as at 30 June 2019

	Notes	2019 \$	2018 \$	Original Budget \$
ASSETS				
Financial Assets				
Cash and cash equivalents	4A	30,777	25,978	25,000
Trade and other receivables	4B	1,362,963	2,516,301	1,339,000
Total financial assets		1,393,740	2,542,279	1,364,000
Non-Financial Assets				
Computer Software	5A	1,607,086	323,700	305,000
Total non-financial assets		1,607,087	323,700	305,000
TOTAL ASSETS		3,000,826	2,865,980	1,669,000
LIABILITIES				
Payables				
Suppliers	6A	474,804	657,959	244,000
Other payables	6B	31,814	89,817	18,000
Total payables		506,618	747,776	262,000
Provisions				
Employee provisions	7A	937,660	694,846	619,000
Total provisions		937,660	694,846	619,000
TOTAL LIABILITIES		1,444,278	1,442,622	881,000
NET ASSETS		1,556,548	1,423,358	788,000
EQUITY				
Retained surplus/ (Accumulated deficit)		1,556,548	1,423,358	788,000
TOTAL EQUITY		1,556,548	1,423,358	788,000

The above statement should be read in conjunction with accompanying notes.

National Health Funding Body
Statement of Changes in Equity
for the year ended 30 June 2019

	Retained earnings		Total equity		Original Budget
	2019 \$	2018 \$	2019 \$	2018 \$	
Opening balance					
Balance carried forward from previous period	1,423,358	788,144	1,423,358	788,144	–
Adjusted opening balance	1,423,358	788,144	1,423,358	788,144	–
Comprehensive income					
Surplus/(Deficit) for the period	133,190	635,214	133,190	635,214	788,000
TOTAL COMPREHENSIVE INCOME	133,190	635,214	133,190	635,214	788,000
CLOSING BALANCE AS AT 30 JUNE	1,556,548	1,423,358	1,556,548	1,423,358	788,000
CLOSING BALANCE ATTRIBUTABLE TO THE AUSTRALIAN GOVERNMENT	1,556,548	1,423,358	1,556,548	1,423,358	788,000

The above statement should be read in conjunction with the corresponding notes.

National Health Funding Body
Cash Flow Statement
for the year ended 30 June 2019

	Notes	2019 \$	2018 \$	Original Budget \$
OPERATING ACTIVITIES				
Cash received				
Appropriations		6,781,065	4,927,843	5,366,000
GST received		291,313	152,408	-
Total cash received		7,072,378	5,080,251	5,366,000
Cash used				
Employees		3,081,165	2,641,776	2,439,000
Suppliers		2,395,510	2,100,222	2,927,000
Section 74 receipts transferred to the Official Public Account	14A	391,251	181,777	-
Total cash used		5,867,926	4,923,775	5,366,000
NET CASH FROM OPERATING ACTIVITIES		1,204,452	156,476	-
INVESTING ACTIVITIES				
Cash used				
Work in Progress Software		1,199,653	155,942	-
Total cash used		1,199,653	155,942	-
NET CASH USED BY INVESTING ACTIVITIES		(1,199,653)	(155,942)	-
NET INCREASE IN CASH HELD		4,799	534	
Cash and cash equivalents at the beginning of the reporting period		25,978	25,444	25,000
CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD	4A	30,777	25,978	25,000

The above statement should be read in conjunction with the corresponding notes.

Table of Contents — Notes

NOTE 1: Overview	81
NOTE 2: Expenses	83
NOTE 3: Income	85
NOTE 4: Financial Assets	86
NOTE 5: Non-Financial Assets	87
NOTE 6: Payables	89
NOTE 7: Provisions	90
NOTE 8: Aggregate Assets and Liabilities	91
NOTE 9: Contingent Assets and Liabilities	92
NOTE 10: Key Management Personnel Remuneration	93
NOTE 11: Related Party Disclosures	94
NOTE 12: Financial Instruments	94
NOTE 13: Financial Assets Reconciliation	96
NOTE 14: Appropriations	96
NOTE 15: Budgetary Reporting — Explanation of Major Variances	98

NOTE 1: Overview

The NHFB is a Commonwealth non-corporate entity under the PGPA Act and was established to support the obligations and responsibilities of the Administrator of the National Health Funding Pool.

The role and function of the NHFB are set out in the *National Health Reform Act 2011*.

In order to achieve our objectives, our primary functions are to assist the Administrator in:

- a. Calculating and advising the Commonwealth Treasurer of the Commonwealth's contribution to public hospital funding in each State and Territory;
- b. Reconciling estimated and actual hospital services and adjusting Commonwealth payments;
- c. Undertaking funding integrity analysis to identify public hospital services that potentially received funding through other Commonwealth programs;
- d. Monitoring payments of Commonwealth, State and Territory public hospital funding into the Pool, including each State (and Territory) Pool Account;
- e. Making payments from each State (and Territory) Pool Account to each Local Hospital Network;
- f. Reporting publicly on National Health Reform Agreement funding, payments and services; and
- g. Developing and providing rolling three-year data plans to the Commonwealth, States and Territories.

1.1. Basis of preparation of the Financial Statements

The financial statements are general purpose financial statements and are required by s. 42 of the *Public Governance, Performance and Accountability Act 2013*. The financial statements have been prepared in accordance with:

- a. *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* (FFR); and
- b. Australian Accounting Standards and Interpretations – Reduced Disclosure Requirements issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position. The financial statements are presented in Australian dollars.

1.2. New Australian Accounting Standards

All new, revised, amended standards and/or interpretations that were issued prior to the sign-off date and are applicable to the current reporting period did not have a material effect on the National Health Funding Body (NHFB) financial statements.

1.3. Taxation

NHFB is exempt from all forms of taxation except Fringe Benefits Tax (FBT) and Goods and Services Tax (GST).

1.4. Events After the Reporting Period

There are no events after the reporting period affecting the financial statements.

NOTE 2: Expenses

	2019 \$	2018 \$
NOTE 2A: Employee Benefits		
Wages and salaries	2,001,501	1,896,881
Superannuation		
Defined contribution plans	203,498	232,113
Defined benefit plans	482,709	139,121
Leave and other entitlements	444,674	447,343
TOTAL EMPLOYEE BENEFITS	3,132,382	2,715,457
Accounting Policy		
The accounting policy for Employee Benefits is contained in Note 7: Provisions.		
NOTE 2B: Suppliers		
GOODS AND SERVICES SUPPLIED OR RENDERED¹		
Consumables, printing and training	63,257	90,315
Contractors and Support Agreements (Shared Services)	1,633,568	1,941,254
Professional fees (Audit and Legal)	144,058	206,947
Travel	85,122	74,729
Other	24,815	20,183
Total goods and services supplied or rendered	1,950,821	2,333,429
OTHER SUPPLIERS		
Operating lease rentals in connection with minimum lease payments	202,019	204,844
Workers compensation expenses	24,687	45,057
Total other supplier expenses	226,706	249,901
TOTAL SUPPLIER EXPENSES	2,117,528	2,583,329

Continued.

¹ Goods and services charges were accounted for against different supplier cost categories in 2018–19. 2017-18 numbers were restated as a result to ensure comparability between financial years.

National Health Funding Body
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

	2019 \$	2018 \$
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Leasing Commitments

The NHFB in its capacity as sub-lessee has entered the following non-cancellable lease:

LEASE FOR OFFICE ACCOMMODATION

The NHFB has one current accommodation sub-lease in the ACT for a period of 3 years. The sub-lease commenced on 1 October 2016 and will expire on 30 September 2019. There is an option to extend the lease for a further 2 years and any increases in rent will be at a rate commensurate with CPI. As at 30 June 2019, a decision on lease extension has not been made.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable:

Within 1 year	50,505	206,189
Between 1 to 5 years	–	51,547
TOTAL OPERATING LEASE COMMITMENTS	50,505	257,736

Accounting Policy

Operating lease payments are expensed on a straight-line basis, which is representative of the pattern of benefits derived from the leased assets.

Settlement terms for suppliers

All payables are expected to be settled within 30 days.

NOTE 3: Income

	2019 \$	2018 \$
OWN-SOURCE REVENUE		

NOTE 3A: Resources Received Free of Charge

Resources received free of charge

Remuneration of auditors	90,000	90,000
TOTAL RESOURCES RECEIVED FREE OF CHARGE	90,000	90,000

Accounting Policy

RESOURCES RECEIVED FREE OF CHARGE

Resources received free of charge are recognised as revenue when, and only when, a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense. Resources received free of charge are recorded as either revenue or gains depending on their nature.

NOTE 3B: Revenue from Government

Appropriations

Departmental appropriations	5,378,000	5,844,000
TOTAL REVENUE FROM GOVERNMENT	5,378,000	5,844,000

Accounting Policy

REVENUES FROM GOVERNMENT

Amounts appropriated for departmental appropriations for the year (adjusted for any formal additions and reductions) are recognised as Revenue from Government when the NHFB gains control of the appropriation, except for certain amounts that relate to activities that are reciprocal in nature, in which case revenue is recognised only when it has been earned. Appropriations receivable are recognised at their nominal amounts.

NOTE 4: Financial Assets

	2019 \$	2018 \$
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NOTE 4A: Cash and Cash Equivalents

Cash on hand or on deposit	30,777	25,978
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TOTAL CASH AND CASH EQUIVALENTS	30,777	25,978
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Accounting Policy

CASH AND CASH EQUIVALENTS

Cash is recognised at its nominal amount. Cash and cash equivalents includes:

- a. Cash on hand; and
- b. Demand deposits in bank accounts with original maturity of 3 months or less that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

NOTE 4B: Trade and Other Receivables

Good and Services receivables in connection with		
Goods and services	280,504	143,473

Total goods and services receivable	280,504	143,473
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Appropriations receivable

For existing program	1,056,833	2,359,960
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Total appropriations receivable	1,056,833	2,359,960
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Other receivables

GST receivable from the Australian Taxation Office	25,626	12,868
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Total other receivables	25,626	12,868
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TOTAL TRADE AND OTHER RECEIVABLES (NET)	1,362,963	2,516,301
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Accounting Policy

FINANCIAL ASSETS

Trade receivables, loans and other receivables that are held for the purpose of collecting the contractual cash flows where the cash flows are solely payments of principal and interest, that are not provided at below-market interest rates, are subsequently measured at amortised cost using the effective interest method adjusted for any loss allowance.

IMPAIRMENT OF FINANCIAL ASSETS

Financial assets are assessed for impairment at the end of each reporting period.

NOTE 5: Non-Financial Assets

	Computer Software ¹ \$	Total \$
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NOTE 5A: Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment and Intangibles²

As at 1 July 2018

Gross book value	323,700	323,700
Accumulated depreciation, amortisation and impairment	-	-
TOTAL AS AT 1 JULY 2018	323,700	323,700

Additions

Additions for internally developed intangible assets - WIP at cost	1,308,285	1,308,285
Depreciation and amortisation	(24,900)	(24,900)
TOTAL AS AT 30 JUNE 2019	1,607,086	1,607,086

Total as at 30 June 2019 represented by

Gross book value	1,631,986	1,631,986
Accumulated depreciation, amortisation and impairment	(24,900)	(24,900)
TOTAL AS AT 30 JUNE 2019	1,607,086	1,607,086

No indicators of impairment were found for non-financial assets.

Continued.

- 1 The carrying amount of computer software is comprised of all internally generated software including WIP and software assets at cost.
- 2 NHFB has not capitalised any property, plant and equipment as all assets were provided under agreement with the Department of Health.

Accounting Policy

ACQUISITION OF ASSETS

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Financial assets are initially measured at their fair value plus transaction costs where appropriate. Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and income at their fair value at the date of acquisition, unless acquired as a consequence of restructuring of administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor's accounts immediately prior to the restructuring. The NHFB does not have any Property, Plant and Equipment (PP&E) assets and use of PP&E is paid for under the Memorandum of Understanding (MOU) as a supplier expense.

ASSET RECOGNITION THRESHOLD

Purchases of property, plant and equipment are recognised initially at cost in the statement of financial position, except for purchases costing less than \$5,000 (excluding GST), which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total). The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located.

INTANGIBLES

The NHFB's intangibles comprise internally developed software for internal use which have a capitalisation threshold of \$10,000. These assets are carried at cost less accumulated amortisation and accumulated impairment losses. The NHFB has only one software asset valued at \$323,700 of which is amortised on a straight line basis over its anticipated useful life of 5 years with the asset put into use in January 2019. All software assets were assessed for indications of impairment. No assets were assessed to be impaired.

WORK IN PROGRESS (WIP)

All non-financial assets not fully constructed at 30 June 2019 are recorded as work in progress and are valued at cost. Depreciation or amortisation will not commence until the project has been completed to a stage where it can provide service to the agency. The WIP balance at 30 June 2019 was \$1,308,285 from the total closing balance of PP&E and Intangibles shown above of \$1,607,086.

DEPRECIATION

Depreciable property, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to the NHFB using in all cases, the straight line method of depreciation.

Software assets are amortised on a straight-line basis over its anticipated useful life. Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date. Depreciation rates applying to each class of depreciable asset are based on the following useful lives:

	2019	2018
INTANGIBLE ASSET	3–5 years	3–5 years

NOTE 6: Payables

	2019 \$	2018 \$
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Note 6A: Suppliers

Trade creditors and accruals	474,804	657,959
TOTAL SUPPLIER PAYABLES	474,804	657,959
Suppliers expected to be settled within 12 months:		
Related entities ¹	80,516	122,448
External parties ²	394,288	535,511
TOTAL	474,804	657,959

Settlement was usually made within 30 days.

Note 6B: Other Payables

Wages and salaries	18,518	9,394
Superannuation	3,275	2,958
Leave provisions payable	4,744	77,465
Salary Sacrifice payable	5,277	–
TOTAL OTHER PAYABLES	31,814	89,817

Accounting Policy

Financial liabilities are recognised and derecognised upon 'trade date'. The NHFB's financial liabilities are measured at nominal amounts. No fair value measurement disclosures are required.

- For the period ended 30 June, amounts relate to payables to the Department of Health under a shared services arrangement and some small payables to other Commonwealth government agencies.
- For the period ended 30 June, amounts relate to consultants and contractors.

NOTE 7: Provisions

	2019 \$	2018 \$
NOTE 7A: Employee Provisions		
Leave	937,660	694,846
TOTAL EMPLOYEE PROVISIONS	937,660	694,846

Accounting policy

Liabilities for 'short-term employee benefits' (as defined in AASB 119 Employee Benefits) and termination benefits expected within twelve months of the end of the reporting period are measured at their nominal amounts. The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability. Other long-term employee benefits are measured as net total of the present value of the defined benefit obligation at the end of the reporting period minus the fair value at the end of the reporting period of plan assets (if any) out of which the obligations are to be settled directly.

LEAVE

The liability for employee benefits includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees of the NHFB is estimated to be less than the annual entitlement for sick leave.

The leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that will be applied at the time the leave is taken, including the NHFB's employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.

The liability for the long service leave has been determined by our best estimates based on the NHFB staff profile. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation. The NHFB applies the shorthand method for calculation of LSL liabilities.

SUPERANNUATION

Staff of the NHFB are members of the Public Sector Superannuation Scheme (PSS), the PSS accumulation plan (PSSap) or employee nominated superannuation funds. The PSS is a defined benefit scheme for the Australian Government. The PSSap and employee nominated superannuation funds are defined contribution schemes.

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported by the Department of Finance's administered schedules and notes. The NHFB makes employer contributions to the employees' superannuation scheme at rates determined by an actuary to be sufficient to meet the current cost to the Government. The NHFB accounts for the contributions as if they were contributions to defined contribution plans. In June 2019, the NHFB received revised actuary estimates from the Department of Finance which has resulted in an increase in defined benefit superannuation expenses by \$0.3m.

NOTE 8: Aggregate Assets And Liabilities

	2019 \$	2018 \$
Assets expected to be recovered in:		
Amounts recoverable from assets within 12 months	1,631,537	-
More than 12 months	1,369,289	-
TOTAL ASSETS	3,000,826	-
Liabilities expected to be settled in:		
No more than 12 months	709,531	-
More than 12 months	734,747	-
TOTAL LIABILITIES	1,444,278	-

Accounting policy

Amendments to the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* require reporting entities to disclose aggregate assets and liabilities expected to be recovered or settled within 12 months or in more than 12 months. This disclosure came into effect from 1 July 2018.

NOTE 9: Contingent Assets and Liabilities

Quantifiable Contingencies

As at 30 June 2019, the NHFB had no quantifiable contingencies.

Unquantifiable Contingencies

As at 30 June 2013, the NHFB had entered into an arrangement for an indemnity with the New South Wales Health Administration Council (HAC). No change has occurred during 2013-14 through to 2018-19 and remains current as of 30 June 2019.

The HAC is a statutory body whose functions include entering into contracts to support the functions of the NSW Minister for Health. HAC has a banking contract for its Pool accounts with the RBA. HAC has provided the RBA with an indemnity that places obligations upon HAC to accept risks on persons not in its direct control, being the staff of the NHFB. The HAC has in turn sought a 'back to back' indemnity from the Commonwealth. The indemnity is limited to cover the actions of NHFB staff in their capacity as users of Pool account information.

The most probable cost of the indemnity if called upon would be over \$20,000,000 (inclusive of GST).

A risk assessment has been undertaken in accordance with Department of Finance Guidelines, (Financial Management Guidance No.6, Guidelines for Issuing and Managing Indemnities, Guarantees, Warranties and Letters of Comfort September 2003). The contingent liability includes risks which are assessed as being significant or non-remote. The NHFB will make every effort to limit the risk to the Commonwealth under the arrangement through the adoption and implementation of appropriate risk management procedures.

Under the National Health Reform Agreement (NHRA), each of the States agreed to open a Reserve Bank of Australia (RBA) account (a 'State Pool Account') for the purpose of receiving all Commonwealth and activity-based State public hospital funding. The Administrator of the National Health Funding Pool (the Administrator) is responsible for making payments from each State Pool Account, at the direction of each State Health Minister. This process is supported by the NHFB.

Significant Remote Contingencies

As at 30 June 2019, the NHFB had no significant remote contingencies. (2018: Nil).

Contingent Assets and Liabilities

As at 30 June 2019, the NHFB did not have any contingency assets or liabilities (2018: Nil).

Accounting Policy

Contingent assets and liabilities are not recognised in the balance sheet but are reported in this note. They may arise from uncertainty as to the existence of an asset or liability, represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when settlement is greater than remote.

NOTE 10: Key Management Personnel Remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the NHFB, directly or indirectly. The NHFB has determined the key management personnel to be the CEO and the Administrator.

	2019 \$	2018 \$
Short-term employee benefits:		
Salary	404,558	314,799
Other	42,807	65,482
Total short-term employee benefits	447,365	380,281
Post-employment benefits:		
Superannuation	47,448	40,700
Total post-employment benefits	47,448	40,700
Other long-term benefits:		
Long-service leave	11,098	8,589
Total other long-term benefits	11,098	8,589
TOTAL EMPLOYMENT BENEFITS	505,911	429,570

Notes

The total number of key management personnel that are included in the above table is two (2017-18: 3).

In 2017-18, annual leave paid and the net movement in annual leave balance was disclosed as part of Other long-term benefits. In 2018-19, annual leave and the net movement in annual leave balance is included as part of short-term employee benefits. In addition, in 2018-19 the KMP calculation was changed to be based on the *Remuneration Tribunal (Remuneration and Allowances for Holder of Full-time Public Office) Determination 2018*. As a result, some 2017-18 numbers were restated.

NOTE 11: Related Party Disclosures

Related parties for the NHFB are the Key Management Personnel, the Portfolio Ministers, and other Australian Government entities. Significant transactions with related entities include the purchase of goods and services and payments in relation to a Memorandum of Understanding for shared services.

No payments were made outside of the normal course of business. There are no related party transactions by Ministers requiring disclosure.

NOTE 12: Financial Instruments

	2019 \$	2018 \$
Note 12A: Categories of Financial Instruments		
FINANCIAL ASSETS		
Loans and Receivables		
Cash and equivalents	30,777	25,978
Trade and other receivables	280,504	143,473
Total	311,282	169,451
CARRYING AMOUNT OF FINANCIAL ASSETS	311,282	169,451
FINANCIAL LIABILITIES		
At amortised cost		
Trade creditors and accruals	474,804	657,959
Total	474,804	657,959
CARRYING AMOUNT OF FINANCIAL LIABILITIES	474,804	657,959

Continued.

Note 12B: Net Income and Expense from Financial Assets

There is no income or expense from financial assets in 2018–19. (2017–18: Nil)

Note 12C: Net Income and Expense from Financial Liabilities

There is no net income or expense from financial liabilities in 2018–19. (2017–18: Nil)

Note 12D: Fair Value of Financial Instruments

The fair value of all financial assets and liabilities equals its carrying amount in 2018–19 and 2017–18.

Accounting policy

The NHFB classifies its financial assets as loans and receivables.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Financial assets are recognised and derecognised upon trade date.

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at their nominal value less impairment. Trade and other receivables consisted wholly of receivables for employee entitlements within Government.

EFFECTIVE INTEREST METHOD

Income is recognised on an effective interest rate basis.

IMPAIRMENT OF FINANCIAL ASSETS

Financial assets are assessed for impairment at the end of each reporting period. The NHFB did not impair any of its financial assets.

FINANCIAL LIABILITIES

NHFB classifies its financial liabilities as other financial liabilities. Financial liabilities are recognised and derecognised upon 'trade date'.

NOTE 13: Financial Assets Reconciliation

	Notes	2019 \$	2018 \$
FINANCIAL ASSETS			
Total financial assets as per the Statement of Financial Position		1,393,740	2,542,279
Less: non-financial instrument components:			
Appropriations receivable	4B	1,056,833	2,359,960
GST Receivable from the Australian Taxation Office	4B	25,626	12,868
Total non-financial instrument components		1,082,459	2,372,828
TOTAL FINANCIAL ASSETS AS PER FINANCIAL INSTRUMENTS NOTE		311,282	169,451

NOTE 14: Appropriations

Table 14A: Annual Appropriations (Recoverable GST exclusive)

Annual Appropriation for 2019

	Annual Appropriation \$	Section 74 ¹ \$	Total appropriation \$	Appropriation applied in 2019 (current and prior years) ² \$	Variance ³ \$
DEPARTMENTAL					
Ordinary annual services	5,378,000	99,938	5,477,938	(6,781,065)	(1,303,127)
TOTAL DEPARTMENTAL	5,378,000	99,938	5,477,938	(6,781,065)	(1,303,127)

1 Section 74 retained receipts exclude GST refunds of \$291,313 for 2019 and \$152,408 for 2018.

2 Appropriation applied in 2019 of \$6,781,065 includes \$2,359,960 relating to the 2017-18 Financial Year (2018) undrawn appropriation.

3 The variance of \$1,303,127 is due to the NHFB drawing down on its prior year appropriation during to pay its 2017-18 trade creditors and for additional capital projects undertaken during 2018-19.

Annual Appropriation for 2018

	Annual Appropriation \$	Section 74 \$	Total appropriation \$	Appropriation applied in 2018 (current and prior years)	Variance ¹ \$
DEPARTMENTAL					
Ordinary annual services	5,844,000	29,369	5,873,369	(4,927,843)	945,526
TOTAL DEPARTMENTAL	5,844,000	29,369	5,873,369	(4,927,843)	945,526

1 The variance of \$945,526 is due to the NHFB drawing down on its prior year appropriation during 2017-18 to pay its 2016-17 trade creditors and accruals.

Table 14B: Departmental and Administered Capital Budgets (Recoverable GST exclusive)

There was no Departmental Capital Budget appropriated to the NHFB in 2018-19
(2017-18: nil).

Table 14C: Unspent Annual Appropriations (Recoverable GST exclusive)

Authority	2019 \$	2018 \$
DEPARTMENTAL		
Appropriation Act (No 1) 2018-19	1,056,833	
Appropriation Act (No 1) 2017-18		2,359,960
Appropriation Act (No 1) 2016-17	–	–
Cash at Bank	30,777	25,978
TOTAL	1,087,610	2,385,938

NOTE 15: Budgetary Reporting — Explanation of Major Variances

The following note provides high level commentary of major variance between budgeted information for the NHFB published in the Treasury's 2018–19 Portfolio Budget Statements (PBS) and the 2018–19 final outcome as presented in accordance with the Australian Accounting Standards for the NHFB. The budget is not audited.

An explanation for a major variance may not be provided where the item is considered immaterial in the overall context of the financial statements.

As a guide, variances are considered to be 'major' based on the following criteria:

- + the variance between budget and actual is greater or less than 10%; and
- + the variance between budget and actual is greater or less than 2% of total expenses or total own-source revenue; or
- + an item below this threshold but is considered important for the reader's understanding or is relevant to an assessment of the discharge of accountability and to an analysis of performance of an entity.

The Statement of Comprehensive Income has the following variances:

- + Employee Benefits are higher mostly due to increases in defined benefit superannuation expenses of \$302,000 as a result of revised actuary estimates provided by the Department of Finance.
- + Suppliers are lower due to deferred contractor expenditure for reviews for Data Matching and SAS Commonwealth Contributions Model (CCM). The value of deferred contractor expenditure in total was approximately \$283,000.

The Statement of Financial Position has the following variances:

- + Computer Software is higher than budget due to higher than anticipated capital project work in 2018–19. These costs comprised of internally developed software (WIP) of \$1,308,285, including: a new payments system for National Health Funding Pool valued at \$1,025,000, a website upgrade valued at \$262,000 and additional works in progress for the SAS (CCM) of \$21,000. Further, the NHFB put into use new internally developed software during 2018–19 for the CCM valued at \$323,700.
- + An increase in Suppliers Payable is mainly due to additional year end accruals for contractor expenses and the Department of Health Memorandum of Understanding (MOU); and
- + An increase in Employee Leave Provisions is mainly due to the increase in salaries, staff accruing more leave and staff commencements during 2018–19 (which is fully funded through portability of leave transferred from within Government). Also, a minor part of the increase related to current year LSL discount factors yet to be applied offset by LSL estimated to be taken whilst in service.

End of General Purpose Financial Statements.





ENDNOTES

Acronyms

Acronym	Meaning
ABF	Activity Based Funding
AHMAC	Australian Health Ministers' Advisory Council
ANAO	Australian National Audit Office
APS	Australian Public Service
APSC	Australian Public Service Commission
ARC	Audit and Risk Committee
ASL	Average Staffing Level
CCM	Commonwealth Contribution Model
CEO	Chief Executive Officer
COAG	Council of Australian Governments
EC	Executive Committee
FOI Act	<i>Freedom of Information Act 1982</i>
FTE	Full-time Equivalent
HAC	Hospital Acquired Complication
HR	Human Resources
IHPA	Independent Hospital Pricing Authority
JAC	Jurisdictional Advisory Committee
LHN	Local Hospital Network
MBS	Medicare Benefits Schedule
MoU	Memorandum of Understanding
NHFB	National Health Funding Body
NHR	National Health Reform
NHR Act	<i>National Health Reform Act 2011</i>
NEC	National Efficient Cost
NEP	National Efficient Price
NWAU	National Weighted Activity Unit
PBS	Portfolio Budget Statements
PGPA Act	<i>Public Governance, Performance and Accountability Act 2013</i>
PHN	Primary Health Network
RAGC	Risk, Assurance and Governance Committee
SES	Senior Executive Service
SME	Small and Medium Enterprise
WCC	Workplace Consultative Committee

Glossary

Term	Meaning
Activity Based Funding	A funding method for public hospital services provided to individual patients using national classifications, cost weights and nationally efficient prices developed by the IHPA. Funding is based on the actual number of services provided to patients and the NEP of delivering those services.
(the) Addendum	<p>The Addendum to the NHR Agreement entered into by the Commonwealth and all States and Territories in 2017, included as Schedule I to the Agreement.</p> <p>The Addendum sets out additional reforms to the way in which public hospitals are funded nationally.</p>
(the) Administrator	<p>The Administrator of the National Health Funding Pool is an independent statutory office holder. They are established under legislation of the Commonwealth, State and Territory governments and are distinct from all government departments.</p> <p>The Administrator is supported by the NHFB to administer the payment of public hospital funding according to the NHR Agreement. They also oversee payments into and out of the State (and Territory) Pool Accounts, collectively known as the National Health Funding Pool (the Pool).</p>
block funding	<p>A funding method for public hospital functions and services using fixed amount based on population and previous funding.</p> <p>Under the NHR Agreement, block funding is provided to States and Territories to support teaching and research undertaken in public hospitals. It is also used in smaller rural and regional hospitals.</p>
COAG Health Council (CHC)	Previously known as Standing Council on Health (SCoH).
Council of Australian Governments (COAG)	The peak intergovernmental forum in Australia. Its members include the Prime Minister, State and Territory Premiers and Chief Ministers and the President of the Australian Local Government Association.
(the) Pool	See National Health Funding Pool.
Independent Hospital Pricing Authority (IHPA)	An independent statutory body established under Commonwealth legislation to calculate and deliver an annual National Efficient Price (NEP) used to calculate national activity-based funding for Australian public hospitals.
Local Hospital Networks	Recipients of the payments from the Pool, Commonwealth block funding and State managed funds.
National Efficient Cost (NEC)	IHPA publishes an annual NEC Determination for public hospital services for each coming financial year. The NEC underpins funding for services that are not suitable for activity based funding, such as small rural hospitals. The NEC determines the Commonwealth Government contribution to block funded hospitals.

Continued.

Term	Meaning
National Efficient Price (NEP)	IHPA publishes an annual NEP Determination for public hospital services for each coming financial year. The NEP underpins ABF across Australia for Commonwealth funded public hospital services.
National Funding Cap	The limit in growth in Commonwealth funding for public hospital services for all States and Territories of 6.5 per cent per annum.
National Health Funding Administrator Payments System (Payments System)	The Administrator's Payments System processes the national health reform Commonwealth, State and Territory deposits, and payments into and out of the Pool, as required under the Act.
National Health Funding Body	An independent statutory body established under Commonwealth legislation to assist the Administrator in carrying out his or her functions under Commonwealth, State and Territory legislation.
National Health Funding Pool (the Pool)	A collective name for the State (and Territory) Pool Accounts. The Pool was established under Commonwealth, and State and Territory legislation to receive all Commonwealth and activity-based State and Territory public hospital funding, and make payments under the Agreement.
national health reform	National health reform includes reforms to national public hospital funding, as set out in the NHR Agreement.
National Health Reform Agreement (the NHR Agreement)	The NHR Agreement outlines the funding, governance, and performance arrangements for public hospital services in Australia. The Commonwealth and all States and Territories signed the Agreement in August 2011.
National Weighted Activity Unit (NWAU)	The NWAU is a measure of health service activity expressed as a common unit, against which the NEP is paid. It compares and values each public hospital service (whether it is an admission, emergency department presentation or outpatient episode), by weighting it for clinical complexity.
(the) NHR Act	The <i>National Health Reform Act 2011</i> .
(the) NHR Agreement	See National Health Reform Agreement.
Public Governance, Performance and Accountability Act (PGPA Act)	The <i>Public Governance, Performance and Accountability Act 2013</i> establishes a coherent system of governance and accountability for public resources, with an emphasis on planning, performance and reporting.
Public Health funding	Public Health funding covers amounts previously relating to national public health, youth health services and essential vaccines (service delivery) in 2008–09 (\$244.0 million).

Continued.

Term	Meaning
reconciliation	The reconciliation of actual ABF service delivery volume undertaken within a State or Territory to the estimate of ABF service delivery volumes provided by a State or Territory.
Safety and Quality adjustment	A reduction in funding payable to a State or Territory by the Commonwealth for public hospital services following a Hospital Acquired Complication or an avoidable hospital readmission. This includes services funded under ABF or block funding.
soft cap	The growth limit in Commonwealth funding for public hospital services in a State or Territory of 6.5 per cent per annum.
State Managed Fund	A separate bank account or fund established by a State or Territory for the health funding under the NHR Agreement which must be undertaken in the State or Territory through a State managed fund.
State (and Territory) Pool Account	A Reserve Bank of Australia account established by a State or Territory to receive all Commonwealth and activity-based public hospital funding, and for making payments under the NHR Agreement. The State (and Territory) Pool Accounts are collectively known as the Pool.

Disclosure Index

Part of Report	Description	Requirement	Location
Letter of Transmittal			
	Letter of transmittal	Mandatory	IV
Aids to Access			
	Table of contents	Mandatory	VI
	Alphabetical index	Mandatory	111
	Glossary of abbreviations and acronyms	Mandatory	102-105
	List of requirements	Mandatory	106-110
	Details of contact officer	Mandatory	III
	Agency website address	Mandatory	III
	Electronic address for report	Mandatory	III
Review by CEO			
	Review by CEO	Mandatory	14-15
Overview of Agency			
	Role and functions	Mandatory	2
	Organisational structure	Mandatory	36-37
	Outcome and Program structure	Mandatory	19
	Purpose of the agency	Mandatory	I
	Portfolio structure	Portfolio departments — mandatory	N/A
	Where outcome and program structures differ from Portfolio Budget Statement/ Portfolio Additional Estimates Statements or other portfolio estimates statement that was prepared for the agency for the period, details of variation and reasons for change	If applicable, Mandatory	N/A
Report on Performance			
Annual Performance Statements	Annual performance statement in accordance with paragraph 39(1)(b) of the PGPA Act and section 16F of the PGPA Rule	Mandatory	18-32

Continued.

Part of Report	Description	Requirement	Location
Report on Financial Performance	Discussion and analysis of the agency's financial performance	Mandatory	70-71
	Table summarising agency resource and payments	Mandatory	71
	If there may be significant changes in the financial results during or after the previous or current reporting period, information on those changes, including: the cause of any operating loss of the agency; how the agency has responded to the loss and the actions that have been taken in relation to the loss; and any matter or circumstances that it can reasonably be anticipated will have a significant impact on the agency's future operation or financial results.	If applicable, Mandatory	70-71,76,82
Management and Accountability			
Corporate Governance	Information on compliance with section 10 (fraud systems)	Mandatory	65
	Certification by CEO that fraud risk assessments and fraud control plans have been prepared	Mandatory	65
	Certification by CEO that appropriate mechanisms for preventing, detecting incidents of, investigating or otherwise dealing with, and recording or reporting fraud that meet the specific needs of the agency are in place	Mandatory	65
	Certification by CEO that all reasonable measures have been taken to deal appropriately with fraud relating to the agency	Mandatory	65
	Outline of structures and processes in place for the agency to implement principles and objectives of corporate governance	Mandatory	56-67
	Statement of significant issues reported to Minister under paragraph 19(1) (e) of the Act that relates to non-compliance with Finance law and action taken to remedy non compliance	If applicable, Mandatory	N/A

Continued.

Part of Report	Description	Requirement	Location
External Scrutiny	Significant developments in external scrutiny and the agency's response to the scrutiny	Mandatory	65
	Judicial decisions and decisions of administrative tribunals and by the Australian Information Commissioner	If applicable, Mandatory	65
	Reports on operations of the agency by the Auditor-General, a Parliamentary Committee, or the Commonwealth Ombudsman	If applicable, Mandatory	64-65
	Capability reviews on the agency	If applicable, Mandatory	65
Management of Human Resources	Assessment of the agency's effectiveness in managing and developing employees to achieve agency objectives	Mandatory	50
	Statistics on the agency's APS employees on an ongoing and non-ongoing basis; including the following:		
	+ Statistics on staffing classification level		
	+ Statistics on full-time employees	Mandatory	42-46
	+ Statistics on part-time employees		
	+ Statistics on gender		
	+ Statistics on staff location		
	+ Statistics on employees who identify as Indigenous.		
	Enterprise agreements, individual flexibility arrangements, Australian workplace agreements, common law contracts and determinations under subsection 24(1) of the <i>Public Service Act 1999</i>	Mandatory	48
	Number of SES and non-SES employees	Mandatory	46
	Salary ranges available for APS employees by classification level	Mandatory	48
	Non-salary benefits provided to employees	Mandatory	48

Continued.

Part of Report	Description	Requirement	Location
Management of Human Resources (Continued.)	Performance pay; including: + number of employees at each classification level who received performance pay		
	+ aggregate amounts of performance pay at each classification level	If applicable, Mandatory	N/A
	+ average amount of performance payment, and range of such payments, at each classification level		
	+ aggregate amount of performance payments.		
	Key Management Personnel	Mandatory	49
Assets Management	Assessment of effectiveness of assets management	If applicable, Mandatory	86–88
Purchasing	Assessment of agency performance against the <i>Commonwealth Procurement Rules</i>	Mandatory	66
Consultants	A summary statement detailing the number of new and ongoing contracts engaging consultants, including actual expenditure	Mandatory	66
	A statement of new and ongoing contracts	Mandatory	66
	A summary of the policies and procedures for selecting and engaging consultants and the main categories of purposes for which consultants were selected and engaged	Mandatory	66
	A statement regarding expenditure reporting in Annual Reports	Mandatory	53–70
Australian National Audit Office	Absence of provisions in contracts allowing access by the Auditor-General	If applicable, Mandatory	66
Exempt contracts	Contracts exempt from AusTender	If applicable, Mandatory	67

Continued.

Part of Report	Description	Requirement	Location
Small business	Statement of support for small and medium enterprise (SME) participation in Commonwealth Government procurement	Mandatory	67
	Procurement practices of the agency that support SMEs	Mandatory	55-67
	If agency is considered material in nature, statement of importance of timely payment to SMEs	If applicable, Mandatory	N/A
Financial Statements	Annual financial statements	Mandatory	70-99
Other Mandatory Information			
	If the agency conducted advertising campaigns, a statement detailing the advertising campaign(s)	If applicable, Mandatory	67
	If the agency did not conduct advertising campaigns, a statement to that effect	If applicable, Mandatory	67
	A statement regarding grants awarded to the agency	If applicable, Mandatory	67
	Outline of mechanisms of disability reporting, including reference to website for further information	Mandatory	53
	Website reference to where the agency's Information Publication Scheme statement pursuant to Part II of FOI Act can be found	Mandatory	65
	Correction of material errors in previous annual report	If applicable, Mandatory	N/A
	Information required by other legislation	Mandatory	51-52, 53, 59, 62, 65

Index

A

accountable authority, 18

achievements *see* performance

acronyms, 102

activity-based funding, 3, 4, 5, 7

Addendum to the National Health Reform Agreement, 5, 40

address and contact details, III

administrative tribunal decisions, 65

Administrator (NHFP), 2, 4, 5, 7, 14, 37

- plans and policies, 26, 66
- profile, 38–39
- Three Year Data Plan, 26

advertising and market research, 67

ANAO *see* Australian National Audit Office (ANAO)

annual reconciliations, 14, 20, 21

assets management, 67

Audit and Risk Committee, 14, 62–63, 64

Auditor-General *see* Australian National Audit Office

audits and assurance reviews, 64–65

- external, 64, 65
- internal arrangements, 64
- Pool account audits, 7

Australian Commission on Safety and Quality in Health Care (ACSQHC), 11

Australian Institute of Health and Welfare (AIHW), 11

Australian National Audit Office (ANAO)

- access clauses in contracts, 66
- financial statements audit report, 73–74
- performance audit, 64

Australian Public Service Commission (APSC) Employee Census, 42–43

B

Barker, Ken, 63

behaviours, II, 43, 51

block funding, 4, 8

Brook, Chris, 63

Budget 2017–18, 14

C

Chandler, Jeremy, 63

Chief Executive Officer

- accountable authority statement, 18
- message from the CEO, 14–15
- profile, 40–41
- remuneration, 48, 49

Comcare, 52, 53

committee membership, 10

Commonwealth Contribution Model (CCM) and calculations, 14, 20–21, 41

Commonwealth Ombudsman, 65

Commonwealth Treasurer, 20, 22

consultants, 66

contact officer, III

contracting *see* purchasing

corporate governance *see* governance

Corporate Plan (2018–19), 9, 19, 41

Council of Australian Governments, 2, 4, 5

D

data governance plans and policies, 26, 66
 data matching, 14, 20
 data privacy, 66
 Department of Health, 29, 51, 64, 67
 disability reporting, 53
 disclosure index, 106–110

E

ecological and environmental reporting, 67
 employees *see* staff
 Enterprise Agreement 2016–2019, 37, 48, 52
 Executive Committee, 57
 exempt contracts, 67
 external scrutiny, 64, 65

F

financial management (NHFB)
 expenses for outcome, 71
 financial statements, 32, 75–99
 financial statements audit report, 73–74
 fraud control, 65
 performance summary, 70–71
 purchasing, 66–67
 resource statement, 71
 financial statements (Pool accounts), 25
 fraud control, 65
 staff training, 50, 65
 freedom of information, 65
 functions *see* roles and functions
 funding for hospitals *see* public hospital funding
 funding payment flows, 6
 future challenges and opportunities, 13, 15, 39

G

glossary, 103–105
 governance, 32, 56
 committees, 57–58, 62–63
 framework, 56
 risk management, 59–61
 grants, 67

H

Heads of Agreement (HoA) on public hospital funding and health reform, 5
 health and safety *see* work
 health and safety
 Holley, Carol, 63
 human resources *see* staff

I

Independent Hospital Pricing Authority (IHPA), 7, 11, 64
 integrated care, 39
 Internet home page, III

J

judicial decisions, 65
 Jurisdictional Advisory Committee (JAC), 9–10

L

Lambert, Michael, 14, 38–39
 learning and development *see* training and development
 legislation, 8
 legislative framework (NHFB), 36, 37
 letters of transmittal, iv
 Local Hospital Networks (LHNs), 3, 21, 23, 38–39, 41
 looking ahead, 13, 15, 39

M

market research, 67
memoranda of understanding (MoU), 51, 64

N

national efficient price (NEP), 5, 7, 11
National Health Funding Pool, 2, 7, 14, 24–25
National Health Reform Act 2011, III, 2, 8
National Health Reform Agreement, 2, 4–5, 15, 37, 39
 Addendum, 5, 40
National Weighted Activity Unit (NWAU), 7
non-salary benefits, 48

O

objectives, I
 Objective One: Accurate and timely calculation of Commonwealth funding contribution, 12, 20–23
 Objective Two: Best practice financial administration of the NHFP, 12, 24–25
 Objective Three: Effective reporting of public hospital funding, 12, 26–27
 Objective Four: Productive and effective partnerships with stakeholders, 12, 28–29
 Objective Five: Operate as a compliant agency, 12, 30–32

operating environment, 4
outcome and program, 19

P

parliamentary committees, 65
payment advice, 20, 22
payments system, 14, 24–25

performance
 accountable authority statement, 18
 achievements in 2018–19, 14, 41
 annual performance statement, 18–32
 highlights, 3, 13, 23, 32
 reporting approach, 15
 summary, 12
performance and development framework (staff), 51
performance criteria, 19
performance pay, 48
plans and planning, 30, 31, 41
 corporate, 9, 19, 41
 data governance, 26, 66
 fraud control, 65
 workforce, 66
policies (Administrator), 26, 66
policies (NHFB), 31, 41, 59, 66
Pool see National Health Funding Pool
Portfolio Budget Statements, 19
Primary Health Networks (PHNs), 39
procurement see purchasing
productivity gains, 51
program see outcome and program
Public Governance, Performance and Accountability Act 2013, 18, 59, 62
public hospital funding, 3, 6–8, 21
 hospitals and services, 23
 NHFB risk management enhancements, 64
 reporting, 26–27
 source and payment flows, 6
 total, 14, 41
Public Service Act 1999, III, 36, 37
purchasing, 66–67
purpose statement, I

R

reconciliations, 14, 20, 21
 rehabilitation management system, 48
 remuneration, 48, 49
 reporting
 to Commonwealth Treasurer, 20, 22
 monthly and annual, 27
 reports delivered, 23
 Risk, Assurance and Governance Committee, 57, 64
 risk management, 30, 57, 59-61, 64
 roles and functions, 2, 4, 37

S

safety *see* work health and safety
 salaries *see* remuneration
 senior executives, 45
 small business participation in procurement, 67
 staff, 36-37, 42
 average staffing level, 44
 Code of Conduct, 51
 consultative arrangements, 52
 diversity, 45, 47
 Employee Census results, 42-43
 employment arrangements, 37, 48
 enterprise agreement, 37, 48, 52
 health and wellbeing, 52-53
 learning and development, 50, 51, 52, 53, 65
 performance management, 51
 productivity gains, 51
 remuneration and benefits, 48
 retention and turnover, 47
 statistics, 44-46
 unscheduled absences, 51
 workforce plan, 30
see also Chief Executive Officer

stakeholders, 9-10, 28-29, 39, 64
 State Managed Funds, 7
 states and territories
 formal engagement forum, 10
 legislation, 8
 Strategic Communication and Stakeholder Engagement Framework, 9-10
 Strategic Direction (2018-2022), 9, 41

T

Three Year Data Plan, 26
 training and development, 50, 51, 52, 53, 65

V

values and behaviours, 11, 43, 51
 vision statement, 1

W

website
 address, 111
 improvements, 14, 26-27
 White, Shannon, 40-41
 accountable authority statement, 18
 message from the CEO, 14-15
 work health and safety, 52-53
 workers compensation, 53
 workforce *see* staff
 Workplace Consultative Committee, 52, 57
 workplace culture, 31, 36-37, 42

Y

year ahead, 13, 15, 39

Paper-based Publications

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