NSW Ministry of Health

Financial Requirements and Conditions of Subsidy
(Government Grants)

For Public Health Organisations

For the year ending 30 June 2019
At the time this document was prepared the Government Sector Finance Bill 2018 had been introduced into NSW Parliament. Assuming this Bill is passed by NSW Parliament, the Bill and associated regulations or Treasurer’s directions may result in additional or varied financial reporting or expenditure requirements being imposed on NSW Health entities in the 2018-19 financial year. In that event, the NSW Ministry of Health may issue one or more supplements to this document to ensure compliance by NSW Health with the new legislative requirements.
SECTION 1 GENERAL BUDGET ADVICE

1.1 Minister’s Approval

Section 127 of the Health Services Act 1997 requires the Minister for Health (the Minister) to approve the initial cash grant paid to all NSW Health public health organisations (PHOs)¹ each financial year.

1.2 Conditions of Government Grants

PHOs must ensure that Government Grants are spent in accordance with the purpose and conditions of annual Service (or Performance) Agreements² and must comply with all statutory and regulatory conditions placed upon the payment of grants under the Service (or Performance) Agreement and any subsequent funding approvals.

PHOs must meet the targets and other requirements of their annual Service (or Performance) Agreement. Organisations must operate within approved recurrent and capital budgets and achieve service activity volumes and other performance and service objectives required under the annual Service (or Performance) Agreement.

PHOs must operate within the NSW Health Performance Framework. Financial sustainability ought to be viewed from both a short- and long-term perspective. Short-term indicators show the ability of an entity to sustain sufficient liquidity over the short term while long term indicators have a strategic focus such as an ability to continue funding asset replacement programs.

AASB 1004 Contributions requires that income arising from contributions such as appropriations be recognised as a Government Grant by a PHO when the cash is received. Similarly, payments from the National Health Funding Pool – NSW for Activity Based Funding (ABF) activity should also be recognised as revenue “Government Grants” by Local Health Districts (LHDs) / Specialty Health Networks (SHNs).

1.3 Accounts and Audit Determination

The Secretary may impose further conditions on Consolidated Fund Payments, including Government Grants, as considered appropriate for any PHO.

In the exercise of power conferred under section 127(4) the Health Services Act 1997, the Secretary, as delegate of the Minister, has determined that it shall be a condition of the receipt of Consolidated Fund Recurrent Payments and Consolidated Fund Capital Payments that each PHO comply with the requirements of the Accounts and Audit Determination and the Accounting Manual for Public Health Entities in NSW³.

¹ Defined under s.7 of the Health Services Act 1997 and means Local Health Districts, Statutory Health Corporations and Affiliated Health Organisations (AHOs) in respect of their recognised establishments and services.
² LHDs/SHNs have annual Service Agreements; Statutory Health Corporations (ie, Pillars) have annual Performance Agreements.
³ Public Health Entities in NSW include PHOs and units of the Health Administration Corporation (the Ambulance Service of NSW, NSW Health Pathology, eHealth NSW, HealthShare NSW, Health Infrastructure and the Public Health System Support Division).
Under the Accounts and Audit Determination, the Chief Executive and Board of a PHO must ensure:

- the proper performance of its accounting procedures including the adequacy of internal controls
- the accuracy of its accounting, financial and other records
- the proper compilation and accuracy of its statistical records
- observance of the directions and requirements of the Secretary and the Ministry set out in policy directives and procedure manuals issued by the Minister, the Secretary and the Ministry.

SECTION 2 FINANCIAL REPORTING AND ACCOUNTABILITY

2.1 Accountabilities

It is a Condition of Subsidy (Government Grants) that Chief Executives are responsible for ensuring that there are appropriate measures in place to ensure sound financial management and compliance with Ministry and Government policies in regards to financial and budgeting practices.

In doing so, Chief Executives are required to undertake the following for controlled entities of the PHO:

- ensure a clear connection exists between funding and service delivery targets, consistent with the annual Service (or Performance) Agreement
- ensure that financial authority is appropriately delegated to budget holders
- ensure budget holders operate within approved expenditure and revenue budgets
- devolve financial budgets and service requirements to appropriate management control levels throughout the PHO with appropriate and responsible delegations
- not maintain negative reserves or provisions in any financial reserve accounts under the direction and accounting control of the PHO
- ensure sufficient cash is available to service short term liabilities that become payable within 7-days, in line with NSWTC15-01 Cash Management – Expanding the Scope of the Treasury Banking System and NSW Treasury’s cash buffer requirements
- ensure there are no general trade creditors or other creditors that are ready for payment exceeding 45-days from date of the invoice\(^4\)
- pay registered small vendors within the terms stipulated by NSWTC 11/12 Payment of Accounts

\(^4\) Whilst this is a benchmark, there is an expectation that creditors will be paid within contract or agreed terms based on valid invoices supported by approved purchase orders.
- ensure that specific purpose funding is maintained in real terms and used before recurrent funds and for the approved purpose for which funding was provided
- ensure that Restricted Financial Asset (RFA) Fund budgets in-year align with forecast income and expenditure held in the eCTRA system
- review dormant and overdrawn RFA accounts monthly
- ensure that intra-health transactional variances are minimised prior to month-end close by promptly resolving imbalances with counter-parties
- ensure that official travel is undertaken in accordance with Policy Directive PD_2010_010 Official Travel and that Overseas Travel Returns are prepared and submitted to the Ministry by 15 January for the 1 July to 31 December period and by 17 July for the 1 January to 30 June period
- implement strategies and procedures to reduce excessive annual leave balances in line with Ministry and Treasury directives
- implement all elements of the Efficiency Improvement Plan (EIP) and ensure effective monitoring and reporting of performance against the plan through the Rigorous Program Management (RPM) software
- ensure that a revenue initiative is confirmed and quantified before committing to expenditure sourced from that revenue initiative
- ensure District and Network Returns are submitted to the Ministry for input into the State Price determination and determination of applicable transitional grants
- ensure that annual clinical coding audits are incorporated into the PHO’s internal audit programs
- ensure that an internal audit of the costing and patient data, including the annual District and Network Return, is undertaken
- ensure that new cost centres are allocated costing fractions within the ABF costing systems before any actual costs are coded to them
- submit a monthly narrative to the Ministry (refer section 2.2 Budget Allocation Practices and Management)
- ensure the Ministry’s approved pro-forma financial statements are used to prepare the end of financial year financial statements
- submit early close and year-end statutory financial statements in accordance with NSW Ministry of Health directives and timeframes
- undertake the annual Certification of the Effectiveness of Internal Controls over Financial Information process in line with NSW Treasury (TPP17-06) and Ministry directives
- identify material emerging issues that may impact PHO financial statements and submit to the Ministry’s Financial Accounting team as advised
submit progress updates as requested by the Ministry in relation to Management Letter issues and the status of Auditor-General recommendations

submit signed monthly milestone reports to the Ministry’s Financial Accounting team within the required timeframes

complete Key Management Personnel Questionnaires within the timeframes stipulated by the NSW Ministry of Health

ensure asset revaluations (including desktop revaluations and reviews) are undertaken in accordance with NSW Ministry of Health policy

ensure assets held for sale are correctly brought to account by early close, for review by the Ministry’s Financial Accounting team and local auditors

ensure the Ministry’s Financial Accounting team are advised of all Administrative transfers on a timely basis

Undertake annual assessments of controlled entities and joint arrangements in accordance with NSW Ministry of Health guidelines.

2.2 Budget Allocation Practices and Management

**LHD/SHN-Level Budget Allocations (excluding AHOs)**

For LHDs and SHNs, Schedule C (Part 1 & 2) of the annual Service Agreement advises the expenditure and revenue budgets (inclusive of Government Grants). For statutory health corporations, expenditure and revenue budgets are advised in the Budget Schedule of the annual Performance Agreement.

The initial expense and revenue budgets are subject to variation through supplementations or other directives approved by the Ministry or through line item adjustments initiated by reporting entities. No other variations to revenue or expense budgets are permitted.

**Budget Devolution and Transparency (LHDs/SHNs only)**

Budget reporting at the ward or associated hospital unit is strongly encouraged. However, it is important that this information is updated and reported monthly in the relevant modules of SMRS.

It is a Condition of Subsidy (Government Grants) that LHDs/SHNs publish the executed annual Service Agreement, signed by the Chair of the Board and the Secretary, on its external website no later than the date stipulated by the Secretary in the letter from the Secretary that accompanies the issued Service Agreement. In addition, the Schedule C Budget Notes and Service Agreement Data Supplement documents are to be published on the same external website page as the annual Service Agreement.

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5 Affiliated Health Organisation (AHO) is defined under section 13 of the Health Services Act 1997 and means a non-profit, religious, charitable or other non-government organisation listed in Column 1 of Schedule 3 of the Act, but only in respect of establishments or services listed in Column 2 of that Schedule.
LHDs/SHNs must also publish required information on the expenses and revenue budget and approved activity and service information at facility level or functional level, using the relevant templates provided by the Ministry for this purpose (refer Appendix A).

It is also a Condition of Subsidy (Government Grants) that LHD/SHN publishes a schedule showing, in total and by hospital and other reporting streams, or major cost centres:

- the annualised base budget
- current year allocated budget
- dollar variation
- percentage variation.

The total of both the annualised base budget and the current year allocated budget must reconcile with the annual Service Agreement. The schedule must also be published on the external website no later than the date stipulated by the Secretary (refer Appendix B).

**Budget Setting and Phasing Practices**

Budgets and forecasts must be recorded in SMRS within cost centres, using relevant account codes. Budgets and forecasts are to be phased across months in the year to show expected financial trends. In doing so, it is important that a full year budget is not allocated against one month (such as June). The appropriateness of budget phasing will be monitored during NSW Health Performance Framework meetings with PHOs (excluding AHOs).

LHDs must ensure that revenue budgets are accurately projected and that variances between budget and actual revenue are minimised.

LHDs/SHNs and other PHOs must ensure that expense budgets for services procured from HealthShare NSW, eHealth NSW and NSW Health Pathology equal what is advised by those same entities when the budgets are being developed.

Expenditure and revenue budgets are consolidated and reported at a state level. As a consequence, Health Entities must ensure that line item transfers remain within gross expense and revenue limits, and changes between budget expense and revenue cash classes do not occur without prior written approval from the Ministry.

Budgets for balance sheet accounts including movements are reviewed Statewide by NSW Treasury and used in cash forecasting and, as such, Health entity Balance Sheet accounts are required to reflect expected balances and movements throughout the year.

Intra-Health changes to budgets must follow the same rules for actual Intra-Health transactions using the one-for-one mapping or same account with the other party to the change. Intra-Health charges and revenues must eliminate on consolidation across NSW Health; therefore, it is required that any changes are reflected in the budgets of both parties to the change.
Chief Executives are responsible for ensuring that cost, budgeting and forecast data is reliably entered into SMRS in a timely manner. Monthly narratives must reflect the underlying financial data contained in SMRS. The narratives must also include the background to any exceptions, as well as an understanding of the mitigating strategies that have been undertaken. Commentary on significant variances against the budget and or changes to the full year projection for categories within Expenditure and Revenue on a monthly, year to date, and full year basis are required. For further information on the preparation of the narratives please see the QlikView Narrative User Guide.

For PHOs (excluding AHOs), the first complete narrative will be required for the month ending August each year and is to include forecasts and variances. The Monthly Financial Reporting Timetable (Operating) is set out in the table below:

<table>
<thead>
<tr>
<th>Action</th>
<th>Working Day of Reporting Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Final date for outstanding supplementations to be submitted by public health organisations</td>
<td>1</td>
</tr>
<tr>
<td>Budget supplementations and/or line item adjustments to be processed by the Ministry</td>
<td>2</td>
</tr>
<tr>
<td>FMIS closed – actual results complete</td>
<td>2</td>
</tr>
<tr>
<td>Forecasts finalised and loaded into SMRS (as “submitted”)</td>
<td>3</td>
</tr>
<tr>
<td>SMRS budgets to close</td>
<td>3</td>
</tr>
<tr>
<td>SMRS budgets and forecast promoted to “official”</td>
<td>3</td>
</tr>
<tr>
<td>Actuals consolidation and elimination entries complete</td>
<td>3</td>
</tr>
<tr>
<td>SMRS Budget and Forecast for Ministry and Eliminations complete – consolidated “official” budget and forecast</td>
<td>5</td>
</tr>
<tr>
<td>Narrative Report submitted to the Ministry</td>
<td>5</td>
</tr>
<tr>
<td>Milestones for roadmaps up to date in RPM</td>
<td>5</td>
</tr>
<tr>
<td>Capital narrative submitted to the Ministry</td>
<td>5</td>
</tr>
</tbody>
</table>

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6 Reporting timeframes subject to change should NSW Treasury reporting milestones change.
LHDs/SHNs and Statutory Health Corporations must review their monthly financial results and provide considered forecasts at an appropriate fund entity/cost centre level. This ensures true transparency and accountability for Managers. It is expected that budgets and forecasts reflect cyclical trends with respect to the delivery of the majority of health programs.

Chief Executives must ensure that information presented to Boards is consistent with the financial information held in SMRS and the financial performance reported to the Ministry.

Certification of forecasts

The Government requires the Secretary and Chief Financial Officer (CFO) of NSW Health to certify the accuracy of NSW Health’s financial forecasts during the last quarter of the reporting year. The Ministry’s certification relies on PHOs (excluding AHOs) accurately forecasting their expenditure, revenues and any gains and losses associated with the General Fund and the Restricted Financial Assets Fund. As a result, LHDs and SHNs must certify the accuracy of their June 2019 forecasts submitted at the end of March 2019 on the template provided by the Ministry.

2.3 Cash and Liquidity Management

Cash Management Requirements

PHOs must manage their liquidity to ensure that there is sufficient cash to pay short-term liabilities that fall due within 7-days. It is a Condition of Subsidy (Government Grants) that PHOs comply with NSWTC15-01 Cash Management – Expanding the Scope of the Treasury Banking System and any other relevant circulars and directives issued by NSW Treasury, and with any specific guidance issued from time to time by the NSW Ministry of Health. It is expected that NSW Treasury will revise its cash buffer requirements by the end of the financial year. PHOs are required to adhere to the maintenance of a minimum unrestricted cash as bank balance as specified by NSW Treasury. This will require the adoption of rigorous and continuous monitoring of cash flows by PHOs.

Guidance on the application of NSWTC15-01 can be found in the Ministry’s Cash Management Guidelines 2015-16. Further guidance will be issued by the Ministry in line with revision to NSW Treasury’s cash management requirements.

Prudent Financial Practice

PHOs experiencing liquidity issues should apply any increase in revenue earned above the annual budget to managing creditors, reducing advances and long outstanding or doubtful debts in the first instance.

It is the responsibility of the Directors of Finance to ensure that bank accounts are not operating in an overdraft position.
Directors of Finance are responsible for prioritising weekly cash payments from available funds.

**Availability and reporting of banking information**

It is a Condition of Subsidy (Government Grants) that PHOs authorise NSW Treasury Corporation and any other banking institution they hold deposits in to make available to the Ministry any information with respect to bank accounts held in the name of, or banking services/facilities provided to, the PHO.

Reporting of all reconciled balances for cash at bank will be required to ensure monitoring in compliance with NSW Treasury cash balance reporting. This includes ‘restricted’ and ‘unrestricted’ funds.

Requests for information regarding bank accounts and cash held may be made by any one of the following authorised officers of the Ministry:

- Secretary, NSW Health
- Chief Financial Officer and Deputy Secretary, Finance and Asset Management
- Deputy Chief Financial Officer
- Director, Funds Management and Reporting Systems
- Director, Financial Performance and Reporting.

2.4 Efficiency Improvement Plan

PHOs (excluding AHOs) are required to deliver and report to the Ministry on strategies to improve financial sustainability in productivity, revenue and expenses. These strategies are referred to as Efficiency Improvement Plans (EIPs).

Productivity improvements and Expenses savings strategies contribute towards the State Budget Efficiency Dividend targets, equivalent to approximately 1.5 per cent of the total Budget. Each PHO negotiates a goal savings target with the NSW Health Program Management Office (PMO) in each of the below categories for the Financial Years. As in prior years, the planning and evaluation of EIPs sufficient to meet goal savings targets is reported through the RPM system.

Productivity EIPs represent efficiency improvements through a more efficient use of existing capacity, avoided hospital admissions, and avoided inappropriate admissions or interventions. Productivity EIPs also represent avoided costs, including reductions in cost increases.

Expenses EIPs represent the value of all saving measures required to meet local cost efficiencies and strategic investment plans, while achieving on budget performance. PHOs negotiate this value in consultation with the PMO. The value includes underlying and

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7 The delineation between ‘restricted’ and ‘unrestricted’ funds refers to the NSW Treasury classification of cash held in specified accounts. For NSW Health, all funds held in Restricted Financial Assets and Custodial Trust Fund accounts are considered ‘restricted’. Monies held in a General Fund account are considered ‘unrestricted’.
incremental on-budget performance and efficiencies where local costs exceed the State price. Strategies to address Expenses may include improved management of staff and rosters as well as direct savings from procurement and other initiatives.

Revenue improvement requirements are identified in Schedule C of the Annual Service Agreement (or Annual Service Compact). These requirements are to be included in PHO EIPs and reported through the RPM system.

PHOs must identify the value of productivity, revenue and expenses strategies required to achieve budget in 2018-19 by no later than 31 July 2018.

2.5 Statutory Reporting and Audit Compliance

Statutory Reporting Timetable

PHOs are required to meet financial reporting deadlines set by the Ministry for early close and 30 June 2019. The following timetable sets out the indicative key reporting dates:

<table>
<thead>
<tr>
<th>Financial Statements Timetable&lt;sup&gt;8&lt;/sup&gt;</th>
<th>Action</th>
<th>Early Close</th>
<th>30 June 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Submit draft financial statements to Ministry&lt;sup&gt;8&lt;/sup&gt;</td>
<td>9 April 2019</td>
<td>9 July 2019</td>
<td></td>
</tr>
<tr>
<td>Submit endorsed financial statements to the Audit Office&lt;sup&gt;8&lt;/sup&gt;</td>
<td>17 April 2019</td>
<td>16 July 2019</td>
<td></td>
</tr>
</tbody>
</table>

Certification of Financial Statements

Directors of Finance must certify to the Ministry and their Chief Executive an expression of opinion as to the effectiveness of internal controls over financial Information, based on the design, implementation and operation of internal control systems over the entity’s financial information.

The Ministry will issue a health specific questionnaire and accompanying schedules and certification templates prepared in accordance with TPP17-06 Certifying the Effectiveness of Internal Controls over Financial Information (3 May 2017).

The questionnaire and signed certification is due to the Ministry no later than 17 July 2019<sup>9</sup>.

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<sup>8</sup> Dates subject to change following release of NSW Treasury Circular related to Mandatory Early Close Reporting Procedures early in January 2018.

<sup>9</sup> Date subject to confirmation by NSW Treasury.
**Audit compliance**

Chief Executives are to ensure they have processes and governance arrangements in place to ensure there are no material misstatements or errors in the annual financial statements of their reporting entity.

The Audit Office issues Management Letters to PHO’s and makes recommendations in its Auditor-General Report to Parliament on areas it considers requires improvement.

All PHOs need to respond to the audit management letters in a timely manner, responding to the matters raised and where required, putting measures to improve processes and practices. PHOs should also track performance against Auditor-General Report Recommendations made to parliament where applicable. The Ministry will request for status reports from time-to-time and these should be provided in a timely manner. The Ministry also requires copies of the audit management letters and management responses to be provided to the Ministry by 30 November 2018.

Local Audit and Risk Committees should review matters raised in by auditors and establish processes to satisfy themselves action is being taken to rectify issues raised by the auditors. Repeat issues should be avoided. Status reports should be provided to the Local Audit and Risk Committees until the matter is resolved to the auditor’s satisfaction.

The Audit Office issues Statutory Audit Reports and Client Service Reports each year and provides each PHO with a list of unadjusted errors. PHOs must provide these reports to the Ministry by 30 September 2018.

2.6 Own Source Revenue

It is the responsibility of LHD and SHN Chief Executives to ensure that billing practices comply with the laws, policies and other requirements of the NSW and Commonwealth Governments.

Chief Executives must also ensure that staff specialists treat private patients and bill appropriately for those services.

Directors of Finance are responsible for ensuring that the LHD or SHN makes no payments to visiting medical officers or staff specialists in breach of section 19(2) of the *Health Insurance Act 1973*.

Directors of Finance are also responsible for ensuring the LHD or SHN provides a suitable representative to all state-wide Revenue groups and meetings, including the State-wide Revenue Advisory Group (SRAG), Revenue Tools User Group (RTUG) and PBRC Management Committee.

LHDs and SHNs are strongly encouraged to fully utilise the tools made available by the Ministry to maximise own source revenue, including the Revenue Portal and Revenue Website.
3.1 Government Grants and Other Revenue Payments by the Ministry

Government Grants are paid weekly or monthly per existing timetables. All subsidy support paid as Government Grants are receipted to accounts A425010 (Recurrent) and A425050 (Capital). This includes the following categories:

<table>
<thead>
<tr>
<th>National Health Funding Pool</th>
<th>Funds relate to the ABF activity undertaken by LHDs/SHNs included in the annual Service Agreements, less shared service recovery per Schedule C, Part 3 of the Service Agreement.</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Managed Fund</td>
<td>Funds relate to in-year block funding to the LHD/SHN defined in the National Health Reform Agreement, subject to review and consensus between NSW as the State Manager and the Commonwealth, less shared service recovery as per Schedule C, Part 3 of the Service Agreement.</td>
</tr>
<tr>
<td>Ministry of Health – State Pool</td>
<td>Funds relate to all other services provided by the LHD/SHN and all other NSW Health reporting entities, less shared service recovery as per Schedule C, Part 3 of the Service Agreement.</td>
</tr>
</tbody>
</table>

Health Entities must ensure that Government Grants that are recorded in General Ledger Account Number A425010 reconcile to the monthly Government Grant (Subsidy) Cash Payment Sheet and the local receipt of funds. A statement stating that attesting to this reconciliation must be included in the monthly narrative report submitted to the Ministry.

Disbursement of funds will continue to reflect necessary fund transfers to internal service providers as part of the whole of health fund management functions. This includes provision of specific fee for services (e.g. linen, pathology and transactional services) or whole of health payment services (e.g. payroll, electricity, TMF) which will continue to be managed by the relevant health entity (e.g. HealthShare NSW, eHealth NSW, Ministry) in co-operation and agreement with the PHO. Details of shared service recovery are included in Schedule C, Part 3 of the Service Agreement.

PHOs wishing to use these fund management arrangements to transact business unit charges between PHOs and other reporting entities (e.g. Pillars) should first discuss the process with the Ministry to ensure that appropriate practices are established and agreements with relevant entities are established.

Other revenue payments from the Ministry will continue in respect of DVA, MAA, RAS and TACP.
3.2 Escalation Requirements

The state average composite rate of escalation for funded expenditure, excluding non-escalated items, is 2.2 per cent. This includes provision for NGO grants to be increased by 2.5 per cent plus increased SPA and recoupment charges for eHealth services, Non-Emergency Patient Transport (NEPT) budget re-alignments and the rebase of HealthShare Food Services budgets following the revision of the price methodology. The escalation is not applied to depreciation, National Partnership Agreement expenditure budgets, or to the Restricted Financial Assets Fund.

It is a Condition of Subsidy (Government Grant) that the budget LHDs and SHNs allocate for services purchased from NSW Health Pathology, eHealth NSW and HealthShare NSW agree with the pricing advice provided by these entities (and, therefore, with the budgets allocated to LHDs for this purpose). It is also a Condition of Subsidy (Government Grants) that LHDs escalate NGO budgets by the applied escalation rate (2.5 per cent).

The 2018/19 Budget Explanatory Notes, accompanying the 2018/19 Service Agreements, contain further details on expenditure and revenue escalations.

3.3 Administrative Charges

In recouping the corporate and other overhead costs associated with the support of projects and programs funded by the Ministry, PHOs are required to ensure:

- the overhead charge is commensurate with the marginal cost of providing the support
- the overhead charge is determined in a transparent manner (based upon an estimate of actual effort required)
- the overhead charge applied to funding is communicated to the budget holder in a timely manner.

In recouping overheads, the maximum rate to be applied is 7.5 per cent.

3.4 Procurement

*Purchase Order Compliance*

It is a requirement that purchase orders be used for the procurement of specific general goods and services. Compliance with this requirement is monitored by HealthShare NSW and reported monthly for defined service categories.

*Procurement Cards (P-Cards)*

Policy Directive PD2014_035 (the Directive) states that P-Cards be used for all non-clinical, high volume, low value transactions (under $5,000) that meet the ‘acceptable purchase criteria’\(^{10}\) defined within the Directive.

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\(^{10}\) Section 4.1, PD2014_035 Procurement Card – User Guide.
Under the Directive, Chief Executives are responsible for:

- ensuring that purchasing guidelines and procedures are in place to support implementation and use of P-Cards within their organisation and that the guidelines and procedures are consistent with the Directive.
- determining those roles within the organisation authorised to be issued with a P-Card including that the hold appropriate delegation and undertake functions requiring the use of a P-Card.
- ensuring P-Cards are used according to the conditions and requirements of the Directive
- developing an annual audit program of P-Cards in accordance with Section 1.6.4 of the Directive.

3.5 Debtors

The recovery of debt from third parties is a matter of high priority

Recovery of outstanding patient fees must be actioned at 30 days, 45 days and 60 days through the use of reminder letters and final notices for recovery.

Strategies must be put in place to minimise doubtful and bad debts, including adherence to the Ministry’s policy on securing fees for service and the reporting of debtors’ written off to the PHO’s Finance and Performance Committee each quarter.

Directors of Finance are responsible for implementing payment processes to support debt recovery and further reduce transaction processing time.

3.6 Accumulated Annual Leave

PHOs must ensure that employees take a reasonable amount of annual leave each year. Measures must be put in place to reduce excess leave balances in order to ensure compliance with NSW Government Policy, the Annual Holiday Act 1944 and the Industrial Relations Act 1996. Excessive leave entitlements adversely impact the organisation because it is paid at the rate of pay when the leave is taken or paid out, not the time at which it was accrued. It can also have adverse effects on employee wellbeing and productivity.

The 2018/19 price for ABF and Block Services are based on prior-year cost data collection which includes annual leave provision adjustments. Accordingly, budget allocations within LHDs/SHNs need to include appropriate allocations for annual leave provision.

The monetary value of annual leave strategies agreed with the Ministry’s Workforce and Planning Branch must be communicated to the Ministry’s Finance Division no later than 31 July 2018. Treasury has communicated a preparedness to provide cash support for reductions in annual leave provisions, in approved circumstances.
3.7 Taxation and Superannuation

PHOs are responsible for ensuring that GST is appropriately coded for all financial transactions for reporting on the Business Activity Statements (BAS). PHOs are required to ensure that the BAS is prepared in accordance with the *NSW Health Standardised BAS Procedures Manual* and lodged within prescribed timeframes. PHOs are also responsible for ensuring the accurate reporting of all fringe benefits provided to NSW Health employees for the preparation of the annual Fringe Benefit Tax (FBT) Return.

PHOs are to ensure that GST and PAYG withholding are paid to the ATO within prescribed timeframes to comply with relevant taxation and superannuation laws.

The Ministry provides NSW Health entities with policy directives, tax law interpretation and technical support for all taxation and superannuation issues. The Ministry also provides guidance on management of risk. The Ministry has overarching responsibility to manage taxation and superannuation risk for NSW Health. Training manuals and other supporting materials can be found on the [NSW Health Intranet site](#).

Chief Executives must ensure that appropriately qualified staff oversee the taxation function, and collaborate with the salary packaging function to ensure compliance with the *NSW Health Salary Packaging Policy and Procedures Manual* and the FBT legislation. In undertaking this function, PHOs must nominate a suitably qualified representative to attend all tax forums and training days run by the Ministry. The nominated tax representative is responsible for ensuring their PHO is compliant with the directives issued by the Ministry.

PHOs that engage an external salary packaging provider must ensure that there is a clearly identified PHO contact with the appropriate skill and experience to manage the external provider and ensure compliance with the *NSW Health Salary Packaging Policy and Procedures Manual* and legislative obligations, including tax.

It is a Condition of Subsidy (Government Grants) that all private rulings to the ATO in relation to any PHO are prepared and lodged by the Ministry.

Chief Executives are required as part of governance controls to ensure compliance with PD2015_043 Enterprise-Wide Risk Management Policy and Framework and include an annual review of tax compliance in the Internal Audit Program. Chief Executives must notify the Ministry immediately of taxation risks added to the Enterprise Risk Register.

It is also a Condition of Subsidy (Government Grants) that PHOs follow the Ministry’s protocol for ATO reviews and audits. The Ministry should be notified as soon as practicable of all ATO reviews and audits. The Ministry will provide guidance in managing this process.

3.8 Restricted Financial Assets and Custodial Trust Funds

PHOs (excluding AHOs) are required to use the electronic registry for Custodial Trust Funds and Restricted Financial Assets (eCTRA) to ensure standardised management and recording practices in relation to restricted assets. eCTRA provides health entities with
improved financial accountability and transparency by facilitating easier monitoring and reporting of Custodial Trust Funds and Restricted Financial Assets across NSW Health.

In managing these funds, entities must ensure that effective processes are implemented to monitor relevant cost centres within eCTRA and identify alternative uses should it become unlikely that remaining funds can be expended on activities related to its initial purpose. Health entities should refer to *A Guide to Restricted Financial Assets and Custodial Trust Funds*.

PHOs are required to align budgets held in SMRS systems to the forecast in the eCTRA system on an ongoing basis.

PHOs must ensure that the following classes of revenue and assets are held and appropriately recorded in the Restricted Financial Assets Fund:

- Grants or any other funds designated by the CFO of NSW Health as being Restricted Financial Assets (refer below),
- Donations, gifts, legacies and bequests, other than those required to be credited to the General Fund,
- Public Contributions Fund (refer below),
- Clinical/Drug trials (refer below),
- Commonwealth Health Program Grants (HPGs; refer below),
- Samaritan Fund,
- proceeds of charitable fundraising by the PHE,
- research, project and other grants from external third parties that are not allocated to the PHE by the Ministry (not to include use of general fund payments from other NSW Health reporting entities),
- salaried staff specialist private practice funds under an approved right of private practice arrangement, and
- interest earned on the above, appropriately apportioned and credited to applicable accounts.
- Capital Equipment Replacement Fund for designated PHE entities (refer below).

**Capital Equipment Replacement Fund (for designated Business Unit Entities)**

For nominated Business Unit entities (namely, NSW Health Pathology, HealthShare and eHealth), that incorporate as part of their business model, a charge for capital equipment replacement in their pricing methodologies with respect to external customers (including LHDs/SHNs and other organisations external to NSW Health), they are to establish a designated Restricted Financial Assets Fund for the purpose of accumulating such component charges, on an annual basis, as a source of funds for future capital purchases. Any funds accumulated in the RFA bank account established for this purpose must be directly traceable to the Business Entities’ charging methodology and billing records, and must provide for a forward capital budget forecast that aligns with estimated use of Locally Funded Initiative capital programs.
**Funds designated as Restricted Financial Assets by the CFO of NSW Health**

From time to time, the CFO of NSW Health may approve the establishment of a Restricted Financial Assets Fund by a PHE for a specified purpose other than those listed above. Where this occurs, PHEs are to ensure that the designated funds are held and used in accordance with the purpose and period of time specified by the CFO of NSW Health.

**Public Contributions Fund**

Any donation, gift, legacy or bequest that does not contain any conditions as to its use must be credited to an account within the Restricted Financial Assets Fund entitled “Public Contributions Account”.

**Clinical Drug Trials**

A Restricted Financial Assets Fund account may only be established for clinical/drug trials meeting the following criteria:

i. the research is funded in advance through a returnable grant from a third party,

ii. the trial meets the World Health Organisation's definition of a clinical trial as “any research study that prospectively assigns human participants or groups of humans to one or more health-related interventions to evaluate the effects on health outcomes”, and

iii. the trial is approved in line with the National Health and Medical Research Council requirements as published at the time the trial account is established in the Restricted Financial Assets Fund.

**Commonwealth Health Program Grant (HPG) Funds**

The Commonwealth Government Radiation and Oncology Health Program Grants Scheme provides a funding contribution to approved providers towards the capital cost of eligible high-cost equipment used in the delivery of radiation therapy.

Eligible PHEs must establish a Restricted Financial Assets Fund account for the purpose of accumulating funds received from the Commonwealth under this Scheme, to be used towards the future purchase of eligible radiation therapy equipment.

### 3.9 Capital Funding and Maintenance of Assets

**Specific Budget Provisions**

After taking the prior year’s final expenditure into consideration, each PHO should review their capital project allocations for the reporting year and cash requirements for the three forward estimate years. Finance Branch need to be advised within four-weeks from the date that the annual Service Agreement is issued. Any proposed adjustments, including
rollovers, must be accommodated within the total approved allocation and each individual project’s Estimated Total Cost (ETC).

Following a review of the overall Capital Works Program, the revised capital project allocations will be confirmed through an Allocation Advice Letter that will be issued to all PHOs.

Asset Strategic Plans

PHOs are responsible for developing, maintaining and progressively improving their local Asset Strategic Plans (ASP). These ASPs are required to be revised and submitted annually to the Ministry. This year the due date is 28 June 2018.

ASPs provide input into the development of the NSW Health Total Asset Management (TAM) Plan, including information on current and future capital investment priorities, asset maintenance and asset disposals. The PHO’s ASP should identify any potential asset gaps, maintenance requirements, critical works and asset disposals necessary to support the ongoing delivery of services in the PHO and optimising use of local funds.

The PHO’s ASP must be supported by robust and comprehensive service and strategic plans to support the need for capital investment to achieve service development priorities, and proposed changes in the local approach to health care. Importantly there will also be a need to develop the ASPs in recognition of ABF arrangements, and the linkage with recurrent funding impacts, and purchasing decisions. The ASP should:

- reflect the PHO’s prioritisation of proposed asset investments
- clearly describe the benefit of the investment and health outcomes expected
- demonstrate a consideration of a range of procurement options, including non-asset solutions.

Health System Planning and Investment Branch, Financial Services and Asset Management Division and Health Infrastructure are available to provide guidance to individual PHOs in the development of this plan.\(^\text{11}\)

Asset Revenue

Real property assets are only held by government when required, and in the form necessary, to support core government service provision (including holding and maintaining State strategic assets). Real property assets which do not meet this test should be relinquished or realised and the rental savings or unlocked capital put to alternate use, with a priority given to maintaining, improving and extending real property assets that are core to current or future service delivery.

Asset sale revenue should be managed to optimise revenue to support capital works and locally funded works. Any variation in targeted asset sale revenue receipts and in asset sale

\(^{11}\) The requirements are outlined in the Guide to the Development of Asset Strategic Plans, published annually by the Health System Planning and Investment Branch.
revenues tied to capital projects, when known, should be immediately advised to the CFO of NSW Health.

Changes to the Capital Limit

A change to the capital limit creates an opportunity to optimise the greater use of local funds (e.g. RFAs) where it can be demonstrated the PHO funding available from local sources. Project briefs are required to be submitted to the Health System Planning and Investment Branch in the Ministry, who assess the project from service planning perspective and the Financial Services and Asset Management division will then provide approval for the use of the designated funds.

Locally Funded Initiatives > $250,000

Locally Funded Initiatives exceeding $250,000 are projects which involve the use of locally sourced PHO funds for use on capital works. The nature of the expenditure may include new or refurbished buildings, fit out, infrastructure or equipment to support local service delivery priorities. PHO funding sources may include bequests, donations, grants and other Restricted Assets Funds that are held as cash at bank or, in some cases, proceeds realised from asset sales per the Real Property Disposal Policy (PD2012_039).

Minor Works and Equipment > $10,000 Program

This program includes expenditure on all items of minor works and equipment which are capital in nature, as determined by the definition of an asset by Australian Accounting Standards, and where total cost is less than $250,000. The allocation must be fully expended within the financial year it is provided. The methodology used to determine the budget distribution for the “Minor Works and Equipment exceeding $10,000 Program” was recalculated for the 2018/19 financial year using the fair value of plant and equipment assets for the year ended 30 June 2017 as the base and will remain effective for the next 3-years. The distribution of Government contributions for this program is calculated on a PHO’s ability to fund Minor Works and Equipment needs via Restricted Financial Assets and other local funds. Local contributions towards the program are uncapped. Requests for an increase in the use of local fund contributions should be made in by writing to the CFO of NSW Health for approval.

Maintenance of Assets – Use of AFM Online

It is a Condition of Subsidy (Government Grants) for PHOs that assets are maintained as per statutory requirements and as set out in policy directives and procedure manuals issued by the Minister, the Secretary and the Ministry.

To support the maintenance of assets, it is a Condition of Subsidy for LHDs and SHNs to implement the AFM Online software system for asset maintenance by June 2019 and provide regular updates on implementation schedules and progress to the CFO of NSW Health. The documentation of AFM Online implementation plans is further required as part of the annual Asset Strategic Plan submission.
XXX Hospital

The following information is provided in respect to the budget and activity requirements for XXX Hospital for the financial year 2018/19. The budget represents the initial allocation and may be subject to change as the year progresses.

**INITIAL BUDGET ALLOCATION FINANCIAL YEAR 2018/19**

<table>
<thead>
<tr>
<th>Activity</th>
<th>Initial Budget 2018/19 ('000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acute, ED &amp; Non Admitted Patients</td>
<td></td>
</tr>
<tr>
<td>Sub-Acute Services - Admitted &amp; Non-Admitted</td>
<td></td>
</tr>
<tr>
<td>Mental Health</td>
<td></td>
</tr>
<tr>
<td>Block Funding Allocation 2</td>
<td></td>
</tr>
<tr>
<td>State Only Block Funded Services 3</td>
<td></td>
</tr>
<tr>
<td>Transition Grant (excluding Mental Health)</td>
<td></td>
</tr>
<tr>
<td>Gross-Up (Private Patient Service Adjustments)</td>
<td></td>
</tr>
<tr>
<td>Provision for Specific Initiatives</td>
<td></td>
</tr>
<tr>
<td>RFA Expenses</td>
<td></td>
</tr>
<tr>
<td>Depreciation (General Funds only)</td>
<td></td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>$</td>
</tr>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Net Result</strong></td>
<td>$</td>
</tr>
</tbody>
</table>

**ACTIVITY TARGETS 2018/19**

<table>
<thead>
<tr>
<th>Activity</th>
<th>Target Volume (NWAU)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acute</td>
<td></td>
</tr>
<tr>
<td>ED</td>
<td></td>
</tr>
<tr>
<td>Non-Admitted Patients (Outpatient Services)</td>
<td></td>
</tr>
<tr>
<td>Sub-Acute Services - Admitted</td>
<td></td>
</tr>
<tr>
<td>Sub-Acute Services - Non Admitted</td>
<td></td>
</tr>
<tr>
<td>Mental Health</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>-</td>
</tr>
</tbody>
</table>

**FTE BUDGET 2018/19**

1 Mental Health includes ABF Hospitals, Block Funded Hospitals, Non Admitted (Block) and Mental Health Transition Grant

2 Block Funding Allocation includes Block Funded Hospitals (Small Hospitals), Teaching, Training and Research and Other Non Admitted Patient Services

3 State Only Block Funded Services include those State Based Services that are "out of scope" services under the NHRA
# Appendix B – Expense Budget Template

## Expense Budget

### Service Agreement Schedule C issued June 2018

<table>
<thead>
<tr>
<th>Local Health District/Network</th>
<th>2017/18 Annualised Budget ($'000)</th>
<th>2018/19 Initial Budget ($'000)</th>
<th>Growth ($'000)</th>
<th>Growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>XX XX XX</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Local Health District/Network**

*Enter name of facility in alphabetical order*

<table>
<thead>
<tr>
<th>Local Health District/Network</th>
<th>2017/18 Annualised Budget ($'000)</th>
<th>2018/19 Initial Budget ($'000)</th>
<th>Growth ($'000)</th>
<th>Growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>XX XX XX</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**TOTAL**

1. Expenses are inclusive of escalation, cost efficiency & increased activity for hospital admitted and non-admitted services.
2. The total Expense Budget amounts to be included are as per Schedule C (Row K)
<table>
<thead>
<tr>
<th>Due date</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date as stipulated in the Secretary’s letter accompanying the issued annual Service Agreement</td>
<td>Budget information available on notice boards using the Budget Templates provided in Appendices A and B.</td>
</tr>
<tr>
<td>4 weeks after from the date of issue of the annual Service Agreement</td>
<td>Review capital project allocations for the reporting year and the required cash flow for the three forward estimate years and provide advice to Health System Planning and Investment Branch.</td>
</tr>
<tr>
<td>30 June 2018</td>
<td>Asset Strategic Plans (ASP) to be revised and submitted annually to the Health System Planning and Investment Branch.</td>
</tr>
<tr>
<td>31 July 2018</td>
<td>Identify the value of Productivity, Expense and Revenue strategies required to achieve on budget performance in 2017/18.</td>
</tr>
<tr>
<td>30 September 2018</td>
<td>Document and upload Roadmap strategies for 2017/18 to meet Productivity, Expense and Revenue target values within the RPM software.</td>
</tr>
<tr>
<td>30 November 2018</td>
<td>Forward the Health Entity Management Letter from the NSW Audit Office to the Ministry</td>
</tr>
<tr>
<td>30 November 2018</td>
<td>Review prior-year opening balances and assess impact of carry-over misstatements</td>
</tr>
<tr>
<td>22 March 2019</td>
<td>Submit forward estimates and information schedules to the Ministry</td>
</tr>
<tr>
<td>5 April 2019</td>
<td>Cut off for submission of annualised budget supplementations to the Ministry</td>
</tr>
<tr>
<td>9 April 2019</td>
<td>Certify as to the accuracy, in all material respects, of the 2016/17 forecasts year-to-date and predicted June result as submitted at the end of March 2017</td>
</tr>
<tr>
<td>9 April 2019</td>
<td>Submit early close Financial Statements to Ministry for Consolidation of Ministry of Health Financial Statements</td>
</tr>
<tr>
<td>Date</td>
<td>Task</td>
</tr>
<tr>
<td>--------------</td>
<td>----------------------------------------------------------------------</td>
</tr>
<tr>
<td>9 July 2019</td>
<td>Submit year-end statements to Ministry for Consolidation of Ministry of Health Financial Statements</td>
</tr>
<tr>
<td>2 August 2019</td>
<td>Submit certification of the effectiveness of internal controls over financial information to the Ministry</td>
</tr>
</tbody>
</table>

12 Date subject to NSW Treasury confirmation of required timeframe.