



National Health
Funding Body

**ANNUAL REPORT
2012-13**



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FOREWORD

The National Health Funding Body Chief Executive Officer (CEO) is required to prepare and present a report of operations to the Commonwealth Parliament pursuant to section 267 of the *National Health Reform Act 2011* (the Act) and section 70 of the *Public Service Act 1999*. This Annual Report satisfies and is presented under both Acts.

The CEO is also required to provide a copy of this report to each state and territory Health Minister under section 267(2) of the Act.

This Annual Report is prepared in accordance with the *Requirements for Annual Reports* as issued by the Department of the Prime Minister and Cabinet, and approved by the Joint Committee of Public Accounts and Audit under subsection 70(2) of the *Public Service Act 1999*.

The Annual Report details the activities of the National Health Funding Body during its first year of operation from 1 July 2012 to 30 June 2013.

FURTHER INFORMATION

If you require further information or have any queries in relation to this Annual Report, please contact:

National Health Funding Body

PO Box 3139, Manuka ACT 2603

Phone: 1300 930 522

Media: 02 6289 7425

Email: nhfb.enquiries@nhfb.gov.au

This Annual Report is also available online at www.nhfb.gov.au.

ABOUT THIS REPORT

The *National Health Funding Body Annual Report 2012–13* summarises the National Health Funding Body's performance for 2012–13. It outlines its performance against its strategic objectives and goals, as set out in its *National Health Funding Body Strategic Plan 2013–16*.

This Annual Report also includes the Financial Statements and corporate governance processes of the National Health Funding Body for 2012–13. The National Health Funding Body is committed to open and accountable reporting on its performance.

To help readers search for specific information, an index (page 91) and disclosure index (page 81) for specific reporting requirements have been included.

LETTER OF TRANSMITTAL



**National Health
Funding Body**

National Health Funding Body
PO Box 3139 Manuka ACT 2603
ABN: 15337761242

Telephone: 1300 930 522
Email: nhfb.enquiries@nhfb.gov.au

31 October 2013

The Hon Peter Dutton MP
Minister for Health
Parliament House
CANBERRA ACT 2600

Dear Minister,

National Health Funding Body Annual Report 2012-13

In accordance with section 70 of the *Public Service Act 1999* and section 267 of the *National Health Reform Act 2011*, I am pleased to provide you with the National Health Funding Body Annual Report and Financial Statements for the year ended 30 June 2013, for presentation to Parliament.

This report has been prepared in accordance with the *Requirements for Annual Reports* as issued by the Department of the Prime Minister and Cabinet and approved by the Joint Committee of Public Accounts and Audit under sections 63(2) and 70(2) of the *Public Service Act 1999*.

The Financial Statements are general purpose financial statements as required by section 49 of the *Financial Management and Accountability Act 1997*. They have been prepared in accordance with the:

- a) Finance Minister's Orders for reporting periods ending on or after 1 July 2011; and
- b) Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that apply for the reporting period.

As per section 267(2) 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,

Lynton Norris
Chief Executive Officer
National Health Funding Body

Proudly assisting the Administrator of the National Health Funding Pool

CHIEF EXECUTIVE OFFICER'S MESSAGE

It is with pleasure that I present the inaugural National Health Funding Body (Funding Body) Annual Report, for the financial year ending 30 June 2013.

In August 2011, the Council of Australian Governments agreed to major structural health reforms, which resulted in the *National Health Reform Agreement* (Agreement) and the *National Health Reform Act 2011*. It has been a great privilege to assist in the implementation of one of the most significant reforms to public hospital funding in recent history.

The Funding Body was created to assist the Administrator of the National Health Funding Pool (Administrator) to provide transparency and efficiency of public hospital funding. The successful passing of legislation to support the operations of the Administrator and the Funding Body, in all states and territories, is a clear demonstration of the commitment all Australian Governments have to the transparency and accountability of these national health reform arrangements.

As Chief Executive Officer of the Funding Body, I take enormous pride in reporting the substantial progress and milestones achieved in our first year of operation.

It is a testament to the commitment and professionalism of our talented and dynamic team, that all legislative requirements and obligations were met.

During 2012–13, all states and territories transitioned to the national health reform funding and payment arrangements, through the implementation of a national payment system and best practice financial management and governance frameworks. This was a significant achievement and these arrangements have enabled the processing of over \$36 billion of Commonwealth, state and territory funding to Local Hospital Networks and other providers.

We have already facilitated increased transparency via the monthly reporting of national health reform funding and payment flows on the www.publichospitalfunding.gov.au website. This has been a major step in enabling the Australian community to access and understand the investment made by the Commonwealth, states and territories in the provision of hospital services.

We have adopted a consultative approach when dealing with all health reform stakeholders in delivering and implementing the outcomes of the Agreement. Through this approach, our energetic team continues to demonstrate its shared vision by working collaboratively in the spirit of innovation and commitment.

The Funding Body is committed to moving forward and further developing the key foundations already established for public hospital funding. Over the next few years we will see the Funding Body support the Administrator to determine and apply efficient growth funding for hospital services under the Agreement, which will see the Commonwealth increase its funding contribution to states and territories by at least \$16.4 billion by 2019–20.

I would like to take this opportunity to recognise the direction and professionalism of the Administrator, Mr Robert (Bob) Sendt. His unwavering focus on implementing these national health reform funding arrangements during the year has placed the Funding Body in a good position for a strong and effective future. I, along with the staff of the Funding Body, look forward to working collaboratively with Mr Sendt over the coming year.

Finally, I applaud the efforts and achievements of the Funding Body in 2012–13, and look forward to continuing to lead this professional organisation. By working in collaboration with all stakeholders to drive the implementation of the Agreement, we will facilitate greater efficiency and financial sustainability of our Australian public health system, both now and into the future.



A handwritten signature in black ink, appearing to read 'Lynton Norris'.

Mr Lynton Norris

Chief Executive Officer
National Health Funding Body





HEALTH REFORM OVERVIEW

NATIONAL HEALTH REFORM

In August 2011, the Council of Australian Governments (COAG) agreed to major structural reforms to the organisation, funding and delivery of health care, and new financial and governance arrangements for Australian public hospital services, to enable the future sustainability of the Australian health system.

Following the COAG meeting, the Commonwealth and all state and territory governments entered into the *National Health Reform Agreement* (the Agreement) outlining their shared intentions to work together to establish the foundations of Australia's future health system.

Under the Agreement, the Commonwealth, state and territory governments are jointly responsible for funding public hospital services by using either activity based or block funding.

The aim of the Agreement is to deliver a nationally unified and locally controlled health system through:

- + introducing new financial arrangements for the partnerships of the Commonwealth, state and territory governments
- + confirming the roles state and territory governments play in public health and as system managers for public hospital services

- + using activity based funding to improve public hospital efficiency and patient access to services
- + increasing Commonwealth contributions to public hospital funding to ensure funding sustainability
- + improving the transparency of public hospital funding through a National Health Funding Pool (the Pool)
- + improving local accountability and responsiveness to the needs of communities through establishing local hospital networks
- + introducing new national performance standards and better outcomes for hospital patients.

The creation of the Administrator of the National Health Funding Pool (the Administrator) and the National Health Funding Body (Funding Body) encompass the agreed transparency arrangements of the Agreement. These roles incorporate funding determination, administration and reporting to the general public, the Commonwealth, states and territories, local hospital networks and other users.

The *National Health Funding Body Annual Report 2012–13* outlines the activities undertaken during the 2012–13 financial year to support the delivery of these obligations.

THE ADMINISTRATOR OF THE NATIONAL HEALTH FUNDING POOL

The Administrator is a single, independent statutory office holder, appointed by the Standing Council on Health and is not subject to the control or direction of the Commonwealth Minister. The Administrator was created through the Agreement and the Act and associated national health reform legislation in all states and territories.

The role of the Administrator is to administer the Pool according to the Agreement, to oversee payments into and out of the Pool account for each state and territory, and to report on various funding and service delivery matters. The Funding Body, a Commonwealth interjurisdictional agency, was created to assist the Administrator in the discharge of these legislative requirements.

The Act, the Agreement, and the relevant legislation of each state and territory govern the role, functions and responsibilities of the Administrator, which include:

- + calculating the Commonwealth national health reform funding contribution to states and territories, and ensuring funds are deposited into Pool accounts in line with the Agreement

- + administering the Pool, which receives all Commonwealth and activity based state and territory hospital funding
- + authorising payment instructions
- + reporting publicly on all activities of the Pool and other relevant aspects
- + reconciling estimated and actual service delivery volumes.

The funding provided through these arrangements is the biggest single investment in health services made by the Commonwealth and states and territories.



NATIONAL HEALTH FUNDING POOL

The Pool, which consists of eight state and territory bank accounts, is held with the Reserve Bank of Australia. The bank accounts that make up the Pool are known as state pool accounts and are established under state and territory legislation for the purpose of:

- + receiving all Commonwealth block funding
- + receiving activity-based state and territory public hospital funding
- + distributing funds and making payments according to the Agreement.

The Administrator governs the Pool, with the assistance of the Funding Body whose role it is to assist the Administrator in performing his functions under the relevant legislation. The Funding Body also provides effective and efficient administrative mechanisms and primary policy advice in the development and operation of those functions.

The national health reform funding and payment flows are outlined in Figure 1. As depicted in Figure 1, Funding contributors and payment recipients are described as:

FUNDING CONTRIBUTORS

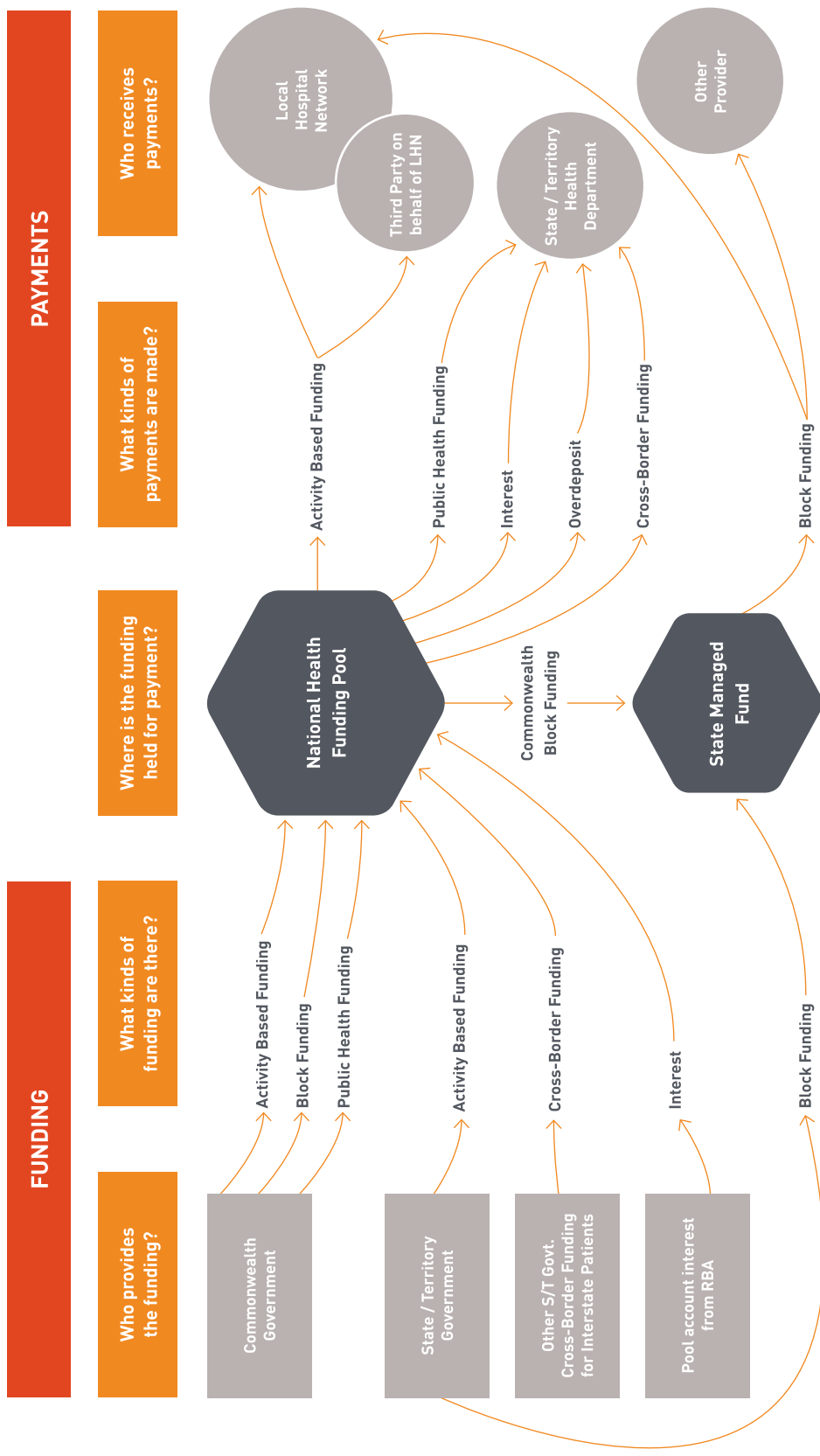
The funding contributors are the Commonwealth Government and state or territory governments for their own state and territory activity, and cross-border funding for interstate patients. National health reform funding occurs when contributors have paid into a state pool account or state managed fund.

PAYMENT RECIPIENTS

The payment recipients are the local hospital networks, third parties on behalf of the local hospital networks, state and territory Health Departments and other providers. Recipients receive payments from the state pool account or state managed fund.



FIGURE 1: COMMONWEALTH NATIONAL HEALTH REFORM FUNDING AND PAYMENT FLOWS



The types of funding and payments available are described in Table 1.

TABLE 1: NATIONAL HEALTH REFORM FUNDING TYPES

Funding type	Description
Activity based funding	A system of funding based on the number of services provided to patients and the cost to be paid for delivering those services
Block funding	Block funding is provided to states and territories to support teaching and research undertaken in public hospitals, particularly for smaller rural and regional hospitals
Public health funding	Funding identified in the Agreement and paid by the Commonwealth to state and territory Health Departments for national public health, youth health services and essential vaccines
Cross-border activity based funding	When a resident of one state or territory receives hospital treatment in another state or territory, the 'resident' state or territory compensates the 'provider' state or territory for the cost of that care via a cross-border activity based payment
Interest	When a state pool account has an overnight credit balance, interest accrues in the account and is paid by the Reserve Bank of Australia to the state or territory
Over deposit	If more money is deposited than required, this can be paid to the state or territory Health Department or used for the next payment to the state or territory

FUNDING BODY: SUPPORTING STATES AND TERRITORIES TRANSITION TO THE POOL

In signing the Agreement, all states and territories intended to participate in the Pool from 1 July 2012. However, not all states and territories had the necessary legislation in place by that date.¹

During the year, the Funding Body actively worked with and supported states and territories transition to the national health reform funding arrangements as their legislation was enacted. This involved undertaking and satisfying local requirements, such as compliance and assurance, training and support in using the National Health Funding Administrator Payments System (Payments System) and assisting with establishing Reserve Bank of Australia Pool requirements to manage the payments flows.

The Funding Body successfully supported all states and territories in implementing these arrangements, with no risk to funding continuity to local hospital networks.

- + New South Wales, Western Australia and Tasmania commenced Pool transactions through the National Payments System on 1 July 2012
- + Queensland commenced on 1 August 2012
- + Victoria commenced on 28 September 2012
- + Northern Territory and South Australia commenced on 1 October 2012
- + Australia Capital Territory commenced on 1 March 2013

¹ Prior to March 2013, the states and territories without the necessary legislation in place received equivalent funding from the Commonwealth Treasury, referred to as 'notional' payments, and made payments from departmental bank accounts to local hospital networks.

FUNDING AND PAYMENTS THROUGH THE POOL

Table 2 provides details of the national health reform funding and payments for 2012-13 relating to each state

and territory and includes funding and payments made under state and territory national health legislative and notional amounts.

TABLE 2: NATIONAL HEALTH REFORM FUNDING AND PAYMENTS FOR EACH STATE AND TERRITORY — 2012-13

State/territory	National health reform funding 2012-13 \$	National health reform payments 2012-13 \$
NSW	11,004,866,836	11,004,866,836
VIC	7,559,910,397	7,559,910,396
QLD	7,790,507,472	7,790,409,592
WA	4,807,912,042	4,807,912,042
SA	2,775,518,139	2,757,713,742
TAS	781,087,610	781,087,611
ACT	641,619,313	641,619,313
NT	661,435,336	661,420,139
Total	36,022,857,146	36,004,939,671

Further detailed information on the national health reform payments into and out of the Pool, and state managed funds, is reported under the Administrator’s monthly reporting requirements, available at www.publichospitalfunding.gov.au.

This information aligns to the information detailed in the *Administrator of the National Health Funding Pool Annual Report 2012-13*.

WORKING TOGETHER TO DEVELOP THE PUBLIC HOSPITAL FUNDING WEBSITE AND MONTHLY REPORTS

The successful development and launch of the Administrator's Public Hospital Funding website highlighted the strength of the Funding Body's skills and core qualities of commitment, resilience, the ability to work cohesively, and openly consult with stakeholders to deliver on a key transparency requirement of the national health reform agenda.

THE CONCEPT

The purpose of the website is to meet the Administrator's obligation to report publicly on required national health reform funding and payments, and provide monthly reports on these matters to jurisdictions and the general public. In developing the monthly reports, the Funding Body had to ensure the disclosure requirements of the *National Health Reform Act 2011* and corresponding jurisdictional legislation were met. The challenges of meeting these requirements and working within a tight timeframe were significant; from developing an informative and clear narrative to presenting this information in a meaningful way to the general public. Stakeholders were involved throughout the development process in a series of collegiate and consultative discussions and workshops, which occurred for a number of months.

THE RESULT

On 7 November 2012, the Administrator's Public Hospital website (www.publichospitalfunding.gov.au) was launched together with three months of reports. Once completed all subsequent monthly reports were released on the website. Achieving this major milestone was a testament to the commitment and professionalism that has characterised the culture within the Funding Body and demonstrates how significant progress has been possible in just one year of operation. The Funding Body remains committed to continuous improvement of the website and monthly reports; reviewing the structure of the reporting and ensuring the website is accessible, current and accurate, and meets user needs.





OUR ORGANISATION

NATIONAL HEALTH FUNDING BODY

The Funding Body was created through the Agreement and the Act to provide support and assistance to the Administrator. The Funding Body is a prescribed *Financial Management and Accountability Act 1997* (FMA) agency under the FMA Act, and forms part of the Commonwealth Health portfolio. It is independent of both Commonwealth and state and territory governments when exercising or performing the responsibilities and functions of the Administrator, as set out in the Act, and supporting national health reform legislation enacted in all states and territories.

TRANSITION TO ESTABLISHMENT

From the Funding Body's inception on 1 July 2012, the Commonwealth Department of Health (previously the Department of Health and Ageing) managed the Funding Body's appropriation until it was able to directly receive and manage these arrangements as a stand-alone independent agency.

The Funding Body's transition occurred in two phases:

- + Following a determination under section 24.1 of the *Public Service Act 1999* on 3 May 2013 that provided the terms and conditions of employment enabling the Funding Body to employ staff in its own right; and
- + Following a determination under section 32 of the FMA Act on 24 June 2013 enabling the Funding Body to receive and manage its own appropriation.

WHAT WE DO

PRINCIPAL FUNCTIONS

The principal functions of the Funding Body are to support the obligations and responsibilities of the Administrator, providing the transparent and efficient administration of Commonwealth, state and territory public hospital funding directly to local hospital networks or other parties.

The Funding Body supports the Administrator in calculating the Commonwealth national health reform funding contribution to states and territories, including the \$16.4 billion of additional Commonwealth growth and funding guarantees, in line with the Agreement.

The administrative functions provided by the Funding Body involve the management of the Pool, which receives all Commonwealth and activity based state and territory hospital funding.



The Pool authorises payment instructions for \$36 billion (2012–13) of the Commonwealth, state and territory funding to the Australian public hospital system.

The Funding Body reconciles estimated and actual service delivery volumes to ensure that all local hospital networks receive Commonwealth funding based on their actual activity, and reports publicly on all the activities of the Pool and other relevant aspects. It applies best practice financial frameworks and processes and provides leadership and support to the Commonwealth, states and territories in undertaking the funding arrangements of the Agreement.

KEY DELIVERABLES

The key deliverables of the Funding Body are to provide robust funding and payment arrangements to enable a sustainable financial basis for the public health system into the future.

To achieve this, the Administrator and the Funding Body must deliver the following:

- + independent, transparent and efficient administration of Commonwealth state and territory funding, totalling \$30 billion² for 2012–13
- + transparent reporting of funding and payments for public hospital funding
- + accurate reconciliation of estimated to actual service delivery volumes, including the determination of services eligible to receive Commonwealth national health reform funding
- + allocation of \$16.4 billion additional Commonwealth funding between 2014–15 and 2019–20.

OUR EXECUTIVE COMMITTEE

Our Executive Committee (pictured here with the Administrator) provides the Funding Body CEO with strategic advice on policy, direction, initiatives, and immediate and emerging issues.



From left: Beth Gubbins, Director Policy and Parliamentary; Val Price-Beck, Director Corporate Services; Bob Sendt, Administrator; Lynton Norris, CEO Funding Body; Svetlana Angelkoska, Director Data Modelling and Analysis; Naini Singh Chief Finance Officer Finance and Reporting

² \$30 billion represents the total actual and notional Pool transactions for 2012–13, and excludes state managed funds.

LYNTON NORRIS, CEO

Lynton Norris was appointed as the inaugural Chief Executive Officer of the National Health Funding Body. Mr Norris has over 20 years of experience in government and private sector organisations. Prior to his appointment to the Funding Body, Mr Norris was a senior executive in the Victorian State Government responsible for the budget management and funding arrangements for all Health sector agencies.

Over his career, Mr Norris has developed significant experience in public sector finance and policy development. Mr Norris holds bachelor degrees in accounting and international trade, and is a Certified Practising Accountant.

VAL PRICE-BECK, DIRECTOR CORPORATE SERVICES

Val Price-Beck has over 20 years public service experience and has managed the Corporate areas of both an FMA agency and a Commonwealth Authorities and Companies agency.

Ms Price-Beck has experience in corporate services and related functions. Prior to joining the Funding Body Ms Price-Beck worked for a number of years in Indigenous economic development.

SVETLANA ANGELKOSKA, DIRECTOR DATA MODELLING AND ANALYSIS

Svetlana Angelkoska has experience in analysing, modelling and reporting health related data, including experience in project management and delivery.

Before joining the Funding Body, Ms Angelkoska worked for the Commonwealth Department of Health and Ageing and the Private Health Insurance Administration Council.

Ms Angelkoska holds a Bachelor of Science degree and Graduate Certificate of Actuarial Techniques.

NAINI SINGH, CHIEF FINANCE OFFICER FINANCE AND REPORTING

Naini Singh has federal government experience at the strategic and operational levels in implementing effective financial budgets, financial statements, project management, taxation and devising quality assurance solutions.

Ms Singh holds a Bachelor of Commence degree, majoring in Finance and Information Systems and a Postgraduate qualification in Taxation. Ms Singh is a qualified Accountant.

BETH GUBBINS, DIRECTOR POLICY AND PARLIAMENTARY

Beth Gubbins has experience in finance and public policy as well as project development, management and delivery. Before joining the Funding Body, Ms Gubbins worked for the Department of Health, Victoria, in a number of strategic finance and policy roles.

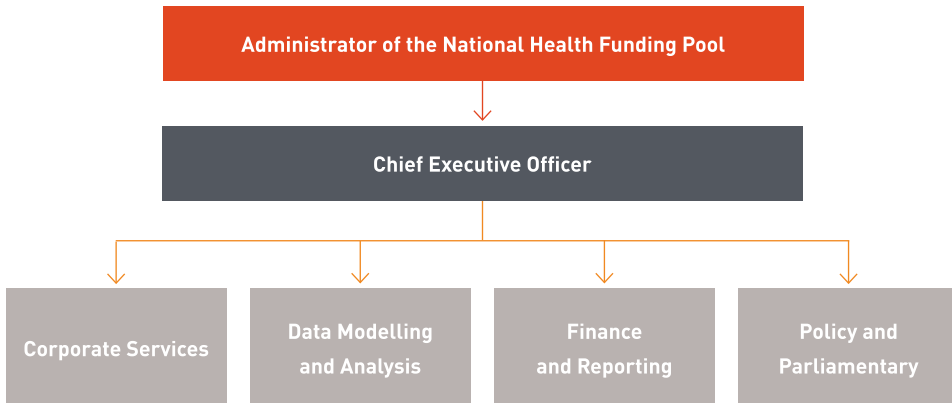
Ms Gubbins is a Certified Practising Accountant with 15 years public sector experience in Australia and the United Kingdom.

OUR TEAM

The Funding Body is a small but dynamic and energetic team of professionals committed to realising their collective

vision for a sustainable, nationally unified and locally controlled Australian health system. It comprises four functional units as shown in Figure 2.

FIGURE 2: FUNDING BODY ORGANISATIONAL STRUCTURE



CORPORATE SERVICES

Corporate Services provides the Funding Body with essential business support services and promotes leading business practices, which include Human Resources functions, such as the selection, training and development, and performance management of Funding Body staff.

Corporate Services is also responsible for organisational integrity, assurance and governance arrangements. These functions include procurement, internal audit, security, facilities and records management, together with the management and provision of information and communications technology to the Funding Body.

DATA MODELLING AND ANALYSIS

Data Modelling and Analysis develops mathematical models that assist the Administrator by accurately calculating the Commonwealth funding contribution to local hospital networks. This includes calculating the efficient growth and funding guarantee and reconciling the estimated and actual service delivery volumes to adjust the Commonwealth funding contribution. The unit further determines, collects and processes the data required to support these arrangements.

Data Modelling and Analysis works in collaboration across the Funding Body, the Administrator and all jurisdictions, to ensure the modelling reflects the strategic policy and the funding arrangements of the national health reforms.

Continued.

This unit is also responsible for the preparation and publication of the Administrator's monthly reports that contain the Commonwealth, state and territory national health reform funding and payments for the month and year to date, at national, state/territory and local hospital network levels.

FINANCE AND REPORTING

Finance and Reporting provides support and financial services to the Administrator and the Pool to ensure the continued transparency and efficiency of public hospital funding. This includes managing the Payments System, processing national health reform Commonwealth, state and territory deposits and payments of \$30 billion into and out of the Pool, as required under the Act.

This unit produces the Pool financial statements for auditing by each state and territory Auditor-General and the Australian National Audit Office.

Finance and Reporting oversees the calculation of Commonwealth contributions, and facilitates the authorisation by the Administrator for all national health reform payments to local hospital networks and other providers. Other responsibilities include the preparation of Funding Body financial statements under the FMA, and the strategic financial management of the departmental appropriation for the Funding Body.

This unit actively supports stakeholder management with state and territory Chief Finance Officers through regular jurisdictional Chief Finance Officer committee meetings.

POLICY AND PARLIAMENTARY

Policy and Parliamentary is responsible for providing strategic policy and directional advice to the Funding Body and Administrator, and setting the policy agenda for the national health reform funding arrangements.

Responsibilities include researching, implementing, monitoring and reviewing current and proposed policy decisions that relate to the Funding Body and Administrator functions. The Policy and Parliamentary unit develops the Administrator's rolling 'Three Year Data Plan', associated funding reconciliation framework and growth and funding guarantee arrangements, which include the \$16.4 billion additional Commonwealth funding contribution. These policy positions are developed in consultation with the Commonwealth and states and territories through jurisdictional committees.

This unit is also responsible for writing and/or coordinating briefing material for consideration by various parliamentary and interjurisdictional committees and the preparation and approval of a range of parliamentary reporting material.

In undertaking this work, this unit works in collaboration with other jurisdictions and national health reform bodies.

OUR STRATEGIC PLAN

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 MISSION

To support the obligations and responsibilities of the Administrator of the National Health Funding Pool by providing transparent and efficient administration of Commonwealth, state and territory funding of the Australian public hospital system.

OUR VALUES

We are committed to observing the following core values, which represent our approach and practice when interacting, and collaborating with colleagues, stakeholders and the wider community.

Accountability — to comply with national health reform legislative requirements and the National Health Reform Agreement according to the parameters set.

Collaboration — to maintain effective working relationships with all stakeholders to instill continued confidence.

Integrity — to conduct business and make decisions in a manner, which demonstrates the principles of honesty, consistency, accuracy and ethics.

Leadership — to ensure leadership, effective policy advice and best practice in the management of major national health funding reform.

Privacy — the privacy of information is paramount in complying with secrecy and disclosure requirements of national health reform arrangements.

Transparency — to be transparent in the reporting and transactions of funding activities within the National Health Funding Pool.

WE ALSO OBSERVE THE AUSTRALIAN PUBLIC SERVICE VALUES OF BEING

- I - IMPARTIAL
- C - COMMITTED TO SERVICE
- A - ACCOUNTABLE
- R - RESPECTFUL
- E - ETHICAL

IN ALL OUR PRACTICES.

OUR STRATEGIC OBJECTIVES

We have adopted five high-level strategic objectives, which capture the scope of our responsibilities and serve the Vision and Mission of our organisation.

Achieve best practice and accountability

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

Provide increased transparency and effective reporting

To provide increased transparency and effective reporting on the local hospital networks that are funded for the services they deliver to the community.

Enable accurate Commonwealth contribution calculations

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

Develop productive and effective partnerships

To develop productive and effective partnerships with relevant stakeholders to enable the objectives of the Agreement to be achieved.

Operate as a fully functional and compliant agency

To operate as a fully functional and compliant agency, meeting statutory and legislative obligations.





FUNDING BODY ACHIEVEMENTS IN 2012-13

<i>National Health Reform Act 2011 commences</i>	
▶	1 July 2011
COAG National Health Reform Agreement signed	
▶	2 August 2011
HRIG Financial Operations Subgroup in operation	
▶	November 2011–October 2012
Recruitment EOI for employment released	
▶	March–April 2012
National Payments System workshops commenced	
▶	18 April 2012
First Funding Body staff member commences	
▶	June 2012
Acting Administrator commenced	
▶	27 June 2012 <i>(permanent appointment 1 Jan 2013)</i>
Funding Body inception	
▶	1 July 2012
Assist states and territories transition to the Payments System	
▶	July 2012–March 2013
Acting CEO Funding Body commenced	
▶	23 July 2012 <i>(permanent appointment 2 February 2013)</i>
Administrator of the National Health Funding Pool website launch and publishing of first three monthly reports	
▶	7 November 2012
2013–14 Portfolio Budget Statement and performance measures for the Funding Body	
▶	14 May 2013
Determination under Section 24.1 of the <i>Public Service Act 1999</i> — Terms and Conditions of employment	
▶	3 May 2013
Determination under Section 32 of the FMA — received appropriation	
▶	24 June 2013

ONE YEAR OLD — from its inception on 1 July 2012 through to 30 June 2013, the Funding Body’s achievements in its first year of operation have been resoundingly positive. Initial preparation in advance of establishment, involved the groundwork laid by the Health Reform Implementation Group (HRIG) Financial Operations Subgroup, to build a Payments System and work closely with the Commonwealth, states and territories to develop and implement the national health reform funding arrangements.

Following the release of an Expression of Interest for employment with a newly formed FMA agency, the Funding Body recruited nationally, engaging its first staff member in June 2012. The Acting CEO of the Funding Body commenced on 23 July 2012 and appointed permanently on 2 February 2013 for a period of five years.

States and territories progressively implemented the legislative requirements to participate in the national health reform funding arrangements and Payments System, and were successfully supported by the Funding Body.

As part of the Commonwealth Health portfolio, the Business Services section of the department provided support to enable the Funding Body to develop its business, financial and corporate operations under a shared services Memorandum of Understanding.

PROGRESS WAS SWIFT — within its first year of operation, the Funding Body, through its highly productive business units and staff, established key policies and processes to support the Administrator and Funding Body's many statutory responsibilities and functions. This cohesive team successfully assumed the Funding Body's principal role of supporting the obligations and responsibilities of the Administrator by providing transparent and efficient administrative support services. These support services included governance and compliance, the provision of strategic policy and directional advice, financial assistance and reporting, and data modelling and analysis.

The Funding Body worked steadily for the establishment of content, the framework and launch of the Administrator's informative Public Hospital Funding website www.publichospitalfunding.gov.au on 7 November 2012, along with the release of three months of legislative monthly reporting requirements. All subsequent monthly reports, once completed, were released on the website.

A library of key strategic framework documents, relating to the Administrator's functions and those of the FMA Agency requirements, was developed by the Funding Body. These included detailed plans for risk management, strategy, and operations.

VISION — all staff demonstrated their commitment and understanding of the Vision and Mission. They have worked together collaboratively and developed a culture of innovation and integrity, adopting a consultative approach when dealing with stakeholders, health reform bodies, health Ministers and jurisdictional representatives, and in delivering key outcomes of the Agreement.



FMA STRATEGIC FRAMEWORK DOCUMENTS DEVELOPED

Chief Executive Instructions
Finance Business Rules
Corporate Business Rules
Financial Delegations
Human Resources Delegations
Human Resources Strategic Framework
Business Continuity Planning
Risk Management Framework
Strategic Plan 2013–16
HR Workforce Management Plan
Operational Plans 2012–13
Fraud Control Framework



ADMINISTRATOR DOCUMENTS DEVELOPED

Determination 01: Provision of monthly data by states and territories as the basis of monthly reporting

▶ **14 Aug 2012**

Determination 02: Adjustments to Commonwealth funding under the Agreement

▶ **27 Nov 2012**

Determination 03: Provision of actual 2012–13 hospital services data for reconciliation with estimated services

▶ **27 Feb 2013**

Determination 04: Notional contracted services

▶ **17 June 2013**

Business Rules Volume 1 proof of concept (July–Dec 2012) released

▶ **17 June 2013**

2012–13 Reconciliation Framework embargoed draft

▶ **17 June 2013**

(subsequent final release 30 July 2013)

Three Year Data Plan 2013–14 — 2015–16 circulated to jurisdictions

▶ **16 May 2013**

(subsequent Standing Council on Health approval 26 July 2013)

FUNDING BODY FUTURE PRIORITIES

At the start of its operation, the Funding Body identified and adopted five strategic objectives to define the scope of responsibility and to align with its organisational vision, mission and values. Following its highly successful first year of operation, and looking to continue to build on this foundation, the Funding Body has based its future priorities on ensuring the delivery of its strategic objectives and continuous improvement in the support provided to the Administrator and the services provided to jurisdictions.

The basis of the Funding Body's role is in supporting the obligations and responsibilities of the Administrator and providing transparent and efficient administration of Commonwealth, state and territory funding of the Australian public hospital system.

It is from this position that the Funding Body has outlined its priorities for the future, based on the deliverables of its strategic objectives, while successfully performing its day-to-day functions:

- + **Achieving an Enterprise Agreement (EA)** — the Funding Body will develop and begin negotiating its EA in line with the requirements of the *Australian Public Service Bargaining Framework 2014*. The Funding Body will continue to operate as a fully functional and compliant agency, cognisant of government policy requirements, such as the *Public Governance and Performance Accountability Act 2013*, and *Public Interest Disclosure Act 2013*, to ensure its continued compliance with policy changes.
- + **Harmonisation of data plans** — achieving a harmonisation of the data requirements under the Agreement will allow relevant health reform bodies to share information and work towards policy alignment, particularly in relation to timing, privacy and legal matters, information management, communication and engagement with jurisdictions.
- + **Reconciliation and data matching** — the Funding Body conducts reconciliations between estimated and actual service volume data to ensure that all local hospital networks receive Commonwealth funding based on their actual activity and to prevent the receipt of double funding from the Commonwealth.
- + **Calculation of growth and funding guarantees** — accurately calculate the growth and funding guarantees of the Commonwealth contribution, including the determination and allocation of the additional \$16.4 billion to states and territories. This is a significant investment from the Commonwealth, which will see them transition to providing at least 50 per cent of the efficient price of hospital services.
- + **Further develop stakeholder engagement** — the Funding Body values the relationships it has developed, based on mutual trust and respect, with its internal and external stakeholders, and resolves to maintain and strengthen these relationships through continued consultation and collaboration.

REPORT ON PERFORMANCE

On establishment, and throughout 2012–13, the Funding Body was reported under the Commonwealth Department of Health. Since this was the first year of operation, there has been no specific and agreed performance measures put in place by the Commonwealth Government.

During the year, the Funding Body, together with Commonwealth Government processes, agreed to the 2013–14 performance measures. Although specific to 2013–14, these measures were also relevant to 2012–13 and were successfully achieved during this period.

The measures relating to 2013–14 are outlined below.

OUTCOMES AND PLANNED PERFORMANCE

The outcome and planned performance is 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.

The deliverables are to:

- + assist the Administrator to develop the 'Three Year Data Plan' and associated funding reconciliation frameworks
- + assist the Administrator to ensure the Pool operations are in accordance with directions from the responsible state or territory Minister, and in line with the Agreement
- + assist the Administrator to transparently report on the operations of the Pool and state managed funds.

The Key Performance Indicators are to:

- + assist the Administrator to calculate the Commonwealth contribution to the Pool
- + support the Administrator in authorising payment instructions in accordance with directions from the responsible state or territory Minister, and in line with the Agreement.

The Funding Body will provide a full report on its performance against Government agreed performance measures in the *National Health Funding Body Annual Report 2013–14*.



OUR COMMITTEES

FUNDING BODY AUDIT COMMITTEE

AUDIT COMMITTEE

The Funding Body Audit Committee was formed in the 2012-13 financial year and comprises four independent members. The inaugural members of the Audit Committee are Carol Holley (Chair), Mark Ridley, Ken Barker and Diane Fielding. All members were appointed for a period of three years.

The objective of the Audit Committee is to provide independent assurance and assistance to the CEO on the Funding Body's risk, control and compliance frameworks, and its external accountability and financial reporting responsibilities. Additionally, the Audit Committee governs the process of auditing the financial statements of both the Funding Body and the Pool.

The Audit Committee met twice during the year; the first meeting being held on 11 April 2013.

AUDIT COMMITTEE PROFILE

CAROL HOLLEY

Carol Holley was appointed as Chair of the Funding Body Audit Committee on 1st March 2013.

Ms Holley is a Non-Executive Director of the Defence Housing Australia (DHA) Board, Chair of DHA Investment Management Limited and a member of the Property Committee of DHA. She is also the Independent Chair of the Risk Management and Audit Committees of NSW Police Force, the NSW Department of Planning and Infrastructure and the NSW Land and Housing Corporation.

Ms Holley is a Chartered Accountant and a Fellow of the Australian Institute of Company Directors (GAICD), a Registered Company Auditor and a Registered Tax Agent.

Ms Holley was a Partner of Hill Rogers Chartered Accountant for 25 years and holds a Bachelor of Arts.

MARK RIDLEY

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

Mr Ridley is currently Chairman of the Audit Committee for the Department of Human Services, encompassing Centrelink, Medicare and Child Support, and Chair of the Audit Committee for the Clean Energy Regulator. Mr Ridley is an Independent member of the Audit and Risk Committee of the Australian National University and an Independent member of the Audit Committees for the Royal Australian Mint and Insolvency Trustee Services Australia.

Mr Ridley is a Chartered Accountant (FCA), a graduate member of GAICD, and holds certification in Risk and Information Systems Control (CRISC).

DIANE FIELDING

Diane Fielding joined the Australian Public Service in 1982 and retired in 2006 as First Assistant Secretary (Finance) for the Department of Defence.

She had previously been the Chief Financial Officer of the Departments of Veterans' Affairs and Social Security and Centrelink.

Ms Fielding was a member of the Certified Practising Accountant (CPA) Australia Public Sector Committee for 14 years and has been a member of the Australian Institute of Management ACT Advisory Council since 2008. She is currently the Chair of the Downer Community Association.

Ms Fielding holds Bachelor of Economics and Bachelor of Commerce degrees. She is a Fellow of CPA Australia and the Australian Institute of Management and is a member of the Australian Institute of Company Directors.

KEN BARKER

Ken Barker has 42 years of experience in public sector management and finance, previously working across four large NSW Government agencies (NSW Police, the former Public Works, Corrective Services and NSW Health).

Mr Barker has had a number of Board and Committee appointments including: Chair of the NSW Treasury Managed Funds Advisory Control Board for 16 years, Member of the NSW State Contracts Control Board for 18 years and is currently the financial/business expert on the National Blood Authority Advisory Board and an independent member of its Audit Committee.

Mr Barker was awarded the Public Service Medal in 2002 for Outstanding Public Service in public sector financial management.

Mr Barker is a Fellow of the Institute of Public Accountants and a graduate of GAICD.



OTHER ADVISORY COMMITTEES

The Funding Body facilitates the following committees:

ADMINISTRATOR'S JURISDICTIONAL ADVISORY COMMITTEE

The Jurisdictional Advisory Committee to the Administrator is a committee of senior representatives of the Commonwealth, states, territories and national health reform agencies.

FUNCTIONS

The Jurisdictional Advisory Committee's functions involve discussing and advising on the potential effects of proposed or existing processes relating to the responsibilities of the Administrator.

OBJECTIVES

The Jurisdictional Advisory Committee objectives include:

- + consideration and provision of advice to the Administrator on the strategic issues associated with the national health reform components, for which the Administrator is responsible
- + enabling collaboration between the Administrator (and the Funding Body) and the Commonwealth, state and territory Health Departments on the relevant operational arrangements and priorities under the Agreement and the Act.

RECONCILIATION ADVISORY GROUP

The Reconciliation Advisory Group is a technical advisory group convened by the Funding Body on behalf of the Administrator.

The Reconciliation Advisory Group comprises representatives from the Commonwealth, states and territories.

FUNCTIONS

The Reconciliation Advisory Group functions involve:

- + providing support and informing the hospital activity reconciliation and matching requirements outlined in the Agreement
- + enabling technical collaboration between the relevant stakeholders
- + working through the reconciliation and matching approach and protocols.

OBJECTIVES

The Reconciliation Advisory Group objectives include:

- + enabling a forum and opportunity to share knowledge to develop a robust reconciliation and matching process
- + deliberating the technical implications of the reconciliation process
- + the consideration, discussion and provision of advice to the Administrator and Funding Body on technical issues associated with those reconciliation components for which the Administrator is responsible

- + providing recommendations and feedback to the Administrator and Funding Body on relevant reconciliation and matching parameters and items, and advising the Jurisdictional Advisory Committee on matters of relevance.

JURISDICTIONAL CFO COMMITTEE

The national health reform Jurisdictional Chief Finance Officer (CFO) Committee is a committee of CFOs, or the equivalent representative of the Commonwealth, states and territories, and Commonwealth Treasury. The committee is convened by the Funding Body.

FUNCTIONS

The Jurisdictional CFO Committee functions, in relation to national health reform, include:

- + facilitating the implementation and operation of funding arrangements in relation to the Administrator
- + ensuring compliance with applicable national health reform requirements
- + receiving and responding to determinations from the Administrator on requirements and obligations.

OBJECTIVES

The Jurisdictional CFO Committee objectives include:

- + overseeing the implementation and development of components of national health reform in relation to the scope of jurisdictional Health Department CFOs, where the Administrator and Funding Body have responsibility
- + coordinating collaboration between the Administrator, Funding Body and state and territory Health Department CFOs on the relevant operational finance arrangements and priorities under the Agreement and Act.



MEMBERSHIP WITH EXTERNAL COMMITTEES

Table 3 lists and describes the Funding Body's membership affiliations with external committees.

TABLE 3: FUNDING BODY EXTERNAL AFFILIATIONS

Name	Function
National Health Information and Performance Principal Committee (NHIPPC)	To provide advice on eHealth, information management and reporting development, governance and strategies, and to facilitate collaboration between the Commonwealth, states and territories and other key stakeholders
Standing Committee on Performance and Reporting	To provide advice and support through NHIPPC on reporting and information management development and priorities
Independent Hospital Pricing Authority Jurisdictional Advisory Committee	To determine the National Efficient Price for public hospital services, allowing for the national introduction of activity based funding





MANAGEMENT AND ACCOUNTABILITY

GOVERNMENT APPROPRIATION

For the period 1 July 2012 up to and including 24 June 2013, the Commonwealth Department of Health (previously the Department of Health and Ageing), as the portfolio department, managed the Funding Body’s appropriation on its behalf. Upon being granted independent right to directly receive its appropriation under section 32 of the FMA Act on 24 June 2013, the Funding Body, as a stand-alone agency was responsible for these funds.

The financial statements that form part of this Annual Report, disclose the total appropriation funding and related expenditure for the Funding Body for the full 2012–13 financial year.

SENIOR EXECUTIVE COMMITTEES

Table 4 lists the Funding Body senior executive committees and provides a brief description of their responsibilities.

TABLE 4: SENIOR EXECUTIVE COMMITTEES

Senior executive committees	Responsibilities
Executive Committee	Provide advice and make recommendations to the Funding Body CEO on policies, direction, initiatives and immediate and emerging issues
Business Continuity Steering Committee	Develop and implement business continuity processes and practices
Strategic Plan Working Committee	Provide assurance and advice in the development and implementation of the three year Strategic Plan
Annual Report Committee	Provide assurance and advice on direction and content accuracy in the development of the Annual Report

CORPORATE GOVERNANCE

FRAUD CONTROL

The Funding Body has:

- + prepared fraud risk assessments and a fraud control plan
- + appropriate fraud prevention, detection, investigation, reporting and data collection procedures and processes
- + taken all reasonable measures to minimise the incidence of fraud and to investigate and recover the proceeds of fraud.

The Funding Body’s Fraud Control Plan was developed in accordance with the *Commonwealth Fraud Control Guidelines*.

The Funding Body has a *Strategic Plan 2013–16* and *Operational Plans (2012–13)* in place for all business units.

RISK MANAGEMENT

The Funding Body's objective for effective risk management is to integrate its risk management practice with broader management processes and improvements to achieve better outcomes.

Upon commencing operations, the Funding Body undertook a risk assessment and produced a Risk Management Framework, a Risk Register and a Risk Management Plan in accordance with best practice methodology and standards.

AUDITS AND REVIEWS

The Funding Body engaged CT Alliance to undertake two internal audits of the Payments System, in August 2012 and December 2012.

The Funding Body engaged a further audit by CT Alliance, which commenced in June 2013.

PUBLIC SERVICE CODE OF CONDUCT

The Funding Body has adopted the Australian Public Service (APS) Values and Code of Conduct.

EXTERNAL SCRUTINY

Audit committee members, including the Chair, are independent and external to the Funding Body.

No judicial or tribunal decisions have been made to the Funding Body, or are pending.

No reports on the operations of the Funding Body have been released by the Auditor-General, a Parliament Committee or the Commonwealth Ombudsman.

ASSETS MANAGEMENT

The Funding Body leased all assets from the Commonwealth Department of Health shared services.

PURCHASING

The Commonwealth Department of Health conducted the Funding Body's purchasing activities in line with the Commonwealth Procurement Guidelines and Chief Executive Instructions.

CONSULTANTS

No consultants were engaged by the Funding Body, or by the Commonwealth Department of Health (on behalf of the Funding Body).

AUSTRALIAN NATIONAL AUDIT OFFICE ACCESS CLAUSES

The Funding Body can confirm that neither the Commonwealth Department of Health (on behalf of the Funding Body) or the Funding Body, entered into any contracts precluding access by the Auditor-General.

EXEMPT CONTRACTS

The Funding Body can confirm that neither the Commonwealth Department of Health (on behalf of the Funding Body) or the Funding Body, entered into any contracts that were exempt from publication on the AusTender website.

WORK HEALTH AND SAFETY

The Funding Body is committed to ensuring a safe and healthy work environment for all employees, contractors and visitors, together with return to work opportunities for ill or injured employees, consistent with the legislative requirements of the *Work Health and Safety Act 2011* and the *Safety, Rehabilitation and Compensation Act 1988*.

The Funding Body, being a newly established Agency, adopted the Work Health and Safety framework of its portfolio department. This framework included the Health and Safety Management Arrangements (the Arrangements), which were used to guide the Funding Body's health and safety management practices. The Arrangements also outlined the responsibilities of executive management, supervisors and employees in maintaining and promoting effective health and safety practices, and appointing health and safety representatives.

The Funding Body is currently developing its own due diligence framework for best management work, health and safety practices, through consultation with employees and their representatives, with the view to completion and implementation in the second half of 2013.

Health and safety initiatives

The Funding Body implemented the following health and safety initiatives in 2012–13:

- + appointed health and safety representatives
- + arranged for staff workplace assessments to be conducted and, based on recommendations, purchased chairs and additional appropriate workplace equipment
- + modified access to the premises to accommodate staff with disabilities
- + provided free influenza vaccinations to employees
- + encouraged employees to adopt healthy work and lifestyle practices by:
 - + provision of eyesight testing and reimbursement of prescribed eyewear costs specifically for screen based equipment
 - + flexible working locations and home-based work including, where appropriate, access to laptop computers and mobile phones.

Health and safety outcomes

The Funding Body had no reportable incidents or serious personal injury incidents and no notices or directions under the *Work Health and Safety Act 2011*.

ADVERTISING AND MARKET RESEARCH

The Funding Body attests that it undertook no advertising campaigns or market research during 2012–13.

ECOLOGICAL AND ENVIRONMENTAL REPORTING

The Funding Body is committed to the principles of ecologically sustainable development, adopting the philosophies of its portfolio department. As a newly established Agency, the Funding Body is conscious of the size of its environmental footprint, taking an aspirational approach to future environmental performance. The Funding Body intends to continue with these philosophies.

Since its inception, the Funding Body has introduced steps to minimise its environmental impact. It has achieved this by:

- + encouraging all staff members to reduce the volume of printing, with suggestions such as adjusting the settings to minimise waste and using soft copies where possible
- + turning off lights and computers when the office is not in use
- + introducing waste recycling stations
- + occupying their minimal space economically.

DISABILITY REPORTING

Changes to disability reporting in Annual Reports

Since 1994, Commonwealth departments and agencies have reported on their performance as policy adviser, purchaser, employer, regulator and provider under the Commonwealth Disability Strategy.

In 2007–08, reporting on the employer role was transferred to the APS Commission's State of the Service Report and the APS Statistical Bulletin. These reports are available at www.apsc.gov.au. From 2010–11, departments and agencies were no longer required to report on these functions.

The Commonwealth Disability Strategy has been overtaken by a new National Disability Strategy 2010–2020 (the Strategy), which sets out a ten-year national policy framework to improve the lives of people with disability, promote participation and create a more inclusive society. A high-level two-yearly report will track progress against each of the six outcome areas of the Strategy and present a picture of how people with disability are managing. The first of these reports will be available in 2014, and will be available at www.dss.gov.au.

The Social Inclusion Measurement and Reporting Strategy agreed by the Government in December 2009, will also include some reporting on disability matters in its regular 'How Australia is Faring' report and, if appropriate, in strategic change indicators in agency annual reports.

INFORMATION PUBLICATION SCHEME

Agencies subject to the *Freedom of Information Act 1982* (FOI Act) are required to publish information to the public as part of the Information Publication Scheme (IPS) as stated in Part II of the FOI Act. This requirement has replaced the former requirement to publish a *Section 8* statement in the Annual Report.

Agencies are required to display on their website, a plan showing what information it publishes in accordance with the IPS requirements.

In accordance with the FOI Act requirements, the Funding Body publish this information on its website, www.nhfb.gov.au.

GRANT PROGRAMS

There were no grant programs undertaken by the Funding Body, or by the Commonwealth Health portfolio on behalf of the Funding Body.





MANAGEMENT OF HUMAN RESOURCES

WORKFORCE PLANNING

On commencing operations in July 2012, the Funding Body did not have its own employment framework in place, and consequently all staff were employed under the Commonwealth Department of Health’s *Enterprise Agreement 2011–12*, and seconded to the Funding Body. To employ staff independently, the Funding Body developed its own 24(1) Determination pursuant to the *Public Service Act 1999*.

On becoming a stand-alone agency on 24 June 2013, the Funding Body was able to engage and employ staff directly under the *Public Service Act 1999*.

In preparation for employing its own staff, the Funding Body developed a Workforce Management Plan, a Human Resources Strategic Framework and Human Resources Delegations.

The following tables detail staff numbers and aggregated information on non-salary benefits provided to staff as at 30 June 2013.

TABLE 5: FUNDING BODY EMPLOYEE DISTRIBUTION AT 30 JUNE 2013

Unit	Female		Male		Total
	Ongoing	Non ongoing	Ongoing	Non ongoing	
Office of CEO		1			1
Finance and Reporting	1	2		2	5
Corporate Services	2	2		1	5
Policy and Parliamentary		2			2
Data Modelling and Analysis	1			1	2
Total	4	7	-	4	15

TABLE 6: SENIOR EXECUTIVE — HOLDER OF PUBLIC OFFICE

Senior executive	Male	Total
Holder of Public Office	2	2 ³

³ This figure includes the position of Administrator of the National Health Funding Pool.

The Administrator of the National Health Funding Pool and Funding Body CEO are holders of public office. Their remuneration (salary and benefits) are determined by the Remuneration Tribunal.

TABLE 7: NON-SENIOR EXECUTIVE STAFF COVERED BY A SECTION 24(1) DETERMINATION

Level	Total
Non-Senior Executive Service staff	15

The Funding Body applied the Commonwealth Department of Health's APS salary classification ranges for the 2012–13 financial year⁴.

TABLE 8: NON-SALARY BENEFITS

Non-Senior Executive Service staff
+ Access to Employee Assistance program
+ Extended purchased leave
+ Annual leave
+ War service sick leave
+ Compassionate leave (including bereavement leave)
+ Community service leave
+ Long service leave
+ Pre-adoption leave
+ Adoption or foster leave
+ Maternity leave
+ Parental (partner) leave
+ Personal / carers leave
+ Donating blood leave
+ Leave for Australian Defence Force (ADF) Reserve and Continuous Full Time Service
+ Access to paid leave at half pay and leave without pay
+ Flexitime scheme (APS staff only)
+ Flexible working locations and home-based work including, where appropriate, access to laptop computers and mobile phones
+ Allowances (travel, disturbance, overtime meal break, disruption, workplace responsibility, etc.)
+ Study assistance
+ Review of workloads
+ Support for professional and personal development
+ Access to negotiated discount registration/membership fees to join fitness and health clubs
+ Breastfeeding facilities
+ School holiday family care subsidy

Continued.

⁴ For further information go to:
<http://www.health.gov.au/internet/publications/publishing.nsf/Content/enterprise-agreement-11-14-toc-att-a>

Non-Senior Executive Service staff

- + Family care assistance
- + Flexible work arrangements for parents
- + Influenza vaccinations
- + After hours use of taxis
- + Eyesight testing
- + Annual closedown for Christmas
- + Financial assistance to access financial advice for staff 54 years and older

Senior executive service staff

- + All the above benefits except for flextime
- + Leave for participation in major international sporting events
- + Leave to undertake jury duty
- + Airline lounge membership

TRAINING AND DEVELOPMENT

Addressing key capability gaps

The Funding Body actively encourages all staff members to take full advantage of the training provided by the Commonwealth Department of Health, the Australian Public Service Commission and external providers and to participate in training and development opportunities where possible.

PERFORMANCE PAY

There were no performance pays provided by the Funding Body.





FINANCIAL STATEMENTS

**National Health Funding Body
Financial Statements
for the year ended 30 June 2013**

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FINANCIAL PERFORMANCE

The National Health Funding Body (NHFB) has received an unqualified audit report from the Australian National Audit Office on its 2012-13 Financial Statements.

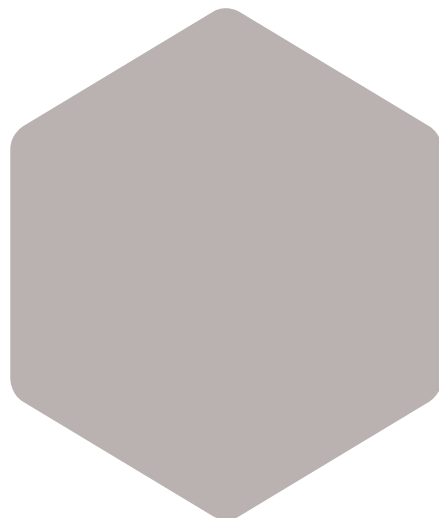
NHFB FINANCES OVERVIEW

The NHFB received a transfer of appropriation under section 32 of the *Financial Management and Accountability Act 1997*, by the delegate of the Finance Minister. The determination commenced, in law, on 24 June 2013 when registered on the Federal Register of Legislative Instruments.

This first set of Financial Statements is for the period 1 July 2012 to 30 June 2013. Departmental revenue from government was \$5.52 million. Own source revenue arose from auditing services received free of charge from the Australian National Audit Office. The Statement of Comprehensive Income displays a surplus of \$0.388 million. The surplus arose due to ongoing monthly expenses arising later than initially planned and through close attention to cost control.

BUDGET PERFORMANCE

During the year, the NHFB managed expenditure within available budget and has developed an organisational culture that has a strong focus on cost control.



INDEPENDENT AUDITOR'S REPORT



INDEPENDENT AUDITOR'S REPORT

To the Minister for Health

I have audited the accompanying financial statements of the National Health Funding Body for the year ended 30 June 2013, which comprise: a Statement by the Chief Executive Officer and Chief Financial Officer; Statement of Comprehensive Income; Balance Sheet; Statement of Changes in Equity; Cash Flow Statement; Schedule of Commitments and Notes to and forming part of the Financial Statements comprising a Summary of Significant Accounting Policies and other explanatory information.

Chief Executive Officer's Responsibility for the Financial Statements

The Chief Executive Officer of the National Health Funding Body is responsible for the preparation of financial statements that give a true and fair view in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, including the Australian Accounting Standards, and for such internal control as is necessary to enable the preparation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I have conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. These auditing standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the National Health Funding Body's preparation of the financial statements that give a true and fair view 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 National Health Funding Body's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Chief Executive Officer of the National

Health Funding Body, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

In conducting my audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the requirements of the Australian accounting profession.

Opinion

In my opinion, the financial statements of the National Health Funding Body:

- (a) have been prepared in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, including the Australian Accounting Standards; and
- (b) give a true and fair view of the matters required by the Finance Minister's Orders including the National Health Funding Body's financial position as at 30 June 2013 and of its financial performance and cash flows for the year then ended.

Australian National Audit Office



Puspa Dash
Executive Director

Delegate of the Auditor-General

Canberra
9 October 2013

STATEMENT BY THE CHIEF EXECUTIVE OFFICER AND CHIEF FINANCE OFFICER

In our opinion, the attached financial statements for the year ended 30 June 2013 are based on properly maintained financial records and give a true and fair view of the matters required by the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, as amended.

Signed



Lynton Norris

Chief Executive Officer

9 October 2013

Signed



Naini Singh

Chief Financial Officer

9 October 2013

National Health Funding Body
Statement of Comprehensive Income
for the period ended 30 June 2013

	Notes	2013 \$
<u>EXPENSES</u>		
Employee benefits	3A	(1,854,177)
Supplier expenses	3B	(3,309,726)
Total expenses		(5,163,903)
LESS:		
<u>OWN-SOURCE INCOME</u>		
Gains		
Other gains	4A	32,000
Total gains		32,000
Total own-source income		32,000
Net cost of services		(5,131,903)
Revenue from Government	4B	5,520,000
Surplus attributable to the Australian Government		388,097
<u>OTHER COMPREHENSIVE INCOME</u>		
Total comprehensive income attributable to the Australian Government		388,097

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

National Health Funding Body
Balance Sheet
as at 30 June 2013

	Notes	2013 \$
<u>ASSETS</u>		
Financial Assets		
Cash and cash equivalents	5A	-
Trade and other receivables	5B	5,657,392
Total financial assets		5,657,392
Total assets		5,657,392
<u>LIABILITIES</u>		
Payables		
Suppliers	6A	(4,993,758)
Other payables	6B	(80,513)
Total payables		(5,074,271)
Provisions		
Employee provisions	7A	(195,024)
Total provisions		(195,024)
Total liabilities		(5,269,295)
Net assets		388,097
<u>EQUITY</u>		
Retained surplus		388,097
Total equity		388,097

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

National Health Funding Body
Statement of Changes in Equity
for the period ended 30 June 2013

	Retained earnings	Asset revaluation surplus	Contributed equity/ capital	Total equity
	2013 \$	2013 \$	2013 \$	2013 \$
<u>OPENING BALANCE</u>				
Balance carried forward from previous period	-	-	-	-
Adjusted opening balance	-	-	-	-
<u>COMPREHENSIVE INCOME</u>				
Surplus for the period	388,097	-	-	388,097
Total comprehensive income	388,097	-	-	388,097
Closing balance attributable to the Australian Government	388,097	-	-	388,097

National Health Funding Body
Cash Flow Statement
for the period ended 30 June 2013

	Notes	2013 \$
<u>OPERATING ACTIVITIES</u>		
Cash received		
Net GST received		58,805
Total cash received		58,805
Cash used		
Employees		(8,742)
Suppliers		(50,063)
Total cash used		(58,805)
Net cash from operating activities	8	-
Net increase (decrease) in cash held		-
Cash and cash equivalents at the beginning of the reporting period		-
Cash and cash equivalents at the end of the reporting period	5A	-

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

National Health Funding Body
 Schedule of Commitments
 as at 30 June 2013

	2013 \$
<u>BY TYPE</u>	
Commitments receivable	
Net GST receivable on commitments	22,781
Total commitments receivable	22,781
Commitments payable	
Other ¹	(227,810)
Total other commitments	(227,810)
Net commitments by type	(205,029)
<u>BY MATURITY</u>	
Commitments receivable	
One year or less	22,781
Total receivable on commitments	22,781
Commitments payable	
Other Commitments	
One year or less	(227,810)
Total other commitments	(227,810)
Net commitments by maturity	(205,029)

Note: Commitments are GST inclusive where relevant.

¹ Other commitments payable, comprises amounts committed under signed agreements where the contracted organisation has yet to perform the services required.

This schedule should be read in conjunction with the accompanying notes.

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 OBJECTIVES OF THE NATIONAL HEALTH FUNDING BODY

The National Health Funding Body (NHFB) is an Australian Government controlled not-for-profit entity. The NHFB was established on 1 July 2012 and as such there are no prior year comparative balances.

The roles and functions of the NHFB are set out in the *National Health Reform Act 2011*. The objective of the NHFB is to assist the Administrator of the National Health Funding Pool to:

- + calculate the Commonwealth contribution to the National Health Funding Pool;
- + develop the Three Year Data Plan and associated funding reconciliation frameworks;
- + ensure the National Health Funding Pool operations are in accordance with directions from the responsible state or territory Minister, and in line with the National Health Reform Agreement (NHRA);
- + authorise payment instructions in accordance with directions from the responsible state or territory Minister, and in line with the NHRA ensure public hospitals receive funding based on need; and
- + transparently report on the operations of the National Health Funding Pool and State Managed Funds as outlined in the NHRA.

NHFB is structured to meet one outcome:

Outcome 1: 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.

The NHFB activities contributing to this outcome are classified as Departmental. Departmental activities involve the use of assets, liabilities, income and expenses controlled or incurred by the NHFB in its own right.

The Australian Government continues to have regard to developments in case law, including the High Court's recent decision on Commonwealth expenditure in *Williams v Commonwealth* [2012] 288 ALR 410, as they contribute to the larger body of law relevant to the development of Commonwealth programs. In accordance with its general practice, the Government will continue to monitor and assess risk and decide on any appropriate actions to respond to risks of expenditure not being consistent with constitutional or other legal requirements.

**National Health Funding Body
Notes to and forming part of the Financial Statements
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The continued existence of the NHFB in its present form and within its present programs is dependent on Government policy and continuing funding by Parliament for the NHFB's administration and programs.

1.2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements are general purpose financial statements and are required by s.49 of the *Financial Management and Accountability Act 1997* (FMA Act).

These financial statements cover the financial year 1 July 2012 to 30 June 2013, as no appropriation funding was received until 24 June 2013, all departmental expenditure was incurred by the Department of Health on behalf of the NHFB under a shared services arrangement.

The financial statements have been prepared in accordance with:

- a. Finance Minister's Orders (FMOs) for reporting periods ending on or after 1 July 2011; and
- b. Australian Accounting Standards and Interpretations 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 for certain assets and liabilities at fair value. 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 and values are rounded to the nearest dollar unless otherwise specified.

Unless an alternative treatment is specifically required by an accounting standard or the FMOs, assets and liabilities are recognised in the balance sheet when and only when it is probable that future economic benefits will flow to the NHFB or a future sacrifice of economic benefits will be required and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under executory contracts are not recognised unless required by an accounting standard. Liabilities and assets that are unrecognised are reported in the schedule of commitments or the schedule of contingencies.

Unless alternative treatment is specifically required by an accounting standard, income and expenses are recognised in the Statement of Comprehensive Income when and only when the flow, consumption or loss of economic benefits has occurred and can be reliably measured.

National Health Funding Body
Notes to and forming part of the Financial Statements
for the period ended 30 June 2013

1.3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

No accounting assumptions or estimates have been identified that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

1.4 NEW AUSTRALIAN ACCOUNTING STANDARDS

Adoption of new Australian accounting standard requirements

No accounting standard has been adopted earlier than the application date as stated in the standard. Of the new standards, amendments to standards and interpretations issued by the Australian Accounting Standards Board that are applicable to the current period did not have a financial impact, and are not expected to have a future financial impact on the NHFB.

Future Australian accounting standard requirements

Of the new accounting standards, amendments to accounting standards and interpretations issued by the Australian Accounting Standards Board that are applicable to future periods, none are expected to have a material impact on the NHFB.

1.5 REVENUE

Resources received free of charge

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

Contributions of assets at no cost of acquisition or for nominal consideration are recognised as gains at their fair value when the asset qualifies for recognition, unless received from another Government agency or authority as a consequence of a restructuring of administrative arrangements (refer to Note 1.7).

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.

1.6 GAINS

Resources received free of charge

Resources received free of charge are recognised as gains when, and only when, a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense.

Resources received free of charge are recorded as either revenue or gains depending on their nature.

Contributions of assets at no cost of acquisition or for nominal consideration are recognised as gains at their fair value when the asset qualifies for recognition, unless received from another Government entity as a consequence of a restructuring of administrative arrangements (refer to Note 1.7).

1.7 TRANSACTIONS WITH THE GOVERNMENT AS OWNER

Equity Injections

Amounts appropriated which are designated as 'equity injections' for a year (less any formal reductions) and Departmental Capital Budgets (DCB) are recognised directly in contributed equity in that year.

1.8 EMPLOYEE BENEFITS

Liabilities for 'short-term employee benefits' (as defined in AASB 119 *Employee Benefits*) and termination benefits due within twelve months at 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.

**National Health Funding Body
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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 estimate of the present value of the liability takes into account attrition rates, pay increases 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 and Deregulation'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.

1.9 LEASES

A distinction is made between finance leases and operating leases. Finance leases effectively transfer from the lessor to the lessee substantially all the risks and rewards incidental to ownership of leased assets. An operating lease is a lease that is not a finance lease. In operating leases, the lessor effectively retains substantially all such risks and benefits.

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

**National Health Funding Body
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Where a lease incentive is included in an operating lease in the form of cash, free leasehold improvements or rent-free periods, the net value of the minimum lease payments is expensed on a straight-line basis over the term of the lease.

The NHFB had not entered into any operating leases at 30 June 2013.

1.10 CASH

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

- a. cash on hand; and
- b. demand deposits in bank accounts with an 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.

1.11 FINANCIAL ASSETS

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.

Effective Interest Method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis.

Loans and Receivables

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 amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

Impairment of financial assets

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

**National Health Funding Body
Notes to and forming part of the Financial Statements
for the period ended 30 June 2013**

1.12 PROPERTY, PLANT AND EQUIPMENT

Under the shared services arrangement between the NHFB and the Department of Health all IT, infrastructure and major office equipment is provided to the NHFB. Other property, plant and equipment purchased by NHFB have not been capitalised as at 30 June 2013, as they are low value items.

1.13 FINANCIAL LIABILITIES

Financial liabilities are classified as either financial liabilities 'at fair value through profit and loss' or other financial liabilities. Financial liabilities are recognised and derecognised upon 'trade date'.

1.13 CONTINGENT ASSETS AND LIABILITIES

Contingent assets and liabilities are not recognised in the balance sheet but are reported in the relevant schedules and notes. 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.

1.14 TAXATION

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

Revenues, expenses, assets and liabilities are recognised net of GST except:

- a. where the amount of GST incurred is not recoverable from the Australian Taxation Office; and
- b. for receivables and payables.

NOTE 2: EVENTS AFTER THE REPORTING PERIOD

There was no subsequent event that had the potential to significantly affect the ongoing structure and financial activities of the NHFB.

National Health Funding Body
Notes to and forming part of the Financial Statements
for the period ended 30 June 2013

NOTE 3: EXPENSES

	2013 \$
NOTE 3A: EMPLOYEE BENEFITS	
Wages and salaries	(1,305,387)
Superannuation	
Defined contribution plans	(219,141)
Defined benefit plans	(11,955)
Leave and other entitlements	(317,694)
Total employee benefits	(1,854,177)
NOTE 3B: SUPPLIERS	
Goods and services	
Consumables, printing, recruitment and training	(78,144)
Contractors ¹	(2,561,831)
Information technology and communications	(63,372)
Professional fees	(103,648)
Property and utilities	(218,253)
Travel	(108,844)
Other	(171,097)
Total goods and services	(3,305,189)
Goods and services are made up of:	
Provision of goods — related entities	(772,198)
Provision of goods — external parties	(26,609)
Rendering of services — external parties	(2,506,382)
Total goods and services	(3,305,189)
Other supplier expenses	
Workers compensation expenses	(4,537)
Total other supplier expenses	(4,537)
Total supplier expenses	(3,309,726)

¹ Contractor expenses include \$878,890 (GST exclusive) paid for establishing the Public Hospital Funding website in NHFB's first year of operation. The website was established for the public reporting of National Health Reform payments under the National Health Reform Act 2011.

NOTE 4: INCOME

	2013 \$
OWN-SOURCE REVENUE	
GAINS:	
<u>NOTE 4A: OTHER GAINS</u>	
Resources received free of charge	32,000
Total other gains	32,000
<u>NOTE 4B: REVENUE FROM GOVERNMENT</u>	
Appropriations	
Departmental appropriations	5,520,000
Total revenue from Government	5,520,000

National Health Funding Body
Notes to and forming part of the Financial Statements
for the period ended 30 June 2013

NOTE 5: FINANCIAL ASSETS

	2013 \$
NOTE 5A: CASH AND CASH EQUIVALENTS	
Cash on hand or on deposit ¹	-
Total cash and cash equivalents	-
NOTE 5B: TRADE AND OTHER RECEIVABLES	
Good and Services:	
Goods and services — related entities	78,587
Total receivables for goods and services	78,587
Appropriations receivable:	
For existing program — receivable from the Official Public Account	5,520,000
Total appropriations receivable	5,520,000
Other receivables:	
GST receivable from the Australian Taxation Office	58,805
Total other receivables	58,805
Total trade and other receivables	5,657,392
Receivables are expected to be recovered in:	
No more than 12 months	5,657,392
Total trade and other receivables	5,657,392
Receivables are aged as follows:	
Not overdue	5,657,392
Total receivables	5,657,392

Credit terms for goods and services were within 30 days.

No receivables were overdue or impaired as at 30 June 2013.

¹ The NHFB had no cash at bank as it did not draw down any appropriation by 30 June 2013. A transfer under s32 of the FMA Act from the Department of Health occurred on 24 June 2013, as a result all of the 2012-13 Departmental appropriation has been recognised as a receivable from the Official Public Account.

As the NHFB had no funding during the year, the departmental expenditure was incurred by the Department of Health on behalf of the NHFB under a shared services arrangement. Hence, a payable has been recognised to reimburse the Department of Health, refer to Note 6A.

NOTE 6: PAYABLES

	2013 \$
--	------------

NOTE 6A: SUPPLIERS

Trade creditors and accruals	(4,993,758)
------------------------------	-------------

Total supplier payables	(4,993,758)
--------------------------------	--------------------

Supplier payables expected to be settled within 12 months:

Related entities ¹	(4,375,667)
-------------------------------	-------------

External parties	(618,091)
------------------	-----------

Total	(4,993,758)
--------------	--------------------

Settlement was usually made within 30 days.

NOTE 6B: OTHER PAYABLES

Wages and salaries	(73,295)
--------------------	----------

Superannuation	(7,218)
----------------	---------

Total other payables	(80,513)
-----------------------------	-----------------

Total other payables are expected to be settled in:

No more than 12 months	(80,513)
------------------------	----------

Total other payables	(80,513)
-----------------------------	-----------------

¹ This amount relates to payables to the Department of Health under a shared services arrangement.

NOTE 7: PROVISIONS

	2013 \$
--	------------

NOTE 7A: EMPLOYEE PROVISIONS

Leave	(195,024)
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Total employee provisions	(195,024)
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Employee provisions are expected to be settled in:

No more than 12 months	(156,595)
------------------------	-----------

More than 12 months	(38,429)
---------------------	----------

Total employee provisions	(195,024)
----------------------------------	------------------

NOTE 8: CASH FLOW RECONCILIATION

	2013 \$
RECONCILIATION OF CASH AND CASH EQUIVALENTS AS PER BALANCE SHEET TO CASH FLOW STATEMENT	
Cash and cash equivalents as per:	
Cash flow statement	-
Balance sheet	-
Difference	-
Reconciliation of net cost of services to net cash from operating activities:	
Net cost of services	(5,131,903)
Add revenue from Government	5,520,000
Changes in assets / liabilities	
(Increase) / decrease in net receivables	(5,657,392)
Increase / (decrease) in employee provisions	195,024
Increase / (decrease) in supplier payables	4,993,758
Increase / (decrease) in other payables	80,513
Net cash from (used by) operating activities	-

NOTE 9: CONTINGENT ASSETS AND LIABILITIES

QUANTIFIABLE CONTINGENCIES

As at 30 June 2013, 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).

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.

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.

SIGNIFICANT REMOTE CONTINGENCIES

As at 30 June 2013, the NHFB had no significant remote contingencies.

NOTE 10: SENIOR EXECUTIVE REMUNERATION

NOTE 10A: SENIOR EXECUTIVE REMUNERATION EXPENSES FOR THE REPORTING PERIOD

	2013 \$
Short-term employee benefits:	
Salary	320,734
Annual leave accrued	18,171
Other	62,241
Total short-term employee benefits	401,146
Post-employment benefits:	
Superannuation	40,841
Total post-employment benefits	40,841
Other long-term benefits:	
Long-service leave	3,233
Total other long-term benefits	3,233
Termination benefits	-
Total employment benefits	445,220

Notes

1. Note 10A is prepared on an accruals basis. Hence, the figures will be different from Note 10B which is prepared on a cash basis. No bonuses have been paid to the senior executives.
2. Note 10A excludes acting arrangements and part-year service where total remuneration expensed for a senior executive was less than \$180,000.

NOTE 10: SENIOR EXECUTIVE REMUNERATION

NOTE 10B: AVERAGE ANNUAL REPORTABLE REMUNERATION PAID TO SUBSTANTIVE SENIOR EXECUTIVES DURING THE REPORTING PERIOD

Average annual reportable remuneration paid to substantive senior executives in 2013

Average annual reportable remuneration ¹	Senior Executives No.	Reportable salary ² \$	Contributed superannuation ³ \$	Reportable allowances ⁴ \$	Bonus paid ⁵ \$	Total reportable remuneration \$
Total remuneration (including part-time arrangements):						
\$180,001 to \$209,999	2	188,081	19,950	193	-	208,224
Total	2	188,081	19,950	193	-	208,224

Notes:

¹ This table reports substantive senior executives who received remuneration during the reporting period. Each row is an averaged figure based on headcount for individuals in the band.

² 'Reportable salary' includes the following:

- a. gross payments (less any bonuses paid, which are separated out and disclosed in the 'bonus paid' column);
- b. reportable fringe benefits (at the net amount prior to 'grossing up' to account for tax benefits);
- c. exempt foreign employment income; and
- d. salary sacrificed benefits.

³ The 'contributed superannuation' amount is the average actual superannuation contributions paid to senior executives in that reportable remuneration band during the reporting period, including any salary sacrificed amounts, as per the individual's payslips.

⁴ 'Reportable allowances' are the average actual allowances paid as per the 'total allowances' line on individuals' payment summaries.

⁵ No bonuses were paid to the senior executives.

NOTE 10C: AVERAGE ANNUAL REPORTABLE REMUNERATION PAID TO OTHER HIGHLY PAID STAFF DURING THE REPORTING PERIOD

During the reporting period, there were no other highly paid staff whose salary was \$180,000 or more.

NOTE 11: REMUNERATION OF AUDITORS

	2013 \$
Financial statement audit services were provided free of charge to the NHFB by the Australian National Audit Office (ANAO).	
Fair value of the services provided	
Financial statement audit services	32,000
Total	32,000

No other services were provided by the auditors of the financial statements.

NOTE 12: FINANCIAL INSTRUMENTS

	2013 \$
--	------------

NOTE 12A: CATEGORIES OF FINANCIAL INSTRUMENTS

Financial Assets

Loans & Receivables

Trade and other receivables	78,587
-----------------------------	--------

Total	78,587
--------------	---------------

Carrying amount of financial assets	78,587
--	---------------

Financial Liabilities

At amortised cost

Trade creditors and accruals	(4,993,758)
------------------------------	-------------

Total	(4,993,758)
--------------	--------------------

Carrying amount of financial liabilities	(4,993,758)
---	--------------------

NOTE 12B: NET INCOME AND EXPENSE FROM FINANCIAL ASSETS

There is no income or expense from financial assets in 2012-13.

NOTE 12C: NET INCOME AND EXPENSE FROM FINANCIAL LIABILITIES

There is no net income or expense from financial liabilities in 2012-13.

NOTE 12D: FAIR VALUE OF FINANCIAL INSTRUMENTS

	Carrying amount 2013 \$	Fair value 2013 \$
--	-------------------------------	--------------------------

Financial Assets

Loan & Receivables

Trade and other receivables	78,587	78,587
-----------------------------	--------	--------

Total	78,587	78,587
--------------	---------------	---------------

Financial Liabilities

Trade creditors and accruals	(4,993,758)	(4,993,758)
------------------------------	-------------	-------------

Total	(4,993,758)	(4,993,758)
--------------	--------------------	--------------------

NOTE 12: FINANCIAL INSTRUMENTS

NOTE 12E: FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH STATEMENT OF COMPREHENSIVE INCOME

The NHFB does not value liabilities at fair value through Statement of Comprehensive Income.

NOTE 12F: CREDIT RISK

NHFB is exposed to minimal credit risk as receivables were cash and other receivables.

The maximum exposure to credit risk for other receivables is the risk that arises from potential default of a debtor. This amount was equal to the total amount of trade receivables 2012–13: \$78,587.

The NHFB has endorsed policies and procedures for debt management, to reduce the incidence of credit risk. NHFB has no significant exposures to any concentrations of credit risk.

No collateral is held in relation to the NHFB's gross credit risk.

Credit quality of financial instruments not past due or individually determined as impaired

	Not past due nor impaired 2013 \$	Past due or impaired 2013 \$
Receivables for goods and services	78,587	-
Total	78,587	-

Trade Debtors and receivables that are past due are not considered as risky in both credit risk and quality.

Ageing of financial assets that were past due but not impaired for 2013

	0 to 30 days \$	31 to 60 days \$	61 to 90 days \$	90+ days \$	Total \$
Receivables for goods and services	-	-	-	-	-
Total	-	-	-	-	-

There are no financial assets which have been individually assessed as impaired.

National Health Funding Body
Notes to and forming part of the Financial Statements
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NOTE 12: FINANCIAL INSTRUMENTS

NOTE 12G: LIQUIDITY RISK

The NHFB's financial liabilities only include suppliers. Any exposure to liquidity risk is based on the notion that the NHFB will encounter difficulty in meeting its obligations associated with financial liabilities. This is highly unlikely due to appropriation funding from the Australian Government and internal policies and procedures put in place to ensure there are appropriate resources to meet its financial obligations.

Maturities for non-derivative financial liabilities 2013

	On demand \$	within 1 year \$	1 to 2 years \$	2 to 5 years \$	> 5 years \$	Total \$
Suppliers	(4,993,758)	-	-	-	-	(4,993,758)
Total	(4,993,758)	-	-	-	-	(4,993,758)

The NHFB has no derivative financial liabilities in either 2012-13.

NOTE 12H: MARKET RISK

The NHFB does not participate in any currency dealings including foreign exchange and as such is not exposed to market risk. The NHFB also only has indirect exposure in interest rates and as such the impact on supplier costs is not significant.

NOTE 13: FINANCIAL ASSETS RECONCILIATION

	Notes	2013 \$
<u>FINANCIAL ASSETS</u>		
Total financial assets as per balance sheet		5,657,392
Less: non-financial instrument components		
Appropriations receivable	5B	5,520,000
GST Receivable from the Australian Taxation Office	5B	58,805
Total non-financial instrument components		5,578,805
Total financial assets as per financial instruments note		78,587

NOTE 14A: APPROPRIATIONS

Table A: Annual Appropriations ('Recoverable GST exclusive')

	2013 Appropriations					Total appropriation	Appropriation applied in 2013 (current and prior years)	Variance ²
	Appropriation Act		FMA Act					
	Annual Appropriation	Appropriations reduced	Section 30	Section 31	Section 32 ¹			
	€	€	€	€	€	€	€	€
<u>DEPARTMENTAL</u>								
Ordinary annual services	-	-	-	-	5,520,000	5,520,000	-	5,520,000
Total departmental	-	-	-	-	5,520,000	5,520,000	-	5,520,000

Notes

¹A Determination under Section 32 of the Financial Management and Accountability Act 1997 was registered on 24 June 2013 resulting in the transfer of funds from the Department of Health (previously the Department of Health and Ageing) to NHFB.

²The variance of \$5,520,000 is due to the NHFB not drawing down any appropriation by 30 June 2013. A transfer under s32 of the FMA Act from the Department of Health occurred on 24 June 2013, as a result all of the 2012-13 Departmental appropriation has been recognised as a receivable from the Official Public Account.

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

There was no Departmental Capital Budget appropriated to NHFB in 2012-13.

Table C: Unspent Annual Appropriations ('Recoverable GST exclusive')

Authority	2013
	€
<u>DEPARTMENTAL</u>	
Appropriation Act (No 1) 2012-13	5,520,000
Total	5,520,000

NOTE 14B: COMPLIANCE WITH STATUTORY REQUIREMENTS FOR PAYMENTS FROM THE CONSOLIDATED REVENUE FUND

Section 83 of the Constitution provides that no amount may be paid out of the Consolidated Revenue Fund except under an appropriation made by law. The Department of Finance and Deregulation provided information to all agencies in 2011 regarding the need for risk assessments in relation to compliance with statutory conditions on payments from special appropriations, including special accounts. NHFB does not have any special appropriations or special account. During 2012–13 additional legal advice was received that indicated there could be breaches of Section 83 under certain circumstances with payments for long service leave, goods and services tax and payments under determinations of the Remuneration Tribunal. NHFB will review its processes and controls over payments for these items to minimise the possibility of future breaches as a result of these payments.

NOTE 15: COMPENSATION AND DEBT RELIEF

	2013 \$
<u>DEPARTMENTAL</u>	
No 'Act of Grace' expenses were incurred during the reporting period.	-
No payments were made under any legislative authority during the reporting period.	-
No expenses were made on a periodic basis. None are expected in future years. The estimated amount outstanding in relation to payments being made on a periodic basis at 30 June 2013 was nil.	-
No waivers of amounts owing to the Australian Government were made pursuant to subsection 34(1) of the <i>Financial Management and Accountability Act 1997</i> .	-
No ex-gratia payments were provided for during the reporting period.	-
No payments were provided in special circumstances relating to APS employment pursuant to section 73 of the <i>Public Service Act 1999</i> during the reporting period.	-

NOTE 16: REPORTING OF OUTCOMES

NOTE 16A: NET COST OF OUTCOME DELIVERY

	Outcome 1 ¹ 2013 \$
<u>DEPARTMENTAL</u>	
Expenses	(5,163,903)
Own-source income	32,000
Net (cost)/contribution of outcome delivery	(5,131,903)

¹ Outcome 1 is described in Note 1.1. Net costs shown included intra-government costs that were eliminated in calculating the actual Budget Outcome.

The NHFB had one Outcome in the 2012–13 financial year. All revenues, expenses, assets and liabilities are in relation to achieving this Outcome.

NOTE 17: NET CASH APPROPRIATION ARRANGEMENTS

	2013 \$
Total comprehensive income (loss) less depreciation/amortisation expenses previously funded through revenue appropriations¹	388,097
Plus: depreciation/amortisation expenses previously funded through revenue appropriation	-
Total comprehensive income (loss) — as per the Statement of Comprehensive Income	388,097

¹ From 2010-11, the Government introduced net cash appropriation arrangements, where revenue appropriations for depreciation/amortisation expenses ceased. Entities now receive a separate capital budget provided through equity appropriations. Capital budgets are to be appropriated in the period when cash payment for capital expenditure is required.



DISCLOSURE INDEX

This report requires the following identified aspects; if relevant, its inclusion within the document is indicated. Where it is not relevant the items have been identified as non-applicable (N/A).

Part of Report	Description	Requirement	Location
	Letter of transmittal	Mandatory	iii
	Table of contents	Mandatory	i
	Index	Mandatory	91-97
	Glossary	Mandatory	87-90
	Contact officer(s)	Mandatory	ii
	Internet home page address and Internet address for report	Mandatory	ii
Review by Secretary (CEO)			
	Review by departmental secretary (CEO)	Mandatory	iv-v
	Summary of significant issues and developments	Suggested	19-22
	Overview of department's (agency's) performance and financial results	Suggested	44
	Outlook for following year	Suggested	23
	Significant issues and developments — portfolio	Portfolio departments — suggested	19-22
Departmental Overview			
	Role and functions	Mandatory	12-13
	Organisational structure	Mandatory	15-16
	Outcome and program structure	Mandatory	24, 54-55
	Where outcome and program structures differ from PB Statements/PAES or other portfolio statements accompanying any other additional appropriation bills (other portfolio statements), details of variation and reasons for change	Mandatory	N/A

Continued.

Part of Report	Description	Requirement	Location
	Portfolio structure	Portfolio departments – mandatory	24, 54–55
Report on Performance			
	Review of performance during the year in relation to programs and contribution to outcomes	Mandatory	24
	Actual performance in relation to deliverables and KPIs set out in PB Statements/PAES or other portfolio statements	Mandatory	24
	Where performance targets differ from the PBS/PAES, details of both former and new targets, and reasons for the change	Mandatory	N/A
	Narrative discussion and analysis of performance	Mandatory	24, 44
	Trend information	Mandatory	N/A
	Significant changes in nature of principal functions/ services	Suggested	N/A
	Performance of purchaser/provider arrangements	If applicable, suggested	N/A
	Factors, events or trends influencing departmental performance	Suggested	N/A
	Contribution of risk management in achieving objectives	Suggested	33
	Social inclusion outcomes	If applicable, mandatory	35
	Performance against service charter customer service standards, complaints data, and the department's response to complaints	If applicable, mandatory	N/A
	Discussion and analysis of the department's (agency's) financial performance	Mandatory	44
	Discussion of any significant changes from the prior year, from budget or anticipated to have a significant impact on future operations.	Mandatory	N/A

Continued.

Part of Report	Description	Requirement	Location
	Agency resource statement and summary resource tables by outcomes	Mandatory	79
Management and Accountability			
Corporate Governance			
	Agency heads are required to certify that their agency comply with the Commonwealth Fraud Control Guidelines.	Mandatory	32
	Statement of the main corporate governance practices in place	Mandatory	32
	Names of the senior executive and their responsibilities	Suggested	13–14
	Senior management committees and their roles	Suggested	32
	Corporate and operational planning and associated performance reporting and review	Suggested	32
	Approach adopted to identifying areas of significant financial or operational risk	Suggested	33
	Policy and practices on the establishment and maintenance of appropriate ethical standards	Suggested	N/A
	How nature and amount of remuneration for SES officers is determined	Suggested	38
External Scrutiny			
	Significant developments in external scrutiny	Mandatory	33
	Judicial decisions and decisions of administrative tribunals	Mandatory	33
	Reports by the Auditor-General, a Parliamentary Committee or the Commonwealth Ombudsman	Mandatory	33
Management of Human Resources			
	Assessment of effectiveness in managing and developing human resources to achieve departmental objectives	Mandatory	37–40
	Workforce planning, staff turnover and retention	Suggested	37–40

Continued.

Part of Report	Description	Requirement	Location
	Impact and features of enterprise or collective agreements, individual flexibility arrangements (IFAs), determinations, common law contracts and AWAs	Suggested	37-40
	Training and development undertaken and its impact	Suggested	40
	Work health and safety performance	Suggested	34
	Productivity gains	Suggested	N/A
	Statistics on staffing	Mandatory	38-39
	Enterprise or collective agreements, IFAs, determinations, common law contracts and AWAs	Mandatory	38
	Performance pay	Mandatory	40
Assets management	Assessment of effectiveness of assets management	If applicable, mandatory	33
Purchasing	Assessment of purchasing against core policies and principles	Mandatory	33
Consultants	The annual report must include a summary statement detailing the number of new consultancy services contracts let during the year; the total actual expenditure on all new consultancy contracts let during the year (inclusive of GST); the number of ongoing consultancy contracts that were active in the reporting year; and the total actual expenditure in the reporting year on the ongoing consultancy contracts (inclusive of GST). The annual report must include a statement noting that information on contracts and consultancies is available through the AusTender website.	Mandatory	33
Australian National Audit Office Access Clauses	Absence of provisions in contracts allowing access by the Auditor-General	Mandatory	33

Continued.

Part of Report	Description	Requirement	Location
Exempt contracts	Contracts exempt from the AusTender	Mandatory	33
Financial Statements	Financial Statements	Mandatory	41–80
Other Mandatory Information			
	Work health and safety (Schedule 2, Part 4 of the <i>Work Health and Safety Act 2011</i>)	Mandatory	34
	Advertising and Market Research (Section 311A of the <i>Commonwealth Electoral Act 1918</i>) and statement on advertising campaigns	Mandatory	34
	Ecologically sustainable development and environmental performance (Section 516A of the <i>Environment Protection and Biodiversity Conservation Act 1999</i>)	Mandatory	35
	Compliance with the agency’s obligations under the <i>Carer Recognition Act 2010</i>	If applicable, mandatory	N/A
	Grant programs	Mandatory	36
	Disability reporting — explicit and transparent reference to agency-level information available through other reporting mechanisms	Mandatory	35
	Information Publication Scheme statement	Mandatory	36
	Spatial reporting — expenditure by program between regional and non regional Australia	If applicable, mandatory	N/A
	Correction of material errors in previous annual report	If applicable, mandatory	N/A
	List of Requirements	Mandatory	81–86



ACRONYMS, ABBREVIATIONS AND GLOSSARY

Term	Meaning
(the) Act	The <i>National Health Reform Act 2011</i> .
Activity based funding	A system for funding public hospital services based on the actual number of services provided to patients and the efficient cost of delivering those services. Activity based funding uses national classifications, cost weights and nationally efficient prices to determine the amount of funding for each activity or service.
(the) Administrator	<p>The Administrator of the National Health Funding Pool (the Administrator) is an independent statutory office holder, distinct from Commonwealth and state and territory government departments, established under legislation of the Commonwealth and state and territory governments.</p> <p>The role of the Administrator, with support from the National Health Funding Body, is to administer the payment of public hospital funding according to the <i>National Health Reform Agreement</i>, and to oversee payments into and out of the Reserve Bank pool account for each state and territory, collectively known as the National Health Funding Pool (the Pool).</p>
(the) Agreement	The National Health Reform Agreement entered into by all states, territories and the Commonwealth in August 2011 sets out significant reforms to the way in which public hospitals are funded nationally.
Block funding	<p>A system of funding public hospital functions and services as a fixed amount based on population and previous funding.</p> <p>Under National Health Reform, block funding will be provided to states and territories to support teaching and research undertaken in public hospitals and for some public hospital services where it is more appropriate, particularly smaller rural and regional hospitals.</p>
CEO	Chief Executive Officer.

Continued.

Term	Meaning
Council of Australian Governments (COAG)	The peak intergovernmental forum in Australia. The members of COAG are the Prime Minister, state and territory Premiers and Chief Ministers and the President of the Australian Local Government Association.
FMA	The <i>Financial Management and Accountability Act 1997</i> . The main purpose of this Act is to provide a framework for the proper management of public money and public property.
National Health Funding Body (Funding Body or NHFB)	An independent statutory body established under Commonwealth legislation to assist the Administrator in carrying out his or her functions under Commonwealth, state and territory legislation.
National Health Funding Administrator Payments System (Payments System)	The 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 Pool (Pool)	A collective name for the state pool accounts of all states and territories, also known as the 'the Pool'. The Pool was established under Commonwealth and state and territory legislation for the purpose of receiving all Commonwealth and activity based state and territory public hospital funding, and for making payments under the Agreement.
National health reform	National health reform includes significant reforms to the way in which public hospitals are funded nationally in Australia, as set out in the <i>National Health Reform Agreement</i> entered into by all states, territories and the Commonwealth in August 2011.
National Health Reform Agreement (the Agreement)	<i>National Health Reform Agreement</i> , see '(the) Agreement'.

Continued.

Term	Meaning
Health Reform Implementation Group (HRIG) Financial Operations Subgroup	This subgroup was represented by the Commonwealth, and all states and territories to develop and implement the national health reform funding arrangements, prior to the establishment of the Funding Body.
Local hospital networks (LHNs)	<p>An organisation that provides public hospital services in accordance with the Agreement. A LHN can contain one or more hospitals, and is usually defined as a business group, geographical area or community. Every Australian public hospital is part of a LHN. LHNs receive activity based and block funding under the Agreement.</p> <p>Some states and territories use their own terminology to describe local hospital networks, such as 'local hospital districts'.</p>
(the) Pool	See 'National Health Funding Pool'.
State managed fund	A separate bank account or fund established by a state or territory for the purposes of health funding under the Agreement which must be undertaken in the state or territory.
State pool account	A Reserve Bank account established by a state or territory for the purpose of receiving all Commonwealth and activity based state and territory public hospital funding, and for making payments under the Agreement. The state pool accounts of all states and territories are collectively known as the National Health Funding Pool or the Pool.



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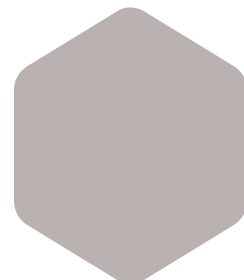
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