



National Health  
Funding Body

Improving the transparency of  
public hospital funding in Australia

# ANNUAL REPORT **2022-23**



## **Acknowledgement of Country**

The National Health Funding Body acknowledges the traditional owners of country throughout Australia, and their continuing connection to land, water and community. We pay our respects to them and their cultures and to elders both past and present.



National Health  
Funding Body

# ANNUAL REPORT

## 2022-23

Improving the transparency of  
public hospital funding in Australia

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SERVICES

\$63 BILLION PAID TO...



138

Local Hospital Networks

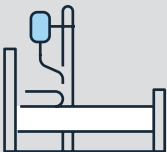
COMPRISING OF...



697

public hospitals

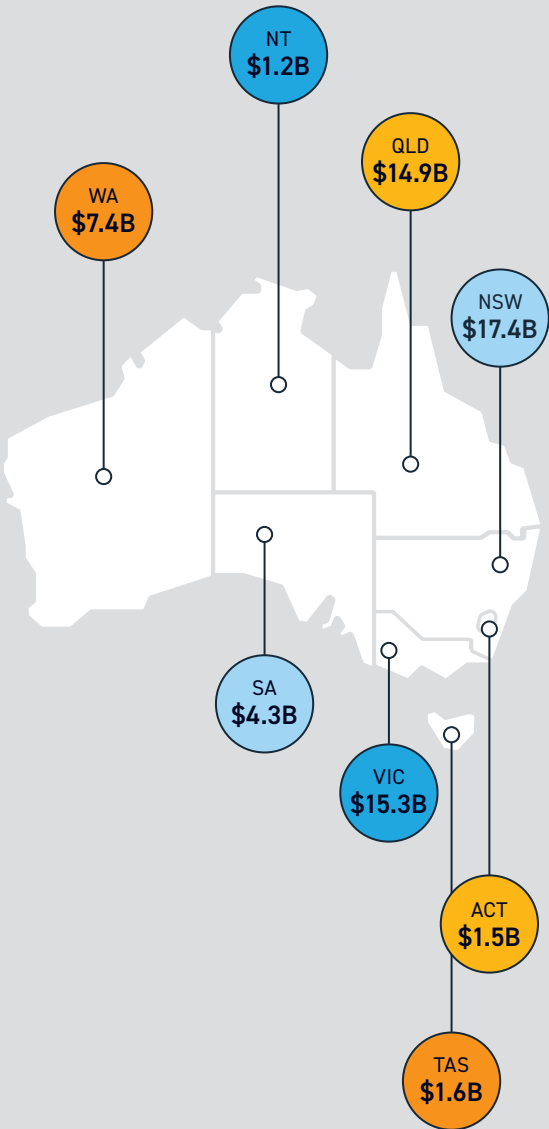
THAT DELIVERED...



38 MILLION

public hospital services

PUBLIC HOSPITAL PAYMENTS



We administered...

\$64 BILLION

in public hospital payments

## COVID-19 SUPPORT

Since March 2020, we have paid over

# \$14.7 BILLION

in Commonwealth funding to States and Territories to respond to COVID-19 including:



## \$2.5 BILLION

for COVID-19 testing



## \$2.1 BILLION

in Personal Protective Equipment



## \$1.3 BILLION

for additional cleaning in hospitals, schools and public transport



## \$3.7 BILLION

for public health activities



## \$0.4 BILLION

in COVID-19 vaccinations

## PEOPLE

In the 2023 APS Employee Census, out of 100 agencies, the National Health Funding Body ranked...



### 1ST PLACE

Leadership



### 2ND PLACE

Wellbeing



### 2ND PLACE

Innovation



### 3RD PLACE

Communication

## STAKEHOLDER ENGAGEMENT

Our **early engagement** on funding and reconciliation

**Through collaboration** across quarterly multilateral meetings informed by 32 bilateral discussions...

✓ Led to **improved satisfaction and trust** with our stakeholders

Our stakeholders rated us...

# 4.8/5



## Publication details

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ISSN 2206-0901 (ONLINE)

ISSN 2206-091X (PRINT)

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Produced by the National Health Funding Body,  
Acton, Canberra

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**National Health  
Funding Body**

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The Hon. Mark Butler MP  
Minister for Health  
Commonwealth of Australia  
PO Box 6022  
Canberra ACT 2600  
[minister.butler@health.gov.au](mailto:minister.butler@health.gov.au)

Dear Minister,

**National Health Funding Body Annual Report 2022–23**

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 2023, 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  
22 September 2023

## Our Annual Report highlights our key achievements in 2022-23.

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 report should be read in conjunction with the National Health Funding Body Corporate Plan 2022-23 and the Administrator's National Health Funding Pool Annual Report 2022-23. These can be found on the NHFB website: [www.publichospitalfunding.gov.au/publications](http://www.publichospitalfunding.gov.au/publications)



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# PART 1:

# OVERVIEW

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

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**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.**

**Michael Lambert**

Administrator  
National Health Funding Pool

## MESSAGE FROM THE ADMINISTRATOR

In 2022-23, I was supported by the NHFB to:

- calculate the Commonwealth National Health Reform Agreement (NHRA) and National Partnership on COVID-19 Response (NPCR) payments to the States and Territories (hereafter, the States)
- make payments through the Pool to Local Hospital Networks
- report on payments, activity and jurisdictional compliance with the requirements specified in the Administrator's Three Year Data Plan.

In 2022-23, the main areas of focus beyond undertaking the core functions of calculate, pay, report were:

- working with States and national bodies to improve the consistency and transparency of public hospital funding
- publishing two annual reports on Maintenance of Effort (that is, whether the level of public hospital funding has been maintained compared to the 2018-19 base year)
- further enhancing funding integrity through identifying and addressing any potential double Commonwealth payments
- facilitating bilateral and multilateral engagement with all key stakeholders as part of the six-month and annual reconciliation process
- providing advice on the mid-term review of the National Health Reform Agreement.

## National Health Reform Agreement funding and Annual Reconciliation

In 2022-23, \$63.6 billion in NHR payments from Commonwealth, State and Territory funding contributions were made. Of the \$63.6 billion, the Commonwealth contributed \$25.8 billion with States contributing the balance.

The 2021-22 Annual Reconciliation was completed in December 2022, with my advice provided to the Treasurer (and all health ministers) on 13 December 2022. This involved a reduction in Commonwealth NHR funding of \$1.270 billion offset by a \$1.527 billion top-up under the NPCR (\$1.104 billion in HSP, \$0.411 billion in SPHP and \$0.012 billion in FVP) and an additional \$0.473 billion Minimum Funding Guarantee payment.

## COVID-19 program

The NPCR was signed by all Australian Governments in March 2020 to provide Commonwealth financial support for the additional cost incurred by States in responding to COVID-19 and was subsequently amended to include vaccination payments, aged care support and financial viability payments to private hospitals.

The NPCR expired on 31 December 2022 with the total payments made by the Commonwealth being \$14.7 billion over the period from March 2020 to December 2022.

## Annual report on Maintenance of Effort and funding transparency

Under the Addendum, all Parties agreed, at a minimum, to maintain levels of funding for public hospital services through the Pool for 2020-21 to 2024-25 at not less than the level of funding for 2018-19.

Whilst the Commonwealth and States have maintained levels of funding for public hospital services in 2020-21 and 2021-22, at not less than the level of funding for 2018-19, there

is further work to do to achieve funding transparency through:

- ensuring accuracy and completeness of Service Agreements, including clear identification of in-scope and out-of-scope activity (A92)
- ensuring accuracy and completeness of State prices published in Service Agreements (A95)
- ensuring all State ABF contributions for in-scope activity are being transacted through the Pool (A139)
- identifying funding for out-of-scope activity transacted through the Pool (A139).

## The year ahead

In 2023-24, the main areas of focus beyond undertaking the core functions of calculate, pay, report will be to:

- work with the Mid Term Review Team, Commonwealth, States and National Bodies on ways to further enhance public hospital funding arrangements both under the current Addendum and future Addendums
- work with IHACPA and ACSQHC on incorporating additional safety and quality measures into public hospital funding
- work with IHACPA and States to further refine the approach to Private Patient Neutrality
- work with IHACPA to enhance the transparency of Block funding
- work with our stakeholders to further improve reconciliation processes and funding integrity measures.



**Michael Lambert**  
Administrator  
National Health Funding Pool



**I am pleased to present our annual report for 2022-23, my sixth as the CEO NHFB. I am grateful for the opportunity to reflect on and share the achievements of the agency throughout this report. Each year, we aim to achieve more than the year before and this year has been no different.**

**Shannon White**

Chief Executive Officer  
National Health Funding Body

## MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

Australia's health system faces several long-term challenges including an ageing population, burden of chronic disease, impact of new technology and rising consumer expectations. In the short-term, the public hospital system is constrained by workforce shortages and at the same time is under pressure from deferred patient care including four years of reduced surgery volumes.

These challenges reinforce the need for an efficient, sustainable, and accessible public hospital system. The NHFB's purpose, to improve the transparency of public hospital funding in Australia through best practice financial administration, will continue to play a critical role in ensuring Commonwealth and State funding can meet these challenges and leads to improved health outcomes.

In 2022-23, the Agency delivered best practice administration of \$64 billion in public hospital funding. We performed the calculations, payments and reporting of public hospital funding across 138 Local Hospital Networks (LHNs) comprising 697 public hospitals delivering more than 38 million hospital services.

### 2021-22 public hospital funding outcome

In December 2022, together with the Administrator we finalised the 2021-22 Annual Reconciliation of Commonwealth National Health Reform (NHR) funding as well as the NPCR. I am proud to say that despite the increased complexity of public hospital funding arrangements, we delivered the fastest Annual Reconciliation since the Administrator and NHFB were established.

The final 2021-22 funding entitlement includes:

1. Commonwealth NHR funding \$23.045 billion – for public hospital services
2. Commonwealth Minimum Funding Guarantee \$0.473 billion – providing funding certainty
3. Commonwealth NPCR funding \$6.658 billion – comprised of:
  - a. Hospital Services Payments (HSP) \$1.877 billion – for COVID-19 related public hospital services
  - b. State Public Health Payments (SPHP) \$4.337 billion – for COVID-19 related public health activities
  - c. Private Hospital Financial Viability Payments (FVP) \$0.444 billion – for additional capacity provided by private hospitals.

## 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 \$64 billion in 2022-23, representing an increase of \$27 billion over the last eight years.

## COVID-19 financial assistance

Since March 2020, more than \$14 billion in Commonwealth funding has been paid through the *National Partnership on COVID-19 Response* (NPCR) to assist States to respond to the COVID-19 pandemic. The Commonwealth also provided a Minimum Funding Guarantee during this period to mitigate the volatility in public hospital services.

In addition to Hospital Services Payments provided to support public hospitals in treating confirmed and suspected COVID-19 patients, State Public Health Payments have supported additional public health activities in responding

to the pandemic and stopping the spread of the disease. This includes all COVID-19 testing and vaccinations, securing additional PPE supplies, expanding ICU and ventilation capacity, additional cleaning in schools, public transport and health facilities, boosting contact tracing and public health communication activities. Private Hospital Financial Viability Payments focused on securing additional staff, facilities and ICU beds to supplement the public hospital system.

With the stabilisation of COVID-19 cases and hospitalisations, and less acute pressure on the health system due to COVID-19, arrangements can now transition away from emergency response settings.

Existing arrangements under the NPCR expired on 31 December 2022. In the same month, the Commonwealth Government announced the National COVID-19 Health Management Plan 2023, which includes a focus on testing and vaccinations for priority groups. A new *National Partnership for Priority Populations for Testing and Vaccination* was subsequently offered to the States and Territories for the 2023 calendar year, with the first States and Territories signing in August 2023. The Administrator and NHFB will continue to support COVID-19 funding arrangements through financial administration of the new NPA.

## Increased stakeholder satisfaction

Following four years of feedback from our stakeholders and partners, we know they value our open communication, respectful engagement and high-quality advice. This is reflected in the stakeholder survey results which have improved year on year, from 4.2 in 2020 to 4.8 out of 5 in 2023.

We will continue to enhance our relationships through existing bilateral and multilateral fora as well as new initiatives such as our data community of practice and technical workshops. It is essential that we continue to enhance trust with our Commonwealth, State and Territory stakeholders as well as our portfolio agency partners.

## Investing in our people

The NHFB has a small yet specialised and high-performing workforce. Our performance is the result of significant efforts to build and invest in our capabilities and is underpinned by our core United Leadership behaviours where we value people and results equally.

In 2022-23, we continued to demonstrate strength in leadership, supervision, communication, innovation and investment in employee wellbeing, ranking in the top two to three agencies for these measures in the Australian Public Service (APS) employee census.

In 2023-24 we will remain focused on:

- Building on our strong stakeholder engagement for greater impact
- Leveraging our digital investment and embracing data to improve services and advice
- Strengthening our leadership and culture to remain an employer of choice
- Investing in our people through learning and development to strengthen our organisational capability
- Reviewing our business operations for innovation opportunities, productivity improvements and value for money.

## Appreciation and recognition

This year we farewelled Michael Lambert, as he retired as the Administrator of the National Health Funding Pool on 7 July 2023. I would like to acknowledge and thank Michael, for his service. His guidance, advice and encouragement has been critical to the NHFB's achievements over the last five years. It's been a privilege to work together and advance our joint vision to improve the transparency of public hospital funding in Australia. While health ministers consider the appointment of a new administrator, Michael has kindly stepped in as acting Administrator for the period 11 September to 5 November 2023.

I am also proud of the high-performing and innovative team at the NHFB. I thank each of them for their consistent hard work, for finding the opportunities in the challenges, and most importantly, continuing to support each other to work as One NHFB. I would also like to thank our stakeholders and partners for their cooperation and contribution to our mutual success in 2022-23.

## Priorities for the future

One of the key activities for this planning period will be our contribution to the mid-term review of the NHRA (the Agreement) and any future consideration of a new agreement from 1 July 2025 onwards. In the meantime, our primary focus will be the administration of Commonwealth NHR funding under the Addendum including:

- Public hospital funding integrity
- Funding neutrality for private patients in public hospitals
- Funding cap exemption and reconciliation of highly specialised therapies
- The progression of safety and quality measures (e.g. sentinel events, complications and readmissions)
- Measures to address potentially preventable hospitalisations.

I look forward to working with the new Administrator, our stakeholders and partners, and my outstanding team to further improve the transparency of public hospital funding in Australia; and ultimately play our part to improve the health outcomes of all Australians.



**Shannon White**

Chief Executive Officer  
National Health Funding Body




## 2022-23 Snapshot

### How we performed

OBJECTIVE	MEASURE	RESULT
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	

 Met

 Substantially Met

 Not Met

# ABOUT THE ADMINISTRATOR AND NHFB

## The Administrator

The Administrator of the National Health Funding Pool (the Pool) is a statutory office holder, independent from Commonwealth and State and Territory Governments and is appointed to the position under Commonwealth, State and Territory legislation.

The position was established by the NHR Act, and relevant legislation of each State and Territory. The Administrator is supported by the NHFB, which is also independent of all governments.

The key functions of the Administrator, with the support of the NHFB are to:

- calculate and advise the Commonwealth Treasurer of the Commonwealth’s contribution to public hospital funding in each State and Territory
- reconcile estimated and actual public hospital services, and adjust Commonwealth payments
- undertake funding integrity analysis to identify public hospital services that potentially received funding through other Commonwealth programs
- monitor payments of Commonwealth, State and Territory public hospital funding into the the Pool
- make payments from the Pool to each Local Hospital Network (LHN)
- report publicly on funding, payments and services
- develop and providing three year data plans to the Commonwealth, States and Territories
- maintain productive and effective relationships with stakeholders and industry partners, including all Australian Governments, the Independent Health and Aged Care Pricing Authority (IHACPA), Australian Institute of Health and Welfare (AIHW) and the Australian Commission on Safety and Quality in Health Care (ACSQHC).



## The National Health Funding Body

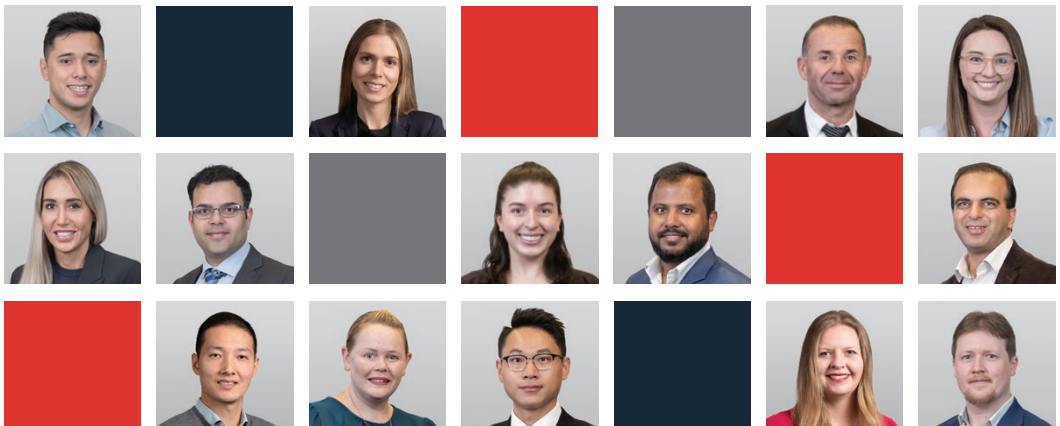
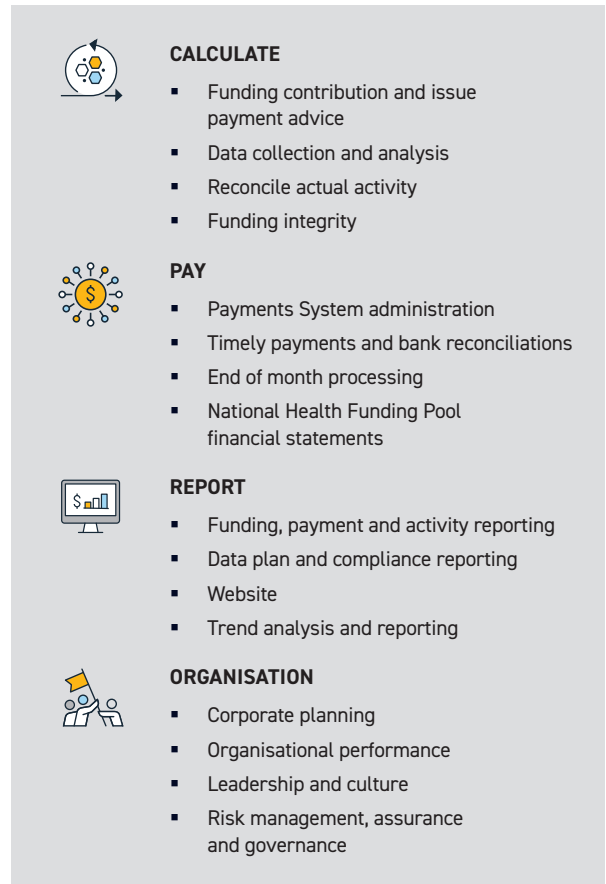
The NHFB's primary purpose is to support the obligations and responsibilities of the Administrator through best practice administration of public hospital funding.

The NHFB, led by CEO Shannon White, operates as a Commonwealth non-corporate entity under the *Public Governance, Performance and Accountability Act 2013* and is funded as a small agency under the Commonwealth Department of Health and Aged Care Portfolio.

The NHFB is an independent agency with 30 staff that support the Administrator to oversee the administration of Commonwealth, State and Territory public hospital funding and payments under the NHR Agreement.

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

Figure 1: NHFB's four key functions



# STRATEGIC OVERVIEW

## 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 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 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 APS VALUES

✓ IMPARTIAL

✓ COMMITTED

✓ ACCOUNTABLE

✓ RESPECTFUL

✓ ETHICAL

WHO WE SUPPORT



Prime Minister,  
Premiers and  
Chief Ministers



Commonwealth,  
State and Territory  
Health Ministers



Commonwealth  
Treasurer



**Michael Lambert**  
Administrator

**ADMINISTRATOR OF THE  
NATIONAL HEALTH FUNDING POOL**

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



**Shannon White**  
Chief Executive Officer

**THE NATIONAL HEALTH FUNDING BODY**

Led by the CEO, the 30 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



Commonwealth,  
State and Territory  
stakeholders



Portfolio agencies



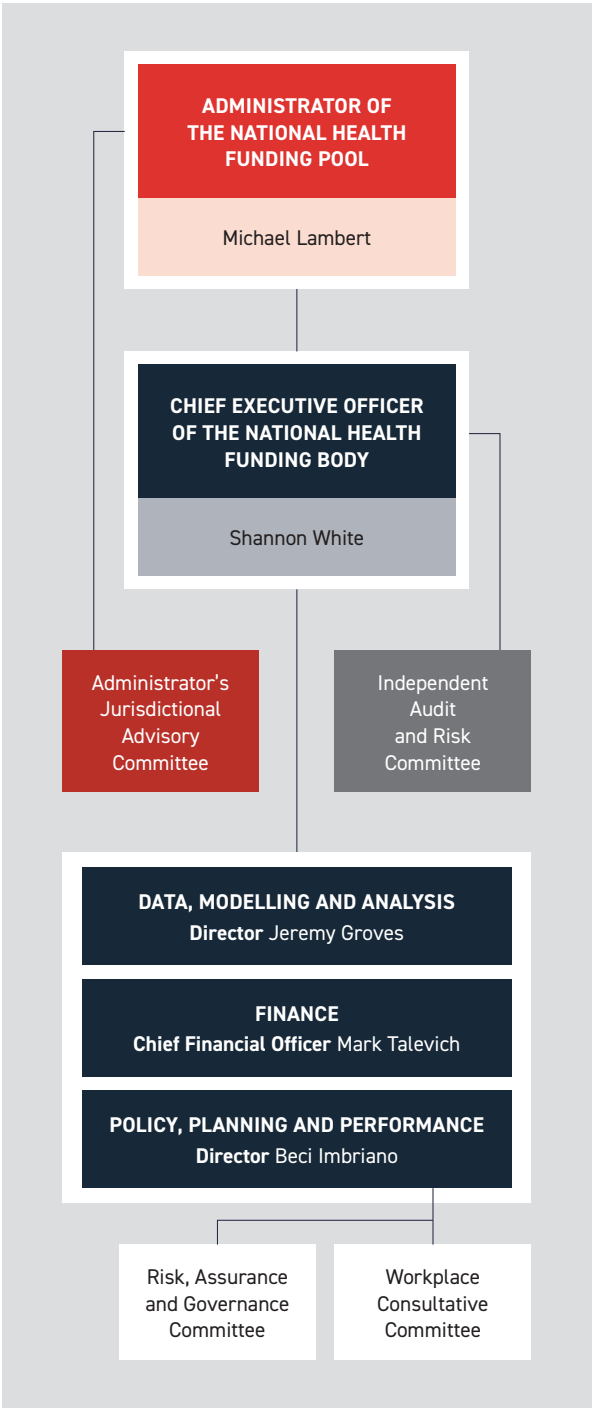
Industry partners

Organisational structure

The NHFB’s structure ensures resources are aligned to core functions, providing for clear lines of reporting.

Figure 2 shows the relationship between the Administrator, NHFB and governance elements.

Figure 2: Organisational structure as at 30 June 2023



## Leadership team



**Michael Lambert**

Administrator  
National Health Funding Pool

Michael was appointed as the Administrator on 17 July 2018 for a five-year term. This was subsequently extended to include the period 11 September 2023 to 5 November 2023 pending the appointment of a new Administrator.

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, the NSW Cancer Council and 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.

He has also held non-executive directorships in the finance, energy and not for profit sectors.

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**

Chief Executive Officer  
National Health Funding Body

Shannon was appointed CEO of the National Health Funding Body in April 2018.

Shannon has a broad range of experience across national security, economic and social policy environments. Shannon has 30 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 and Aged Care, 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 National Health Reform Agreement.



**Jeremy Groves**

Director  
Data, Modelling and Analysis

Jeremy joined the NHFB in October 2022. The Data, Modelling and Analysis section develop and operate models that determine the Commonwealth funding contribution to LHNs for delivering public hospital services (over \$25 billion for 2022-23). The section also reconciles estimated and actual service volumes through a range of data submissions (over 38 million records each year) related to public hospital funding. The Data, Modelling and Analysis section is also responsible for linking hospital activity data with Medicare Benefits Schedule (MBS) claims data to identify if the Commonwealth has potentially paid for the same hospital service more than once (over 610 million MBS records per annum).

Jeremy has over 12 years experience in data modelling, analytics and data visualisation. He holds a PhD from the University of Canberra and a Bachelor of Science from Concordia University, Canada.



**Mark Talevich**

Chief Financial Officer  
Finance

Mark joined the NHFB in September 2021 as Chief Financial Officer and is responsible for the Finance section. The Finance section provides financial support to the CEO and the Administrator, including managing the National Health Funding Pool Payments System, processing Commonwealth, State and Territory 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 is 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, Mark worked at the Commonwealth Department of Health for more than 19 years, working predominately in corporate roles in financial management, external budget and grants management. Mark is a Certified Practising Accountant (CPA) and has a Graduate Diploma in Professional Accountancy from the University of Canberra.





**Beci Imbriano**

Director  
Policy, Planning and Performance

---

**“We are proud of our culture where ‘how’ we do things is just as important as ‘what’ we do.**

---

Beci joined the NHFB in November 2018 as Director, Policy, Planning and Performance. The Policy, Planning and Performance section is 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, including:

- 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 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](http://publichospitalfunding.gov.au).

The section also provides 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.

# OPERATING ENVIRONMENT

Our role in Australia's health system was the result of significant public hospital funding reforms agreed by the Commonwealth and all States and Territories in August 2011, 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* (see page 15). The new Addendum maintains a commitment to ensuring equitable access to public hospitals for all Australians, and reaffirms the role of the Administrator and the NHFB.

As part of the Addendum, the signatories agreed that an external review of the NHR Agreement would be completed by December 2023. An independent review team was publicly announced on 24 February 2023 and has been tasked to examine whether:

- the stated objectives of the Addendum – improving health outcomes, access and innovation – are being met; and in particular,
- the Addendum's health funding, planning and governance architecture is fit-for-purpose, given emerging priorities for better integrated care and more seamless interfaces between health and primary care, mental health, aged care and disability systems.

The Review will also consider potential options for future reforms and agreements.

## Health system

To achieve our purpose 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, builds stakeholder confidence in Australia's public hospital funding system.

## Key moments in public hospital funding history

1816

Australia's first public hospital, the Rum Hospital opened in Sydney. In 1894 it was renamed the Sydney Hospital.



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

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.

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.

2021

Extension to the NPCR to include Aged Care and vaccinations.

2023

Mid-term Review of Addendum to the National Health Reform Agreement.

## Overview of health care agreements

### National Healthcare Specific Purpose Payment Pre-2012

Prior to the NHR Agreement, States and Territories were paid a contribution for public hospital services from the Commonwealth via 'block grants' under the National Healthcare Specific Purpose Payment 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 wellbeing.
- 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 Addendum, the Commonwealth Government provided a Minimum Funding Guarantee (2019-20, 2020-21 and 2021-22) 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 (NPCR)

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 Payment. A third update to the NPCR was made in February 2021 to support the COVID-19 vaccine rollout. The NPCR was further amended to assist residential aged care providers prevent, prepare for and respond to outbreaks of COVID-19 under Schedule D.

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

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

Since then, more than \$14.7 billion (2019-20 to 2022-23) 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 Payment to enable private hospitals to retain capacity, with the Commonwealth funding 100%
- Schedule C: COVID-19 vaccine payments including Vaccine Dose Delivery Payments and Vaccine Rollout Support Payments, with the Commonwealth funding 50%
- Schedule D: supporting aged care prevention, preparedness and response activities including additional targeted infection prevention and control training in Residential Aged Care Facilities, with the Commonwealth funding 100%
- Costs of the purchase, logistics and distribution of Rapid Antigen Tests (RATs), with the Commonwealth funding 50%.

The NPCR ceased on 31 December 2022. In December 2022 the Commonwealth announced the National COVID-19 Health Management Plan 2023 which focuses on testing and vaccination for priority population groups and will be in place for the 2023 calendar year.

Further details on COVID-19 funding is available in the 2019-20, 2020-21, 2021-22, and 2022-23 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 2022-23 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 held four Payments System Community of Practice meetings, with representatives from all States and Territories. The Community of Practice provides a support network for users, a forum to share knowledge and discuss opportunities for improvement. In 2022-23, the meetings focused on:

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

In March 2023, we established a Data Community of Practice with representatives from all States and Territories, the IHACPA, AIHW and Commonwealth Department of Health and Aged Care. This a forum for members to share information, improve data quality and timeliness and discuss the use of data in relation to the functions of the Administrator.

We undertook our annual 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 4.8, an increase from 2021-22, indicating high levels of satisfaction with the NHFB.

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

- NHFB's efforts in providing timely, clear and consistent communications
- the efforts of our staff in supporting stakeholders and our willingness to help them resolve issues
- the engagement through bilaterals to discuss key issues ahead of the more formal JAC meetings.

The survey also provided insights into focus areas for 2023-24 including frequent engagement and workshops with State and Territories to discuss topics such as data, reconciliation and to share information around business processes.

**Figure 3:** NHFB stakeholders and partners



CASE STUDY

STAKEHOLDER ENGAGEMENT

In July, we undertook our annual 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 4.8, up from 4.5 in 2021-22, 4.3 in 2020-21 and 4.2 in 2019-20.

Our people were recognised for their responsiveness and ability to provide clear communication. They were also commended for their dedicated support and willingness to help. The responses provided by all stakeholders indicate a significant improvement to the NHFB's overall communications since 2018.

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

- providing dedicated support and technical assistance tailored to individual stakeholder needs
- opportunities to collaborate during bilateral discussions ahead of the more formal JAC meetings
- transparent communication on data or funding changes.

The survey also provided insights into focus areas for 2023-24 including:

- scoping opportunities for strategic working groups
- scoping opportunities for improving access to public information.

STAKEHOLDER ENGAGEMENT

Our **early engagement** on funding and reconciliation  
**Through collaboration** across quarterly multilateral meetings informed by 32 bilateral discussions...

✓ Led to **improved satisfaction and trust** with our stakeholders

Our stakeholders rated us...





## 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 IHACPA on the relevant operational arrangements and priorities under the NHR Agreement and NHR Act.

The JAC met four times in 2022-23:

- 8 September 2022
- 17 November 2022
- 2 March 2023
- 15 June 2023.

Key discussion topics at the Administrator's JAC in 2022-23 included:

- Administrator's policies such as the Three Year Data Plan
- Commonwealth NHR funding
- NPCR funding
- 2021-22 Annual Reconciliation of public hospital funding and services
- funding integrity, including data matching
- Service Agreements
- consistency and transparency of public hospital funding, including Maintenance of Effort.

## States and Territories

In addition to the Administrator's JAC and series of rolling bilateral discussions with States and Territories, we held individual workshops with each State and Territory and the Commonwealth in May and June to support the provision of feedback on Data Matching Business Rules. This enabled us to answer any questions jurisdictions had on data matching, as well as highlight some emerging areas of interest for further investigation.

We supplemented the Payments System Community of Practice with information sessions on topics including:

- end of month processing
- end of financial year
- custom reporting
- system software changes.

## Commonwealth

In 2022-23, 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 and Aged Care
- Enterprise Data Warehouse (EDW) technical support from the Department of Health and Aged Care
- 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 and Aged Care 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 IHACPA, the AIHW and the ACSQHC.

### Independent Health and Aged Care Pricing Authority

IHACPA's vision is for Australians to have fair access to transparent, sustainable and high-quality health and aged care.

The IHACPA are an independent government agency that promotes efficiency and increases transparency in the delivery and funding of public health and aged care services across Australia.

The main functions of the IHACPA are to determine the National Efficient Price (NEP) for Activity Based Funding and National Efficient Cost (NEC) for Block funding for public hospital services each year. We are a member of IHACPA's Jurisdictional Advisory Committee and Technical Advisory Committee. In 2022-23, we worked closely with the IHACPA 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.

[www.ihacpa.gov.au](http://www.ihacpa.gov.au)

### Australian Institute of Health and Welfare

AIHW's purpose is to produce high quality data sets and analysis to support improvements in health and welfare.

The AIHW is an independent statutory Australian Government agency with more than 30 years of experience working with health and welfare data.

We collaborate with the AIHW on public hospital funding related matters. In 2022-23, we worked closely with the 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 will continue in 2023-24 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.

[www.aihw.gov.au](http://www.aihw.gov.au)

## Australian Commission on Safety and Quality in Healthcare

ACSQHC's purpose is to contribute to better health outcomes and experiences for all patients and consumers, and improved value and sustainability in the health system by leading and coordinating national improvements in the safety and quality of health care.

The Commission was established in 2006 to lead and coordinate national improvements in the safety and quality of health care. The ACSQHC leads and coordinates key improvements in safety and quality in health care.

The Commission works in four key priority areas:

- Safe delivery of health care
- Partnering with consumers
- Partnering with healthcare professionals
- Quality, value and outcomes.

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

[www.safetyandquality.gov.au](http://www.safetyandquality.gov.au)

## Industry partners

In 2022-23, 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.

## Overview of the relationship between the IHACPA 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
- IHACPA to set the National Efficient Price (NEP) for ABF activity and the National Efficient Cost (NEC) for Block funded services.

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.

INDEPENDENT HEALTH AND AGED CARE PRICING AUTHORITY (IHACPA)



Data collection

The IHACPA collects quarterly public hospital activity data submissions from States and Territories about various kinds of patient services provided by Australian hospitals. They use this data as inputs into the classification, costing and pricing process. The NHFB use this same data for reconciliation of actual services delivered.



Classification

Classifications provide a nationally consistent method of classifying all types of patients, their treatment and associated costs. IHACPA undertakes reviews and updates of existing classifications and is also responsible for introducing new classifications.



Costing

Hospital costing focuses on the cost and mix of resources used to deliver patient care. Costing plays a vital role in Activity Based Funding, providing valuable information for pricing purposes.



Pricing

The IHACPA determines the National Efficient Price. This pricing model determines how much is paid for an average patient. It also recognises factors that increase the cost of care, for example, the additional cost of providing health services in remote areas, or to children. The NHFB use this when calculating the Commonwealth's contribution to public hospital funding.

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## NATIONAL HEALTH FUNDING BODY (NHFB)

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### Calculate

Commonwealth funding is calculated using the Commonwealth Contribution Model. The IHACPA'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](http://publichospitalfunding.gov.au) on a monthly basis to provide transparency of public hospital funding.

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**“Together, we are responsible for implementing Australia’s public hospital funding arrangements.**

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## ■ CASE STUDY

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### UNITED LEADERSHIP

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We have created an environment of trust and engagement and we embed our behaviours in all that we do.

Through our United Leadership behaviours, we are authentic in our approach, transparent in our communication and we celebrate our success together.

In 2022-23, 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.

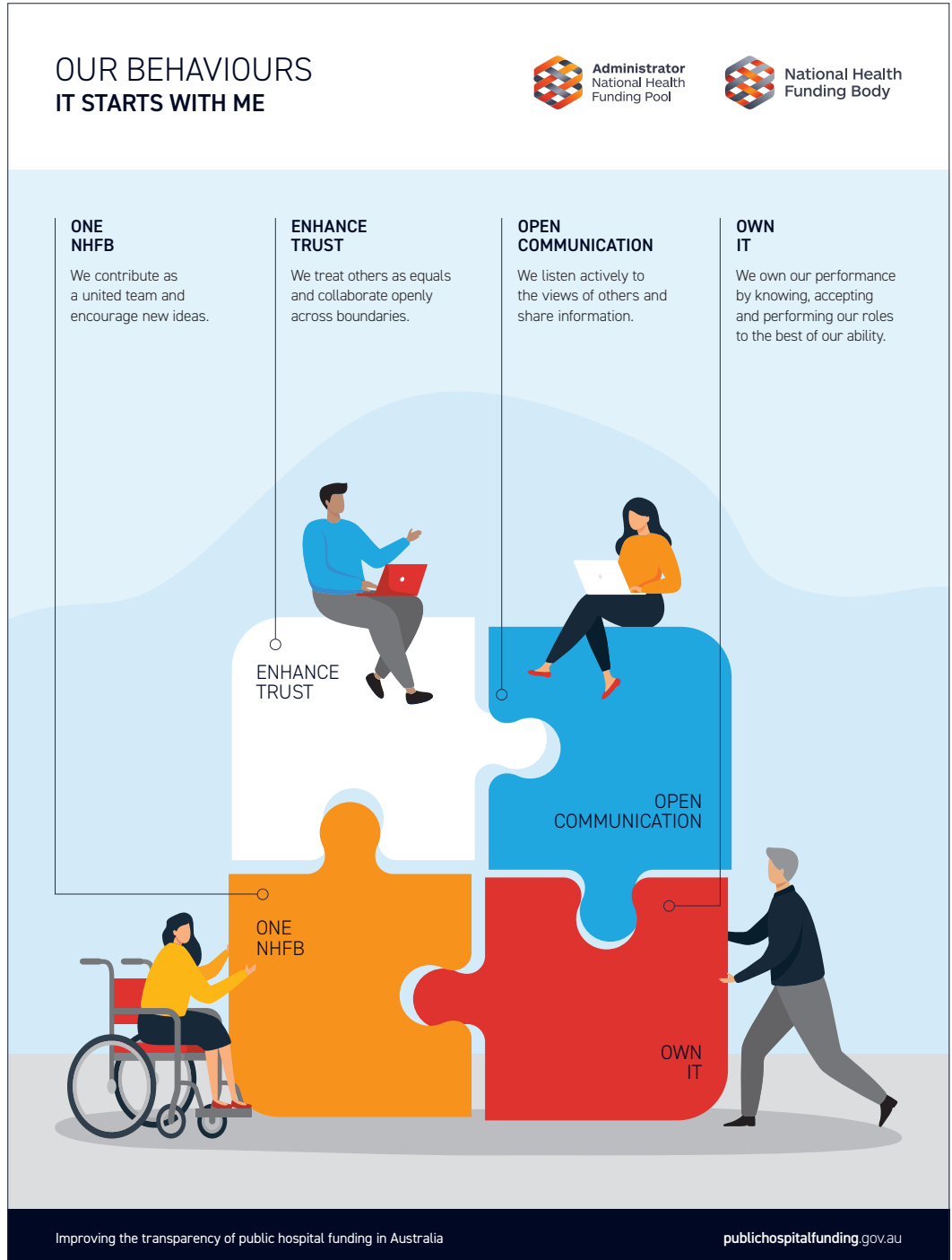
#### **Own It**

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
- we invited external speakers to present their experiences in leadership and culture, including:
  - APS Senior Leaders
  - non-government Chief Executives
  - industry experts.
- participating in the APS Census, and discussing our results openly 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 areas we identified for improvement in our monthly Organisational Performance meetings, which incorporates progress checks against our Corporate Plan objectives and key initiatives
- identifying opportunities for our staff to join workshops and forums that have a focus on leadership behaviours, workplace culture and performance
- 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 4: NHFB behaviours in action



# 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 which demonstrates a continued focus on investing in our people.

## 2022-23

As at 30 June 2023 the NHFB recorded a deficit of \$0.148 million, with available appropriations of \$4.144 million to be used in the 2023-24 financial year.

### Investing in our people to enhance and sustain core capabilities

Between 2021-22 and 2022-23, employee expenditure increased by 20% (\$0.731 million) to \$4.379 million. This is primarily attributed to additional staff being engaged to invest in our data analytical capability. These activities will help us achieve our outcome of improving the transparency of public hospital funding in Australia by supporting the obligations and responsibilities of the Administrator.

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

The NHFB spent \$2.262 million on suppliers, which is an increase of 8% (\$0.173 million) from 2021-22. This increase is due to additional costs associated with administering the NPCR, including assurance activities. We continue to emphasise the importance of investing in our people by increasing technical training for our staff.

### Maximising benefit from digital platforms

In 2022-23 the Commonwealth Contribution Model (CCM) and Payments System have continued to be key digital platforms that underpin our high-performing agency. As such we have continued to invest in the maintenance and continuous refinements of the platforms to ensure they are meeting their full potential.

In maintaining the NHFB's financial efficiency, 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.



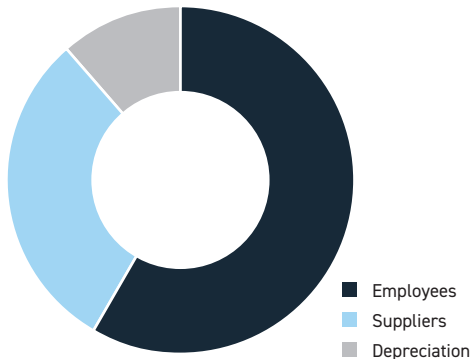
## Outlook for 2023-24

In 2023-24 we will continue to manage our finances in line with three key principles:

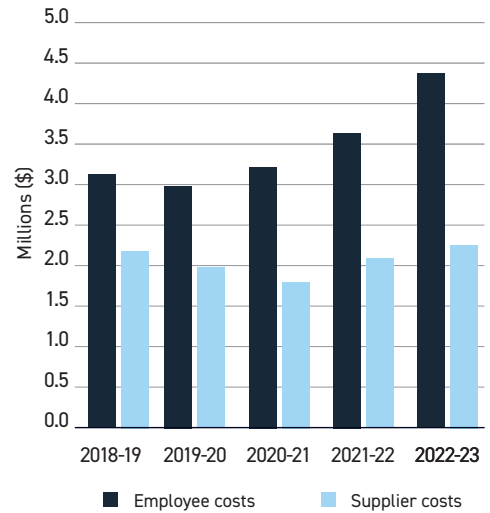
- **People** – Invest in our people to enhance and sustain core capabilities.
- **Process** – Continue to focus on core business, leveraging industry partner expertise and advice.
- **Technology** – Maximise benefit from digital platforms.

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.

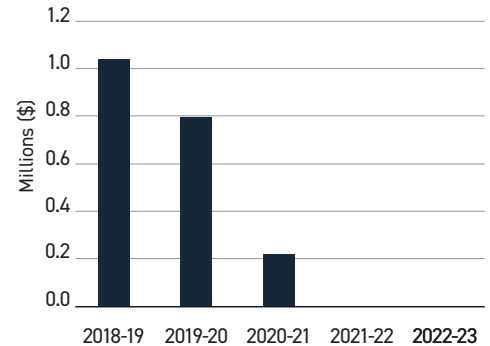
**Figure 5:** 2022-23 expenditure breakdown



**Figure 6:** Suppliers v employee expenditure



**Figure 7:** Capital expenditure on key digital platforms





## PART 2:

# ANNUAL PERFORMANCE

This section highlights our performance throughout 2022-23 and the work we undertook to improve the transparency of public hospital funding in Australia.

Annual Performance Statements 2022-23. . . . .	34
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Objective One: Accurate and timely calculation of Commonwealth funding contributions. . . . .	37
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# ANNUAL PERFORMANCE STATEMENT 2022-23

This section highlights our performance throughout 2022-23 and the work we undertook to improve the transparency of public hospital funding in Australia.

## Agency outcome

We are proud to report that we have met all our objectives for the 2022-23 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) 2022-23* (page 340 and 341) and the *NHFB Corporate Plan 2022-23* (pages 25 to 30). This reporting framework is detailed in Figure 8 and provides an overview of our purpose, objectives and performance indicators.

## Statement of Preparation

I, as the Accountable Authority of the NHFB, present the 2022-23 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  
22 September 2023

**Figure 8:** Relationship between 2022–23 Portfolio Budget Statements, 2022–23 Corporate Plan and 2022–23 Performance Statement

**PORTFOLIO BUDGET STATEMENTS 2022-23**

**OUTCOME 1:** Improve transparency of public hospital funding in Australia by supporting the obligations and responsibilities of the Administrator of the National Health Funding Pool through best practice administration of public hospital funding.

**PROGRAM 1.1: NATIONAL HEALTH FUNDING POOL ADMINISTRATION:** The NHFB supports the Administrator of the National Health Funding Pool in paying and reporting Commonwealth, state and territory funding for public hospital services – responsible for more than \$59 billion a year. The NHFB ensures payments from the National Health Funding Pool are made in accordance with directions from the responsible state or territory Minister, and are in line with the National Health Reform Agreement and the Addendum to the National Health Reform Agreement. The NHFB also administers payments and reports on funding under the National Partnership on COVID-19 Response.

PERFORMANCE CRITERIA 1	PERFORMANCE CRITERIA 2	PERFORMANCE CRITERIA 3
Accurate and timely calculation of Commonwealth funding contributions	Best practice financial administration of the National Health Funding Pool	Effective reporting of public hospital funding

**NHFB CORPORATE PLAN 2022-23**

**PURPOSE:** To support the obligations and responsibilities of the Administrator through best practice administration of public hospital funding.

OBJECTIVE 1	OBJECTIVE 2	OBJECTIVE 3	OBJECTIVE 4	OBJECTIVE 5
Accurate and timely calculation of Commonwealth funding contributions	Best practice financial administration of the National Health Funding Pool	Effective reporting of public hospital funding	Productive relationships with stakeholders and partners	Operate as a high performing organisation



**PERFORMANCE STATEMENT 2022-23**

PERFORMANCE CRITERIA 1 AND OBJECTIVE 1	PERFORMANCE CRITERIA 2 AND OBJECTIVE 2	PERFORMANCE CRITERIA 3 AND OBJECTIVE 3	OBJECTIVE 4	OBJECTIVE 5
Pages 37-44	Pages 45-50	Pages 51-56	Pages 57-60	Pages 61-65

## Performance summary 2022-23

We achieved the performance measures required to meet our strategic objectives, legislative requirements and obligations of the Administrator and Commonwealth, States and Territories in 2022-23.

**Figure 9:** Snapshot of performance 2018-19 to 2022-23

OBJECTIVE	MEASURE	RESULT 2018-19	RESULT 2019-20	RESULT 2020-21	RESULT 2021-22	RESULT 2022-23
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					

 Met  Substantially Met  Not Met

**OBJECTIVE ONE****Accurate and timely calculation of Commonwealth funding contributions****ANALYSIS OF PERFORMANCE IN 2022-23**

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 2022-23, 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, Commonwealth, and State and Territory governments throughout 2022-23, including:

- completing the 2021-22 Annual Reconciliation for both NHR (\$23.045 billion) and NPCR (\$6.658 billion) as well as the Commonwealth's Minimum Funding Guarantee top-up payment (\$0.473 billion)
- updates to the 2022-23 NHR payment advice, resulting in total Commonwealth funding of \$26.609 billion for 2022-23
- the first 2023-24 NHR payment advice, detailing an estimated \$27.801 billion of Commonwealth NHR funding.

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

- the Addendum including revisions to the Administrator's Calculation of Commonwealth NHR Funding Policy 2020-2025 to formalise the implementation of Private Patient Neutrality
- cumulative funding under the NPCR of \$14.701 billion (comprising \$2.462 billion in 2019-20, \$3.990 billion in 2020-21, \$6.658 billion in 2021-22 and \$1.590 billion in 2022-23)
- we worked with the IHACPA to implement payment parity between public and private patients in public hospitals ahead of the 2022-23 Annual Reconciliation.

We focused on greater funding transparency and integrity by undertaking data matching activities. Data matching identifies instances where the Commonwealth may have inadvertently contributed funding for the same public hospital service under both the NHR Agreement and another Commonwealth program. Final data matching for the 2021-22 annual hospital activity data was completed in late 2022, with final datasets made available to all jurisdictions on 21 December 2022.

**Year ahead (2023-24)**

In 2023-24, we will:

- undertake 2023-24 funding calculations
- finalise the 2022-23 Annual Reconciliation (including the NPCR)
- undertake funding integrity data matching activities as part of the 2022-23 Annual Reconciliation
- finalise the 2023-24 Six-month Reconciliation
- work with our stakeholders to further improve reconciliation processes and funding integrity measures
- work with the Administrator, ACSQHC and IHACPA on incorporating additional safety and quality measures into public hospital funding.

1.1 THE TREASURER OF THE COMMONWEALTH IS ADVISED BY THE ADMINISTRATOR IN A TIMELY MANNER

Performance criteria 1.1 (Corporate Plan) and PBS 2022–23 page 341

2022-23 target

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

Result



Analysis

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

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

Six out of eight States and Territories submitted their estimated service volumes by 31 March 2022 (compared to three of eight last year), with the remaining two submitted only a day late on 1 April 2022.

Seven of eight States and Territories provided their confirmed service volumes by 31 May 2022 as required (compared with five of eight last year).

We used the confirmed service volumes (as represented by National Weighted Activity Units) to calculate the Commonwealth's NHR contribution to public hospital funding in 2022-23.

We completed our assurance review of the final calculations, the Administrator signed-off, and the Administrator's payment advice was provided to the Commonwealth Treasurer on 23 June 2022.

The Treasury completed the first 2022-23 Commonwealth NHR payments to States and Territories on 7 July 2022.

Updates to payment advice can happen multiple times a year if States and Territories provide updated activity estimates to the Administrator. In 2022-23, the NHFB calculated, and the Administrator signed-off on four additional updates to Payment Advice.

Updates to 2022-23 Payment Advice were provided to the Commonwealth Treasurer on:

- 23 June 2022, which updated payments from 1 July 2022 to 30 June 2023
- 8 September 2022, which updated payments from 1 October 2022 to 30 June 2023
- 13 December 2022, which updated payments from 1 January 2023 to 30 June 2023
- 21 February 2023, which updated payments from 1 March 2023 to 30 June 2023
- 24 May 2023, which updated payments from 1 June 2023 to 30 June 2023.

Based on updated activity estimates provided by States and Territories, the final 2022-23 Payment Advice resulted in \$26.609 billion in Commonwealth NHR funding for 2022-23. Figure 10 shows the growth in Commonwealth NHR funding from 2012-13 to 2023-24.

Each updated version of the Administrator's Payment Advice was also distributed to all health ministers and State and Territory health department CFOs.



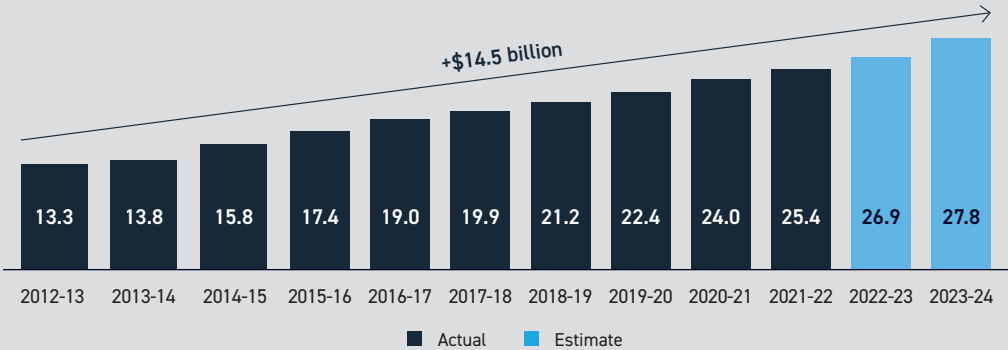
**SPOTLIGHT ON FUNDING GROWTH**

The current funding mechanism has contributed to the sustainability of the public hospital system by better linking the Commonwealth's funding contribution to actual growth in services delivered. Rather than simply indexing a prior year funding contribution, the NHR Agreement uses what is termed the 'efficient growth' approach (clauses A5-7) to determine the Commonwealth's contribution.

In basic terms, this involves the calculation of a base grant amount per State, reflecting the amount paid in the previous year, plus 45 per cent of the efficient growth in funding for the year in question, with efficient growth consisting of growth in volume and price (A33-35) per the NEP and NEC.

This more transparent approach is a significant improvement on the aggregated Block funded method used in previous agreements (see page 18) and has resulted in Commonwealth funding growing from \$13.3 billion to \$27.8 billion since 2012-13 as seen in Figure 10.

**Figure 10:** Commonwealth funding contributions from 2012-13 to 2023-24



Note: These amounts include NHR, HSP and Minimum Funding Guarantee amounts. SPHP and FVP are not included.

1.2 COMMONWEALTH FUNDING CALCULATIONS ARE ACCURATE

Performance criteria 1.2 (Corporate Plan)

2022-23 target

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

Result



Analysis

The updates we made to the CCM in 2022-23 were 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 working with the IHACPA to develop an approach to achieve overall payment parity between public and private patients in public hospitals.

The initial CCM for 2022-23 was approved by the Administrator and supported the payment advice provided to the Commonwealth Treasurer on 23 June 2022.

This advice included the initial calculation of the Commonwealth's contribution to public hospital funding in 2022-23 (\$26.232 billion) which was subsequently updated throughout the financial year (refer to performance criteria 1.1). The final 2022-23 payment advice resulted in \$26.609 billion in Commonwealth NHR funding for 2022-23 (see the following table for more detail).

As part of our annual Internal Audit and Assurance Strategy, and to provide assurance to the Administrator, we engage an industry partner to undertake an independent review of the CCM each year including the integrity of the methodology, formulas, inputs and outputs.

SPOTLIGHT ON COMMONWEALTH NHR FUNDING

SERVICE CATEGORY	2022-23 \$
Emergency Department	2,909,296,162
Acute Admitted	13,865,234,795
Admitted Mental Health	1,222,118,818
Sub-acute	1,415,511,688
Non-admitted	3,404,816,417
TOTAL ABF	22,816,977,879
Teaching, Training and Research	727,493,076
Small Rural Hospitals	1,158,350,194
Non-admitted Mental Health	1,188,558,316
Non-admitted CAHMS	108,176,433
Non-admitted Home Ventilation	37,042,208
Other Non-admitted Services	22,947,305
Other Public Hospital Programs	11,808,702
Highly Specialised Therapies	43,617,398
TOTAL BLOCK FUNDING	3,297,993,633
PUBLIC HEALTH FUNDING	493,658,013
TOTAL	26,608,629,525

1.3 FUNDING ENTITLEMENTS RECONCILE TO ACTUAL SERVICES DELIVERED

Performance criteria 1.3 (Corporate Plan)

2022-23 target

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

Result



Analysis

Twice yearly, 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. This means that the Commonwealth's funding contribution is linked to the actual growth in services delivered. Refer to Objective 1.1 (page 39) for details of the Commonwealth's funding contributions from 2012-13 to 2023-24.

As was done in 2020-21, the 2021-22 Six-month Reconciliation was deferred to the 2021-22 Annual Reconciliation due to the impact of COVID-19 on the delivery of public hospital services.

Details on the 2021-22 Annual Reconciliation outcomes (including funding adjustments) can be found in *Case Study: 2021-22 Annual Reconciliation*.

In 2022-23, the Administrator provided advice to the Commonwealth Treasurer on funding adjustments related to the:

- Commonwealth NHR funding 2021-22 Annual Reconciliation
- Commonwealth NPCR funding 2021-22 Annual Reconciliation
- Commonwealth's 2021-22 Funding Guarantee.

Preliminary 2021-22 Annual Reconciliation results were provided to the Commonwealth, States and Territories during a series of bilateral discussions in late October and early November 2022 ahead of the Administrator's Jurisdictional Advisory Committee (JAC) meeting on 17 November 2022.

Following a period of engagement and collaboration with stakeholders, the Administrator's advice on the 2021-22 Annual Reconciliation was provided to the Commonwealth Treasurer (and all health ministers) on 5 December 2022. This is the fastest the NHFB has completed an Annual Reconciliation, and the fifth year in a row it has been completed by March (as required under the Addendum).

1.4 PUBLIC HOSPITAL SERVICES ARE FUNDED THROUGH THE APPROPRIATE COMMONWEALTH PROGRAM

Performance criteria 1.4 (Corporate Plan)

2022-23 target

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

Result



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 under both the NHR Agreement and the MBS.

Data matching results for the last four years have identified between \$400 to \$500 million per annum in MBS benefits paid for services matched to public hospital activities.

The Commonwealth Department of Health and Aged Care is responsible for any investigation and compliance activity, including adjustments for true positive matches and are required to provide an annual report to the Administrator on the outcomes of any compliance activities.

In accordance with the Addendum, data matching activities have been integrated into our business as usual reconciliation processes, starting with the 2020-21 Annual Reconciliation.

Data matching for the 2021-22 annual hospital activity data commenced in October 2022. Preliminary datasets of potential positive matches were made available to all jurisdictions that had submitted hospital activity data and accepted the terms and conditions on 20 October 2022, with preliminary data provided to all jurisdictions by 9 November 2022 (against a target date of 30 November 2022).

Final datasets for the 2021-22 data matching process were provided to jurisdictions on 21 December 2022, which identified \$408 million in MBS benefits paid matched to public hospital activities.

The majority of matches identified were in the non-admitted service stream, which accounts for approximately \$275 million in potentially overpaid MBS benefits. Emergency department and acute admitted services matches accounted for \$72 million and \$82 million, respectively.

We will continue to work with the States and Territories in 2023-24 to identify and seek to correct the practices that lead to duplicate payments.

## ■ CASE STUDY

### 2021-22 ANNUAL RECONCILIATION FUNDING ADJUSTMENTS

Together with the Administrator, we finalised the 2020-21 Annual Reconciliation in February 2022 for both NHR and NPCR. The Treasurer's Federal Financial Relations (National Health Reform Payments for 2020-21) Determination 2022 was made on Wednesday, 23 February 2022. This was the fastest the NHFB had delivered an Annual Reconciliation.

We improved on this achievement in undertaking the 2021-22 Annual Reconciliation (both NHR and NPCR); delivering 2021-22 Annual Reconciliation advice to the Commonwealth Treasurer in early December 2022.

The Treasurer's Federal Financial Relations (National Health Reform Payments for 2021-22) Determination 2022 was made on Monday, 12 December 2022.

This involved a reduction in Commonwealth NHR funding of \$1.270 billion offset by a \$1.527 billion top-up under the NPCR (\$1.104 billion in HSP, \$0.411 billion in SPHP and \$0.012 billion in FVP) and an additional \$0.473 billion Commonwealth Minimum Funding Guarantee payment.

COVID-19 had a substantial impact on the underlying level of public hospital services across all States and Territories. In 2021-22, the initial Commonwealth NHR funding entitlement was \$24.315 billion based on forecast activity, however based on actual public hospital services delivered the final entitlement is \$23.045 billion resulting in a funding adjustment of -\$1.270 billion.

This contrasts with Hospital Services Payments (HSP) under the NPCR which were provided to support public hospitals in testing and treating confirmed and suspected COVID-19 patients. In 2021-22, HSP funding was \$0.773 billion based on initial estimates, however based on actual services delivered the final funding entitlement was \$1.877 billion resulting in a +\$1.104 billion funding adjustment.

In 2021-22, six out of eight States and Territories were assessed as eligible for the Commonwealth's Minimum Funding Guarantee. This resulted in top-up payments of +\$0.473 billion.

State Public Health Payments (SPHP) were targeted at supporting additional public health activities in responding to the pandemic as well as stopping the spread of the disease. This included funding to expand critical ICU capacity, additional PPE supplies, supporting additional cleaning of hospitals, schools and transport; as well as boosting public health emergency operations and communication, vaccine dose delivery and providing access to rapid antigen tests (RATs) to support COVID-19 testing capacity as recommended by the Australian Health Protection Principal Committee.

In 2021-22, a total of \$3.926 billion in SPHP funding was provided to States and Territories. Following an assessment of expenditure data submissions, the SPHP final funding entitlement was \$4.337 billion, resulting in a funding adjustment of +\$0.411 billion.

In addition to HSP and SPHP, financial support was also provided through Private Hospital Financial Viability Payments (FVP). These payments focused on securing critical private sector staff, facilities and ICU beds to supplement the public hospital system. In 2021-22, the final audited funding entitlement was \$0.444 billion compared to initial estimates of \$0.432 billion, resulting in a funding adjustment of +\$0.012 billion.

## ■ CASE STUDY

### DATA MATCHING – RESULTS BY STATE AND TERRITORY

Data matching is undertaken to support the Administrator to ensure public hospital funding integrity. Data matching identifies instances where the Commonwealth may have inadvertently contributed funding for the same public hospital service under the NHR Agreement and another Commonwealth program.

The requirement to undertake this work arises from Clauses A6 and A7 of the NHR Agreement, and Clauses A9 – A12 of the subsequent Addendum to the National Health Reform Agreement 2020-2025 (the Addendum), approved in May 2020. The Addendum further clarifies the requirements for the Administrator to:

- identify public hospital services that appear to have been paid under both the Addendum and other Commonwealth programs such as the Medicare Benefits Schedule (MBS) (A11)
- refer these matters to the Commonwealth in the first instance to support Commonwealth compliance activities through mechanisms outside of the Addendum (A11), with States and Territories provided copies of their data matches (A11c)

- determine data matching business rules, in consultation with jurisdictions, to identify services funded under the Addendum and other Commonwealth programs (A11a)
- review data matching business rules where material false positives or false negatives are identified (A11b).

Where a matched payment is identified as a false positive, such as an incorrectly-coded privately-funded hospital service, the Administrator will work with the relevant jurisdiction to correct data coding (A12c). The Commonwealth Department of Health and Aged Care is responsible for MBS compliance activity, including investigation of true positive matches (A11d), and will provide an annual report to the Administrator on the outcomes of any compliance activities (A11e).

Nationally, there has been a 10% reduction in the annual amount of potentially overpaid MBS claims since 2018-19.

**Table 1:** Total potentially overpaid MBS benefits matched to public hospital services

	2018-19 \$	2019-20 \$	2020-21 \$	2021-22 \$
NSW	219,899,624	221,752,868	234,905,817	201,118,348
VIC	37,680,154	36,357,682	75,388,748	73,946,300
QLD	118,232,771	92,782,791	85,526,637	72,831,146
WA	21,762,321	21,669,583	23,663,061	23,360,286
SA	41,175,467	11,852,458	12,810,737	23,721,760
TAS	7,115,525	6,133,815	6,491,304	5,419,186
ACT	13,584,802	13,044,342	5,757,788	2,554,370
NT	4,596,653	5,103,180	5,286,328	4,833,418
<b>TOTAL</b>	<b>464,047,317</b>	<b>408,696,719</b>	<b>449,830,418</b>	<b>407,784,814</b>

Note: Figures exclude Non-admitted data for VIC in 2018-19 and 2019-20, and SA in 2019-20 and 2020-21.

**OBJECTIVE TWO****Best practice financial administration of the National Health Funding Pool****ANALYSIS OF PERFORMANCE IN 2022-23**

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 2022-23, we administered \$63.628 billion in NHR payments from Commonwealth, State and Territory funding contributions (across 3,607 banking transactions). LHNs were directly paid \$63.902 billion, with the balance paid to State and Territory health departments. Of the \$63.628 billion, the Commonwealth contributed \$25.811 billion, with States and Territories contributing the balance.

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.

We continued to provide guidance on financial arrangements under the NPCR to enable COVID-19 funding to be paid to States and Territories to support their response to the COVID-19 pandemic.

Since March 2020, \$14.701 billion (comprising \$2.462 billion in 2019-20, \$3.990 billion in 2020-21, \$6.658 billion in 2021-22 and \$1.590 billion in 2022-23) has been paid to States and Territories.

The Payment System Community of Practice, established in 2020-21, met four times in 2022-23. With representatives from all States and Territories, key topics included:

- end of month processing
- National Health Funding Pool Financial Statements
- Payments System enhancements
- additional/out-of-scope funding streams.

We continue to process payments through the Pool with accuracy and reliability. We completed a Payments System minor configuration release in April 2023 which included enhancements to financial reporting and the addition of ten-year trend reports.

**Year ahead (2023-24)**

In 2023-24, we will:

- review Payments System governance arrangements to ensure they are fit for purpose and best practice
- work with States and Territories through the Payments System Community of Practice on improving user experience, including training and support
- work with our stakeholders on further enhancements to the Payments System
- provide greater transparency of payments through the Pool (including out-of-scope funding).

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 2022-23 page 335

2022-23 target

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

Result



Analysis

100% of payments to LHNs in 2022-23 aligned with:

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

In 2023-24, we will continue to work with States and Territories to improve transparency and national comparability through the inclusion of both in-scope and out-of-scope hospital activity and funding in Service Agreements. Compliance with this requirement, and other minimum requirements in the Administrator's Three Year Data Plan 2023-24 to 2025-26 will be reported in the Administrator's Quarterly Compliance Report.



2.2 MAINTAIN THE INTEGRITY OF THE PAYMENTS SYSTEM IN ACCORDANCE WITH POLICIES, PLANS AND MANUALS

Performance criterion 2.2 (Corporate Plan)

2022-23 target

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

Result



Analysis

The Administrator's National Health Funding Pool Payments System Policy was updated and reviewed by our internal Risk, Assurance and Governance Committee (RAGC) in September 2022 and signed off by the CEO and Administrator on 18 November 2022.

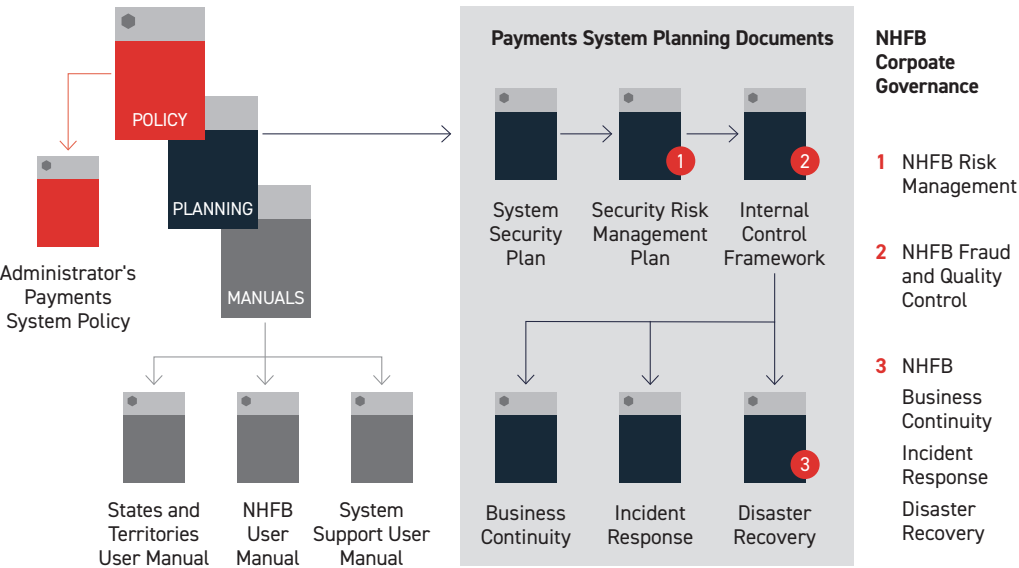
Following a Payments System software release in February 2023, Payments System User Guides were updated, signed-off and distributed to State and Territory users.

In the third quarter of 2022-23, our Risk, Assurance and Governance Committee (RAGC) reviewed the following Payments System documentation ahead of CEO sign-off in March 2023:

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

Figure 11 provides an overview of how the Payments System documentation relates to whole-of-agency governance and risk management.

Figure 11: Payments System Documentation



## ■ CASE STUDY

### PAYMENTS SYSTEM AND SHARED RISK

In 2023, Comcover published the NHFBs approach to the Payments System project as a case study in the Commonwealth's Risk Management Toolkit on [finance.gov.au](https://finance.gov.au) (Element 6: Shared Risk).

We're incredibly proud that our small agency has been recognised for our best-practice approach on the management of shared risk.

Shared risks are those risks where more than one organisation is exposed to or can significantly influence the risk. These include risks that extend across organisations and may involve other jurisdictions.

The growth of shared services and interagency projects means that shared risk is becoming more common. The case study is intended to assist Commonwealth officials understand:

- how to implement arrangements for managing shared risks
- how to engage and collaborate with other stakeholders sharing the same risks in order to realise the full potential of the project
- the benefits of establishing a strong relationship with stakeholders sharing the same project risks
- how cooperation through the management of shared risks on a project can improve the outcomes achieved.

#### Our Approach

The original bespoke payments system developed in 2012 by the then Department of Human Services (DHS), was unable to generate payment files for the Reserve Bank of Australia (RBA), or capture information relating to the flows of funding into and out of the State Pool Accounts. As a result, a number of separate systems and manual processes were required, for example SAP, MYOB and a number of offline external spreadsheets. This resulted in information gaps, discrepancies, delays in reporting as well as delayed and/or rejected payments.

The key business challenges we experienced with the previous system that we needed to solve were:

1. Could not quality control who had access to the system (managed by DHS)
2. Errors and delays in daily payments
3. Bank reconciliations were manual and offline, and not completed in a timely manner
4. Disparate systems also contributed to discrepancies in figures
5. Monthly reporting took several months offline to complete due to manual approach (and was not accurate).

Overall, the decade old system did not support the NHFB's vision of improving the transparency of public hospital funding in Australia, resulting in the need for the establishment of a new Payments System.

We undertook a comprehensive review of business needs, system functionality requirements and existing capability gaps and identified five critical criteria for a new system:

1. Fit-for-purpose – functionality to meet immediate and future needs
2. Security – meets existing access and authentication requirements
3. Cost effective – to implement and sustain
4. Implementation timeframes – allowing us to be agile and incorporate stakeholder co-design
5. Interoperability – between new system, NHFB's ICT infrastructure and other stakeholder systems.

Creating strong stakeholder relationships

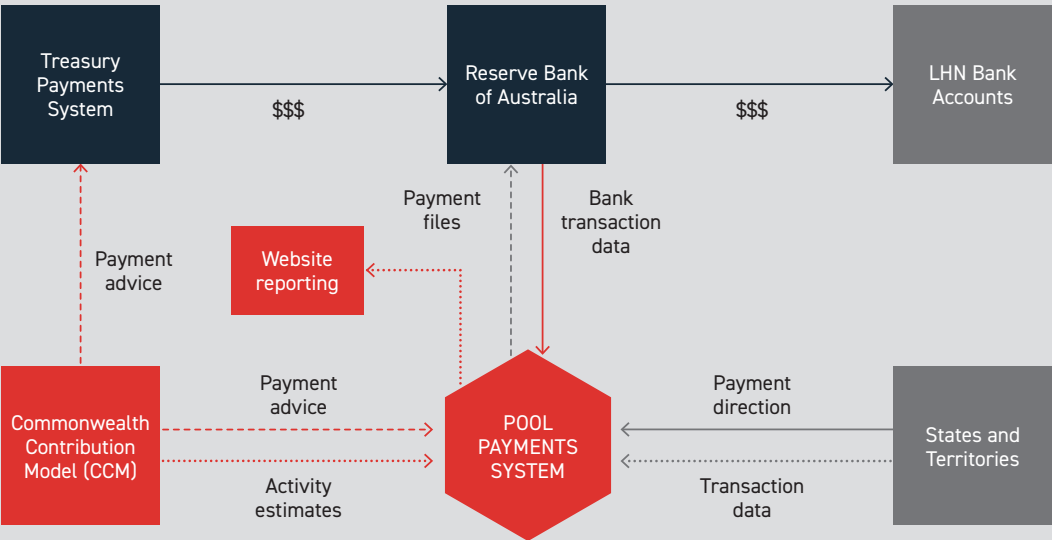
The early engagement, consultation and fostering of positive relationships with State and Territory stakeholders was critical throughout the planning phase of the project. This included stakeholder participation in co-design and testing workshops, and bilateral discussions on specific design issues.

Ahead of implementation, we provided assistance to States and Territories to support their business and technical readiness including testing of local systems, as well as on-site training prior to go-live.

We have continued to focus on productive relationships through regular bilateral engagement with our key industry partners and system administration stakeholders.

A Payments System Community of Practice with representation from all States and Territories was also established. This platform facilitates the sharing of ideas and instills a sense of cooperation and connectedness across the stakeholders.

Figure 12: Payments System overview



## ■ CASE STUDY CONT'D

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### PAYMENTS SYSTEM AND SHARED RISK

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#### **The benefits of collaboration**

Through the successful stakeholder and industry partner engagement approach, the new Payments System delivers simple and secure payments processing, an improved user experience, as well as a scalable and flexible system that reflects industry requirements and meets the demands and expectations within the public hospital system, even in times of disruption.

The design of the system better supports the obligations and responsibilities of the Administrator through best practice administration of public hospital funding. An overview of how the new system operates is provided in Figure 12.

The undertaking of face-to-face training and support to States and Territories helped improve the transition for the jurisdictions' users in adopting the new Payments System. It provided an opportunity to address any implementation issues associated with introducing a new system to external parties and operated as an effective mitigation strategy to combat any potential risks.

Ongoing collaboration throughout the implementation of the Payments System, included a rolling review and regular status updates relating to policy, governance, stakeholders and system design. These updates were communicated to the broader organisation and other stakeholders. This approach helped develop a fit-for-purpose end product that resolved the problems with the original system.

As a result of the management of the shared risks that presented themselves across the implementation of the project, we have also been able to better respond and adapt to the emerging business needs of our stakeholders. We were also able to implement minor system changes quickly to support the administration of the National Partnership on COVID-19 Response, with over \$14.7 billion paid to States and Territories since March 2020.

**OBJECTIVE THREE****Effective reporting of public hospital funding****ANALYSIS OF PERFORMANCE IN 2022-23**

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

In 2019-20, we set a timeframe of six weeks from period close to publish monthly reports to the website which we achieved for eight of the twelve months. In 2020-21, we shortened our target timeframe to four weeks, and achieved the target for ten of the twelve months. In 2021-22, we shortened the target again to three weeks and met the three week target for all twelve months.

Our 2022-23 target remained the same (three weeks) and we achieved this for all twelve months, however we are proud that for two of the twelve months, we published monthly reports within two weeks. Our proactive engagement with State and Territory Payments System users supported the publication of 160 reports on public hospital funding and activity to the website ([publichospitalfunding.gov.au](http://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: 2022-23 to 2024-25* and accompanying *Data Compliance Policy 2022-23*.

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.

We supported the Administrator to publish the inaugural Maintenance of Effort Report, as required under the Addendum to the NHR Agreement (refer to *Spotlight on Maintenance of Effort* for more information).

**Year ahead (2023-24)**

In 2023-24, we will:

- publish the Administrator's 2022-23 Annual Report
- publish the Administrator's 2022-23 Annual Report on Maintenance of Effort
- review the Administrator's Three Year Data Plan 2024-25 to 2026-27 in consultation with portfolio agency partners and stakeholders
- review the Administrator's 2023-24 Data Compliance Policy in consultation with portfolio agency partners and stakeholders
- provide greater transparency and enhance public reporting.

3.1 MINISTERS RECEIVE REQUIRED INFORMATION IN A TIMELY MANNER

Performance criterion 3.1 (Corporate Plan)

2022-23 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.

Result



Analysis

We produced nine sets of Financial Statements for the National Health Funding Pool in 2022-23; 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 2021-22 Annual Report on time in Federal Parliament on 25 October 2022.

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 14 November 2022
- Parliament of Victoria on 20 December 2022
- Parliament of Queensland on 11 January 2023
- Parliament of Western Australia on 11 October 2022
- Parliament of South Australia on 16 November 2022
- Parliament of Tasmania on 22 March 2023
- ACT Legislative Assembly on 1 December 2022
- Legislative Assembly of the Northern Territory on 29 November 2022.

SPOTLIGHT ON MAINTENANCE OF EFFORT

Parties to the Addendum to the National Health Reform Agreement 2020-2025 (the Addendum) agreed, at a minimum, to maintain levels of funding for public hospital services through the Pool for 2020-21 to 2024-25 at not less than the level of funding for 2018-19, while having regard to new, appropriate models of care that may change the setting in which care is delivered (A102), hereafter referred to as Maintenance of Effort.

The assessment of Maintenance of Effort focuses on in-scope public hospital services under the NHR Agreement. Out-of-scope activity is defined as non-hospital services or those public hospital services with a funding source other than the NHR Agreement.

This work has identified some inconsistencies in the level of in-scope and out-of-scope funding transacted through the Pool as well as pricing and activity information published in Local Hospital Network (LHN) Service Agreements.

Given certain data limitations, the assessment of Maintenance of Effort is based on in-scope Activity Based Funding (ABF) only. Further work is required in order to incorporate in-scope Block funding into future iterations of this report.

The Report found that when comparing 2020-21 funding levels to the 2018-19 baseline:

- the Commonwealth maintained its level of funding in total and in respect to payments to all States
- all States have maintained their levels of funding on the basis of the information and advice provided.

The Administrator will continue to work with all Parties to the Addendum towards achieving consistency and transparency in the reporting of public hospital funding (A103).

3.2 MONTHLY AND ANNUAL REPORTING OF FUNDING, PAYMENTS AND SERVICES

Performance criterion 3.2 (Corporate Plan) and PBS 2022-23 page 335

2022-23 target

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

Result

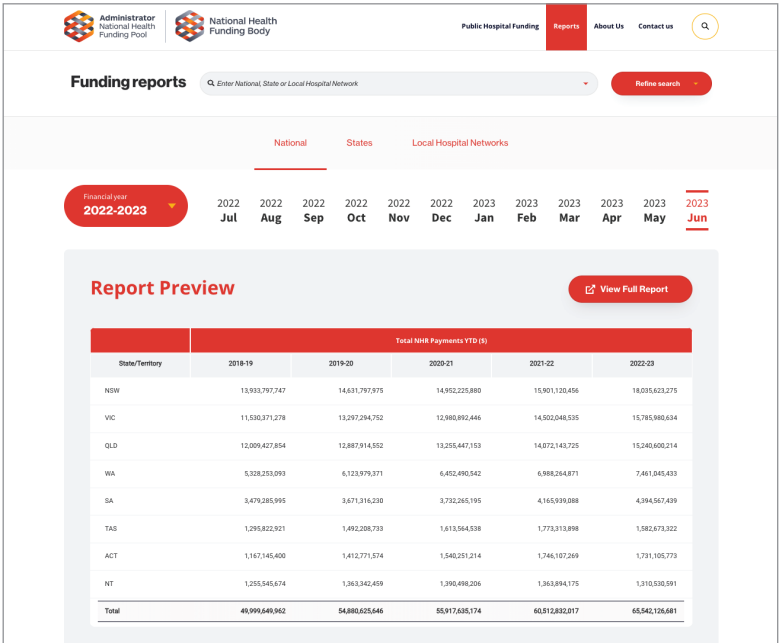


Analysis

Throughout 2022-23, we reviewed our end of month processing and identified opportunities to achieve further efficiencies in our processes. All reports from July 2022 were released within three weeks of period close. Prior to the systems improvements we've made in recent years, this process took up to 20 weeks.

We have now published all monthly and annual reports for 2022-23 funding and payments (\$63.6 billion) and services (over 9.8 million NWAU) to publichospitalfunding.gov.au.

Figure 13: Five year trend report (publichospitalfunding.gov.au)



CASE STUDY

FUNDING TRANSPARENCY

The NHFB has been supporting the Administrator to achieve greater transparency and consistency of public hospital funding through ongoing collaboration with States and Territories.

As noted in the message from the Administrator, Maintenance of Effort work has identified:

- Additional in-scope State ABF contributions not transacted through the Pool
- Out-of-scope State funding contributions transacted through the Pool and SMFs that have not been distinguished from in-scope activity payments. From 1 July 2022, a new fund account was established in the Payments System to support the identification of out-of-scope activity payments.

The NHFB has worked closely with States over the last four years to identify circumstances where payments for in-scope activity have not been transacted through the Pool. As a result of this collaboration, WA, SA, Tas and the NT have significantly improved the consistency and transparency of their public hospital funding and are now making all in-scope payments through the Pool. The recognition of in-scope activity through the Pool has increased:

- WA: From \$4.7 billion to \$5.9 billion
- SA: From \$3.1 billion to \$3.6 billion
- Tas: From \$765 million to just over \$1 billion
- NT: From \$555 million to just over \$1 billion.

The NHFB has also been working with States to ensure their out-of-scope activity payments are identified through the new account. To date, a total of \$1.051 billion has been correctly recognised as out-of-scope State funding for Qld, Tas, ACT and NT. Work is continuing with States and Territories to ensure all future out-of-scope payments are correctly identified.

Table 2: Identified out-of-scope payments as at 30 June 2023

\$ million	Out-of-scope ABF through the Pool	Out-of-scope Block funding through the Pool	TOTAL
Qld	383.4	5.8	389.2
Tas	-	352.4	352.4
ACT	-	153.1	153.1
NT	-	156.1	156.1
TOTAL	383.4	667.4	1,050.8



The timeliness of Service Agreement provision has also presented challenges in ensuring the consistency and transparency of public hospital funding and services.

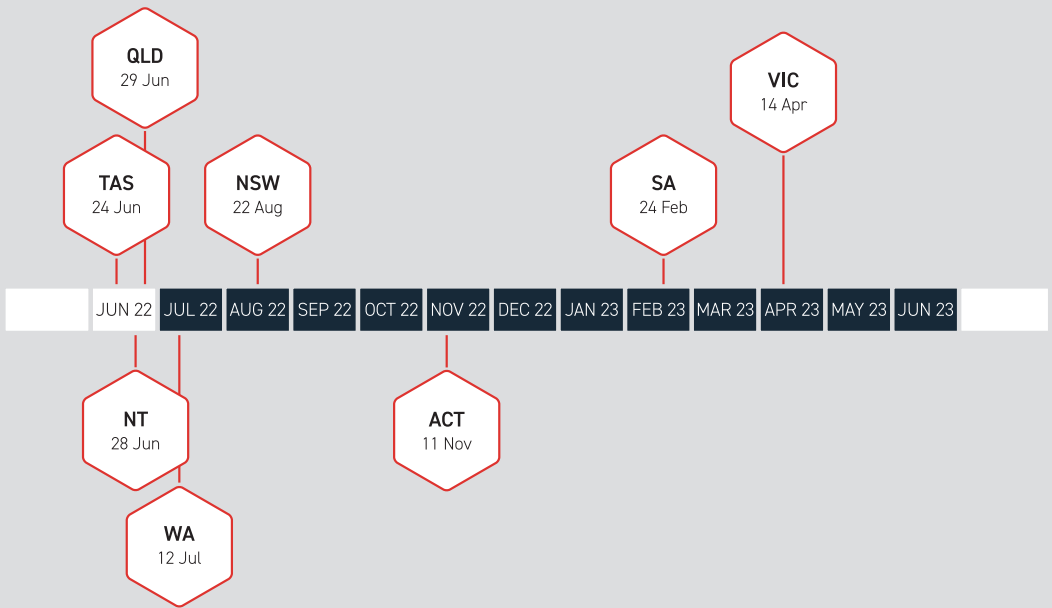
The NHR Agreement acknowledges the variability in estimating LHN-level service demand and allows States the flexibility to vary Service Agreements (clause A136).

States can determine their frequency of alterations subject to notifying the Administrator within 28 days of the agreed change (clause A137), while Service Agreements must be publicly released within 14 calendar days of finalisation or amendment and are required to then also be made available to the Administrator and NHFB (clause E8).

However, significant delays in some States supplying Service Agreements have prevented the Administrator from ensuring that payments made through the Pool are aligned with activity levels agreed between States and LHNs as is required under the Addendum (clause A134).


Figure 14 highlights the difference in timing across States for the provision of 2022-23 Service Agreements to the Administrator, with three States providing Service Agreements prior to the start of the financial year, and one State providing their Service Agreements 10 months later.

Figure 14: 2022-23 Service Agreements provided to the Administrator



3.3 QUARTERLY AND ANNUAL REPORTING OF COMMONWEALTH, STATE AND TERRITORY COMPLIANCE WITH THE ADMINISTRATOR'S DATA PLAN

Performance criterion 3.3 (Corporate Plan)

2022-23 target	Result
Increase public access to information on Commonwealth, State and Territory compliance with the Administrator's Data Plan.	<div> Met</div>

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 2022-23, we published all compliance reports to [publichospitalfunding.gov.au](http://publichospitalfunding.gov.au) within six weeks of the end of the reporting period.

Compliance with the Administrator's Data Plan has improved over time, including the timeliness of data submissions. However there are some areas of concern that require more work, such as transparency of out-of-scope NWAUs.

Timeliness of data submissions to support the 2021-22 Annual Reconciliation has improved over time with all eight States and Territories providing Submission A files, Submission B files, and Statements of Assurance on time, compared to six out of eight in the previous year.

With respect to the timeliness of 2022-23 Six-month data submissions, eight out of eight States and Territories provided Submission A on time. Six out of eight States and Territories provided Submission B files on time, with New South Wales and Victoria submitting data on 11 and 6 April 2023 respectively. The quality of submissions has improved over time, with only one resubmission received compared to 13 resubmissions in March 2020.

Seven out of eight States and Territories submitted 2022-23 Service Agreements to the Administrator within the required 14 calendar days from finalisation or amendment. Victoria provided 38 of their 40 Service Agreements post 31 March 2022. Of these, five were submitted within the required timeframe, 32 were provided outside of the 14 day period and two remain outstanding. This is the third year that Victoria has been delayed in providing Service Agreements to the Administrator. Figure 14 shows a summary of when 2022-23 Service Agreements were provided to the Administrator.

Following engagement with States and Territories on consistency and transparency of public hospital funding, 87 of the 89 Service Agreements submitted to the Administrator aligned to estimate submissions, compared to 47 of 53 in March 2022.

**OBJECTIVE FOUR****Productive relationships with stakeholders and partners****ANALYSIS OF PERFORMANCE IN 2022–23**

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 2022–23, including:

- the Administrator's Jurisdictional Advisory Committee
- IHACPA's Jurisdictional Advisory Committee
- IHACPA's Technical Advisory Committee
- AIHW's Health Expenditure Advisory Committee
- AIHW's Strategic Committee for National Health Information.

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, the Commonwealth and Portfolio Agency partners (including monthly discussions with the Commonwealth, IHACPA and AIHW).

In 2022–23, we established a Data, Modelling and Analysis Community of Practice with Commonwealth, State and Territory and portfolio agency representatives with the aim of improving data quality and timeliness.

**Year ahead (2023–24)**

In 2023–24, we will:

- implement improvements to our communication and engagement following stakeholder survey feedback
- increase the awareness and profile of the role of the Administrator and the NHFB
- actively engage and collaborate with other national bodies (IHACPA, ACSQHC, AIHW).

4.1 PROVIDE TRUSTED AND IMPARTIAL ADVICE

Performance criteria 4.1 (Corporate Plan)

2022–23 target

Strategic communication and stakeholder engagement is fit-for-purpose and caters to stakeholder needs.

Result



Analysis

In 2022-23, we invested more time than ever before in engaging with our stakeholders, ensuring our communication and engagement was fit for purpose and catered to the needs of our stakeholders.

We undertook our annual stakeholder benchmarking survey in late 2022-23 and achieved an average satisfaction score of 4.8 out of 5, compared to a score of 4.5 in 2021-22, 4.3 in 2020-21 and 4.2 in 2019-20.

In 2022-23, we co-chaired, with the Administrator, a series of bilateral meetings with each State and Territory in:

- August 2022
- November 2022
- February 2023
- May 2023.

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
- funding Integrity, including data matching results and analysis
- Administrator’s Three Year Data Plan
- Administrator’s Data Compliance Policy
- 2022-23 Service Agreements
- monthly and Annual NHR Reporting
- transparency of NHR funding and payments, including Maintenance of Effort.

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.

We established a Data, Modelling and Analysis Community of Practice, with the first meeting held on 21 April 2023. Membership consists of public hospital data experts across the Commonwealth, State and Territory health departments and portfolio agencies. The primary purpose of the group is to improve data and its use in relation to the needs of the Administrator and stakeholders. In 2023-24, we plan to hold quarterly meetings that focus on improving data quality and timeliness, sharing information and building networks across jurisdictions.

4.1 PROVIDE TRUSTED AND IMPARTIAL ADVICE CONT'D

Performance criteria 4.1 (Corporate Plan)

2022-23 target

Provide advice on the implementation of funding arrangements.

Result



Analysis

On 29 May 2020, the Commonwealth and the States entered a new NHR Agreement for the period 1 July 2020 to 30 June 2025 through their agreement to *Schedule J: Addendum to the National Health Reform Agreement: Revised public hospital funding and health reform arrangements (the Addendum)*.

We continue to provide advice to States and Territories on the implementation of the Addendum. This included 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.

As part of the Addendum, the signatories agreed that an external review of the NHR Agreement would be completed by December 2023. An independent review team was publicly announced on 24 February 2023 and has been tasked to examine whether:

- the stated objectives of the Addendum – improving health outcomes, access and innovation – are being met; and in particular,
- whether the Addendum's health funding, planning and governance architecture is fit-for purpose, given emerging priorities for better integrated care and more seamless interfaces between health and primary care, mental health, aged care and disability systems.

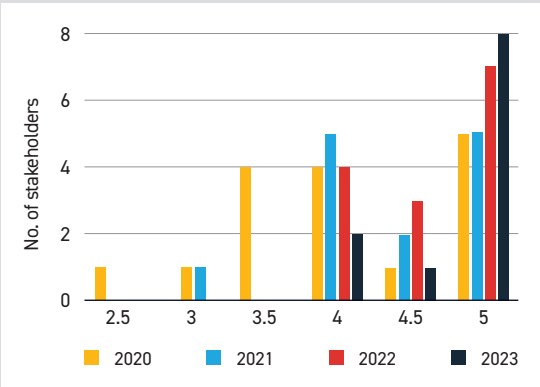
The Review will also consider potential options for future reforms and agreements. We submitted our input to the review team on Friday, 26 May 2023.

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 engagement.

We asked our stakeholders to rate their overall satisfaction with our agency's communication and engagement in 2020, 2021, 2022 and again in 2023. We were pleased to see the positive results from our investment in stakeholder engagement, and we plan to build on this further in 2023-24. We will do this through more frequent engagement and 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)

2022–23 target

The Administrator’s Three Year Data Plan is updated, agreed with stakeholders and published to the website

Result



Analysis

In reviewing the Administrator’s Three Year Data Plan, we engaged with the IHACPA (who are also required to develop a Three Year Data Plan under the Addendum), to align 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 2023–24 to 2025–26 was presented at the Administrator’s JAC meeting on 2 March 2023, and circulated to health ministers with IHACPA’s Data Plan for a 45 day consultation period on 26 April 2023. It was then published (without a direction to change or amend) on [publichospitalfunding.gov.au](https://publichospitalfunding.gov.au).

For further information on compliance with the Administrator’s Three Year Data Plan 2022-23 to 2024-25, refer to performance criteria 3.3.

**OBJECTIVE FIVE****Operate as a high performing organisation****ANALYSIS OF PERFORMANCE IN 2022-23**

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 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 our Strategic Direction.

We continue to monitor our organisational performance, risk management and budget position through monthly discussions.

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

- enhanced 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).

We are extremely proud of the work of our small agency, and the results we achieved in 2022-23. We were recognised for reporting excellence for the second year in a row, achieving a gold Australasian Reporting Award for our 2021-22 Annual Report.

In 2023, we built on the success of our inaugural Graduate Program, by recruiting two Graduates to the NHFB. We have provided them with a diverse range of experiences, including two internal rotations and a third rotation externally (one with the Department of Health and Aged Care and one with the Organ and Tissue Authority). We also facilitated their participation in a team challenge on Human Centred Design with graduates from Safe Work Australia.

In 2023, we also participated in two other programs for the first time; the 2023 Career Starter Program and 2023-24 Australian Government Apprenticeship Program. Participating in these programs enables us to broaden the diversity and capability of our agency by attracting talent through new and innovative avenues.


**Year ahead (2023-24)**

In 2023-24, we will:

- monitor our performance against our Corporate Plan 2023-24
- apply enhancements to our risk management practices
- apply enhancements to our audit and assurance approach
- apply enhancements to our business continuity planning
- implement our Workforce Capability Plan 2023-2027
- implement our Learning and Development Strategy 2023-2027
- publish the NHFB's 2022-23 Annual Report.

5.1 A POSITIVE WORKPLACE CULTURE WHERE PEOPLE ADOPT BEST PRACTICE APPROACHES TO ACHIEVE RESULTS

Performance criteria 5.1 (Corporate Plan)

2022–23 target	Result
APS Census results show a positive trend on prior year.	 Met

Analysis

We participated in the *Australian Public Service Employee Census 2023* and achieved a 100% response rate for the second year in a row.

The NHFB achieved excellent results again in 2022-23, of the 100 APS agencies surveyed, the NHFB ranked:

- first for Leadership (SES)
- second for Innovation
- second for Wellbeing
- third for Communication
- fourth for Leadership (supervisor)
- thirteenth for Engagement.

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% of staff agreed that our SES encourages innovation and creativity
- 100% of staff agreed that our SES routinely promotes the use of data and evidence to deliver outcomes
- 94% of staff agree that the agency supports and actively promotes an inclusive workplace culture
- 97% of staff are satisfied with their non-monetary employment conditions (e.g. leave, flexible work arrangements, other benefits)
- 97% of staff feel the agency does a good job of communicating what it can offer in terms of health and wellbeing.

Further detail on our results, including trend information can be found in Employee Census, page 71.

SPOTLIGHT ON 2023 CAREER STARTER PROGRAM

The Australian Public Service (APS) Career Starter Program is an award winning entry level program coordinated by the Department of Finance that allows participants to build skills on the job, learn through structured training and work as part of a team.

The Career Starter Program was established by the Department of Finance in 2006 and has since expanded to become a whole-of-government program, with 12 agencies participating in 2023 – including us.

The program is open to Australian citizens who have completed (or are completing) their Year 12 certificate or equivalent and provides participants with a full-time permanent job in the APS.

The program includes a nationally recognised qualification (Certificate IV in Government), multiple networking events and a 'buddy' from previous years programs.



**5.1 A POSITIVE WORKPLACE CULTURE WHERE PEOPLE ADOPT BEST PRACTICE APPROACHES TO ACHIEVE RESULTS CONT'D**

Performance criteria 5.1 (Corporate Plan)

**2022–23 target**

Our forward work plans are developed in consultation with staff.

**Result**



**Analysis**

The platform to our success is operating as a high performing organisation that is professional, capable, flexible and technology enabled. In 2022–23, through a number of all-staff sessions, team-based discussions and internal governance committees, we developed our:

- Strategic Direction 2022–2026
- Risk Tolerance Statement 2022–23
- Corporate Plan 2022–23
- 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.

**2022–23 target**

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

**Result**



**Analysis**

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

In 2022–23, all compliance obligations under the PGPA Act were met, including:

- publishing the 2022–23 Corporate Plan
- an unmodified audit opinion for the 2021–22 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)

2021–22 target

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

Result



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.

In 2023, the NHFB ranked second out of 100 agencies for Innovation.

While our results remain higher than the APS overall, some respondents were neutral in 2023 when compared to 2022.

One area that we did improve on in 2023 when compared to 2022 was “My agency recognises and supports the notion that failure is a part of innovation”. In 2022, 12% of our staff disagreed compared to 3% in 2023.

Table 3: 2022-23 Census results - responses to innovation

	2023 Positive	2023 Neutral	2023 Variance from APS overall	2022 Positive	2022 Neutral
I believe that one of my responsibilities is to continually look for new ways to improve the way we work	88%	9%	+8	96%	4%
My immediate supervisor encourages me to come up with new or better ways of doing things	75%	22%	+3	92%	4%

5.2 AN AGILE AND RESPONSIVE WORKFORCE READY TO ADAPT TO NEW DEVELOPMENTS CONT'D

Performance criteria 5.2 (Corporate Plan)

2022-23 target

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

Result



Analysis

In 2022-23, we continued to review and identify opportunities to streamline our policy suite. This ensures all policies are fit for purpose, understood by staff and reflect current priorities and needs of the agency. We also share our policies with other small agencies to promote best practice approaches. 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.

In 2022-23, we reviewed our suite of policies covering the following areas:

- communication
- governance committees
- finance and procurement
- Human Resources
- risk management
- audit and assurance
- data governance
- information management
- privacy
- security
- business continuity.





## PART 3:

# 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.

Human resources . . . . .	68
Managing risks . . . . .	86
Corporate governance . . . . .	90
Other accountabilities . . . . .	100

# HUMAN RESOURCES

We are focused on transparency and accountability in our work and building the capability of our people.

We have a small and specialised workforce that is capable, diverse and 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 2022-23, 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.

## Capability

In 2022-23, we reviewed and updated our Workforce Capability Plan to reflect the Government's APS Reform Agenda against the backdrop of the Australian Public Service Commission's *APS Workforce Strategy 2025*.

We implemented the full suite of our complementing HR strategies; including Workforce Diversity and our Learning and Development Strategy. These strategies provide tailored, best practice and fit-for-purpose policies that support our staff.

In 2022-23 we continued to focus on learning and development for our people and our United Leadership behaviours. We monitored our team and individual performance under our Performance and Development Framework which 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 Agreement, drawing a clear 'line of sight' from our Strategic Direction to each individual's role.

## Workforce Capability Plan

The NHFB Workforce Capability Plan 2022-27 sets out the strategies to build and strengthen our people capability based on:

- understanding our staffing profile
- identifying our strengths, weaknesses, areas of risk and opportunities for development
- understanding and planning for future staffing requirements
- aligning our people strategies to reflect whole of APS themes and maximise productivity.

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

1. Managing the workforce composition - through continual review of core functions, critical skills and experience, monitoring of turnover trends, and attracting and retaining the right people.
2. Building people capability - ensuring role clarity for our people, increasing Learning and Development opportunities, and investing in career development.
3. Continued focus on culture and leadership - regular communication and engagement with people as well as celebrating success together.

**“In our 2023 census, 94% of our people agreed the NHFB supports and actively promotes an inclusive workplace culture.**

## 2022-23 OVERVIEW



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



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.



We commenced our third year of the APS Graduate Program, recruiting two graduates for a 12 month program.



We participated in the APS Career Starter Program for the first time, one of 12 participating APS agencies.



We continued to support flexible working arrangements.

## Workforce Diversity Plan

We have created an inclusive workplace where our people can feel free, comfortable, safe and empowered to be who they are.

Our Workforce Diversity Plan 2022-27 recognises and appreciates the differences in our people and encourages diversity of backgrounds, skills, talents and views to enrich our working environment and the quality of our work.

We encourage our people to be involved in a wide range of diversity communities and forums made available through APS-wide Communities of Practice and the Department of Health and Aged Care's diversity and inclusion networks.

The networks include:

- Culturally and Linguistically Diverse Network
- Disability and Carers' Network
- Gender and Equality Network
- Health Pride Network
- National Aboriginal and Torres Strait Islander Staff Network.

We aim to attract and retain the right people for the right jobs, no matter what their gender, race, age, sexual orientation, religious beliefs or personal commitments. This is achieved by embedding diversity and inclusion in all aspects including recruitment, workplace culture, career development plans, stakeholder engagement, policies and procedures.

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 continuous learning and development that is tailored to individual, team and agency needs.

Through the implementation of our Learning and Development Strategy, we remained focused on developing people's capabilities and careers by identifying a broad range of learning methods to best support our workforce.

By providing continuous learning and development activities across diverse learning environments and respecting different learning styles, we are better equipped to achieve agency outcomes.

In 2022-23, our staff accessed learning and development activities through:

- APS Learning Academy
- Department of Health and Aged Care's e-Learning platform
- APS Graduate Development Program
- Institute of Public Administration Australia (IPAA) ACT forums
- SAS coding and analytics courses
- TechnologyOne e-Learning.

Our policies and processes support our people:

- to have a clear understanding of their development needs
- to access effective learning and development (e.g. formal training, learning on the job, e-learning and mobility options)
- by providing opportunities to work on tasks outside of their day-to-day work (e.g. cross-team projects)
- by providing opportunities to develop capabilities for their career, including mentoring/coaching.



# Employee census results

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

The 2023 census results showed that 100% of staff feel that work effort contributes to the strategic direction of the agency and the APS.

**Table 4:** NHFB Census results: 2019 compared to 2023

	Positive responses in 2019	Positive responses in 2021	Positive responses in 2022	Positive responses in 2023
My SES manager clearly articulates the direction and priorities for our area	57	100	96	97
Committed to Agency goals	79	100	88	88
Proud to work in my Agency	74	100	85	81
My agency supports and actively promotes an inclusive workplace culture	78	100	92	94
I think my agency cares about my health and well-being	58	95	88	88
My workgroup has the tools and resources we need to perform well	59	95	92	94
My SES manager encourages innovation and creativity	62	100	92	100
Satisfied with the non-monetary employment conditions	77	95	92	97

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. We are proud that two of our key focus areas saw improved results in the 2023 survey:

- communicating what we can offer our staff in terms of health and wellbeing (increase of 20% from 2022)
- providing clarity on non-salary benefits to our staff (up 5% from 2022).

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 2023-24:

- role clarity
- internal communication
- job satisfaction.

CASE STUDY

2023 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 relating to employee engagement, wellbeing, innovation, performance management, leadership, and general impressions of the APS.

Each year following the release of the census results, we discuss our results openly as an agency. We have discussions on 'what are we proud of' and 'what could we do better' i.e. areas for improvement. We use the outcomes of these discussions to develop a census implementation plan.

In 2022-23, the Plan highlighted key activities that we would undertake as an agency under seven themes:

- strategy, vision and clarity
- achievements
- communication
- learning and development
- innovation and efficiency.

We then reviewed and monitored our performance against each of the activities outlined in the Plan through our monthly organisational performance discussion.

In response to feedback from our people on the 2022 survey results, we implemented a fortnightly all-staff Health and Wellbeing session where we discuss a range of topics including:

- updates to our Workplace Health, Safety and Wellbeing policy
- promotion of, and access to a wide range of support services (e.g. EAP)
- flexible work
- Culture and Diversity training (e.g. SBS Inclusion Program).

These sessions resulted in a significant increase in positive responses to two questions:

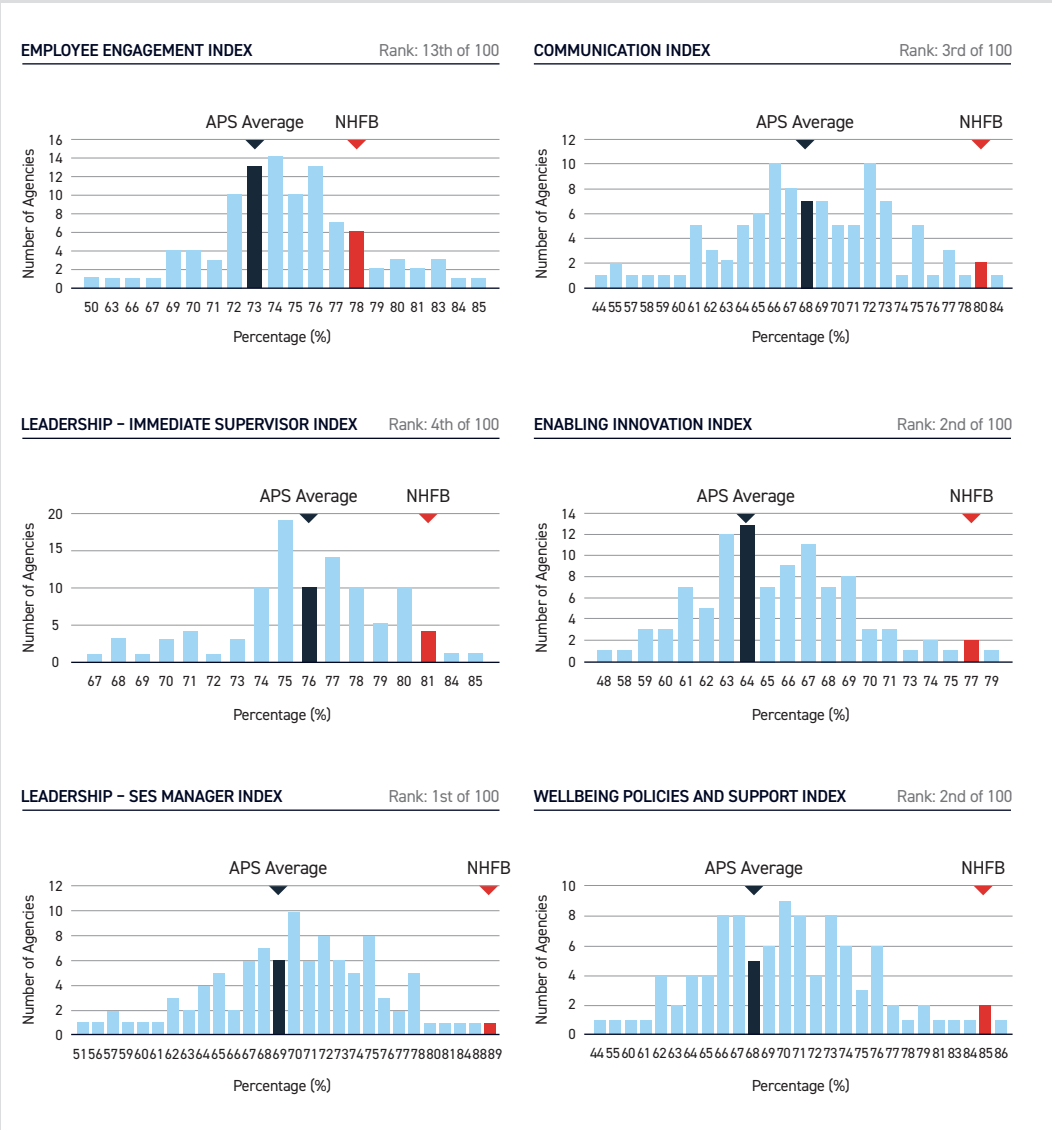
- I am satisfied with the policies/practices in place to help me manage my health and wellbeing (97% positive)
- my agency does a good job of communicating what it can offer me in terms of health and wellbeing (97% positive).

The graphs in Figure 15 show the APS average compared to NHFB's high scores.

Table 5: NHFB health and wellbeing Census results - 2018 compared to 2023

	2018	2019	2021	2022	2023
I am satisfied with the policies/practices in place to help me manage my health and wellbeing	88	53	90	85	97 (+12)
My agency does a good job of communicating what it can offer me in terms of health and wellbeing	53	53	76	77	97 (+20)
My agency does a good job of promoting health and wellbeing	47	47	81	85	94 (+9)
I think my agency cares about my health and wellbeing	76	89	95	88	88 (-)
I believe my immediate supervisor cares about my health and wellbeing	88	84	95	92	91 (-1)

Figure 15: 2023 Australian Public Service Employee Census - APS and NHFB comparison



Employee profile

Our Average Staffing Level (ASL) allocation for 2022-23 was 28 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.

Noting the majority of our people access flexible work arrangements (including location), all NHFB employees in 2022-23 were based in our Canberra office in Acton.

Key highlights of our 2022-23 employee profile:

- our headcount remained stable from 2017-18 to 2020-21 before increasing in 2021-22 and again in 2022-23
- we've maintained certainty through ongoing employment
- we continued to invest and grow our APS1-6 levels.

Table 6: Headcount, FTE and ASL 2016-17 to 2022-23

YEAR	ASL CAP	HEADCOUNT	FTE	ASL
2022-23	27.4	34	28.7	29.6
2021-22	28.4	27	25.9	23.7
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 7: Headcount by employment status and gender 2017-18 to 2022-23

YEAR	2017-18		2018-19		2019-20		2020-21		2021-22		2022-23	
	M	F	M	F	M	F	M	F	M	F	M	F
Ongoing	7	11	7	13	8	9	10	12	12	15	18	16
Non-ongoing	4	3	1	1	3	2	0	0	0	0	0	0

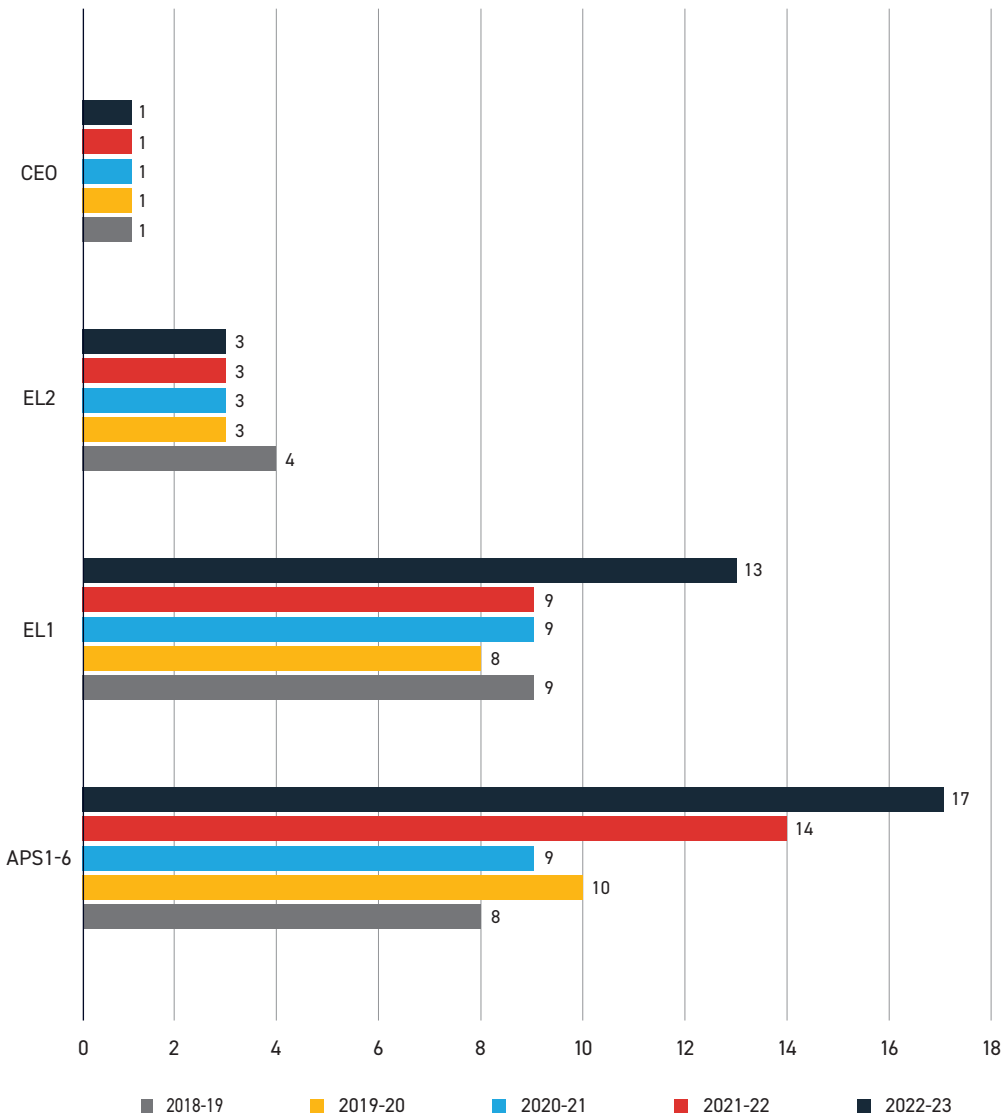
Table 8: Senior executive - holders of Public Office

SENIOR EXECUTIVE	MALE	TOTAL
Holder of Public Office - Office of the Chief Executive Officer	1	1

Table 9: Details of Accountable Authority

NAME	POSITION	DATE OF COMMENCEMENT	DATE OF CESSATION
Shannon White	Chief Executive Officer	3 April 2018	N/A

Figure 16: Headcount by classification 2017-18 to 2022-23



Workforce Diversity

Our commitment to recruiting and retaining a diverse workforce is reflected in our Workforce Diversity Plan. As reported in our 2023 Census:

- our gender demographic was 44% female and 56% male, with no staff identifying as non-binary or intersex
- 28% of our people speak a language other than English at home
- 9% of our people identify as neurodivergent
- 3% of our staff identify as an Australian Aboriginal and/or Torres Strait Islander person
- 6% of our workforce identify as having a disability
- 16% of our workforce identifies as LGBTIQA+
- our age profile spans from between 18 to 63 years
- 90% of our people access flexible work
- 41% of our people have carer responsibilities.

Table 10: Headcount by classification and gender 2022-23

CLASSIFICATION	2022-23 MALE	2022-23 FEMALE
APS 1 - 4	2	1
APS5	3	0
APS6	6	5
EL1	4	9
EL2	2	1
CEO	1	0
TOTAL	18	16

Table 11: Headcount employment type (full time and part time) 2022-23

EMPLOYMENT TYPE	2022-23
Full-time	31
Part-time	3

Note: due to the size of our agency, the NHFB is unable to report on the split of full-time and part time employees by classification or gender for privacy reasons.

### Workforce planning, employee retention and turnover

We have been operational since 2012-13 and have continued to grow our ASL over time, from 15 in 2012-13 (against an allocation of 21) to 29.6 in 2022-23 against an allocation of 28.

**Table 12:** Turnover rate 2016-17 to 2022-23

YEAR	RATE
2022-23	24.0
2021-22	25.3
2020-21	29.0
2019-20	32.1
2018-19	30.1
2017-18	40.6
2016-17	14.0

**Table 13:** Average length of service 2016-17 to 2022-23

YEAR	AVERAGE LENGTH OF SERVICE
2022-23	1.8
2021-22	1.6
2020-21	1.7
2019-20	2.6
2018-19	2.8
2017-18	2.3
2016-17	2.0

**Table 14:** Key Management Personnel

NAME	POSITION TITLE	TERM AS KMP
Michael Lambert	Administrator	5
Shannon White	Chief Executive Officer	6

Remuneration Framework

Through to October 2023, NHFB will continue operating under its current Non-SES Employees Determination 2022, under Public Service Subsection 24(1). This Determination provided staff with a remuneration increase (3%) for one year beyond the conclusion date while maintaining the existing employment conditions.

Following the outcome of the Federal election in May 2022, the Government released the Public Sector Workplace Relations Policy in March 2023. At the time of writing, APS-wide bargaining was underway, with a final position yet to be agreed.

In our 2023 Census:

- 94% of staff were satisfied with the stability and security of their jobs, 12 percentage points higher than the APS overall and a decrease of 2 percentage points from 2022
- 72% of staff agreed (and 19% were neutral) that they are fairly remunerated for the work they do, 20 percentage points higher than the APS overall
- 97% of staff reported being satisfied with non-monetary employment conditions (e.g. leave, flexible work arrangements), 23 percentage points higher than the APS overall, and an increase of 5 per cent from 2022.

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 15: Key Management Personnel

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	197,792	-	-	21,062	8,351	-	-	227,204
Shannon White	Chief Executive Officer	285,853	-	-	40,218	5,316	-	-	331,388
TOTAL		483,645	-	-	61,280	13,667	-	-	558,592



Salary ranges for non-SES employees are at the table below. No employees received performance pay in 2022-23, and four non-SES employees were covered by the Enterprise Agreement (EA) and an Individual Flexibility Arrangement.

**Table 16:** Salary range by classification

CLASSIFICATION	SALARY RANGE (\$)
EL2	131,052 – 155,160
EL1	109,842 – 125,277
APS6	79,847 – 86,350
APS5	77,521 – 83,835
APS4	74,495 – 78,712
APS3	65,752 – 72,881
APS2	56,897 – 62,089
APS1	29,211 – 54,675

## 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 Reserves.

■ CASE STUDY

2023 AUSTRALIAN GOVERNMENT CAREER STARTER PROGRAM

About the Career Starter Program

The Australian Public Service (APS) Career Starter Program is a structured and comprehensive 12-month, whole-of-government entry level program coordinated by the Department of Finance that allows participants to build skills on the job, learn through structured training and work as part of a team.

The Career Starter Program was established by the Department of Finance in 2006 and has since expanded to become a whole-of-government program, with 12 agencies participating in 2023.

The Program includes a Certificate IV in Government and quarterly networking events, along with plenty of support from supervisors, colleagues and Entry Level Program coordinators.

Staff experience

In 2023, the NHFB participated in the Career Starter Program for the first time.

“As my introduction to the APS, the NHFB has been the most welcoming and supportive agency, allowing me to grow professionally and personally. In my role at the NHFB, I have been able to develop enhanced research skills, including efficient data collection and analysis techniques. The opportunity to present my research findings to the agency has also improved my ability to communicate complex ideas concisely.

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 2023-27 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 2022-23, we provided Studybank or Professional Membership assistance to 12% of our workforce. Our Study Assistance Scheme offers financial assistance, paid leave for study purposes, or a combination of both.

Table 17: Employee qualifications

YEAR	NO. OF PEOPLE
Undergraduate qualification	14
Post Graduate Qualification	12
Professional Industry qualifications	3

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 2022-23, NHFB employees received training (classroom and online) for:

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

Performance management

In 2022-23, 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 2023 APS Census results with 97% of staff agreeing the direction and priorities for our agency are clearly articulated (29% higher than the APS overall).

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 2022-23, we implemented 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 2022-23, 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 was due to planned and active management of known medical requirements.

**Table 18:** Unscheduled absences (days)  
2016-17 to 2022-23

YEAR	NHFB	APS
2022-23	7.0	TBC
2021-22	7.5	12.8
2020-21	9.3	12.2
2019-20	8.9	11.2
2018-19	9.8	11.4
2017-18	9.5	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.

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

In 2022-23, we had zero Code of Conduct investigations and zero claims of bullying and harassment within the agency.

Productivity gains

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:

- 100% of our staff agree our SES encourages innovation and creativity (35% higher than the APS overall)
- 88% of staff believe that one of their responsibilities is to continually look for new ways to improve the way we work (8% higher than the APS overall).

## 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. We consult with our staff on health and safety matters and monitor our WHS performance through our Workplace Consultative Committee (see page 93). This provides a forum for communication with our staff 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)
- 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 2022-23, 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 2022-23, our employees had access to:

- workplace assessments and ergonomic equipment, including sit-to-stand desks
- virtual workstation assessments to support people working from home
- 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 2023 APS Census, 88% of staff agreed the agency cares about their health and wellbeing (unchanged from 2022).

In 2022-23, there were no workers compensation claims submitted to Comcare. Due to the expansion of our workforce (from 21 in 2020-21 to 30 in 2022-23), our premium increased in 2022-23. Even with the staffing increase, our premium still remains lower than 2018-19 (against a staffing profile of 21).

Table 19: Comcare premium rates

YEAR	PREMIUM (\$)
2022-23	26,076
2021-22	19,153
2020-21	18,165
2019-20	19,920
2018-19	26,710
2017-18	35,976

Note: Figures are GST inclusive.

Disability Strategy

Australia's Disability Strategy 2021-2031 (the Strategy) is Australia's national disability policy framework. It sets out a plan for continuing to improve the lives of people with disability in Australia over the next ten years.

The Strategy's vision is for an inclusive Australian society that ensures people with disability can fulfill their potential, as equal members of the community. The purpose of the Strategy is to:

- provide national leadership towards greater inclusion of people with disability
- guide activity across all areas of public policy to be inclusive and responsive to people with disability
- drive mainstream services and systems to improve outcomes for people with disability
- engage, inform and involve the whole community in achieving a more inclusive society.

In accordance with Australia's Disability Strategy 2021-2031, 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.

Further information on Australia's Disability Strategy is available at [www.dss.gov.au/disability-and-australias-disability-strategy-2021-2031](http://www.dss.gov.au/disability-and-australias-disability-strategy-2021-2031).

## ■ CASE STUDY

### COMMONWEALTH RISK MANAGEMENT POLICY

The Commonwealth Risk Management Policy aims to embed risk management into the culture and work practices of entities to improve decision making in order to maximise opportunities and better manage uncertainty.

The Policy sets out the principles and mandatory requirements for managing risk in undertaking Government activities.

The policy supports section 16 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) which states that 'the accountable authority of a Commonwealth entity must establish and maintain an appropriate system of risk oversight, management and internal control for the entity.

Comcover have developed a Risk Management Toolkit to share upto-date best practice risk management. The toolkit includes resources to support entities to implement the Policy.

In 2023, Comcover selected the NHFB to feature in two case studies:

- Element Three: Risk Culture
- Element Six: Shared Risk

#### Element Three: Risk Culture

This case study is intended to assist Commonwealth officials at Specialist and Executive levels to:

- develop and establish a positive risk culture
- understand practical tips to implement a risk culture change program
- understand how risk culture can be transformed and embedded in their agency.

The case study outlines our strategy to embed a robust organisational culture that continues to support risk-aware decision making whilst at the same time encouraging innovation and creativity. The case study details how we developed and fostered a risk culture that has enabled us to engage with risk in pursuit of continuous improvement and better solutions in our business activities.

Key points of the case study include:

- what is a positive risk culture?
- why is it important to have a positive risk culture
  - levers that drive risk culture
  - well-defined risk tolerance statement.
- near misses and reslised risk event discussion
- messaging and 'tone from the top'
- lessons learned
- managing risk is everyone's responsibility.

#### Element Six: Shared Risk

This case study is intended to assist Commonwealth officials at Specialist and Executive levels to understand

- how to implement arrangements for managing shared risks
- how to engage and collaborate with other stakeholders sharing the same risks in order to realise the full potential of the project
- the benefits of establishing a strong relationship with stakeholders sharing the same project risks
- how cooperation through the management of shared risks on a project can improve the outcomes achieved

This case study provides guidance for entities seeking practical examples on the management of shared risk, as modelled off the method used by the NHFB.

Key points of the case study include our method and approach for:

- the management of shared project risks through collaboration
- creating a strong relationship between stakeholders
- the benefits of collaboration
- what is a positive risk culture?

We are incredibly proud to share our learnings and approach with other Commonwealth agencies.

# MANAGING RISKS

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.

## Our culture

We have created an environment where there is an awareness of our risk profile from all staff across all levels and managing risks is everyone's responsibility.

This enables us to take action quickly for issues and risks that are identified to be outside of set thresholds and tolerance.

## Our approach

With an \$8 million operating budget and 30 staff administering over \$64 billion in public hospital payments, it is critical that we have proactive risk management embedded into our day-to-day work.

We have achieved this through regularly engaging our staff and providing opportunities to openly share and discuss risks and near misses through:

- monthly all-staff performance discussions on strategic objectives, budget, risk, stakeholder engagement and workplace culture
- fortnightly risk management updates
- weekly Executive meetings
- lessons learned workshops.

Our risk management performance is then formally reported to our independent Audit and Risk Committee quarterly.

Figure 18 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 17: NHFB Risk Tolerance Statement



## 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.

## Shared risk

Shared risks are those risks with no single owner, where more than one entity is exposed to or can significantly influence the risk. Shared risks may include those where management responsibilities can extend across entities or involve other jurisdictions. The growth of shared services and inter-agency projects, for example, means that shared risk is becoming a common occurrence.

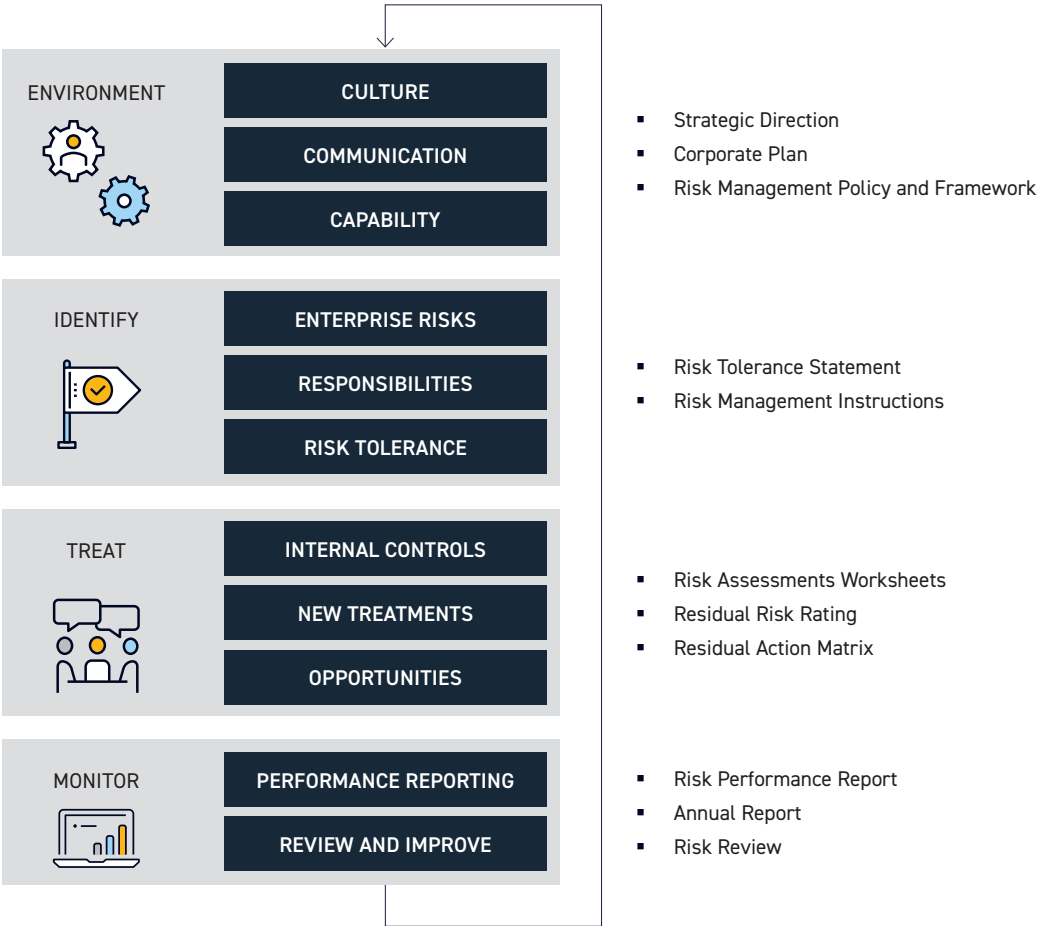
## Reviewing our risk environment

Each year, we review our eleven strategic risks. This annual review is an opportunity for risk managers and control owners to openly collaborate to identify and assess emerging or new risks that may impact our agency.

Whilst the implementation of new treatments is monitored monthly, the annual review process provides risk and control owners the opportunity to:

- review and update preventative, detective and recovery controls
- confirm the effectiveness of risk controls
- consider any new treatments
- confirm/update responsible risk or treatment control owners.

Figure 18: Risk management approach



# CORPORATE GOVERNANCE

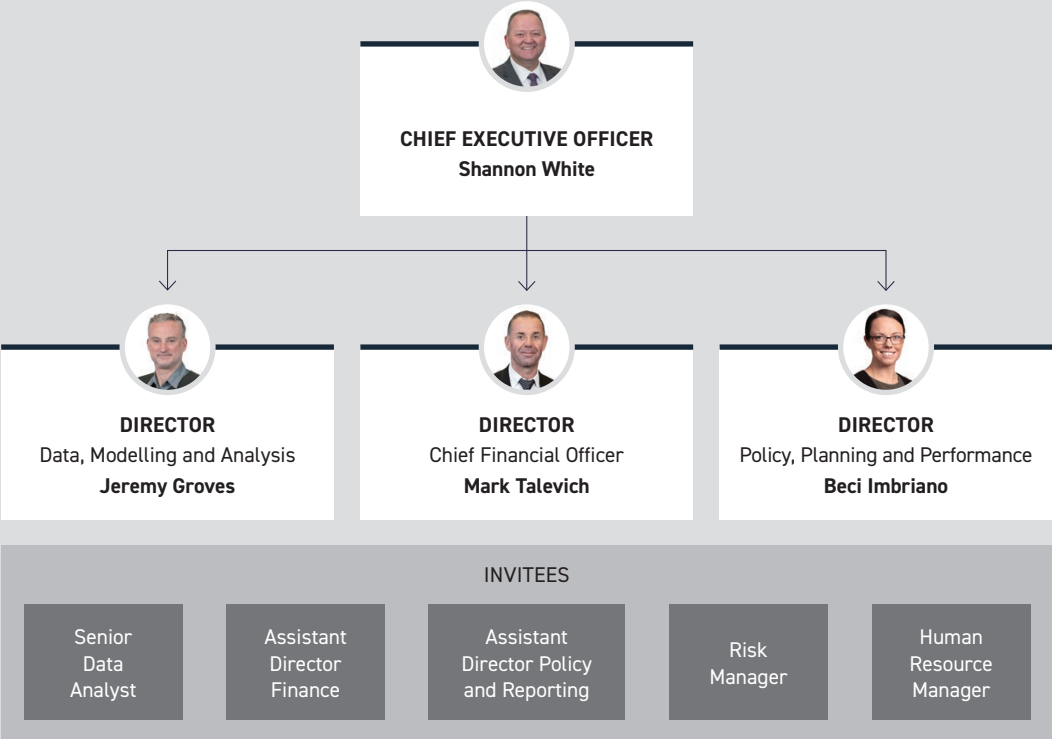
Our governance and management practices play an integral role in ensuring the Administrator and NHFB deliver on our NHR Agreement responsibilities, strategic objectives and statutory obligations.

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. In 2022-23 we reviewed and updated our Accountable Authority Instructions, Financial Delegation and Human Resource Delegations to ensure we commenced the new financial year fully compliant.

## Executive Committee

The Executive Committee (see pages 13-15 for profiles) meets weekly and is our internal forum for engagement and discussion, including providing advice to the CEO on strategic direction, key initiatives, agency policies, as well as immediate and emerging issues.

Figure 19: National Health Funding Body Executive Committee



# 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 2022-23:

- 2 August 2022
- 18 November 2022
- 22 February 2023
- 19 May 2023.

Key area of focus for the RAGC in 2022-23 included:

- recommending the CEO approve the 2022-23 Risk Tolerance Statement, providing updates to critical controls, reviewing risk performance reporting, and oversight of the Agency's 2022 risk review
- reviewing and recommending the CEO endorse the National Health Funding Pool Payments System Internal Controls Framework
- 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)
- Management Representative
- Human Resource Manager
- Health and Safety Representative
- Employee Representative.

The WCC met three times in 2022-23:

- 6 October 2022
- 9 February 2023
- 8 June 2023.

Key area of focus for the WCC in 2022-23 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 (the Committee) is an integral component of our corporate governance and a valuable source of independent advice for the CEO.

The NHFB CEO has established the Committee in compliance with section 45 of the PGPA Act and section 17 of the PGPA Rule. The Committee's role is to provide independent advice and assurance to the NHFB CEO.

### Performance reporting

In reviewing the appropriateness of the NHFB's performance reporting as a whole, the Committee reviews the NHFB's systems and processes for developing, measuring and reporting the achievement of the NHFB's performance.

In particular, the Committee will:

- satisfy itself that the NHFB's Portfolio Budget Statements and Corporate Plan include details of how the NHFB's performance will be measured and assessed
- satisfy itself that the NHFB's approach to measuring its performance throughout the financial year against the performance measures included in its Portfolio Budget Statements and Corporate Plan is sound, and has taken into account guidance issued by the Department of Finance
- satisfy itself that the NHFB has sound processes in place for the preparation of its Annual Performance Statement and its inclusion in the NHFB's Annual Report
- satisfy itself that the NHFB's proposed Performance Statement is consistent with the NHFB's financial information, including its financial statements that it proposes to include in the Annual Report.

### Financial reporting

In reviewing the appropriateness of the NHFB's systems and processes for financial reporting, the Committee:

- reviews the NHFB's financial statements and compliance with accounting standards and the PGPA Act and the Rule, having regard to any supporting guidance
- reviews the appropriateness of NHFB's Accountable Authority Instructions, financial delegations, procurement and contract management policies
- reviews the appropriateness of accounting policies and disclosures, including any significant changes to accounting policies
- reviews sign-off by NHFB management in relation to the quality of the financial statements, internal controls and compliance
- reviews the auditor's judgments about the adequacy of the NHFB's accounting policies and the quality of the NHFB processes for the preparation of both the NHFB's financial statements and the NHFP's financial statements, through discussions with the ANAO.



## System of risk management and oversight

In reviewing the appropriateness of the NHFB's system of risk oversight and management, the Committee:

- reviews whether NHFB management has in place a current and sound enterprise risk management framework and associated internal controls for effective identification and management of the risks
- assesses the impact of the NHFB's risk management framework on the NHFB's control environment
- reviews the process of developing and implementing the NHFB's fraud control arrangements and satisfy itself that the NHFB has appropriate processes and systems in place to detect, capture and effectively respond to fraud risks
- reviews reports on fraud from management that outline any significant or systemic allegations of fraud, the status of any ongoing investigations and any changes to identified fraud risk in the NHFB
- satisfies itself that the NHFB has appropriate systems and procedures in place to identify the NHFB's key assurance arrangements and is reviewed annually
- satisfies itself that appropriate processes are in place to assess the entity's compliance with laws, regulations and associated government policies
- satisfies itself that management periodically assesses the adequacy of the NHFB information security arrangements.
  - reviews the proposed audit coverage, ensuring that it takes into account the NHFB's key risks, and recommend approval of the Annual Work Plan by the NHFB CEO
  - reviews all audit reports and provide advice to the NHFB CEO on significant issues identified in audit reports and action to be taken on issues raised, including identification and dissemination of good practice.
- satisfies itself that the NHFB has sound business continuity procedures in place.

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

The ARC met five times in 2022-23:

- 11 August 2022
- 22 September 2022
- 14 December 2022
- 23 March 2023
- 29 June 2023.

Full details on the functions of the ARC are available from the NHFB Audit and Risk Committee Charter at [www.publichospitalfunding.gov.au/publications/audit-and-risk-committee-charter](http://www.publichospitalfunding.gov.au/publications/audit-and-risk-committee-charter).

## Internal control

In reviewing the appropriateness of the NHFB's system of internal control, the Committee:

- reviews NHFB management's approach to maintaining an effective internal control framework
- notes NHFB's HR delegations, and associated bullying and harassment policies

## Audit and Risk Committee members 2022-23



**Stephen Horne**

Chair  
(September 2020 – Present)

As a Non-Executive Director since 2015, Stephen has developed a portfolio of audit committee experience spanning the Commonwealth, NSW Local Government and Victorian Local Government sectors, with a diverse range of entity types. Stephen previously served for 38 years in the NSW public sector, including roles of Assistant Auditor-General for NSW, looking after Performance Audits, and the Chief Executive of IAB, a Government Trading Enterprise undertaking internal audits and misconduct investigations.

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

Stephen chaired five NHFB ARC meetings in 2022-23.



**Jeanette Barker**

Member  
(September 2020 – Present)

Jeanette 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.

Jeanette is an independent member and/ or chairperson of the audit and risk committees for three large NSW Local Health Districts and the Cancer Institute of NSW. Jeanette is also a hearing member in the Occupational Division of the NSW Civil and Administrative Tribunal.

Jeanette has a Bachelor of Arts from the University of Sydney (History and Government) and a Masters of Criminal Justice and Criminology from the University of New South Wales.

Jeanette attended five NHFB ARC meetings in 2022-23.

**Mark Jenkin**

Member

(October 2020 – Present)

Mark currently serves on the board of two ACT-based registered not for profit charities.

He has extensive senior management experience in the public sector including serving as the the Chief Financial Officer of the Australian Department of Human Services (Services Australia) from May 2015 to January 2020. Prior to this, Mark was in the Department of Defence for many years, his last position being Head of Defence Support Operations Division with responsibility for delivering a range of base support and facilities services around Australia.

Mark 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.

Mark attended five NHFB ARC meetings in 2022-23.

**Table 20: 2022-23 Audit and Risk Committee remuneration**

NAME	NUMBER OF MEETINGS	2022-23 TOTAL REMUNERATION
Stephen Horne (Chair)	5	\$9,750
Jeanette Barker	5	\$6,275
Mark Jenkin	5	\$9,500
<b>TOTAL 2022-23 ARC REMUNERATION</b>		<b>\$25,525</b>

Audit and assurance

NHFB's *Audit and Assurance Strategy 2022-23* 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 2022-23, 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.

External scrutiny

During 2022-23, 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.

One FOI request was made to the NHFB in April 2023 in relation to the *Data Matching Proof of Concept – Final report*. Full access to the report was granted and our FOI information is available on our website [publichospitalfunding.gov.au](http://publichospitalfunding.gov.au).

Table 21: Audit and assurance activities undertaken in 2022-23

STRATEGIC OBJECTIVE	ACTIVITY	PROVIDER
Calculate	External assurance review of the completeness and accuracy of the NWAU calculation	Taylor Fry
Calculate	External assurance review of the CCM including the integrity of the methodology, formulas and inputs	PwC
Pay	Assurance review of Payments System documentation	Libratum
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

## 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 2022-23, 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 2022-23, 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  
22 September 2023

# OTHER ACCOUNTABILITIES

As a PGPA agency, we are required to report on the effectiveness of our public administration.

## Data privacy

Our Data Governance Policy was reviewed by the RAGC and circulated to the Administrator's JAC in September 2022 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](https://publichospitalfunding.gov.au)

## Purchasing

With support from the Commonwealth Department of Health and Aged Care Procurement Advisory Service, all our procurement activities in 2022-23 were conducted in line with the Commonwealth Procurement Guidelines, NHFB Accountable Authority Instructions and NHFB Procurement and Contract Management Policy.

## Consultants

In 2022-23, 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 2022-23

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 22:** Reportable non-consultancy contracts 2022-23

	NUMBER	EXPENDITURE \$
New contracts entered into during the reporting period	15	959,938
Ongoing contracts entered into during a previous reporting period	10	813,483
<b>TOTAL</b>		<b>1,773,420</b>

**Table 23:** Organisations receiving a share of reportable non-consultancy contract expenditure 2022-23

ORGANISATION	EXPENDITURE \$
Taylor Fry Pty Ltd	367,721
KPMG	170,583
PricewaterhouseCoopers	443,956
TechnologyOne Ltd	175,644
Chartertech Pty Ltd	134,255
Contentgroup	86,200

## Australian National Audit Office access

In 2022-23, the NHFB did not enter into any contracts precluding access by the Commonwealth Auditor-General.

## Exempt contracts

In 2022-23, 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 2022-23.

## Procurement initiatives to support small business

The NHFB 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.

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 2022-23 reporting period, the NHFB did not conduct any advertising campaigns or market research.

## Assets management

We work with industry partners to ensure our assets effectively support our small agency to deliver on our objectives. We continue to invest in new technology to ensure our assets remain fit-for-purpose.

We manage two key ICT assets which align with our core calculate, pay and report functions. These assets have a combined value of \$0.65 million (as at 30 June 2023) and are governed by robust business processes.



## Ecological and environmental reporting

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

In 2022-23 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.

## APS Net Zero 2030

As part of the reporting requirements under section 516A of the *Environment Protection and Biodiversity Conservation Act 1999*, and in line with the Government's APS Net Zero 2030 policy, all non-corporate Commonwealth entities are required to publicly report on the emissions from their operations. Table 24 details NHFB's emissions reporting for 2022-23. Other emissions (electricity and gas) will be reported on by the Department of Health and Aged Care as our Shared Services Provider.

The NHFB had zero fleet vehicles in 2022-23.

**Table 24:** APS Net Zero reporting requirement

EMISSION SOURCE	SCOPE 1 kg CO2-e	SCOPE 2 kg CO2-e	SCOPE 3 kg CO2-e	TOTAL kg CO2-e
Electricity (Location based approach)	N/A	-	-	-
Natural gas	-	N/A	-	-
Fleet vehicles	-	N/A	-	-
Domestic flights	N/A	N/A	6,915	6,915
Other energy	-	N/A	-	-
<b>TOTAL kg CO2-e</b>	<b>-</b>	<b>-</b>	<b>6,915</b>	<b>6,915</b>



## PART 4:

# FINANCIAL STATEMENTS

This section of our report details our budget and expenditure for 2022-23 and includes our financial statements which have been audited by the Australian National Audit Office.

For the period ended 30 June 2023

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# SUMMARY OF FINANCIAL PERFORMANCE

The net operating result as at 30 June 2023 is a deficit of \$0.148 million.

Revenue for the 2022-23 financial year was \$7.355 million which included one-off funding relating to the 2021-22 Budget measure COVID-19 Response Package - extension and COVID-19 Response Package vaccine purchases and rollout (\$0.740 million) and resources received free of charge.

Total expenditure in 2022-23 was \$7.503 million and is primarily driven by 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 25:** NHFB Budgeted v Actual Expenditure 2018-19 to 2022-23

	2018-19 \$ million	2019-20 \$ million	2020-21 \$ million	2021-22 \$ million	2022-23 \$ million
<b>Budgeted Expenditure<sup>1</sup></b>	<b>5.5</b>	<b>5.9</b>	<b>6.8</b>	<b>8.0</b>	<b>7.8</b>
Employee Benefits	3.1	3.0	3.2	3.6	4.4
Supplier Expenses	2.2	2.1	1.9	2.1	2.3
Amortisation	0	0.4	0.8	0.9	0.9
<b>TOTAL ACTUAL EXPENDITURE</b>	<b>5.3</b>	<b>5.5</b>	<b>5.9</b>	<b>6.6</b>	<b>7.5</b>
<b>SURPLUS (DEFICIT)</b>	<b>0.1</b>	<b>0.4</b>	<b>0.9</b>	<b>1.4</b>	<b>0.3</b>

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

**Table 26:** NHFB resource statement 2022-23

	Actual available appropriations for 2022-23 \$'000	Payments made in 2022-23 \$'000	Balance remaining in 2022-23 \$'000
<b>ORDINARY ANNUAL SERVICES</b>			
Departmental appropriation <sup>1</sup>	11,309	7,164	4,144
Total ordinary annual services	11,309	7,164	4,144
Special appropriations	–	–	–
<b>TOTAL RESOURCING AND PAYMENTS</b>	<b>11,309</b>	<b>7,164</b>	<b>4,144</b>

1 Appropriation Bill (No. 1) 2022-23, prior year departmental appropriation and section 74 receipts.

**Table 27:** Expenses for outcome 2022-23

	Budget <sup>1</sup> 2022-23 \$'000	Actual expenses 2022-23 \$'000	Variation 2022-23 \$'000
<b>OUTCOME:</b> Improve transparency of public hospital funding in Australia by supporting the obligations and responsibilities of the Administrator of the National Health Funding Pool through best practice administration of public hospital funding.			
<b>PROGRAM 1.1: NATIONAL HEALTH FUNDING BODY</b>			
<b>Departmental expenses</b>			
Departmental appropriation <sup>2</sup>	7,840	7,503	337
Special appropriation	–	–	–
<b>TOTAL FOR PROGRAM 1.1</b>	<b>7,840</b>	<b>7,503</b>	<b>337</b>
<b>TOTAL FOR OUTCOME 1</b>	<b>7,840</b>	<b>7,503</b>	<b>337</b>

	2022-23	2021-22
Average staffing level (number) <sup>3</sup>	30	24

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



## INDEPENDENT AUDITOR'S REPORT

### To the Minister for Health and Aged Care

#### Opinion

In my opinion, the financial statements of the National Health Funding Body (the Entity) for the year ended 30 June 2023:

- (a) comply with Australian Accounting Standards – Simplified Disclosures and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of the Entity as at 30 June 2023 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 2023 and for the year then ended:

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

#### Basis for opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Entity in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (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.

#### Other information

The Accountable Authority is responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2023 but does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information, and accordingly I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

GPO Box 707, Canberra ACT 2601  
38 Sydney Avenue, Forrest ACT 2603  
Phone (02) 6203 7300

### 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 – Simplified Disclosures and the rules made under the Act. The Accountable Authority is also responsible for such internal control as the Accountable Authority 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 Accountable Authority 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 Accountable Authority 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



Sally Bond

Executive Director

Delegate of the Auditor-General

Canberra

22 September 2023



National Health  
Funding Body

GPO Box 1252  
Canberra ACT 2601  
1300 930 522  
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## Statement by the Accountable Authority and Chief Financial Officer

In our opinion, the attached financial statements for the year ended 30 June 2023 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  
22 September 2023

A handwritten signature in black ink, appearing to read 'Mark Talevich'.

**Mark Talevich**

Chief Financial Officer  
National Health Funding Body  
22 September 2023



**National Health Funding Body Statement of Comprehensive Income  
for the period ended 30 June 2023**

	NOTES	2023 \$	2022 \$	ORIGINAL BUDGET \$
<b>NET COST OF SERVICES</b>				
<b>Expenses</b>				
Employee benefits	2A	4,379,244	3,647,801	4,555,000
Suppliers	2B	2,261,588	2,088,137	2,423,000
Depreciation and amortisation	5	851,141	851,141	851,000
Interest on lease liability		11,089	14,623	11,000
<b>TOTAL EXPENSES</b>		<b>7,503,063</b>	<b>6,601,702</b>	<b>7,840,000</b>
<b>OWN-SOURCE INCOME</b>				
<b>Own-source revenue</b>				
Resources received free of charge	3A	92,000	92,000	92,000
Other gains		-	-	-
<b>TOTAL OWN-SOURCE REVENUE</b>		<b>92,000</b>	<b>92,000</b>	<b>92,000</b>
<b>TOTAL OWN-SOURCE INCOME</b>		<b>92,000</b>	<b>92,000</b>	<b>92,000</b>
<b>NET COST OF SERVICES</b>		<b>7,411,063</b>	<b>6,509,702</b>	<b>7,748,000</b>
REVENUE FROM GOVERNMENT	3B	7,263,000	7,488,000	7,263,000
Surplus/(Deficit) attributable to the Australian Government		(148,062)	978,298	(485,000)
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO THE AUSTRALIAN GOVERNMENT</b>		<b>(148,062)</b>	<b>978,298</b>	<b>(485,000)</b>

The above statement should be read in conjunction with the accompanying notes, including variance analysis in Note 15.

### National Health Funding Body Statement of Financial Position for the period ended 30 June 2023

	NOTES	2023 \$	2022 \$	ORIGINAL BUDGET \$
<b>ASSETS</b>				
<b>Financial Assets</b>				
Cash and Cash Equivalents	4A	39,034	37,852	38,000
Trade and Other Receivables	4B	4,191,754	3,853,373	3,853,000
<b>TOTAL FINANCIAL ASSETS</b>		<b>4,230,788</b>	<b>3,891,225</b>	<b>3,891,000</b>
<b>Non-Financial Assets</b>				
Intangible Assets	5	650,039	1,138,041	651,000
Right-of-use Asset	5	888,085	1,251,222	888,000
Prepayments		49,725	49,058	49,000
<b>TOTAL NON-FINANCIAL ASSETS</b>		<b>1,587,848</b>	<b>2,438,322</b>	<b>1,588,000</b>
<b>TOTAL ASSETS</b>		<b>5,818,636</b>	<b>6,329,547</b>	<b>5,479,000</b>
<b>LIABILITIES</b>				
<b>Payables</b>				
Suppliers	6A	238,877	349,137	349,000
Other Payables	6B	171,068	152,686	152,000
<b>TOTAL PAYABLES</b>		<b>409,946</b>	<b>501,823</b>	<b>501,000</b>
<b>Interest Bearing Liabilities</b>				
Leases	7	954,758	1,320,634	955,000
<b>TOTAL INTEREST BEARING LIABILITIES</b>		<b>954,758</b>	<b>1,320,634</b>	<b>955,000</b>
<b>Provisions</b>				
Employee Provisions	8A	1,183,954	1,089,049	1,089,000
Other provisions	8B	10,500	10,500	11,000
<b>TOTAL PROVISIONS</b>		<b>1,194,454</b>	<b>1,099,549</b>	<b>1,100,000</b>
<b>TOTAL LIABILITIES</b>		<b>2,559,158</b>	<b>2,922,006</b>	<b>2,556,000</b>
<b>NET ASSETS</b>		<b>3,259,478</b>	<b>3,407,541</b>	<b>2,923,000</b>
<b>EQUITY</b>				
Retained surplus/ (Accumulated deficit)		3,259,478	3,407,541	2,923,000
<b>TOTAL EQUITY</b>		<b>3,259,478</b>	<b>3,407,541</b>	<b>2,923,000</b>

The above statement should be read in conjunction with the accompanying notes, including variance analysis in Note 15.

**National Health Funding Body Statement of Changes in Equity  
for the year period ended 30 June 2023**

	RETAINED EARNINGS		TOTAL EQUITY		ORIGINAL BUDGET \$
	2023 \$	2022 \$	2023 \$	2022 \$	
<b>Opening balance</b>					
Balance carried forward from previous period	3,407,541	2,429,243	3,407,541	2,429,243	3,408,000
<b>Comprehensive income</b>					
Surplus/(Deficit) for the period	(148,062)	978,298	(148,062)	978,298	(485,000)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>(148,062)</b>	<b>978,298</b>	<b>(148,062)</b>	<b>978,298</b>	<b>(485,000)</b>
<b>CLOSING BALANCE</b>	<b>3,259,478</b>	<b>3,407,541</b>	<b>3,259,478</b>	<b>3,407,541</b>	<b>2,923,000</b>

The above statement should be read in conjunction with the accompanying notes, including variance analysis in Note 15.

### National Health Funding Body Cash Flow Statement for the period ended 30 June 2023

	NOTES	2023 \$	2022 \$	ORIGINAL BUDGET \$
<b>OPERATING ACTIVITIES</b>				
<b>Cash received</b>				
Appropriations		7,164,445	6,216,772	7,263,000
GST received		185,580	114,816	279,000
Other s74 receipts		83,054	324,494	-
<b>TOTAL CASH RECEIVED</b>		<b>7,433,079</b>	<b>6,656,082</b>	<b>7,542,000</b>
<b>Cash used</b>				
Employees		4,326,120	3,770,327	4,555,000
Suppliers		2,429,128	2,081,098	2,621,000
GST Paid		-	-	-
Section 74 receipts transferred to the Official Public Account		268,912	450,308	-
<b>TOTAL CASH USED</b>		<b>7,024,160</b>	<b>6,301,733</b>	<b>7,176,000</b>
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>408,919</b>	<b>354,349</b>	<b>366,000</b>
<b>INVESTING ACTIVITIES</b>				
<b>TOTAL CASH USED</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>NET CASH USED BY INVESTING ACTIVITIES</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>FINANCING ACTIVITIES</b>				
<b>Cash used</b>				
Lease principal repayments		407,737	362,890	366,000
<b>TOTAL CASH USED</b>		<b>407,737</b>	<b>362,890</b>	<b>366,000</b>
<b>NET CASH FROM (USED BY) FINANCING ACTIVITIES</b>		<b>(407,737)</b>	<b>(362,890)</b>	<b>(366,000)</b>
<b>NET INCREASE IN CASH HELD</b>		<b>1,182</b>	<b>(8,541)</b>	<b>-</b>
Cash and cash equivalents at the beginning of the reporting period		37,852	46,393	38,000
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD</b>	<b>4A</b>	<b>39,034</b>	<b>37,852</b>	<b>38,000</b>

The above statement should be read in conjunction with the accompanying notes, including variance analysis in Note 15.

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the Financial Statements for the  
period ended 30 June 2023

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### 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
- g. developing and providing rolling three year data plans to the Commonwealth, States and Territories.

The NHFB's registered office is 21-23 Marcus Clarke Street, New Acton, ACT, 2601.

The continued existence of the entity in its present form and with its present programs is dependent on Government policy and on continuing funding by Parliament for the entity's administration and programs.

### 1.1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements 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)
- b. Australian Accounting Standards and Interpretations – including simplified disclosures for Tier 2 Entities under AASB 1060 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.

**Notes to and forming part of the Financial Statements**  
for the period ended 30 June 2023

## 1.2 NEW AUSTRALIAN ACCOUNTING STANDARDS

### Adoption of New Australian Accounting Standard Requirements

Two amending standards (AASB 2021-2 and AASB 2021-6) were adopted earlier than the application date as stated in the standard. These amending standards have been adopted for the 2022-23 reporting period.

The following amending standards in the below table were issued prior to the signing of the statement by the accountable authority and chief financial officer; were applicable to the current reporting period and had an immaterial effect on the entity's 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.

Standard/ Interpretation	Nature of change in accounting policy, transitional provisions, and adjustment to financial statements
AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates (AASB 2021-2) and	AASB 2021-2 amends AASB 7, AASB 101, AASB 108, AASB 134 and AASB Practice Statement 2. The amending standard requires the disclosure of material, rather than significant, accounting policies, and clarifies what is considered a change in accounting policy compared to a change in accounting estimate.
AASB 2021-6 Amendments to Australian Accounting Standards - Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards (AASB 2021-6)	AASB 2021-6 amends the Tier 2 reporting requirements set out in AASB 1049, AASB 1054 and AASB 1060 to reflect the changes made by AASB 2021-2. The details of the changes in accounting policies and adjustments are disclosed below and in the relevant notes to the financial statements. This amending standard is not expected to have a material impact on the entity's financial statements for the current reporting period or future reporting periods.

## PART 4: FINANCIAL STATEMENTS

Notes to and forming part of the Financial Statements  
for the period ended 30 June 2023

### Note 2: Expenses

	2023 \$	2022 \$
<b>NOTE 2A: EMPLOYEE BENEFITS</b>		
Wages and salaries	2,931,452	2,629,107
Leave and other entitlements	880,883	455,108
<b>Superannuation</b>		
Defined contribution plans	416,726	362,421
Defined benefit plans	150,183	120,255
Separation and redundancies	-	80,910
<b>TOTAL EMPLOYEE BENEFITS</b>	<b>4,379,244</b>	<b>3,647,801</b>
<b>ACCOUNTING POLICY</b>		
The accounting policy for Employee Benefits is contained in Note 7 Employee Provisions.		
<b>NOTE 2B: SUPPLIERS</b>		
<b>Goods and Services Supplied or Rendered</b>		
Contractors and Support Agreements	1,942,675	1,845,753
Professional fees	92,000	98,568
Travel	67,644	21,593
Consumables, printing and training	94,312	78,181
Other	38,614	25,249
<b>TOTAL GOODS AND SERVICES SUPPLIED OR RENDERED</b>	<b>2,235,246</b>	<b>2,069,344</b>
Goods Supplied	34,483	25,615
Services Rendered	2,200,763	2,043,729
<b>TOTAL GOODS AND SERVICES SUPPLIED OR RENDERED</b>	<b>2,235,246</b>	<b>2,069,344</b>
<b>Other suppliers</b>		
Workers compensation expenses	26,343	18,793
<b>TOTAL OTHER SUPPLIER EXPENSES</b>	<b>26,343</b>	<b>18,793</b>
<b>TOTAL SUPPLIER EXPENSES</b>	<b>2,261,588</b>	<b>2,088,137</b>

#### 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 per asset). 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 21 days (2022: 21 days).



**Notes to and forming part of the Financial Statements**  
for the period ended 30 June 2023

**Note 3: Income**

	2023 \$	2022 \$
<b>OWN-SOURCE OTHER REVENUE</b>		
<b>NOTE 3A: RESOURCES RECEIVED FREE OF CHARGE</b>		
Remuneration of auditors	92,000	92,000
<b>TOTAL RESOURCES RECEIVED FREE OF CHARGE</b>	<b>92,000</b>	<b>92,000</b>
<b>ACCOUNTING POLICY</b>		
<b>Resources received free of charge</b>		
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.		
<b>NOTE 3B: REVENUE FROM GOVERNMENT</b>		
<b>Appropriations</b>		
Departmental appropriations	7,263,000	7,488,000
<b>TOTAL REVENUE FROM GOVERNMENT</b>	<b>7,263,000</b>	<b>7,488,000</b>

**ACCOUNTING POLICY**

**Revenue 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.

## PART 4: FINANCIAL STATEMENTS

Notes to and forming part of the Financial Statements  
for the period ended 30 June 2023

### Note 4: Financial Assets

	2023 \$	2022 \$
<b>NOTE 4A: CASH AND CASH EQUIVALENTS</b>		
Cash on hand or on deposit	39,034	37,852
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>39,034</b>	<b>37,852</b>
<b>ACCOUNTING POLICY</b>		
<b>Cash and Cash Equivalents</b>		
Cash is recognised at its nominal amount. Cash and cash equivalents include:		
a. cash on hand		
b. cash held in respect to employee salary sacrifice arrangements.		
<b>NOTE 4B: TRADE AND OTHER RECEIVABLES</b>		
<b>Goods and Services receivables in connection with:</b>		
Other	24,483	31,888
<b>TOTAL GOODS AND SERVICES RECEIVABLES</b>	<b>24,483</b>	<b>31,888</b>
<b>Appropriations receivable:</b>		
Appropriation receivable	4,144,494	3,777,027
<b>TOTAL APPROPRIATIONS RECEIVABLE</b>	<b>4,144,494</b>	<b>3,777,027</b>
<b>Other receivables:</b>		
GST receivable from the Australian Taxation Office	22,777	44,457
<b>TOTAL OTHER RECEIVABLES</b>	<b>22,777</b>	<b>44,457</b>
<b>TOTAL TRADE AND OTHER RECEIVABLES</b>	<b>4,191,754</b>	<b>3,853,373</b>

#### 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.

**Notes to and forming part of the Financial Statements**  
for the period ended 30 June 2023

**Note 5: Non-Financial Assets**

	RIGHT-OF-USE ASSET \$	INTANGIBLES <sup>1</sup> \$	TOTAL \$
<b>NOTE 5: RECONCILIATION OF THE OPENING AND CLOSING BALANCE OF RIGHT-OF USE ASSETS AND INTANGIBLES</b>			
<b>As at 1 July 2022</b>			
Gross book value	2,159,065	2,391,662	4,550,727
Accumulated depreciation, amortisation and impairment	(907,843)	(1,253,622)	(2,161,465)
<b>TOTAL AS AT 1 JULY 2022</b>	<b>1,251,222</b>	<b>1,138,041</b>	<b>2,389,262</b>
Additions	-	-	-
Depreciation and amortisation	(363,138)	(488,003)	(851,141)
<b>TOTAL AS AT 30 JUNE 2023</b>	<b>888,085</b>	<b>650,039</b>	<b>1,538,122</b>
<b>Total as at 30 June 2023 represented by</b>			
Gross book value	2,159,065	2,391,662	4,550,727
Accumulated depreciation, amortisation and impairment	(1,270,980)	(1,741,625)	(3,012,606)
<b>TOTAL AS AT 30 JUNE 2023</b>	<b>888,085</b>	<b>650,039</b>	<b>1,538,121</b>

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

**Contractual commitments for the acquisition of property, plant, equipment and intangible assets**

At 30 June 2023, NHFB had no in contractual commitments for the acquisition of intangible assets to be completed in the 2023-24 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 shared services Memorandum of Understanding (MOU) with the Department of Health and Aged Care as a supplier expense.

**Asset recognition threshold**

Purchases of Property, Plant and Equipment are recognised initially at cost in the statement of financial position, except for purchases costing less than \$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.

Notes to and forming part of the Financial Statements  
for the period ended 30 June 2023

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.

Impairment

All assets were assessed for impairment at 30 June 2023. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount. The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if the entity were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

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 2023 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 2023 was Nil (2022: Nil).

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:

	2023	2022
Right-of-use Asset	Lease Term	Lease Term
Intangible Asset	3-5 years	3-5 years

**Notes to and forming part of the Financial Statements**  
for the period ended 30 June 2023

**Note 6: Payables**

	2023 \$	2022 \$
<b>NOTE 6A: SUPPLIERS</b>		
Trade creditors and accruals	238,877	349,137
<b>TOTAL SUPPLIER PAYABLES</b>	<b>238,877</b>	<b>349,137</b>
Settlement was usually made within 21 days. (2022: 21 days)		
<b>NOTE 6B: OTHER PAYABLES</b>		
Wages and salaries	86,268	62,481
Superannuation	15,203	11,168
Leave provisions payable	59,346	66,092
Salary Sacrifice payable	10,252	12,945
Separations and redundancies	-	-
<b>TOTAL OTHER PAYABLES</b>	<b>171,068</b>	<b>152,686</b>

**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.

## PART 4: FINANCIAL STATEMENTS

### Notes to and forming part of the Financial Statements for the period ended 30 June 2023

#### Note 7: Interest Bearing Liabilities

	2023 \$	2022 \$
<b>LEASES</b>		
Lease Liabilities	954,758	1,320,634
<b>TOTAL LEASES</b>	<b>954,758</b>	<b>1,320,634</b>
Total cash outflow for leases for the year ended 30 June 2023 was \$407,737 (2022: \$362,890)		
<b>Maturity analysis - contractual undiscounted cash flows</b>		
Within 1 year	390,468	376,965
Between 1 to 5 years	575,478	965,945
More than 5 years	-	-
<b>TOTAL UNDISCOUNTED LEASES</b>	<b>965,945</b>	<b>1,342,911</b>
Discount	(11,187)	(22,277)
<b>TOTAL LEASES</b>	<b>954,758</b>	<b>1,320,634</b>

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

#### ACCOUNTING POLICY

For all new contracts entered into, the NHFB considers whether the contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

Once it has been determined that a contract is, or contains a lease, the lease liability is initially measured at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease, if that rate is readily determinable, or the department's incremental borrowing rate.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification to the lease. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset or profit and loss depending on the nature of the reassessment or modification.

**Notes to and forming part of the Financial Statements**  
for the period ended 30 June 2023

## Note 8: Employee Provisions

	2023 \$	2022 \$
<b>NOTE 8A: EMPLOYEE PROVISIONS</b>		
Leave	1,183,954	1,089,049
<b>TOTAL EMPLOYEE PROVISIONS</b>	<b>1,183,954</b>	<b>1,089,049</b>

	PROVISION FOR RESTORATION <sup>1</sup> \$	TOTAL \$
<b>NOTE 8B: OTHER PROVISIONS</b>		
As at 1 July 2022	10,500	10,500
Additional provisions made	-	-
<b>TOTAL OTHER PROVISIONS</b>	<b>10,500</b>	<b>10,500</b>

- <sup>1</sup> For the Provision for Restoration, the amount of any expected reimbursement is \$10,500 and the amount of any asset that has been recognised for that expected reimbursement is \$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.

#### 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.

## PART 4: FINANCIAL STATEMENTS

Notes to and forming part of the Financial Statements  
for the period ended 30 June 2023

### Note 9: Aggregate Assets and Liabilities

	2023 \$	2022 \$
<b>ASSETS EXPECTED TO BE RECOVERED IN:</b>		
<b>No more than 12 months</b>		
Cash and cash equivalents	39,034	37,852
Trade and other receivables	4,191,754	3,853,373
Prepayments	49,725	49,058
Right of Use Asset	363,132	363,132
Intangible Assets	488,003	488,003
<b>TOTAL NO MORE THAN 12 MONTHS</b>	<b>5,131,648</b>	<b>4,791,418</b>
<b>More than 12 months</b>		
Right of Use Asset	524,953	888,090
Intangible Assets	162,035	650,038
<b>TOTAL MORE THAN 12 MONTHS</b>	<b>686,988</b>	<b>1,538,129</b>
<b>TOTAL ASSETS</b>	<b>5,818,636</b>	<b>6,329,547</b>
<b>LIABILITIES EXPECTED TO BE SETTLED IN:</b>		
<b>No more than 12 months</b>		
Suppliers	238,877	349,137
Other payables	171,068	152,686
Employee provisions	364,990	337,809
Leases	383,078	365,876
<b>TOTAL NO MORE THAN 12 MONTHS</b>	<b>1,158,013</b>	<b>1,205,508</b>
<b>More than 12 months</b>		
Employee provisions	818,964	751,240
Leases	571,680	954,758
Other provisions	10,500	10,500
<b>TOTAL MORE THAN 12 MONTHS</b>	<b>1,401,145</b>	<b>1,716,498</b>
<b>TOTAL LIABILITIES</b>	<b>2,559,158</b>	<b>2,922,006</b>



**Notes to and forming part of the Financial Statements**  
for the period ended 30 June 2023

## **Note 10: Contingent Assets and Liabilities**

### **QUANTIFIABLE CONTINGENCIES**

As at 30 June 2023, the NHFB had no quantifiable contingencies (2022: Nil).

### **UNQUANTIFIABLE CONTINGENCIES**

As at 30 June 2023, the NHFB had no unquantifiable contingencies (2022: Nil).

### **SIGNIFICANT REMOTE CONTINGENCIES**

As at 30 June 2023, the NHFB had no significant remote contingencies (2022: 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.

PART 4: FINANCIAL STATEMENTS

Notes to and forming part of the Financial Statements  
for the period ended 30 June 2023

Note 11: 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:

	2023 \$	2022 \$
<b>Total expenses recognised in relation to Key Management Personnel</b>		
Short-term employee benefits	483,645	452,006
Post-employment benefits	61,280	56,770
Other long-term employee benefits	13,667	12,436
<b>TOTAL KEY MANAGEMENT PERSONNEL REMUNERATION EXPENSES</b>	<b>558,592</b>	<b>521,212</b>

Notes:

The total number of key management personnel that are included in the above table is 2 (2022: 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 12: 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.

**Notes to and forming part of the Financial Statements**  
for the period ended 30 June 2023

**Note 13: Financial Instruments**

	2023 \$	2022 \$
<b>NOTE 13A: CATEGORIES OF FINANCIAL INSTRUMENTS</b>		
<b>FINANCIAL ASSETS</b>		
<b>At amortised cost:</b>		
<b>Loans and Receivables</b>		
Cash and Equivalents	39,034	37,852
Trade and other receivables	5,310	31,888
Receivable from the Commonwealth Department of Health and Aged Care	19,173	-
TOTAL	63,517	69,740
<b>CARRYING AMOUNT OF FINANCIAL ASSETS</b>	<b>63,517</b>	<b>69,740</b>
<b>FINANCIAL LIABILITIES</b>		
<b>At amortised cost:</b>		
Trade creditors and accruals	150,568	203,466
Payable to the Commonwealth Department of Health and Aged Care	88,309	145,672
TOTAL	238,877	349,137
<b>CARRYING AMOUNT OF FINANCIAL LIABILITIES</b>	<b>238,877</b>	<b>349,137</b>

**NOTE 13B: NET INCOME AND EXPENSE FROM FINANCIAL ASSETS**

There is no income or expense from financial assets in 2023 (2022: Nil).

**NOTE 13C: NET INCOME AND EXPENSE FROM FINANCIAL LIABILITIES**

There is no net income or expense from financial liabilities in 2023 (2022: Nil).

**NOTE 13D: FAIR VALUE OF FINANCIAL INSTRUMENTS**

The fair value of all financial assets and liabilities equals its carrying amount in 2023 and 2022.

### Notes to and forming part of the Financial Statements for the period ended 30 June 2023

#### 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.

#### Financial Assets at Amortised Cost

Financial assets included in this category need to meet two criteria:

1. the financial asset is held in order to collect the contractual cash flows; and
2. the cash flows are solely payments of principal and interest (SPPI) on the principal outstanding amount.

Amortised cost is determined using the effective interest method.

#### 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'.

Notes to and forming part of the Financial Statements  
for the period ended 30 June 2023

## NOTE 14: Appropriations

TABLE 14A: ANNUAL APPROPRIATIONS (RECOVERABLE GST EXCLUSIVE)

	2023				
	Annual appropriation <sup>1</sup> \$	Adjustment to appropriation <sup>2</sup> \$	Total appropriation \$	Appropriation applied in 2023 (current and prior years) \$	Variance <sup>3</sup> \$

### DEPARTMENTAL

Ordinary annual services	7,387,000	83,332	7,470,332	(6,985,527)	484,805
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<b>TOTAL DEPARTMENTAL</b>	<b>7,387,000</b>	<b>83,332</b>	<b>7,470,332</b>	<b>(6,985,527)</b>	<b>484,805</b>
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	2022				
	Annual appropriation \$	Adjustment to appropriation <sup>2</sup> \$	Total appropriation \$	Appropriation applied in 2022 (current and prior years) \$	Variance <sup>4</sup> \$

### DEPARTMENTAL

Ordinary annual services	7,488,000	335,494	7,823,494	(6,062,116)	1,761,378
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<b>TOTAL DEPARTMENTAL</b>	<b>7,488,000</b>	<b>335,494</b>	<b>7,823,494</b>	<b>(6,062,116)</b>	<b>1,761,378</b>
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1 The 2023 annual appropriation includes \$124,000 withheld under s51 of the PGPA Act.

2 Adjustments to appropriation includes current year annual appropriation PGPA Act section 74 receipts.

3 The 2023 variance of \$484,805 is due to an underspend on supplier and employee expenses.

4 The 2022 variance of \$1,761,378 is due to an underspend on supplier and employee expenses.

## PART 4: FINANCIAL STATEMENTS

### Notes to and forming part of the Financial Statements for the period ended 30 June 2023

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

There was no Departmental or Administered Capital Budget appropriated to the NHFB in 2023 (2022: Nil).

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

	2023 \$	2022 \$
<b>DEPARTMENTAL</b>		
Supply Act (No 1) 2022-23	4,169	-
Appropriation Act (No 1) 2021-22	-	3,777,027
Supply Act (No.3) 2022-23 <sup>1</sup>	4,264,325	-
Cash at bank	39,034	37,852
<b>TOTAL</b>	<b>4,307,529</b>	<b>3,814,879</b>

<sup>1</sup> The Supply Act (No.3) 2022- 23 includes \$124,000 withheld under s51 of the PGPA Act.

#### TABLE 14D: NET CASH APPROPRIATION ARRANGEMENTS

	2023 \$	2022 \$
Total comprehensive income/(loss) - as per the Statement of Comprehensive Income	(148,062)	978,298
Plus: depreciation of right-of-use assets <sup>1</sup>	363,138	363,138
Less: lease principal repayments <sup>1</sup>	(407,737)	(362,890)
<b>NET CASH OPERATING SURPLUS/ (DEFICIT)</b>	<b>(192,661)</b>	<b>978,546</b>

<sup>1</sup> 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.

Notes to and forming part of the Financial Statements  
for the period ended 30 June 2023

**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 Health and Aged Cares' October 2022-23 Portfolio Budget Statements (PBS) and the 2022-23 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:**

There were no major variances in 2022-23.

**THE STATEMENT OF FINANCIAL POSITION HAS THE FOLLOWING VARIANCES:**

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Suppliers	The variance in suppliers is due to proactive monthly management of supplier invoicing.
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The above explanations also explain the major variances in the Cash Flow Statement and Statement of Changes in Equity.

End of General Purpose Financial Statements.







## PART 5:

# REFERENCE INFORMATION

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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Glossary . . . . .	137
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# ABBREVIATIONS AND ACRONYMS

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

# GLOSSARY

<b>Activity Based Funding</b>	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.
<b>(the) Administrator</b>	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. 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 National Health Reform Agreement (NHR Agreement).
<b>Block funding</b>	A method of funding public hospital functions and services as a fixed amount based on population and previous funding. 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.
<b>Council of Australian Governments (COAG)</b>	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.
<b>Local Hospital Networks (LHNs)</b>	Recipients of the payments from the National Health Funding Pool, Commonwealth Block funding and State (and Territory) Managed Funds.
<b>Medicare Benefits Schedule (MBS)</b>	A listing of the Medicare services subsidised by the Australian Government.
<b>National Funding Cap</b>	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.
<b>National Health Funding Body (NHFB)</b>	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.
<b>National Health Funding Pool (the Pool)</b>	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.
<b>National Health Funding Pool Payments System (the Payments System)</b>	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.
<b>PGPA Act</b>	<i>The 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.
<b>State Managed Fund (SMF)</b>	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.
<b>State Pool Account (SPA)</b>	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	vii
17AD(h) AIDS TO ACCESS			
17AJ(a)	Table of contents.	Mandatory	ix
17AJ(b)	Alphabetical index.	Mandatory	143
17AJ(c)	Glossary of abbreviations and acronyms.	Mandatory	136
17AJ(d)	List of requirements.	Mandatory	138-143
17AJ(e)	Details of contact officer.	Mandatory	iv
17AJ(f)	Entity's website address.	Mandatory	iv
17AJ(g)	Electronic address of report.	Mandatory	iv
17AD(a) REVIEW BY ACCOUNTABLE AUTHORITY			
17AD(a)	A review by the accountable authority of the entity.	Mandatory	4-6
17AD(b) OVERVIEW OF THE ENTITY			
17AE(1)(a)(i)	A description of the role and functions of the entity.	Mandatory	8-9
17AE(1)(a)(ii)	A description of the organisational structure of the entity.	Mandatory	12
17AE(1)(a)(iii)	A description of the outcomes and programmes administered by the entity.	Mandatory	35
17AE(1)(a)(iv)	A description of the purposes of the entity as included in corporate plan.	Mandatory	35
17AE(1)(aa)(i)	Name of the accountable authority or each member of the accountable authority	Mandatory	34
17AE(1)(aa)(ii)	Position title of the accountable authority or each member of the accountable authority	Mandatory	34
17AE(1)(aa)(iii)	Period as the accountable authority or member of the accountable authority within the reporting period	Mandatory	77
17AE(1)(b)	An outline of the structure of the portfolio of the entity.	Portfolio departments - Mandatory	12-15
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

PGPA Rule Reference	DESCRIPTION	REQUIREMENT	LOCATION
<b>17AD(c) REPORT ON THE PERFORMANCE OF THE ENTITY</b>			
<b>Annual performance Statements</b>			
17AD(c)(i); 16F	Annual performance statement in accordance with paragraph 39(1)(b) of the Act and section 16F of the Rule.	Mandatory	34-65
<b>17AD(c)(II) REPORT ON FINANCIAL PERFORMANCE</b>			
17AF(1)(a)	A discussion and analysis of the entity's financial performance.	Mandatory	30-31
17AF(1)(b)	A table summarising the total resources and total payments of the entity.	Mandatory	106-107
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
<b>17AD(d) MANAGEMENT AND ACCOUNTABILITY</b>			
<b>Corporate Governance</b>			
17AG(2)(a)	Information on compliance with section 10 (fraud systems)	Mandatory	99
17AG(2)(b)(i)	A certification by accountable authority that fraud risk assessments and fraud control plans have been prepared.	Mandatory	99
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	99
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	99
17AG(2)(c)	An outline of structures and processes in place for the entity to implement principles and objectives of corporate governance.	Mandatory	90-97
17AG(2)(d) – (e)	A statement of significant issues reported to Minister under paragraph 19(1)(e) of the Act that relates to non-compliance with Finance law and action taken to remedy non-compliance.	If applicable, Mandatory	N/A
<b>Audit Committee</b>			
17AG(2A)(a)	A direct electronic address of the charter determining the functions of the entity's audit committee.	Mandatory	95
17AG(2A)(b)	The name of each member of the entity's audit committee.	Mandatory	96-97
17AG(2A)(c)	The qualifications, knowledge, skills or experience of each member of the entity's audit committee.	Mandatory	96-97
17AG(2A)(d)	Information about the attendance of each member of the entity's audit committee at committee meetings.	Mandatory	97
17AG(2A)(e)	The remuneration of each member of the entity's audit committee.	Mandatory	97
<b>External Scrutiny</b>			
17AG(3)	Information on the most significant developments in external scrutiny and the entity's response to the scrutiny.	Mandatory	98

## PART 5: REFERENCE INFORMATION

PGPA Rule Reference	DESCRIPTION	REQUIREMENT	LOCATION
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	98
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	98
17AG(3)(c)	Information on any capability reviews on the entity that were released during the period.	If applicable, Mandatory	98
<b>Management of Human Resources</b>			
17AG(4)(a)	An assessment of the entity's effectiveness in managing and developing employees to achieve entity objectives.	Mandatory	68
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"> <li>▪ statistics on full-time employees;</li> <li>▪ statistics on part-time employees;</li> <li>▪ statistics on gender; and</li> <li>▪ statistics on staff location.</li> </ul>	Mandatory	74-79
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"> <li>▪ Statistics on staffing classification level;</li> <li>▪ Statistics on full-time employees;</li> <li>▪ Statistics on part-time employees;</li> <li>▪ Statistics on gender;</li> <li>▪ Statistics on staff location; and</li> <li>▪ Statistics on employees who identify as Indigenous.</li> </ul>	Mandatory	74-79
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	78-79
17AG(4)(c)(i)	Information on the number of SES and non SES employees covered by agreements etc identified in paragraph 17AG(4)(c).	Mandatory	78-79
17AG(4)(c)(ii)	The salary ranges available for APS employees by classification level.	Mandatory	79
17AG(4)(c)(iii)	A description of non-salary benefits provided to employees.	Mandatory	79
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
<b>Assets Management</b>			
17AG(5)	An assessment of effectiveness of assets management where asset management is a significant part of the entity's activities	If applicable, Mandatory	102

PGPA Rule Reference	DESCRIPTION	REQUIREMENT	LOCATION
<b>Purchasing</b>			
17AG(6)	An assessment of entity performance against the <i>Commonwealth Procurement Rules</i> .	Mandatory	100
<b>Reportable consultancy contracts</b>			
17AG(7)(a)	A summary statement detailing the number of new reportable consultancy contracts entered into during the period; the total actual expenditure on all such contracts (inclusive of GST); the number of ongoing reportable consultancy contracts that were entered into during a previous reporting period; and the total actual expenditure in the reporting period on those ongoing contracts (inclusive of GST).	Mandatory	100
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	100
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	100
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	100
<b>Reportable non-consultancy contracts</b>			
17AG(7A)(a)	A summary statement detailing the number of new reportable non-consultancy contracts entered into during the period; the total actual expenditure on such contracts (inclusive of GST); the number of ongoing reportable non-consultancy contracts that were entered into during a previous reporting period; and the total actual expenditure in the reporting period on those ongoing contracts (inclusive of GST).	Mandatory	100
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	100
<b>17AD(daa) ADDITIONAL INFORMATION ABOUT ORGANISATIONS RECEIVING AMOUNTS UNDER REPORTABLE CONSULTANCY CONTRACTS OR REPORTABLE NON-CONSULTANCY CONTRACTS</b>			
17AGA	Additional information, in accordance with section 17AGA, about organisations receiving amounts under reportable consultancy contracts or reportable non-consultancy contracts.	Mandatory	100
<b>Australian National Audit Office Access Clauses</b>			
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 Auditor General 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	101

## PART 5: REFERENCE INFORMATION

PGPA Rule Reference	DESCRIPTION	REQUIREMENT	LOCATION
<b>Exempt contracts</b>			
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	101
<b>Small business</b>			
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	102
17AG(10)(b)	An outline of the ways in which the procurement practices of the entity support small and medium enterprises.	Mandatory	102
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
<b>Financial Statements</b>			
17AD(e)	Inclusion of the annual financial statements in accordance with subsection 43(4) of the Act.	Mandatory	106-133
<b>Executive Remuneration</b>			
17AD(da)	Information about executive remuneration in accordance with Subdivision C of Division 3A of Part 2-3 of the Rule.	Mandatory	78
<b>17AD(f) OTHER MANDATORY INFORMATION</b>			
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	102
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	102
17AH(1)(c)	Outline of mechanisms of disability reporting, including reference to website for further information.	Mandatory	76
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	98
17AH(1)(e)	Correction of material errors in previous annual report	If applicable, Mandatory	N/A
17AH(2)	Information required by other legislation	Mandatory	76-89



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