

# Technical Budget Notes

## Nepean Blue Mountains Local Health District



Health



## Nepean Blue Mountains LHD

The Technical Budget Notes have been prepared to assist your finance department to unpack the overall budget for 2020/21 as per amounts loaded into NSW Health Budget Transaction System (BTS). As such, these notes are not to be published. These notes are to be read in conjunction with the Conditions of Subsidy and the NSW Ministry of Health Accounts and Audit Determination.

The Ministry is committed to providing a fair and robust budget process and will continue to improve processes via further review, creation of additional “cash classes” ensuring budget allocations are used for their intended purpose(s), and providing various mechanisms for health entities to request budget reviews where appropriate.

### Expenditure

The initial budget allocation for your Health Entity is \$904,411,400 for 2020/21, representing an increase of \$29,525,209 (3.37%) compared to your adjusted annualised budget as indicated in the State Outcome Budget Schedule within the 2020/21 Service Agreement.

The movements in expenditure is broken down into the following areas:

Expense Category	
Adjustments to Base	<b>\$-1,320,322</b>
Escalation	\$5,364,714
Activity Growth	\$17,606,736
Other Initiatives & Priorities	\$6,553,759
<b>Total Expense Movements</b>	<b>\$29,525,209</b>

**BUDGET SNAPSHOT**  
2020/21 Initial Budget Allocation  
**\$904,411,400**  
An increase of  
**\$29,525,209**  
3.37%  
*Row E of your State Outcome  
Budget Schedule Part 1*

*The values in the table above relate only to General Fund, so when comparing to your State Outcome Budget Schedule, you will need to exclude Restricted Financial Assets noted in row C.*

### Adjustments to Base

The following adjustments were made to the base budget as some of the items were either duplicates or incorrectly annualised in the interim budget due to the delays in the State Budget. The following table summarises the adjustments to the base:

Item		Budget Ref
Purchasing Adjustors	\$1,023,768	IB20-072
Free Dental Checks for Primary School Kids	\$-2,206,176	IB20-159
13940 - Regional Workforce Boost	\$-137,914	IB20-155
<b>Total</b>	<b>\$-1,320,322</b>	

## Escalation

The 2020/21 budget includes a standard escalation factor on budgeted G&S expenditure and 0.3% on budgeted Employee Related expenditure, excluding non-escalated items.

The wages policy of 0% for employees under the Statutory and Other Offices Remuneration Tribunal (SOORT) determination have not been passed on to the health entities. This was absorbed centrally by the Ministry.

The VMO Rural Doctors Settlement Package (where applicable) was escalated at 2.75% for the full year as per *IB2020\_032 Rural Doctors' Settlement Package Hospitals Indexation of Fees*.

National Partnership Agreement items of expenditure are not escalated (and generally relate to expenditure sourced from Commonwealth funds). Depreciation and RFAs are subjected to a separate in year review. Items for specific escalation are noted in the table below.

The composite escalation rate for your organisation is 0.61%, calculated as follows:

			Budget Ref
<b>2020/21 annualised expenditure base</b>	<b>\$ 876,206,513</b>		
Adjustments to Base	\$ -1,320,322		
<b>2020/21 Adjusted annualised expenditure base</b>	<b>\$ 874,886,191</b>		
<b>General escalation (excl. specific items)</b>	<b>\$ 4,579,088</b>	✓	IB21-001
<b>Add specific item escalations:</b>			
Blood & Blood Products (adjustment to 4%)	\$ 175,738	✓	IB21-001
Aeromedical (adjustment to 4%)	\$ 0	✓	IB21-001
Non-Government Organisations (adjustment to 1.75%)	\$ 57,700	✓	IB21-006
Intra-Health Adjustment - Escalations	\$ 552,188	✓	IB21-002 & IB21-003
Intra Health Expense Adjustments - Provider	0		IB21-007
<b>Total composite escalation</b>	<b>\$ 5,364,714</b>		
<b>Total composite escalation rate (%)</b>	<b>0.61%</b>		

✓ Indicates the adjustment has been annualised

### **Please Note:**

Escalation is not shown separately in the State Outcome Budget Schedule, it forms part of the total expenditure increase noted in Row E of Part 1.

It is a Condition of Subsidy (Government Grant) that the budget for Health Entities allocated for services purchased from NSW Health Pathology, eHealth NSW and HealthShare NSW must agree with the pricing advice provided by these entities (and, therefore, with the budgets allocated to Health Entities for this purpose).

## Activity Growth

The Health Entity has been provided with total volume growth funding of \$17,606,736 as follows:

			<b>Budget Ref</b>
Service demand and volume growth	\$ 13,915,429	✓	IB21-053
Purchasing Adjustors	\$ 3,691,307	✓	IB21-057
			N-IB21-057
<b>Total activity growth</b>	<b>\$ 17,606,736</b>		

✓ Indicates the adjustment has been annualised

For further information on the items listed in the activity growth table, please contact:  
Ben Smith, Director System Information and Analytics Branch, Ministry of Health.

## Other Initiatives & Priorities

A number of initiatives have been included in your 2020/21 budget allocation and are reflected in the State Outcome Budget Schedule as follows:

<b>Item</b>			<b>Budget Ref</b>
Efficiency and Procurement Savings	\$-1,842,290	✓	IB21-050
Specific Contracted Services Escalation	\$514,125	✓	IB21-081
Dental National Partnership Agreement	\$2,700,000		N-IB21-083
Wellbeing Health in Reach Nurses (WHIN)	\$137,914		N-IB21-061
Assistant in Medicine Positions	\$146,549		N-IB21-062
Mobile Dental Clinics - Escalation reduction	\$-33,837		N-IB21-066
End of life and palliative care - Allied Health	\$259,534		N-IB21-095
TMF Adjustments	\$2,497,123	✓	IB21-085
Intra-Health - HealthShare 20/21 Adjustments	\$535,552	✓	IB21-096
Intra-Health - eHealth 20/21 Adjustment	\$1,544,428	✓	IB21-097
Intra-Health - NETS 20/21 Adjustment	\$77,390	✓	IB21-098
Cancer 20/21 Intra-Health Adjustment	\$17,271	✓	IB21-103
<b>Total</b>	<b>\$6,553,759</b>		

✓ Indicates the adjustment has been annualised

## **Efficiency and Procurement Savings**

In line with the state fiscal challenges and all of government targets, every health entity is allocated a share of the overall NSW Health savings target in a proportionate way. This target is a combination of the following measures issued by NSW Treasury, which comprises of:

- Procurement and Productivity Savings,
- Cluster Efficiency Dividends, and
- Procurement Savings, Savings Taxpayer Dollars

Each health entity is required to submit appropriate plans to the Ministry of Health's Program Management Office (PMO) via the existing efficiency road mapping process that outline initiatives to address the targets set for 2020/21.

The information provided by the NSW Procurement team provides an indicative amount that represents your contribution to the overall savings target for your health entity. Please note that this is not in addition to what is being issued in the Final Service Level Agreement.

*For further information on Procurement Savings, please contact:  
Michael Gendy, Chief Procurement Officer, NSW Ministry of Health*

*For further information on the overall Efficiency and Procurement Savings, please contact:  
Emma Malica, General Manager, NSW Health Program Management Office, Ministry of Health*

## **Wellbeing Health in Reach Nurses (WHIN)**

This policy proposes to allocate funding towards the recruitment of six regional school nurses in regional NSW over 4 years.

*For further information, please contact:  
Caroline Wraith, Principal Policy Officer, Health and Social Policy, Ministry of Health.*

## **Assistant in Medicine Positions**

The assistants in medicine positions have been established to supplement the junior medical officer workforce as part of the COVID-19 medical surge workforce planning. Districts will be required to report on positions filled and participate in the evaluation of the role.

*For further information, please contact:  
Linda Macpherson, Medical Advisor, Workforce Planning and Talent Development, Ministry of Health.*

## **End of life and palliative care - Allied Health**

Workforce enhancement to improve access to specialist allied health services for people needing supportive, palliative and end of life care for a broad range of malignant and non-malignant conditions. Services provided in inpatient, outpatient and community-based settings including through virtual care.

*For further information, please contact:  
Gemma Rafferty, Principal Policy Officer, Health and Social Policy, Ministry of Health.*

## Intra-Health Escalation and Adjustments

Increases in Intra-Health budgets are normally calculated using a combination of price and volume increases. Increases in price are reflected as Intra-Health escalation, whereas increases in volumes are reflected from growth funding. Details as follows:

			Budget Ref
FY21 Intra-Health Base Budget – Un-escalated	<b>\$ 67,978,044</b>		
Price increase	\$ 552,188	✓	IB21-002 & IB21-003
Volume and other adjustments	\$2,711,421	✓	IB21-096 & IB21-097 & IB21-098 & IB21-099
<b>Total FY21 Intra-Health Budget</b>	<b>\$ 71,241,652</b>		

✓ Indicates the adjustment has been annualised

Breakdown via Intra-Health type:

Item	
Ambulance Inter-Hospital Transport	\$2,400,890
Ambulance NETS	\$358,242
HSSG Compacts	\$917,333
HealthShare NSW Linen	\$3,971,374
HealthShare NSW Warehousing & Service Centres	\$3,108,187
HealthShare NSW Food	\$14,036,988
HealthShare NSW Cleaning & Hotel Services	\$32,295
HealthShare PTS Hub	\$198,072
HealthShare PTS Fleet	\$4,761,039
HealthShare Fixed Wing	\$266,250
HealthShare Enable	\$395,342
Cancer Institute of NSW	\$0
eHealth	\$17,947,183
NSW Health Pathology	\$19,427,807
Intra-Health Other	\$3,420,651
<b>Total Intra-Health Charges</b>	<b>\$ 71,241,652</b>

There will be variances between Part 3 of your State Outcome Budget Schedule due to more recent data being used in the table above and the values above do not include GST where the service is deemed a taxable supply.

For further information, please refer to the Intra-health schedules on the SharePoint.

## Own Source Revenue

The initial budget allocation for your Health Entity is \$96,832,808 for 2020/21, representing an increase of \$889,917 (0.93%) compared to your adjusted annualised budget as indicated in the State Outcome Budget Schedule within the 2020/21 Service Agreement.

The movements in own source revenue is generally broken down into Price, Volume and Other adjustments.

There is no performance component allocated in the 2020/21 revenue budget.

The nature and impact of new and extraordinary revenue issues will differ across Health Entities. Coupled with the pandemic challenges, the revenue budget for 2020/21 has been allocated in a proportionate way except the price component.

BUDGET SNAPSHOT

2020/21 Initial Budget Allocation

**\$96,832,808**

**An increase of**

**\$889,917**

**0.93%**

Row 1 of your State Outcome  
Budget Schedule Part 2

The table below summarises the revenue movements:

Revenue category			Budget Ref
Price Increase - General	\$ 770,166	✓	IB21-250
Intra-Health Revenue Escalation	\$ 4,684	✓	IB21-251 & IB21-252
Private Health Insurance Single Room Revenue Reduction	\$ -4,659,492	✓	IB21-263
DVA Adjustment – Alignment to 2019/20 Forecast	\$ 341,504	✓	IB21-260
MAA Adjustment – Alignment to 2019/20 Forecast	\$ -187,545	✓	IB21-261
TACP Adjustment – based on 19/20 activity/occupancy & escalated by 1.4%	\$ 429,184	✓	IB20-262
Other Adjustments	\$ 4,174,145	✓	IB21-264 & IB21-265
Intra Health Adjustments	\$ 17,271	✓	IB21-266 & IB21-267 IB21-268 & IB21-269
<b>Total Revenue Movements</b>	<b>\$ 889,917</b>		

✓ Indicates the adjustment has been annualised

### DVA / MAA and TACP Revenue Adjustments

The Interim budget for 2020/21 reflects some minor adjustment for 2019/20 projections and price increases.

## **Price**

Price increases are account-specific and based on various sources (General Fund only). In general, private accommodation and pension-based fees are determined by the Commonwealth, with inflation applied to most of the remaining accounts. No price indexation is applied to grant accounts.

Please refer to the table below for the applicable escalation rate applied to the type of revenue.

<b>Revenue type</b>	<b>Rate %</b>
Change in Pension Fees	1.15%
Inflation	1.90%
NWAU Change (WC)	-0.13%
Change in Fee (Other Comp)	3.80%
New Price (\$317)	2.20%
New Price (\$370)	2.20%
New Price (\$794)	2.70%
Ambulance Fee	2.30%
Ineligible Sydney Health CPI	2.70%
Capital City – Sydney CPI 2021	1.60%

## **Volume and Other Adjustments**

Under normal circumstances, health entities will receive both volume and performance related revenue budgets annually. Volume escalations are generally limited to those revenue accounts related to patients, such as accommodation charges and facility fees. Indexation rates are equivalent to the 2020/21 NWAU targets.

Baseline activities for the health entities have been impacted by the pandemic, resulting in a need to identify alternative methods to distribute the revenue budgets for 2020/21. Every health entity is allocated a share of the revenue budget in a proportionate way. The Ministry acknowledges that this may be a stretched target for some health entities and endeavour to work with health entities in the coming months to improve the overall revenue allocation processes.

Any risks associated with achieving the revenue targets need to be highlighted in the monthly narrative forecast as well as the COVID risk template. This information will be used as evidence to inform negotiations with NSW Treasury.

The revenue budget allocation calculated under this methodology will be loaded into BTS using A471100 Non-User Charges General / P10000 General. This provides an opportunity for health entities to review and realign their existing revenue budgets during the year where required. The process for revenue budget adjustment remains unchanged; i.e. health entity will submit a request via the line item transfer for current year adjustments or the annual forward estimates process for future years adjustments.



## Balance Sheet Movements

The initial budget movement allocation for your Health Entity is **\$-13,105,527** for 2020/21. Balance Sheet movements are broken down into thirteen areas:

- | <b>Assets</b>     | <b>Liabilities</b>  |
|-------------------|---------------------|
| • Cash at Bank    | • Creditors         |
| • Investments     | • Accruals          |
| • Debtors         | • Borrowings        |
| • Inventories     | • Provisions        |
| • Prepayments     | • PPP Liability     |
| • Emerging Assets | • Income in Advance |
| • Capital / FA    |                     |

Please note, the above total balance sheet budget movement won't reconcile to what is in BTS due to the processing of ARRP, LFI and HI related capital projects in BTS after the State Outcome Budget was produced.

Ministry will be reviewing the balance sheet budgets in more detail during 2020/21.

## Government Contributions

The initial budget allocation for your Health Entity is **\$794,997,397** for 2020/21. Recurrent Government Contributions does not receive direct escalation or growth, as Government Contributions is calculated using the formula:

$$\begin{aligned} \text{Government Contributions} \\ = \text{Total Expenditure Budget} - \text{Total Own Source Revenue Budget} \\ \pm \text{Balance Sheet Movement Budget} \end{aligned}$$

Government Contributions	2020/21 Base	2020/21 Initial	Movement	%
Recurrent	\$ 739,754,263	\$ 767,636,233	\$ 27,881,970	3.77%
Capital	\$ 0	\$ 11,550,964	\$ 11,550,964	100.00%
Crown Acceptance	\$ 16,377,200	\$ 15,810,200	\$ -567,000	-3.46%
Entity transfer between GF/RFA/Capital	\$ 0	\$ 0	\$ 0	0.00%
<b>Totals</b>	<b>\$ 756,131,463</b>	<b>\$ 794,997,397</b>	<b>\$ 38,865,934</b>	<b>5.14%</b>

## Crown Acceptance

Crown Acceptance has been updated to include the recent NSW Treasury adjustment for the reduction in the Defined Benefit Superannuation Allocation as follows:

			Budget Ref
Initial Crown Acceptance	\$ 16,377,200		
Defined Benefit Superannuation Adjustment	\$ -567,000	✓	IB21-300
<b>FY21 Crown Acceptance</b>	<b>\$ 15,810,200</b>		

✓ Indicates the adjustment has been annualised