



National Health
Funding Body

Improving the
transparency of public
hospital funding in
Australia

ANNUAL REPORT 2020-21



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 five 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.

Our behaviours

ONE NHFB

We contribute as a united team and encourage new ideas.

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

We own our performance by knowing, accepting and performing our roles to the best of our ability.

Our APS values

IMPARTIAL

COMMITTED

ACCOUNTABLE

RESPECTFUL

ETHICAL

OUR ROLE IN AUSTRALIA'S HEALTH SYSTEM

Who we support

PRIME MINISTER,
PREMIERS AND
CHIEF MINISTERS

COMMONWEALTH,
STATE AND TERRITORY
HEALTH MINISTERS

COMMONWEALTH
TREASURER

Administrator of the National Health Funding Pool



MICHAEL LAMBERT, ADMINISTRATOR

The Administrator is an independent statutory office holder. All Commonwealth, State and Territory Governments have to agree on their appointment to the position.

The National Health Funding Body



SHANNON WHITE, CEO

Led by a CEO, the 24 staff in the NHFB support the Administrator to oversee the administration of Commonwealth, State and Territory public hospital funding and payments under the *National Health Reform Agreement*.

Who we work with

PORTFOLIO
AGENCIES

COMMONWEALTH,
STATE AND TERRITORY
STAKEHOLDERS

INDUSTRY
PARTNERS

ABOUT US

The agency

The National Health Funding Body (NHFB) and the Administrator of the National Health Funding Pool were established through the *National Health Reform Agreement* (NHR Agreement) of August 2011.

We operate as a Commonwealth non-corporate entity under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and are funded as a small agency under the Commonwealth Department of Health Portfolio.

We are an independent agency of 24 staff who support the Administrator to oversee the administration of Commonwealth, State and Territory public hospital funding and payments under the NHR Agreement.

The Administrator is an independent statutory office holder whose appointment has to be agreed to by the Commonwealth, and all State and Territory governments. The functions of the Administrator are set out in the *National Health Reform Act 2011* (NHR Act) and common provisions in relevant State and Territory legislation.

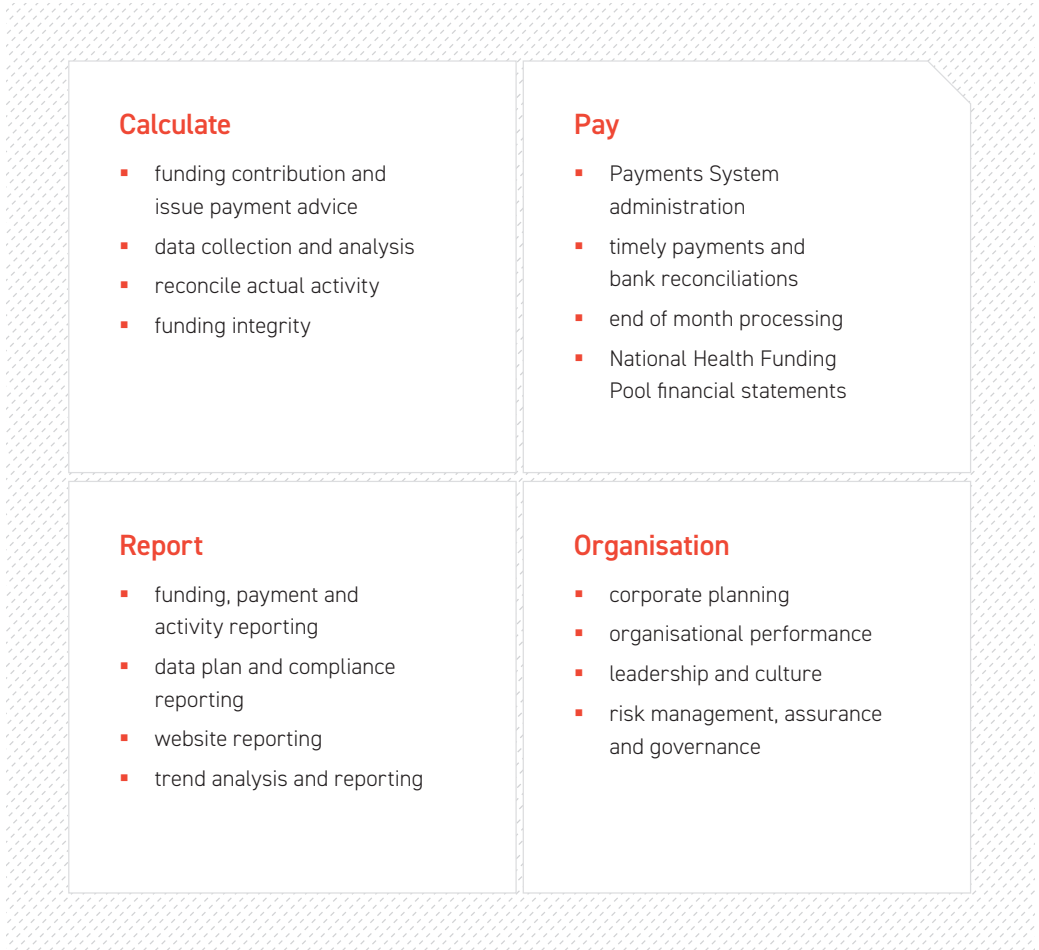
What we do

The NHFB's 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 public 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 Local Hospital Network (LHN)
- reporting publicly on funding, payments and services
- developing and providing three year data plans to the Commonwealth, States and Territories.

To assist the Administrator and achieve our vision of improving the transparency of public hospital funding in Australia, we work collaboratively across four key functions outlined in Figure 1.

FIGURE 1 National Health Funding Body's four key functions



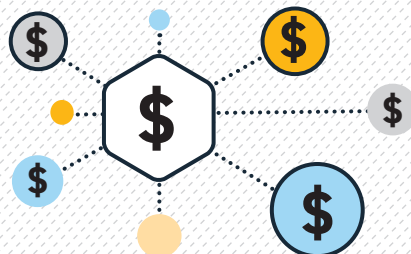
FINANCIAL YEAR 2020-21 HIGHLIGHTS FOR THE **24 STAFF** OF THE NHFB



WE ADMINISTERED...

\$56 BILLION

in public hospital payments



WITH **\$54 BILLION** PAID TO...

145

Local Hospital
Networks (LHNs)

COMPRISING OF...

692

public hospitals



THAT DELIVERED...

39 MILLION PUBLIC HOSPITAL SERVICES



WE PAID OVER

\$6 BILLION

in Commonwealth funding to
States and Territories for

COVID-19



THIS PROVIDED FUNDING FOR CRITICAL:



PPE SUPPLIES



CLEANING

in hospitals, schools
and public transport

COVID-19 **TESTING**
AND **VACCINATIONS**



OUR
STAKEHOLDERS
RATED US



4.3 OUT
OF **5**

EARLY

ENGAGEMENT

on funding
and reconciliation



THROUGH

COLLABORATION

across quarterly
multilateral meetings informed
by 32 bilateral discussions



IMPROVED

SATISFACTION

and built trust with
our stakeholders

IN THE 2021 **APS EMPLOYEE CENSUS OUT OF 101 AGENCIES** WE RANKED...



FOR

ENGAGEMENT



FOR

WELLBEING








FOR

INNOVATION

2020-21 SNAPSHOT

How we performed

OBJECTIVE	MEASURE	RESULT	
 <p>Accurate and timely calculation of Commonwealth funding contributions</p>	1.1 The Treasurer of the Commonwealth is advised by the Administrator in a timely manner	Met	100% MET
	1.2 Commonwealth funding calculations are accurate	Met	
	1.3 Funding entitlements reconcile to actual services delivered	Met	
	1.4 Public hospital services are funded through the appropriate Commonwealth program	Met	
 <p>Best practice financial administration of the National Health Funding Pool</p>	2.1 Payments to each Local Hospital Network (LHN) accord with directions from responsible State and Territory Ministers and align with Service Agreements	Met	100% MET
	2.2 Maintain the integrity of the Administrator's Payments System in accordance with policies and procedures	Met	
 <p>Effective reporting of public hospital funding</p>	3.1 Ministers receive required information in a timely manner	Met	98% MET
	3.2 Monthly and annual reporting of funding, payments and services	Substantially Met	
	3.3 Quarterly and annual reporting of Commonwealth, State and Territory compliance with the Administrator's Data Plan	Met	
 <p>Productive relationships with stakeholders and partners</p>	4.1 Provide trusted and impartial advice	Met	100% MET
	4.2 Work plans and information requirements are developed in collaboration and consultation with stakeholders	Met	
 <p>Operate as a high performing organisation</p>	5.1 A positive workplace culture where people adopt best practice approaches to achieve results	Met	100% MET
	5.2 An agile and responsive workforce ready to adapt to new developments	Met	

LETTER OF TRANSMITTAL



**National Health
Funding Body**

National Health Funding Body
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The Hon. Greg Hunt MP

Minister for Health
Commonwealth of Australia
PO Box 6022
Canberra ACT 2600
minister.hunt@health.gov.au

Dear Minister,

National Health Funding Body Annual Report 2020–21

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 2021, 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

23 September 2021

About this report

Our Annual Report highlights our key achievements in 2020-21. We have measured our results against a range of performance criteria outlined in the Portfolio Budget Statements, our Strategic Direction and our Corporate Plan. We introduce our leadership team, provide details on how we support our workforce and explain our approach to governance. We also detail our financial performance, including our audited financial statements.

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* (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 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 *National Health Funding Body Corporate Plan 2020-21* and the *Administrator's National Health Funding Pool Annual Report 2020-21*.

Further information

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

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Web publichospitalfunding.gov.au

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



www.publichospitalfunding.gov.au/publications

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AGENCY OVERVIEW

This section explains our role in Australia's health system, who we work with, and introduces our leadership team.





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MESSAGE FROM THE ADMINISTRATOR



I would like to thank the NHFB CEO, Shannon White, and the excellent NHFB staff for their dedicated work in supporting me to fulfil our mutual obligations and responsibilities.

A handwritten signature in black ink, appearing to read 'M Lambert'.

Michael Lambert

Administrator

National Health Funding Pool

2020-21

The challenge of operating in a COVID-19 environment continued into 2020-21, with its direct impact on the community, the economy and the health system, including on public hospital activity. This has also generated additional demands on the staff at NHFB and the Payments System, which have both proved equal to the occasion. Overall, the year has been highly productive with significant positive developments.

National Health Reform Funding and Annual Reconciliation

In 2020-21, \$56 billion in NHR payments were made from a total of \$55 billion in Commonwealth, State and Territory funding contributions and cash at bank. Local Hospital Networks were paid \$54 billion, with the balance paid to State and Territory Health Departments. Of the \$56 billion in funding, the Commonwealth contributed \$22.4 billion, with States and Territories contributing \$33.6 billion.

The 2019-20 Annual Reconciliation of Commonwealth NHR funding was completed on time, in March 2021, involving adjusting Commonwealth payments for differences between estimated and actual public hospital services delivered.

Consistency and Transparency of Public Hospital Funding

The Addendum requires the Administrator to produce an annual Maintenance of Effort Report. Throughout 2020-21, with support from the NHFB, there have been many productive bilateral discussions with States and Territories on in-scope and out-of-scope funding flowing through the Pool. This will continue to be an important agenda item for bilateral discussions with States and Territories in 2021-22.

The Year Ahead

During the coming year, Shannon White and I will actively engage with all jurisdictional stakeholders and with partner agencies such as the Independent Hospital Pricing Authority (IHPA), the Australian Institute of Health and Welfare (AIHW), and the Australian Commission on Safety and Quality in Health Care (ACSQHC). Building on our achievements over the last year, our future priorities include:

- working with all jurisdictions to ensure the successful implementation and operation of the *2020-2025 Addendum to the National Health Reform Agreement*
- working with the AIHW and all jurisdictions to improve the transparency, consistency and timeliness of public hospital funding information
- undertaking funding integrity in full consultation with all jurisdictions
- exploring with the ACSQHC and the IHPA ways to encourage and facilitate improved quality and safety in health care and avoiding unnecessary hospitalisations
- working with the IHPA to ensure financial neutrality between private and public patients in public hospitals
- progressing further enhancements to the Payments System and website to improve the transparency of public hospital funding.

CHIEF EXECUTIVE OFFICER'S REVIEW



I am pleased to present our annual report for 2020-21, my fourth as the CEO NHFB. I am grateful for the opportunity to reflect on and share the various achievements of the agency, which are highlighted in the pages of this report. Each year, we aim to achieve more than the year before and, despite an incredibly challenging environment, this year has been no different.

A handwritten signature in dark ink, reading 'Shannon White'.

Shannon White

Chief Executive Officer
National Health Funding Body

Our agency continues to perform a unique role in Australia's health system, delivering best practice financial administration of \$56 billion (exclusive of COVID-19 funding). We perform the calculations, payments and reporting of public hospital funding across 145 Local Hospital Networks (LHNS) comprising of 692 public hospitals and delivering in excess of 39 million hospital services.

When I started in this role in April 2018 my focus was to improve the transparency of public hospital funding in Australia. My immediate priorities included: funding certainty and the timely finalisation of outstanding reconciliations; productive relationships with stakeholders through communication and collaboration; funding accuracy with the digital transformation of our core technology platforms; and a positive workplace culture focussed on 'what' we do as well as 'how' we do it. Early progress on these key priorities positioned the agency well for the challenges of the last 18 months.

COVID-19 financial assistance

Australia continues to face unprecedented health and economic challenges in relation to the coronavirus (COVID-19) global pandemic. Together with the Administrator, we are supporting all Governments through our administration of the National Partnership on COVID-19 Response (NPCR) which has delivered since March 2020, more than \$6 billion in additional Commonwealth financial assistance to States and Territories.

In addition to the funding provided to support public hospitals in treating confirmed and suspected COVID-19 patients, the State Public Health Payments are targeted at supporting additional public health activities in responding to the pandemic and stopping the spread of the disease. This includes securing additional emergency PPE supplies, providing funding to expand critical ICU and ventilation capacity, boosting contact tracing and public health communication, and supporting additional cleaning in hospitals, schools and public transport. Private Hospital Financial Viability Payments are focused on securing additional staff, facilities and ICU beds to supplement the public hospital system.

2019-20 public hospital funding outcome

One of the key activities completed in 2020-21 was the annual reconciliation of 2019-20 public hospital funding.

Due to the impact of COVID-19, there were less public hospital services delivered than originally estimated by States and Territories. This had the potential to adversely affect Commonwealth public hospital revenue. The initial 2019-20 Commonwealth National Health Reform (NHR) funding entitlement was \$22.328 billion. The final reconciled Commonwealth funding contribution for public hospital services in 2019-20 was \$22.408 billion, including Commonwealth NHR funding of \$21.304 billion, an additional \$0.572 billion in COVID-19 funding for public hospital services, and an additional \$0.532 billion under the Commonwealth's minimum funding guarantee.

“ ... \$56 billion, representing an increase of \$19 billion in public hospital funding over the last seven years

Record levels of public hospital funding

Since the establishment of the Administrator and the NHFB, total Commonwealth, State and Territory public hospital funding contributions through the National Health Funding Pool have increased from \$37 billion in 2013-14 to \$56 billion in 2020-21 representing an increase of \$19 billion over the last seven years.

Increased stakeholder satisfaction

COVID-19 presented additional challenges during 2019-20 and 2020-21. We adapted quickly right across the Agency and activated contingency plans to ensure our core business of calculate, pay and report would continue for our stakeholders. What made our response during the pandemic more effective was the early investment in our people, processes and further enhancements to our technology, for example upgrades to our Payments System to support payments under the NPCR.

This year we continued to hold bilateral discussions with portfolio agency partners and Commonwealth, State and Territory stakeholders in addition to the more formal multilateral Jurisdictional Advisory Committee (JAC) meetings. We continue to focus on improving our communication and collaboration with our stakeholders through early engagement on funding entitlements and reconciliation outcomes. This proactive approach has resulted in improved satisfaction levels and trust with our stakeholders who rated us 4.3 out of 5 in the recent 2021 stakeholder survey.

Strong employee engagement and innovation

Without the commitment and flexibility of our staff, we would not have been able to deliver on our five strategic objectives.

In 2020-21 we continued to demonstrate high levels of communication, collaboration and teamwork, our persistence with creating a positive workplace culture, and our emphasis on our united leadership behaviours, has been fundamental to our success both internally and externally.

Our recent Australian Public Service Employee Census results showed our agency was ranked first from 101 agencies when it comes to both 'Engagement' and 'Innovation' and third for 'Wellbeing' including 100% of staff indicating they're proud to work in the agency.

Appreciation and recognition

I would like to acknowledge and thank Michael Lambert, the Administrator of the National Health Funding Pool, for his guidance, advice and encouragement over the last three years. I am also proud of the high performing and innovative team at the NHFB, and would like to thank each of them for their consistent hard work, for finding the opportunities in the challenges, and most importantly for supporting one another and continuing to build a great place to work. I would also like to thank our many stakeholders and partners for their cooperation and contribution to our mutual success in 2020-21.

Priorities for the future

One of the key priorities for this planning period will be the ongoing administration of Commonwealth NHR funding, the NPCR and the Commonwealth's minimum funding guarantee.

In relation to Commonwealth NHR funding, the Addendum outlines clear direction in several key areas including:

- public hospital funding integrity and duplicate payments
- funding cap exemption for highly specialised therapies
- funding neutrality for private patients in public hospitals
- the progression of safety and quality measures (e.g. avoidable readmissions)
- measures to reduce demand for potentially preventable hospitalisations.

The NPCR has now been in place for three financial years 2019-20, 2020-21 and 2021-22.

In the year ahead, we will be focused on administering 2021-22 payments as well as completing the annual reconciliation for 2020-21.

The outcome of the Commonwealth minimum funding guarantee will be determined following the final Annual Reconciliation of Commonwealth NHR and NPCR funding contributions.

It is important that we sustain our positive workplace culture underpinned by our united leadership behaviours. In 2021-22, we remain focussed on:

- strengthening our leadership, culture and organisational capabilities
- investing in our people through learning and development
- building on our strong stakeholder and industry partnerships
- reviewing our business operations for productivity improvements and cost efficiencies
- leveraging our digital transformation investment.

As always, I look forward to working closely with Michael Lambert (the Administrator), all our stakeholders and partners, and my outstanding team at the NHFB in improving the transparency of public hospital funding in Australia.

“proud of the high performing and innovative team at the NHFB

FINANCE YEAR IN REVIEW

The NHFB is funded by an annual appropriation from the Commonwealth, with the majority of our operating expenses being for employees and suppliers. This demonstrates a continued focus on investing in our people, focusing on core business through leveraging industry partner expertise and advice, and maximising benefit from digital platforms to best support the obligations and responsibilities of the Administrator and be ready to adapt to new developments.

2020-21

As at 30 June 2021 the NHFB recorded a surplus of \$0.48 million, with available appropriations of \$2.06 million to be used in the 2021-22 financial year.

Investing in our people to enhance and sustain core capabilities

Between 2019-20 and 2020-21, employee expenditure increased by 8% (\$0.25 million) to \$3.23 million. This is primarily attributed to additional staff being engaged to support the Calculate, Pay and Report functions of the National Partnership on COVID-19 Response.

Continuing to focus on core business, leveraging industry partner expertise and advice

The NHFB spent \$1.80 million on suppliers, which is a decrease of 9% (-\$0.19 million) from 2019-20. This decrease is a result of achieving value for money through targeted procurement activities and reducing our reliance on contractors. In addition, favourable negotiations on support costs related to the Payments System and reduced travel expenditure contributed to this result.

Maximising benefit from digital platforms

Total capital acquisitions for the 2020-21 were \$0.22 million, relating to enhancements to the Payments System. Capital expenditure has reduced since 2018-19 and 2019-20 with the successful implementation of the Commonwealth Contribution Model and Payments System. Capital expenditure is now allocated to maintain and continually improve these assets.

In maintaining the NHFB's financial sustainability, emphasis is placed on managing both supplier payables and employee provisions balances to an acceptable level, and ensuring additional funding received from Government is appropriately spent in line with our financial management principles.

Outlook for 2021-22

In 2021-22, we will continue to manage our finances in line with three key principles:

- **PEOPLE** – Invest in our people to enhance and sustain core capabilities.
- **PROCESS** – Continue to focus on core business, leveraging industry partner expertise and advice.
- **TECHNOLOGY** – Maximise benefit from digital platforms.

These principles enable us to support our critical operations and strategic priorities while continuing to build on existing capability. This allows us to be flexible in responding to emerging priorities and new opportunities.

FIGURE 2 2020-21 expenditure breakdown

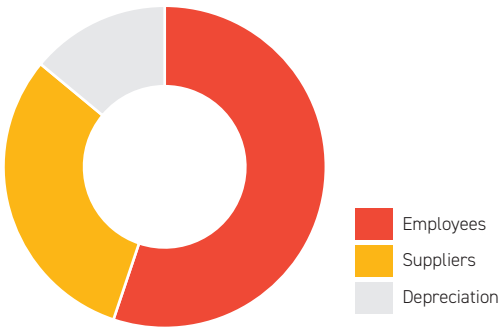


FIGURE 3 Suppliers v employee expenditure

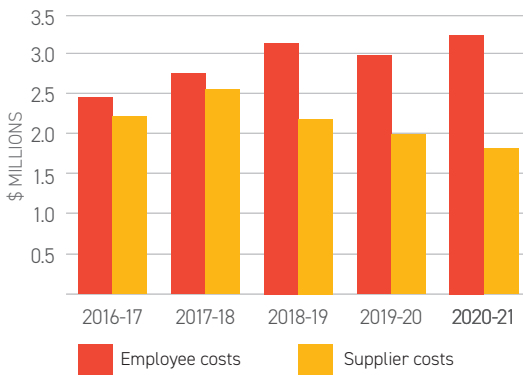
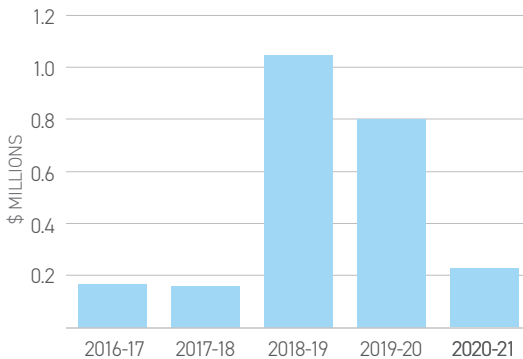


FIGURE 4 Capital expenditure on key digital platforms



Additional funding for key initiatives

Supporting the National Partnership on COVID-19 Response

Under existing legislation and national agreements, we have core responsibilities for the calculation, payment and reporting of public hospital funding. On this basis, the Administrator and the NHFB were well placed to administer the funding arrangements for the National Partnership on COVID-19 Response.

The NHFB has received additional funding over 2021-22 and 2022-23 to support this work; engaging additional employees and continuing to work with our existing industry partners to assist in administering funding arrangements. This temporary measure also included additional staffing resources.

Supporting Funding Integrity measures under the 2020-2025 Addendum to the National Health Reform Agreement

The NFHB is responsible for supporting the Administrator in delivering funding integrity initiatives under clause A11 and A12 the *2020-2025 Addendum to the National Health Reform Agreement*.

Additional funding (suppliers and staffing) was received in the 2021-22 Budget to consult, implement and operationalise business rules to identify public hospital services that potentially received funding through other Commonwealth programs. This is an ongoing measure.

ENVIRONMENT



Interior of the women's surgical ward, Sydney Hospital, 1890s. State Library of NSW 06472

1816

Australia's first public hospital, the Rum Hospital opened in Sydney.

In 1894 it was renamed the Sydney Hospital.

1945

The *Hospital Benefits Act 1945* provided for all people to have access to a public hospital free of charge.

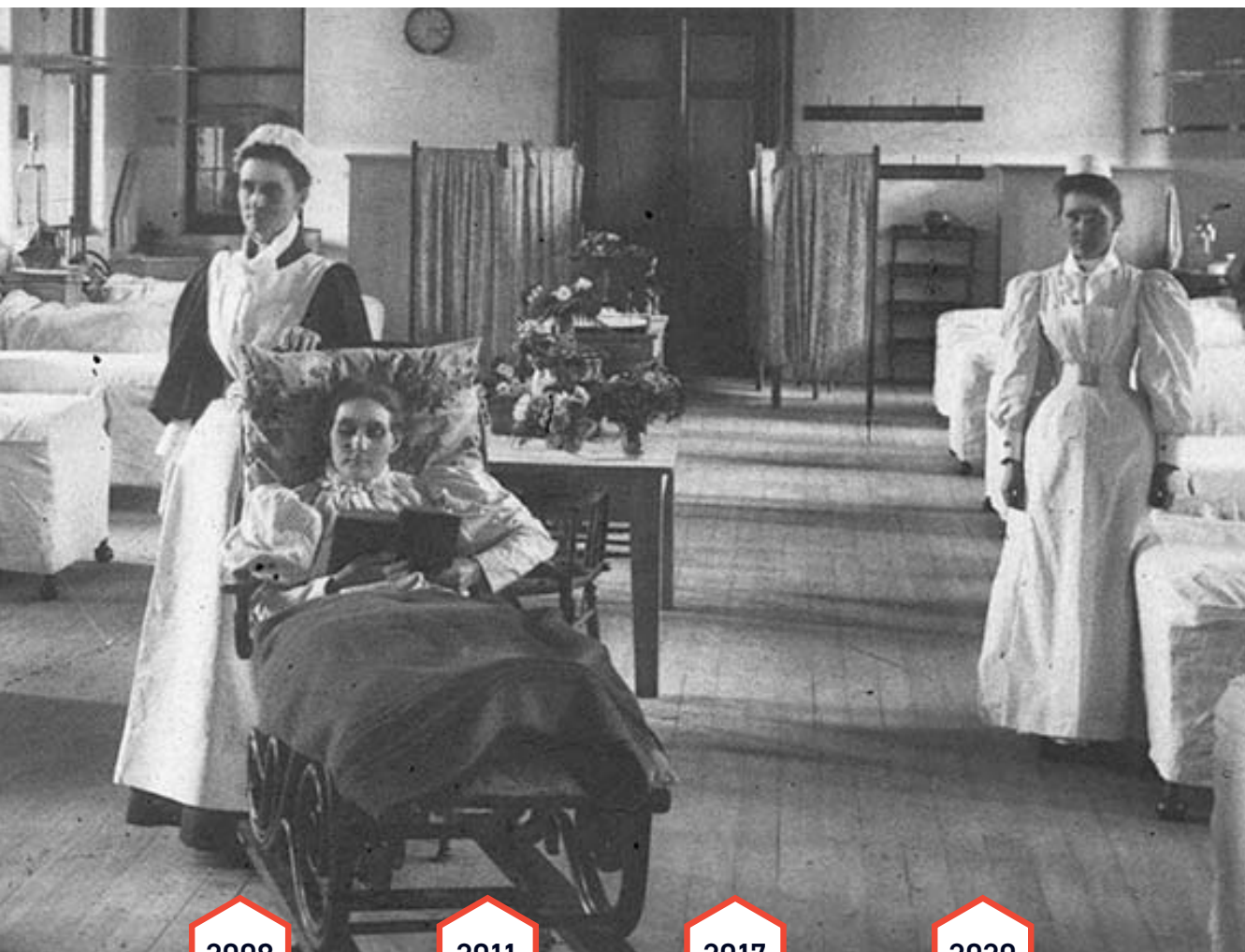
1981

Funding for hospitals from the Commonwealth is based on per capita block grants.

1984

Introduction of Australia's universal health care scheme Medicare.

Key moments in public hospital funding history


2008

The National Health and Hospitals Reform Commission was established to provide advice on progressing health reform.

2011

The *National Health Reform Agreement* was signed, establishing the Administrator and NHFB.

A new approach to health funding based on Activity Based Funding (ABF) was put into effect and Local Hospital Networks (LHNs) were established.

2017

The *Addendum to the National Health Reform Agreement 2017-18 to 2019-20*, introduced safety and quality elements to funding.

2020

The *Addendum to the National Health Reform Agreement 2020-25* was signed by all Australian governments in May.

The National Partnership on COVID-19 Response was agreed to and signed in March 2020, providing additional financial support to States and Territories.

Overview of health care agreements

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, forming the *National Health Reform Agreement*.

The NHR Agreement outlines the shared responsibility of the Commonwealth, State and Territory governments to work in partnership to improve health outcomes for all Australians and ensure the sustainability of the health system.

On 29 May 2020, the Commonwealth, States and Territories entered into a new agreement through the *Addendum to the National Health Reform Agreement 2020-21 to 2024-25*. The new Addendum maintains a commitment to ensuring equitable access to public hospitals for all Australians, and reaffirms for the role of the Administrator and the NHFB.

Health system

Australia's health system and the national economy both face significant challenges in response to COVID-19. The pandemic is substantially impacting the underlying level of public hospital services delivered across all States and Territories.

To fulfil our duties and preserve our role in the health system into the future, we must provide best practice financial administration that is accurate, timely and independent. Delivering on our commitments to strengthen the Commonwealth Contribution Model (CCM), enhance our funding integrity

capabilities and improve access to information provides our stakeholders with confidence in the funding system and our capabilities to deliver on our mandate.

National Healthcare Specific Purpose Payment Pre-2012

Prior to the NHR Agreement, State and Territories were paid a contribution for public hospital services from the Commonwealth via 'block grants' under the National Healthcare Specific Purpose Payment arrangements. These grants were calculated based on historical costs, negotiation and government decisions, with little transparency of the actual services delivered for the funding provided.

National Health Reform Agreement 2012-13 to 2016-17

In August 2011, the Council of Australian Governments (COAG) agreed to major changes in how public hospitals were to be funded by Commonwealth, State and Territory governments, including the move from block grants to an 'activity-based' funding system. 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 through a time-limited Addendum. This reaffirmed universal health care for all Australians as a shared priority and committed parties to public hospital funding from 1 July 2017 to 30 June 2020. It also focused on reducing unnecessary hospitalisations and improving patient safety and service quality.

Addendum to the National Health Reform Agreement 2020-21 to 2024-25

In May 2020, through the signing of the new Addendum, Commonwealth, State and Territory governments agreed to four strategic priorities to further guide health system reform:

- Improving efficiency and ensuring financial sustainability
- Delivering safe, high-quality care in the right place at the right time, including long-term reforms in:
 - » nationally cohesive health technology assessment
 - » paying for value and outcomes
 - » joint planning and funding at a local level.
- Prioritising prevention and helping people manage their health across their lifetime, including long-term reforms in:
 - » empowering people through health literacy
 - » prevention and well-being.
- Driving best practice and performance using data and research, including long-term reforms in enhanced health data.

The Addendum will see over \$131 billion in Commonwealth funding to public hospitals over the five years of the agreement.

In conjunction with the new agreement, the Commonwealth Government provided a funding guarantee (2019-20 and 2020-21) to all States and Territories to ensure no jurisdiction is left worse off as a result of the COVID-19 pandemic.

National Partnership on COVID-19 Response

The NPCR was agreed to and signed by COAG on Friday, 13 March 2020. The NPCR was subsequently amended and agreed to in April 2020 to include a provision for Private Hospital Financial Viability Payments. A third update to the NPCR was made in April 2021 to support the COVID-19 vaccine rollout.

The objective of the NPCR is to provide financial assistance to States and Territories for the additional costs incurred in responding to COVID-19. Under the NPCR, there are a range of responsibilities and functions to be performed by the Administrator supported by the NHFB and other portfolio agencies (e.g. the IHPA).

In March 2020, the NHFB established a new capability in the Payments System to facilitate payments to all States and Territories.

Since then, more than \$6 billion in Commonwealth COVID-19 funding has been paid to States and Territories:

- Hospital Service Payments for COVID-19 related hospital activities, with the Commonwealth funding 50%
- State Public Health Payments for public health activities associated with addressing the pandemic, with the Commonwealth funding 50%
- Private Hospital Financial Viability Payments to enable private hospitals to retain capacity, with the Commonwealth funding 100%
- Schedule C: COVID-19 vaccine payments including vaccine dose delivery payments.

Further detail on COVID-19 funding is available from the 2019-20 and 2020-21 National Health Funding Pool Annual Reports.

OUR STAKEHOLDERS AND PARTNERS

Productive relationships and regular communication with our stakeholders and partners supports us to improve the transparency of funding for public hospital services.

In 2020-21 we further refined our approach, focussing on simple and proactive communication and engagement with our wide range of stakeholders. In doing this, we aimed to consider the environment each stakeholder operates in, as well as their resources, needs, and preferences.

We held four rounds of bilateral discussions with States and Territories ahead of the more formal Administrator's Jurisdictional Advisory Committee (JAC) meetings. These discussions provided us, along with States and Territories, the opportunity to discuss a range of topics, and answer specific questions that a State or Territory may have. We covered a range of topics including:

- NHR funding and payments
- NPCR funding and payments
- policy and guidance documents
- funding integrity
- consistency and transparency of public hospital funding.

We also established a Payments System Community of Practice, with representatives from all States and Territories, focussing on improving user experience, including training and support.

In August, we undertook a stakeholder satisfaction survey to benchmark our progress on implementing improvements across the five key themes we identified in 2019-20:

- organisational culture
- customer service and value adding
- collaboration
- transparency
- high performing team.

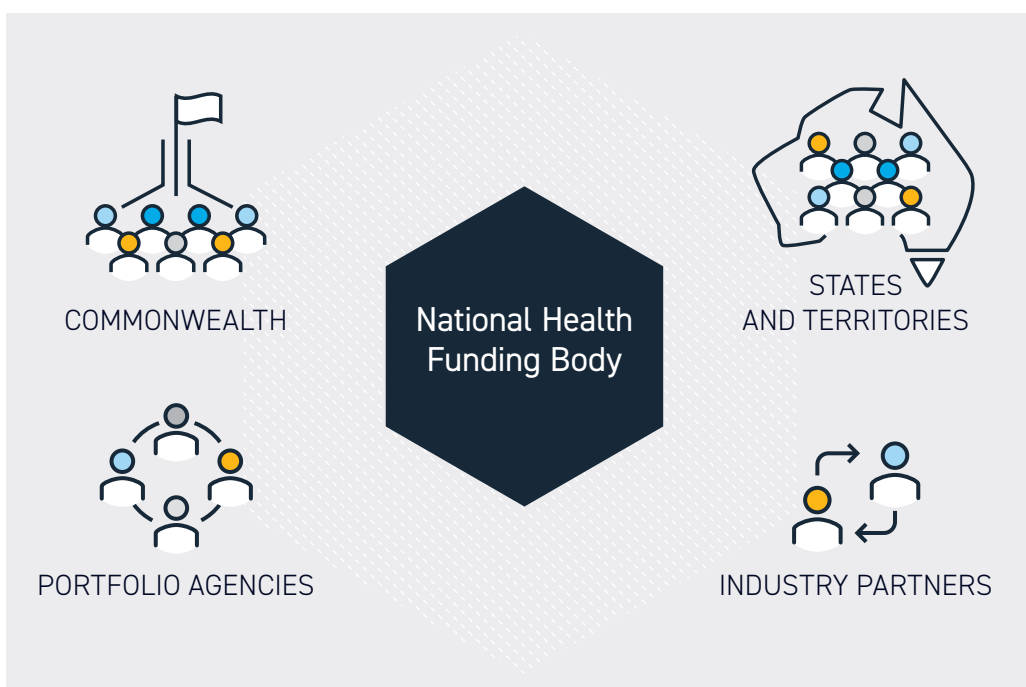
In order to establish a baseline for measuring improvements over time, our stakeholders were asked to rate their overall satisfaction with the NHFB's communication and engagement on a scale from 1-5. The average rating was 4.3, an increase from 2019-20, indicating high levels of satisfaction with the NHFB.

The survey identified areas we had improved on since the last survey, such as:

- the positivity and responsiveness of NHFB staff, including their ability to clarify and resolve technical issues
- our transparency and openness in communicating data or funding entitlement changes
- smaller jurisdictions noting their appreciation for technical assistance from NHFB.

The survey also provided insights into focus areas for 2021-22 including:

- further building on our engagement with jurisdictions through workshops to share insights around our approach to key business activities
- sharing additional information on our end-to-end reporting processes
- supporting guidance for new State and Territory officials on the key roles and responsibilities of the NHFB and the Administrator.

FIGURE 5 National Health Funding Body stakeholders and partners

Administrator's Jurisdictional Advisory Committee

Early and impartial engagement with all stakeholders, especially States, Territories and the Commonwealth, allows time to discuss and resolve issues in a collaborative manner. The Administrator's JAC is a key channel for this engagement and is comprised of senior representatives of all States and Territories and relevant Commonwealth departments and portfolio agencies. The objectives of the Administrator's JAC 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
- enable collaboration between the Administrator, NHFB, Commonwealth, State and Territory health departments and IHPA on the relevant operational arrangements and priorities under the NHR Agreement and NHR Act.

The JAC met four times in 2020-21:

- 10 September 2020
- 19 November 2020
- 4 March 2021
- 17 June 2021.

Key discussion topics at the Administrator's JAC in 2020-21 included:

- implementation of the Addendum
- Administrator's policy documents
- 2019-20 Annual Reconciliation of public hospital funding and services
- COVID-19 funding
- funding integrity, including data matching
- Payments System administration
- consistency and transparency of public hospital funding.

States and Territories

In addition to the Administrator's JAC and series of rolling bilateral discussions with States and Territories, we established a dedicated Payments System Community of Practice (CoP) in October 2020. The CoP is made up of Payments System users from each State and Territory. It provides a support network for users, a forum to share knowledge and discuss opportunities for improvement. The CoP meets quarterly and focuses on:

- Payments System policies and procedures
- system enhancements
- change and release schedules
- user training.

Commonwealth

In 2020-21, we continued to be supported by, and work with our Commonwealth stakeholders through a range of formal and informal arrangements, including:

- the provision of shared services (e.g. payroll and IT desktop) from the Department of Health
- Enterprise Data Warehouse (EDW) technical support from the Department of Health
- the provision of public hospital activity data from Services Australia
- website hosting on Australia's whole-of-government platform, GovCMS from Department of Finance
- monthly roundtables with the Department of the Prime Minister and Cabinet, The Treasury, the Department of Finance and the Department of Health on NHR Agreement funding and activities.

Portfolio agencies

We worked with our fellow portfolio agency partners to support the Administrator to provide trusted and impartial advice to all stakeholders and deliver best practice administration of public hospital funding. These agencies include the IHPA, the ACSQHC and the AIHW.

INDEPENDENT HOSPITAL PRICING AUTHORITY

The main functions of the IHPA are to determine each year the National Efficient Price (NEP) for Activity Based Funding and National Efficient Cost (NEC) for Block funding for public hospital services. We are a member of IHPA's Jurisdictional Advisory Committee and Technical Advisory Committee. In 2020-21, we worked closely with the IHPA to align many of our core activities including:

- implementation of the Addendum, including Highly Specialised Therapies and private patient neutrality
- Six-month and Annual NWAU Reconciliation
- Three Year Data Plans.

AUSTRALIAN COMMISSION ON SAFETY AND QUALITY IN HEALTH CARE

The ACSQHC leads and coordinates key improvements in safety and quality in health care. The Commission works in four key priority areas:

- Patient safety
- Partnering with patients, consumers and communities
- Quality, cost and value
- Supporting health professionals to provide care that is informed, supported and organised to deliver safe and high-quality care.

With the Administrator and IHPA, we work with ACSQHC on the integration of safety and quality measures into public hospital funding.

AUSTRALIAN INSTITUTE OF HEALTH AND WELFARE

The AIHW develops, collects, compiles, analyses, manages and disseminates Australian health and welfare data information. We collaborate with the AIHW on public hospital funding related matters. In 2020-21, we worked closely with AIHW to improve public reporting of funding, payments and services. This included improving our understanding of broader health and hospital funding, in addition to the payments for public hospital services transacted through the Pool. Work is continuing in 2021-22 with the AIHW, Commonwealth and States and Territories to improve consistency and transparency of public reporting in preparation for the Administrator's annual Maintenance of Effort Report, as required by the Addendum.

INDUSTRY PARTNERS

In 2020-21, we worked with a number of industry partners to support our small agency deliver on our objectives. We leveraged their expertise, were supported by their advice and relied on their independence. Throughout this process, we actively promoted knowledge sharing with our people to continue to build our internal capability.

Industry partners that assisted us in 2020-21 were:

- **CALCULATE** Taylor Fry and PwC
- **PAY** TechnologyOne, Synergy, Sentinel Software and RSM
- **REPORT** Salsa Digital
- **ORGANISATION** Kirribilli Partners and contentgroup.

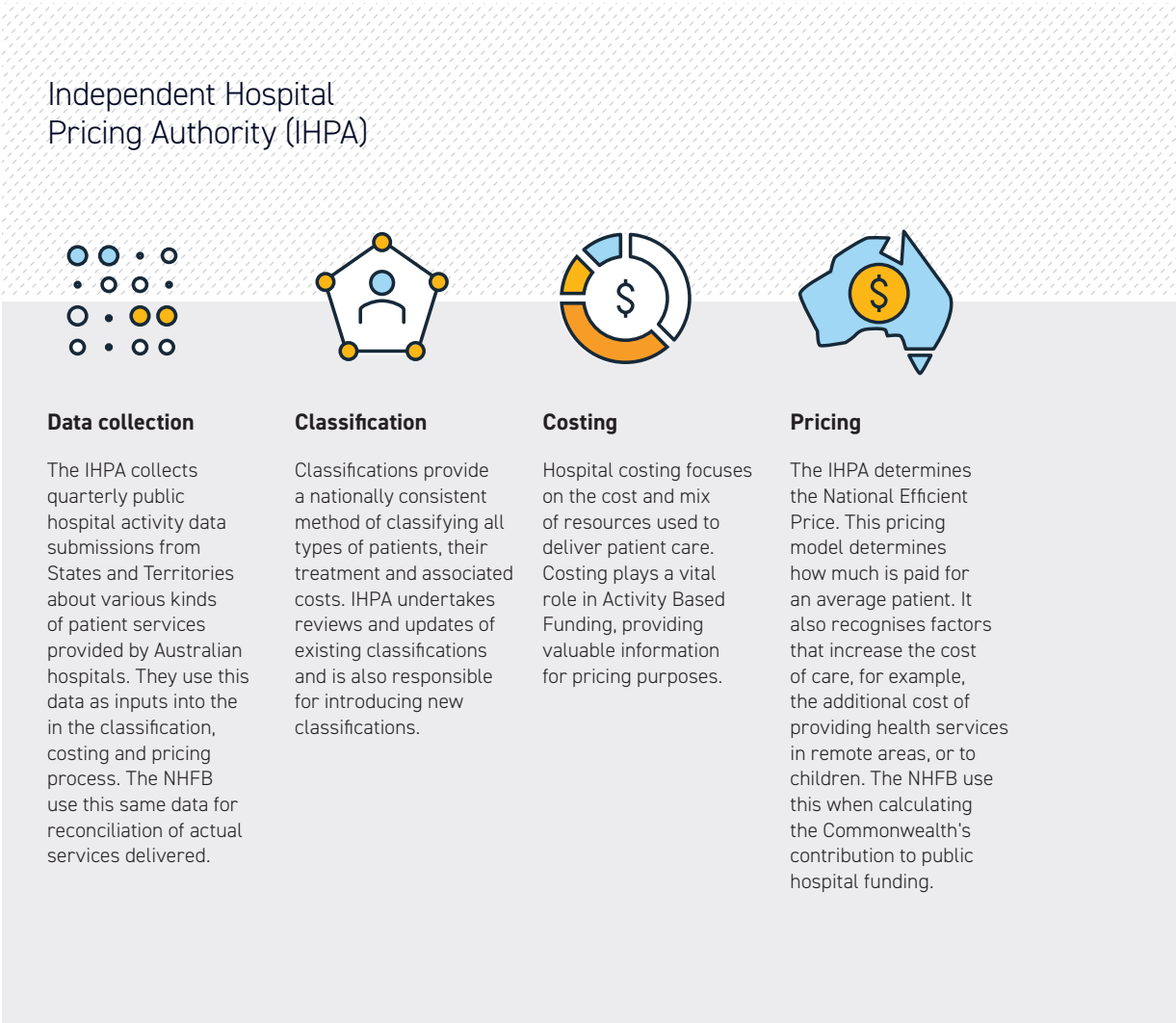
Overview of the relationship between the IHPA and the NHFB

In August 2011, COAG agreed to major changes in how public hospitals were to be funded by Commonwealth, State and Territory governments, including the move from block grants to a system that is predominantly funded on an 'activity-based' approach, supplemented by Block funding in certain circumstances.

These changes included establishing the:

- Administrator and the NHFB to improve transparency of public hospital funding arrangements
- IHPA to set the National Efficient Price (NEP) for ABF activity and the National Efficient Cost (NEC) for Block funded services.

FIGURE 6 Public hospital funding, costing, pricing, calculations and payments



The NEP and NEC are a major determinant of the level of Commonwealth Government funding for public hospital services and provide a price signal or benchmark for the efficient cost of providing public hospital services.

National Health Funding Body (NHFB)



Calculate

Commonwealth funding is calculated using the Commonwealth Contribution Model. The IHPA's National Efficient Price and public hospital activity estimates from States and Territories are key inputs into this model.



Pay

The Payments System is used to facilitate Commonwealth and State and Territory public hospital funding payments to Local Hospital Networks.



Report

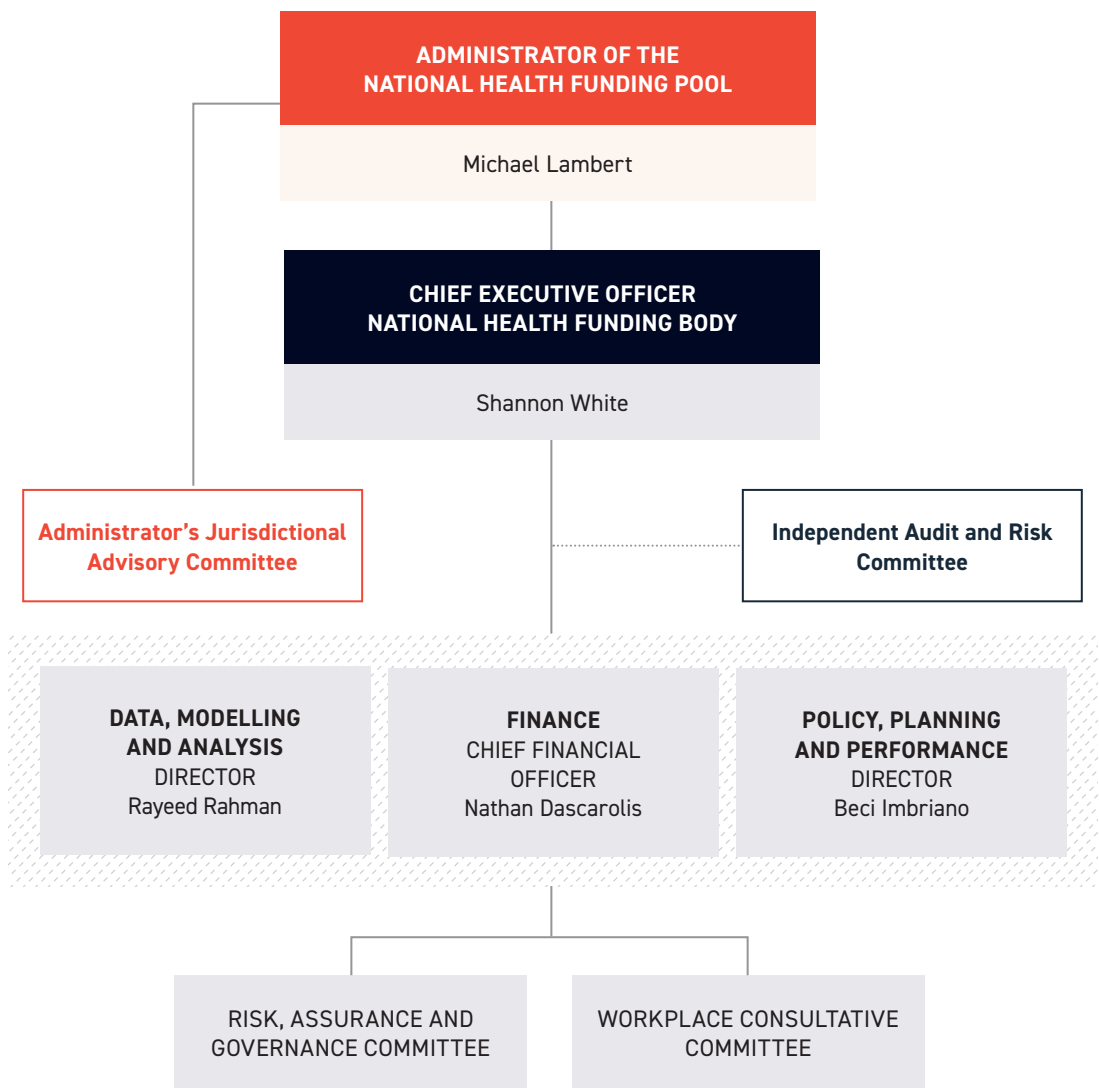
Reports on funding, payments and services are published to publichospitalfunding.gov.au on a monthly basis to provide transparency of public hospital funding.

ORGANISATIONAL STRUCTURE

In 2020-21, our structure ensured our resources were aligned to core functions and provided clear lines of reporting for our agency.

Figure 7 "Organisational structure as at 30 June 2021" shows the relationship between the NHFB's organisational and governance elements.

FIGURE 7 Organisational structure as at 30 June 2021



Leadership team



Michael Lambert

The Administrator of the
National Health Funding Pool

Michael was appointed Administrator of the National Health Funding Pool in July 2018.

Michael's career has covered four broad areas: public sector policy and finance; investment banking; Non-Executive director roles; and working in areas related to the health sector. Michael spent 17 years in a range of senior state government positions culminating in the role of NSW Treasury Secretary. Michael has also held Non-Executive Directorships within the health sector, including the NSW Northern Suburbs Area Health Board and the NSW Cancer Council. Michael is 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.

Michael holds an Honours and Masters degree in Economics, a Masters in Philosophy and is a Graduate of the Australian Institute of Company Directors.



Shannon White

The Chief Executive Officer of the
National Health Funding Body

Shannon was appointed Chief Executive Officer of the NHFB in April 2018.

Shannon has a broad range of experience across national security, economic and social policy environments. Shannon has 28 years' experience in the APS across Health, Immigration and Border Protection and Defence with his previous roles having a strong focus on financial management and strategic advice on budget related policy and operational matters.

In his previous senior executive role in Health System Financing at the Department of Health, Shannon worked extensively on national health reform issues and represented the Australian Government at a number of national and international committees. These included health system fiscal sustainability as well as the negotiations on public hospital funding under the two Addendums to the NHR Agreement.



Left to right: Nathan Dascarolis, Rayeed Rahman, Becci Imbriano and Shannon White

Rayeed Rahman

Director, Data, Modelling and Analysis

Rayeed joined the NHFB as Director, Data Modelling and Analysis in March 2021. The Data, Modelling and Analysis section develop and operate models that determine the Commonwealth funding contribution to LHNs for delivering public hospital services (over \$22.4 billion for 2020-21). The section also reconciles estimated and actual service volumes through a range of data submissions (over 39 million records each year) related to public hospital funding. The Data, Modelling and Analysis section is also responsible for linking hospital activity data with Medical Benefits Schedule (MBS) claims data to identify if the Commonwealth has potentially paid for the same hospital more than once (over 595 million MBS records per annum).

Rayeed has more than 12 years experience across the APS in economics, forecasting and modelling, policy analysis, research and evaluation. He has an Honours in Economics from the Australian National University, and has commenced his Masters in Applied Economics.

Nathan Dascarolis

Chief Financial Officer

Nathan joined the NHFB in April 2020 as Chief Financial Officer and is responsible for the Finance section. The Finance section provide financial support to the NHFB CEO and the Administrator, including managing the National Health Funding Pool Payments System, processing Commonwealth, State and Territory deposits and payments into and out of the Pool as well as facilitating authorisation by the Administrator for payments to LHNs and other providers.

The Finance section are also responsible for the production of NHFB and individual Pool Financial Statements for auditing by the Australian National Audit Office and each State and Territory's Auditor-General respectively.

Prior to joining the NHFB, Nathan was an independent consultant, working with Commonwealth, State and Territory public sector agencies with a focus on financial management and governance. Nathan commenced his career working with professional services firms, working across both assurance and advisory functions. Nathan is a Chartered Accountant and has a Bachelor of Commerce from the Australian National University.

We are **proud of our culture**
and promote our united
leadership behaviours

Beci Imbriano

Director, Policy Planning and Performance

Beci joined the NHFB in November 2018 as Director, Policy, Planning and Performance. The Policy, Planning and Performance section are responsible for developing the NHFB's Strategic Direction, Corporate Plan, Portfolio Budget Statements and Annual Reports.

The section works with colleagues, jurisdictions; and portfolio agencies to maintain the full suite of Administrator's policies:

- Administrator's Three Year Data Plan
- Data Compliance Policy
- Data Governance Policy
- Calculation and Reconciliation Framework
- Data Matching Business Rules.

The section also works with stakeholders to improve reporting of public hospital funding through the development of a strategic outlook of public hospital funding, trend reporting and analysis, including the publication of monthly funding and activity data on publichospitalfunding.gov.au.

The team also provide essential business support services to the NHFB, CEO and Administrator across risk management, assurance, governance, human resources, communications, security, management of Memorandums of Understanding (MoU) and Secretariat for the Administrator's Jurisdictional Advisory Committee and Independent Audit and Risk Committee.

Prior to joining the NHFB, Beci spent 10 years in the APS across the Health and Immigration and Border Protection Portfolios in a number of stakeholder focused policy and operational roles, including reporting on system sustainability through modelling outcomes of policy settings and budget scenarios.

CASE STUDY

United Leadership



Through our leadership behaviour we foster the culture within which our team works. Good leaders won't leave culture to chance, they will be deliberate about it and stay committed throughout the ebbs and flows of the inevitable stress and pressure of the work. They know a good culture provides the platform for achieving strong work outcomes

Darren Stephenson, Kirribilli Partners

In 2020-21, we continued to look for opportunities to further embed our United Leadership behaviours in all our work:

One NHFB

We contribute as a united team and encourage new ideas

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

We own our performance by knowing, accepting and performing our roles to the best of our ability

We did this through:

- conducting regular all-staff meetings with external guests, including APS Senior Leaders, presenting on their experiences in leadership and culture
- identifying workshops and forums for our staff to join that have a focus on leadership behaviours, workplace culture and performance
- participating in the APS Census, and discussing our results as an agency. This included discussions on 'what are we proud of' and 'what could we do better' i.e. areas for improvement
- discussing our progress against the areas we identified for improvement in monthly Organisational Performance meetings, which incorporates progress checks against our Corporate Plan objectives and key initiatives
- incorporating our United Leadership behaviours into our Individual Performance and Development Agreements, reflecting that 'how' we do things is just as important as 'what' we do.

FIGURE 8 National Health Funding Body Behaviours in Action





ANNUAL PERFORMANCE


This section highlights our performance throughout 2020-21 and the work we undertook to improve the transparency of public hospital funding in Australia.





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ANNUAL PERFORMANCE STATEMENT

Funding outcomes

We administered **\$56 BILLION** in public hospital payments in 2020-21.



Enabling innovation

We contribute new ideas and are supported by a workplace culture to do so.



Workplace satisfaction

In the 2021 Employee Census, out of 101 agencies, we ranked **1st for engagement**.



Agency outcome

We are proud to report that we have met all our objectives for the 2020-21 reporting period. We provide details of our significant achievements throughout the year across our five key objectives in this statement. For each objective we detail our performance against established measures.

Reporting approach

Our performance is measured against our purpose through a range of performance criteria outlined in the *Health Portfolio Budget Statements (PBS) 2020-21* (page 323) and the *NHFB Corporate Plan 2020-21* (pages 15- 20). This reporting framework is detailed in Figure 9 and provides an overview of our purpose, objectives and performance indicators.

Statement of Preparation

I, as the Accountable Authority of the NHFB, present the 2020-21 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.

Shannon White
Chief Executive Officer
National Health Funding Body

23 September 2021

FIGURE 9 Relationship between 2020–21 Portfolio Budget Statements, 2020–21 Corporate Plan and 2020–21 Performance Statement



PERFORMANCE IN 2020-21

We achieved the performance measures required to meet our strategic objectives, legislative requirements and obligations of the Administrator and Commonwealth, States and Territories in 2020-21.

FIGURE 10 Snapshot of performance 2018-19 to 2020-21

OBJECTIVE	MEASURE	RESULT 2020-21	RESULT 2019-20	RESULT 2018-19
Accurate and timely calculation of Commonwealth funding contributions	1.1 The Treasurer of the Commonwealth is advised by the Administrator in a timely manner			
	1.2 Commonwealth funding calculations are accurate			
	1.3 Funding entitlements reconcile to actual services delivered			
	1.4 Public hospital services are funded through the appropriate Commonwealth program			
Best practice financial administration of the National Health Funding Pool	2.1 Payments to each Local Hospital Network (LHN) accord with directions from responsible State and Territory Ministers and align with Service Agreements			
	2.2 Maintain the integrity of the Administrator's Payments System in accordance with policies and procedures			
Effective reporting of public hospital funding	3.1 Ministers receive required information in a timely manner			
	3.2 Monthly and annual reporting of funding, payments and services			
	3.3 Quarterly and annual reporting of Commonwealth, State and Territory compliance with the Administrator's Data Plan			
Productive relationships with stakeholders and partners	4.1 Provide trusted and impartial advice			
	4.2 Work plans and information requirements are developed in collaboration and consultation with stakeholders			
Operate as a high performing organisation	5.1 A positive workplace culture where people adopt best practice approaches to achieve results			
	5.2 An agile and responsive workforce ready to adapt to new developments			

KEY  Met  Substantially Met  Not Met



Objective One

Accurate and timely calculation of Commonwealth funding contributions

Analysis of performance in 2020-21

We continue to achieve our purpose by improving the accuracy and timeliness of Commonwealth funding contribution calculations. This work supports the advice provided by the Administrator to the Commonwealth Treasurer. In 2020-21, it included calculations for both Commonwealth NHR funding and the National Partnership on COVID-19 Response (NPCR).

We calculated Commonwealth funding contributions and provided advice to the Administrator, and Commonwealth, State and Territory governments throughout 2020-21, including:

- completing the 2019-20 Annual Reconciliation for both NHR (\$21.304 billion) and NPCR (\$2.462 billion) as well as the Commonwealth's Minimum Funding Guarantee top-up payment of \$0.532 billion)
- four updates to the 2020-21 NHR payment advice, resulting in total Commonwealth funding of \$22.439 billion
- the first 2021-22 NHR payment advice, detailing an estimated \$24.786 billion of Commonwealth NHR funding.

We provided independent, expert advice to the Administrator, and Commonwealth, State and Territory governments on:

- the 2020-25 Addendum to the NHR Agreement, including enhancements to the Commonwealth Contribution Model (CCM) including producing Local Hospital Network figures at the service category level
- the NPCR, including \$3.304 billion of Commonwealth funding entitlements in 2020-21.

We focused on greater transparency and integrity by completing the Data Matching Proof of Concept – Final Report, which was issued to all Health Ministers in June 2021. This report details potential instances where hospital activity has been funded through more than one Commonwealth program, such as the Medicare Benefits Scheme (MBS), by matching data sets from the Commonwealth, States and Territories.

Year ahead (2021-22)

In 2021-22, we will:

- undertake 2021-22 funding calculations
- implement further enhancements to the CCM to incorporate the Addendum
- finalise the 2020-21 Annual Reconciliation (including the NPCR)
- incorporate data matching activities into the reconciliation process
- work with the Administrator, the Australian Commission on Safety and Quality in Health Care (ACSQHC), and the Independent Hospital Pricing Authority (IHPA) to incorporate additional safety and quality measures into public hospital funding, including for potentially preventable hospitalisations and avoidable re-admissions
- work with the IHPA to implement pricing parity for public and private patients in public hospitals.

1.1 The Treasurer of the Commonwealth is advised by the Administrator in a timely manner
Performance criteria 1.1 (Corporate Plan) and PBS 2020-21 page 331

2020-21 TARGET

100% of the advice about the amounts required to be paid into each State (and Territory) Pool Account is provided to the Treasurer in a timely manner.



ANALYSIS

Under the Addendum, each financial year, States and Territories have to provide the Administrator with:

- estimated service volumes by service category by 31 March for the next financial year (clause A105)
- confirmed service volumes by service category for each LHN by 31 May for the next financial year (clause A106).

Due to the delay of the Commonwealth 2020-21 Budget there was no requirement to submit estimated service volumes in March.

No State or Territory provided their confirmed service volumes by 31 May 2020 as required, with one submission received as late as 23 June 2020.

We used the confirmed service volumes (as represented by NWAU) to calculate the Commonwealth's NHR contribution to public hospital funding in 2020-21.

We completed our assurance review of the final calculations and the Administrator's payment advice was provided to the Commonwealth Treasurer on 25 June 2020.

The Treasury completed the first 2020-21 Commonwealth NHR payments to States and Territories on 7 July 2020.

Updates to payment advice can happen multiple times a year if States and Territories provide updated activity estimates to the Administrator. In 2020-21, the NHFB calculated, and the Administrator signed-off on three additional updates to payment advice.

Updates to 2020-21 payment advice was provided to the Commonwealth Treasurer on:

- 27 October 2020, which updated payments from 1 November 2020 – 30 June 2021
- 23 April 2021, which updated payments from 1 May to 30 June 2021
- 26 May 2021, which updated payments for June 2021.

Based on updated activity estimates provided by States and Territories, the final 2020-21 payment advice resulted in \$22.439 billion in Commonwealth NHR funding for 2020-21.

Each updated version of the Administrator's payment advice was also distributed to all health ministers and State and Territory health department CFOs on the same day.

1.2 Commonwealth funding calculations are accurate

Performance criteria 1.2 (Corporate Plan)

2020-21 TARGET

100% of current and future year Commonwealth Contribution Models (CCMs) are accepted by the Administrator.

MET

ANALYSIS

The updates we made to the CCM in 2020-21 were largely driven by the *Addendum to the National Health Reform Agreement 2020-21 to 2024-25* as agreed by all Governments in May 2020. This included the introduction of a single Commonwealth Contribution Rate (CCR) across all ABF categories.

The initial CCM for 2020-21 was approved by the Administrator and supported the payment advice provided to the Commonwealth Treasurer on 25 June 2020.

This advice included the initial calculation of the Commonwealth's contribution to public hospital funding in 2020-21 (\$23.607 billion) which was subsequently updated throughout the financial year (refer to performance criteria 1.1).

As part of our annual audit and assurance strategy, and to provide assurance to the Administrator, we engage with an industry partner to undertake a review of the CCM each year including the integrity of the methodology, formulas, inputs and outputs

In addition, as part of the Australian National Audit Office (ANAO) audit of Commonwealth Treasury's financial statements each year, the ANAO undertakes a review of the NHFB's calculations.

SPOTLIGHT ON 2019-20 Annual Reconciliation

In 2020-21, together with the Administrator we finalised the 2019-20 Annual Reconciliation. This was the first time we had to reconcile funding under two different agreements; Commonwealth NHR funding and Commonwealth NPCR funding. Due to the impact of COVID-19, there was an overall reduction in the number of public hospital services delivered in 2019-20. This resulted in a decrease in NHR funding which was offset by COVID-19 funding, and additional funding under the Commonwealth's Minimum Funding Guarantee. We delivered the 2019-20 Annual Reconciliation on time in March 2021.

1.3 Funding entitlements reconcile to actual services delivered

Performance criteria 1.3 (Corporate Plan)

2020-21 TARGET

Adjustments made to Commonwealth payments to Local Hospital Networks (LHNs) due to reconciliation are accepted by the Administrator.



ANALYSIS

Each year, there are two points when we reconcile the estimated activity provided by States and Territories to the actual public hospital activities delivered. This occurs following the provision of six-month and annual data by States and Territories (due 31 March and 30 September respectively). Adjustments to Commonwealth payments are only made after the reconciliations have been finalised.

The 2019-20 Six-month Reconciliation was held over until the 2019-20 Annual Reconciliation due to the impact of COVID-19 on the delivery of public hospital services.

In 2020-21, the Administrator provided advice to the Commonwealth Treasurer on funding adjustments related to the:

- Commonwealth NHR funding 2019-20 Annual Reconciliation
- Commonwealth NPCR funding 2019-20 Reconciliation and the Commonwealth's 2019-20 Funding Guarantee

Preliminary 2019-20 Annual Reconciliation results were provided to the Commonwealth, States and Territories on 13 November 2020 for discussion at the Administrator's Jurisdictional Advisory Committee (JAC) meeting the following week, on 19 November 2020.

Following a period of engagement and collaboration with stakeholders, final 2019-20 Annual Reconciliation outcomes were provided to the Commonwealth, States and Territories on 26 February 2021 for discussion at the Administrator's JAC on 4 March 2021.

The Administrator's advice on the 2019-20 Annual Reconciliation(s) was provided to the Commonwealth Treasurer (and all health ministers) on 25 March 2021. The final 2019-20 Commonwealth NHR funding entitlement of \$21.304 billion, represents a small increase of \$0.135 billion or 0.6% compared to 2018-19. However, when compared to the initial forecast 2019-20 funding entitlement of \$22.328 billion, this represents a funding adjustment of -\$1.024 billion; which was largely offset by +\$0.572 billion in COVID-19 funding for public hospital services and an additional +\$0.532 billion under the Commonwealth minimum funding guarantee.

The Commonwealth Treasurer's Federal Financial Relations (National Health Reform Payments for 2019-20) Determination 2020 was made on 21 April 2021. Following this, the Administrator's May 2021 payment advice for Commonwealth NHR funding was issued to the Commonwealth Treasurer (and all health ministers) on 23 April 2021, with final payments made in May and June 2021. This is the third year in a row that Annual Reconciliation results have been completed by March.

1.4 Public hospital services are funded through the appropriate Commonwealth program

Performance criteria 1.4 (Corporate Plan)

2020-21 TARGET

Integrity analysis of hospital activity and other Commonwealth program activity identifies instances where the same hospital service has been funded more than once.

MET

ANALYSIS

One of the mechanisms used to achieve funding integrity is through the matching of NHR public hospital activity data (at the patient level) with Commonwealth Medicare Benefits Schedule (MBS) payment data (also at the patient level). This matching allows us to identify potential instances where the Commonwealth may have contributed funding for a public hospital service both under the NHR Agreement and the MBS.

The Administrator held a dedicated JAC meeting on 23 July 2020 to discuss and gather feedback from States and Territories on the data matching business rules that would apply.

We provided a draft report on potential data matches and a statistical summary to the Commonwealth, States and Territories in early 2020-21 for review and feedback.

Once feedback was received, we circulated the Data Matching Proof of Concept – Final Report to all health ministers on 16 June 2021.

The report shared a number of key findings, including, if all identified potential matches in 2018-19 reflected non-compliant MBS billing, the associated MBS recovery would be in the order of \$496 million.

The key focus ahead is working with the States and Territories to identify and seek to correct the practices that lead to duplicate payments.

Feedback from the Commonwealth, States and Territories on data matching results for 2019-20 was provided in July 2021 and will inform a revised set of data matching business rules to be discussed at the Administrator's JAC meeting.

In accordance with the Addendum, we will now integrate data matching activities into our business as usual NHR funding reconciliation processes, starting with the 2020-21 Annual Reconciliation.



Objective Two

Best practice financial administration of the National Health Funding Pool

Analysis of performance in 2020-21

We continue to achieve our purpose of improving the transparency of public hospital funding by enhancing our core capabilities, better utilising our resources, adopting innovative approaches and working with our stakeholders.

In 2020-21, we administered \$56 billion in NHR payments from a total of \$55 billion in Commonwealth, State and Territory funding contributions and cash at bank (across 3,505 banking transactions). LHNs were directly paid \$54 billion, with the balance paid to State and Territory health departments. Of the \$56 billion, the Commonwealth contributed \$22.4 billion, with States and Territories contributing \$33.5 billion. This equates to approximately 85% of total government (Commonwealth, State and Territory) funding for public hospitals.

We aimed to promote greater compliance with the Addendum and further improve the transparency of public hospital funding by ensuring State ABF contributions as well as cross-border ABF transactions between States were processed through the Pool. Adjustments were made by Western Australia, South Australia, the Australian Capital Territory and the Northern Territory. We provided guidance on financial arrangements to enable \$3.3 billion in COVID-19 funding to be paid to States and Territories to support their response to the COVID-19 pandemic.

We established a Payment System Community of Practice, with representatives from all States and Territories. Feedback and suggestions for improvement from this forum as well as a Payments System user group survey done in August 2020 helped us to develop a number of enhancements that were rolled out in 2020-21.

These enhancements have improved the reporting functions and workflows within the system and the transparency of transactions, reduced the risk of human error, and enhanced the usability and value of the payment system for our agency and stakeholders. Following these enhancements, we updated our suite of policies and procedures and shared them with Payments System users.

Year ahead (2021-22)

In 2021-22, we will:

- work with the Commonwealth, States and Territories on further enhancements to the Payments System
- promote greater understanding of the Addendum to ensure consistency of funding flows and alignment to requirements (including Service Agreements)
- prepare the 2021-22 Financial Statements for sign-off by ANAO and State and Territory Auditors-General
- explore opportunities for additional funding streams to be transacted through the Pool.

2.1 Payments to each Local Hospital Network (LHN) accord with directions from responsible State and Territory Ministers and align with Service Agreements

Performance criteria 2.1 (Corporate Plan) and PBS 2019-20 page 332

2020-21 TARGET

100% of payments from the Pool are made in accordance with directions.

MET

ANALYSIS

100% of payments to LHNs in 2020-21 aligned with:

- directions from responsible State and Territory ministers
- the Administrator's payment advice to the Commonwealth Treasurer.

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

Performance criterion 2.2 (Corporate Plan)

2020-21 TARGET

100% of the Administrator's Payments System policies and procedures are complete, available and approved annually by the Administrator.

MET

ANALYSIS

Following a number of enhancements made to the Payments System, the Administrator's *National Health Funding Pool Payments System Policy* was updated and approved by the Administrator. We provided this policy to the Payments System Community of Practice on 12 February 2021 and made it available within the system to all users.

In quarter 4 of 2020-21, we also updated the Payments System:

- Security Plan
- Security Risk Management Plan
- Internal Control Framework
- Business Continuity Plan
- Disaster Recovery Plan.

SPOTLIGHT ON \$6 billion in COVID-19 funding

We upgraded the National Health Funding Pool Payments System in March 2020 to deliver timely NPCR funding to States and Territories to support their response to the COVID-19 pandemic. Since the NPCR was established, \$6 billion in COVID-19 funding has been paid to States and Territories, with \$3.3 billion in 2020-21.



Objective Three

Effective reporting of public hospital funding

Analysis of performance in 2020-21

We achieved our purpose of improving the transparency of public hospital funding payments made into and out of the Pool and each State Pool Account and State Managed Fund.

Since 2013-14, public hospital funding has increased from \$37 billion to \$56 billion in 2020-21, an increase of \$19 billion.

While we met our performance criteria of producing monthly and annual reporting of funding, payments and services, we did not meet our desired timeframes for publishing the reports in July and August 2020. However, we have now integrated an automated reporting process within the Payments System. This has removed the need for manual data entry and significantly improved the timeliness of our reporting, enabling all reports from September 2020 onwards to be released on or ahead of schedule. In 2020-21, 160 reports on public hospital funding and activity were published to publichospitalfunding.gov.au each month.

We improved compliance with the NHR Agreement through engagement with States and Territories on Service Agreements, activity estimates, monthly reports and annual reconciliation. We engaged with our stakeholders to update and publish the Administrator's *Three Year Data Plan: 2021-22 to 2023-24* and accompanying *Data Compliance Policy 2021-22*.

We engaged with States and Territories and our portfolio agency partners to further progress work on trend reporting and triangulation across multiple data sources and financial years. This has helped us to better understand data and information flows, and we will incorporate this into future updates to the Administrator's Three Year Data Plan.

Year ahead (2021-22)

In 2021-22, we will:

- publish the Administrator's 2020-21 Annual Report
- work with the Commonwealth, States and Territories on enhancements to the website
- review and publish the Administrator's *Three Year Data Plan: 2022-23 to 2024-25* in consultation with portfolio agency partners and stakeholders
- review and publish the Administrator's *Data Compliance Policy 2022-23* in consultation with portfolio agency partners and stakeholders.

3.1 Ministers receive required information in a timely manner

Performance criterion 3.1 (Corporate Plan)

2020-21 TARGET

The Annual Report on the operations of the National Health Funding Pool is submitted to each Health Minister for tabling as per the NHR Act.

MET

ANALYSIS

We produced nine sets of financial statements for the National Health Funding Pool in 2019-20; one combined statement and one statement for each State and Territory Pool Account.

Each year, the Annual Report on the operations of the National Health Funding Pool has to be tabled in Federal Parliament and each State and Territory parliament.

We successfully tabled the Administrator's 2019-20 Annual Report on time in Federal Parliament on 19 October 2020.

The report was then distributed to State and Territory health ministers and health departments. The report was tabled in:

- Parliament of New South Wales on 9 February 2020
- Parliament of Victoria on 10 December 2020
- Parliament of Queensland on 17 December 2020
- Parliament of Western Australia on 12 November 2020
- Parliament of South Australia on 3 December 2020
- Parliament of Tasmania on 4 December 2020
- ACT Legislative Assembly on 26 November 2020
- Legislative Assembly of the Northern Territory on 11 November 2020.

SPOTLIGHT ON End of month processing

Throughout 2020-21, we reviewed our approach to end of month processing. With States and Territories, we explored opportunities for automation to achieve further efficiencies and functionality improvements to our systems (Payments System and website). As a result, we were able to publish full year 2020-21 funding and payment information on the website on 23 July 2021, six weeks earlier than last year.

3.2 Monthly and annual reporting of funding, payments and services

Performance criterion 3.2 (Corporate Plan) and PBS 2019-20 page 342

2020-21 TARGET

Monthly and annual reporting is uploaded to the website within four weeks of period close.

SUBSTANTIALLY MET

ANALYSIS

Throughout 2020-21, we reviewed our end of month processing and explored opportunities for automation to achieve further efficiencies and functionality improvements to our systems (Payments System and website). While we did not achieve our planned timeframes (within four weeks of period close) for the publication of July and August monthly reports in 2020-21, all reports from September 2020

have been released within four weeks, with reports from December 2020 to May 2021 released within three weeks. Prior to our systems improvement, this process took up to 20 weeks.

We have now published all monthly and annual reports for 2020-21 funding and payments (\$56 billion) and services (9 million NWAU) to publichospitalfunding.gov.au

3.3 Quarterly and annual reporting of Commonwealth, State and Territory compliance with the Administrator's Data Plan

Performance criterion 3.3 (Corporate Plan)

2020-21 TARGET

Increase public access to information on Commonwealth, State and Territory compliance with the Administrator's Data Plan.

MET

ANALYSIS

The Administrator's rolling Three Year Data Plan sets out the minimum level of data that States, Territories and the Commonwealth must provide to the Administrator, and the timeframes it must be provided within.

Each quarter, we produce a compliance report that details whether States, Territories and the Commonwealth have met their obligations under the Data Plan.

In 2020-21, we published all compliance reports to publichospitalfunding.gov.au within six weeks of the end of the reporting period.

Compliance with the Administrator's Data Plan has improve marginally over time. However, there are some areas of concern that require more work, such as the timeliness of data submissions and the provision of statements of assurance.

For the 2019-20 Annual Reconciliation, only 87% of data submissions were received by the due date of 30 September. This compares to 100% for 2018-19 Annual Reconciliation, however data resubmissions were received up to 19 weeks after the initial due date.

For 2020-21 Six-month data submissions, timeliness has improved marginally with 87% of submissions provided on time compared to 75% in the prior year.



Objective Four

Productive relationships
with stakeholders and partners

Analysis of performance in 2020-21

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

The Administrator, NHFB CEO and NHFB staff participated in a number of Commonwealth, State and Territory and portfolio agency forums in 2020-21, including:

- the Administrator's Jurisdictional Advisory Committee
- IHPA's Jurisdictional Advisory Committee
- IHPA's Technical Advisory Committee
- AIHW's Health Expenditure Advisory Committee.

Our capacity to improve the transparency of funding for public hospital services depends on us maintaining productive relationships and regular communication with our stakeholders and partners. Early and impartial engagement with all stakeholders, especially States, Territories and the Commonwealth, gives us time to discuss and resolve issues in a collaborative manner.

We further invested in our tiered approach to stakeholder engagement and improved our relationships through bilateral and multilateral engagement with States and Territories, the Commonwealth and portfolio agency partners (including monthly discussions with the Commonwealth, IHPA and AIHW).

Year ahead (2021-22)

In 2021-22, we will:

- review our strategic communications and stakeholder engagement framework and implement improvements (including acting on feedback from stakeholders)
- actively participate in bilateral and multilateral forums with all jurisdictions
- actively engage and collaborate with portfolio agencies (IHPA, ACSQHC and AIHW)
- explore options for sharing modelling, analytic and reporting tools with stakeholders and partners
- promote greater understanding of the 2020-25 Addendum to the NHR Agreement.

4.1 Provide trusted and impartial advice
Performance criteria 4.1 (Corporate Plan)

2020-21 TARGET

Provide advice on the implementation of funding arrangements.



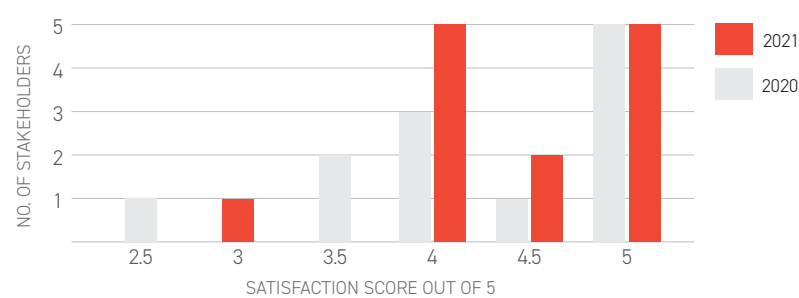
ANALYSIS

We continue to provide advice to States and Territories on the implementation of the Addendum to the *National Health Reform Agreement*, signed on 29 May 2020. This includes the introduction of a single Commonwealth Contribution Rate, pricing parity for private and public patients in public hospitals, and progression of funding integrity measures such as data matching.

SPOTLIGHT ON Engagement with stakeholders

Since late 2018, we have been working to improve our approach to communication and engagement with our stakeholders. We have aimed to deliver transparent and user centred communication to our stakeholders including providing additional technical assistance across our core calculate, pay and report functions. The addition of regular bilaterals with each State and Territory ahead of the more formal Administrator's JAC has been a key feature of our new approach.

We asked our stakeholders to rate their overall satisfaction with our agency's communication and engagement in 2020 and again in 2021. We were pleased to see the positive results from our investment in stakeholder engagement, and we plan to build on this further in 2021-22. We will do this through more frequent and less formal workshops with State and Territories to discuss topics such as data, reconciliation and to share insights around business processes.



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

Performance criteria 4.2 (Corporate Plan)

INTRODUCTION

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2020–21 TARGET

Three Year data plans are completed on time, endorsed by the Administrator and agreed with stakeholders.


 MET

ANALYSIS

In 2020-21, we co-chaired, with the Administrator, a series of bilateral meetings with each State and Territory in:

- September 2020
- October 2020
- November 2020
- February 2021
- May 2021.

We scheduled the bilaterals ahead of each Administrator's JAC meeting to consult with States and Territories on key work packages ahead of sharing final draft documents for feedback. Agenda items in the bilaterals included:

- Commonwealth NHR Funding
- NPCR Funding
- Administrator's Calculation of NHR funding Policy
- Administrator's Guidance on NPCR Funding
- Data Matching results and analysis, including business rules
- Administrator's Three Year Data Plan
- Administrator's Data Compliance Policy
- 2020-21 Service Agreements
- Monthly and Annual NHR Reporting
- Consistency and Transparency of NHR funding and payments.

The bilateral discussions also provided us the opportunity to work one on one with States and Territories on key activities early, provide additional support and work through questions raised on the implementation of the Addendum and the Administrator's policies.

In reviewing the Administrator's Three Year Data Plan, we engaged with the IHPA (who are also required to develop a three year data plan under the Addendum), to align our data requirements, data standards and timelines that we will both use to collect data over the three years covered by the plans.

Following a period of consultation with States and Territories (via the Administrator's JAC and bilateral discussions), the Administrator's Three Year Data Plan 2021-22 to 2023-24 was presented at the Administrator's JAC meeting on 4 March 2021, and circulated to health ministers with IHPA's data plan for a 45 day consultation period on 26 March 2021. It was then published (without a direction to change or amend) on publichospitalfunding.gov.au by the due date of 30 June 2021.

For further information on compliance with the Administrator's Data Plan, refer to performance criteria 3.3.



Objective Five

Operate as a high performing organisation

Analysis of performance in 2020-21

We achieved our purpose through embedding a positive workplace culture where 'how' we do things is just as important as 'what' we do.

We set out a clear Strategic Direction, supported by our Corporate Plan, Risk Tolerance Statement and Risk Policy and Framework, section plans and performance agreements. This provided a clear line of sight for our staff between their individual roles and the Strategic Direction.

We improved our organisational performance monitoring by holding a monthly discussion on organisational performance, risk management and budget position.

We completed all mandatory (PGPA Act & APS) compliance reporting, with no integrity matters to report, and collaborated between teams to achieve outcomes. In summary, we:

- improved our approach to organisational performance reporting, compliance reporting, audit and assurance, as well as broader policy reviews
- reviewed and further enhanced our approach to risk management (including updates to our Risk Tolerance Statement, Risk Policy, Instructions, assessment worksheets, register and quarterly performance report)
- updated our workplace diversity strategy, workforce capability plan and learning and development strategy
- made further progress toward sustaining a strong agency culture based on our United Leadership behaviours (One NHFB, Enhanced Trust, Open Communication, and Own It).

Year ahead (2021-22)

In 2021-22, we will:

- implement our *Workforce Capability Plan 2021-25*
- implement our *Learning and Development Strategy 2021-25*
- monitor our performance against our *Corporate Plan 2021-22*
- publish the NHFB's *2020-21 Annual Report*
- apply enhancements to our risk management practices
- apply enhancements to our audit and assurance approach
- apply enhancements to our business continuity planning.

5.1 A positive workplace culture where people adopt best practice approaches to achieve results

Performance criteria 5.1 (Corporate Plan)

2020–21 TARGET

APS Census results show a positive trend on prior year.

MET

ANALYSIS

We participated in the *Australian Public Service Employee Census 2020*, and for the first time, volunteered for our results be made public on the Australian Public Service Commission's website.

We performed exceptionally well in our staff survey, with the 2021 APS Employee Census results seeing the NHFB achieve a record result coming first out of 101 agencies for both employee engagement and innovation, and third for wellbeing.

Our results highlight the efforts we have made to embed our united leadership behaviours and improve our workplace culture – with an emphasis on 'how' we do things being just as important as 'what' we do. We are proud that:

- 100% would recommend the agency as a good place to work (compared to an APS average of 69%)
- 92% of staff feel that people within their workgroup cooperate to get the job done (compared to an APS average of 87%)
- 100% of staff feel their supervisor communicates effectively (compared to an APS average of 81%)
- 92% of staff identified their supervisor encourages their team to regularly review and improve their work (compared to an APS average of 80%).

Further detail on our results, including trend information can be found in Employee Census, pages 64–65.

SPOTLIGHT ON Graduate Program

The platform to our success is operating as a high performing organisation that is professional, capable, flexible and technology enabled. We are proud of our positive workplace culture and our united leadership behaviours, where we focus on 'how we do things' just as much as 'what we deliver'. In 2020–21 we commenced our inaugural Graduate Program, recruiting one graduate for a 12 month program providing a diverse range of experiences across the Agency, and a rotation through our portfolio agency partner, the Independent Hospital Pricing Authority. We have expanded our program with two graduates commencing in 2021–22.

2020-21 TARGET

Our forward work plans are developed in consultation with staff.



ANALYSIS

The platform to our success is operating as a high performing organisation that is professional, capable, flexible and technology enabled. In 2020-21, through a number of all-staff sessions, team-based discussions and internal governance committees, we developed our:

- Strategic Direction 2020-2024
- Risk Tolerance Statement 2020-21
- Corporate Plan 2020-21
- Section Plans and Individual Performance and Development Agreements.

We connect our Executive meetings, fortnightly discussions on core functions (calculate, pay, report) and monthly all-staff discussions back to our Strategic Direction and agency objectives. This ensures we maintain a clear line of sight between individual contributions and agency outcomes.

2020-21 TARGET

100% of compliance reporting requirements for the NHFB as a non-corporate entity are met within timelines.



ANALYSIS

We proactively manage our responsibilities as a PGPA agency, monitoring our forward work plan to ensure all our obligations are met.

In 2020-21, all compliance obligations under the PGPA Act were met, including:

- publishing the *2020-21 Corporate Plan*
- an unmodified audit opinion for the 2020-2021 Financial Statements
- legal services expenditure reporting
- contract expenditure reporting (Murray Motion)
- internal file listings (Harradine Order)
- Protective Security Policy Framework reporting
- Public Interest Disclosure reporting
- fraud reporting
- freedom of information.

5.2 An agile and responsive workforce ready to adapt to new developments

Performance criteria 5.2 (Corporate Plan)

2020-21 TARGET

APS Census results show innovation is promoted and change is well managed through a positive trend on prior-year.



ANALYSIS

The innovation section of the APS Census assesses both whether employees feel willing and able to be innovative, and whether their agency has a culture which enables them to be so. We are incredibly proud of coming 1st out of 101 agencies for innovation, in particular:

- 95% of staff agreed that people are recognised for coming up with new and innovative ways of working (33 percentage points higher than the APS overall)
- 90% of all staff agreed that the Agency recognises and supports the notion that failure is a part of innovation (54 percentage points higher than the APS overall).

2020-21 TARGET

100% of corporate policies are fit for purpose for a small Agency and approved by the CEO.



ANALYSIS

All policies due for review in 2020-21 were reviewed, updated and endorsed by the CEO. This ensures all policies are fit for purpose, understood by staff and reflect current priorities and needs of the agency. We monitor our policy review forward work plan through our monthly organisational performance report, as well as reporting to the Independent Audit and Risk Committee on a quarterly basis.

MANAGEMENT & ACCOUNTABILITY

This part of our report details the corporate governance structures we have in place, how we support our workforce and how we have met our obligations as a PGPA agency.





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HUMAN RESOURCES

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

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.

Our people are critical to the achievement of our objectives. In 2020-21, we:

- attracted new, skilled and versatile people to support our core functions
- continued to promote a culture where people work within and across teams to maximise their expertise and produce results that benefit the agency as a whole
- invested in learning activities to complement the skills and experience of our team
- refined our organisational approaches to reflect the requirements of a dynamic, small-sized agency, positioning us to respond quickly and flexibly to meet emerging requirements.

2020-21 highlights



We implemented a range of new HR strategies, including Workforce Capability; Workforce Diversity; and our Learning and Development Strategy.



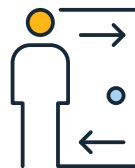
Our APS Census survey results show we enjoy a respectful workplace, with collaboration across teams growing day by day.



We implemented a more flexible recruitment approach to source skills that can be utilised across the organisation, including identifying opportunities for mobility internally and between government agencies.



We commenced our inaugural Graduate Program, recruiting one graduate for a 12 month program, providing a diverse range of experiences across the NHFB and with our stakeholders and partners.



We continued to support flexible working arrangements in response to the COVID-19 outbreak to protect our people whilst still achieving our objectives.

Workplace Response to COVID-19

We continued our focus on staff health and wellbeing as the COVID-19 pandemic continued to present challenges across Australia. In September 2020, our agency participated in a voluntary Comcare inspection which assessed compliance with the *Work Health and Safety Act 2011* (WHS Act) and *Work Health and Safety Regulations 2011* (Cth) (WHS Regulations) in relation to our management of COVID-19 risks in the workplace. We were found to be fully compliant, with Comcare determining we have appropriate plans and protections in place to support our staff and work practices.

Capability

In 2020-21, we updated and implemented the full suite of HR strategies that were developed in 2020; including Workforce Capability, Workforce Diversity and our Learning and Development Strategy. These strategies complement and reflect the broader, whole of APS strategies communicated by the Australian Public Service Commission. These strategies provide tailored, best practice and fit-for purpose policies that support our staff.

In 2020-21, we implemented a new Performance and Development Framework, reflecting an increased focus on learning and development for our people and our United Leadership behaviours. The Framework highlights our approach that focuses on 'how we do things' just as much as 'what we deliver'. This has helped us to strengthen our high performing environment, where everyone is valued and performs their role to the best of their ability. The Framework also supports each employee's Performance and Agreement, drawing a clear 'line of sight' from our Strategic Direction to each individual's role.

Workforce Capability Plan

The NHFB Workforce Capability Plan 2021-2025 sets out the strategies to build and strengthen our workforce capability to enable us to:

- understand our workforce profile
- identify our strengths, weaknesses, areas of risk and opportunities for development
- understand and continue planning for future workforce requirements
- align HR strategies to maximise capacity, address critical gaps and reflect whole of APS themes.

We have thought about the internal and external factors that may impact our workforce, and how we can build the capability of our current and future workforce to improve the transparency of public hospital funding in Australia. We have three objectives in the Capability Plan that help guide our decision making:

1. Managing the composition of our workforce through continual review of staffing and section structures to optimise service delivery, monitoring turnover trends and indicators of external competition, and attracting and retaining the right people.
2. Building the capability of our people by ensuring role clarity for staff, setting clear performance expectations, providing access to individual learning and investing in career development.
3. Continuing our focus on culture and leadership through effective change management processes, active measurement and management of employee engagement, and celebrating our success.

In our 2021 census, 100% of staff agreed that **we support and actively promote an inclusive workplace culture**

Workforce Diversity Plan

We are an inclusive organisation that values fairness, equity and diversity consistent with the APS Values and Code of Conduct.

Our Workforce Diversity Plan 2021-2025 recognises and appreciates the differences in our employees and outlines our commitment to reflecting the diversity of the Australian community within our own workforce. Our staff are encouraged to join a wide range of diversity communities made available through the Department of Health and other APS Communities of Practice, and we aim to attract talent from the widest pool of available staff - regardless of their background, gender, age, religious beliefs or personal commitments.

We embed diversity and inclusion in all aspects of our workplace culture, recruitment processes, career development, stakeholder engagement and our policies and procedures. As a result, we are very proud of our workforce that has an enhanced understanding of - and service to - stakeholders, embraces innovation, provides an enriched working environment and delivers very high quality work.

Learning and development

We are committed to investing in our people through learning and development that is tailored to individual, team and agency requirements. Through the implementation of our Learning and Development Strategy, we remained focused on developing peoples capabilities and careers through identifying a broad range of learning methods to best support our workforce. In providing a diverse learning environment and respecting different learning styles, we are better equipped to achieve agency outcomes.

CASE STUDY

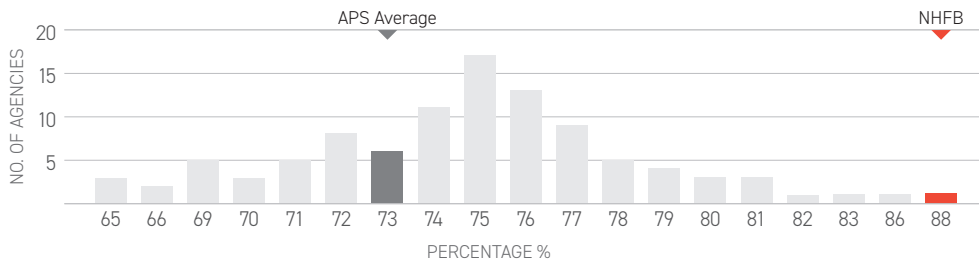
2021 Australian Public Service Employee Census

The Australian Public Service (APS) Employee Census is an annual opinion survey sent to all APS employees. The survey asks respondents a range of questions such as employee engagement, wellbeing, innovation, performance management, leadership, and general impressions of the APS.

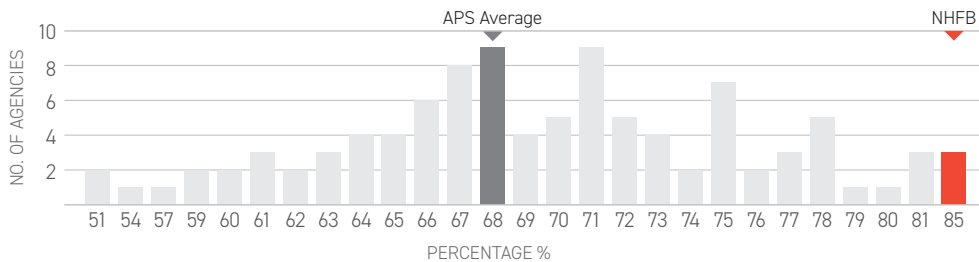
In 2020-21 we achieved a result better than we hoped for, scoring higher than any other agency for both employee engagement and innovation, and third highest for wellbeing.

The graphs below show the APS average compared to NHFB's high scores.

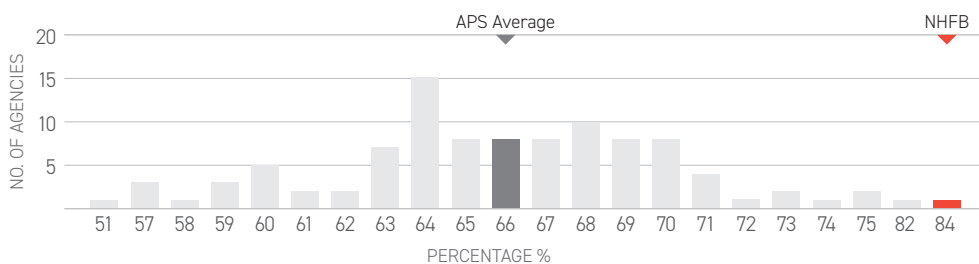
Engagement - NHFB 1st of 101 agencies



Wellbeing - NHFB 3rd of 101 agencies



Innovation - NHFB 1st of 101 agencies



Employee census results

We continue to perform exceptionally well in our staff survey results.

The 2021 census results showed that 100% of staff feel committed to the agency's goals, are proud to work at NHFB in an environment that enables us to deliver our best.

FIGURE 11 NHFB Census results: 2019 compared to 2021

	Positive responses in 2021	Positive responses in 2019
My SES manager clearly articulates the direction and priorities for our area	▲ 100%	57%
Committed to Agency goals	▲ 100%	79%
Proud to work in my Agency	▲ 100%	74%
My agency supports and actively promotes an inclusive workplace culture	▲ 100%	78%
I think my agency cares about my health and wellbeing	▲ 95%	58%
My workgroup has the tools and resources we need to perform well	▲ 95%	59%
My SES manager encourages innovation and creativity	▲ 100%	62%
Satisfied with the non-monetary employment conditions	▲ 95%	77%
I am satisfied with my job	▲ 86%	70%
I would recommend my agency as a good place to work	▲ 95%	64%

These results highlight our success in embedding our United Leadership behaviours and strengthening our excellent people culture. Our work on our census implementation plan, initially rolled out in 2019, focusses our efforts against where our staff feel we are doing well and where we could do better. We report on our progress in our monthly Organisational Performance discussions, where we monitor progress on our plans for improvement.

While we're incredibly proud of our results, we must not take this for granted. It is important that we sustain our positive workplace culture underpinned by our United Leadership behaviours. We have identified results we'd like to improve on in 2021-22:

- communicating what we can offer our staff in terms of health and wellbeing (down 15% from 2020)
- engaging with our staff on how to respond to future challenges (down 14% from 2020)
- providing clarity on roles and responsibilities (down 15% from 2020).

Employee profile

All NHFB employees are based in our Canberra office in Acton.

Our Average Staffing Level (ASL) allocation for 2021-21 was 21 employees, including the Administrator of the National Health Funding Pool. The Administrator is 0.6 of a full-time equivalent (FTE) and for the purpose of this Annual Report, is not included in the following tables.

Key highlights of our 2020-21 employee profile:

- our headcount has remained stable over the last four years
- we've improved certainty through ongoing employment
- we're sustaining our gender balance
- we're reinvesting in APS levels in the agency.

TABLE 1 Headcount, FTE and ASL 2016-17 to 2020-21

Year	ASL Cap	Headcount	FTE	ASL
2020-21	20.4	22	21.4	20.8
2019-20	20.4	22	19.6	18.9
2018-19	20.4	22	20.2	18.0
2017-18	20.4	23	19.4	18.3
2016-17	18.4	21	18.5	17.3

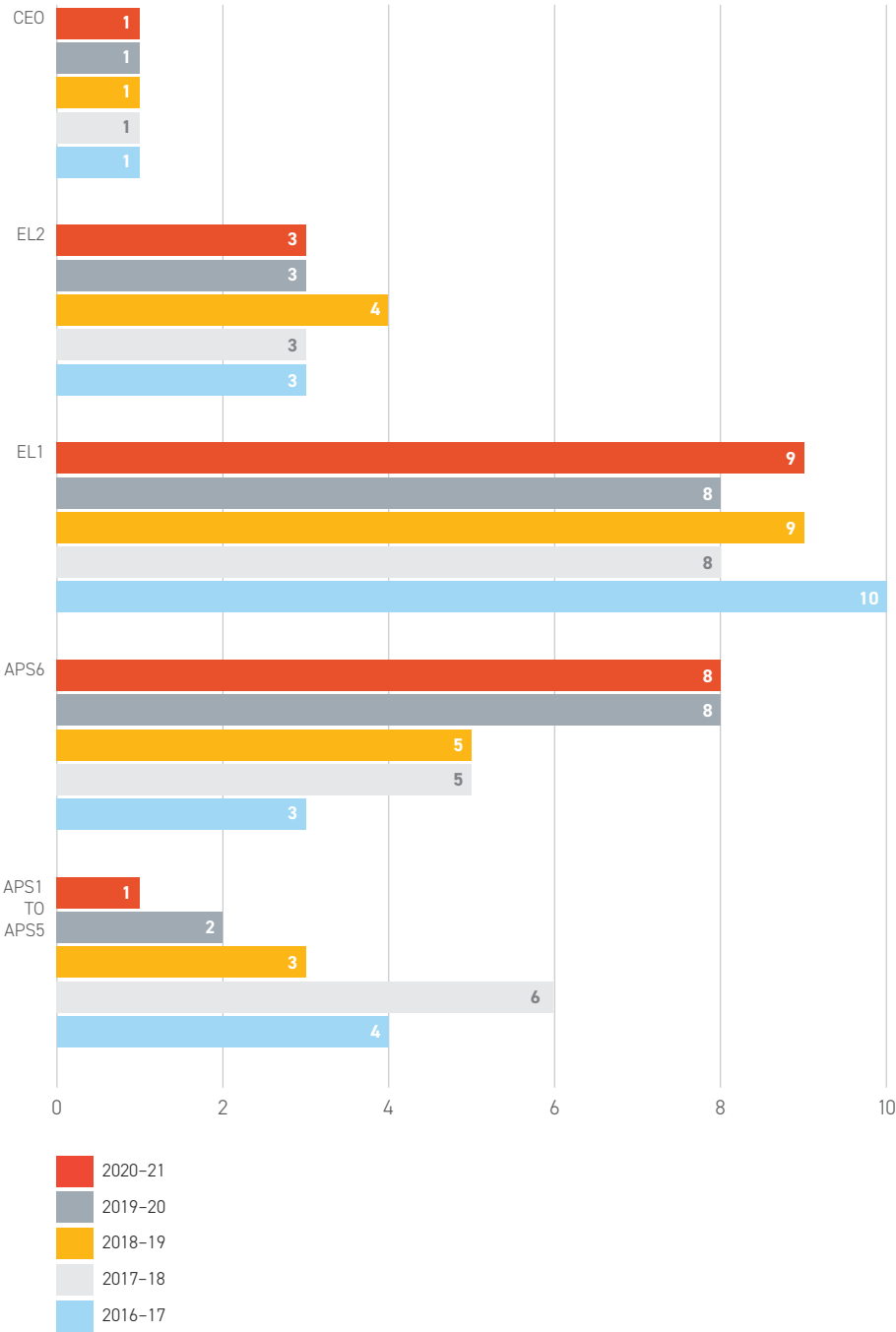
TABLE 2 Headcount by employment status and gender 2015-16 to 2019-20

Employment Status	2016-17		2017-18		2018-19		2019-20		2020-21	
	M	F	M	F	M	F	M	F	M	F
Ongoing	6	10	5	11	7	13	8	9	10	12
Non-ongoing	2	3	4	3	1	1	3	2	0	0
TOTAL	8	13	9	14	8	14	11	11	10	12

TABLE 3 Senior Executive - holders of Public Office

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

FIGURE 12 Headcount by classification 2016-17 to 2020-21



Workforce planning, employee retention and turnover

We have been operational for nine years and in 2020-21, for the first time, achieved our ASL cap of 21 staff. This will grow over the next year following an increase in our ASL cap to 29.

Due to the commencement of a number of new starters, there has been an impact on average length of service in 2020-21.

TABLE 4 Turnover rate 2016-17 to 2020-21

Year	Rate
2020-21	29.0
2019-20	32.1
2018-19	30.1
2017-18	40.6
2016-17	14.0

TABLE 5 Average length of service 2016-17 to 2020-21

Year	Average length of service
2020-21	1.7
2019-20	2.6
2018-19	2.8
2017-18	2.3
2016-17	2.0

TABLE 6 Key Management Personnel

Name	Position title	Term as KMP
Michael Lambert	Administrator	4
Shannon White	Chief Executive Officer	5

Workforce diversity

Our commitment to recruiting and retaining a diverse workforce is reflected in our Workforce Diversity Plan 2021-2025. In 2020-21:

- our gender demographic was 55% female and 45% male, with no staff identifying as non-binary or intersex
- 18% of our staff identified as coming from a non-English speaking background, compared to 13% in 2019-20
- our age profile spans from between 25 - 59 years
- 72% have a formal qualification.

In 2021, we joined the Australian Public Service Pride Network, run by the Department of the Prime Minister and Cabinet.

Remuneration framework

Through to October 2022, NHFB will continue operating under its current Non-SES Employees Determination 2019, under Public Service Subsection 24(1). This Determination provided staff with general remuneration increases (2% per annum) for three years beyond the conclusion date for the National Health Funding Body Enterprise Agreement 2016-2019, while maintaining the existing employment conditions.

In early April 2020, the Australian Government announced a six month deferral of general wage increases for Commonwealth Public Servants due to the COVID-19 pandemic, which saw the our October 2020 (2%) pay rise deferred until April 2021. Despite this, in the 2021 census:

- 86% of staff agreed they were fairly remunerated for the work they do, 20 percentage points higher than the APS overall
- 95% of staff reported being satisfied with non-monetary employment conditions (e.g. leave, flexible work arrangements), an increase of 10% from 2019 and 18 percentage points higher than the APS overall.

Staff also remained eligible for salary increment increases relating to their Performance and Development Agreement.

In early 2022, staff will be consulted in relation to their preference to undergo the bargaining process to implement a new Enterprise Agreement, or select to put into place another Determination under Subsection 24. In line with the Public Sector Workplace Relations Policy 2020, all future APS staff salary increases will be in line with the annual floating Wage Price Index (WPI) as determined by the Department of the Treasury, when their current Enterprise Agreement or Determination expires.

Our agency appoints only one SES-level employee, the CEO for the National Health Funding Body, who is a Holder of Public Office. The remuneration and employment conditions for the CEO are set by the Commonwealth Remuneration Tribunal.

TABLE 12 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	Adminstrator	190,951	-	-	17,366	9,034	-	-	217,351
Shannon White	Chief Executive Officer	252,306	-	-	38,179	6,018	-	-	296,503
TOTAL		443,257	-	-	55,545	15,052	-	-	513,854

Salary ranges for the 21 non-SES employees are at the table below. No employees received performance pay in 2020-21, and four non-SES employees were covered by the Enterprise Agreement and an Individual Flexibility Arrangement.

TABLE 7 Salary range by classification

Classification	Salary Range \$
EL2	124,740 – 147,687
EL1	104,552 – 119,243
APS6	85,080 – 95,983
APS5	76,001 – 82,192

Non-salary benefits

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

- allowances (including leave and travel)
- home based work
- studybank
- workplace health, safety and wellbeing.

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
- financial assistance to access financial advice for staff aged 54 years and older
- leave for Australian Defence Force reserve and continuous full-time service.

Learning and development

Each year we undertake a training needs analysis in order to provide tailored learning and development opportunities to support our people to do their best work. The implementation of our 2021-2025 Learning and Development Strategy will continue to address learning needs to expand our knowledge and skill sets through a diverse range of training methods. In 2020-21, we provided Studybank or Professional Membership assistance to 20% of our workforce. Our Study Assistance Scheme offers financial assistance, paid leave for study purposes, or a combination of both.

TABLE 8 Employee qualifications

Qualification	Number of employees
Professional Industry Qualification	4
Post Graduate Qualification	5
Undergraduate Qualification	12
TOTAL	21

We also utilised a variety of other channels of learning, including:

- leadership programs
- APS and private sector conferences
- Communities of Practice forums
- participation in Commonwealth, State and Territory technical and advisory committees.

In 2020-21, NHFB employees received training (classroom and online) for:

- risk management
- fraud control
- integrity
- security
- personal efficiency
- work, health and safety
- well-being, resilience, mental health and first aid.

Performance management

In 2020-21, we continued to ensure our employees understood how their own role contributed to the strategic direction of the organisation, with these links reflected throughout our performance agreements. This is reflected in our 2021 APS Census results with 100% of staff agreeing the direction and priorities for our agency are clearly defined (an increase of 11% from 2019).

We have maintained our focus on connecting individual performance with our agency's five Strategic Objectives and our United Leadership Behaviours. In support of our excellent people culture, throughout 2021-22, we will implement our updated HR strategies and plans, highlighting that the way we do things (our behaviours) is equally as important as what we deliver (our outcomes). Our performance agreements capture our emphasis on individual professional development and reflect increased opportunities for targeted learning.

During 2020-21, there were no instances of employees requiring management for underperformance.

Unscheduled absences

Our unscheduled absence rate remains below the APS average. Over time, our unscheduled absence rate continues to decline. The slight increase from 2019-20 to 2020-21 is due to planned and active management of known medical requirements.

TABLE 9 Unscheduled absences (days) 2016-17 to 2020-21

Year	NHFB	APS
2020-21	9.3	12.2
2019-20	8.9	11.2
2018-19	9.8	11.4
2017-18	9.5	11.4
2016-17	10.8	11.4

Code of conduct

As an agency covered 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.

In 2020-21, we had zero Code of Conduct investigations and zero claims of bullying and harassment.

Productivity gains

In 2020-21, we progressed a range of productivity initiatives; implementing our new Shared Services Agreement with the Department of Health to maximise our efficiency and focus on our core functions through appropriate outsourcing. We encourage and promote a culture of innovation where our people feel willing and able to suggest new ideas, which is reflected in our APS Census results:

- 95% of our staff agree that one of their responsibilities is to continually look for new ways to improve the way we work

- 90% of staff agree that we recognise and support the notion that failure is a part of innovation (54 percentage points higher than the APS overall)
- 90% of our staff agreed that their supervisor encourages their team to regularly review and improve work
- 100% of staff agreed our CEO encourages innovation and creativity (36 percentage points higher than the overall APS).

We also reduced beige tape and streamlined a number of our internal policies, improving collective and individual productivity as a result.

Work, health and safety

We are committed to providing and maintaining a safe and healthy workplace for all our employees and visitors, and achieving high standards of health, safety and wellness through a range of initiatives, policies and procedures.

We recognise that providing a safe and healthy workplace positively impacts workplace morale, productivity and culture, and reduces workplace injuries. To ensure our staff are consulted on health and safety matters, and our WHS performance is monitored and continually improved, our Workplace Consultative Committee (see page 79) provides a forum for communication and consultation with employees in line with our Enterprise Agreement (Part J - Consultation and Communication). The WCC reports to the CEO on matters including:

- workplace conditions (e.g. Enterprise Agreement, HR Policies and change management); and
- workplace health and safety (e.g. policies, procedures and hazard identification).

The WCC also serves as a forum to ensure we meet the legislative requirements of the *Work Health and Safety Act 2011* (WHS Act), the *Work Health and Safety Regulation 2011* (the WHS Regulation) and the *Safety, Rehabilitation and Compensation Act 1988*. In 2020-21, no directions or notices were issued to the NHFB under the WHS Act 2011.

We have a rehabilitation management system in line with Comcare's Guidelines for Rehabilitation Authorities 2019; these Guidelines provide a framework for our health and safety management arrangements.

Online Work Health and Safety training is mandatory for all employees, and this training is linked to individual performance agreements. This assists us to meet our WHS obligations and provide for a workplace that is safety conscious. Health and wellbeing awareness is also promoted by the provision of a healthy lifestyle program developed in consultation with employees through the WCC. In 2020-21, our employees had access to:

- workplace assessments and ergonomic equipment, including sit-to-stand desks
- rest break guidance
- an Employee Assistance Program providing confidential counselling to employees and their families on a broad range of issues, at no cost to employees
- corporate fitness memberships at discounted rates
- eye sight testing and partial reimbursement for spectacles
- family care assistance
- use of taxis after hours to provide safe transport to and from work.

Health and safety outcomes

Through our active management and health promotion practices, we aim to eliminate all preventable work related injuries and illnesses. In our 2021 APS Census, 95% of staff agreed the agency cares about their health and wellbeing (up from 82% in 2020).

In 2020-21, there were no workers compensation claims submitted to Comcare and as a result, our premium has decreased substantially over the last five years.

TABLE 10 Comcare premium rates

Year	Premium (\$)
2020-21	18,165
2019-20	19,920
2018-19	26,710
2017-18	35,976
2016-17	44,447

Disability strategy

The National Disability Strategy (2010-2020) was introduced to assist Australian Government agencies to meet their obligations under the *Disability Discrimination Act 1992*. The Strategy sets out a policy framework to improve the lives of people with disability, promote participation, and create a more inclusive society. In December 2020, Disability Ministers from across Australia issued a Statement of Continued Commitment to the National Disability Strategy to continue efforts to uphold the rights of people with disability between the expiry of the current Strategy at the end of 2020, and the finalisation of the new National Disability Strategy in 2021 (following public consultation).

In accordance with the National Disability Strategy, we are committed to providing any of the following adjustments to:

- the workplace, equipment or facilities, including provision of additional software or equipment
- work-related communications, including the form or format in which information is available
- work methods
- work arrangements, including in relation to hours of work - for example, part-time or flexible work arrangements.

CASE STUDY

Risk Management



With a \$6 million operating budget and 24 staff administering over \$56 billion in public hospital payments, it is critical that we have effective and robust systems for risk management and assurance activities.

Proactive risk management is an important component of our governance arrangements that we have embedded into our day-to-day work. We have done this through regularly engaging our staff and providing opportunities to share and discuss risks openly, including through:

- monthly performance meeting with all staff covering risk, strategic objectives, budget and culture
- fortnightly risk management updates
- weekly Executive Committee meetings
- reviewing outcomes and recommendations from our 2021 external risk review.

These discussions provide risk owners with the opportunity to regularly review and discuss the risks they are responsible for, including updates on preventative, detective and recovery controls and any new treatments. We also use these discussions to discuss any 'near miss' events, as this is an opportunity to learn and work together to manage our risks and strengthen controls if required. Our controls are regularly tested, both internally and externally and we have a clear line of sight between our audit and assurance activities and our risks. Our risk management performance is then formally reported (quarterly) to our internal Risk, Assurance and Governance Committee through to an Independent Audit and Risk Committee.

RISK MANAGEMENT

Risk management is an essential component of sound business management and good corporate governance. Understanding risks and managing them appropriately enhances our ability to make better decisions, deliver on objectives and improve our performance.

As a PGPA Act agency our Risk Management Policy and Framework aligns with the Commonwealth Risk Management Policy and is based on the International Standard on Risk Management (ISO 31000:2018 - Risk Management guidelines).

Our Risk Tolerance Statement and Risk Management Instructions support the Policy and Framework. These fundamental documents are reviewed annually to ensure we maintain an appropriate system for risk oversight and the management of internal controls.

The NHFB oversees risks associated with assisting the Administrator to fulfil their obligations under the NHR Act and Agreement, as well as those relevant to our status as a non-corporate entity under the PGPA Act and the PGPA Rule 2014.

Culture and risk tolerance

We have embedded a robust organisational culture that continues to support risk-aware decision-making and encourages innovation and creativity.

As a united team, we collaborate when defining our risk tolerance in order to set objectives, allocate resources, comply with legal obligations, and improve transparent decision making.

We manage risk across our five strategic objectives and work with the Administrator to assess and monitor risks in relation to the successful operation of the Pool.

Our Risk Tolerance Statement articulates the amount of risk that we are willing to accept to successfully achieve our objectives.

Managing and identifying opportunities

Being a small agency, managing risk is everyone's responsibility. We encourage early engagement and open conversations about risk - seeing this as an essential factor in identifying and assessing emerging or new risks impacting on business activities that could hinder us from achieving our objectives.

By using consistent language, methodologies and documentation across the organisation, managing risk has become a natural part of core business activities. Having regular risk discussions at all levels ensures every member of our organisation raises potential risks in their business area, as well as identifying any potential opportunities, as part of their day-to-day activities.

We continue to develop and improve our risk management capability through 'best practice, fit-for-purpose' initiatives. We achieve this through strong leadership who promote and influence a proactive risk culture, empowering and supporting our staff in understanding their role in managing risk and exploring potential opportunities.

Figure 13 shows the NHFB's approach to risk management and the policies, frameworks and guidelines that support staff to maintain robust systems for risk and controls.

FIGURE 13 Risk management approach



Our 2021 Risk Review was complemented by an external assurance audit to gauge the effectiveness of our risk management framework, its suitability for a small organisation and whether it was easily understood by staff. The audit included one on one interviews with NHFB CEO and leadership team and, the Chair of our Independent Audit and Risk Committee. The outcomes of the risk audit provided an opportunity for the NHFB to further improve existing processes:

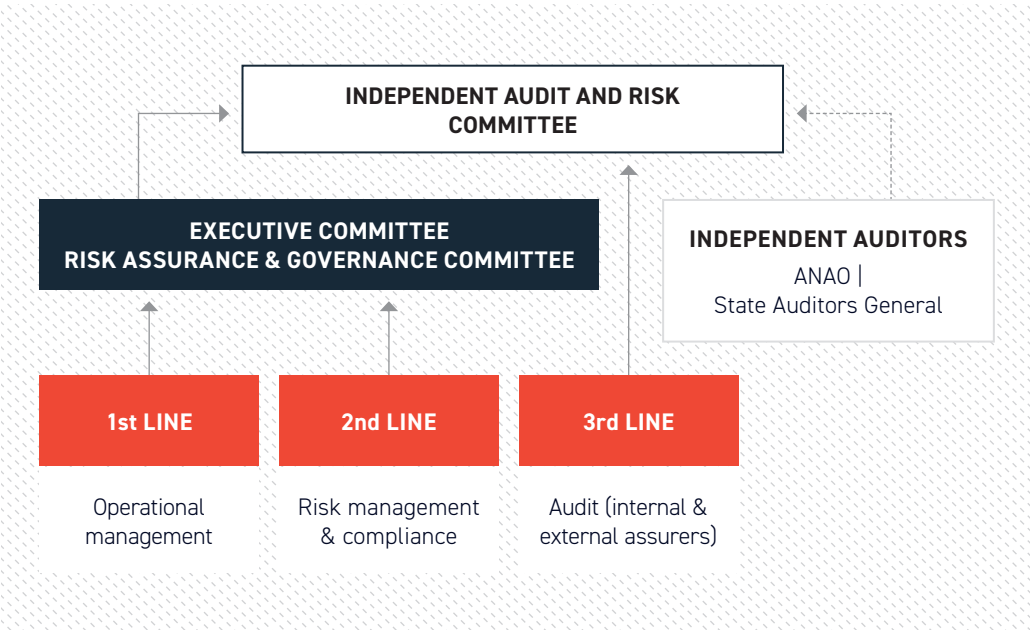
- risk monitoring and associated reporting on risk trends
- risk owners formal 'sign-off' on their risks following the annual risk review
- enhanced risk awareness and communication within the agency
- encouraging staff to undertake opportunities for broader risk training.

Three lines model

During 2020-21, the NHFB reviewed its 'three lines of defence' model to better align with the updated model from the Institute of Internal Auditors (IIA). The new model was adapted to complement our existing formal governance structures and reporting arrangements, and provides a detailed overview of the responsibilities for first, second and third line roles.

The Three Lines Model, Figure 14, reflects how we provide assurance over the effectiveness of our risk management activities, including risk controls and the implementation of new treatments. This model also shows how we engage with audit (internal and external) to ensure that we have robust, independent and objective oversight embedded at all levels.

FIGURE 14 Three lines model

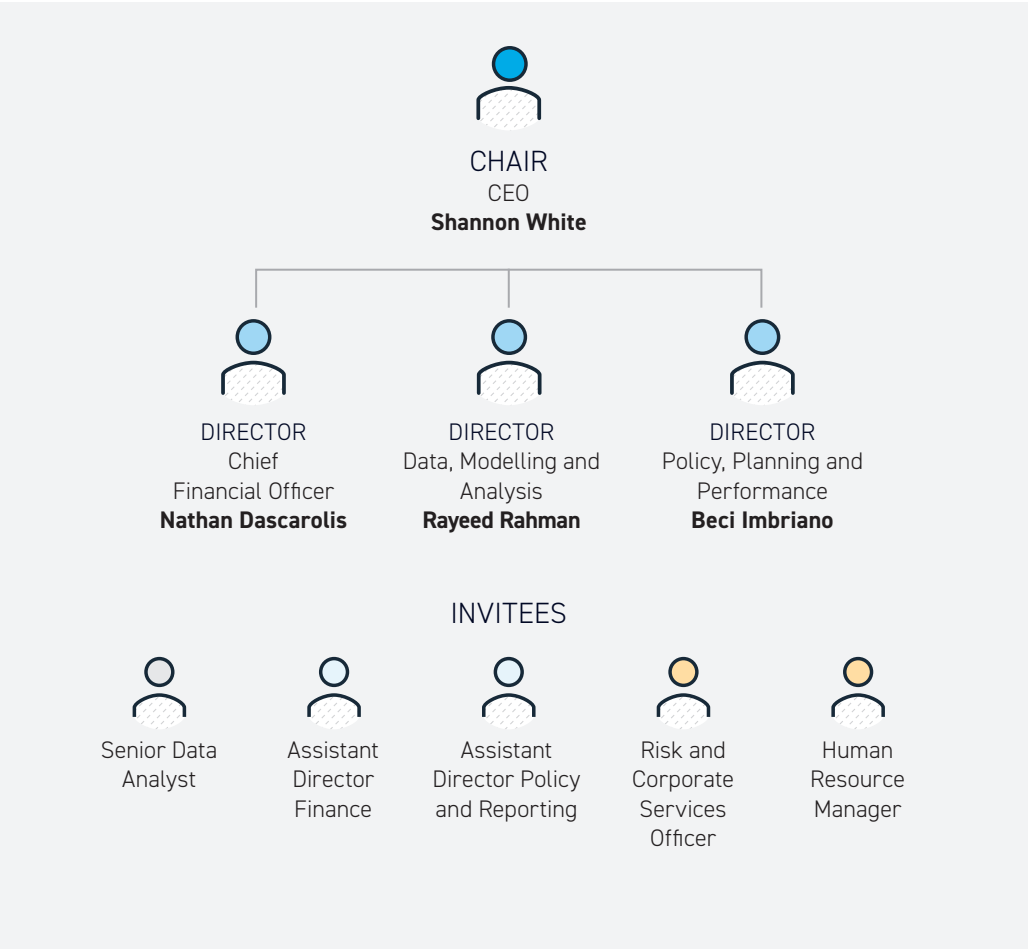


GOVERNANCE

Our governance and management practices play an integral role in ensuring the Administrator and NHFB deliver on our NHR Agreement responsibilities, strategic objectives and statutory obligations.

We are subject to legislation, regulations, standards and guidelines applicable to our status as a non-corporate entity under the PGPA Act and the PGPA Rule. We are also subject to both Commonwealth, State and Territory legislation when assisting the Administrator to fulfil their obligations under the NHR Act and Agreement. We review and update our Accountable Authority Instructions, Financial Delegation and Human Resource Delegations annual to ensure we commence each new financial year fully compliant.

TABLE 11 National Health Funding Body Executive Committee



Executive Committee

The Executive Committee (see pages 32-34 for profiles) meets weekly and is our internal forum for engagement and discussion, including providing advice and recommendations to the CEO on strategic direction, key initiatives, agency policies, as well as immediate and emerging issues.

Risk, Assurance and Governance Committee

The Risk, Assurance and Governance Committee (RAGC) provides assurance to the CEO, Executive Committee and the Independent Audit and Risk Committee on the adequacy, effectiveness and performance of our governance arrangements including:

- risk management (including fraud control)
- PGPA Compliance
- audit and assurance
- information governance
- security
- business continuity.

The RAGC is comprised of the following members:

- Chair (currently the Director, Policy, Planning and Performance)
- CFO
- Director Data, Modelling and Analysis
- Risk Manager
- Enterprise Information Architect
- Work, Health and Safety Representative.

The RAGC met four times in 2020-21:

- 2 September 2020
- 16 December 2020
- 22 February 2021
- 20 May 2021.

Key area of focus for the RAGC in 2020-21 included:

- Recommending the CEO approve the 2021-22 Tolerance Statement, providing updates to critical controls, reviewing risk performance reporting, and oversight of the Agency's 2021 risk review
- reviewing and recommending the CEO endorse the National Health Funding Pool Payments System Internal Controls Framework
- working with National Archives to establish the NHFB's first Records Authority
- reviewing the Agency's approach to Data Governance
- reviewing and recommending the CEO endorse the Accountable Authority Instructions and Financial Delegations
- Reviewing and recommending the CEO endorse the NHFB's Procurement and Contract Management Policy.

Workplace Consultative Committee

The Workplace Consultative Committee (WCC) is our consultative body for communication, consultation and employee participation in the management of Work Health and Safety, including all HR policies and procedures.

The WCC is comprised of the following members:

- Chair (currently the Director Policy, Planning and Performance)
- CFO
- Management Representative
- Human Resource Manager
- Health and Safety Representative
- Employee Representative.

The WCC met three times in 2020-21:

- 27 August 2020
- 3 December 2020
- 11 February 2021.

Key area of focus for the WCC in 2020-21 included:

- monitoring the implementation of the agency's workforce capability and workforce diversity plans and *Learning and Development Strategy*
- reviewing, streamlining and recommending the CEO endorse updates to the following policies:
 - » Recruitment, Selection and Probation Guidelines
 - » Human Resources Delegations:
 - » *Performance Development Agreement Framework*
 - » *Work Health, Safety and Wellbeing Policy* (includes Domestic Violence Policy)
 - » Working Guidelines (including remote work arrangements)
 - » *Leave, Travel and Allowances Policy*
 - » Study Bank Guidelines
 - » Dispute Resolution Policy
 - » Managing Underperformance
 - » Preventing Bullying, Harassment and Discrimination in the Workplace
- monitoring the agency's COVID-19 response and ensuring the workplace adhered to COVIDsafe protocols.

Independent Audit and Risk Committee

The Independent Audit and Risk Committee (ARC) is an integral component of our corporate governance and a valuable source of independent advice for the CEO. In providing advice, the ARC reviews and comments on the appropriateness of the NHFB's:

- performance reporting
- financial reporting
- system of risk oversight and management
- system of internal control

The ARC also provides advice to the CEO and Administrator on the operation, management and financial reporting of the Pool (however, the ARC is not responsible for the executive management of functions related to the Pool).

The ARC met five times in 2020-21:

- 6 August 2020
- 24 September 2020
- 10 December 2020
- 25 March 2021
- 18 June 2021.

The ARC comprises of four independent Members, including the Chair. Members taken collectively, have a broad range of skills and experience relevant to the operations of the NHFB, including the functions of the Administrator. Full details on the functions of the ARC are available from the NHFB Audit and Risk Committee Charter available from publichospitalfunding.gov.au

Audit and Risk Committee members 2020-21

MR STEPHEN HORNE – CHAIR

(September 2020 – Present)

In 2015 Mr Horne established himself as a professional Non-Executive Director, trainer and probity adviser. Mr Horne previously had a 38-year career in the NSW public sector. His executive roles included Assistant Auditor-General for NSW, looking after Performance Audits, and Chief Executive of IAB, a Government Trading Enterprise undertaking internal audits and misconduct investigations for NSW State Government and Local Government bodies.

As a Non-Executive Director, Mr Horne has developed a portfolio of audit committee experience spanning the Commonwealth, NSWG, NSW Local Government and Victorian Local Government sectors, with a diverse range of entity types.

Mr Horne is a qualified Company Director (GAICD), Governance Professional (FGIA, FCG, CGP), certified internal auditor (PFIIA, CIA, CGAP), is certified in risk management assurance (CRMA), has a business degree and postgraduate qualifications in management, management communications and fraud control.

Mr Horne attended one meeting as a member in 2020-21 before taking on the role of Chair in December 2020, attending three meetings as Chair.

ADJUNCT PROFESSOR CHRIS BROOK

(June 2019 – Present)

Professor Chris Brook currently sits as Chair of the Clinical Trials Project Reference Group (Commonwealth Department of Health) and Chair of the Australian Commission on Safety and Quality in Health Care Clinical Trials Governance Framework Steering Committee.

Professor Brook is also an Adjunct Professorial Fellow with Monash University and a member of the National Blood Authority Advisory Board.

Mr Brook attended four NHFB ARC meetings in 2020-21.

MS JEANETTE BARKER – MEMBER

(September 2020 – Present)

Ms Barker has worked and held appointments on boards and committees associated with the NSW public health system for over 20 years. She is a former senior executive of NSW Health where she was employed in executive roles specialising in governance and risk, policy and health regulation.

Ms Barker is an independent member and chairperson of the audit & risk committees for three large NSW Local Health Districts and the Cancer Institute of NSW. Ms Barker is also a hearing member in the Occupational Division of the NSW Civil and Administrative Tribunal and a member of the Paramedicine Board of Australia.

Ms Barker has a Bachelor of Arts from the University of Sydney (History & Government) and a Masters of Criminal Justice and Criminology from the University of New South Wales. Ms Barker observed one meeting and attended three NHFB ARC meetings in 2020-21 as a paid member.

MR MARK JENKIN

(October 2020 – Present)

Mr Jenkin served as the Chief Financial Officer of the Australian Department of Human Services (Services Australia) from May 2015 to January 2020. In that capacity he managed the CFO Division providing budget, accounting, financial systems, treasury, project and financial governance and services for the Department as well as direct financial management support to each of the business lines.

Prior to joining Services Australia, Mr Jenkin spent 29 years in the Department of Defence, his last job being Head of Defence Support Operations Division with responsibility for delivering a range of base support and facilities services around Australia. Before that position he served in various executive roles in Defence, both finance and business related, as well as being an active member of the Australian Army Reserve.

Mr Jenkin has a Bachelor of Commerce, a Master of Financial Management and is a Fellow Certified Practising Accountant, a Member of the Australian Institute of Company Directors and a past member of the Australian Accounting Standards Board.

Mr Jenkin attended three NHFB ARC meetings in 2020-21.

CAROL HOLLEY – CHAIR

(April 2013 - September 2020)

Ms Holley attended two NHFB ARC meetings as Chair in 2020-21.

JEREMY CHANDLER – MEMBER

(January 2016 – September 2020)

Mr Chandler attended two NHFB ARC meetings in 2020-21.

TABLE 13 Audit and Risk Committee remuneration 2020-21

Name	Number of meetings	2020-21 total remuneration
Stephen Horne	4	\$6,952.44
Chris Brook	4	\$7,008.00
Jeanette Barker	3	\$5,062.20
Mark Jenkin	3	\$5,700.00
Carol Holley	2	\$6,462.39
Jeremy Chandler	2	\$4,940.83
TOTAL 2020-21 ARC REMUNERATION		\$36,125.86

Audit and assurance

NHFB's *Audit and Assurance Strategy 2020-21* outlined the role of audit in addressing our assurance requirements, as well as the approaches used. The Strategy was developed through the RAGC, before being considered by our Independent Audit and Risk Committee. It was then signed off by the CEO in consultation with the Administrator.

In 2020-21, NHFB's audit and assurance functions were provided by external resources to provide assurance to the CEO that the NHFB's risk management, governance and internal control processes are operating effectively.

TABLE 14 Audit and assurance activities undertaken in 2020-21

Strategic Objective	Activity	Provider
Calculate	External assurance review of the CCM including the integrity of the methodology, formulas and outputs	PwC
Calculate	External assurance review of the completeness and accuracy of the NWAU calculation (inputs)	Taylor Fry
Pay	Assurance review of Payments System Control Framework and proposed actions	RSM
Report	Audit of the National Health Funding Pool Special Purpose Financial Statements for each State and Territory	Each State and Territory Auditor-General
Organisation	Review of the maturity of NHFB's risk management framework and implementation of the framework.	Vincent's
Organisation	Review of NHFB's compliance with legislation and approach to Privacy	Vincent's
Organisation	Fraud audit (procurement, including credit cards and payroll)	Protiviti

External scrutiny

During 2020-21, there were no reports on the operations of the NHFB including:

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

FOI information is available on our website publichospitalfunding.gov.au

In 2020-21, the NHFB responded to two Freedom of Information requests:

- One on compliance with PGPA Act Rule 10 and specifically, fraud risk assessments and any associated assurance activity from 2016 to 2019. The NHFB provided an administrative response and the applicant formally withdrew the FOI request.
- One request sought any personal information the NHFB had regarding the individual applicant. The NHFB provided an informal response advising the applicant that the NHFB do not collect, maintain or manage personal information in relation to any individual.

Fraud control

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 2020-21, the NHFB did not detect or report any suspected or actual instances of fraud.

Certification of Fraud Control Arrangements

I, Shannon White, certify that I am satisfied that for 2020-21, the NHFB has:

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



Shannon White

Chief Executive Officer
National Health Funding Body

OTHER ACCOUNTABILITIES

Data privacy

Our Data Governance Policy was reviewed by the RAGC in February 2021 and covers both the Pool and NHFB. It details the information collected, the purpose for the collection, its use, storage, disclosure and disposal, by the Administrator of the National Health Funding Pool.

Our systems and processes used for collection, storage and reporting have been designed to ensure security of information in line with the Commonwealth's Protective Security Policy Framework. Further information can be found in our Data Governance Policy, available on our website, publichospitalfunding.gov.au

Purchasing

With support from the Commonwealth Department of Health Procurement Advisory Service, all our procurement activities in 2020-21 were conducted in line with the Commonwealth Procurement Guidelines, NHFB Accountable Authority Instructions and NHFB Procurement and Contract Management Policy.

Consultants

In 2020-21, the NHFB did not enter into any new consultancy contracts. Any future decisions to engage consultants will be made in accordance with the PGPA Act and related regulations including the Commonwealth Procurement Rules and the NHFB internal policies.

Reportable non-consultancy contracts 2020-21

Annual reports contain information about actual expenditure on reportable non-consultancy contracts. Information on the value of reportable non-consultancy contracts is available on the AusTender website.

TABLE 15 Reportable non-consultancy contracts 2020-21

	Number	Expenditure \$
New contracts entered into during the reporting period	12	922,845
Ongoing contracts entered into during a previous reporting period	5	888,359
TOTAL		1,811,204

TABLE 16 Organisations receiving a share of reportable non-consultancy contract expenditure 2020-21

Organisation	Expenditure \$
PricewaterhouseCoopers	236,699
Ernst & Young	490,304
Taylor Fry Pty Ltd	184,416
Hays Specialist Recruitment (Australia) Pty Ltd	164,636
Synergy Group Australia Pty Ltd	277,386
Technology One Ltd	156,420

Australian National Audit Office access

In 2020-21, the NHFB did not enter into any contracts precluding access by the Commonwealth Auditor-General.

Exempt contracts

In 2020-21, 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 2020-21.

Procurement initiatives to support small business

The NHFB supports small business participation in the Commonwealth Government procurement market. Small and medium-sized enterprise (SME) and small enterprise participation statistics are available on the Department of Finances' website.

Our measures to support SMEs include:

- complying with the Commonwealth Procurement Framework
- using standardised contracts for low-risk procurements valued under \$200,000
- implementing the Indigenous Procurement Policy, noting that many Indigenous businesses are also SMEs
- using credit cards for procurements valued below \$10,000
- implementing the Government's Supplier Pay-on-Time or Pay Interest Policy.

Advertising and market research

During the 2020-21 reporting period, the NHFB did not conduct any advertising campaigns or market research.

Assets management

We manage two key ICT assets which align with our calculate, pay, report functions. These assets have a combined value of \$1.63 million (as at 30 June 2021) and are governed by robust and transparent business processes.

To ensure our assets are effective in supporting our small agency to deliver on our objectives, we work with industry partners to manage our assets strategically, and we continually invest in technology to ensure our assets remain fit-for-purpose.

Ecological and environmental reporting

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

In 2020-21 the NHFB continued to minimise its environmental impact by:

- encouraging staff and contractors to reduce the volume of printing, for example using laptops for committee meetings instead of printing folders of agenda papers
- turning off lights and computers when the office is not in use
- using a waste recycling station
- limiting travel by using technological solutions whenever possible, for example, holding meetings via videoconference.



FINANCIAL STATEMENTS


This section of our report details our budget and expenditure for 2020-21 and includes our financial statements which have been audited by the Australian National Audit Office.





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SUMMARY OF FINANCIAL PERFORMANCE

The net operating result as at 30 June 2021 is a surplus of \$0.48 million, offset by capital expenditure of \$0.22 million.

Revenue for the 2020-21 year was \$6.35 million which included funding of \$0.68 million in 2020-21 (\$0.45 million in 2019-20) for employee and supplier costs to support the National Partnership on COVID-19 Response.

Total expenditure in 2020-21 was \$5.87 million and is primarily for employee benefits, supplier costs and amortisation. Actual employee benefits continue to increase year-on-year in line with an increase in the NHFB's budgeted ASL and supplier expenditure remains stable with focus on value for money with our industry partners.

TABLE 17 NHFB Budgeted v Actual Expenditure 2014-15 to 2020-21

	2014-15 \$ millions	2015-16 \$ millions	2016-17 \$ millions	2017-18 \$ millions	2018-19 \$ millions	2019-20 \$ millions	2020-21 \$ millions
Budgeted Expenditure¹	4.6	4.4	4.4	5.9	5.5	5.9	6.8³
Employee Benefits	1.9	2.0	2.5	2.7	3.1	3.0	3.2
Supplier Expenses ²	2.2	2.4	2.2	2.6	2.2	2.5	2.6
TOTAL ACTUAL EXPENDITURE	4.1	4.5	4.7	5.3	5.3	5.5	5.9
Variance (Budget v Actual)	0.5	-0.1	-0.3	0.6	0.1	0.4	0.9

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

2 Includes depreciation, amortisation and asset write-downs.

3 Includes \$1.1m in additional appropriated expenditure related to the National Partnership on COVID-19 Response as per the 2020-21 Health Portfolio Budget Statements. Appropriation revenue related to this measure was recognised on the basis of \$0.45m in 2019-20 and \$0.68m in 2020-21.

TABLE 18 NHFB resource statement 2020-21

	Actual available appropriations for 2020-21 \$'000	Payments made in 2020-21 \$'000	Balance remaining in 2020-21 \$'000
ORDINARY ANNUAL SERVICES			
Departmental appropriation ¹	8,288	6,233	2,055
Total ordinary annual services	8,288	6,233	2,055
Special appropriations	–	–	–
TOTAL RESOURCING AND PAYMENTS	8,288	6,233	2,055

1 Appropriation Bill (No. 1) 2020–21, prior year departmental appropriation and section 74 receipts.

TABLE 19 Expenses for outcome 2020-21

	Budget ¹ 2020-21 \$'000	Actual expenses 2020-21 \$'000	Variation 2020-21 \$'000
--	------------------------------------	--------------------------------	--------------------------

Outcome: 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	6,778	5,871	907
Special appropriation	–	–	–
TOTAL FOR PROGRAM 1.1	6,778	5,871	907
TOTAL FOR OUTCOME 1	6,778	5,871	907

	2020-21	2019-20
AVERAGE STAFFING LEVEL (NUMBER)³	21	19

1 Full year 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.

Independent Auditor's Report



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 2021:

- comply with Australian Accounting Standards – Reduced Disclosure Requirements and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- present fairly the financial position of the Entity as at 30 June 2021 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 as at 30 June 2021 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 and forming part of 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 (including Independence Standards)* (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.

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



Jennifer Carter
Senior Director

Delegate of the Auditor-General
Canberra

23 September 2021

Statement by the Accountable Authority
and Chief Financial Officer



National Health
Funding Body

Statement by the Accountable Authority
and Chief Financial Officer

In our opinion, the attached financial statements for the year ended 30 June 2021 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.

A handwritten signature in black ink, appearing to read 'Shannon White'.

Shannon White
Chief Executive Officer
National Health Funding Body

23 September 2021

A handwritten signature in black ink, appearing to read 'Nathan Dascarolis'.

Nathan Dascarolis
Chief Financial Officer
National Health Funding Body

23 September 2021

National Health Funding Body

Statement of Comprehensive Income

for the year ended 30 June 2021

	Notes	2021 \$	Restated 2020 \$	Original Budget \$
NET COST OF SERVICES				
Expenses				
Employee benefits	2A	3,228,288	2,978,463	3,296,000
Suppliers	2B	1,806,750	1,992,785	2,703,000
Depreciation and amortisation	5	818,412	467,012	761,000
Interest on lease liability		17,996	10,212	18,000
TOTAL EXPENSES		5,871,446	5,448,472	6,778,000
OWN-SOURCE INCOME				
Own-source revenue				
Resources received free of charge	3A	90,000	90,000	92,000
Other Gains		-	1,100	-
TOTAL OWN-SOURCE REVENUE		90,000	91,100	92,000
TOTAL OWN-SOURCE INCOME		90,000	91,100	92,000
NET COST OF SERVICES		5,781,446	5,357,373	6,686,000
REVENUE FROM GOVERNMENT	3B	6,258,042	6,015,958	6,704,000
Surplus/(deficit) attributable to the Australian Government		476,596	658,585	18,000
TOTAL COMPREHENSIVE INCOME/ (LOSS) ATTRIBUTABLE TO THE AUSTRALIAN GOVERNMENT		476,596	658,585	18,000

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

National Health Funding Body Statement of Financial Position for the year ended 30 June 2021

	Notes	2021 \$	Restated 2020 \$	Restated 2019 \$	Original Budget \$
ASSETS					
Financial Assets					
Cash and Cash Equivalents	4A	46,393	433,723	30,777	434,000
Trade and Other Receivables	4B	2,161,680	1,148,306	1,362,963	1,594,000
TOTAL FINANCIAL ASSETS		2,208,073	1,582,029	1,393,740	2,028,000
Non-Financial Assets					
Intangible Assets	5	1,626,043	1,857,734	1,344,600	1,808,000
Right-of-use Asset	5	1,614,360	1,977,497	-	1,604,000
Prepayments		48,885	41,559	-	42,000
TOTAL NON-FINANCIAL ASSETS		3,289,288	3,876,790	1,344,600	3,454,000
TOTAL ASSETS		5,497,361	5,458,819	2,738,340	5,482,000
LIABILITIES					
Payables					
Suppliers	6A	222,852	492,441	474,804	492,000
Other Payables	6B	185,490	136,481	31,814	137,000
Lease Liability	6C	1,669,962	2,003,373	-	1,672,000
TOTAL PAYABLES		2,078,304	2,632,295	506,618	2,301,000
Provisions					
Employee Provisions	7A	979,314	863,377	937,660	935,000
Other Provisions	7B	10,500	10,500	-	11,000
TOTAL PROVISIONS		989,814	873,877	937,660	946,000
TOTAL LIABILITIES		3,068,118	3,506,172	1,444,278	3,247,000
NET ASSETS		2,429,243	1,952,647	1,294,062	2,235,000
Equity					
Retained surplus/ (Accumulated deficit)		2,429,243	1,952,647	1,294,062	2,235,000
TOTAL EQUITY		2,429,243	1,952,647	1,294,062	2,235,000

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

National Health Funding Body Statement of Changes in Equity for the year ended 30 June 2021

	Retained earnings		Total equity		Original Budget \$
	2021 \$	2020 \$	2021 \$	2020 \$	
Opening balance					
Balance carried forward from previous period	1,952,647	1,556,548	1,952,647	1,556,548	1,557,000
Net Effect of a Correction		(262,486)		(262,486)	
Restated Balance carried forward from previous period	1,952,647	1,294,062	1,952,647	1,294,062	
Comprehensive income					
Surplus/(Deficit) for the period	476,596	658,585	476,596	658,585	744,000
TOTAL COMPREHENSIVE INCOME	476,596	658,585	476,596	658,585	744,000
CLOSING BALANCE	2,429,243	1,952,647	2,429,243	1,952,647	2,301,000
CLOSING BALANCE ATTRIBUTABLE TO THE AUSTRALIAN GOVERNMENT	2,429,243	1,952,647	2,429,243	1,952,647	2,301,000

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

National Health Funding Body Cash Flow Statement for the year ended 30 June 2021

	Notes	2021 \$	Restated 2020 \$	Original Budget \$
OPERATING ACTIVITIES				
Cash received				
Appropriations		6,232,849	5,856,616	6,258,000
GST received		128,945	359,131	277,000
Other s74 receipts		409,547	-	-
TOTAL CASH RECEIVED		6,771,341	6,215,747	6,535,000
Cash used				
Employees		3,446,128	2,948,079	3,296,000
Suppliers		2,161,106	1,926,078	2,629,000
Net GST Paid		-	-	277,000
Section 74 receipts transferred to the Official Public Account		814,122	43,796	-
TOTAL CASH USED		6,421,357	4,917,953	6,202,000
NET CASH FROM OPERATING ACTIVITIES		349,984	1,297,794	333,000
INVESTING ACTIVITIES				
Cash used				
Work in Progress Software		260,211	749,657	-
TOTAL CASH USED		260,211	749,657	-
NET CASH USED BY INVESTING ACTIVITIES		(260,211)	(749,657)	-
FINANCING ACTIVITIES				
Cash used				
Lease principal repayments		477,102	145,191	333,000
TOTAL CASH USED		477,102	145,191	333,000
NET CASH FROM (USED BY) FINANCING ACTIVITIES		(477,102)	(145,191)	(333,000)
NET INCREASE IN CASH HELD		(387,329)	402,946	-
Cash and cash equivalents at the beginning of the reporting period		433,723	30,777	434,000
CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD	4A	46,393	433,723	434,000

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

Notes to and forming part of the Financial Statements for the year ended June 2021

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National Health Funding Body
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

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 s42 of the *Public Governance, Performance and Accountability Act 2013* (Cth). 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 NHFB financial statements.

1.3 TAXATION

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

1.4 EVENTS AFTER THE REPORTING PERIOD

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

1.5 2019-20 RESTATEMENT

In 2018-19 NHFB undertook the development of a web-based reporting tool to comply with the Administrator's legislative requirements under the *National Health Reform Act 2011* (Cth).

Expenditure related to the development of this intangible asset was incurred over 2018-19 and 2019-20 and was capitalised upon completion in May 2020. The asset was assigned a 5 year useful life.

During the 2020-21 financial statement audit, the NHFB assessed the web-based reporting tool in line with AASB Interpretation 132 *Intangible Assets – Web Site Costs*, and consider it no longer meet the criteria as an intangible asset under AASB 138 *Intangible Assets*. This is due to a strict technical interpretation of "future economic benefit".

Pursuant to AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* and AASB 101 *Presentation of Financial Statements* the 2019-20 financial year has been restated, including an opening balance adjustment related to 2018-19.

Adjustments were made in the 2018-19
Statement of Financial Position as follows:

- Reduction in intangible assets by \$262,486.
- Reduction of retained earnings by \$242,486.

In addition, the following adjustments were made
to the 2019-20 Statement of Financial Position
(inclusive of the 2018-19 adjustments):

- Reduction in intangible assets by \$400,084.
- Reduction in accumulated depreciation by \$52,009.
- Reduction of retained earnings by \$348,074.

The following adjustments were made to the
2019-20 Statement of Comprehensive Income

- Increase of Supplier Expenses by \$137,597.
- Decrease of Depreciation and Amortisation by \$52,009.
- This adjustment reduced the surplus by \$85,588.

The following adjustments were made to
the 2019-20 Cash Flow Statement:

- Increase of cash used for Supplier Expenses by \$152,376.
- Decrease of cash used for Work in Progress Software by \$152,376.

These adjustments have impacted the following notes:

- Note 2: Expenses
- Note 5: Non-Financial Assets
- Note 8: Aggregate Assets and Liabilities

National Health Funding Body
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

Note 2: Expenses

	2021 \$	2020 ¹ \$
NOTE 2A: EMPLOYEE BENEFITS		
Wages and salaries	2,195,590	2,087,680
Leave and other entitlements	546,564	355,841
Superannuation:		
Defined contribution plans	293,892	254,940
Defined benefit plans	102,347	135,782
Separation and redundancies	89,895	144,220
TOTAL EMPLOYEE BENEFITS	3,228,288	2,978,463
ACCOUNTING POLICY		
The accounting policy for Employee Benefits is contained in Note 7 Employee Provisions.		
NOTE 2B: SUPPLIERS		
Goods and Services Supplied or Rendered		
Contractors and support agreements	1,567,169	1,629,450
Professional fees	103,609	100,877
Travel	45,991	86,992
Consumables, printing and training	41,086	21,118
Other	32,500	37,152
TOTAL GOODS AND SERVICES SUPPLIED OR RENDERED	1,790,355	1,875,589
Other Suppliers		
Minimum lease payments ²	-	98,609
Workers compensation expenses	16,395	18,588
TOTAL OTHER SUPPLIER EXPENSES	16,395	117,197
TOTAL SUPPLIER EXPENSES	1,806,750	1,992,785

1 2020 was restated in this note to reflect the adjustment of intangible assets. Refer to Note 1 for further details.

2 In 2020 NHFB applied AASB 16 using the modifies retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117.

ACCOUNTING POLICY

Short-term leases and leases of low-value assets

NHFB has elected not to recognise right-of-use assets and lease liabilities for short-term leases of assets that have a lease term of 12 months or less and leases of low-value assets (less than \$10,000). The entity recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Settlement Terms for Suppliers

All payables are expected to be settled within 30 days. (2019-20: 30 days).

Note 3: Income

	2021 \$	2020 \$
OWN-SOURCE OTHER REVENUE		
NOTE 3A: 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 ¹	6,258,042	6,015,958
TOTAL REVENUE FROM GOVERNMENT	6,258,042	6,015,958

1 Revenue of \$445,957 related to the 2020-21 Departmental appropriation was recognised in 2019-20. This amount was in relation to additional funding provided to support the National Partnership on COVID-19 Response.

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.

National Health Funding Body
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

Note 4: Financial Assets

	2021 \$	2020 \$
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NOTE 4A: CASH AND CASH EQUIVALENTS

Cash on hand or on deposit	46,393	433,723
TOTAL CASH AND CASH EQUIVALENTS	46,393	433,723

ACCOUNTING POLICY

Cash and Cash Equivalents

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

- cash on hand; and
- cash held in respect to employee salary sacrifice arrangements.

NOTE 4B: TRADE AND OTHER RECEIVABLES

Good and Services receivables in connection with:

Other	90,432	333,939
TOTAL GOODS AND SERVICES RECEIVABLES	90,432	333,939

Appropriations receivable:

Appropriation receivable	2,055,491	770,217
TOTAL APPROPRIATIONS RECEIVABLE	2,055,491	770,217

Other receivables:

GST receivable from the Australian Taxation Office	15,757	44,150
TOTAL OTHER RECEIVABLES	15,757	44,150

TOTAL TRADE AND OTHER RECEIVABLES (NET)	2,161,680	1,148,306
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ACCOUNTING POLICY

Impairment of financial assets

Financial assets are assessed for impairment at the end of each reporting period. No indicators of impairment were identified.

Note 5: Non-Financial Assets

	Right-of-use Asset \$	Intangibles ¹ \$	Total \$
NOTE 5: RECONCILIATION OF THE OPENING AND CLOSING BALANCES OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLES			
As at 1 July 2020			
Gross book value	2,159,065	2,568,162	4,727,227
Accumulated depreciation, amortisation and impairment	(181,568)	(362,353)	(543,921)
TOTAL AS AT 1 JULY 2020	1,977,497	2,205,809	4,183,306
Correction to gross book value ²		(400,085)	(400,085)
Correction to accumulated depreciation, amortisation and impairment ²		52,009	52,009
TOTAL AS AT 1 JULY 2020	1,977,497	1,857,734	3,835,231
Additions	-	223,585	223,585
Depreciation and amortisation	(363,137)	(455,275)	(818,412)
TOTAL AS AT 30 JUNE 2021	1,614,360	1,626,043	3,240,403
Total as at 30 June 2021 represented by			
Gross book value	2,159,065	2,391,662	4,550,727
Accumulated depreciation, amortisation and impairment	(544,705)	(765,619)	(1,310,324)
TOTAL AS AT 30 JUNE 2021	1,614,360	1,626,043	3,240,403

1 The carrying amount of intangible assets is comprised of all internally generated software including WIP and software assets at cost.

2 See Note 1 for further details in regard to the opening balance correction.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Non-financial assets are assessed for impairment at the end of each reporting period. No indicators of impairment were identified.

CONTRACTUAL COMMITMENTS FOR THE ACQUISITION OF PROPERTY, PLANT, EQUIPMENT AND INTANGIBLE ASSETS

At 30 June 2021, NHFB had \$151,882 in contractual commitments for the acquisition of intangible assets to be completed in the 2021-22 financial year.

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.

National Health Funding Body
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

NOTE 5: NON-FINANCIAL ASSETS (CONTINUED)

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 \$10,000 (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.

Right of Use (ROU) Assets

Leased ROU assets are capitalised at the commencement date of the lease and comprise of the initial lease liability amount, initial direct costs incurred when entering into the lease less any lease incentives received. These assets are accounted for by Commonwealth lessees as separate asset classes to corresponding assets owned outright, but included in the same column as where the corresponding underlying assets would be presented if they were owned.

On initial adoption of AASB 16 the NHFB has adjusted the ROU assets at the date of initial application by the amount of any provision for onerous leases recognised immediately before the date of initial application. Following initial application, an impairment review is undertaken for any right of use lease asset that shows indicators of impairment and an impairment loss is recognised against any right of use lease asset that is impaired. Lease ROU assets continue to be measured at cost after initial recognition in Commonwealth agency, General Government Sector and Whole of Government financial statements.

Intangibles

The NHFB's intangibles comprise internally developed software for internal use which have a capitalisation threshold of \$100,000 and external purchased software threshold of \$2,000. These assets are carried at cost less accumulated amortisation and accumulated impairment losses. All software assets were assessed for indications of impairment. No indicators of impairment were identified.

Work in progress (WIP)

All non-financial assets not fully constructed at 30 June 2021 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 2021 was nil (2020; \$274,114).

Depreciation and amortisation

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. Amortisation rates (useful lives), residual values and methods are reviewed at each reporting date. Amortisation rates applying to each class of amortisable asset are based on the following useful lives:

	2020-21	2019-20
RIGHT-OF-USE ASSET	Lease Term	Lease Term
INTANGIBLE ASSET	3-5 years	3-5 years

Note 6: Payables

	2021 \$	2020 \$
NOTE 6A: SUPPLIERS		
Trade creditors and accruals	222,852	492,441
TOTAL SUPPLIER PAYABLES	222,852	492,441
Suppliers expected to be settled within 12 months:		
Related entities ¹	54,789	219,781
External parties ²	168,062	272,660
TOTAL	222,852	492,441
Settlement was usually made within 30 days. (2019-20: 30 days)		
NOTE 6B: OTHER PAYABLES		
Wages and salaries	41,726	34,699
Superannuation	8,198	5,803
Leave provisions payable	45,942	89,583
Salary sacrifice payable	10,453	6,396
Separations and redundancies	79,171	-
TOTAL OTHER PAYABLES	185,490	136,481
1 For the period ended 30 June, amounts relate to payables to the Commonwealth Department of Health and some small payables to other Commonwealth government agencies.		
2 For the period ended 30 June, amounts relate to suppliers, consultants and contractors.		
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.		
NOTE 6C: LEASES		
Lease liabilities	1,669,962	2,003,373
TOTAL LEASES	1,669,962	2,003,373
Total cash outflow for leases for the year ended 30 June 2021 was \$351,407 (2019-20: \$155,404)		
Maturity analysis - contractual undiscounted cash flows		
Within 1 year	349,328	333,412
Between 1 to 5 years	1,320,634	1,669,961
More than 5 years	-	-
TOTAL LEASES	1,669,962	2,003,373

The NHFB in its capacity as lessee has entered into a sub-lease arrangement with the Department of Health from January 2020 for 5 years, with the option to extend for an additional 5 years.

National Health Funding Body
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

Note 7: Employee Provisions

	2021 \$	2020 \$
NOTE 7A: EMPLOYEE PROVISIONS		
Leave	979,314	863,377
TOTAL EMPLOYEE PROVISIONS	979,314	863,377
NOTE 7B: OTHER PROVISIONS		
Provision for restoration obligations	10,500	10,500
TOTAL OTHER PROVISIONS	10,500	10,500

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.

Note 8: Aggregate Assets and Liabilities

	2021 \$	2020 ¹ \$
ASSETS EXPECTED TO BE RECOVERED IN:		
No more than 12 months		
Cash and cash equivalents	46,393	433,723
Trade and other receivables	2,161,680	1,148,306
Prepayments	48,885	41,559
Right of use asset	363,132	334,225
Intangible assets	478,332	371,548
TOTAL NO MORE THAN 12 MONTHS	3,098,422	2,329,360
More than 12 months		
Right of use asset	1,251,228	1,643,272
Intangible assets	1,147,711	1,486,187
TOTAL MORE THAN 12 MONTHS	2,398,939	3,129,459
TOTAL ASSETS	5,497,361	5,458,819
LIABILITIES EXPECTED TO BE SETTLED IN:		
No more than 12 months		
Suppliers	222,852	492,441
Other payables	185,490	136,481
Employee provisions	290,667	197,315
Leases	349,328	338,598
TOTAL NO MORE THAN 12 MONTHS	1,048,337	1,164,835
More than 12 months		
Employee provisions	688,647	666,062
Leases	1,320,634	1,664,775
Other provisions	10,500	10,500
TOTAL MORE THAN 12 MONTHS	2,019,781	2,341,337
TOTAL LIABILITIES	3,068,118	3,506,172

1 2020 was restated in this note to reflect the adjustment of intangible assets. Refer to Note 1 for further details.

National Health Funding Body
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

Note 9: Contingent Assets and Liabilities

QUANTIFIABLE CONTINGENCIES

As at 30 June 2021, the NHFB had no quantifiable contingencies. (2019-20: Nil).

UNQUANTIFIABLE CONTINGENCIES

As at 30 June 2013, the NHFB had entered into an arrangement for an indemnity with the New South Wales Health Administration Corporation (HAC). No change has occurred during 2013-14 through to 2019-20 and remains current as of 30 June 2021.

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 2021, the NHFB had no significant remote contingencies. (2019-20: 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 entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. The entity has determined the key management personnel to be the Administrator and CEO. Key management personnel remuneration is reported in the table below:

	2021 \$	2020 \$
Total expenses recognised in relation to Key Management Personnel		
Short-term employee benefits	443,257	459,182
Post-employment benefits	55,545	55,238
Other long-term employee benefits	15,052	14,482
TOTAL KEY MANAGEMENT PERSONNEL REMUNERATION EXPENSES	513,854	528,902

Notes:

The total number of key management personnel that are included in the above table is 2 (2019-20: 2).

The above key management personnel remuneration excludes the remuneration and other benefits of the Responsible Minister. The Responsible Minister's remuneration and other benefits are set by the Remuneration Tribunal and are not paid by the NHFB.

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 Key Management Personnel or Ministers requiring disclosure.

National Health Funding Body
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

Note 12: Financial Instruments

NOTE 12 A: CATEGORIES OF FINANCIAL INSTRUMENTS

	2021 \$	2020 \$
FINANCIAL ASSETS		
At amortised cost:		
Loans & receivables		
Cash & equivalents	46,393	433,723
Trade and other receivables	58,786	333,939
Receivable from the Commonwealth Department of Health	31,646	-
TOTAL	136,825	767,662
CARRYING AMOUNT OF FINANCIAL ASSETS	136,825	767,662
FINANCIAL LIABILITIES		
At amortised cost:		
Trade creditors and accruals	170,498	492,441
Payable to the Commonwealth Department of Health	52,354	-
TOTAL	222,852	492,441
CARRYING AMOUNT OF FINANCIAL LIABILITIES	222,852	492,441

NOTE 12B: NET INCOME AND EXPENSE FROM FINANCIAL ASSETS

There is no income or expense from financial assets in 2020-21. (2019-20: Nil)

NOTE 12C: NET INCOME AND EXPENSE FROM FINANCIAL LIABILITIES

There is no net income or expense from financial liabilities in 2020-21. (2019-20: Nil)

NOTE 12D: FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of all financial assets and liabilities equals its carrying amount in 2020-21 and 2019-20.

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	2021 \$	2020 \$
FINANCIAL ASSETS			
TOTAL FINANCIAL ASSETS AS PER THE STATEMENT OF FINANCIAL POSITION		2,208,073	1,582,029
Less: non-financial instrument components:			
Appropriations receivable	4B	2,055,491	770,217
GST receivable from the Australian Taxation Office	4B	15,757	44,150
TOTAL NON-FINANCIAL INSTRUMENT COMPONENTS		2,071,248	814,367
TOTAL FINANCIAL ASSETS AS PER FINANCIAL INSTRUMENTS NOTE		136,825	767,662

National Health Funding Body
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

NOTE 14: Appropriations

TABLE 14A: ANNUAL APPROPRIATIONS (RECOVERABLE GST EXCLUSIVE)

	Annual Appropriation ¹ \$	Section 74 \$	Total appropriation \$	Appropriation applied in 2021 (current and prior years) ² \$	Variance ³ \$
DEPARTMENTAL					
Ordinary annual services	6,704,000	814,122	7,518,122	(6,983,392)	534,730
TOTAL DEPARTMENTAL	6,704,000	814,122	7,518,122	(6,983,392)	534,730

	Annual Appropriation \$	Section 74 \$	Total appropriation \$	Appropriation applied in 2020 (current and prior years) \$	Variance ⁴ \$
DEPARTMENTAL					
Ordinary annual services	5,570,000	133,754	5,703,754	(5,990,370)	(286,616)
TOTAL DEPARTMENTAL	5,570,000	133,754	5,703,754	(5,990,370)	(286,616)

- 1 Revenue of \$445,957 related to the 2020-21 Departmental appropriation was recognised in 2019-20. This amount was in relation to additional funding provided to support the National Partnership on COVID-19 Response.
- 2 Appropriation applied in 2021 of \$6,983,392 includes \$770,217 relating to the 2019-20 financial year (2020) undrawn appropriation.
- 3 The variance of \$534,730 is due to an underspend on supplier expenses.
- 4 The variance of \$286,616 is due to the NHFB drawing down on its prior year appropriation during 2019-20 to pay its 2018-19 trade creditors and for additional capital projects undertaken during 2019-20.

TABLE 14B: DEPARTMENTAL AND ADMINISTERED CAPITAL
BUDGETS (RECOVERABLE GST EXCLUSIVE)

There was no Departmental Capital Budget appropriated to the NHFB in 2020-21 (2019-20: nil).

TABLE 14C: UNSPENT ANNUAL APPROPRIATIONS (RECOVERABLE GST EXCLUSIVE)

	2021 \$	2020 \$
DEPARTMENTAL		
Appropriation Act (No 1) 2020-21	2,055,491	-
Appropriation Act (No 1) 2019-20	-	770,217
Appropriation Act (No 1) 2020-21- cash at bank	46,393	-
Appropriation Act (No 1) 2019-20 - cash at bank	-	433,723
TOTAL	2,101,884	1,203,940

TABLE 14D: NET CASH APPROPRIATION ARRANGEMENTS

	2021 \$	2020 \$
Total comprehensive income/(loss) - as per the Statement of Comprehensive Income	476,596	658,585
Plus: depreciation of right-of-use assets ¹	363,137	181,568
Less: lease principal repayments ¹	(333,412)	(145,191)
NET CASH OPERATING SURPLUS/ (DEFICIT)	506,321	694,962

1 The inclusion of depreciation/amortisation expenses related to ROU leased assets and the lease liability principal repayment amount reflects the impact of AASB 16 *Leases*, which does not directly reflect a change in appropriation arrangements.

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 Department of Health's 2020-21 Portfolio Budget Statements (PBS) and the 2020-21 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:

Suppliers	Significant savings have been found by achieving value for money through targeted procurement activities and a reduction of reliance on contractors through investment in employees. In 2020-21 the Commonwealth Department of Health absorbed the budgeted cost of setting up a logging and monitoring system over the payment system that we will access in future years as a fee for use product. There is also impacts to travel and face to face meetings due to the COVID-19 pandemic.
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THE STATEMENT OF FINANCIAL POSITION HAS THE FOLLOWING VARIANCES:

Cash and Cash Equivalents	Excess cash on hand was returned to the Official Public Account (OPA) in compliance with the NHFB's policy of holding \$25,000 in the departmental bank account at the end of the month.
Trade and Other Receivables	The variance is due to a greater than budgeted for appropriations receivable due to regular returns to the OPA for GST refunds and leave liabilities of new employees and lower than budgeted expenditure for 2020-21.
Intangible Assets	In 2020- 21 there was continued investment in the NHFB's payment system (\$233,585)
Suppliers	In 2020-21 there was a significant focus placed on timely payment of invoices. In 2019-20 there was also a large payable to the Department of Health for the new lease for premises that was paid in July 2020.

The above explanations also explain the major variances in the Cash Flow Statement and Statement of Changes in Equity



ENDNOTES

This section provides an explanation of the terms used throughout our report and an alphabetical index to help our readers locate key information easily,





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Acronyms

ABF	Activity Based Funding
ACSQHC	Australian Commission on Safety and Quality in Health Care
AIHW	Australian Institute of Health and Welfare
CCM	Commonwealth Contribution Model
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COAG	Council of Australian Governments
IGA	Intergovernmental Agreement on Federal Financial Relations
IHPA	Independent Hospital Pricing Authority
JAC	Jurisdictional Advisory Committee
LHN	Local Hospital Network
NEC	National Efficient Cost
NEP	National Efficient Price
NHFB	National Health Funding Body
NHR Act	<i>National Health Reform Act 2011</i>
NHR Agreement	<i>National Health Reform Agreement 2011</i>
NPCR	National Partnership on COVID-19 Response
NWAU	National Weighted Activity Unit
PGPA Act	<i>Public Governance, Performance and Accountability Act 2013</i>
RBA	Reserve Bank of Australia
SPP	National Healthcare Specific Purpose Payment
The Administrator	Administrator of the National Health Funding Pool
The Pool	National Health Funding Pool

Glossary

Term	Meaning
Activity Based Funding	Refers to a method for funding 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 efficient cost of delivering those services.
(the) Administrator	<p>The Administrator of the National Health Funding Pool (the Administrator) is an independent statutory office holder, distinct from Commonwealth and State and Territory government departments, established under legislation of the Commonwealth and State and Territory governments.</p> <p>The role of the Administrator, with support from the NHFB, is to oversee the responsible, efficient and effective administration of Commonwealth and State and Territory public hospital funding and payments under the <i>National Health Reform Agreement</i> (NHR Agreement).</p>
Block funding	<p>A method of funding public hospital functions and services as a fixed amount based on population and previous funding.</p> <p>Under the NHR Agreement, Block funding will be provided to States and Territories to support teaching and research undertaken in public hospitals and for some public hospital services where it is more appropriate, particularly smaller rural and regional hospitals.</p>
Council of Australian Governments (COAG)	The peak intergovernmental forum in Australia. The members of COAG are the Prime Minister, State and Territory Premiers and Chief Ministers and the President of the Australian Local Government Association.
Local Hospital Networks (LHNs)	Recipients of the payments from the National Health Funding Pool, Commonwealth Block funding and State (and Territory) Managed Funds.
Medicare Benefits Schedule (MBS)	A listing of the Medicare services subsidised by the Australian Government.
National Funding Cap	The limit in growth in Commonwealth funding for Public Hospital Services for all States and Territories of 6.5% per annum and where the context so requires includes the operation of the Funding Cap as provided in the NHR Agreement.
National Health Funding Body (NHFB)	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 Pool Accounts of all States and Territories, also known as the 'the Pool'. The Pool was established under Commonwealth and State and Territory legislation for the purpose of receiving all Commonwealth and Activity Based State and Territory public hospital funding, and for making payments under the NHR Agreement.
National Health Funding Pool Payments System (the Payments System)	The Administrator's National Health Funding Pool Payments System processes the NHR Commonwealth, State/Territory deposits and payments into and out of the Pool, as required under the NHR Act.

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Term	Meaning
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 provides a way of comparing and valuing each public hospital service (whether it is an admission, emergency department presentation or outpatient episode), by weighting it for clinical complexity.
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.
State Managed Fund (SMF)	A separate bank account or fund established by a State or Territory for the purposes of health funding under the NHR Agreement which must be undertaken in the State or Territory through a State Managed Fund.
State Pool Account (SPA)	A Reserve Bank of Australia account established by a for the purpose of receiving all Commonwealth and Activity Based State and Territory public hospital funding, and for making payments under the Agreement. The State (and Territory) Pool Accounts of all States and Territories are collectively known as the National Health Funding Pool or the Pool.

Disclosure Index

Below is the table set out in Schedule 2 of the PGPA Rule. Section 17AJ(d) requires this table be included in entities' annual reports as an aid of access.

PGPA Rule Reference	Description	Requirement	Location
17AD(G) LETTER OF TRANSMITTAL			
17AI	A copy of the letter of transmittal signed and dated by accountable authority on date final text approved, with statement that the report has been prepared in accordance with section 46 of the Act and any enabling legislation that specifies additional requirements in relation to the annual report.	Mandatory	8
17AD(H) AIDS TO ACCESS			
17AJ(a)	Table of contents.	Mandatory	10
17AJ(b)	Alphabetical index.	Mandatory	126
17AJ(c)	Glossary of abbreviations and acronyms.	Mandatory	118-119
17AJ(d)	List of requirements.	Mandatory	120-125
17AJ(e)	Details of contact officer.	Mandatory	9
17AJ(f)	Entity's website address.	Mandatory	9
17AJ(g)	Electronic address of report.	Mandatory	9
17AD(A) REVIEW BY ACCOUNTABLE AUTHORITY			
17AD(a)	A review by the accountable authority of the entity.	Mandatory	15-18
17AD(B) OVERVIEW OF THE ENTITY			
17AE(1)(a)(i)	A description of the role and functions of the entity.	Mandatory	3-4
17AE(1)(a)(ii)	A description of the organisational structure of the entity.	Mandatory	31-34
17AE(1)(a)(iii)	A description of the outcomes and programmes administered by the entity.	Mandatory	40
17AE(1)(a)(iv)	A description of the purposes of the entity as included in corporate plan.	Mandatory	40
17AE(1)(aa)(i)	Name of the accountable authority or each member of the accountable authority	Mandatory	39
17AE(1)(aa)(ii)	Position title of the accountable authority or each member of the accountable authority	Mandatory	39
17AE(1)(aa)(iii)	Period as the accountable authority or member of the accountable authority within the reporting period	Mandatory	68
17AE(1)(b)	An outline of the structure of the portfolio of the entity.	Portfolio departments - Mandatory	31-34
17AE(2)	Where the outcomes and programs administered by the entity differ from any Portfolio Budget Statement, Portfolio Additional Estimates Statement or other portfolio estimates statement that was prepared for the entity for the period, include details of variation and reasons for change.	If applicable, Mandatory	N/A

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PGPA Rule Reference	Description	Requirement	Location
17AD(C) REPORT ON THE PERFORMANCE OF THE ENTITY			
Annual performance Statements			
17AD(c)(i); 16F	Annual performance statement in accordance with paragraph 39(1) (b) of the Act and section 16F of the Rule.	Mandatory	39-58
17AD(C)(II) REPORT ON FINANCIAL PERFORMANCE			
17AF(1)(a)	A discussion and analysis of the entity's financial performance.	Mandatory	19-20
17AF(1)(b)	A table summarising the total resources and total payments of the entity.	Mandatory	89-90
17AF(2)	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 entity; how the entity 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 entity's future operation or financial results.	If applicable, Mandatory.	N/A
17AD(D) MANAGEMENT AND ACCOUNTABILITY			
Corporate Governance			
17AG(2)(a)	Information on compliance with section 10 (fraud systems)	Mandatory	84
17AG(2)(b)(i)	A certification by accountable authority that fraud risk assessments and fraud control plans have been prepared.	Mandatory	84
17AG(2)(b)(ii)	A certification by accountable authority 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 entity are in place.	Mandatory	84
17AG(2)(b)(iii)	A certification by accountable authority that all reasonable measures have been taken to deal appropriately with fraud relating to the entity.	Mandatory	84
17AG(2)(c)	An outline of structures and processes in place for the entity to implement principles and objectives of corporate governance.	Mandatory	78-83
17AG(2)(d) – (e)	A statement of significant issues reported to Minister under paragraph 19(1)(e) of the Act that relates to noncompliance with Finance law and action taken to remedy noncompliance.	If applicable, Mandatory	N/A
Audit Committee			
17AG(2A)(a)	A direct electronic address of the charter determining the functions of the entity's audit committee.	Mandatory	80
17AG(2A)(b)	The name of each member of the entity's audit committee.	Mandatory	81-82
17AG(2A)(c)	The qualifications, knowledge, skills or experience of each member of the entity's audit committee.	Mandatory	81-82
17AG(2A)(d)	Information about the attendance of each member of the entity's audit committee at committee meetings.	Mandatory	81-82
17AG(2A)(e)	The remuneration of each member of the entity's audit committee.	Mandatory	81-82

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PGPA Rule Reference	Description	Requirement	Location
External Scrutiny			
17AG(3)	Information on the most significant developments in external scrutiny and the entity's response to the scrutiny.	Mandatory	84
17AG(3)(a)	Information on judicial decisions and decisions of administrative tribunals and by the Australian Information Commissioner that may have a significant effect on the operations of the entity.	If applicable, Mandatory	84
17AG(3)(b)	Information on any reports on operations of the entity by the Auditor General (other than report under section 43 of the Act), a Parliamentary Committee, or the Commonwealth Ombudsman.	If applicable, Mandatory	84
17AG(3)(c)	Information on any capability reviews on the entity that were released during the period.	If applicable, Mandatory	84
Management of Human Resources			
17AG(4)(a)	An assessment of the entity's effectiveness in managing and developing employees to achieve entity objectives.	Mandatory	61-65
17AG(4)(aa)	Statistics on the entity's employees on an ongoing and non ongoing basis, including the following: <ul style="list-style-type: none"> statistics on full-time employees; statistics on part-time employees; statistics on gender; and statistics on staff location. 	Mandatory	66
17AG(4)(b)	Statistics on the entity's APS employees on an ongoing and non-ongoing basis; including the following: <ul style="list-style-type: none"> Statistics on staffing classification level; Statistics on full-time employees; Statistics on part-time employees; Statistics on gender; Statistics on staff location; and Statistics on employees who identify as Indigenous. 	Mandatory	54-56
17AG(4)(c)	Information on any 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	68-70
17AG(4)(c)(i)	Information on the number of SES and nonSES employees covered by agreements etc identified in paragraph 17AG(4)(c).	Mandatory	68-70
17AG(4)(c)(ii)	The salary ranges available for APS employees by classification level.	Mandatory	70
17AG(4)(c)(iii)	A description of nonsalary benefits provided to employees.	Mandatory	70
17AG(4)(d)(i)	Information on the number of employees at each classification level who received performance pay.	If applicable, Mandatory	N/A
17AG(4)(d)(ii)	Information on aggregate amounts of performance pay at each classification level.	If applicable, Mandatory	N/A
17AG(4)(d)(iii)	Information on the average amount of performance payment, and range of such payments, at each classification level.	If applicable, Mandatory	N/A
17AG(4)(d)(iv)	Information on aggregate amount of performance payments.	If applicable, Mandatory	N/A

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PGPA Rule Reference	Description	Requirement	Location
Assets Management			
17AG(5)	An assessment of effectiveness of assets management where asset management is a significant part of the entity's activities	If applicable, Mandatory	86
Purchasing			
17AG(6)	An assessment of entity performance against the Commonwealth Procurement Rules.	Mandatory	86
Consultants			
17AG(7)(a)	A summary statement detailing the number of new contracts engaging consultants entered into during the period; the total actual expenditure on all new consultancy contracts entered into during the period (inclusive of GST); the number of ongoing consultancy contracts that were entered into during a previous reporting period; and the total actual expenditure in the reporting year on the ongoing consultancy contracts (inclusive of GST).	Mandatory	85
17AG(7)(b)	A statement that <i>"During [reporting period], [specified number] new reportable consultancy contracts were entered into involving total actual expenditure of \$[specified million]. In addition, [specified number] ongoing reportable consultancy contracts were active during the period, involving total actual expenditure of \$[specified million]"</i> .	Mandatory	85
17AG(7)(c)	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	85
17AG(7)(d)	A statement that <i>"Annual reports contain information about actual expenditure on reportable consultancy contracts. Information on the value of reportable consultancy contracts is available on the AusTender website"</i>	Mandatory	85
Reportable non-consultancy contracts			
17AG(7A)(a)	Additional information about organisations receiving amounts under reportable consultancy contracts or reportable non-consultancy contracts	Mandatory	85
17AG(7A)(b)	A statement that <i>"Annual reports contain information about actual expenditure on reportable non-consultancy contracts. Information on the value of reportable non-consultancy contracts is available on the AusTender website."</i>	Mandatory	85
17AD(daa)	Additional information about organisations receiving amounts under reportable consultancy contracts or reportable non-consultancy contracts	Mandatory	85
17AGA	Additional information, in accordance with section 17AGA, about organisations receiving amounts under reportable consultancy contracts or reportable non-consultancy contracts.	Mandatory	85
Australian National Audit Office Access Clauses			
17AG(8)	If an entity entered into a contract with a value of more than \$100 000 (inclusive of GST) and the contract did not provide the AuditorGeneral with access to the contractor's premises, the report must include the name of the contractor, purpose and value of the contract, and the reason why a clause allowing access was not included in the contract.	If applicable, Mandatory	86

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PGPA Rule Reference	Description	Requirement	Location
Exempt contracts			
17AG(9)	If an entity entered into a contract or there is a standing offer with a value greater than \$10 000 (inclusive of GST) which has been exempted from being published in AusTender because it would disclose exempt matters under the FOI Act, the annual report must include a statement that the contract or standing offer has been exempted, and the value of the contract or standing offer, to the extent that doing so does not disclose the exempt matters.	If applicable, Mandatory	86
Small business			
17AG(10)(a)	A statement that "[Name of entity] supports small business participation in the Commonwealth Government procurement market. Small and Medium Enterprises (SME) and Small Enterprise participation statistics are available on the Department of Finance's website."	Mandatory	86
17AG(10)(b)	An outline of the ways in which the procurement practices of the entity support small and medium enterprises.	Mandatory	86
17AG(10)(c)	If the entity is considered by the Department administered by the Finance Minister as material in nature—a statement that "[Name of entity] recognises the importance of ensuring that small businesses are paid on time. The results of the Survey of Australian Government Payments to Small Business are available on the Treasury's website."	If applicable, Mandatory	N/A
Financial Statements			
17AD(e)	Inclusion of the annual financial statements in accordance with subsection 43(4) of the Act.	Mandatory	94-114
Executive Remuneration			
17AD(da)	Information about executive remuneration in accordance with Subdivision C of Division 3A of Part 23 of the Rule.	Mandatory	69
17AD(F) OTHER MANDATORY INFORMATION			
17AH(1)(a)(i)	If the entity conducted advertising campaigns, a statement that "During [reporting period], the [name of entity] conducted the following advertising campaigns: [name of advertising campaigns undertaken]. Further information on those advertising campaigns is available at [address of entity's website] and in the reports on Australian Government advertising prepared by the Department of Finance. Those reports are available on the Department of Finance's website."	If applicable, Mandatory	N/A
17AH(1)(a)(ii)	If the entity did not conduct advertising campaigns, a statement to that effect.	If applicable, Mandatory	86
17AH(1)(b)	A statement that "Information on grants awarded by [name of entity] during [reporting period] is available at [address of entity's website]."	If applicable, Mandatory	86
17AH(1)(c)	Outline of mechanisms of disability reporting, including reference to website for further information.	Mandatory	73
17AH(1)(d)	Website reference to where the entity's Information Publication Scheme statement pursuant to Part II of FOI Act can be found.	Mandatory	84
17AH(1)(e)	Correction of material errors in previous annual report	If applicable, Mandatory	N/A
17AH(2)	Information required by other legislation	Mandatory	71 - 79

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This Annual Report includes:

- An individual financial statement for each State and Territory's State Pool Account and a combined financial statement.
- NHR funding and payments, including number of weighted hospital services delivered.
- State and Territory financial statements are audited by the relevant Auditor-General.

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