



\$46 billion
Payments
to Australian
public hospitals

Our Vision

To improve transparency
of public hospital funding
in Australia

Our Purpose

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

Our Objectives



Accurate and
timely calculation
of Commonwealth
funding contributions



Effective reporting of
public hospital funding



Productive and
effective partnerships
with stakeholders



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



Operate as a
compliant agency

The vision, purpose, objectives, values and behaviours described align with the NHFB Corporate Plan and Strategic Direction for 2018–19 (covering the period to 2021–22). Copies are available from: nhfb.gov.au/publications.

Our Values

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

Impartial

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

Committed

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

Accountable

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

Respectful

We respect all people, including their rights and heritage.

Ethical

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

Our Behaviours

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

One NHFB

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

Enhance Trust

We treat others as equals and collaborate openly across boundaries.

Open Communication

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

Own It

Everyone has ownership of their performance by knowing, accepting and performing their role to the best of their ability. Behave our way to new thinking — 'It starts with me'.

This Annual Report details the activities of the National Health Funding Body (NHFB) from 1 July 2017 to 30 June 2018.

The NHFB CEO is required to prepare and present this report to the Commonwealth Parliament, pursuant to section 70 of the *Public Service Act 1999* and section 267 of the *National Health Reform Act 2011* (the NHR Act), and provide a copy of this report to each State and Territory Health Minister under section 267(2) of the NHR Act.

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

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This Annual Report should be read in conjunction with the **Administrator National Health Funding Pool Annual Report 2017-18**.

Note on cover: The \$46 billion in payments to Australian public hospitals represent the amounts paid to local hospital networks from the State Pool Accounts and State Managed Funds, for weighted public hospital services. Further detail can be found on page 5.

Further information

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An accessible copy of this Annual Report is available online at nhfb.gov.au/publications

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Our Organisation

Who We Are

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

The Administrator is independent of the Commonwealth, State and Territory governments. The functions of the Administrator are set out in the *National Health Reform Act 2011* (NHR Act) and common provisions in relevant State and Territory legislation.

We are a Commonwealth non-corporate entity under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). We were established to support the obligations and responsibilities of the Administrator.

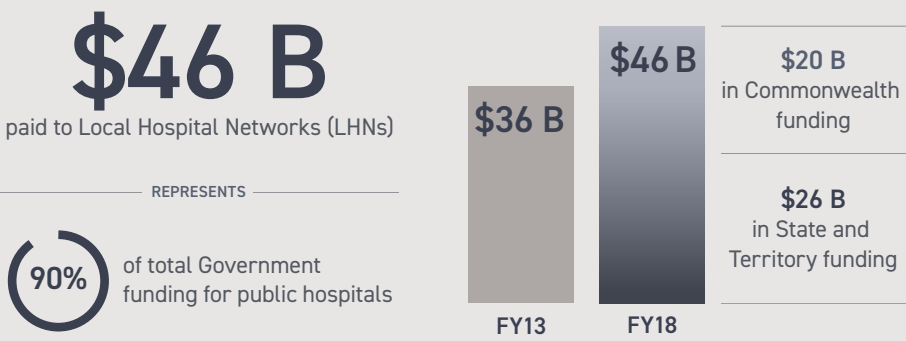
What We Do

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

- + calculating the Commonwealth's contribution to public hospital funding in each State and Territory and advising the Commonwealth Treasurer
- + reconciling estimated and actual hospital services, and adjusting Commonwealth payments
- + undertaking funding integrity analysis to identify public hospital services that potentially received funding through other Commonwealth programs
- + monitoring payments of Commonwealth, State and Territory public hospital funding into the National Health Funding Pool (the Pool), including each State (and Territory) Pool Account
- + making payments from each State (and Territory) Pool Account to each Local Hospital Network (LHN)
- + reporting publicly on NHR Agreement funding, payments and services
- + developing and providing rolling three-year data plans to the Commonwealth, States and Territories

Financial Year 2017–18 Highlights

Public Hospital Funding



Activity-Based Funding



Delivered



Supporting



Our Environment

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

Figure one provides an overview of recent health care agreements in Australia.

National Healthcare Specific Purpose Payment Pre-2012

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

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

Figure 1: Overview of Health Care Agreements



National Health Reform Agreement 2012–13 to 2016–17

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

The most significant change moved the Commonwealth from block funding public hospitals to an 'activity-based' funding (ABF) 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.

The Addendum 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.

The Addendum preserves important parts of the existing hospital system, including ABF, the National Efficient Price (NEP), and the role of the Independent Hospital Pricing Authority (IHPA) and the Administrator. It also focuses on reducing unnecessary hospitalisations and improving patient safety and service quality.

Future Agreement 2020–21 to 2024–25

In February 2018, COAG drafted a new five-year Heads of Agreement (HoA) on public hospital funding and health reform, for commencement on 1 July 2020.

The HoA maintains a commitment to ABF and extends reforms under the Addendum to focus on improved safety and quality, health innovation and coordinated care to reduce avoidable hospital admissions.

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

Public Hospital Funding

Under the NHR Agreement reforms to improve the transparency of public hospital funding, the Commonwealth, State and Territory governments are jointly responsible for funding public hospital services through the Pool. This is done through activity-based or block funding.

Figure two highlights the source, types and amount of funding that flows through as payments to LHNs.

The Pool

Established on 1 July 2012 through enabling legislation in each jurisdiction, the single Pool is comprised of a Reserve Bank of Australia (RBA) account for each State and Territory. The Pool receives all (ABF and block) Commonwealth and (ABF only) State and Territory public hospital funding. Each State and Territory has also established a separate State Managed Fund to manage block funding.

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

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

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

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

Activity-Based Funding

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

The method uses national classifications, price weights and Commonwealth, State and Territory prices to determine the amount of funding for each activity or service.

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

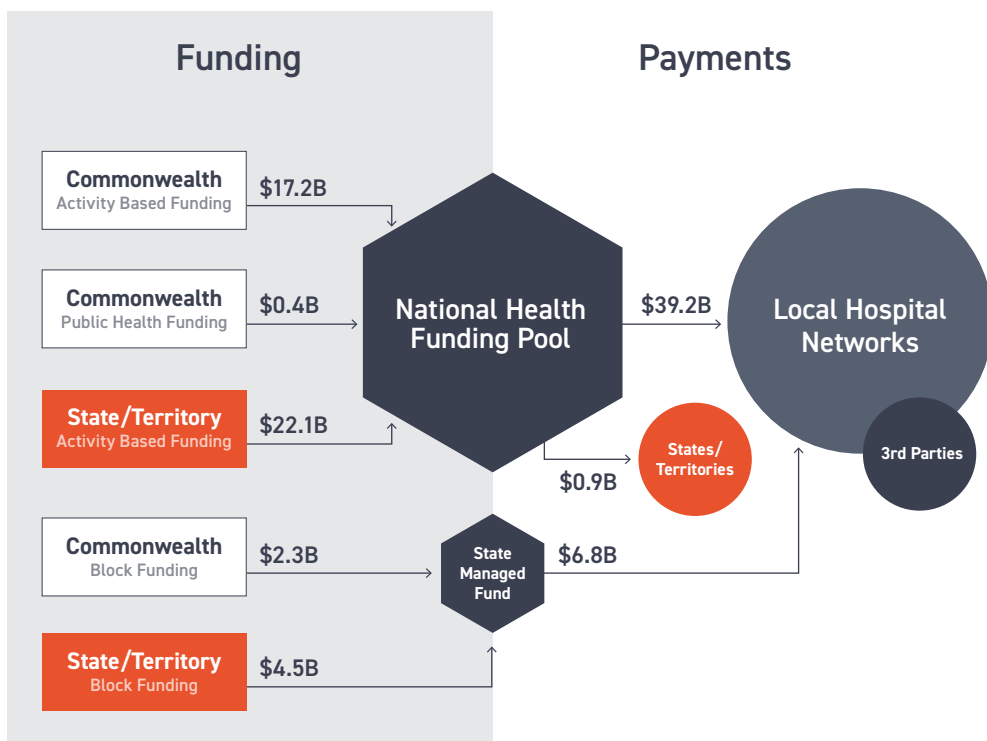
The Commonwealth's ABF contribution to LHNs is also based on an efficient price per service known as the NEP. The NEP is the price paid per NWAU and is independently determined by the IHPA.

Block Funding

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

Further details of the NHR funding types and payment flows (including Public Health, cross-border, interest and over-deposit funding) can be found in the 'Overview' section of the Administrator of the National Health Funding Pool Annual Report 2017–18.¹

Figure 2: 2017–18 Public Hospital Funding Payment Flows



¹ Available from: publichospitalfunding.gov.au/publications/annual-reports

Our Stakeholders

Engaging with our stakeholders and partners ensures predictable and transparent funding for public hospital services.

The Administrator’s quarterly Jurisdictional Advisory Committee (JAC) is a key channel for our engagement. We also participate in national committees chaired by other expert health bodies, including the Australian Commission on Safety and Quality in Health Care (ACSQHC). We are a member of committees such as the IHPA’s JAC and Technical Advisory Committee, and increasingly participate in Australian Institute for Health and Welfare (AIHW) committees.

Early and impartial engagement with all relevant stakeholders, especially States, Territories and the Commonwealth, allows time to discuss and resolve issues in a collaborative manner.

We will continue to proactively engage with our stakeholders and partners, to help all parties understand the basis of funding calculations and outcomes, and build trust in our functions.

Legislation

The functions of the Administrator and the NHFB were established under the NHR Act.

In line with the NHR Agreement, this legislation is supported by common statute provisions in each State and Territory. These provisions create the Administrator’s role and sets out its functions. The list of State and Territory legislation can be found below in **Table 1**.

Table 1: State and Territory legislation supporting the NHR Act

Jurisdiction	Legislation
New South Wales	Health Services Act 1997
Victoria	Health (Commonwealth State Funding Arrangements) Act 2012
Queensland	Hospital and Health Boards Act 2011
Western Australia	National Health Funding Pool Act 2012
South Australia	National Health Funding Pool Administration (South Australia) Act 2012
Tasmania	National Health Funding Administration Act 2012
Northern Territory	National Health Funding Pool and Administration (National Uniform Legislation) Act 2012
Australian Capital Territory	Health (National Health Funding Pool and Administration) Act 2013

Highlights and What's Ahead

2017	JUNE 2017	Addendum to the NHR Agreement signed by all jurisdictions, to commence on 1 July 2017
	JULY 2017	The funding cap and pricing for sentinel events implemented
	OCTOBER 2017	NHFB and the Administrator's National Health Funding Pool 2016–17 Annual Reports published
2018	FEBRUARY 2018	HoA between the Commonwealth and the States and Territories on public hospital funding and health reform agreed by NSW and WA
	APRIL 2018	Appointment of the new CEO Treasurer makes final determination for 2015–16 funding entitlements
	JUNE 2018	Payment of 2015–16 annual reconciliation and 2016–17 6-month reconciliation to States and Territories
	JULY 2018	Appointment of the new Administrator
	FROM JULY 2018	Implementation of Safety and Quality Adjustments for Hospital Acquired Complications (HACs)
	BY NOVEMBER 2018	New Public Hospital Funding Website
2019	BY DECEMBER 2018	COAG to agree to a longer-term public hospital funding agreement
	BY JULY 2019	New Administrator's Payment System
	JULY 2020	Public hospital funding agreement to commence 1 July 2020

Summary of Performance for 2017–18

All performance measures required to meet the legislative requirements and obligations of the Administrator and Commonwealth, States and Territories were achieved in 2017–18.



Achieves Best Practice and Accountability

1.1	Timely production of key policy documents	Substantially Met
1.1	Policies and advice to implement the Addendum	Met
1.2	Independent review of the Payment System controls	Met
1.2	Data integrity and assurance processes	Met
1.3	Audit of Payment System	Met
1.4	Changes made to calculations for Addendum	Met

95%
MET



Provide Increased Transparency and Effective Reporting

2.1	Administrator's Annual Report tabled	Met
2.2	Unmodified State Pool Account financial statements	Met
2.3	Monthly reporting of funding and payments	Substantially Met
2.4	Data compliance reports released	Substantially Met
2.5	Payment system upgraded for payments by January 2019	Partially Met

90%
MET



Produce Accurate Commonwealth Contribution Calculations

3.1	Commonwealth Contribution Models (CCM) accepted	Met
3.2	Funding integrity analysis completed	Partially Met
3.3	Reconciliation outcomes endorsed by the Administrator	Substantially Met
3.4	SAS-based Commonwealth Contribution model	Substantially Met

85%
MET



Operate as a Fully Functional and Compliant Agency and Develop Productive and Effective Partnerships

4.1	Corporate policies and procedures in place	Met
4.1	All compliance reporting requirements met	Met
4.1	Unmodified NHFB Annual Report	Met
4.2	Effective stakeholder partnerships	Met
4.3	Stakeholder Engagement Plan in place	Substantially Met

95%
MET



Message from the CEO

I am pleased to present this year's Annual Report for the National Health Funding Body.

Outstanding achievements

2017–18 was a record year for the amount of funding paid to LHNs through the Pool, with over \$46 billion paid to deliver 36 million public hospital services.

In supporting the obligations and responsibilities of the Administrator to achieve this record result, we processed in excess of 4,000 banking transactions and prepared approximately 1,800 financial reports.

We also made significant progress on our commitment to strengthen the Commonwealth Contribution Model (CCM), enhance our funding integrity capabilities, and modernise our payments system to provide confidence in the funding system and in our capabilities.

We have made tremendous efforts to fulfill our purpose for 2017–18, despite the Administrator's position being vacant for the last quarter of the financial year.

Recognising my predecessors

I would like to take this opportunity to thank the previous Administrator, Mr Peter Achterstraat AM, for his oversight of government funding for public hospitals. I would also like to acknowledge the work of my predecessors, Mr Lynton Norris and Ms Svetlana Angelkoska, for laying the foundations for transparent public hospital funding arrangements.

We also warmly welcome the new Administrator, Mr Michael Lambert. With the support and professionalism of our team, I look forward to working with Michael to continue to build a close and collaborative relationship with our stakeholders and partners.

Working collaboratively

Since commencing with the NHFB in April 2018, I have discussed the challenges facing public hospital funding with our stakeholders and partners.

I look forward to building on our relationships with health officials of all jurisdictions, and creating a strong network to facilitate accurate and transparent funding from Commonwealth, State and Territory governments to public hospitals.

Future challenges and opportunities

I have worked with my colleagues to develop and release a new Corporate Plan, Strategic Direction and Risk Tolerance statement for 2018–19. These documents set our direction for the next four years to 2021–22 and outline the approach we will take to fulfill our purpose.

Together with my small, professional and responsive team, we are committed to delivering on our purpose and improving the transparency of public hospital funding in Australia.



Mr Shannon White
Chief Executive Officer

4 October 2018

2017–18 was a record year for the amount of funding paid to LHNs through the Pool, with over \$46 billion paid to deliver 36 million public hospital services.

Letter of Transmittal



**National Health
Funding Body**

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4 October 2018

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

Dear Minister,

National Health Funding Body Annual Report 2017–18

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 2018, for presentation to Parliament.

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

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

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

Yours sincerely,

Shannon White
Chief Executive Officer
National Health Funding Body

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





Our Performance

Annual Performance Statement

Statement of Preparation

I, as the accountable authority of the NHFB, present the 2017–18 annual performance statement, as required under paragraph 39(1)(a) of the PGPA Act.

In my opinion, this annual performance statement is based on properly maintained records, accurately reflects

the performance of the entity and complies with subsection 39(2) of the PGPA Act.



Mr Shannon White
Chief Executive Officer
National Health Funding Body

4 October 2018

The following reflects our vision and purpose outlined in the 2017–18 Corporate Plan and 2017–18 Portfolio Budget Statements (PBS).

Our Vision

Improved health outcomes for all Australians, sustainability of a nationally unified and locally controlled Australian health system, and increased transparency in public hospital funding.

Our Purpose¹

To support the obligations and responsibilities of the Administrator of the National Health Funding Pool by providing transparent and efficient administration of the Commonwealth, State and Territory funding of the Public Hospital System.

¹ Also referred to as 'Mission' in the 2017–18 Corporate Plan.

Agency Outcome

We consider our objectives to have been substantially met to a level that achieves our purpose for the 2017–18 reporting period.

We have fully meet 12 of our 20 performance criteria outlined in the 2017–18 Corporate Plan and PBS. The remaining eight rated as substantially or partially met during the reporting period.

Of the six substantially met, four were unable to completely meet the performance criteria due to the Administrator position being vacant for the last quarter of the reporting period.² Had an Administrator been in place, these criteria would have otherwise been fully met. These activities have already been, or will be addressed in 2018–19 by the new Administrator.

Significant progress was achieved on the remaining four criteria rated as partially met. These activities have been prioritised for 2018–19 and are now complete.

Reporting approach

Our performance is measured against our purpose through a range of criteria outlined in the 2017–18 Corporate Plan and 2017–18 PBS. These criteria include deliverables and performance measures that assess the value our activities create for stakeholders and partners.

There are four key objectives in the performance framework that must have been met to fulfil our purpose. **Figure three** provides an overview of our purpose in 2017–18, our PBS indicators, and our objectives from the 2017–18 Corporate Plan.

The following section reports on the four objectives set out in the Corporate Plan. It provides a performance summary for 2017–18 including challenges faced, and activities for improved performance in 2018–19.

Detailed analysis is also provided for each individual criterion to demonstrate how performance was met against each objective.

Results Key

NOT MET	PARTIALLY MET	SUBSTANTIALLY MET	MET
0%	0–50%	50–75%	75–100%

² The position of Administrator requires approval of all jurisdictions and the Commonwealth before being appointed.

Performance in 2017–18

Figure 3: Relationship between 2017–18 Portfolio Budget Statements, the 2017–18 Corporate Plan and the 2017–18 Performance Statement



Objective One: Achieves Best Practice and Accountability



To achieve best practice and accountability through assisting the Administrator in implementing and overseeing nationally consistent public hospital funding arrangements through the Funding Pool.

Analysis of performance: 2017–18

We continue to achieve our purpose through best practice and accountability in our role assisting the Administrator to fulfil their duties.

We implemented efficient and robust processes to ensure all payments through the Pool were accurate and made in accordance with directions from the responsible State or Territory minister.

We provided leadership and expert policy advice to the Administrator and governments on NHR funding and developed policies, procedures and frameworks to ensure our actions were compliant. We also ensured all necessary changes were implemented in line with the Addendum.

Challenges

Achieving best practice has been impacted by certain key policy documents not being updated during the reporting period.

The *Three-Year Data Plan* could only be approved for release after the Administrator's appointment on 17 July 2018. The revised *Data Privacy, Secrecy and Security Policy* has yet to be published.

The year ahead

We have refined this objective as part of the 2018–19 Corporate Plan to ensure we fulfill our purpose. Our revised objective is to achieve '*best practice financial administration of the Pool*'. We will meet the revised objective by achieving the following three outcomes:

- + The integrity of the Administrator's Payments System is maintained in accordance with policies and procedures.
- + Payments to each LHN accord with directions from responsible State and Territory ministers.
- + Each jurisdiction's financial statements have unmodified audit opinions.

The following two initiatives will help enhance our capabilities to empower our people, processes and technology:

- + Our business rules, policy documents, frameworks and procedures will be updated to ensure effective implementation of necessary changes to take account of the Addendum.
- + Enhancements will be made to the Payments System to create a more integrated financial system with improved efficiency and effectiveness of processes between our systems, the RBA and jurisdictions.

Corporate Plan performance measure 1.1

Develop and publish documents that will provide expert NHR Agreement policy advice to the Administrator and stakeholders.

2017–18 Target	Result	Analysis
<p>Timely production of key policy documents to a satisfactory standard to enable acceptance by the Administrator and all jurisdictions.</p> <p><i>Corporate Plan pg. 19</i> <i>PBS pg. 371</i></p>	Substantially met	<p>The following policy documents were published in 2017–18:</p> <ul style="list-style-type: none"> + <i>Calculation of Commonwealth National Health Reform Funding 2017–2020</i> + <i>2016–17 Reconciliation Framework</i> + <i>Data Compliance</i>. <p>Key policy documents, including the <i>Data Privacy, Secrecy and Security Policy</i> and the <i>Three-Year Data Plan</i>, could not be approved for release in 2017–18 due to the Administrator's position being vacant in the last quarter of the reporting period. The <i>Three-Year Data Plan</i> has subsequently been approved and made available, following the Administrator's appointment on 17 July 2018.</p>
<p>Develop and release policies to provide expert advice on the implementation of the Addendum.³</p> <p><i>Corporate Plan pg. 19</i> <i>PBS pg. 371</i></p>	Met	<p>Expert advice on the implementation of the Addendum was published in March 2018 in the policy document titled <i>The Calculation of Commonwealth National Health Reform Funding 2017–2020</i>.</p>

³ The Addendum to the NHR Agreement was agreed to by all jurisdictions in June 2017 and amended the funding arrangements to include: a 6.5 per cent cap on annual Commonwealth funding growth; funding adjustments for safety and quality outcomes for patients; a data-conditional payment to incentivise prompt reporting of activity data accompanied with a statement that the data is complete and accurate.

Corporate Plan performance measure 1.2

Develop and implement efficient and robust processes to oversee NHR Agreement funding and payments through the Funding Pool.

2017-18 Target	Result	Analysis
<p>The independent third-party review of the Payments System Internal Control Framework does not identify any material weaknesses and is satisfactory to all Auditors-General.</p> <p><i>Corporate Plan pg. 19</i> <i>PBS pg. 372</i></p>	Met	No material weaknesses were identified by the external assurance review and each State and Territory Auditor-General were satisfied with the results.
<p>Data integrity and assurance processes are enhanced through engagement with jurisdictions, in line with the Addendum.</p> <p><i>Corporate Plan pg. 19</i> <i>PBS pg. 372</i></p>	Met	In line with the Addendum, a Statement of Assurance was provided by each State and Territory for their submission of public hospital data.

Corporate Plan performance measure 1.3

National Health Funding Pool operations and payments are in accordance with directions from the responsible State or Territory minister.

2017-18 Target	Result	Analysis
<p>Internal and external audits of the Payments System find the system to be robust.</p> <p><i>Corporate Plan pg. 20</i> <i>PBS pg. 372</i></p>	Met	External and internal assurance reviews found the system robust, with all payments made in accordance with State and Territory instructions and the Payments System Procedure Manuals.

Corporate Plan performance measure 1.4

Implement the requirements of the Addendum.

2017-18 Target	Result	Analysis
<p>Requirements of the Addendum are incorporated through enhanced data integrity and assurance processes, developing or amending policy and procedures, and providing advice on best practice in collaboration with jurisdictions.</p> <p><i>Corporate Plan pg. 20</i></p>	Met	Required changes for 2017-18 calculations as a result of the Addendum have been incorporated into the funding system.

Objective Two: Provide Increased Transparency and Effective Reporting



To provide increased transparency and effective reporting of the funding to Local Hospital Networks for services delivered.

Analysis of performance: 2017-18

We continue to work towards our purpose by increasing the transparency and effectiveness of the funding reporting to LHNs for services delivered.

The publication of monthly reports at the National, State and Territory and LHN levels contribute to key national health reform objectives. These include improving transparency and accountability, and informing the sustainability of public hospital funding. These reports detail the funding into and out of the State Pool Accounts and State Managed Funds and allow for comparison over financial years.

The information in these reports was collated for the financial year in the Financial Statements within the Administrator's Special Purpose Annual Report. As required by the NHR Act, the 2016-17 Annual Report was provided to all health ministers before 31 October 2017 and tabled by the responsible minister in their respective legislature.

Challenges

Our efforts to improve the transparency and effectiveness of reporting were delayed due to the vacant Administrator's position in the last quarter of the reporting period. Without an Administrator in place, the reports for February to June, and the March quarter Data Compliance report could not be approved for release within the reporting period.

We were also delayed in our efforts to improve the effectiveness of reporting as a result of the Payments System modernisation project. The delivery date for this project has been postponed until further investigations and consultations are completed to confirm stakeholder user requirements.

The year ahead

Our vision in the 2018-19 Corporate Plan is to '*improve transparency of public hospital funding in Australia*'. To complement this vision we have refined this objective to '*effective reporting of public hospital funding*'.

We will meet the revised objective by achieving the following three outcomes:

- + Monthly and annual reporting of the payments made into and from each State Pool Account and State Managed Fund.
- + Monthly and annual reporting of public hospital services.
- + All relevant ministers receive required information in a timely manner.

We will also continue to improve the transparency of hospital funding and activity by enhancing our reporting capabilities throughout the year and increase public access to information via a more informative website design.

Corporate Plan performance measure 2.1

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

2017-18 Target	Result	Analysis
<p>Release a single annual report and accompanying financial statements on the operations of the National Health Funding Pool and table in the Commonwealth, State and Territory Parliaments. The annual report will include a combined financial statement for the National Health Funding Pool and financial statements for each State (and Territory) Pool Account audited by the respective Auditor-General.</p> <p><i>Corporate Plan pg. 21</i> <i>PBS pg. 372</i></p>	Met	<p>The Administrator's <i>Annual Report 2016-17</i> was tabled in the Commonwealth Parliament and provided to all jurisdictions for tabling in respective Parliaments and Legislative Assemblies.</p>

Corporate Plan performance measure 2.2

Financial statements were prepared for each State Pool Account and received an unmodified audit report by the relevant Auditor-General.

2017-18 Target	Result	Analysis
<p>100 per cent of Financial Statements for each State Pool Account receiving an unmodified audit report by the relevant Auditor-General.</p> <p><i>Corporate Plan pg. 21</i></p>	Met	<p>All State Pool Account Financial Statements received an unmodified opinion from each Auditor-General.</p>

Corporate Plan performance measure 2.3

Monthly reports of the funding and payments through the Funding Pool and State Managed Funds are produced and published to support the transparency of public hospital funding.

2017–18 Target	Result	Analysis
100 per cent of monthly reports of the funding and payments through the Funding Pool and State Managed Funds prepared, distributed and published. <i>Corporate Plan pg. 21</i>	Substantially Met	Due to the absence of an Administrator in the final quarter of the period, the monthly reports for February to June 2018 were unable to be published until 2018–19.

Corporate Plan performance measure 2.4

Quarterly Data Compliance Reports detailing Commonwealth, State and Territory compliance with the data requirements.

2017–18 Target	Result	Analysis
100 per cent of Data Compliance reports prepared, distributed and publicly released in the timeframes specified in the Administrator's Data Compliance Policy. <i>Corporate Plan pg. 22</i>	Substantially Met	All quarterly Compliance Reports were released on time, except for the March quarter that was unable to be published until 2018–19 due to the Administrator's role being vacant.

Corporate Plan performance measure 2.5

Modernise the Payments System to create an integrated financial system that incorporates a General Ledger capability, an automated reporting function, and the ability for a direct upload to the Reserve Bank.

2017–18 Target	Result	Analysis
Upgraded Payment System ready for implementation by 1 July 2018 and processing payments by 1 January 2019. <i>Corporate Plan pg. 22</i>	Partially Met	Although significant progress has been made to upgrade the Payment System, further consultations to ensure the requirements of the system design are complete and meet the needs of stakeholders has resulted in delays.

Objective Three: Produce Accurate Commonwealth Contribution Calculations



To produce accurate Commonwealth contribution calculations by using nationally consistent pricing and costing standards.

Analysis of performance: 2017–18

We continue to work towards our purpose by improving the accuracy of Commonwealth NHR contribution calculations to support the Administrator.

In 2017–18, we maintained robust processes for the calculation of Commonwealth contributions. This included testing and enhancing the CCM to enable the Administrator to advise the Commonwealth Treasurer on public hospital funding requirements.

In line with our Integrity Framework, calculations have been internally reviewed to give all jurisdictions confidence in the Administrator's calculations. We also continue to explore new systems, procedures and controls that can improve the accuracy of the funding model calculations.

Challenges

Our efforts to improve the accuracy of calculations were impacted by the Administrator's position being vacant in the last quarter of the reporting period. Although additional information was sought by the previous Administrator, it was unable to be provided before he completed his term. Therefore, advice on the final reconciliation for 2015–16 could not be provided to the Commonwealth Treasurer, impacting the 2016–17 annual and 2017–18 mid-year reconciliations. Completion of these activities is expected in 2018–19, as a matter for the new Administrator.

Funding integrity processes commenced during the reporting period. Further investigations and consultations with jurisdictions are necessary to enhance data quality and business rules for reliable data matching purposes. External quality assurance of the SAS-based CCM has resulted in minor transition delays to the improved calculation model.

The year ahead

To better support the obligations and responsibilities of the Administrator, we have refined our objective to *'accurate and timely calculation of Commonwealth funding contributions'* as part of the 2018-19 Corporate Plan. The revised objective will be met by achieving the following four outcomes:

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

We will meet the revised objectives by improving our capabilities through the following initiatives:

- + Completion of structural changes to the current CCM to provide a more robust platform for the calculation of funding entitlements.
- + Completion of improvements to our data capabilities to focus on greater transparency, integrity and assurance of payments for public hospital services.

Corporate Plan performance measure 3.1:

The Commonwealth funding contribution is accurately calculated and is accepted by the Administrator and informs the basis of advice to the Commonwealth Treasurer.

2017-18 Target	Result	Analysis
<p>Current and future year CCMs are developed and accepted by the Administrator to calculate the Commonwealth NHR funding for each State and Territory.</p> <p><i>Corporate Plan pg. 23</i> <i>PBS pg. 373</i></p>	Met	<p>The CCM was independently assured and accepted by the Administrator as suitable to provide payment advice to the Commonwealth Treasurer.</p> <p>In accordance with the <i>National Health Reform Act 2011</i>, the June 2018 payments were based on information provided by the NHFB. This was due to the Administrator's position being vacant in the last quarter of the period.</p>

Corporate Plan performance measure 3.2:

Conduct funding integrity analysis to identify and report on public hospital services that received both Commonwealth NHR funding and funding through other Commonwealth programs.

2017-18 Target	Result	Analysis
Funding integrity analysis (data matching) of hospital activity and MBS/PBS/other Commonwealth programs data is completed for prior years, to identify instances where the same hospital service has been funded more than once. <i>Corporate Plan pg. 24</i>	Partially Met	Work to ensure the robustness of the integrity analysis process is underway. Further investigation and consultations are required with jurisdictions to confirm the business rules used for data matching. This work is expected to be complete in late 2018.

Corporate Plan performance measure 3.3:

Conduct reconciliation of actual activity to estimated activity and incorporate the adjustments into Commonwealth payments to LHNs.

2017-18 Target	Result	Analysis
Reconciliation outcomes prepared by the NHFB and endorsed by the Administrator. <i>Corporate Plan pg. 24</i>	Substantially Met	Information sought by the previous Administrator about the final reconciliation for the 2015-16 Commonwealth NHR contribution was not forthcoming before his term expired. Without time for consultation, or having an Administrator in place, advice on the final reconciliation could not be provided to the Commonwealth Treasurer during the last quarter of the reporting period. ⁴ Not having an outcome for 2015-16 also impacted the 2016-17 annual and 2017-18 mid-year reconciliations.

Corporate Plan performance measure 3.4:

Transition the 2017-18 CCM into an enhanced and secure SAS environment platform.

2017-18 Target	Result	Analysis
The CCM successfully operating on a SAS platform with no material findings by internal and external reviews. <i>Corporate Plan pg. 24</i>	Substantially Met	Review of the SAS-based CCM identified potential improvements implemented in 2017-18. Subsequent quality assurance identified further areas for improvement that will be addressed in preparation of the SAS-based model implementation in 2018-19 as the primary calculation model.

⁴ The new Administrator is expected to provide advice in 2018-19 to the Commonwealth Treasurer on the 2015-16, 2016-17 and mid-year 2017-18 reconciliation outcomes.

Objective Four: Operate as a Fully Functional and Compliant Agency and Develop Productive and Effective Partnerships



To be operating as a fully functional and compliant agency, meeting statutory and legislative obligations, and developing productive and effective partnerships with stakeholders.

Analysis of performance: 2017-18

All performance measures for this objective were met or substantially met in 2017-18.

We operated as a fully functional and compliant agency during 2017-18 by implementing our Workforce Capability Framework, meeting all our PGPA Act obligations and publishing our 2016-17 Annual Report.

Productive and effective partnerships with stakeholders have continued during the reporting period. The Administrator's JAC met three times in 2017-18.

We have successfully completed the Administrator's and our work plans, and promoted awareness of the NHR funding agenda through conference presentations and meetings with stakeholders.

Our workplace culture encourages high performance, integrity and commitment to success. It is now supported by an internal set of behaviours established in consultation with all staff.

We have also successfully managed workforce health and safety issues throughout the year. This resulted in a reduced Comcare Premium for 2018-19.

Challenges

It was challenging in the absence of a permanent CEO and a vacant Administrator position during the reporting period to work through some administrative arrangements for this objective. Contingency arrangements were required in the absence of an Administrator for three months, the fourth JAC meeting had to be postponed, and the implementation of our Communication and Engagement Strategy was delayed.

The year ahead

To better support the obligations and responsibilities of the Administrator, we have split this objective into two components as part of the 2018-19 Corporate Plan. The two objectives are:

- + *Productive and effective partnerships with stakeholders.*
- + *Operate as a compliant agency.*

We will meet the revised objectives by achieving the following five outcomes:

- + Work plans and information requirements developed in collaboration and consultation with stakeholders.
- + Provide trusted and impartial advice to enable effective health reform.
- + A positive workplace culture where people adopt best practice approaches and good governance principles to achieve results.
- + Policies and procedures comply with relevant statutory and legislative requirements.

- + Unmodified NHFB audited financial statements.

In 2018–19, we will explore the ways our valuable data resources can be leveraged to improve the performance of the health sector. We will also work to increase the profile and awareness of the Administrator's and our role.

To ensure a sustainable work culture, we are committed to the United Leadership behaviours program. This will help strengthen our high performing environment, where everyone is valued and performs their role to the best of their ability.

Corporate Plan performance measure 4.1:

Robust policies and procedures are in place, including ensuring all NHFB values are reflected, and compliant with relevant statutory and legislative requirements.

2017–18 Target	Result	Analysis
Policies and procedures are in place to support the integrity of the NHFB and the health and wellbeing of staff. <i>Corporate Plan pg. 25</i> <i>PBS pg. 374</i>	Met	<p>The NHFB's Workforce Capability Framework was implemented in 2017–18.</p> <p>An internal review of the effectiveness of the Health and Wellbeing policy, as well as APSC Census results, will be used to reinforce and improve the Framework over the next two reporting periods.</p>
All compliance reporting requirements for the NHFB as a non-corporate entity are met. <i>Corporate Plan pg. 25</i> <i>PBS pg. 374</i>	Met	<p>All compliance obligations under the PGPA Act were met, including publishing the 2017–18 Corporate Plan, and receiving an unmodified audit opinion for the 2016–17 Financial Statements.</p> <p>Compliance with Digital Continuity 2020 continued to be progressed with several policies being implemented and practices modified or changed. No substantial issues were identified via an internal review on the NHFB's preparedness for Digital 2020.</p>
The NHFB Annual Report is provided to all health ministers and the financial statements receive an unmodified audit report. <i>Corporate Plan pg. 26</i> <i>PBS pg. 374</i>	Met	<p>The NHFB Annual Report for 2016–17 was tabled in Parliament by 30 October 2017, published on the website and provided to health ministers in each jurisdiction.</p>

Corporate Plan performance measure 4.2

Maintain and continually strengthen productive partnerships and collaboration with all stakeholders to support the obligations and responsibilities of the Administrator.

2017-18 Target	Result	Analysis
<p>Effective partnerships are maintained through national and bilateral collaboration with the Commonwealth, States and Territories, and other national bodies and stakeholder groups.</p> <p><i>Corporate Plan pg. 26</i> <i>PBS pg. 374</i></p>	<p>Met</p>	<p>Effective engagement with stakeholders was achieved via the collaborative efforts of the Administrator and their peers at the following meetings:</p> <ul style="list-style-type: none"> + three JAC meetings held in 2017-18 + individual stakeholder meetings + IHPA's JAC and Technical Advisory Committee meetings throughout 2017-18. <p>The fourth JAC meeting scheduled for May was postponed due to the Administrator's position being vacant at the time.</p>

Corporate Plan performance measure 4.3:

Develop and implement a Stakeholder Engagement Plan.

2017-18 Target	Result	Analysis
<p>A Stakeholder Engagement Plan, informed by NHFB policy principles and developed in conjunction with stakeholders, is in place.</p> <p><i>Corporate Plan pg. 26</i></p>	<p>Substantially Met</p>	<p>The NHFB Communication and Engagement Strategy was developed in 2017-18 and is being progressively implemented.</p>







Our People

Our Team

We are an agile, professional and diligent portfolio agency.

We have a small and specialised workforce that is educated, culturally diverse and gender balanced.

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

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

We cultivate, value and support our workforce by:

- + developing the capabilities of our people to meet our work requirements
- + attracting and retaining skilled, adaptable and responsive people
- + promoting a culture where people work within and across teams to maximise expertise and produce results that benefit the agency as a whole
- + refining our organisational approaches to reflect the requirements of a small-sized organisation capable of responding quickly and flexibly to meet emerging requirements.

In 2017–18, we were classified as an extra small agency, with approximately 21 staff supporting the Administrator.



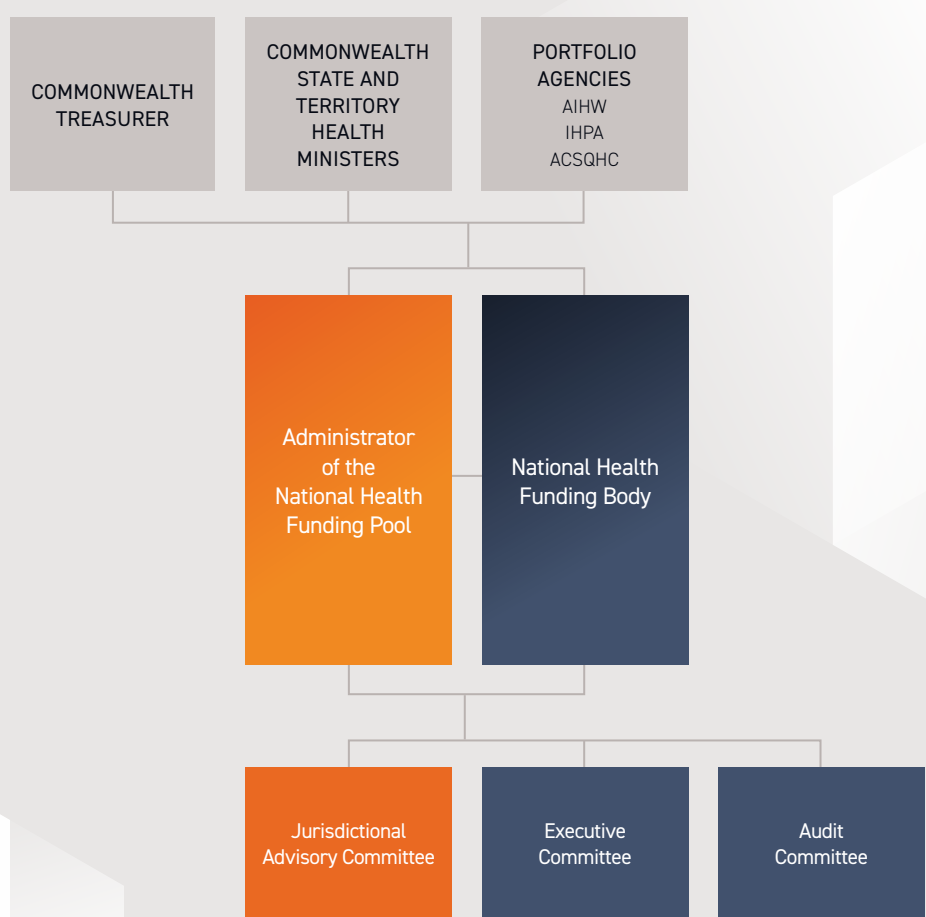
Three sections support the core activities of the organisation, including:

- + Data Modelling, Analysis and Policy
- + Finance and Reporting
- + Integrity, Assurance and Resourcing

Our Executive team consists of the CEO and the Director of each section.

Figure four highlights how our organisation fits within our broader public hospital stakeholder and partner group.

Figure 4: Administrator and NHFB's Key External Relationships



The Administrator, Mr Michael Lambert



The Administrator is a single independent statutory office holder, appointed to the position under legislation of the Commonwealth and each State and Territory.

Appointed on 17 July 2018, the current Administrator is Mr Michael Lambert. His career has covered four broad areas: public policy and finance in the NSW Treasury; investment banking; non-executive director roles; and working in areas related to the health sector. Michael is a former senior executive in investment banking, working for a number of international investment banks and specialising in advising governments in Australia and overseas. Prior to that, he worked for the NSW Government for 17 years in a range of senior positions culminating in the role of Treasury Secretary.

Whilst working in NSW Government, Michael had oversight of the health sector. He has also held Non-Executive Directorships within the health sector, including the NSW Northern Suburbs Area Health Board and the NSW Cancer Council.

More recently Michael has held a number of non-executive director positions including with Energy Australia and the State Superannuation Fund.

He is currently a non-executive director with the Sax Institute and is acting as a pro bono senior advisor on health economics.

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

Further details of the Administrator's functions can be found in the Administrator's Annual Report 2017-18.¹

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

Chief Executive Officer, Mr Shannon White



Shannon White is the CEO of the NHFB. He is responsible for the effective delivery of the NHFB's outputs and supports the Administrator to fulfil his functions.

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

In his role, Shannon worked extensively on national health reform issues and represented the Department in various national Committees. These included negotiations on the Addendum to the NHR Agreement.

Shannon has 25 years experience in the Australian Public Service across executive positions at Health, Immigration and Border Protection, and Defence with a strong focus on financial management and strategic advice on budget related policy and operational matters.

I am proud to perform my role
in Australia's health system,
one of the best in the world.

People Management

Over time, we have developed a sound understanding of our culture and workforce needs. This includes the need for data analysts and experts in finance and compliance.

Our organisation provides a supportive environment that encourages innovation and leadership, and supports individuals to achieve their full potential.

What do our people think?

We achieved positive results in the 2018 Australian Public Service Commission (APSC) Employee Census.

Census results indicate that we are an organisation with a strong sense of strategic purpose underpinned by a respectful, collegiate and honest workplace culture.



of participants stated...

- + they have a clear understanding of how their workgroup's role contributes to our **strategic direction**
- + their supervisor acts in accordance with the **APS Values** in their everyday work
- + the people in their workgroup are committed to **workplace safety**
- + in the last 12 months, they have **not been subjected to bullying or harassment** in the workplace.



of participants stated...

- + said they are **proud** to work for the NHFB
- + said the people in their workgroup **cooperate** to get the job done
- + have a **choice** in deciding how they do their work
- + indicated their job gives them a feeling of **personal accomplishment**
- + believe the NHFB actively encourages **ethical behaviour** by all of its employees
- + stated the NHFB is committed to creating a **diverse workforce**.

Employee Profile

At the end of June 2018, the total number of staff employed at the NHFB was 23. This figure remained stable when compared to 2016–17. Of the 23 employees, two were on long-term leave. All employees were based in the Canberra office.

Table 2: Headcount by Employment Status

Employment Status	Full-time	Part-time	Total
Ongoing	12	4	16
Non-ongoing	4	3	7
TOTAL	16	7	23

Table 3: Headcount by Gender and Employment Status*

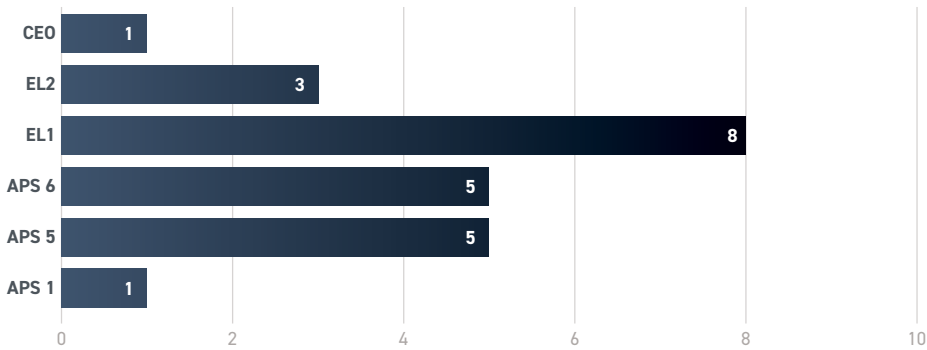
	Female			Male			Total
	Ongoing	Non-ongoing	Female total	Ongoing	Non-ongoing	Male total	
Office of the CEO	2	–	2	–	1	1	3
Data Modelling, Analysis and Policy	1	1	2	4	1	5	7
Finance and Reporting	5	–	5	–	1	1	6
Integrity Assurance and Resourcing	3	2	5	1	1	2	7
TOTAL	11	3	14	5	4	9	23

*Includes two staff on long-term leave.

Table 4: Senior Executive – Holders of Public Office

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

Figure 5: Headcount by Classification



Workplace Diversity

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

- + Our **gender** demographic is **61 per cent female** and 39 per cent male.
- + **75 per cent** of senior management positions are held by **women**.
- + **35 per cent** of the workforce identifies as being from **non-English speaking backgrounds** and/or born outside of Australia.
- + **4 per cent** of the workforce identifies as **Aboriginal and Torres Strait Islander peoples**.
- + Our **age profile** spans between **22 to 66 years**.

In 2017-18, there were no identified employees with a disability. *The National Disability Strategy 2010-2020* sets out a 10-year national policy framework to improve the lives of people with disability, promote participation, and create a more inclusive society.

Workforce Planning, Employee Retention and Turnover

Workforce planning helps us pro-actively identify and anticipate change.

Our three-year Workforce Capability Framework developed in 2017-18, identifies important issues driving change and enables us to take appropriate strategic and operational responses.

The average length of service for our employees is approximately 2.3 years, with 17 per cent of staff holding employment at the NHFB for more than five years.

Due to the small number of staff, the departure of the Administrator and CEO during 2017-18 contributed to our staff turnover rate increasing from 14 per cent to 40 per cent.

Remuneration Framework

Our only Senior Executive Service (SES) level appointment is the CEO position, who is appointed as a Holder of Public Office. The Commonwealth Remuneration Tribunal set the CEO's employment conditions and remuneration.

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

Salary ranges for non-SES employees can be seen in **Table five**. Three non-SES employees were covered by both an Individual Flexibility Arrangement and the Enterprise Agreement. One EL2 classified employee received an amount of \$4,000 for performance pay in the 2017–18 financial year.

Table 5: Salary Range by Classification

Classification	Salary Range \$
EL2	118,709 – 140,546
EL1	99,497 – 113,478
APS6	80,967 – 91,342
APS5	72,326 – 78,218
APS1	44,098 – 49,525

Non-salary benefits

We proactively support all employees in line with our United Leadership behaviours developed by our staff.

In 2017–18, our employees had access to:

- + workplace assessments
- + workstation adjustment training
- + adjustment equipment
- + influenza vaccinations
- + a stress management forum
- + rest-break guidance
- + an Employee Assistance Provider awareness forum
- + use of taxis after hours to provide safe transport to and from work
- + blood donation leave
- + eye sight testing
- + family care assistance
- + financial assistance to access financial advice for staff 54 years and older
- + leave for Australian Defence Force reserve and continuous full-time service.

Flexible working locations and home-based work were also available to staff through access to the internet, laptop computers, tablets and mobile phones.

Productivity gains

We worked towards achieving a range of productivity initiatives throughout the year, including monitoring and reviewing shared service pricing structures and contract pricing for all outsourced services.

The innovative development of our people, structures and processes, has also helped us improve collective and individual productivity.

Performance management

Our annual performance appraisal scheme directly links regular reviews of individual performance with incremental increases in salary. The scheme provides a structured way for an employee and their manager to review past performance, and develop a future work program in line with our strategic objectives. The scheme is focused development, support and performance management where necessary.

Training and development

We provide learning and development opportunities for employees to support our functions. The focus for 2017-18 was to develop the core capabilities of employees and to enhance their professional capability.

Employees supplemented already acquired skills and knowledge through attendance at conferences, relevant forums, and participation in professional development.

In 2017-18, our employees received training on:

- + leadership development
- + risk management
- + internal audit
- + fraud control
- + Protective Security Policy Framework
- + business continuity
- + records management
- + tailored orientation and induction program for new employees.

Employees are eligible to apply for our Study Assistance Scheme, which offers financial assistance and time off for study purposes.

Table 6: Employee Qualifications

Section	NHFB
Professional Industry Qualification (e.g. GAICD/CPA)	6
Post Graduate Qualification	9
Undergraduate Qualification	8
TOTAL	23

Code of Conduct

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

In 2017–18, we had no investigations relating to the Code of Conduct and no claims of bullying and harassment.

Unscheduled absences

Unscheduled absences are measured in accordance with the definition provided by the APSC, with unscheduled leave takings categorised as:

- + Personal Leave
- + Carers Leave
- + Miscellaneous Leave

Table 7: Unscheduled Leave Takings by Year (measured in days)

Year	NHFB	APS
2013–14	9.2	11.2
2014–15	18.8	11.6
2015–16	19.7	11.5
2016–17	10.8	11.4
2017–18	9.5	Not available

2017–18 was our second lowest recording of unscheduled absences since our inception. There were significant peaks of unscheduled leave during 2014–15 and 2015–16. These levels can be attributed to a period of uncertainty about the future of the NHFB at the time.

Work Health and Safety

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

Our aim is to eliminate all preventable work-related injuries and illnesses through systematic management. Additionally, we are committed to supporting and promoting the holistic wellbeing of our employees.

We provide an ongoing commitment to maintain a safe and healthy workplace, meeting our obligations under the *Work Health and Safety Act 2011* and the *Safety, Rehabilitation and Compensation Act 1988*. In 2017–18, no directions or notices were issued under the *Work Health and Safety Act 2011*.

Our rehabilitation management system is compliant under Comcare’s *Guidelines for Rehabilitation Authorities 2012*. These Guidelines provide a framework for our health and safety management arrangements.

All new employees are required to complete Work Health and Safety training as part of their induction. This training helps us meet our obligations, and create a safe workplace.

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

This program is developed in consultation with employees through the Workplace Consultative Committee.

Health and safety outcomes

There were no Comcare claims during 2017-18. This has led to a decrease in the Workers Compensation premium for 2018-19.

We promote health and wellbeing awareness among employees by supporting an annual program focused on health and lifestyle.







Our Governance and Accountability

Our Values and Governance Principles

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

We are also committed to observing the APS Values and Code of Conduct, which represent our approach to interacting and collaborating with colleagues, stakeholders and the wider community.



Impartial

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



Committed

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



Accountable

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



Respectful

We respect all people, including their rights and heritage.



Ethical

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

We have a structured approach to governance that supports the delivery of our purpose. Our Corporate Governance Framework sets a clear direction on organisational priorities and how progress is monitored. The framework also provides assurance that management is achieving this direction in an ethical and legal way, and that risks and opportunities are recognised and addressed.

Elements of the framework include committees, business planning, risk and fraud management, audit and assurance activities, and policies and guidelines.



Impartial

Increasing transparency of our reporting

Section 240 of the NHR Act requires the Administrator to provide monthly reports to the Commonwealth, States and Territories, and then make them publicly available.

These reports are prepared once data is verified by States and Territories and then published on the Administrator's website (publichospitalfunding.gov.au).

National, State and Territory reports, are produced each month, along with LHN reports. Ministers, jurisdictional officials, researchers and members of the public can use the monthly reports to review and compare funding to LHNs.

The reports detail the:

- + amounts paid into each State Pool Account and State Managed Fund by the relevant State and Territory by the Commonwealth.

- + amounts paid from each State Pool Account or State Managed Fund to LHNs, or other State Managed Funds to other organisations or funds.
- + number of public hospital services funded for each LHN, including as a running financial year total.
- + number of other public hospital services and functions funded from each State Pool Account or State Managed Fund, including a running financial year total.

To assist in the collation of information with related data from the CCM, States and Territories have two weeks following month-end to provide the data specified in the Administrator's *Three-Year Data Plan*.

Exempt contracts

We did not enter into any contracts that were exempt from publication on the AusTender website.

Advertising and market research

We did not undertake any advertising campaigns or market research in 2017–18.

We are committed to observing the APS Values and Code of Conduct



Committed

We engage with a range of internal and external stakeholders to facilitate the work of the Administrator.

We have adopted a collaborative approach to this engagement through established networks so that jurisdictions can provide insight and guidance for our operations.

Productive discussions provide valuable guidance to help all parties understand the basis of funding calculations outcomes and build trust in our functions.

We will continue our approach in 2018–19 by also looking for further opportunities to enhance the services provided to stakeholders and partners.

Supporting the Administrator's relationships

We support the Administrator's relationships by:

- + providing advice to the Commonwealth Treasurer on NHR funding
- + reporting to the COAG Health Council on the operations of the Pool
- + building relationships and providing advice to all jurisdictional Health Ministers and Chief Executives of Health Departments.

Intergovernmental Relations Committees

We engage with stakeholders through a number of interjurisdictional committees, including:

- + managing the Administrator's JAC and its secretariat functions
- + supporting the Administrator's representation on the Australian Health Ministers' Advisory Council and its committees, where appropriate
- + working in collaboration with a number of external national health committees
- + representation on the IHPA's JAC and Technical Advisory Committee in conjunction with the Administrator.

The Administrator's JAC is an advisory committee of senior States and Territory representatives, and relevant Commonwealth departments and agencies. The JAC considers strategic issues of national health reform that are the Administrator's responsibility.

The JAC met three times during 2017–18, in August and November 2017, and February 2018.

Auditors-General

We work closely with the Administrator and State and Territory Auditors-General on the development and audit of the State Pool Accounts. We also work with the Commonwealth Auditor-General for the audit of the CCM, and our financial statements.

Consultants

In 2017-18, we engaged consultants when specialist expertise or independent research, review or assessment was required. Decisions to engage consultants are made in accordance with the PGPA Act and related regulations. This includes the Commonwealth Procurement Rules and internal policies.

During 2017-18, we entered into four new consultancy contracts involving total actual expenditure of \$115,283 (inclusive of GST). We have no ongoing consultancy contracts.

Our annual report contains information about actual expenditure on contracts for consultancies. Information on the value of contracts and consultancies is available on the AusTender website.



Accountable

We operate in a complex and challenging environment that involves a wide range of internal and external stakeholders. This environment is subject to legislation, regulations, standards and guidelines relevant to our status as a non-corporate entity under the PGPA Act and the Public Governance, Performance and Accountability Rule 2014.

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.

Risk management

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

We maintain an appropriate system of risk oversight, management and internal control in accordance with section 16 of the PGPA Act. Our Enterprise Risk Management Framework and Guidelines are reviewed annually.

They are based on the International Standard on Risk Management (ISO 31000) and align with the Commonwealth Risk Management Policy and Comcover's Better Practice Guide.

Our organisational culture supports innovation and creativity by providing a risk-aware environment where decision-making is encouraged. Effective engagement with risk is necessary to support the obligations and responsibilities of the Administrator.

Our attitude toward risk taking is outlined in our risk tolerance statement. It illustrates the amount of risk that we are willing to accept or retain to achieve our objectives. Articulating our tolerance for risk allows our organisation to set objectives, comply with legal and policy obligations, allocate and utilise resources, and improve transparent and accountable decision-making.

Our management of security risks is aligned to the Commonwealth's Protective Security Policy Framework. Our management of fraud risk is in line with the Commonwealth's Fraud Control Guidelines.

We have a number of committees in place to govern, manage and oversee risk.

These include the:

- + Executive Committee
- + Audit Committee
- + Risk, Compliance and Business Continuity Committee
- + Information Governance Committee
- + Workplace Consultative Committee.

External scrutiny

Audit Committee members are independent and external to our organisation. See page 57 for further information on the Audit Committee.

We have no judicial, tribunal or Australian Information Commissioner decisions that have been made, or are pending, with regard to our organisation.

No reports on our operations have been released by the Commonwealth Auditor-General, a Parliamentary Committee, or the Commonwealth Ombudsman.

We have not undergone any external capability reviews. However, an internal review was conducted in developing the Workforce Capability Framework.

Australian National Audit Office Access Clauses

We did not enter into any contracts precluding access by the Commonwealth Auditor-General.

Purchasing

Our purchasing activities were conducted in line with the Commonwealth Procurement Guidelines and our Accountable Authority Instructions.

We support 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: finance.gov.au/procurement/statistics-on-commonwealth-purchasing-contracts

Procurement practices support SMEs through the use of the Commonwealth Contracting Suite for low-risk procurements valued under \$200,000. Practices also support the use of electronic systems or other processes to facilitate on-time payment, including the use of payment cards.

Grant programs

There were no grant programs undertaken in 2017-18.

Assets management

We leased assets from the Commonwealth Department of Health in 2017-18.



Respectful

Data privacy, secrecy and security

The Administrator's *Data Privacy, Secrecy and Security Policy* outlines the approach to the collection, use, storage, disclosure and destruction of data received by us or the Administrator. This policy ensures the collection and use of data is in line with the Australian Privacy Principles, and the secrecy and patient confidentiality provisions in the NHR Act and other statutory protections.

Our organisation and the Administrator must handle 'personal information' in accordance with the requirements imposed by the *Privacy Act 1988*.

Data held by us or the Administrator is considered 'personal information' if it relates to an individual whose identity is apparent or reasonably identifiable.

The Administrator's policy outlines protocols to ensure we, or the Administrator, receive identifiable information. The policy also outlines protocols for instances where information received by either party may become identifiable, and therefore caught by relevant privacy provisions. The protocols include advising the data steward of the instance, precluding officers from disclosing information, and disposing of records securely.

Review of the *Data Privacy, Secrecy and Security Policy*

We commissioned a number of reviews of the *Data Privacy, Secrecy and Security Policy*. As a result, we are developing a data management framework, and strategy and implementation plan that will be completed in consultation with stakeholders through the Administrator's JAC.

Information publication scheme

The *Freedom of Information Act 1982* (FOI Act) gives members of the public a right to access copies of documents, other than exempt documents that we hold.

Agencies subject to the FOI Act are required to publish information to the public as part of the Information Publication Scheme.

In 2017–18, we received three FOI requests.

We publish FOI information on our website at: nhfb.gov.au/contact-us/freedom-of-information



Ethical

Audit Committee

Our Audit Committee is appointed in accordance with section 45 of the PGPA Act and comprises four independent members: Carol Holley (Chair, since March 2013), Mark Ridley, Ken Barker and Jeremy Chandler. Current members have tenures until late 2018, at which time the composition of the Audit Committee will be reviewed.

The duties of the Audit Committee are detailed in the *Audit Committee Charter* and include reviewing the appropriateness of our:

- + financial and performance reports
- + systems of risk oversight and management
- + systems of internal controls.

The Audit Committee also supports the audit of our financial statements and those for the Funding Pool.

The Audit Committee met six times during 2017–18, in August 2017, twice in September 2017, November 2017, March 2018, and May 2018.

Audit Committee members

Carol Holley

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

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

Mark Ridley

Mr Ridley is a former senior partner with PricewaterhouseCoopers where he held a number of leadership roles focused on assurance and risk management.

Mark is currently Chair of several Commonwealth Government Audit Committees and an Independent Member of a number of Audit and Risk Committees.

Mark is a Chartered Accountant (FCA), a graduate member of the Australian Institute of Company Directors, and a long-standing member of ISACA.

Ken Barker

Mr Barker has more than 40 years' experience in public sector management and finance. He has previously worked for NSW Police, the former Public Works, Corrective Services, and NSW Health, and holds various board and committee appointments.

Ken is a Fellow of the Institute of Public Accountants, and a graduate member of the Australian Institute of Company Directors.

Jeremy Chandler

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

Jeremy is an Independent Audit Committee Member for several agencies including the ACT Health Directorate, the Australian National University, and the Australian Communications and Media Authority.

Jeremy is a Fellow of both CPA Australia and the Institute of Management and Leadership.

Internal relations

Workplace committees

The following internal committees support our governance framework:

The Executive Committee

The Executive Committee is our primary decision-making body. It provides advice and recommendations to the CEO on policies, direction, initiatives, and immediate and emerging issues. The Committee also acts as a forum for discussion, prioritisation, and forward planning.

Risk, Compliance and Business Continuity Committee

The Risk, Compliance and Business Continuity Committee provides assurance to the CEO and the Audit Committee on the adequacy and effectiveness of our risk, control and compliance frameworks and internal audit activities and assurance reviews. It also oversees management of business continuity.

Workplace Consultative Committee

The Workplace Consultative Committee brings together employees and management to cooperatively and collaboratively consult and discuss employment conditions, and health and safety matters.

Information Governance Committee

The Information Governance Committee provides oversight on the implementation of Commonwealth digital initiatives. These initiatives include Digital Continuity 2020 (National Archives), Whole of Government Digital Records Transformation (Department of Finance), and initiatives promoted by the Digital Transformation Office.

Audits and assurance reviews

The internal audit and assurance function is provided by a combination of in-house and contracted resources to provide assurance to the CEO and the Audit Committee.

Audits provide independent assurance that our risk management, governance and internal control processes are operating effectively.

An integral part of the internal audit and assurance function is the review of the Payments System. This is in accordance with the Framework for Assurance Engagements issued by the Auditing and Assurance Standards Board. The review of the Payments System concluded:

- + the description of the system and controls in the Framework fairly represents the system
- + controls are suitably designed to achieve the identified control objectives detailed in the Framework
- + the controls operated effectively throughout the year.

We undertook the following internal audits in 2017–18 using in-house and contracted resources:

2017–18 Internal audits and assurance

Commonwealth Contribution Model

- + Integrity of methodology and formulas
- + Completeness, accuracy and validity of formulas and inputs of base model and all updates
- + Review of CCM system business requirements
- + Development and implementation of a replacement in 2018–19
- + Review of Change and Release Management

Reconciliation

- + Compliance audit of completeness and accuracy of reconciling adjustments

Payments System

- + Network and desktop issues including compliance with the Service Level Agreement with the Department of Human Services
- + Control Framework, including independent review and proposed actions

National health reform

- + Ability of Administrator to perform functions

Protective Security Policy Framework and Australian Signals Directorate Cyber Security

- + Annual reviews of compliance

Portable and attractive items

- + Review and update of register

Fraud control

We have taken all reasonable measures to appropriately deal with fraud, including having prevention, detection, and investigation and reporting mechanisms in place.

In accordance with the PGPA Act, section 10 of the Public Governance, Performance and Accountability Rule 2014 and the Commonwealth Fraud Control Policy, we also maintain an appropriate system of risk management and internal controls including measures relating to compliance with finance law.

There were no instances of fraud detected in 2017–18.

National Community of Practice for Data Integrity

The NHR Agreement specifies the Commonwealth, States and Territories are responsible for the integrity of data provided to the Administrator and other national agencies. With the assistance of the Administrator, we have facilitated a National Community of Practice on Data Integrity to support jurisdictions in maintaining best practice.

Ecological and environmental reporting

We are committed to the principles of ecologically sustainable development.

In 2017–18, we continued to minimise our environmental impact by:

- + encouraging all staff members to reduce the volume of printing
- + turning off lights and computers when the office was not in use
- + using a waste recycling station
- + reducing our office space
- + limiting travel by using technological solutions whenever possible.







Our Finances

Summary of Financial Performance

The net operating result as at 30 June 2018 was a surplus of \$635,214 after capitalisation of \$155,942 for the new SAS CCM.

Revenue for the year was \$5.9 million including additional funding of \$1.6 million. This additional funding resulted from a New Policy Proposal at the 2017-18 Budget to strengthen the legislative functions of the Administrator and successfully implement the Addendum to the NHR Agreement.

Expenditure for the year to 30 June 2018 was \$5.3 million, compared with budgeted expenses of \$5.9 million, with the \$635,214 underspend attributable to delays in planned projects.

The projects that experienced delays in 2017-18 are now well underway and are expected to be completed on schedule and budget in 2018-19.

	2012-13 \$ Millions	2013-14 \$ Millions	2014-15 \$ Millions	2015-16 \$ Millions	2016-17 \$ Millions	2017-18 \$ Millions
Budgeted Expenditure*	5.6	4.4	4.6	4.4	4.4	5.9
Employee Benefits	1.9	2.5	1.9	2.0	2.5	2.7
Supplier Expenses**	3.3	1.7	2.2	2.4	2.2	2.6
TOTAL ACTUAL EXPENDITURE	5.2	4.2	4.1	4.5	4.7	5.3
Surplus (Deficit)	0.4	0.2	0.5	(0.1)	(0.3)	0.6

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

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

Table A: NHFB resource statement, 2017–18

	Actual available appropriations for 2017–18 \$'000	Payments made in 2017–18 \$'000	Balance remaining in 2017–18 \$'000
ORDINARY ANNUAL SERVICES			
Departmental appropriation ¹	7,258	5,051	2,207 ²
Total ordinary annual services	7,258	5,051	2,207
Special appropriations	0	0	0
TOTAL RESOURCING AND PAYMENTS	7,258	5,051	2,207

¹ Appropriation Bill (No. 1) 2017–18, prior year departmental appropriation and section 74 receipts.

² \$1.597m in additional funding was provided in 2017–18 for work to be performed in relation to the Addendum. The delay in two major projects lead to the decrease in supplier expenses.

Table B: Expenses for outcome, 2017–18

	Budget ¹ 2017–18 \$'000	Actual expenses 2017–18 \$'000	Variation 2017–18 \$'000
<i>Outcome: To provide transparent and efficient administration of Commonwealth, State and Territory funding of the Australian public hospital system, and support the obligations and responsibilities of the Administrator of the National Health Funding Pool.</i>			
PROGRAM 1.1: NATIONAL HEALTH FUNDING POOL ADMINISTRATION			
Departmental expenses			
Departmental appropriation ²	5,934	5,299	635
Special appropriation	0	0	0
Total for Program 1.1	5,934	5,299	635
TOTAL FOR OUTCOME 1	5,934	5,299	635

	2017–18	2016–17
AVERAGE STAFFING LEVEL (NUMBER)³	18	17

¹ Full year budget, including any subsequent adjustment made to the 2017–18 Budget.

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

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

National Health Funding Body Financial Statements For the year ended 30 June 2018

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INDEPENDENT AUDITOR'S REPORT

To the Minister for Health

Opinion

In my opinion, the financial statements of the National Health Funding Body for the year ended 30 June 2018:

- (a) comply with Australian Accounting Standards – Reduced Disclosure Requirements and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of the National Health Funding Body as at 30 June 2018 and its financial performance and cash flows for the year then ended.

The financial statements of the National Health Funding Body, which I have audited, comprise the following statements as at 30 June 2018 and for the year then ended:

- Statement by the Accountable Authority and Chief Financial Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement; and
- Notes to and forming part of the financial statements.

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 National Health Funding Body in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Accountable Authority's Responsibility for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Australian National Audit Office



Rahul Tejani
Acting Executive Director
Delegate of the Auditor-General
Canberra
25 September 2018

Statement by the Accountable Authority and Chief Financial Officer

In our opinion, the attached financial statements for the year ended 30 June 2018 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

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

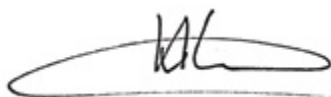
Signed



Shannon White
Chief Executive Officer

24 September 2018

Signed



Karin van Leeuwen
Chief Financial Officer

24 September 2018

National Health Funding Body
Statement of Comprehensive Income
for the year ended 30 June 2018

	Notes	2018 \$	2017 \$	Original Budget \$
NET COST OF SERVICES				
Expenses				
Employee benefits	2A	2,746,283	2,454,756	2,349,000
Suppliers	2B	2,552,503	2,207,042	3,548,000
TOTAL EXPENSES		5,298,786	4,661,798	5,897,000
OWN-SOURCE INCOME				
Own-source revenue				
Resources received free of charge	3A	90,000	90,000	-
Total own-source revenue		90,000	90,000	-
Gains				
Other		-	-	53,000
Total gains		-	-	53,000
TOTAL OWN-SOURCE INCOME		90,000	90,000	53,000
NET COST OF SERVICES		5,208,786	4,571,798	5,844,000
Revenue from Government	3B	5,844,000	4,307,000	5,844,000
SURPLUS/(DEFICIT) ATTRIBUTABLE TO THE AUSTRALIAN GOVERNMENT		635,214	(264,798)	-
OTHER COMPREHENSIVE INCOME				
TOTAL COMPREHENSIVE INCOME/ (LOSS) ATTRIBUTABLE TO THE AUSTRALIAN GOVERNMENT		635,214	(264,798)	-

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

National Health Funding Body
Statement of Financial Position
as at 30 June 2018

	Notes	2018 \$	2017 \$	Original Budget \$
ASSETS				
Financial Assets				
Cash and cash equivalents	4A	25,978	25,444	25,000
Trade and other receivables	4B	2,516,301	1,451,341	1,501,000
Total financial assets		2,542,279	1,476,785	1,526,000
Non-Financial Assets				
Internally developed software — WIP at cost	5	323,701	167,759	—
Total non-financial assets		323,701	167,759	—
TOTAL ASSETS		2,865,980	1,644,544	1,526,000
LIABILITIES				
Payables				
Suppliers	6A	657,959	243,203	510,000
Other payables	6B	89,817	18,177	54,000
Total payables		747,776	261,380	564,000
Provisions				
Employee provisions	7	694,846	595,020	409,000
Total provisions		694,846	595,020	409,000
TOTAL LIABILITIES		1,442,622	856,400	973,000
NET ASSETS		1,423,358	788,144	553,000
EQUITY				
Retained surplus		1,423,358	788,144	553,000
TOTAL EQUITY		1,423,358	788,144	553,000

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

National Health Funding Body
Statement of Changes in Equity
for the year ended 30 June 2018

	Retained earnings		Total equity		Original Budget
	2018 \$	2017 \$	2018 \$	2017 \$	Budget \$
Opening balance					
Balance carried forward from previous period	788,144	1,052,942	788,144	1,052,942	553,000
Adjusted opening balance	788,144	1,052,942	788,144	1,052,942	553,000
Comprehensive income					
Surplus/(deficit) for the period	635,214	(264,798)	635,214	(264,798)	–
TOTAL COMPREHENSIVE INCOME	635,214	(264,798)	635,214	(264,798)	–
	1,423,358	788,144	1,423,358	788,144	553,000
CLOSING BALANCE ATTRIBUTABLE TO THE AUSTRALIAN GOVERNMENT	1,423,358	788,144	1,423,358	788,144	553,000

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

National Health Funding Body
Cash Flow Statement
for the year ended 30 June 2018

	Notes	2018 \$	2017 \$	Original Budget \$
OPERATING ACTIVITIES				
Cash received				
Appropriations		4,898,474	4,856,487	5,844,000
Net GST received		152,408	175,223	152,000
Other		29,369	83,860	–
Total cash received		5,080,251	5,115,570	5,996,000
Cash used				
Employees		2,641,776	2,234,978	2,337,000
Suppliers		2,100,222	2,453,306	3,507,000
Section 74 receipts transferred to OPA		181,777	259,083	3,507,000
Total cash used		4,923,775	4,947,367	9,351,000
NET CASH FROM OPERATING ACTIVITIES		156,476	168,203	3,355,000
INVESTING ACTIVITIES				
Cash used				
Purchase of intangibles, plant and equipment		155,942	167,759	–
Total cash used		155,942	167,759	–
NET CASH USED BY INVESTING ACTIVITIES		(155,942)	(167,759)	–
NET INCREASE IN CASH HELD		534	444	3,355,000
Cash and cash equivalents at the beginning of the reporting period		25,444	25,000	25,000
CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD	4A	25,978	25,444	3,380,000

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

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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 functions 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:

- + calculating and advising the Commonwealth Treasurer of the Commonwealth's contribution to public hospital funding in each State and Territory
- + reconciling estimated and actual hospital services and adjusting Commonwealth payments
- + undertaking funding integrity analysis to identify public hospital services that potentially received funding through other Commonwealth programs
- + monitoring payments of Commonwealth, State and Territory public hospital funding into the Pool, including each State (and Territory) Pool Account
- + making payments from each State (and Territory) Pool Account to each Local Hospital Network
- + reporting publicly on National Health Reform Agreement funding, payments and services
- + developing and providing rolling three-year data plans to the Commonwealth, States and Territories

1.1. Basis of preparation of the Financial Statements

The financial statements are general purpose financial statements and are required by s. 42 of the *Public Governance, Performance and Accountability Act 2013*.

The financial statements have been prepared in accordance with:

- a. *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* (FRR) for reporting periods ending on or after 1 July 2017; and
- b. Australian Accounting Standards and Interpretations – Reduced Disclosure Requirements issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

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

1.2. New Australian Accounting Standards

New standards, revised standards, interpretations and amending standards that were issued prior to the sign-off date and are applicable to the current reporting period did not have a material financial impact, and are not expected to have a future material financial impact on NHFB.

1.3. Taxation

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

1.4. Events After the Reporting Period

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

Note 2: Expenses

	2018 \$	2017 \$
Note 2A: Employee Benefits		
Wages and salaries	1,896,881	1,637,899
Superannuation		
Defined contribution plans	232,113	215,526
Defined benefit plans	139,121	106,582
Leave and other entitlements	478,168	494,749
TOTAL EMPLOYEE BENEFITS	2,746,283	2,454,756
ACCOUNTING POLICY		
The accounting policy for employee benefits is in note 7.		
Note 2B: Suppliers		
GOODS AND SERVICES SUPPLIED OR RENDERED		
Consumables, printing, recruitment and training	318,828	48,624
Contractors	1,619,094	1,612,555
Information technology and communications	59,643	66,490
Professional fees	206,947	126,127
Property and utilities	42,972	19,548
Travel	64,956	77,775
Other	20,113	14,500
Total goods and services supplied or rendered	2,332,553	1,965,619
OTHER SUPPLIERS		
Operating lease rentals in connection with minimum lease payments	174,893	209,367
Workers compensation expenses	45,057	32,056
Total other supplier expenses	219,950	241,423
TOTAL SUPPLIER EXPENSES	2,552,503	2,207,042

Continued.

	2018	2017
	\$	\$

LEASING COMMITMENTS

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

Lease for office accommodation

The NHFB has one current accommodation sub-lease in the Australian Capital Territory (ACT). The sub-lease commenced on 1 October 2016 for a period of 3 years and is for the NHFB's present accommodation in the ACT.

There is an option to extend the lease by two additional 2 year periods and any increases in rent will be at a rate commensurate with CPI or market value.

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

Within 1 year	206,189	206,189
Between 1 to 5 years	51,547	257,736

TOTAL OPERATING LEASE COMMITMENTS	257,736	463,925
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ACCOUNTING POLICY

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

SETTLEMENT TERMS FOR SUPPLIERS

All payables are expected to be settled within 30 days.

Note 3: Income

	2018 \$	2017 \$
OWN-SOURCE REVENUE		

Note 3A: Resources Received Free of Charge

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

ACCOUNTING POLICY

Resources received free of charge

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

Note 3B: Revenue from Government

Departmental appropriations	5,844,000	4,307,000
TOTAL REVENUE FROM GOVERNMENT	5,844,000	4,307,000

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.

The NHFB received additional funding in 2017–18 of \$1.597 million for work associated with the requirements of the Addendum to the National Health Reform Agreement.

Note 4: Financial Assets

	2018 \$	2017 \$
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Note 4A: Cash and Cash Equivalents

Cash on hand or on deposit	25,978	25,444
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TOTAL CASH AND CASH EQUIVALENTS	25,978	25,444
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ACCOUNTING POLICY

Cash and Cash Equivalents

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

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

Note 4B: Trade and Other Receivables

Good and Services receivables in connection with		
Goods and services	143,473	18,249

Total good and services receivable	143,473	18,249
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Appropriations receivable

For existing program	2,359,960	1,414,434
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Total appropriations receivable	2,359,960	1,414,434
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Other receivables

GST receivable from the Australian Taxation Office	12,868	18,658
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Total other receivables	12,868	18,658
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TOTAL TRADE AND OTHER RECEIVABLES (GROSS)	2,516,301	1,451,341
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Continued.

	2018 \$	2017 \$
Less impairment allowance		
Goods and services	-	-
Total impairment allowance	-	-
TOTAL TRADE AND OTHER RECEIVABLES (NET)	2,516,301	1,451,341

ACCOUNTING POLICY

Trade and Other Receivables

Trade receivables, loans and other receivables that have a 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. 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 the transaction date.

Impairment of financial assets

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

Note 5: Non-Financial Assets

Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment and Intangibles

	Software \$	Total \$
As at 1 July 2017		
Gross book value	167,759	167,759
Accumulated depreciation, amortisation and impairment	-	-
TOTAL AS AT 1 JULY 2017	167,759	167,759
Additions		
Internally developed software – WIP at cost	155,942	155,942
TOTAL AS AT 30 JUNE 2018	323,701	323,701

Continued.

	Software \$	Total \$
Total as at 30 June 2018 represented by		
Gross book value	323,701	323,701
Accumulated depreciation, amortisation and impairment	–	–
TOTAL AS AT 30 JUNE 2018	323,701	323,701

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

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.

Asset recognition threshold

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

Software

The NHFB's internally developed software has a threshold of \$100,000. These assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Work in progress

All assets not fully constructed at 30 June 2018 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.

Depreciation

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

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

	2018	2017
Software	3–5 years	2–3 years

Note 6: Payables

	2018 \$	2017 \$
--	------------	------------

Note 6A: Suppliers

Trade creditors and accruals	657,959	243,203
TOTAL SUPPLIER PAYABLES	657,959	243,203
Suppliers expected to be settled within 12 months:		
Related entities ¹	122,448	59,602
External parties ²	535,511	183,601
TOTAL	657,959	243,203

Settlement was usually made within 30 days.

Note 6B: Other Payables

Wages and salaries	9,394	15,595
Superannuation	2,958	2,582
Leave provisions	77,465	–
Total other payables	89,817	18,177

ACCOUNTING POLICY

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

¹ For the period ended 30 June 2018 and 30 June 2017, this amount relates to payables to the Department of Health under a shared services arrangement.

² For the period ended 30 June 2018 and 30 June 2017, this amount relates to consultants and contractors.

Note 7: Provisions

	2018 \$	2017 \$
Employee Provisions		
Leave	694,846	595,020
TOTAL EMPLOYEE PROVISIONS	694,846	595,020

ACCOUNTING POLICY

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

Leave

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

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

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

Superannuation

Staff of the NHFB are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS), the PSS accumulation plan (PSSap) or employee nominated superannuation funds.

The CSS and PSS are defined benefit schemes 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.

The liability for superannuation recognised as at 30 June represents outstanding contributions for the final fortnight of the year.

Note 8: Contingent Assets and Liabilities

QUANTIFIABLE CONTINGENCIES

As at 30 June 2018, the NHFB had no quantifiable contingencies.

UNQUANTIFIABLE CONTINGENCIES

As at 30 June 2013, the NHFB had entered into an arrangement for an indemnity with the New South Wales Health Administration Council (HAC). No change has occurred during 2013–14, 2014–15, 2015–16, 2016–17 and remains current at 30 June 2018.

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

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

A risk assessment has been undertaken in accordance with the Department of Finance's Guidelines for Issuing and Managing Indemnities, Guarantees, Warranties and Letters of Comfort. The contingent liability includes risks which are assessed as being significant or non-remote. The NHFB will make every effort to limit the risk to the Commonwealth under the arrangement through the adoption and implementation of appropriate risk management procedures.

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

SIGNIFICANT REMOTE CONTINGENCIES

As at 30 June 2018, the NHFB had no significant remote contingencies. (2017: Nil)

CONTINGENT ASSETS AND LIABILITIES

As at 30 June 2018, the NHFB did not have any contingency assets or liabilities. (2017: Nil)

ACCOUNTING POLICY

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

Note 9: Key Management Personnel Remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the NHFB¹, directly or indirectly. The NHFB has determined the key management personnel to be the CEO and the Administrator.

	2018 \$	2017 \$
Short-term employee benefits		
Salary	290,260	307,355
Other	65,482	67,149
Total short-term employee benefits	355,742	374,504
Post-employment benefits		
Superannuation	40,700	50,232
Total post employment benefits	40,700	50,232
Other long-term benefits		
Annual leave	34,269	24,285
Long-service leave	23,757	10,947
Total other long-term benefits	58,026	35,232
TOTAL EMPLOYMENT BENEFITS	454,468	459,968

¹ Correction: In the 2016-17 Financial Statements this statement incorrectly referred to the activities of the ANAO.

Notes: The total number of key management personnel that are included in the above table is four. (2017:3)
The number of key management personnel includes one officer with a period of acting in excess of 4 weeks.

Note 10: Related Party Disclosures

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

No payments were made outside of the normal course of business.

There are no related party transactions by Ministers requiring disclosure.

Note 11: Financial Instruments

	2018 \$	2017 \$
--	------------	------------

Note 11A: Categories of Financial Instruments

FINANCIAL ASSETS		
Loans and Receivables		
Cash and equivalents	25,978	25,444
Trade and other receivables	143,473	18,249
Total	169,451	43,693
CARRYING AMOUNT OF FINANCIAL ASSETS	169,451	43,693
FINANCIAL LIABILITIES		
At amortised cost		
Trade creditors and accruals	657,959	243,203
Total	657,959	243,203
CARRYING AMOUNT OF FINANCIAL LIABILITIES	657,959	243,203

Note 11B: Net Income and Expense from Financial Assets

There is no income or expense from financial assets in 2017–18. (2016–17: Nil)

Note 11C: Net Income and Expense from Financial Liabilities

There is no net income or expense from financial liabilities in 2018–17. (2016–17: Nil)

Continued.

Note 11D: Fair Value of Financial Instruments

The fair value of all financial assets and liabilities equals its carrying amount in 2017–18 and 2016–17.

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.

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.

Financial liabilities

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

Note 12: Financial Assets Reconciliation

	Notes	2018 \$	2017 \$
FINANCIAL ASSETS			
Total financial assets as per balance sheet		2,542,279	1,476,785
Less: non-financial instrument components			
Appropriations receivable	4B	2,359,960	1,414,434
GST Receivable from the Australian Taxation Office	4B	12,868	18,658
Total non-financial instrument components		2,372,828	1,433,092
TOTAL FINANCIAL ASSETS AS PER FINANCIAL INSTRUMENTS NOTE		169,451	43,693

Note 13: Appropriations

Table A: Annual Appropriations (Recoverable GST exclusive)

Annual Appropriation for 2018

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

Annual Appropriation for 2017

	Annual Appropriation \$	Section 74 ² \$	Total appropriation \$	Appropriation applied in 2017 (current and prior years) \$	Variance \$
DEPARTMENTAL					
Ordinary annual services	4,307,000	58,956	4,365,956	(4,856,488)	(490,532)
TOTAL DEPARTMENTAL	4,307,000	58,956	4,365,956	(4,856,488)	(490,532)

¹ Variances are due to the NHFB drawing down on its prior year appropriations.

² Section 74 receipts were previously reported as \$259,083 in the 2016–17 Financial Statements. This amount incorrectly included Goods and Services Tax of \$200,127.

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

There was no Departmental Capital Budget appropriated to the NHFB in 2017–18.
(2016–17: nil)

Table C: Unspent Annual Appropriations (Recoverable GST exclusive)

Authority	2018 \$	2017 \$
DEPARTMENTAL		
Appropriation Act (No 1) 2017–18	2,359,960	–
Appropriation Act (No 1) 2016–17	–	135,141
Appropriation Act (No 1) 2015–16	–	1,279,293
Cash at Bank	25,978	25,444
Total	2,385,938	1,439,878

Note 14: Budgetary Reporting — Explanation of Major Variances

The Statement of Comprehensive Income has the following variances:

- + The NHFB was granted \$1.597 million in additional funding for 2017–18 for work to be performed in relation to the Addendum of the National Health Reform Agreement. The delay in two major projects led to the decrease of suppliers expenses in the original budget published in the 2017-18 Portfolio Budget Statements (PBS) of 29%. Some costs in relation to these projects were capitalised as it related to development of internally developed software. The reported result for the financial year is \$635,214.
- + Estimated budget of other gains of \$53,000 relates to resources received free of charge worth \$90,000. The amount relates to auditors remuneration.

The Statement of Financial Position has the following variances:

- + Trade and other receivables are higher than budgeted, reflecting the accumulation of unused funds from prior year appropriations. This resulted in \$945,526 higher appropriation receivable for FY2017–18 compared to budget.
- + Non-financial assets includes internally generated software of \$323,701 which has been reported as work-in-progress. The amount of \$155,942 incurred in financial year 2017–18 is also reflected in cash used for investing activities in the Cash Flow Statement.
- + An increase in other payables as at 30 June 2018 is due to employees transferring their leave to other Commonwealth entities upon leaving the NHFB. This amounts to \$77,465 payable to other agencies.
- + An increase of \$99,826 in employee leave provisions is mainly due to an increase in salaries, staff accruing more leave and new staff commencing in NHFB (this does not impact on expenses as leave was transferred from other government entities).

End of General Purpose Financial Statements.

Correction

In NHFB's 2016–17 Annual Report, the Australian National Audit Office (ANAO) was incorrectly mentioned at Note 9 to the Financial Statements: Key Management Personnel Remuneration (page 91).

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





Endnotes

Acronyms

Acronym	Meaning
ABF	Activity-Based Funding
AHMAC	Australian Health Ministers' Advisory Council
ANAO	Australian National Audit Office
APS	Australian Public Service
APSC	Australian Public Service Commission
CCM	Commonwealth Contribution Model
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CFO/RAG	Chief Finance Officers and Reconciliation Advisory Group Committee
COAG	Council of Australian Governments
FOI Act	<i>Freedom of Information Act 1982</i>
HAC	Hospital Acquired Complication
HOPD	Holder of Public Office
IHPA	Independent Hospital Pricing Authority
JAC	Jurisdictional Advisory Committee
LHN	Local Hospital Network
MBS	Medicare Benefits Schedule
NHFB	National Health Funding Body
NHIPPC	National Health Information and Performance Principal Committee
NHISSC	National Health Information Standards and Statistics Committee
NHR	National Health Reform
NHR Act	<i>National Health Reform Act 2011</i>
NWAU	National Weighted Activity Unit
PBS	Portfolio Budget Statements
PGPA Act	<i>Public Governance, Performance and Accountability Act 2013</i>
SES	Senior Executive Service
SME	Small and Medium Enterprise

Glossary

Term	Meaning
activity-based funding	A funding method for public hospital services provided to individual patients using national classifications, cost weights and nationally efficient prices developed by the IHPA. Funding is based on the actual number of services provided to patients and the NEP of delivering those services.
(the) Addendum	<p>The Addendum to the NHR Agreement entered into by the Commonwealth and all States and Territories in 2017, included as Schedule I to the Agreement.</p> <p>The Addendum sets out additional reforms to the way in which public hospitals are funded nationally.</p>
(the) Administrator	<p>The Administrator of the National Health Funding Pool is an independent statutory office holder. They are established under legislation of the Commonwealth, State and Territory governments and are distinct from all government departments.</p> <p>The Administrator is supported by the NHFB to administer the payment of public hospital funding according to the NHR Agreement. They also oversee payments into and out of the State (and Territory) Pool Accounts, collectively known as the National Health Funding Pool (the Pool).</p>
block funding	<p>A funding method for public hospital functions and services using fixed amount based on population and previous funding.</p> <p>Under the NHR Agreement, block funding is provided to States and Territories to support teaching and research undertaken in public hospitals. It is also used in smaller rural and regional hospitals.</p>
COAG Health Council	Previously known as Standing Council on Health (SCoH).
Council of Australian Governments (COAG)	The peak intergovernmental forum in Australia. Its members include the Prime Minister, State and Territory Premiers and Chief Ministers and the President of the Australian Local Government Association.
(the) Pool	See National Health Funding Pool.
Independent Hospital Pricing Authority	An independent statutory body established under Commonwealth legislation to calculate and deliver an annual National Efficient Price (NEP) used to calculate national activity-based funding for Australian public hospitals.
Local Hospital Networks	Recipients of the payments from the Pool, Commonwealth block funding and State managed funds.
National Funding Cap	The limit in growth in Commonwealth funding for public hospital services for all States and Territories of 6.5 per cent per annum and where the context so requires includes the operation of the Funding Cap as provided in this Agreement.

Continued.

Term	Meaning
National Health Funding Administrator Payments System (Payments System)	The Administrator's Payments System processes the national health reform Commonwealth, State and Territory deposits, and payments into and out of the Pool, as required under the Act.
National Health Funding Body	An independent statutory body established under Commonwealth legislation to assist the Administrator in carrying out his or her functions under Commonwealth, State and Territory legislation.
National Health Funding Pool (the Pool)	A collective name for the State (and Territory) Pool Accounts. The Pool was established under Commonwealth, and State and Territory legislation to receive all Commonwealth and activity-based State and Territory public hospital funding, and make payments under the Agreement.
national health reform	National health reform includes reforms to national public hospital funding, as set out in the NHR Agreement.
National Health Reform Agreement (the NHR Agreement)	The NHR Agreement outlines the funding, governance, and performance arrangements for public hospital services in Australia. The Commonwealth and all States and Territories Agreement in August 2011.
National Weighted Activity Unit (NWAU)	The NWAU is a measure of health service activity expressed as a common unit, against which the NEP is paid. It compares and values each public hospital service (whether it is an admission, emergency department presentation or outpatient episode), by weighting it for clinical complexity.
(the) NHR Act	The <i>National Health Reform Act 2011</i> .
(the) NHR Agreement	See National Health Reform Agreement.
Public Governance, Performance and Accountability Act (PGPA Act)	<i>Public Governance, Performance and Accountability Act 2013</i> . This Act replaced the <i>Financial Management and Accountability Act 1997</i> and the <i>Commonwealth Authorities and Companies Act 1997</i> from 1 July 2014.
Public Health funding	Public Health funding covers amounts previously relating to national public health, youth health services and essential vaccines (service delivery) in 2008–09 (\$244.0 million).
reconciliation	The reconciliation of actual ABF service delivery volume undertaken within a State or Territory to the estimate of ABF service delivery volumes provided by a State or Territory.

Continued.

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

Disclosure Index

Part of Report	Description	Requirement	Location
Letter of Transmittal			
	Letter of transmittal	Mandatory	15
Aids to Access			
	Table of contents	Mandatory	1
	Alphabetical index	Mandatory	103
	Glossary of abbreviations and acronyms	Mandatory	94, 95–97
	List of requirements	Mandatory	98–102
	Details of contact officer	Mandatory	iv
	Agency website address	Mandatory	iv
	Electronic address for report	Mandatory	iv
Review by CEO			
	Review by CEO	Mandatory	13–14
Overview of Agency			
	Role and functions	Mandatory	4
	Organisational structure	Mandatory	37
	Outcome and Program structure	Mandatory	19
	Purpose of the agency	Mandatory	ii
	Portfolio structure	Portfolio departments – mandatory	N/A
	Where outcome and program structures differ from Portfolio Budget Statement/ Portfolio Additional Estimates Statements or other portfolio estimates statement that was prepared for the agency for the period, details of variation and reasons for change	If applicable, Mandatory	N/A
Report on Performance			
Annual Performance Statements	Annual performance statement in accordance with paragraph 39(1)(b) of the PGPA Act and section 16F of the PGPA Rule	Mandatory	18–32

Continued.

Part of Report	Description	Requirement	Location
Report on Financial Performance	Discussion and analysis of the agency's financial performance	Mandatory	64–65
	Table summarising agency resource and payments	Mandatory	65
	If there may be significant changes in the financial results during or after the previous or current reporting period, information on those changes, including: the cause of any operating loss of the agency; how the agency has responded to the loss and the actions that have been taken in relation to the loss; and any matter or circumstances that it can reasonably be anticipated will have a significant impact on the agency's future operation or financial results.	If applicable, Mandatory	64, 70, 72
Management and Accountability			
Corporate Governance	Information on compliance with section 10 (fraud systems)	Mandatory	60
	Certification by CEO that fraud risk assessments and fraud control plans have been prepared	Mandatory	60
	Certification by CEO that appropriate mechanisms for preventing, detecting incidents of, investigating or otherwise dealing with, and recording or reporting fraud that meet the specific needs of the agency are in place	Mandatory	60
	Certification by CEO that all reasonable measures have been taken to deal appropriately with fraud relating to the agency	Mandatory	60
	Outline of structures and processes in place for the agency to implement principles and objectives of corporate governance	Mandatory	50–60
	Statement of significant issues reported to Minister under paragraph 19(1)(e) of the Act that relates to non-compliance with Finance law and action taken to remedy non compliance	If applicable, Mandatory	N/A

Continued.

Part of Report	Description	Requirement	Location
External Scrutiny	Significant developments in external scrutiny and the agency's response to the scrutiny	Mandatory	55
	Judicial decisions and decisions of administrative tribunals and by the Australian Information Commissioner	If applicable, Mandatory	55
	Reports on operations of the agency by the Auditor-General, a Parliamentary Committee, or the Commonwealth Ombudsman	If applicable, Mandatory	55
	Capability reviews on the agency	If applicable, Mandatory	55
Management of Human Resources	Assessment of the agency's effectiveness in managing and developing employees to achieve agency objectives	Mandatory	44
	Statistics on the agency's APS employees on an ongoing and non-ongoing basis; including the following:		
	+ Statistics on staffing classification level		
	+ Statistics on full-time employees	Mandatory	41–42
	+ Statistics on part-time employees		
	+ Statistics on gender		
	+ Statistics on staff location		
	+ Statistics on employees who identify as Indigenous.		
	Enterprise agreements, individual flexibility arrangements, Australian workplace agreements, common law contracts and determinations under subsection 24(1) of the <i>Public Service Act 1999</i>	Mandatory	36
	Number of SES and non-SES employees	Mandatory	43
	Salary ranges available for APS employees by classification level	Mandatory	43
	Non-salary benefits provided to employees	Mandatory	43

Continued.

Part of Report	Description	Requirement	Location
Management of Human Resources <i>(Continued.)</i>	Performance pay; including:		
	+ number of employees at each classification level who received performance pay		
	+ aggregate amounts of performance pay at each classification level	If applicable, Mandatory	43
	+ average amount of performance payment, and range of such payments, at each classification level		
	+ aggregate amount of performance payments.		
Assets Management	Assessment of effectiveness of assets management	If applicable, Mandatory	55
Purchasing	Assessment of agency performance against the <i>Commonwealth Procurement Rules</i>	Mandatory	55
Consultants	A summary statement detailing the number of new and ongoing contracts engaging consultants, including actual expenditure	Mandatory	53
	A statement of new and ongoing contracts	Mandatory	53
	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	53
	A statement regarding expenditure reporting in Annual Reports	Mandatory	53
Australian National Audit Office	Absence of provisions in contracts allowing access by the Auditor-General	If applicable, Mandatory	55
Exempt contracts	Contracts exempt from AusTender	If applicable, Mandatory	51
Small business	Statement of support for small and medium enterprise (SME) participation in Commonwealth Government procurement	Mandatory	55
	Procurement practices of the agency that support SMEs	Mandatory	55
	If agency is considered material in nature, statement of importance of timely payment to SMEs	If applicable, Mandatory	N/A

Continued.

Part of Report	Description	Requirement	Location
Financial Statements	Annual financial statements	Mandatory	64-91
Other Mandatory Information			
	If the agency conducted advertising campaigns, a statement detailing the advertising campaign(s)	If applicable, Mandatory	N/A
	If the agency did not conduct advertising campaigns, a statement to that effect	If applicable, Mandatory	51
	A statement regarding grants awarded to the agency	If applicable, Mandatory	N/A
	Outline of mechanisms of disability reporting, including reference to website for further information	Mandatory	42
	Website reference to where the agency's Information Publication Scheme statement pursuant to Part II of FOI Act can be found	Mandatory	56
	Correction of material errors in previous annual report	If applicable, Mandatory	91
	Information required by other legislation	Mandatory	51, 54

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