

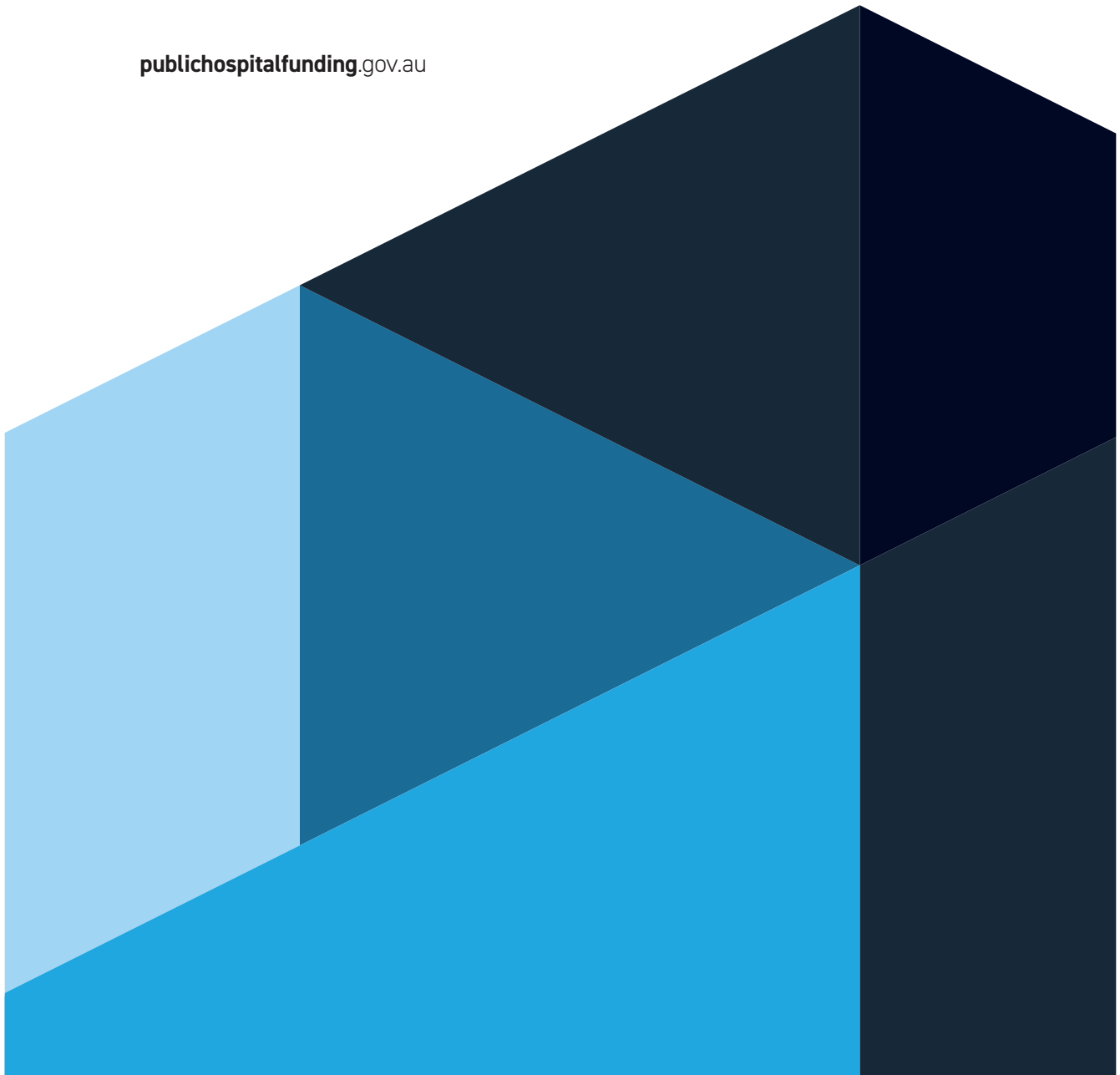


National Health
Funding Body

Improving the
transparency of
public hospital
funding in Australia

ANNUAL REPORT 2023-24

publichospitalfunding.gov.au





Acknowledgement of Country

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

Artwork credit

Kayannie Denigan, 2024

Artist biography

Kayannie Denigan is an Australian Aboriginal artist. She is Luritja by birth – connected to Iltjitjari and Unturu in Central Australia through her grandmother and great-grandmother respectively.

Kayannie is also connected to the Bagarrmugwarra, Guugu Yimithirr and Kuku Yalanji people of Cape York through her Nganjan (adopted father). She maintains strong connections to country at Buru, Starke and Yuku Budhuwigu and to the communities of Hope Vale and Wujal Wujal.

Kayannie works predominantly in acrylic on canvas and is inspired to combine the iconic dots and symbols of her grandmother's country in Central Australia with the colours and stories from the lands and culture of her childhood home in Cape York.

Her unique style represents her heritage and upbringing, resulting in earthy, rich and vibrant expressions of her connection to people and country.

Artist statement

This artwork is based on Kayannie's 'My Country' style and speaks to the enduring connections of Aboriginal and Torres Strait Islander peoples' to country.

The artwork was inspired by the NHFB's important role of providing transparency of public hospital funding to benefit all Australians and the places that these services occur across the country. It acknowledges the continuing connection to land, sea and community of Aboriginal and Torres Strait Islander peoples.

The artwork shows these connections by featuring representations of land and sea, waterways, bush flowers, gum leaves, plants, people and places and seaweed.



National Health
Funding Body

ANNUAL REPORT

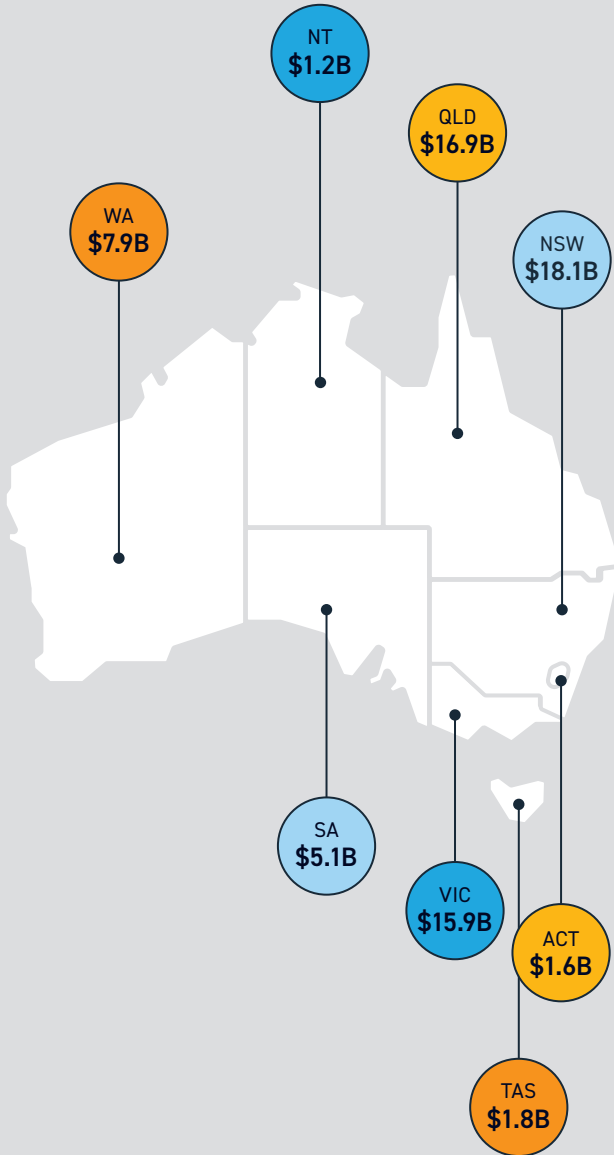
2023-24

Improving the transparency of
public hospital funding in Australia

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HIGHLIGHTS

PUBLIC HOSPITAL FUNDING



We administered...

\$68.3 BILLION
in public hospital funding

SERVICES

\$67.8 BILLION PAID TO...



137

Local Hospital Networks

COMPRISING OF...



700

public hospitals

THAT DELIVERED...



43 MILLION

public hospital services

FUNDING BY SERVICE CATEGORY

 EMERGENCY	Commonwealth: \$3.1 BILLION	States and Territories: \$4.3 BILLION
 ACUTE ADMITTED	Commonwealth: \$14.7 BILLION	States and Territories: \$21.2 BILLION
 MENTAL HEALTH	Commonwealth: \$1.2 BILLION	States and Territories: \$1.9 BILLION
 SUB-ACUTE	Commonwealth: \$1.7 BILLION	States and Territories: \$1.8 BILLION
 NON-ADMITTED	Commonwealth: \$3.6 BILLION	States and Territories: \$4.8 BILLION


STAKEHOLDER ENGAGEMENT

Collaboration through quarterly multilateral meetings, informed by **32 bilateral discussions**, has led to...

Our stakeholders rated us...

4.8/5

★★★★★

 **IMPROVED SATISFACTION AND TRUST AMONG OUR STAKEHOLDERS**

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Acton, Canberra.

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This report is also accessible from the NHFB website:
www.publichospitalfunding.gov.au/publications



**National Health
Funding Body**

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publichospitalfunding.gov.au

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

Dear Minister,

National Health Funding Body Annual Report 2023–24

In accordance with section 46 of the *Public Governance, Performance and Accountability Act 2013*, I am pleased to provide you with the National Health Funding Body Annual Report and Financial Statements for the year ended 30 June 2024, for presentation to Parliament.

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

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

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

Yours sincerely,

A handwritten signature in black ink, appearing to read 'S White'.

Shannon White
Chief Executive Officer
National Health Funding Body
20 September 2024

Our Annual report highlights our key achievements in 2023-24

We have measured our results against a range of performance criteria outlined in the Portfolio Budget Statements, our Strategic Direction and our Corporate Plan.

We introduce our leadership team, provide details on how we support our workforce and explain our approach to governance. We also detail our financial performance, including our audited financial statements.

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

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



This report should be read in conjunction with the National Health Funding Body Corporate Plan 2023-24 and the Administrator's National Health Funding Pool Annual Report 2023-24. These can be found on the NHFB website: www.publichospitalfunding.gov.au/publications

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PART 1:

OVERVIEW

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

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MESSAGE FROM THE ADMINISTRATOR



I thank the NHFB CEO, Shannon White, and his excellent team in supporting me and our work together on improving the transparency of public hospital funding in Australia.

Toni Cunningham
Administrator
National Health Funding Pool

In November 2023, I had the honor of assuming the role of Administrator. Since then, I have been supported by the NHFB to:

- calculate Commonwealth National Health Reform (NHR) Agreement funding
- calculate final National Partnership on COVID-19 Response (NPCR) and the Priority Groups COVID-19 Testing and Vaccination (PGTV) funding
- make payments through the Pool to Local Hospital Networks (LHNs)
- report on payments, activity and jurisdictional compliance with the Addendum and requirements specified in the Administrator's Three Year Data Plan.

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

- working with States and Territories as well as the national bodies to improve the consistency and transparency of public hospital funding
- publishing the annual report on Maintenance of Effort (that is, whether the level of public hospital funding has been maintained compared to the 2018-19 base year)
- identifying services funded by the Commonwealth through both the Addendum and other Commonwealth programs
- bilateral and multilateral engagement with all key stakeholders as part of the six-month and annual reconciliation process
- providing advice on the funding arrangements under the Addendum.

National Health Reform Agreement Funding and Annual Reconciliation

In 2023-24, \$68.3 billion in NHR payments from Commonwealth, State and Territory funding contributions were made. Of the \$68.3 billion, the Commonwealth contributed \$28.3 billion with States and Territories contributing the balance.

The 2022-23 Annual Reconciliation was completed in December 2023, with my advice provided to the Commonwealth Treasurer (and all health ministers) on 1 December 2023. Due to actual activity being lower than estimated activity, the 2022-23 Annual Reconciliation involved a reduction in Commonwealth NHR funding (-\$0.002 billion) as well as reduction under the NPCR (-\$0.463 billion, which include prior year amounts).

Funding under the PGTV agreement was paid in June 2024 to the value of \$0.044 billion.

Stakeholder engagement

There has been regular, helpful engagement with all stakeholders throughout the year. This includes through the Administrator's Advisory Committee (JAC), with representatives from Australian Governments, the Independent Health and Aged Care Pricing Authority (IHACPA) and Australian Institute of Health and Welfare (AIHW).

In 2023-24 we continued to hold bilateral meetings with individual States and Territories in advance of the Administrator's JAC meetings. The purpose of these meetings is to identify and resolve any issues and obtain individual perspectives ahead of the more formal JAC meeting.

The year ahead

In 2024-25, the main areas of focus beyond undertaking the core functions of calculate, pay, report will be to:

- work with the Commonwealth, States and Territories and national bodies on public hospital funding arrangements under the current and future Addendums
- work with IHACPA and Australian Commission on Safety and Quality in Health Care (ACSQHC) on safety and quality measures related to public hospital funding
- work with IHACPA to enhance the transparency of Block funding and transition in-scope Community Mental Health services to Activity Based Funding
- work with States, the Commonwealth, IHACPA and AIHW on data quality, consistency and timeliness
- work with our stakeholders to further improve reconciliation processes and funding integrity measures.

PART 1: OVERVIEW

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER



It is my pleasure to present the NHFB's Annual Report for 2023-24, marking my seventh as the CEO. This report reflects on the Agency's achievements over the past year, showcasing our commitment to continual improvement.

A handwritten signature in black ink that reads "S White".

Shannon White
Chief Executive Officer
National Health Funding Body

Australia's health system is one of the most effective in the world, however, there are numerous long-term challenges. The burden of chronic disease, an aging population, modern medicine, and rising consumer expectations is putting pressure on the broader healthcare sector.

In the short-term, the public hospital system is strained by workforce shortages and the limitations on capacity. Although there was an increase in the number of planned surgeries performed in 2023-24, the system remains under pressure from deferred care following the global pandemic.

Our agency performs a unique role in Australia's health system, delivering best practice administration of over \$68 billion in public hospital funding. We perform the calculations, payments, and reporting of public hospital funding across 137 Local Hospital Networks (LHNs) encompassing 700 public hospitals delivering more than 43 million hospital services.

Appreciation and recognition

This year we welcomed Toni Cunningham as the new Administrator of the National Health Funding Pool. Toni brings to the role significant expertise in health and hospital services and financing arrangements.

I am proud to work with high-performing team at the NHFB. I would like to thank everyone for their consistent hard work, and most importantly, continuing to support each other to work as One NHFB.

I would also like to thank our stakeholders and partners for their cooperation and contribution to our mutual success in 2023-24.

Public hospital funding outcomes

Since the establishment of the Administrator and the NHFB, total Commonwealth, State and Territory public hospital funding contributions through the National Health Funding Pool have continually increased, from \$37 billion in 2013-14 to over \$68 billion in 2023-24, representing an overall increase of \$31 billion over the last eight years.

In December 2023, together with the Administrator, we finalised the 2022-23 Annual Reconciliation of Commonwealth NHR funding (\$26.607 billion) as well as the NPCR (\$14.264 billion).

I am proud to say that despite the increased complexity of public hospital funding arrangements, the Administrator and NHFB provided Annual Reconciliation advice within nine weeks of receiving activity data.

Another highlight during the year was the five year anniversary of our Payments System. Since launching the Payments System in 2019-20, we have successfully transacted \$300 billion in public hospital funding with no errors, delays or fraud.

We further improved the transparency of public hospital funding from a reporting perspective by ensuring in-scope funding is transacted through the Pool (\$68.3 billion) We worked with States and Territories to correctly identify and record out-of-scope funding (\$1.6 billion).

We also engaged with States and Territories to improve service agreements; ensuring they are constructed in accordance with the Addendum; providing transparency over the activity to be delivered by the LHN and source of funding (Commonwealth, State or other).

COVID-19 financial assistance

Since March 2020, over the life of the program the Commonwealth has paid a total of \$14.264 billion through the *National Partnership on COVID-19 Response* (NPCR) to assist States to respond to the COVID-19 pandemic, this included:

- HSP \$3.985 billion - to support public hospitals in treating confirmed and suspected COVID-19 patients
- SPHP \$8.770 billion - to fund public health activities in responding to the pandemic and stopping the spread of the disease. This includes all COVID-19 testing and vaccinations, securing additional PPE supplies, expanding ICU and ventilation capacity, additional cleaning in schools, public transport and health facilities, boosting contact tracing and public health communication activities
- FVP \$1.508 billion - to secure additional staff, facilities and ICU beds within private hospitals to supplement the public hospital system.
- The Commonwealth also provided a Minimum Funding Guarantee during this period to mitigate the volatility in public hospital services.

Existing arrangements under the NPCR expired on 31 December 2022. In the same month, the Commonwealth Government announced the National COVID-19 Health Management Plan 2023, that focused on testing and vaccinations for priority groups. A new *National Partnership for Priority Populations for Testing and Vaccination* was offered to the States and Territories for the 2023 calendar year.

Subsequently we implemented and reconciled funding entitlements under the Priority Groups COVID-19 Testing and Vaccination program. Under the PGTV program, \$43.7 million in Commonwealth funding delivered more than 35,000 vaccines to priority groups and funded approximately 1.3 million COVID-19 tests.

PART 1: OVERVIEW

Investing in our people

The NHFB has a small yet specialised and high performing workforce. Our performance is the result of significant investment in our people and our focus on building organisational capability.

Our United Leadership behaviours are the centrepiece of our positive workplace culture where we value people and results equally. For the fourth time, following the Australian Public Service (APS) Employee Census we have ranked in the top two to three public sector agencies for leadership, communication, innovation and employee wellbeing.

This outcome reflects everyone's contribution to our positive culture underpinned by a psychologically secure workplace, outstanding levels of personal integrity and a focus on organisational stewardship for the long-term.

Since 2018-19, we have remained dedicated to:

- strengthening our leadership and culture to remain an employer of choice
- investing in our people through learning and development to enhance our organisational capability
- reviewing our business operations for innovation opportunities
- leveraging our digital investment and embracing data to improve our advice.

Increased stakeholder satisfaction

Our organisational success relies on enhanced trust with our Commonwealth, State and Territory stakeholders as well as our portfolio agency and industry partners.

We continued to invest in our stakeholder relationships through existing bilateral and multilateral fora as well as more focussed engagement through our communities of practice and technical workshops.

Following five years of feedback from our stakeholders and partners, we know they value our open communication, respectful engagement, and high-quality advice. This is reflected in the stakeholder survey results which have improved year on year, from 4.2 in 2020 to 4.8 out of 5 in 2024.

Priorities for the future

One of the key activities for the next planning period will be to provide advice and support to the Commonwealth, States and Territories on public hospital funding arrangements under the current and future Addendums. In the meantime, our primary focus will be the administration of Commonwealth NHR funding under the Addendum including:

- Public hospital funding integrity
- Funding cap exemption and reconciliation of highly specialised therapies
- The progression of safety and quality measures (e.g. sentinel events, complications and readmissions).

Together with my high performing team, we look forward to supporting the Administrator Toni Cunningham, as well as our stakeholders and partners, to further improve the transparency of public hospital funding in Australia; and play our part to improve the health outcomes of all Australians.

2023-24 Snapshot

How we performed

OBJECTIVE	MEASURE	RESULT
Accurate and timely calculation of Commonwealth funding contributions	1.1 The Treasurer of the Commonwealth is advised by the Administrator in a timely manner	
	1.2 Commonwealth funding calculations are accurate	
	1.3 Funding entitlements reconcile to actual services delivered	
	1.4 Public hospital services are funded through the appropriate Commonwealth program	
Best practice financial administration of the National Health Funding Pool	2.1 Payments to each Local Hospital Network (LHN) accord with directions from responsible State and Territory Ministers and align with Service Agreements	
	2.2 Maintain the integrity of the Administrator's Payments System in accordance with policies and procedures	
Effective reporting of public hospital funding	3.1 Ministers receive required information in a timely manner	
	3.2 Monthly and annual reporting of funding, payments and services	
	3.3 Quarterly and annual reporting of Commonwealth, State and Territory compliance with the Administrator's Data Plan	
Productive relationships with stakeholders and partners	4.1 Provide trusted and impartial advice	
	4.2 Work plans and information requirements are developed in collaboration and consultation with stakeholders	
Operate as a high performing organisation	5.1 A positive workplace culture where people adopt best practice approaches to achieve results	
	5.2 An agile and responsive workforce ready to adapt to new developments	

 Met
  Substantially Met
  Not Met

ABOUT THE NHFB AND ADMINISTRATOR

The National Health Funding Body

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

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

The NHFB is an independent agency with 35 staff that support the Administrator to oversee the administration of Commonwealth, State and Territory public hospital funding and payments under the NHR Agreement. To assist the Administrator and achieve their vision of improving the transparency of public hospital funding in Australia, the NHFB works collaboratively across the four key functions outlined in Figure 1.

The Administrator

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

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

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

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



Figure 1: NHFB's key functions

CALCULATE



- Calculate funding and issue payment advice
- Data collection and analysis
- Reconcile actual activity
- Funding integrity

PAY



- Timely payments and bank reconciliations
- End of month processing
- National Health Funding Pool financial statements
- Payments System administration

REPORT



- Funding, payment and activity reporting
- Data plan and compliance reporting
- Trend analysis and reporting
- publichospitalfunding.gov.au

ORGANISATION



- Leadership and culture
 - Corporate planning
 - Organisational performance
 - Risk management, assurance and governance
-

STRATEGIC OVERVIEW

OUR VISION

To improve transparency of public hospital funding in Australia.

OUR PURPOSE

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

OUR OBJECTIVES



Accurate and timely calculation of Commonwealth funding contributions.



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



Effective reporting of public hospital funding.



Productive relationships with stakeholders and partners.



Operate as a high performing organisation.

OUR APS VALUES

✓ IMPARTIAL

✓ COMMITTED

✓ ACCOUNTABLE

✓ RESPECTFUL

✓ ETHICAL

✓ STEWARDSHIP

OUR BEHAVIOURS

ONE NHFB

We contribute as a united team and encourage new ideas.

ENHANCE TRUST

We treat others as equals and collaborate openly across boundaries.

OPEN COMMUNICATION

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

OWN IT

We own our performance by knowing, accepting and performing our roles to the best of our ability.

NHFB AND AUSTRALIA'S HEALTH SYSTEM



Prime Minister,
Premiers and
Chief Ministers



Commonwealth,
State and Territory
Health Ministers



Commonwealth
Treasurer

WHO WE SUPPORT

**ADMINISTRATOR OF THE
NATIONAL HEALTH FUNDING POOL**

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



Toni Cunningham
Administrator

THE NATIONAL HEALTH FUNDING BODY

Led by the CEO, the 35 staff in the NHFB support the Administrator to oversee the administration of Commonwealth, State and Territory public hospital funding and payments under the National Health Reform Agreement.



Shannon White
Chief Executive Officer

WHO WE WORK WITH



Commonwealth,
State and Territory
stakeholders



Portfolio agencies



Industry partners

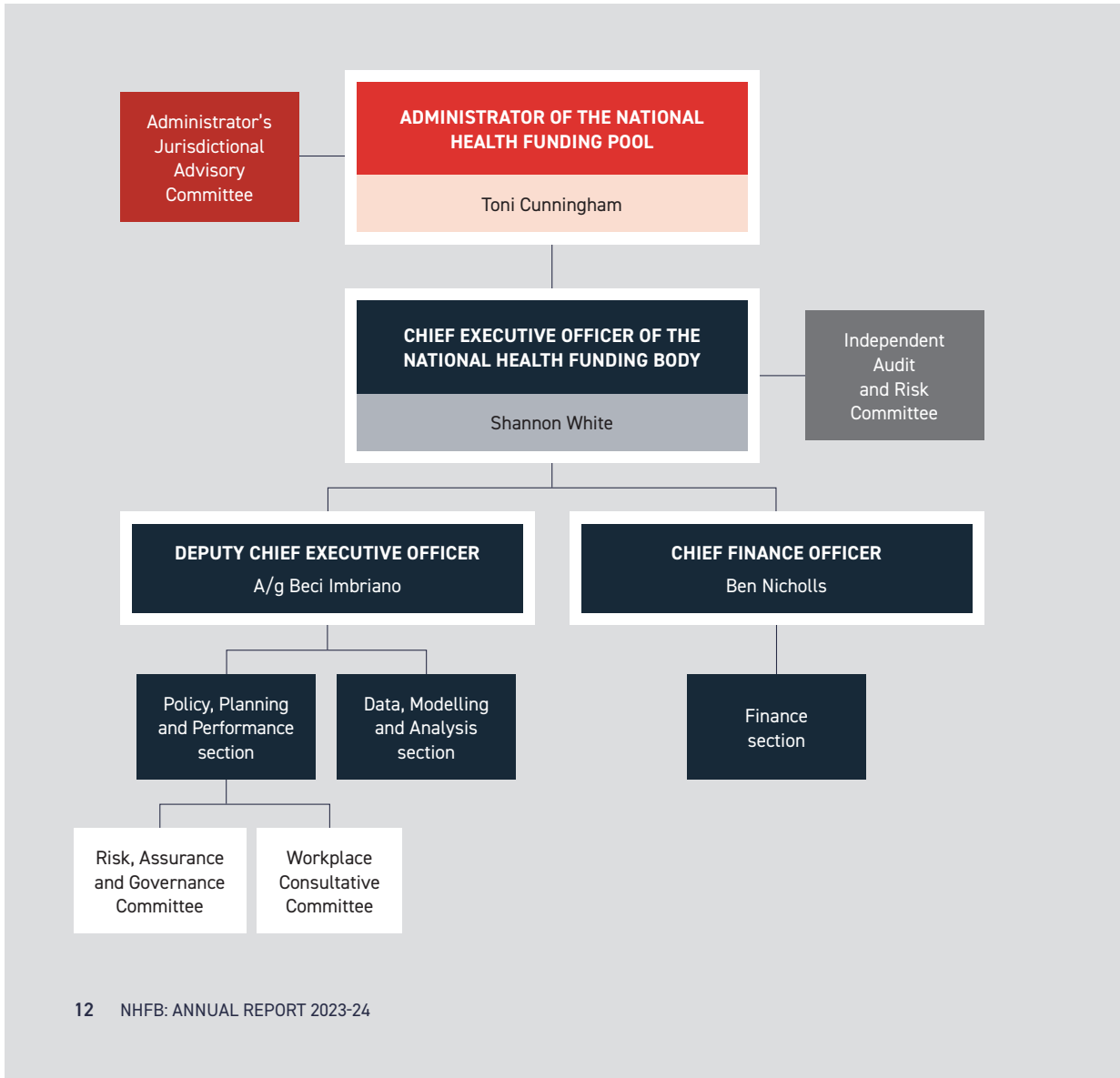
Organisational structure

Our structure has been designed to:

- support the delivery of Government objectives
- ensure our agency can deliver outcomes now and into the future
- align to our core functions, providing clear lines of responsibility.

Figure 2 shows the relationship between the NHFB’s organisational and governance elements. Our Governance arrangements are further detailed on page 39-40.

Figure 2: Organisational structure as at 30 June 2024



Our teams

POLICY, PLANNING AND PERFORMANCE

The Policy, Planning and Performance section is responsible for developing the NHFB's Strategic Direction, Corporate Plan, Portfolio Budget Statements and Annual Reports.

The section works with colleagues, jurisdictions and portfolio agencies to maintain the full suite of the Administrator's policies, including the Administrator's Three Year Data Plan, Data Compliance Policy, Data Governance Policy, Calculation and Reconciliation Framework and Data Matching Business Rules.

The section works with stakeholders to improve funding transparency through the development of trend analysis, including the publication of monthly funding and activity data on publichospitalfunding.gov.au.

The section provides essential business support services to the NHFB, CEO and Administrator across risk management, assurance, governance, human resources, communications, security, management of Memorandums of Understanding (MoU) and Secretariat for the Administrator's JAC and NHFB's Independent Audit and Risk Committee (ARC).

DATA, MODELLING AND ANALYSIS

The Data, Modelling and Analysis (DMA) section develop and operate models that determine the Commonwealth funding contribution to LHNs for delivering public hospital services (over \$28 billion in 2023-24).

The section also reconciles estimated and actual service volumes through a range of data submissions (over 43 million records each year) related to public hospital funding. DMA are also responsible for linking hospital activity data with Medicare Benefits Schedule (MBS) claims data to identify if the Commonwealth has potentially paid for the same hospital service more than once (over 610 million MBS records per annum).

The team also engages with States and Territories on data quality and timeliness, sharing best-practice approaches across jurisdictions.

FINANCE

The Finance section provide financial support to the NHFB CEO and the Administrator, including maintaining the integrity of the National Health Funding Pool Payments System (Payments System). This includes working with colleagues, jurisdictions, industry partners and the RBA on further enhancements to the Payments System, improving user experience and providing training and support.

The section monitors payments of Commonwealth, State and Territory public hospital funding into the Pool and improves the transparency of payments and reporting through their engagement with stakeholders.

The section assists the Administrator in the preparation of the annual financial statements for each State and Territory Pool account which are audited by each State and Territory Auditor's-General as well as preparation of the NHFB's financial statements which are audited by the Commonwealth Auditor-General.

The section also manages the NHFB's financial resources through sound budgeting and appropriate financial management practices.

Our leadership



Toni Cunningham
Administrator
National Health Funding Pool

Toni was appointed as the Administrator on 6 November 2023 for a five-year term.

Toni is an expert in public hospital funding models and the systems that support health services to report on their performance in relation to health funding matters. Toni has occupied leadership roles in the public health sector, most recently in executive roles at Queensland Health. Toni's career, having spanned over forty years, has been predominantly in leadership roles that improved systems and processes for the development of transparency in public sector casemix data collection, including costing, funding and reporting.



Shannon White
Chief Executive Officer
National Health Funding Body

Shannon was appointed CEO of the National Health Funding Body in April 2018 and was subsequently reappointed on 1 July 2023 for a further five years.

Shannon has a broad range of experience across national security, economic and social policy environments. Shannon has 30 years' experience in the APS across Health, Immigration and Border Protection, and Defence with his previous roles having a strong focus on financial management and strategic advice on budget related policy and operational matters.

In his previous senior executive role in Health System Financing at the Department of Health and Aged Care, Shannon worked extensively on national health reform issues and represented the Australian Government at a number of national and international committees. This included health system fiscal sustainability as well as the negotiations on public hospital funding under the two Addendums to the NHR Agreement.



Beci Imbriano

A/g Deputy Chief Executive Officer

Beci joined the NHFB in November 2018 initially as Director Policy, Planning and Performance and is currently acting Deputy Chief Executive Officer.

As the acting Deputy Chief Executive Officer, Beci oversees the functions of the agency's Policy Planning and Performance Team and Data, Modelling and Analysis Team.

She is proud of NHFB's culture, where 'how' we do things is just as important as 'what' we do and is passionate about building organisational capability.

Prior to joining the NHFB, Beci spent 10 years in the APS across the Health and Immigration and Border Protection Portfolios in stakeholder focused policy and operational roles, including reporting on system sustainability through modelling outcomes of policy settings and budget scenarios.



Ben Nicholls

Chief Finance Officer

Ben joined the NHFB in February 2024 as the NHFB's Chief Finance Officer.

As the Chief Finance Officer, Ben oversees the National Health Funding Pool Payments System, National Health Funding Pool daily operations and our departmental budget.

He is passionate about collaborating with stakeholders to achieve positive outcomes and is proud of the work the agency does to improve the transparency of funding.

Prior to joining the NHFB, Ben worked at the Australian National Audit Office for more than 10 years conducting the independent examination of the financial records, transactions and internal controls of Commonwealth entities. Ben is a Chartered Accountant and has a Bachelor of Business (Hons.) from Charles Sturt University.

“We are proud of our positive workplace culture where people feel valued and contribute new ideas.”

OPERATING ENVIRONMENT

Our role in Australia’s health system was the result of significant public hospital funding reforms agreed by the Commonwealth and all States and Territories in August 2011, forming the National Health Reform Agreement.

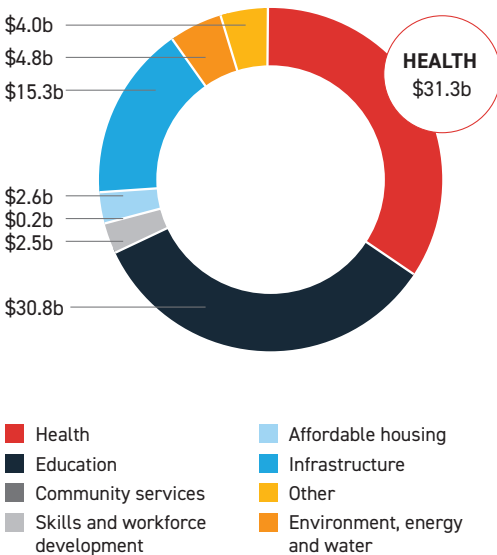
The NHR Agreement outlines the shared responsibility of the Commonwealth, State and Territory governments to work in partnership to improve health outcomes for all Australians and ensure the sustainability of the health system.

On 29 May 2020, the Commonwealth, States and Territories entered into a new agreement through the Addendum to the NHRA 2020–21 to 2024–25 (see page 18).

The Addendum maintains a commitment to ensuring equitable access to public hospitals for all Australians and reaffirms the role of the Administrator and the NHFB.

In 2024–25, the Federal Government will provide States and Territories with \$91.5 billion in payments for specific purposes (see Figure 3), with over a third of that money calculated by the NHFB and paid through our Payments System.

Figure 3: Payments for specific purposes 2024-25, by sector (Treasury Budget Paper 3)



Health System

To achieve our purpose and preserve our role in the health system into the future, we must provide best practice financial administration that is accurate, timely and independent. In 2024-25 we will deliver on our commitment to:

- prepare accurate payment advice, including preparation for the implementation of a new Addendum (2025-2030)
- enhance our funding integrity capabilities
- improve the quality and timeliness of data
- make payments without a delay or error
- maintain the integrity of the Payments System
- improve access to information through public reporting.

These activities will contribute to an efficient, sustainable and accessible public hospital system for all Australians.

KEY MOMENTS IN PUBLIC HOSPITAL FUNDING HISTORY



Images from top to bottom: 1. Interior of the women's surgical ward, Sydney Hospital, 1890s. (State Library of NSW 06472) 2. Medicare card. 3. Front cover of the NHR Agreement. 4. First ministers National Cabinet December 2023. (ABC News: Matt Roberts)

Overview of health care agreements

National Healthcare Specific Purpose Payment Pre–2012

Prior to the NHR Agreement, States and Territories were paid a contribution for public hospital services from the Commonwealth via 'block grants' under the National Healthcare Specific Purpose Payment arrangements. These grants were calculated based on historical costs, negotiation and government decisions, with little transparency of the actual services delivered for the funding provided.

National Health Reform Agreement 2012–13 to 2016–17

In August 2011, the Council of Australian Governments (COAG) agreed to major changes in how public hospitals were to be funded by Commonwealth, State and Territory governments, including the move from block grants to an 'activity-based' funding system. These changes, detailed in the NHR Agreement, included establishing the Administrator and the NHFB to improve transparency of public hospital funding arrangements.

Addendum to the National Health Reform Agreement 2017–18 to 2019–20

In July 2017, amendments were introduced to the NHR Agreement through a time-limited Addendum. This reaffirmed universal health care for all Australians as a shared priority and committed parties to public hospital funding from 1 July 2017 to 30 June 2020. It also focused on reducing unnecessary hospitalisations and improving patient safety and service quality.

Addendum to the National Health Reform Agreement 2020–21 to 2024–25

In May 2020, through the signing of the new Addendum, Commonwealth, State and Territory governments agreed to four strategic priorities to further guide health system reform:

- improving efficiency and ensuring financial sustainability
- delivering safe, high-quality care in the right place at the right time, including long-term reforms in:
 - nationally cohesive health technology assessment
 - paying for value and outcomes
 - joint planning and funding at a local level.
- prioritising prevention and helping people manage their health across their lifetime, including long-term reforms in:
 - empowering people through health literacy
 - prevention and wellbeing.
- driving best practice and performance using data and research, including long-term reforms in enhanced health data.

The Addendum will see over \$131 billion in Commonwealth funding to public hospitals over the five years of the agreement.

In conjunction with the new Addendum, the Federal Government provided a funding guarantee (2019-20, 2020-21 and 2021-22) to all States and Territories to ensure no jurisdiction was left worse off as a result of the COVID-19 pandemic.

National Partnership on COVID-19 Response (NPCR)

The NPCR was initially agreed to and signed by COAG on Friday, 13 March 2020 and ceased on 31 December 2022. The NPCR provided financial assistance to States and Territories for the additional costs incurred in responding to COVID-19 and included key functions to be performed by the Administrator supported by the NHFB and other portfolio agencies.

Over the life of the NPCR (2019-20 to 2022-23), the Commonwealth contributed a total of \$14.264 billion in COVID-19 funding to States and Territories:

- Hospital Service Payments for COVID-19 related hospital activities, with the Commonwealth funding 50%
- State Public Health Payments for public health activities associated with addressing the pandemic, with the Commonwealth funding 50%
- Private Hospital Financial Viability Payments to enable private hospitals to retain capacity, with the Commonwealth funding 100%
- Schedule C: COVID-19 vaccine payments including Vaccine Dose Delivery Payments and Vaccine Rollout Support Payments, with the Commonwealth funding 50%
- Schedule D: supporting aged care prevention, preparedness and response activities including additional targeted infection prevention and control training in residential aged care facilities, with the Commonwealth funding 100%
- Costs of the purchase, logistics and distribution of Rapid Antigen Tests (RATs), with the Commonwealth funding 50%.

Further details on COVID-19 funding is available from the 2019-20, 2020-21, 2021-22, 2022-23 and 2023-24 National Health Funding Pool Annual Reports.

Future Addendum to the National Health Reform Agreement

As part of the NHR Agreement, signatories agreed that an external review of the Agreement would be completed by December 2023. Subsequently, an independent review team was tasked to examine whether the stated objectives of the Addendum – improving health outcomes, access and innovation – are being met; and in particular, whether the Addendum’s health funding, planning and governance architecture is fit-for purpose.

Following the Review, negotiations commenced on a new Addendum (2025-2030). On 6 December 2023, National Cabinet endorsed:

1. Increasing NHRA contributions to 45% over a maximum of a 10-year glide path from 1 July 2025, with an achievement of 42.5% before 2030
2. The current 6.5% national funding cap being replaced by a more generous approach that applies a cumulative cap over the period 2025-2030 and includes a first year ‘catch-up’ growth premium
3. Commencing the renegotiation of the NHRA Addendum to embed long-term, system-wide structural health reforms, including considering the NHRA Mid-Term Review findings.

It is anticipated that outcomes of the negotiations on a new Addendum will be finalised in 2024.

PUBLIC HOSPITAL FUNDING ARRANGEMENTS

The NHFB assist the Administrator in calculating and advising the Treasurer of the Commonwealth's contribution to public hospital funding.

Calculating funding

There are two broad types of funding: ABF and Block (see Figure 5), with the preference to use ABF wherever possible. Under the NHR Agreement, the scope of public hospital services that are funded on an ABF or Block basis and are eligible for a Commonwealth funding contribution currently includes:

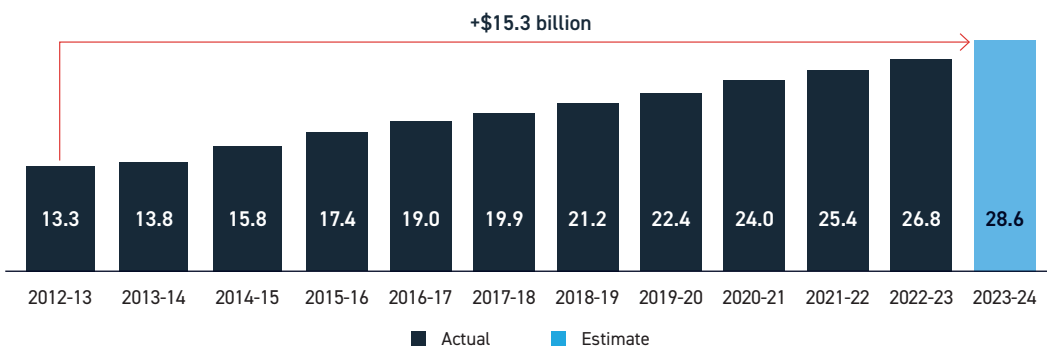
- all emergency department services provided by a recognised emergency department
- all admitted and non-admitted services
- other outpatient, mental health, sub-acute services and other services that could reasonably be considered a public hospital service.

The Commonwealth Contribution Model (CCM) calculations form the basis of the Administrator's payment advice to the Commonwealth Treasurer. The Independent Health and Aged Care Pricing Authority's (IHACPA) price determinations and public hospital activity estimates from States and Territories are key inputs into this model.

Figure 4 provides an overview of the Commonwealth's funding contributions from 2012-13 to 2023-24.

The Administrator's Calculation Policy sets out the method and processes that are used to calculate the Commonwealth's NHR contribution as well as the approach to reconciling public hospital services actually delivered.

Figure 4: Commonwealth funding contributions from 2012-13 to 2023-24



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

Activity Based Funding

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

The method uses national classifications for service types, price weights, the National Efficient Price (NEP) that is independently determined by the IHACPA, and the level of activity as represented by the National Weighted Activity Unit (NWAU) (i.e., the NEP is the price per NWAU).

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

States and Territories are required to outline their basis of payments to each LHN, including an explanation of the factors considered. This information is made publicly available (for all years) via our website and is published in the National Health Funding Pool Annual Report each year.

Block funding

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

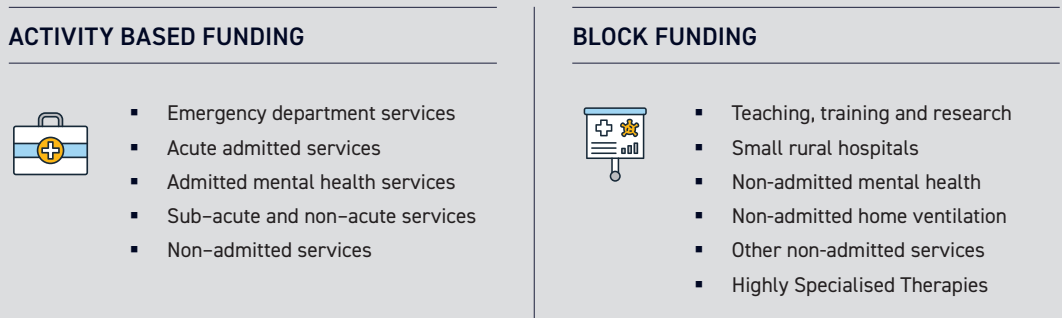
Public Health funding

Public Health funding is paid by the Commonwealth as a contribution to funding population health activities within each State and Territory, directed at improving the overall health of the population and seeking to prevent the development of poor health. These activities include national public health, youth health services and essential vaccines (service delivery).

Out-of-scope

Public hospitals also receive funding from other sources, including the Commonwealth, States and Territories, and third parties for the provision of other specific functions and services outside the scope of the NHR Agreement (e.g., pharmaceuticals, primary care, dental services, other hospital services, home and community care, residential aged care and disability services).

Figure 5: Types of public hospital funding



PART 1: OVERVIEW

Making payments

The Pool was established to receive all Commonwealth (ABF and Block) and State and Territory (ABF only) public hospital funding.

The Pool comprises of a Reserve Bank of Australia (RBA) account for each State and Territory, with each State and Territory also having established a State Managed Fund (SMF) to manage Block funding. The Pool and SMF provide a line-of-sight mechanism to trace each jurisdiction's contribution to LHNs and third parties. The balance is paid to States and Territories (including public health and cross-border).

NHR funding occurs when the Commonwealth or States and Territories pay into a State Pool account or SMF.

NHR payments occur when the funding is paid out of the State Pool account by the Administrator or is paid out of the SMF by the State or Territory.

Figure 6 highlights the source, types and amount of funding and payments that flowed through the Pool and SMFs in 2023-24.

The NHR Agreement also allows for additional streams of funding to be paid through the Pool if agreed by Government, as was done in response to COVID-19.

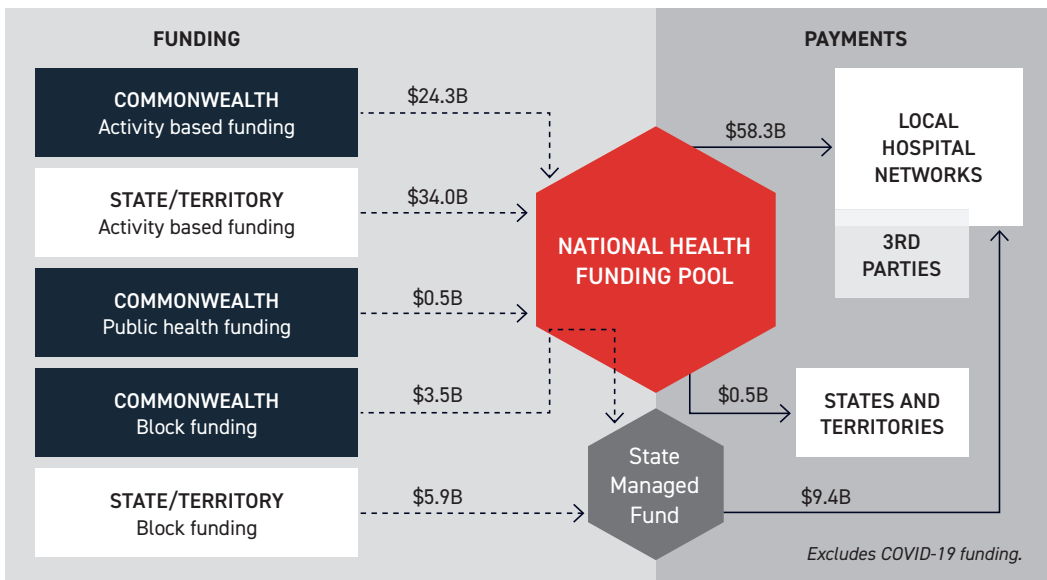
Commonwealth payments into the Pool are made as equal monthly instalments of an estimated annual payment, while States and Territories can determine how much and when they deposit funds into the Pool and SMF.

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

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

The NHFB supports the Administrator to publish monthly reports detailing the funding and payments into and out of the Pool and SMFs. These reports are made publicly available on publichospitalfunding.gov.au.

Figure 6: 2023-24 Public hospital funding payment flows



Publishing reports

To improve the transparency and integrity of public hospital funding, we report publicly on the payments made to Local Hospital Networks and their activity.

Funding and payments

We produce and publish monthly reports that detail funding and payments into and out of the Pool and SMF. The reports are provided at a national, State and Territory and LHN level, and details both the Commonwealth and State and Territory contributions. These reports are prepared on a cash basis and align to the reporting of funding and payments in the National Health Funding Pool Annual Report. Full year 2023-24 funding and payment information was published to the website on 16 July 2024, within three weeks after the end of the financial year.

Maintenance of Effort

Parties to the Addendum agreed, at a minimum, to maintain levels of funding for public hospital services through the Pool for 2020-21 to 2024-25 at not less than the level of funding for 2018-19. The assessment of Maintenance of Effort focuses on in-scope public hospital services under the NHR Agreement.

Out-of-scope activity is defined as non-hospital services or those public hospital services with a funding source other than the NHR Agreement.

This work has identified some inconsistencies in the level of in-scope and out-of-scope funding transacted through the Pool as well as pricing and activity information published in LHN Service Agreements. With the Administrator, we will continue to work with all Parties to the Addendum towards achieving consistency and transparency in the reporting of public hospital funding (A103).

Compliance

The Administrator's rolling Three Year Data Plan sets out the minimum level of data that States, Territories and the Commonwealth must provide to the Administrator, and the timeframes it must be provided within. Each quarter, a compliance report is published that details whether States, Territories and the Commonwealth have met their obligations under the Data Plan.

Service Agreements

Service Agreements between the States and LHNs support transparency of public hospital funding and services and are provided to the Administrator (once agreed). Service Agreements are to include, at a minimum:

- a. the number and broad mix of services to be provided by the LHN, to inform the community of the expected outputs from the LHN and allow the Administrator to calculate the Commonwealth's funding contribution
- b. the quality and service standards that apply to services delivered by the LHN, including the Performance and Accountability Framework and the level of funding to be provided to the LHN under the Service Agreement, through ABF and Block funding
- c. the teaching, training and research functions to be undertaken at the LHN level.

In addition, the funding paid on an activity basis to LHNs will be based on the price set by that State as reported in Service Agreements, the State Price (A92). The Administrator and NHFB have been working with States and Territories to highlight inconsistencies in Service Agreements and identify where improvements can be made including on accuracy of State Prices and identification of in-scope and out-of-scope activity.

OUR STAKEHOLDERS AND PARTNERS

Productive relationships and regular communication with our stakeholders and partners supports us to improve the transparency of funding for public hospital services.

In 2023-24 we continued our focus on simple and proactive communication and engagement with our wide range of stakeholders. In doing this, we aimed to consider the environment each stakeholder operates in, as well as their resources, needs, and preferences.

Early and impartial engagement with all stakeholders, especially States, Territories and the Commonwealth, allows time to discuss and resolve issues in a collaborative manner. We are also able to share valuable guidance to assist all parties to understand the basis of funding calculations and outcomes which helps to maintain their trust in our functions. Figure 7 provides an overview of who we engage with and why.

We held four rounds of bilateral discussions with States and Territories ahead of the more formal Administrator's Jurisdictional Advisory Committee (JAC) meetings. These discussions provided us, along with States and Territories, the opportunity to discuss a range of topics, and answer specific questions that a State or Territory may have. We covered a range of topics including:

- NHR funding and payments
- NPCR funding and payments
- policy and guidance documents
- funding integrity
- consistency and transparency of public hospital funding.

We hosted two Communities of Practice in 2023-24 with State and territory, Commonwealth and portfolio agency representatives

- the **Payment Systems Community of Practice** discussed pool management, payment system updates, financial statements, end of financial year and general news from the NHFB to keep all the payment system users informed
- the **Data Community of Practice** continued to share information aimed at improving data quality and timeliness and discussed the use of data in relation to the functions of the NHFB and Administrator.

We continued to track and measure our performance with our stakeholders, through our annual stakeholder satisfaction survey to benchmark our progress on implementing improvements across five key themes identified in 2019-20:





- organisational culture
- customer service and value adding
- collaboration
- transparency
- high performing team.

In order to establish a baseline for measuring improvements over time, our stakeholders were asked to rate their overall satisfaction with the NHFB's communication and engagement on a scale from 1-5. The average rating was 4.8, indicating high levels of satisfaction with the NHFB including:

- our responsiveness to requests
- our clear and consistent communication, including across teams
- our efforts to maintain relationships with our stakeholders

The survey also provided insights into focus areas for 2024-25 including both strategic and operational level discussions ahead of implementing the new Addendum.

Figure 7: NHFB stakeholders and partners

STAKEHOLDER	WHY WE ENGAGE
<p>Our people</p> 	<p>Maintaining and further developing a diverse, inclusive and positive workplace culture underpinned by our United Leadership behaviours is key to our success. We regularly engage in whole-of-agency forums that strengthen our leadership and culture and look for ways to invest in our people through learning and development to strengthen our capability.</p>
<p>Commonwealth</p> 	<p>Our monthly Commonwealth roundtable is a key channel for us to share information on draft funding and policy outcomes. The roundtable is comprised of representatives from the Department of Prime Minister and Cabinet, Commonwealth Treasury, the Department of Health and Aged Care and the Department of Finance.</p>
<p>States and Territories</p> 	<p>Early and impartial engagement with all stakeholders, especially States and Territories, allows time to discuss and resolve issues in a collaborative manner. Our quarterly bilateral discussions followed by the more formal Administrator Jurisdictional Advisory Committee (JAC) meetings are the key mechanisms for this engagement and is comprised of senior representatives of all States and Territories.</p> <p>We also use our two Communities of Practice to engage with States and Territories on both operational activities as well as opportunities to improve our processes and technology.</p>
<p>Portfolio agencies</p> 	<p>We work closely with our portfolio agency partners to support the Administrator to provide trusted and impartial advice to all stakeholders and deliver best practice administration of public hospital funding. These agencies include the Independent Health and Aged Care Pricing Authority (IHACPA), the Australian Commission on Safety and Quality in Health Care (ACSQHC) and the Australian Institute of Health and Welfare (AIHW).</p> <p>This also gives us the opportunity to add value to the broader health sector and policy environment through sharing our analysis and insights as well as improving understanding of how our agency operates.</p>

■ CASE STUDY

STAKEHOLDER ENGAGEMENT

In July, we undertook our annual stakeholder satisfaction survey to benchmark our progress on implementing improvements across the five key themes we identified in 2019-20:

- organisational culture
- customer service and value adding
- collaboration
- transparency
- high performing team.

We interviewed stakeholders from all State and Territory Health Departments, Commonwealth Treasury, Commonwealth Department of Health and Aged Care, the Independent Health and Aged Care Pricing Authority and the Australian Institute of Health and Welfare.

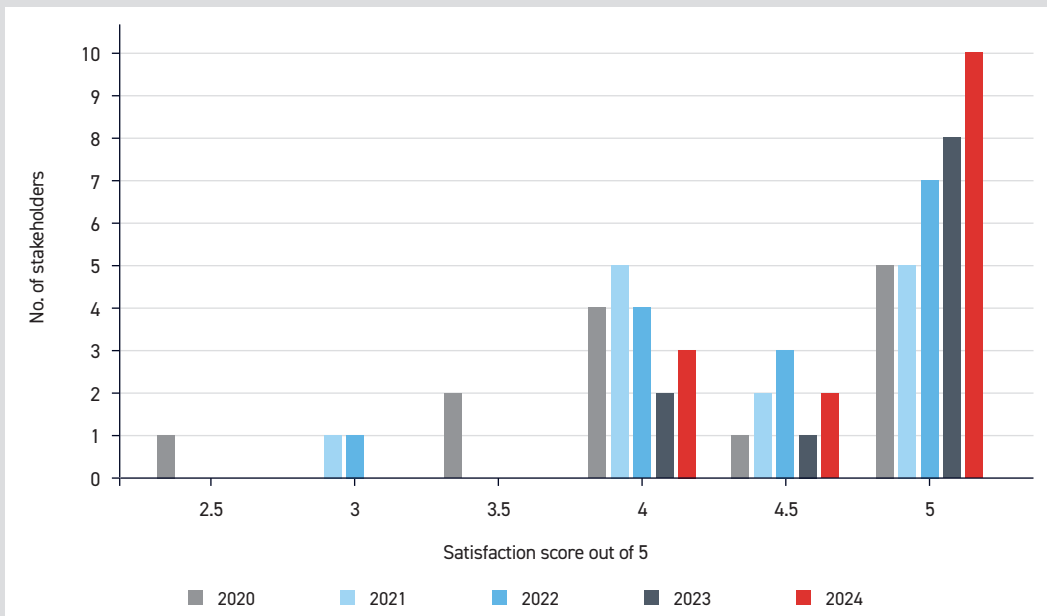
In order to establish a baseline for measuring improvements over time, we asked our stakeholders to rate their overall satisfaction with the NHFB’s communication and engagement on a scale from 1-5. As shown in Figure 8, our stakeholder satisfaction scores have improved year on year since 2020.

Overall, stakeholders expressed their appreciation for the NHFB’s timely responses and noted this has improved over time. They also acknowledged their gratitude towards NHFB’s CEO for being available and proactive.

The responses provided by all stakeholders indicate a significant improvement to the NHFB’s overall communications over the last five years.

The survey also provided insights into focus areas for 2023-24 including sharing worked examples of the new aspects of the funding model and the potential impacts.

Figure 8: Survey results 2020 – 2024



Administrator's Jurisdictional Advisory Committee

Early and impartial engagement with all stakeholders, especially States, Territories and the Commonwealth, allows time to discuss and resolve issues in a collaborative manner. The Administrator's JAC is a key channel for this engagement and is comprised of senior representatives of all States and Territories and relevant Commonwealth departments and portfolio agencies. The objectives of the Administrator's JAC are to:

- consider and provide advice to the Administrator on strategic issues related to the Administrator's functions under the NHR Agreement and NHR Act
- enable collaboration between the Administrator, NHFB, Commonwealth, State and Territory health departments and IHACPA on the relevant operational arrangements and priorities under the NHR Agreement and NHR Act.

The JAC met four times in 2023-24:

- 19 September 2023
- 23 November 2023
- 7 March 2024
- 20 June 2024.

Key discussion topics at the Administrator's JAC in 2023-24 included:

- Administrator's policies such as the Three Year Data Plan
- Commonwealth NHR funding
- NPCR funding
- 2022-23 Annual Reconciliation of public hospital funding and services
- funding integrity, including data matching
- Service Agreements
- consistency and transparency of public hospital funding, including Maintenance of Effort.

States and Territories

In addition to the Administrator's JAC and series of rolling bilateral discussions with States and Territories, we delivered customised workshops to States, Territories and the Commonwealth as required.

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

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

PART 1: OVERVIEW

Commonwealth

In 2023-24, we continued to be supported by, and work with our Commonwealth stakeholders through a range of formal and informal arrangements, including:

- the provision of shared services (e.g., payroll and IT desktop) from the Department of Health and Aged Care
- Enterprise Data Warehouse (EDW) technical support from the Department of Health and Aged Care
- the provision of public hospital activity data from Services Australia
- website hosting on Australia's whole of government platform, GovCMS from Department of Finance
- monthly roundtables with the Department of the Prime Minister and Cabinet, The Treasury, the Department of Finance, and the Department of Health and Aged Care on NHR Agreement funding and activities.

Portfolio agencies

We worked with our fellow portfolio agency partners to support the Administrator to provide trusted and impartial advice to all stakeholders and deliver best practice administration of public hospital funding. These agencies include the ACSQHC, the AIHW and the IHACPA.

Australian Commission on Safety and Quality in Healthcare

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

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

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

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

www.safetyandquality.gov.au

Australian Institute of Health and Welfare

AIHW's purpose is to produce high quality data sets and analysis to support improvements in health and welfare. The AIHW is an independent statutory Australian Government agency with more than 30 years of experience working with health and welfare data.

We collaborate with the AIHW on public hospital funding related matters. In 2023-24, we worked closely with the AIHW to improve public reporting of funding, payments and services. This included improving our understanding of broader health and hospital funding through conducting information sessions on Health Expenditure, different funding mechanisms such as bundled payments and pathways for maternity care with both AIHW and IHACPA.

Work will continue in 2024-25 with the AIHW, Commonwealth and States and Territories to improve consistency and transparency of public reporting in preparation for the Administrator's annual Maintenance of Effort Report, as required by the Addendum.

www.aihw.gov.au

Independent Health and Aged Care Pricing Authority

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

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

The main functions of the IHACPA are to determine the National Efficient Price (NEP) for Activity Based Funding and National Efficient Cost (NEC) for Block funding for public hospital services each year.

We are a member of IHACPA's Jurisdictional Advisory Committee and Technical Advisory Committee. In 2023-24, we worked closely with the IHACPA to align many of our core activities including:

- implementation of the Addendum, including exploring transitional arrangements for Community Mental Health and reconciliation of Highly Specialised Therapies
- Six-month and Annual NWAU Reconciliation
- Three Year Data Plans, including alignment of new data requirements under a 'single provision, multiple use' approach.

www.ihacpa.gov.au

Overview of the relationship between the IHACPA and the NHFB

In August 2011, COAG agreed to major changes in how public hospitals were to be funded by Commonwealth, State and Territory governments, including the move from Block grants to a system that is predominantly funded on an 'activity-based' approach, supplemented by Block funding in certain circumstances.

These changes included establishing the:

- Administrator and the NHFB to improve transparency of public hospital funding arrangements
- IHACPA to set the National Efficient Price (NEP) for ABF activity and the National Efficient Cost (NEC) for Block funded services.

The NEP and NEC are a major determinant of the level of Commonwealth Government funding for public hospital services and provide a price signal or benchmark for the efficient cost of providing public hospital services.

INDEPENDENT HEALTH AND AGED CARE PRICING AUTHORITY (IHACPA)



Data collection

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



Classification

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



Costing

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



Pricing

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

NATIONAL HEALTH FUNDING BODY (NHFB)



Calculate

Commonwealth funding is calculated using the Commonwealth Contribution Model. The IHACPA's National Efficient Price and public hospital activity estimates from States and Territories are key inputs into this model.



Pay

The Payments System is used to facilitate Commonwealth and State and Territory public hospital funding payments to Local Hospital Networks.



Report

Reports on funding, payments and services are published to publichospitalfunding.gov.au on a monthly basis to provide transparency of public hospital funding.

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

FINANCE YEAR IN REVIEW



Since joining the NHFB, I have had the privilege of observing the benefits of a transparent agency firsthand. By being transparent about our processes and decisions, we hold ourselves accountable to high standards of performance.



Ben Nicholls

Chief Finance Officer,
National Health Funding Body

Message from the Chief Finance Officer

We are committed to transparency in all our operations. Transparency is crucial to fostering collaboration, promoting innovation, building trust and remaining accountable.

We invest in our people to enhance and sustain our core capabilities as we continue to grow and evolve. We partner with industry experts to drive innovation and to obtain valuable insights that can propel our organisation. We continue to innovate and improve our operations by leveraging digital platforms.

As we move into the next financial year, we will continue to focus on the effective allocation of resources to ensure our organisation can respond to emerging priorities. We are committed to delivering best practice financial administration and improving transparency in public hospital funding in an evolving environment.

In 2024-25 we will continue to manage our finances in line with three key principles:

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

Investing in our people to enhance and sustain core capabilities

We encourage a culture of continuous improvement and innovation. We regularly review and refine our processes and strategies to enhance productivity without jeopardising the quality of our products.

By developing our skills and expertise internally, we have become more agile, innovative and self-reliant. In 2023-24, expenses related to contract management and support arrangements decreased by 29% (\$0.559 million). This is inline with our target against the Strategic Commissioning Framework, where zero of our core functions are outsourced.

Maximising benefit from digital platforms

Calculate

In 2023-24, we further invested in our data analytics capability to support our calculate function. This investment ensured staff have access to best-practice industry tools to enhance their skills and productivity.

We invested in the maintenance and continuous refinement of the Commonwealth Contribution Model to ensure it continues to meet its full potential. The refinements made in the current year have automated processes which maintain the reliability and accuracy of our activity calculations. Further enhancements made have also resulted in the improved performance and better quality outputs.

Pay

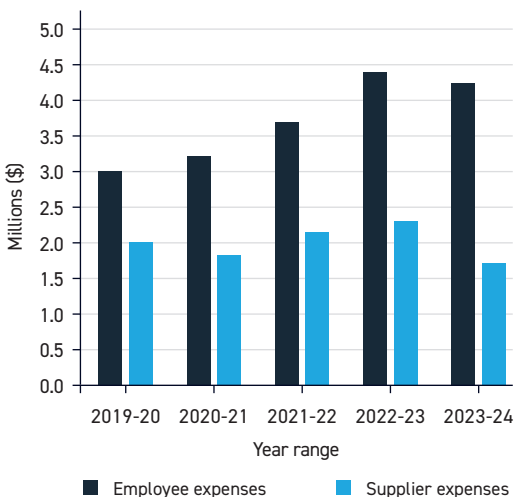
We ensured that software releases for the Payments System are applied in a timely manner to maintain the security and integrity of the Payments System. Since the implementation of the Payments System on 1 October 2019, almost \$300 billion in payments have been successfully processed with no errors, no delays and zero instances of fraud.

We worked with industry partners and the States and Territories to improve user experience through a number of minor releases to further enhance security, functionality and reporting capability.

Report

Our website facilitates public reporting of funding, payments and services. We have continued to leverage off our digital platform to enhance the quality of our reporting and reduce our reliance on external developers. In 2023-24, we successfully transitioned to CivicTheme, an open-source design system specifically developed for Government. This transition supported improved site performance and improved user experience.

Figure 9: Employee and supplier expenditure





PART 2:

ANNUAL
PERFORMANCE

This section highlights our performance throughout 2023-24 and the work we undertook to improve the transparency of public hospital funding in Australia.

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Objective Two: Best practice financial administration of the National Health Funding Pool	52
Objective Three: Effective reporting of public hospital funding	58
Objective Four: Productive relationships with stakeholders and partners	66
Objective Five: Operate as a high performing organisation	72

PART 2: ANNUAL PERFORMANCE

Figure 10: NHFB achievements

NATIONAL HEALTH REFORM AGREEMENT (NHRA)	BEFORE	2023-24
Commonwealth NHR Funding	\$13 billion in 2012-13	\$28 billion in 2023-24
National Partnership on COVID-19 Response	Nil	\$14.3 billion over four years
Funding Integrity (potential duplicate payments)	No data matching	Reduced by \$100 million over four years
Safety and Quality	No funding adjustments	Adjusted by \$1 billion over four years
Annual Reconciliation	2015-16 within 78 weeks	2022-23 within 10 weeks
Payments	\$36 billion in 2012-13	\$68 billion in 2023-24
Monthly reporting	More than 21 weeks	Less than three weeks
Stakeholders	Ad-hoc engagement and dissatisfaction	Regular meetings and over 95% satisfaction

PUBLIC GOVERNANCE, PERFORMANCE & ACCOUNTABILITY (PGPA)	REACTIVE	PROACTIVE
Planning	Unclear and not aligned	Strategic, Corporate, Team and Individual plans
Performance	Nil	Monthly meetings on organisational, finance and risk performance
Annual report	Bronze award in 2015-16	Gold award in 2022-23
Risk management	Not strategically aligned or embedded in the business	Silver award for risk management

AUSTRALIAN PUBLIC SERVICE (APS)	ISOLATED	CONNECTED
Invest in APS, reduce contractors	21 ASL	28 ASL
Reduce insecure work	7 non-ongoing employees	Nil
Improve spans of control	Executive > APS levels	APS > Executive levels
Culture (employer of choice)	Siloed and disconnected	1st out of 104 agencies for leadership and wellbeing

DIGITAL TRANSFORMATION	STANDALONE	INTEGRATED
Calculation engine	Excel, 5 workbooks, 31 worksheets	Big data software (Teradata, SAS, Python)
Payments system	On premises (SAP) administered by DHS	Cloud (TechnologyOne) administered by NHFB
Website	PDF only reporting hosted by a third party	Dynamic reporting hosted by data.gov.au and GovCMS

ANNUAL PERFORMANCE STATEMENT 2023-24

This section highlights our performance throughout 2023-24 and the work we undertook to improve the transparency of public hospital funding in Australia.

Agency outcome

We are proud to report that we have met all our objectives for the 2023-24 reporting period. We provide details of our significant achievements throughout the year across our five key objectives in this Statement. For each objective we detail our performance against established measures.

Reporting approach

Our performance is measured against our purpose through a range of performance criteria outlined in the Health Portfolio Budget Statements (PBS) 2023-24 (page 350 and 351) and the NHFB Corporate Plan 2023-24 (pages 27 to 32). This reporting framework is detailed in Figure 11 and provides an overview of our purpose, objectives and performance indicators.

Statement of Preparation

I, as the Accountable Authority of the NHFB, present the 2023-24 Annual Performance Statement as required under paragraph 39(1)(a) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

In my opinion, this Annual Performance Statement is based on properly maintained records, accurately reflects the performance of the entity, and complies with subsection 39(2) of the PGPA Act.



Shannon White

Chief Executive Officer
National Health Funding Body
20 September 2024

PART 2: ANNUAL PERFORMANCE

Figure 11: Relationship between 2023–24 Portfolio Budget Statements, 2023–24 Corporate Plan and 2023–24 Performance Statement

PORTFOLIO BUDGET STATEMENTS 2023-24

OUTCOME 1

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

PROGRAM 1.1: NATIONAL HEALTH FUNDING POOL ADMINISTRATION

The NHFB supports the Administrator of the National Health Funding Pool in paying and reporting Commonwealth, state and territory funding for public hospital services – responsible for \$64 billion a year. The NHFB ensures payments from the National Health Funding Pool are made in accordance with directions from the responsible state or territory Minister, and are in line with the National Health Reform Agreement and the Addendum to the National Health Reform Agreement.

<p>PERFORMANCE CRITERIA 1</p> <p>Accurate and timely calculation of Commonwealth funding contributions</p>	<p>PERFORMANCE CRITERIA 2</p> <p>Best practice financial administration of the National Health Funding Pool</p>	<p>PERFORMANCE CRITERIA 3</p> <p>Effective reporting of public hospital funding</p>
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NHFB CORPORATE PLAN 2023-24

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

<p>OBJECTIVE 1</p> <p>Accurate and timely calculation of Commonwealth funding contributions</p>	<p>OBJECTIVE 2</p> <p>Best practice financial administration of the National Health Funding Pool</p>	<p>OBJECTIVE 3</p> <p>Effective reporting of public hospital funding</p>	<p>OBJECTIVE 4</p> <p>Productive relationships with stakeholders and partners</p>	<p>OBJECTIVE 5</p> <p>Operate as a high performing organisation</p>
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PERFORMANCE STATEMENT 2023-24

<p>PERFORMANCE CRITERIA 1 AND OBJECTIVE 1</p> <p>Pages 40-51</p>	<p>PERFORMANCE CRITERIA 2 AND OBJECTIVE 2</p> <p>Pages 52-57</p>	<p>PERFORMANCE CRITERIA 3 AND OBJECTIVE 3</p> <p>Pages 58-65</p>	<p>OBJECTIVE 4</p> <p>Pages 66-71</p>	<p>OBJECTIVE 5</p> <p>Pages 72-79</p>
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Performance in 2023-24

We achieved the performance measures required to meet our strategic objectives, legislative requirements and obligations of the Administrator and Commonwealth, States and Territories in 2023-24.

Figure 12: Snapshot of performance 2019-20 to 2023-24

OBJECTIVE	MEASURE	RESULT 2019-20	RESULT 2020-21	RESULT 2021-22	RESULT 2022-23	RESULT 2023-24
Accurate and timely calculation of Commonwealth funding contributions	1.1 The Treasurer of the Commonwealth is advised by the Administrator in a timely manner					
	1.2 Commonwealth funding calculations are accurate					
	1.3 Funding entitlements reconcile to actual services delivered					
	1.4 Public hospital services are funded through the appropriate Commonwealth program					
Best practice financial administration of the National Health Funding Pool	2.1 Payments to each Local Hospital Network (LHN) accord with directions from responsible State and Territory Ministers and Service Agreements					
	2.2 Maintain the integrity of the Payments System in accordance with policies, plans and manuals					
Effective reporting of public hospital funding	3.1 Ministers receive required information in a timely manner					
	3.2 Monthly and annual reporting of funding, payments and services					
	3.3 Quarterly and annual reporting of Commonwealth, State and Territory compliance with the Administrator's Data Plan					
Productive relationships with stakeholders and partners	4.1 Provide trusted and impartial advice					
	4.2 Work plans and information requirements are developed in collaboration and consultation with stakeholders					
Operate as a high performing organisation	5.1 A positive workplace culture where the 'how' is valued as much as the 'what'					
	5.2 An innovative team willing to explore best practice approaches to improve results					

Met Substantially Met Not Met

OBJECTIVE ONE

Accurate and timely calculation of Commonwealth funding contributions



ANALYSIS OF PERFORMANCE IN 2023-24

Commonwealth funding for Activity Based, Block and Public Health funding is calculated using the Commonwealth Contribution Model. A transparent, robust and independently reviewed methodology.

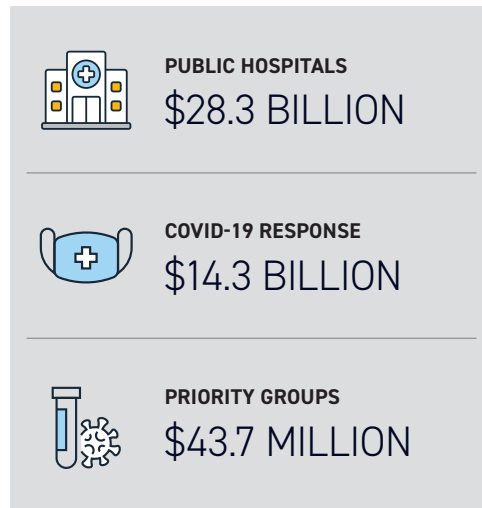
We continue to achieve our purpose by improving the accuracy and timeliness of Commonwealth funding contribution calculations. This work underpins the advice provided by the Administrator to the Commonwealth Treasurer. In 2023–24, this advice included calculations for Commonwealth National Health Reform (NHR) funding and final funding adjustments for the National Partnership on COVID-19 Response (NPCR).

We calculated Commonwealth funding contributions on behalf of the Administrator, and provided advice to the Commonwealth, State and Territory governments throughout 2023–24, including:

- initial 2023-24 NHR payment advice detailing \$27.801 billion in total Commonwealth NHR funding
- updates to NHR payment advice, increasing total Commonwealth NHR funding for 2023-24 to \$28.320 billion
- whole of life funding entitlements of \$14.3 billion for the NPCR (March 2020 to December 2022)
- initial 2024-25 NHR payment advice detailing \$30.161 billion in Commonwealth NHR funding.

We implemented and calculated funding entitlements under the Priority Groups COVID-19 Testing and Vaccination program (PGTV). The objective of the program was to provide Commonwealth financial assistance to States and Territories (1 January to 31 December 2023) to minimise the level of severe COVID-19 and to protect priority population groups from COVID-19 by delivering testing and vaccination programs. Under the PGTV program, \$43.7 million in Commonwealth funding delivered more than 35,000 vaccines to priority groups and funded approximately 1.3 million COVID-19 tests.

Figure 13: Commonwealth funding contributions



We completed the 2022-23 Annual Reconciliation for NHR funding (\$26.607 billion) and NPCR funding (\$1.153 billion) within nine weeks of receiving activity data – the earliest an annual reconciliation has ever been completed.

We continued to improve funding transparency and integrity by undertaking data matching activities during the Six-month and Annual Reconciliation. We identified public hospital services that appeared to have been paid under both the Addendum and Medicare Benefits Schedule (MBS). Final datasets were provided to jurisdictions for review December 2023. We also worked with our stakeholders to further improve funding integrity measures to ensure public hospital services are funded through the appropriate Commonwealth program. In 2023-24 this included scoping activities to examine potential duplicate Pharmaceutical Benefits Scheme (PBS) payments relating to NHR funded activity.

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

- improving the quality and timeliness of data submissions
- public hospital activity growth/trend changes
- the ongoing implementation of payment parity between public and private patients in public hospitals ahead of the 2023-24 Annual Reconciliation in partnership with the Independent Health & Aged Care Pricing Authority (IHACPA).

We further enhanced our data analytics capabilities by establishing Data, Modelling Analytics (DMA) Learning Pathways. This initiative will provide our people with targeted training for various skills levels, from foundational to expert, encompassing both technical and soft skills.

YEAR AHEAD

In 2024-25, we will:

- finalise the 2023-24 Annual Reconciliation, including funding integrity activities
- update 2024–25 funding calculations
- finalise the 2024-25 Six-month Reconciliation
- prepare for 2025-26 funding calculations
- work with our stakeholders to further improve reconciliation processes and funding integrity measures
- identify ways to share data to improve the transparency of funding, payments and activities.

PART 2: ANNUAL PERFORMANCE

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

Performance criteria 1.1 (Corporate Plan) and PBS 2023–24 page 341

2023-24 TARGET

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

RESULT**ANALYSIS**

To enable the Administrator to calculate the Commonwealth's NHR funding contribution each financial year, States and Territories are required to provide the Administrator with:

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

Five out of eight States and Territories submitted their estimated 2023-24 service volumes by Friday, 31 March 2023 (compared to six of eight last year), with the remaining three submitted on 3, 5 and 15 April 2023.

Five of eight States and Territories provided their confirmed 2023-24 service volumes by Wednesday, 31 May 2023 (compared with seven of eight last year), with the remaining three submitted the following day (Thursday, 1 June 2023).

We then used the confirmed service volumes (as represented by National Weighted Activity Units (NWAU)) to calculate the Commonwealth's initial \$27.801 billion NHR funding contribution to public hospitals in 2023-24. The Administrator signed-off and provided the initial 2023-24 payment advice to the Commonwealth Treasurer on 20 June 2023.

The Commonwealth Treasury then completed the first 2023-24 Commonwealth NHR payments to States and Territories on 7 July 2023.

Updates to payment advice can happen multiple times a year if a State or Territory provide updated activity estimates to the Administrator. In 2023-24, the NHFB calculated, and the Administrator signed-off on three additional updates to Payment Advice.

Updates to 2023-24 Payment Advice were provided to the Commonwealth Treasurer on:

- 13 December 2023, which updated payments from 1 January 2024 to 30 June 2024
 - This advice also included funding adjustments as a result of the 2022-23 Annual Reconciliation and finalisation of the NPCR
- 22 February 2024, which updated payments from 1 March 2024 to 30 June 2024
- 23 May 2024, which updated payments from 1 June 2024 to 30 June 2024.

Based on updated activity estimates, the final 2023-24 Payment Advice resulted in \$28.320 billion in Commonwealth NHR funding.

Each update to the Administrator's Payment Advice is also distributed to all health ministers and State and Territory health department CFOs.

Table 1 shows the cash paid by the Commonwealth each financial year based on activity estimates (cash paid row). The table also shows the final Commonwealth NHR funding entitlement determined by the Commonwealth Treasurer based on the reconciliation of actual services delivered (entitlement column).

The subsequent funding adjustments whether positive or negative, reflect the difference between estimated activity and actual services delivered. This table is published for each State and Territory in the Administrator's National Health Funding Pool Annual Report.

Table 1: Commonwealth NHR funding (excluding NPCR funding)

\$ 000'S	2019-20 ¹ ENTITLEMENT	2020-21 ² ENTITLEMENT	2021-22 ³ ENTITLEMENT	2022-23 ⁴ ENTITLEMENT	2023-24 ESTIMATE	2024-25 ESTIMATE	CASH PAID
2019-20 Cash Paid	22,328,058	-	-	-	-	-	22,560,859 ⁵
2020-21 Cash Paid	-492,493	22,931,025	-	-	-	-	22,438,532
2021-22 Cash Paid	-	-260,146	24,315,259	-	-	-	24,055,113
2022-23 Cash Paid	-	-	-797,317	26,608,630	-	-	25,811,313
2023-24 Cash Paid	-	-	-	-1,894	28,319,917	-	28,318,023
2024-25 Cash Paid	-	-	-	-	TBC	30,160,712	30,160,712
FINAL ENTITLEMENT	21,835,565	22,670,879	23,517,942	26,606,735	28,319,917	30,160,712	-

- 1 The 2019-20 Commonwealth NHR Funding entitlement excludes \$572,278,881 in HSP under the NPCR.
- 2 The 2020-21 Commonwealth NHR Funding entitlement excludes \$1,325,128,059 in HSP under the NPCR.
- 3 The 2021-22 Commonwealth NHR Funding entitlement excludes \$1,876,996,162 in HSP under the NPCR.
- 4 The 2022-23 Commonwealth NHR Funding entitlement excludes \$210,889,114 in HSP under the NPCR.
- 5 The 2019-20 total cash paid figure includes a top-up payment of \$232,802,531 in relation to the 2018-19 Annual Reconciliation outcome.

PART 2: ANNUAL PERFORMANCE

SPOTLIGHT ON: TIMELY ADVICE TO THE TREASURER

Twice yearly, estimated activity provided by States and Territories is reconciled against the actual public hospital activities delivered.

This occurs following the provision of six-month and annual data by States and Territories (due 31 March and 30 September respectively). Adjustments to Commonwealth payments are only made after the reconciliations have been finalised. This means that the Commonwealth's funding contribution is based on the actual services delivered.

In 2018-19, the NHFB were two Annual Reconciliations behind (2016-17 and 2017-18), resulting in just over \$800 million owed to States and Territories.

Starting in January 2019, we invested heavily in making improvements to our resourcing (people), processes and technology:

- **People** – we have grown our data, modelling and analytics team from 5 to 15. This has reduced the risk of single-points-of failure in our small agency as well as boosted the support and engagement we have been able to provide States and Territories on annual reconciliation activities.
- **Process** – we have reviewed, tested and refined our processes to ensure they are best practice and fit-for-purpose. We continually look at better ways of doing things and use our audit and assurance activities to support improvements to our processes to ensure we learn from any mistakes.
- **Technology** – we transitioned away from a manual excel based CCM to a SAS based CCM as the primary calculation engine. This transition provided a more robust platform for the calculation of public hospital funding entitlements.

Fast forward a few years and, together with the Administrator, we finalised the 2020-21 Annual Reconciliation in February 2022. The Treasurer's Federal Financial Relations (National Health Reform Payments for 2020-21) Determination 2022 was made on Wednesday, 23 February 2022. This was, at the time, the fastest the NHFB had delivered an Annual Reconciliation.

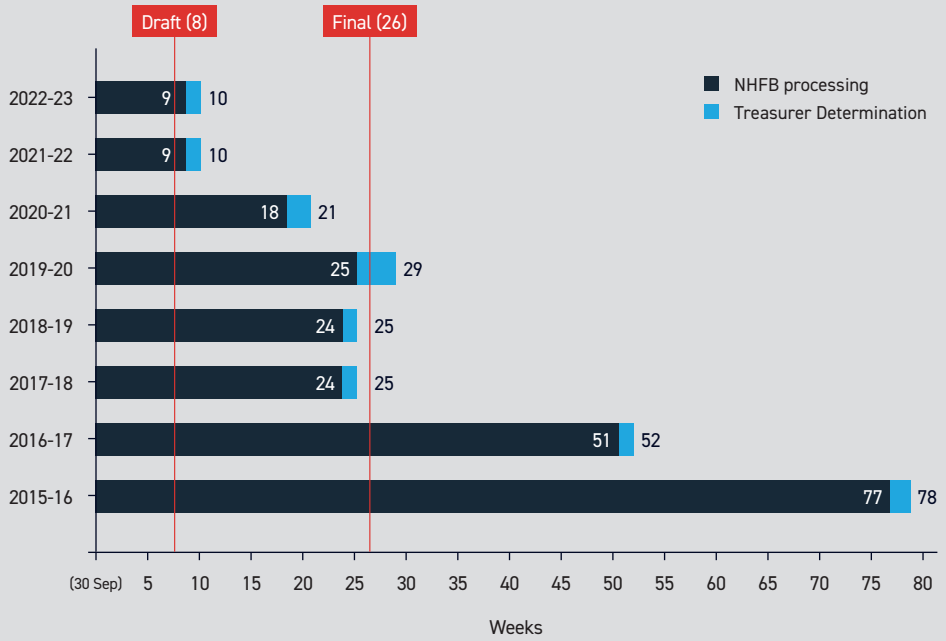
We improved on this achievement the following year in undertaking the 2021-22 Annual Reconciliation, delivering 2021-22 Annual Reconciliation advice to the Commonwealth Treasurer in early December 2022. The Treasurer's Federal Financial Relations (National Health Reform Payments for 2021-22) Determination 2022 was made on Monday, 12 December 2022.

We worked hard to improve this again in 2023-24, finalising the 2022-23 Annual Reconciliation and final funding entitlements for NHR funding (\$26.607 billion) and NPCR funding (\$1.153 billion) within nine weeks of receiving activity data – this is the earliest an annual reconciliation has ever been completed.

The Treasurer's Federal Financial Relations (National Health Reform Payments for 2022-23) Determination 2023 was made on 6 December 2023. This is the fastest the NHFB has completed an Annual Reconciliation, and the sixth year in a row advice has been provided to the Commonwealth Treasurer by the end of March (as required under the Addendum).

Figure 14 shows the timeliness of Annual Reconciliation advice to the Treasurer from 2015-16 to 2022-23. The figure also shows the improvement we have made against a target of 26 weeks.

Figure 14: Annual Reconciliation and Treasurer Determination timeline



Note: September 30 - Q4 Data due for Annual Reconciliation.

PART 2: ANNUAL PERFORMANCE

1.2 COMMONWEALTH FUNDING CALCULATIONS ARE ACCURATE

Performance criteria 1.2 (Corporate Plan)

2023-24 TARGET

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

RESULT**ANALYSIS**

The updates we made to the CCM in 2023-24 were driven by the Addendum to the NHRA 2020-2025 as agreed by all governments in May 2020.

The initial CCM for 2023-24 was approved by the Administrator and supported the payment advice provided to the Commonwealth Treasurer on 20 June 2023.

This advice included the initial calculation of the Commonwealth's contribution to public hospital funding in 2023-24 (\$27.801 billion) which was subsequently updated throughout the financial year (refer to performance criteria 1.1). The final 2023-24 payment advice resulted in \$28.320 billion in Commonwealth NHR funding for 2023-24 as outlined in Table 2. The 2023-24 figures are based on estimates from States and Territories and are still subject to an Annual Reconciliation (circa December 2024).

To provide assurance to the Administrator of the integrity of the inputs, processes and outputs of the Commonwealth Contribution Model (CCM) we engage an industry partner each year to undertake an independent review of the CCM. By outsourcing this assurance activity, we are able to obtain an unbiased and candid view of our controls, processes and systems. In 2023-24, this included:

- confirmation of the validity and completeness of entered data and outputs
- confirmation that annual reconciliation payment adjustments had been entered and calculated accurately
- confirmation that the model was reflective of funding requirements under the NHR Agreement and the Addendum to the NHR Agreement, National Partnership on COVID-19 and the Administrator's policies/decisions that govern the calculation.

The 2023-24 figures are based on estimates from States and Territories and are still subject to an Annual Reconciliation (circa December 2024).

Table 2: Commonwealth's funding contribution to public hospitals

NATIONAL	2019-20 ENTITLEMENT	2020-21 ENTITLEMENT	2021-22 ENTITLEMENT	2022-23 ENTITLEMENT	2023-24 ESTIMATE
Emergency Department	2,545.0	3,163.3	3,315.0	2,919.4	3,082.7
Acute Admitted	11,049.2	11,757.4	12,042.2	13,778.2	14,837.9
Admitted Mental Health	936.8	1,016.3	1,086.9	1,126.2	1,318.7
Sub-acute	1,043.5	1,193.7	1,428.6	1,543.4	1,564.8
Non-admitted	3,531.6	3,153.5	3,204.2	3,407.7	3,565.2
TOTAL ABF FUNDING	19,106.1	20,284.2	21,076.8	22,775.0	24,369.2
Teaching Training and Research	605.4	623.2	737.5	732.3	755.1
Small Rural Hospitals	1,059.4	1,111.5	1,153.4	1,160.2	1,206.9
Non-admitted Mental Health	985.9	1,042.7	1,120.6	1,188.3	1,226.0
Non-admitted CAMHS	50.6	60.0	99.1	121.7	114.6
Non-admitted Home Ventilation	29.8	31.2	36.6	32.8	38.1
Other Non-admitted Services	22.5	22.6	22.7	22.9	23.1
Other Public Hospital Programs	77.2	126.7	106.1	52.4	12.1
Highly Specialised Therapies	13.9	25.9	38.9	40.1	52.4
TOTAL BLOCK FUNDING	2,844.6	3,043.8	3,315.0	3,350.7	3,428.4
PUBLIC HEALTH FUNDING	421.2	439.3	470.0	491.9	522.3
TOTAL ENTITLEMENT[^]	22,372.0	23,767.3	24,861.8	26,617.7	28,319.9

[^] Total Entitlement includes Hospitals Services Payments (HSP) under the NPCR.

Note:

The 2019-20 Commonwealth funding entitlement figure excludes \$35,844,651 of HSP Block funding for diagnostic testing.

The 2020-21 Commonwealth funding entitlement figure excludes \$228,689,820 of HSP Block funding for diagnostic testing.

The 2021-22 Commonwealth funding entitlement figure excludes \$533,157,700 of HSP Block funding for diagnostic testing.

The 2022-23 Commonwealth funding entitlement figure excludes \$199,966,224 of HSP Block funding for diagnostic testing.

PART 2: ANNUAL PERFORMANCE

1.3 FUNDING ENTITLEMENTS RECONCILE TO ACTUAL SERVICES DELIVERED

Performance criteria 1.3 (Corporate Plan)

2023-24 TARGET

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

RESULT

Met

ANALYSIS

Twice yearly, we reconcile the estimated activity provided by States and Territories to the actual public hospital activities delivered.

This occurs following the provision of six-month and annual data by States and Territories (due 31 March and 30 September respectively). Adjustments to Commonwealth payments are only made after the reconciliations have been finalised. This means that the Commonwealth's funding contribution is based on the actual services delivered.

Table 3 shows the final Commonwealth funding entitlements overtime by payment type. This figure also highlights that despite the uncertainty of a global pandemic, Commonwealth funding grew by approximately \$1.4 billion per annum due to two policies:

- a. National Partnership on COVID-19 Response
- b. Commonwealth Minimum Funding Guarantee.

Furthermore, this figure shows the additional financial assistance provided to the public and private health systems during the pandemic. Further information on funding types can be found on page 19.

Table 3: Commonwealth funding entitlements

\$ BILLION	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24 ESTIMATE	2024-25 ESTIMATE
NHR Funding	17.403	18.953	19.877	21.169	21.304	22.447	23.045	26.607	28.320	30.161
Funding guarantee	-	-	-	-	0.532	0.223	0.473	-	-	-
Hospital Service	-	-	-	-	0.572	1.325	1.877	0.211	-	-
SUBTOTAL ACTIVITY RELATED	17.403	18.953	19.877	21.169	22.408	23.995	25.395	26.818	28.320	30.161
State Public Health	-	-	-	-	1.420	2.307	4.337	0.704	-	-
Financial Viability	-	-	-	-	0.470	0.357	0.444	0.238	-	-
Priority Groups	-	-	-	-	-	-	-	-	0.044	-
TOTAL FUNDING	17.403	18.953	19.877	21.169	24.298	26.659	30.176	27.760	28.364	30.161

As was done in 2020-21 and 2021-22, funding adjustments at the 2022-23 Six-month Reconciliation were deferred to the 2022-23 Annual Reconciliation. In 2023-24, the Administrator provided advice to the Commonwealth Treasurer on funding adjustments related to the:

- Commonwealth NHR funding 2022-23 Annual Reconciliation
- Commonwealth NPCR funding 2022-23 Annual Reconciliation.

Preliminary 2022-23 Annual Reconciliation results were provided to the Commonwealth, States and Territories during a series of bilateral discussions in late October and early November 2023 ahead of the Administrator's Jurisdictional Advisory Committee (JAC) meeting on 23 November 2023.

Following a period of engagement and collaboration with stakeholders, the Administrator's advice on the 2022-23 Annual Reconciliation was provided to the Commonwealth Treasurer (and all health ministers) on 13 December 2023. This is the fastest the NHFB has completed an Annual Reconciliation, and the sixth year in a row it has been completed by March (as required under the Addendum).

In 2023-24, the Administrator provided advice to the Commonwealth Treasurer on funding adjustments related to the:

- Commonwealth NHR funding 2022-23 Annual Reconciliation
- Commonwealth NPCR funding 2022-23 Annual Reconciliation
- Commonwealth PGTV Reconciliation.

To provide assurance to the Administrator (and jurisdictions) on the accuracy of our public hospital funding calculations (including subsequent funding adjustments) we engage an industry partner to undertake an independent detailed quality assurance review of the NHFB's calculation processes. In 2023-24, this included:

- checks on the distribution of the data (e.g. by age, Indigenous status, location, classification and service category)
- checks of the NWAU outcomes (by jurisdiction, LHN, hospital, service category), including comparing outcomes with previous years
- ensuring IHACPA technical specifications are correctly applied
- checks on the application of safety and quality adjustments.

PART 2: ANNUAL PERFORMANCE

1.4 PUBLIC HOSPITAL SERVICES ARE FUNDED THROUGH THE APPROPRIATE COMMONWEALTH PROGRAM

Performance criteria 1.4 (Corporate Plan)

2023-24 TARGET

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

RESULT**ANALYSIS**

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

- determine data matching business rules, in consultation with jurisdictions, to identify services potentially funded under both the Addendum and other Commonwealth programs
- identify public hospital services that appear to have been paid under both the Addendum and other Commonwealth programs such as the Medicare Benefits Schedule (MBS) or Pharmaceutical Benefits Schedule (PBS)
- refer these matters to the Commonwealth (Department of Health and Aged Care) in the first instance to support Commonwealth compliance activities through mechanisms outside of the Addendum, with States and Territories provided copies of their potential data matches.

Data matching activities were integrated into business as usual starting with the 2021-22 Annual Reconciliation. Results for the last five years have identified between \$400 to \$500 million per annum in MBS benefits paid for services matched to public hospital activities.

Data matching for the 2022-23 annual hospital activity data commenced in October 2023. Preliminary datasets were made available to all jurisdictions between 20 and 26 October 2023 (against a target date of 30 November 2023) following their acceptance of terms and conditions.

Final 2022-23 datasets were then provided to jurisdictions on 20 December 2023, which identified \$407 million in MBS benefits paid matched to public hospital activities. The majority of matches were in the non-admitted service stream, which accounts for approximately \$275 million in potentially overpaid MBS benefits. Emergency department and acute admitted services matches accounted for \$75 million and \$77 million, respectively.

Table 4: Total potentially overpaid MBS benefits matched to public hospital services

\$ MILLIONS	2018-19	2019-20	2020-21	2021-22	2022-23
Emergency	76,899,722	74,504,542	76,368,444	71,720,879	75,262,747
Acute	86,915,198	83,645,292	86,862,316	82,035,661	77,461,414
Mental Health	2,641,660	2,426,480	2,312,274	2,008,749	1,994,469
Sub-acute	4,344,157	5,013,399	5,061,319	5,295,388	5,236,699
Non-admitted	325,090,013	273,517,183	310,188,652	274,761,081	275,044,358
TOTAL[^]	464,047,317	408,696,719	449,830,420	407,784,814	406,841,908

[^] MBS items matched to more than one service category have only been counted once in the total benefits.

In 2023-24 we worked with jurisdictions to further improve the business rules which refined our identification of funding integrity issues (i.e. duplicate payments). Through our proactive engagement with jurisdictions we were able to successfully remove \$11 million of duplicate hospital activity data from the 2022-23 Annual Reconciliation.

In 2023-24 we commenced the process of engaging with stakeholders on the initial scoping and development of the Pharmaceutical Benefits Scheme (PBS) data matching business rules.

We will continue to work with the States and Territories in 2024-25 to identify further improvements to our business rules and seek to correct the practices that lead to duplicate payments.

PART 2: ANNUAL PERFORMANCE

OBJECTIVE TWO

Best practice financial administration of the National Health Funding Pool



ANALYSIS OF PERFORMANCE IN 2023-24

We continue to achieve our purpose of improving the transparency of public hospital funding by enhancing our core capabilities, better utilising our resources, adopting innovative approaches and working with our stakeholders.

The National Health Funding Pool (the Pool) receives all Commonwealth (ABF and Block) and State and Territory (ABF only) public hospital funding.

The Pool comprises of a Reserve Bank of Australia (RBA) account for each State and Territory, with each State and Territory also having established a State Managed Fund (SMF) to manage Block funding.

State Pool Accounts are bank accounts opened under the laws of States and Territories for the purpose of the NHR Agreement. Under the Addendum States and Territories are required to provide the same payment information for State Managed Funds as required for State Pool accounts.

In 2019-20, we launched a new National Health Funding Pool Payments System (the Payments System) to facilitate payments through the Pool and SMF.

Since then, almost \$300 billion has been transacted through the Pool with no errors, no delays and no fraudulent transactions.

In 2023-24, we administered over \$68 billion in NHR payments from Commonwealth, State and Territory funding contributions (across 4,288 banking transactions) as shown in Table 5. The figures exclude:

- out-of-scope funding (ABF)
- interest paid from the Pool Account
- over deposit of state contributions paid back to the respective State Health Department
- cross-border funding transferred to other States or paid back to the respective State Health Department.

Table 5: Total payments through the National Health Funding Pool

\$'000	2023-24 COMMONWEALTH CONTRIBUTION	2023-24 STATE CONTRIBUTION	2023-24 TOTAL CONTRIBUTION
New South Wales	8,281,125	9,847,140	18,128,265
Victoria	6,640,059	9,216,603	15,856,662
Queensland	6,769,079	10,092,638	16,861,717
Western Australia	3,068,178	4,791,882	7,860,060
South Australia	2,028,645	3,038,732	5,067,377
Tasmania	640,590	1,133,924	1,774,514
Australian Capital Territory	503,649	1,048,754	1,552,403
Northern Territory	386,698	806,539	1,193,237
TOTAL	28,318,023	39,976,212	68,294,235

Of the \$68.3 billion transacted through the Pool in 2023-24, LHNs were directly paid \$67.8 billion, with the balance paid to State and Territory health departments. The Commonwealth contributed \$28.3 billion, with States and Territories contributing the balance.

The Payments System also facilitates the reporting of public hospital funding receipts and payments on a monthly basis, which is made publicly available via publichospitalfunding.gov.au (Refer to Objective 3).

We aimed to promote greater compliance with the Addendum and improve the transparency of:

- in-scope funding by ensuring that State ABF contributions and cross-border ABF transactions between States were processed through the Pool
- out-of-scope funding through engaging with States and Territories to accurately identify additional funding being transacted through the Pool and State Managed Funds.

In 2023-24 we continued to work with States and Territories through the Payment System Community of Practice (CoP) to support people using the system, improve business process and identify technology improvements.

YEAR AHEAD

In 2024-25, we will:

- maintain our strong governance and system administration of the Payments System
 - continue to work with States and Territories through the Payments System Community of Practice on improving user experience, including training and support
 - engage with States and Territories to ensure both Commonwealth payments and State and Territory payments (ABF and Block) align to Service Agreements.
-

PART 2: ANNUAL PERFORMANCE

2.1 PAYMENTS TO EACH LOCAL HOSPITAL NETWORK (LHN) ACCORD WITH DIRECTIONS FROM RESPONSIBLE STATE AND TERRITORY MINISTERS AND ALIGN WITH SERVICE AGREEMENTS

Performance criteria 2.1 (Corporate Plan) and PBS 2023-24 page 351

2023-24 TARGET

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

RESULT



ANALYSIS

In 2023-24 we ensured that payments made to LHNs aligned with Directions from responsible State and Territory ministers, with 100% of Commonwealth payments aligned to the Administrator’s Payment Advice to the Commonwealth Treasurer. Figure 15 highlights the source, type and amount of funding that flowed through the Pool and SMFs in 2023-24. NHR Funding occurs when the Commonwealth or States and Territories pay into a State Pool Account or SMF. NHR Payments occur when the funding is paid out of the State Pool Account by the Administrator or is paid out of the SMF by the State or Territory. The figure shows total funding of \$68.3 billion with \$67.8 billion paid to LHNs. The balance (\$0.5 billion) was paid to State and Territory Health Departments.

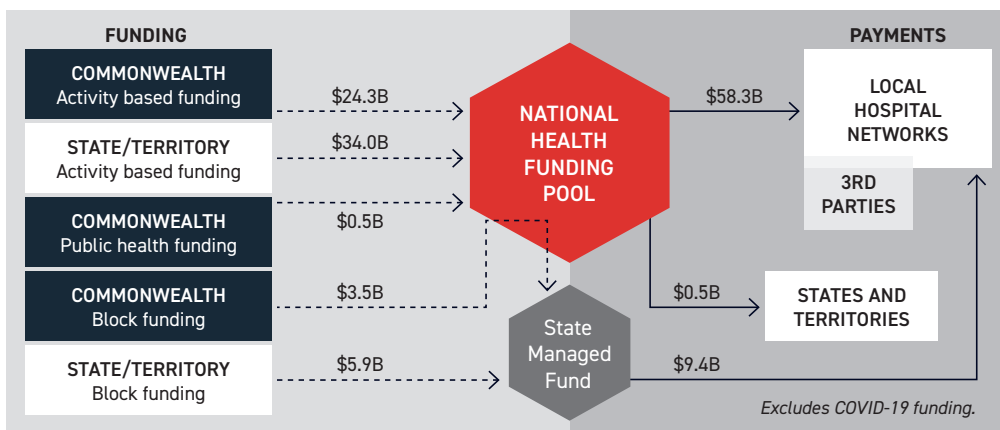
We also worked with States and Territories to improve our understanding of the level of in-scope and out-of-scope funding transacted through the Pool as well as pricing and activity information published in Local Hospital Network (LHN) Service Agreements.

In this context, the NHFB has identified that State and Territory payments through the Pool don’t appear to be done consistently. There are two key issues impacting on consistency of payments through the Pool:

1. Not all in-scope State ABF payments are transacted through the Pool, despite the requirement in the NHR Agreement for this to occur
2. Some out-of-scope ABF payments are being transacted through the Pool, which isn’t an issue, but they need to be identified properly to separate them from in-scope ABF payments.

In 2024-25, we will continue to work with States and Territories to understand and improve the identification and transaction of all out-of-scope State funding contributions through the out-of-scope fund account in the Payments System.

Figure 15: 2023-24 public hospital funding payment flows



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

Performance criterion 2.2 (Corporate Plan)

2023-24 TARGET

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

RESULT



ANALYSIS

Since the implementation of the National Health Funding Pool Payments System (the Payments System) on 1 October 2019, almost \$300 billion in payments have been successfully processed with no errors, no delays and no fraudulent transactions.

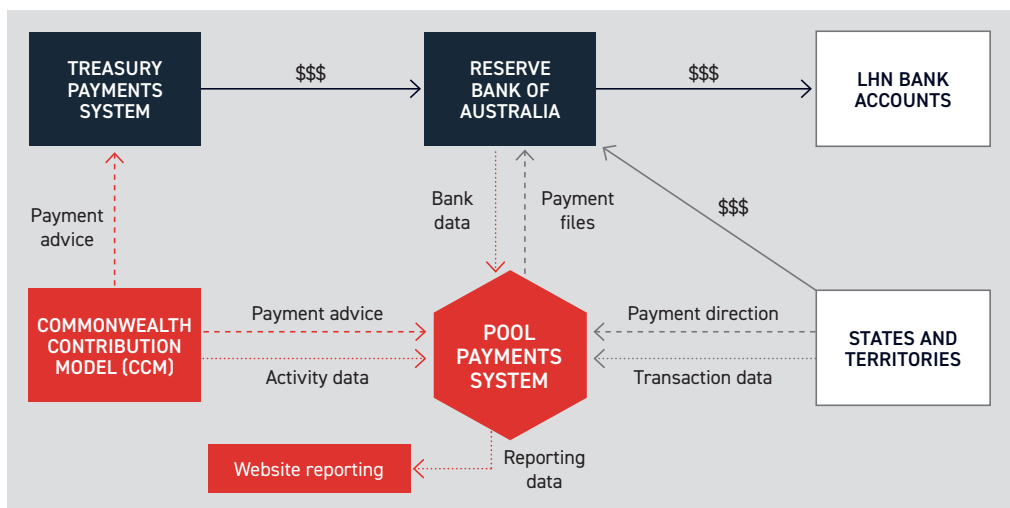
Figure 16 provides an overview of the data and funding flows between the Payments System, Commonwealth, States and Territories, RBA and LHNs. The figure shows the provision of payment advice to the Treasurer; cash deposits from the Commonwealth, States and Territories; payment directions from the States; and ultimately payments made to LHNs. It also shows the information flow for funding and payment published reports.

Built using TechnologyOne CiA OneGov Software as a Service (SaaS) hosted by AWS, the Payments System solution was configured specifically for the NHFB to capture all transactions related to the National Health Reform (NHR) Agreement including:

- receipts into the National Health Funding Pool (Accounts Receivable)
- payments from the National Health Funding Pool (Accounts Payable)
- amounts ‘notionally’ processed through State Managed Funds (recognised using General Ledger Journals).

The Payments System was also configured in a way that allows additional funding streams to be transacted through the Pool for example, the National Partnership on COVID-19 Response.

Figure 16: Payments System data and funding flows



PART 2: ANNUAL PERFORMANCE

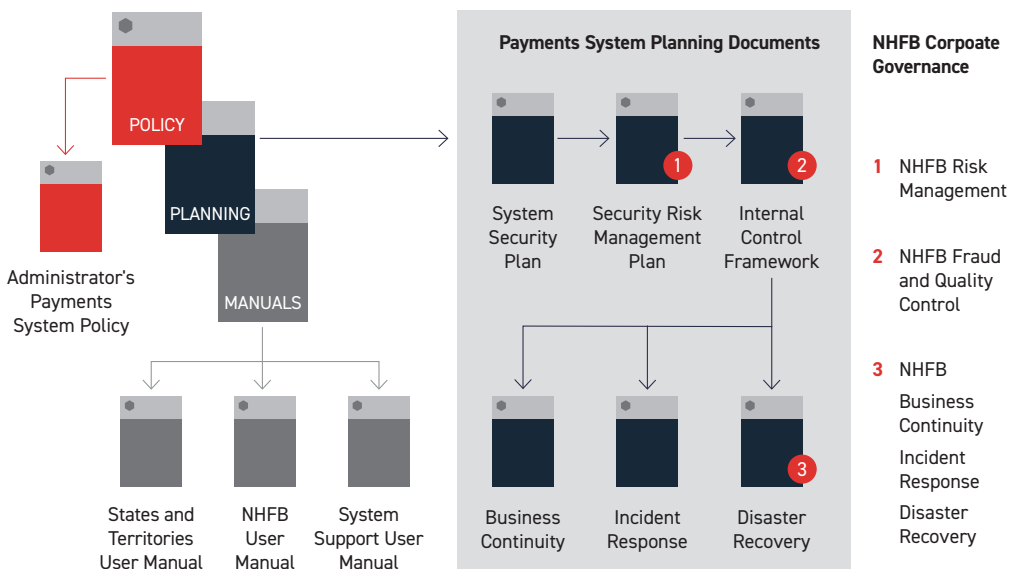
As the system owner, we are required to maintain key governance documentation as outlined by the Australian Federal Government Protective Security Policy Framework (PSPF) and the Information Security Manual (ISM). Just as important as meeting compliance obligations under the PSPF and ISM, the suite of documents provide the roadmap and 'how-to' for operation of the system for the NHFB and States and Territories.

These documents include:

- Administrator's Payments System Policy
- System Security Plan
- System Management Plan
- System Security Risk Management Plan
- Internal Controls Framework
- Incident Response, Business Continuity and Disaster Recovery Plan
- Jurisdiction User Manual
- NHFB User Manual
- System Support User Manual.

Figure 17 provides an overview of how the Payments System documentation relates to our agency-wide governance and risk management.

Figure 17: Payments System Documentation



The Administrator's Payments System Policy was updated and reviewed by our internal Risk, Assurance and Governance Committee (RAGC) out of session in May 2023 and signed off by the Administrator on 7 November 2023 following engagement with States and Territories.

By March 2024, our RAGC had reviewed and the CEO signed-off on the following Payments System documentation:

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

The annual Payments System software upgrade was rolled out on 19 January 2024, followed by two minor releases that occurred in February and May 2024. Payments System User Manuals were updated, signed-off and distributed to State and Territory users.

SPOTLIGHT ON: WHAT AN AUTHORITY TO OPERATE IS AND WHY WE NEED ONE

An Authority to Operate provides formal acceptance of the security risks associated with operating an information system. In our case, we need an Authority to Operate for the National Health Funding Pool Payments System.

Upon go-live on 1 October 2019, the Payments System was granted an Interim Authority to Operate by the Department of Health and Aged Care's IT Security Advisor (ITSA).

In May 2020 the Payments System underwent a 2-Stage Infosec Registered Assessors Program (IRAP) assessment. Following the IRAP assessment, the Payments System was granted a full Authority to Operate valid through to May 2024.

In September 2023, we engaged an industry partner to undertake a new IRAP assessment to reassess our cyber security posture in order to renew the expiring Authority to Operate. The IRAP assessment was completed from January 2024 to March 2024.

The final IRAP assessment report was completed and given to the Department of Health and Aged Care's Information Technology Security Advisor Accreditation Team (as our Shared Services Provider).

The Department of Health and Aged Care's Chief Information Security Officer issued a full Authority to Operate for the Payments System on 31 May 2024.

The new Authority to Operate is effective for four years expiring in May 2028.

PART 2: ANNUAL PERFORMANCE

OBJECTIVE THREE**Effective reporting of public hospital funding****ANALYSIS OF PERFORMANCE IN 2023-24**
To improve the transparency and integrity of public hospital funding, we report publicly on the payments made to Local Hospital Networks and their activity.

Under the NHR Act, the Administrator is required to provide monthly reports to the Commonwealth and each State and Territory that detail the funding and payments made into and out of the National Health Funding Pool and State Managed Funds. The information is reported at the National, State and Territory and Local Hospital Network level and details:

- Commonwealth funding contributions
- State and Territory funding contributions
- the estimated activity to be delivered by the Local Hospital Network.

The reports are also made publicly available through an interactive reporting tool on publichospitalfunding.gov.au. We also share the full data set on data.gov.au.

Through enhancing our processes and technology over time, we have reduced the time it takes to publish these reports. In 2018-19 it took 21 weeks to publish and in 2023-24 we had reduced that to an average of 17 days. On 16 June 2024 we published 145 reports to the website detailing over \$69 billion (including out-of-scope funding) and 9,932,356 NWAUs.

We supported the Administrator with additional reporting obligations by producing and publishing two Maintenance of Effort Reports. In signing the Addendum, parties agreed, at a minimum, to maintain levels of funding for public hospital services through the Pool from 2020-21 to 2024-25 at no less than the level of funding for 2018-19.

We based the assessment of Maintenance of Effort on in-scope Activity Based Funding only due to data limitations on Block funding. We plan on doing additional work in 2024-25 to enable us to include in-scope Block funding into future iterations of the report.

The published Maintenance of Effort Reports details:

- the total in-scope ABF public hospital activity that was delivered
- the Price the State set for activity
- the Commonwealth funding entitlement as determined by the Commonwealth Treasurer
- the State funding entitlement (i.e. the balance)
- the State funding contribution transacted through the Pool.

The 2021-22 Maintenance of Effort report was published on 13 July 2023. The 2022-23 Report was published on 14 April 2024 and detailed \$21.9 billion in Commonwealth ABF contributions and \$32.4 billion in State and Territory ABF transacted through the Pool. While both reports showed that the Commonwealth, States and Territories have exceeded 2018-19 levels of funding for public hospital services, there is further work to do to achieve improved consistency and transparency. The Reports identify some inconsistencies in the level of in-scope and out-of-scope funding transacted through the Pool as well as pricing and activity information published in Local Hospital Network (LHN) Service Agreements.

We collaborated with our stakeholders to review, update and publish the Administrator's Three Year Data Plan and accompanying Data Compliance Policy. The Data Plan outlines the minimum data requirements under the Addendum and the mechanisms and timeframes to provide data. The Compliance Policy then sets out how we will measure and report on compliance with the Data Plan.

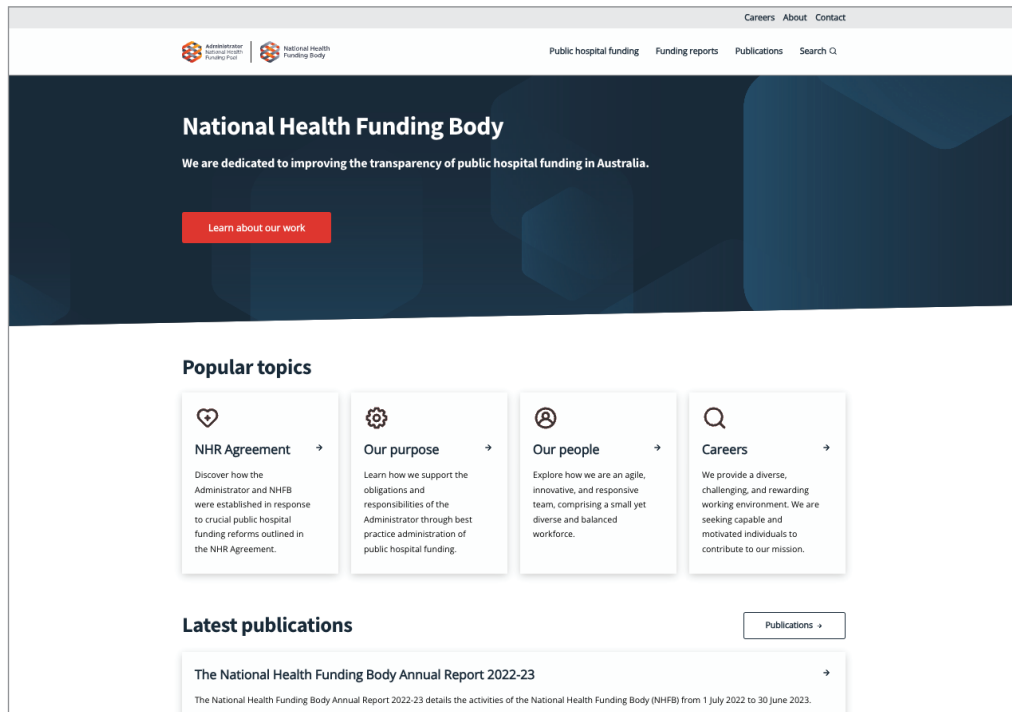
On 22 December 2023, we uplifted our website, publichospitalfunding.gov.au, to improve public access to information through a simpler and easier to navigate platform.

YEAR AHEAD

In 2024-25, we will:

- publish the Administrator's 2023-24 Annual Report
- publish the Administrator's 2023-24 Annual Report on Maintenance of Effort
- publish the Administrator's report on final entitlement and activity at the Local Hospital Network level
- review the Administrator's Three Year Data Plan, Data Compliance Policy and Data Governance Policy in collaboration with portfolio agency partners and stakeholders
- identify ways to increase public awareness of public hospital funding and activity.

Figure 18: publichospitalfunding.gov.au



PART 2: ANNUAL PERFORMANCE

3.1 MINISTERS RECEIVE REQUIRED INFORMATION IN A TIMELY MANNER

Performance criterion 3.1 (Corporate Plan)

2023-24 TARGET

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

RESULT



ANALYSIS

Under the National Health Reform Act and corresponding State and Territory National Health Reform legislation, the Administrator has to produce an annual report that includes:

- a combined Financial Statement of the National Health Funding Pool accounts
- a Financial Statement for each State and Territory State Pool Account audited by the respective Auditor-General.

These Special Purpose Financial Statements are prepared on a cash basis, which means receipts are recognised when received rather than earned, and payments are recognised when paid rather than incurred.

The Annual Report also includes the funding and payments into and out of the State Pool Accounts and State Managed Funds and the amounts paid to

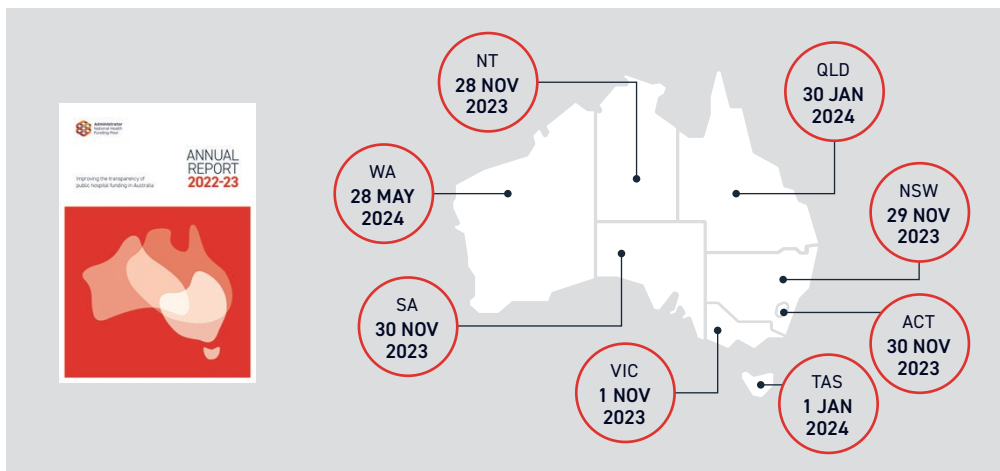
Local Hospital Networks, including the number of public hospital services funded.

There were three key updates to the 2022-23 Special Purpose Financial Statements:

- inclusion of the cessation dates of the NPCR Agreements
- New Partnership for priority groups COVID-19 testing and vaccination
- new Activity Based Funding (out-of-scope) disclosure.

The National Health Funding Pool Annual Report must be tabled in Federal Parliament and each State and Territory Parliament. We successfully tabled the Administrator’s 2022-23 Annual Report on time in Federal Parliament on 18 October 2023. The report was then distributed to State and Territory health ministers and health departments for tabling. Figure 19 shows the dates the Report was tabled in each State and Territory.

Figure 19: Tabling dates for the NHFP Annual Report 2022-23



3.2 MONTHLY AND ANNUAL REPORTING OF FUNDING, PAYMENTS AND SERVICES

Performance criterion 3.2 (Corporate Plan) and PBS 2023-24 page 335

2023-24 TARGET

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

RESULT



ANALYSIS

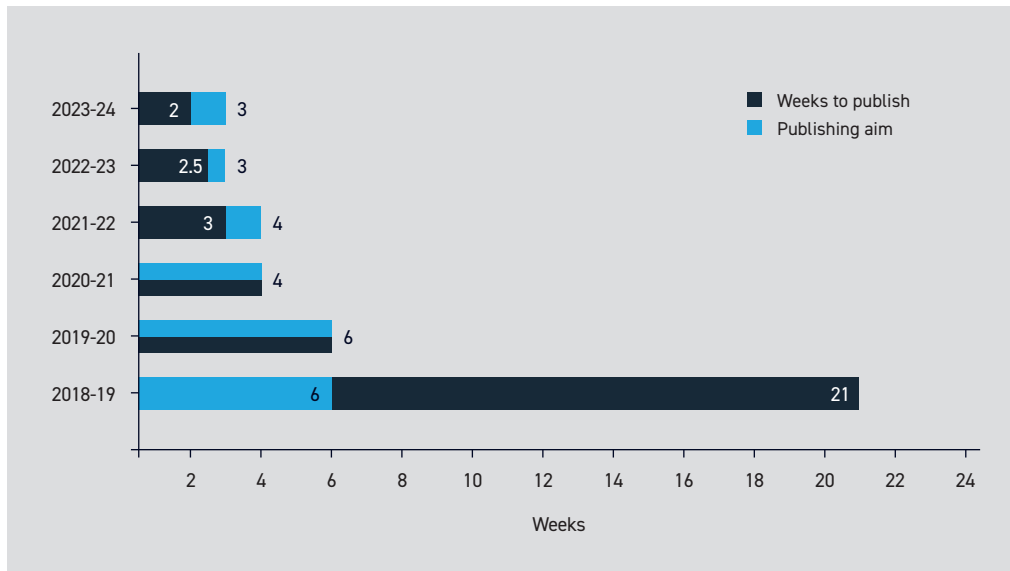
Over the last five years, we have worked hard to improve our business processes and technology to reduce the time it takes to publish our reports. Prior to implementing a new Payments System and website in 2019, the end of month process took up to 21 weeks to complete.

In 2023-24, monthly reports were published, on average, 17 days after the period close. All reports, from July 2023, with the exception of one (September was greater than 2 weeks), were released within three weeks of period close. The delay in publishing the September report was due to unforeseen website system maintenance.

Figure 20 shows that we have reduced our timeframes from 21 weeks to 3 weeks. Over this time we also set ourselves new targets to reach:

- in 2019-20 we set a timeframe of six weeks and achieved that for eight of twelve months
- in 2020-21 we reduced the timeframe to four weeks, achieving the target for eight of twelve months
- in 2021-22 we shortened the target again to three weeks and met that target for all twelve months
- in 2022-23 the target remained at three weeks and for the second year in a row, met the target for all twelve months.

Figure 20: Timeline of monthly report improvements



PART 2: ANNUAL PERFORMANCE

We have now published all 2023-24 monthly and annual reports detailing over \$68 billion in payments and over 9.9 million services (as represented by National Weighted Activity Units (NWAU) to publichospitalfunding.gov.au.

Table 6 shows, for 2023-24, the total amounts paid to LHNs. This table excludes State Block funding as it is not transacted through the State Pool account.

Table 6: Total NHR Payments to LHNs, State Managed Funds or other

STATE OR TERRITORY	AMOUNT PAID FROM STATE POOL ACCOUNT (INCLUDING CW & S/T) (\$'000)			
	2023-24			
	Local Hospital Networks	State Managed Fund	Other Organisations or Funds	TOTAL
New South Wales	15,458,644	1,086,624	163,127	16,708,395
Victoria	13,575,879	887,209	133,825	14,596,913
Queensland	14,302,413	699,099	106,644	15,108,157
Western Australia	6,566,386	423,501	56,303	7,046,190
South Australia	4,428,331	225,242	35,896	4,689,469
Tasmania	1,503,289	99,863	10,928	1,614,080
Australian Capital Territory	1,408,983	36,344	9,035	1,454,363
Northern Territory	1,104,064	23,253	4,787	1,132,104
TOTAL	58,347,989	3,481,136	520,546	62,349,671

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

Performance criterion 3.3 (Corporate Plan)

2023-24 TARGET

Increase public access to information on Commonwealth, State and Territory compliance with the Administrator's Data Plan.

RESULT



Met

ANALYSIS

The Administrator is required to develop a rolling three-year data plan that:

- communicates data requirements over a three-year period in accordance with the Addendum
- describes the mechanisms and timelines for the submission of data from the Commonwealth, States and Territories
- establishes how data will be used by the Administrator in undertaking the duties required by the *National Health Reform Act 2011* (NHR Act), the *National Health Reform Agreement* (NHR Agreement) and the Addendum.

The Data Plan articulates the minimum level of data required from jurisdictions in order for us to:

- accurately calculate the Commonwealth's NHR funding contribution to public hospital services
- conduct reconciliation activities
- undertake public reporting
- ensure consistency, transparency and national comparability.

Each quarter, we produce a compliance report that details whether States, Territories and the Commonwealth have met their obligations under the Data Plan. In 2023-24, we published all compliance reports to publichospitalfunding.gov.au within six weeks of the end of the reporting period.

Compliance with the Administrator's Data Plan has improved over time, including the timeliness of data submissions. However there are some areas that require more work, including improving the timeliness of service agreements and transparency of out-of-scope activity.

PART 2: ANNUAL PERFORMANCE

Figure 21 shows a summary of when 2023-24 Service Agreements were provided to the Administrator. This is the fourth year that Victoria has been delayed in providing Service Agreements to the Administrator.

As shown in Figure 22, four out of eight States and Territories submitted all 2023-24 Service Agreements to the Administrator, with New South Wales and Queensland providing partial submissions as at 30 June 2024.

Of these submissions, three states provided Service Agreements to the Administrator within the required 14 calendar days from finalisation or amendment.

As reported in the June 2024 quarterly compliance report, only 46 of the 91 Service Agreements submitted to the Administrator aligned to estimate submissions. This was largely due to none of Victoria's 39 Service Agreements aligning to advice.

Figure 22 shows a summary of the Administrator's June 2024 quarterly compliance report, including jurisdictional compliance with service agreement requirements.

In the second half of 2023-24, we worked with States and Territories through bilateral meetings to improve the data quality and consistency of Service Agreements in preparation for 2024-25. We developed a new activity and funding template that has been included in the Three Year Data Plan 2024-25 to 2026-27 to:

- improve the consistency and accuracy of state pricing data
- minimise inconsistencies in the reporting of in-scope and out-of-scope activities
- streamline financial transactions through the Pool and State Managed Funds (SMFs).

Figure 21: 2023-24 Service Agreements provided to the Administrator

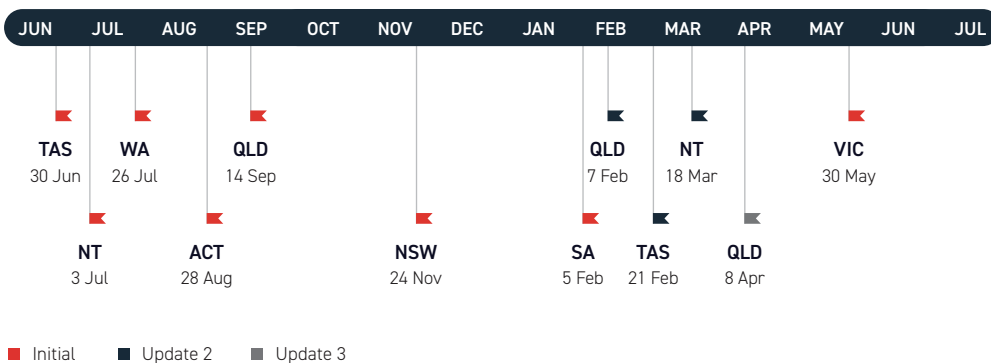


Figure 22: Service Agreement compliance with the Administrator's Three-Year Data Plan

DATA REQUIREMENT	NSW	VIC	QLD	WA	SA	TAS	ACT	NT
2023-24 LHN Service Agreements provided to the Administrator	17/19 ¹ 24 Nov 23	39/40 ¹ 30 May 24	15/16 ¹ 14 Sep 23	6/6 26 Jul 23	11/11 3 Oct 23	1/1 30 Jun 23	1/1 28 Aug 23	1/1 3 Jul 23
LHN Service Agreements include the number of in-scope services to be provided by the LHN								
LHN Service Agreements include the number of out-of-scope services to be provided by the LHN								
LHN Service Agreements (ABF LHNs only) and estimated LHN NWAU aligned	17/17	0/39	15/15	0/6	11/11	1/1	1/1	1/1
LHN Service Agreements include the price set by the State (i.e. State Price)								
LHN Service Agreements include the level of Block Funding to be provided to the LHN								
LHN Service Agreement ABF aligns to the Commonwealth Payment Advice (in-year activity) ²	Partial		Partial					Partial
LHN Service Agreement Block Funding aligns to the National Efficient Cost (NEC) ³	Partial		Partial	Partial		Partial		Partial ⁴

1 Whilst most Service Agreements were provided from NSW, Vic and Qld, at the time of drafting this report Service Agreements remain outstanding for:

- NSW: Albury LHD and NSW Contracted Services
- Qld: Queensland Virtual
- Vic: Contracted Services

2 Partial refers to some service categories aligning to Payment Advice, but not all.

3 Partial refers to some service categories aligning to the National Efficient Cost Determination, but not all.

4 Figures align with the Supplementary Block Funding Advice to the Administrator 2023-24.

OBJECTIVE FOUR**Productive relationships with stakeholders and partners****ANALYSIS OF PERFORMANCE IN 2023-24**

Productive relationships and regular communication with our stakeholders and partners supports us to improve the transparency of funding for public hospital services.

Our capacity to improve the transparency of funding for public hospital services depends on us maintaining productive relationships and regular communication with our stakeholders and partners. Early and impartial engagement with all stakeholders, especially States, Territories and the Commonwealth, gives us time to discuss and resolve issues in a collaborative manner.

We further invested in our tiered approach to stakeholder engagement through bilateral and multilateral engagement with States, the Commonwealth and Portfolio Agency partners (including separate monthly roundtables with the Commonwealth, IHACPA and AIHW).

In 2023-24, we participated in, and provided formal advice through the:

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





In 2023-24 we continued to host two Communities of Practice with Commonwealth, State and Territory and portfolio agency representatives:

- our Payments System Community of Practice was established to share information, identify opportunities for enhancements and review our training material
- our Data, Modelling and Analysis Community of Practice is aimed at improving data quality and timeliness.

YEAR AHEAD

In 2024-25, we will:

- implement improvements to our communication and engagement following stakeholder survey feedback
- actively engage and collaborate with other national bodies and stakeholders (including through our Roundtables and Communities of Practice)
- increase the awareness and profile of the role of the Administrator and the NHFB.

STAKEHOLDER	WHY WE ENGAGE
<p>Our people</p> 	<p>Maintaining and further developing a diverse, inclusive and positive workplace culture underpinned by our United Leadership behaviours is key to our success. We regularly engage in whole-of-agency forums that enhance our leadership and culture and look for ways to invest in our people through learning and development to strengthen our capability.</p>
<p>Commonwealth</p> 	<p>Our monthly Commonwealth roundtable is a key channel for us to share information on draft funding and policy outcomes. The roundtable is comprised of representatives from the Department of Prime Minister and Cabinet, Commonwealth Treasury, the Department of Health and Aged Care and the Department of Finance.</p>
<p>States and Territories</p> 	<p>Early and impartial engagement with all stakeholders, especially States and Territories, allows time to discuss and resolve issues in a collaborative manner. Our quarterly bilateral discussions followed by the more formal Administrator Jurisdictional Advisory Committee (JAC) meetings are the key mechanisms for this engagement and is comprised of senior representatives of all States and Territories.</p> <p>We also use our two Communities of Practice to engage with States and Territories on both operational activities as well as opportunities to improve our processes and technology.</p>
<p>Portfolio agencies</p> 	<p>We work closely with our portfolio agency partners to support the Administrator to provide trusted and impartial advice to all stakeholders and deliver best practice administration of public hospital funding. These agencies include the Independent Health and Aged Care Pricing Authority (IHACPA), the Australian Commission on Safety and Quality in Health Care (ACSQHC) and the Australian Institute of Health and Welfare (AIHW).</p> <p>This also gives us the opportunity to add value to the broader health sector and policy environment through sharing our analysis and insights as well as improving understanding of how our agency operates.</p>

PART 2: ANNUAL PERFORMANCE

4.1 PROVIDE TRUSTED AND IMPARTIAL ADVICE

Performance criteria 4.1 (Corporate Plan)

2023-24 TARGET

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

RESULT



ANALYSIS

In 2023-24, we invested more time than ever engaging with our stakeholders, ensuring our communication was fit for purpose and catered to the needs of our different audiences.

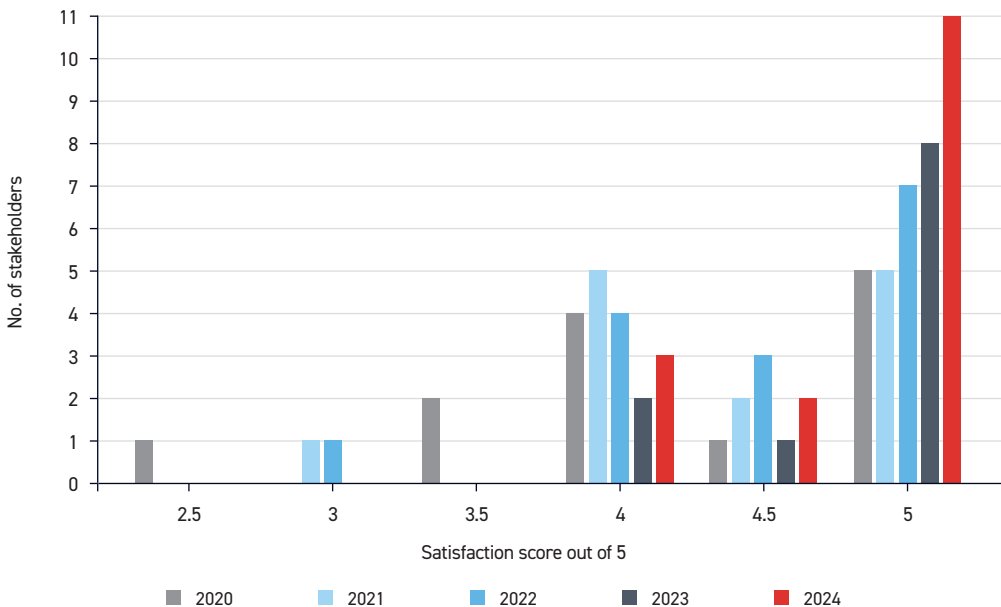
Over the past five years, we have continuously sought feedback from our stakeholders and partners. We believe they value our open communication, respectful engagement, and high quality advice. To test this, we asked our stakeholders again, via an anonymous survey, to rate their overall satisfaction with the NHFB. We achieved an average score of 4.8 out of 5, compared to a score of 4.8 in 2023, 4.5 in 2022, 4.3 in 2021 and 4.2 in 2020.

In 2024-25 we will continue to proactively engage with our stakeholders and partners, as productive discussions not only provide valuable guidance to assist all parties to understand the basis of funding calculations and outcomes, but also builds trust in our functions.

We continued our collaborative and tiered approach to engagement through bilaterals with the States, the Commonwealth and Portfolio Agency partners (IHACPA and AIHW). Figure 23 shows our key engagement activities with stakeholders in 2023-24.

In 2023-24, we co-chaired, with the Administrator, a series of bilateral meetings with the Commonwealth and each State and Territory in August 2023, November 2023, February 2024 and May 2024.

Figure 23: Survey results 2020-24



We scheduled the bilaterals ahead of each Administrator’s JAC meeting to engage with States and Territories on key work packages ahead of sharing final draft documents for feedback. Agenda items in the bilaterals and Administrator’s JAC included:

- Commonwealth NHR Funding
- Commonwealth NPCR Funding
- Funding Integrity, including data matching results and analysis
- Administrator’s policies
 - Administrator’s Three Year Data Plan
 - Administrator’s Data Compliance Policy
 - Data Governance
 - Calculation of NHR Funding Policy
 - Funding Integrity Business Rules
 - Payments System Policy.
- Funding transparency
 - Service Agreements
 - Data submissions and Statement of Assurance
 - Monthly and Annual NHR Reporting
 - Maintenance of Effort.

As part of the NHR Agreement, signatories agreed that an external review of the Agreement would be completed by December 2023.

Subsequently, an independent review team was tasked to examine whether the stated objectives of the Addendum – improving health outcomes, access and innovation – are being met; and in particular, whether the Addendum’s health funding, planning and governance architecture is fit-for purpose. We submitted a response to the review team on Friday, 26 May 2023.

Following the Review, negotiations on a new Addendum (2025-2030) commenced. On 6 December 2023, National Cabinet endorsed:

1. Increasing NHRA contributions to 45% over a maximum of a 10-year glide path from 1 July 2025, with an achievement of 42.5% before 2030
2. The current 6.5% national funding cap being replaced by a more generous approach that applies a cumulative cap over the period 2025-2030 and includes a first year ‘catch-up’ growth premium
3. Commencing the renegotiation of the NHRA Addendum to embed long-term, system-wide structural health reforms, including considering the NHRA Mid-Term Review findings.

It is anticipated that outcomes of the negotiations on a new Addendum will be finalised in 2024. In 2024-25 we will continue to look for opportunities to engage with the Commonwealth, States, Territories and portfolio agency partners to support the implementation of the new funding model commencing in 2025-26.

Figure 24: 2023-24 Engagement timeline



Note: These engagements were supported by our quarterly *Payments System Community of Practice* and *Data, Modelling and Analysis Community of Practice*.

PART 2: ANNUAL PERFORMANCE

4.2 WORK PLANS AND INFORMATION REQUIREMENTS ARE DEVELOPED IN COLLABORATION AND CONSULTATION WITH STAKEHOLDERS

Performance criteria 4.2 (Corporate Plan)

2023-24 TARGET

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

RESULT**ANALYSIS**

The Administrator is required to develop a rolling three-year data plan that:

- communicates data requirements over a three-year period in accordance with the Addendum
- describes the mechanisms and timelines for the submission of data from the Commonwealth, States and Territories (jurisdictions)
- establishes how data will be used by the Administrator in undertaking the duties required by the NHR Act and the Addendum.

The Data Plan articulates the minimum level of data required from jurisdictions in order to:

- accurately calculate the Commonwealth's NHR funding contribution to public hospital services
- conduct reconciliation activities
- undertake public reporting
- ensure consistency, transparency and national comparability.

In reviewing the Administrator's Three Year Data Plan, we worked with IHACPA (who are also required to develop a Three Year Data Plan under the Addendum), to align the data requirements, standards and timelines that we will both use to collect data over the three years covered by the plans.

We then consulted with States and Territories via bilateral discussions and the Administrator's JAC to share proposed amendments and identify any issues.

The Data Plan was then circulated to health ministers (with IHACPA's Data Plan) for a 45 day consultation period on 11 April 2023. It was then published (without a direction to change or amend) on publichospitalfunding.gov.au on 28 June 2024.

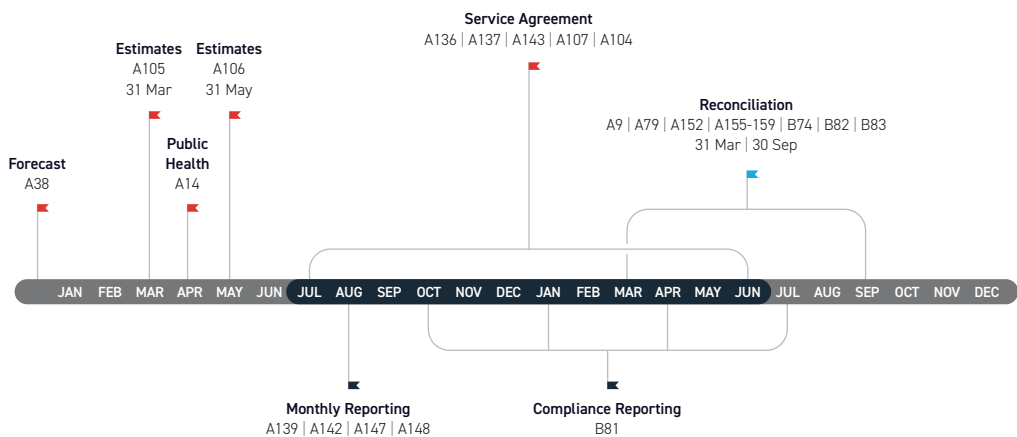
We also worked with the Administrator, Commonwealth, States and Territories to update the Administrator's Data Compliance Policy. The Compliance Policy provides information on how the Administrator will assess compliance with the Data Plan and the timeframes for reporting publicly each quarter.

The Compliance Policy and accompanying Compliance Reports can be found in the publications section of publichospitalfunding.gov.au.

This year, updates to requirements in the Compliance Policy included:

- **Service Agreements** – a review of Service Agreements in 2023-24 found opportunities to assess minimum reporting requirements for NHR activity and funding in more detail in the Quarterly Data Compliance Report. To improve transparency and ensure a more fulsome assessment of Addendum requirements, the assessment criteria was updated and will be reported against in 2024-25.
- **Monthly reports** - following ongoing improvement to monthly reporting (see Objective Three), the approval date for monthly reports has been reduced from the 15th of the month to the 12th to facilitate completion and publishing to the website within two weeks.
- **Statements of Assurance** – a guidance document with suggested content has been provided to assist States and Territories to meet minimum requirements under the Addendum, reduce the burden of multiple information requests between parties and to support a streamlined reconciliation process.

Figure 25: Three Year Data Plan Annual Data Cycle



Note: All clauses are from the Addendum to the National Health Reform Agreement 2020-21 to 2024-25 (the Addendum).

PART 2: ANNUAL PERFORMANCE

OBJECTIVE FIVE

Operate as a high performing organisation



ANALYSIS OF PERFORMANCE IN 2023-24

We are proud of our positive workplace culture where people feel valued and contribute new ideas.

In 2023-24, we set a clear Strategic Direction, supported by our Corporate Plan, Risk Tolerance Statement and Risk Policy and Framework, section plans and individual performance agreements. This provided a clear line of sight for our people between their individual roles and our Strategic Direction. We didn't 'set and forget' though. We continued to monitor our performance, talk about our risks and discuss our budget position through monthly all-staff sessions.

In addition to participating in the APS Data Graduate program for the fourth year, we expanded our pipeline of talent in 2023-24 through three additional entry level program streams. We engaged a HR Graduate, an Australian Government Apprentice and a Digital Trainee (see page 74 and 91). We will expand our entry level programs in 2024-25 through the Indigenous Apprenticeship Program.

In early 2023, APS-wide Bargaining commenced with the Statement of Common Conditions officially released on 30 November 2023. We developed a comprehensive program of consultation with our people through regular all-staff meetings and drop-in sessions. Through this consultation we explained the common conditions and negotiated agency-specific clauses. This approach resulted in a fit-for-purpose Enterprise Agreement that supports our high-performing culture. We were the first APS agency to receive a unanimous vote, with 100% of respondents voting "yes".

We then undertook a significant review of our policies that relate to the work environment and employment conditions to ensure they aligned to the new Enterprise Agreement, remained best practice and were fit for purpose. More importantly though, we made sure they were well communicated and supported the needs of our people now and into the future.

We are extremely proud of the work of our small agency, and the results we achieve. For three years we have been recognised for reporting excellence by the Australasian Reporting Awards, achieving a gold award for our Annual report in 2021, 2022 and 2023.

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

We updated our Workplace Diversity Strategy, Workforce Capability Plan and Learning and Development Strategy to ensure they support our strong agency culture based on our United Leadership behaviours (One NHFB, Enhanced Trust, Open Communication, and Own It).

We participated in the Australian Public Service Employee Census 2024 and achieved a 100% response rate for the third year in a row. Our results highlight the efforts we have made to embed a positive workplace culture underpinned by our United Leadership behaviours. Our results have been published to our website and an overview of our results compared to the broader APS is detailed in Figure 26 on page 73.

YEAR AHEAD

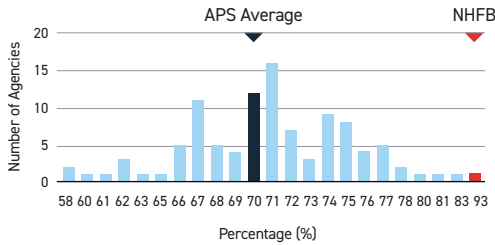
In 2024-25, we will:

- monitor our performance against our Corporate Plan 2024-25
- implement our Workplace Diversity, Workforce Capability and, Learning and Development Plans
- continue to sustain a strong agency culture based on our United Leadership behaviours (One NHFB, Enhanced Trust, Open Communication, and Own It).

Figure 26: Summary of 2024 APS Census results

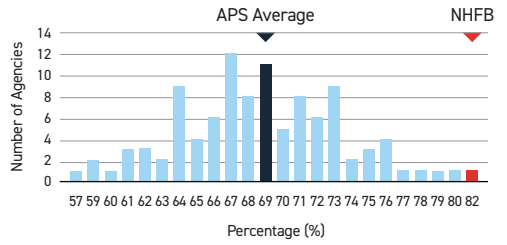
LEADERSHIP - SES MANAGER INDEX

Rank: 1st of 104



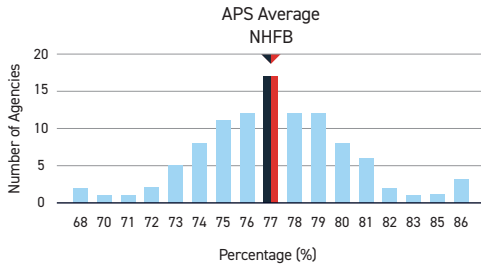
COMMUNICATION INDEX

Rank: 1st of 104



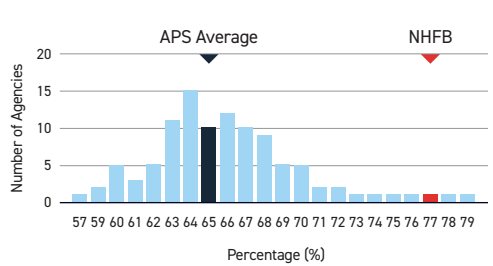
LEADERSHIP - IMMEDIATE SUPERVISOR INDEX

Rank: 47th of 104



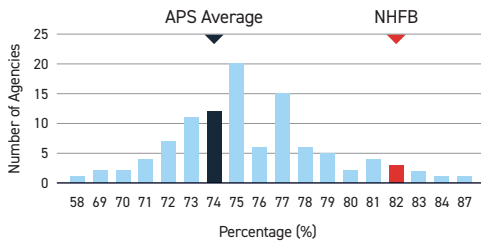
ENABLING INNOVATION INDEX

Rank: 3rd of 104



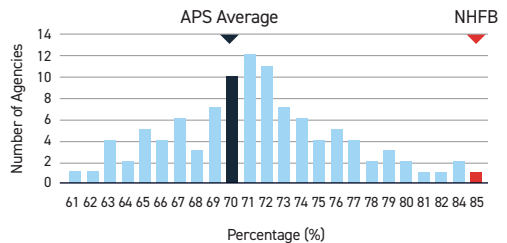
EMPLOYEE ENGAGEMENT INDEX

Rank: 7th of 104



WELLBEING POLICIES AND SUPPORT INDEX

Rank: 1st of 104



PART 2: ANNUAL PERFORMANCE

The HR Graduate Program is hosted by the Australian Tax Office and provides a centralised approach to the recruitment and development of HR Graduates for the APS. The 2024 Program saw 57 Graduates placed across 22 agencies, including one at the NHFB.



"I would sum up my experience in the HR Grad program as a smooth transition from study to work that has provided the 'theory-to-practice' experience that I felt was missing during my studies. My role at the NHFB has equipped me with practical skills in managing recruitment, implementing employee development strategies, navigating HR policies, and even organising an agency wide wellbeing initiative! Overall, these opportunities and experiences have helped me to grow further as an aspiring HR practitioner."

- Bao Le -

The Australian Government Apprenticeship Program (AGAP) is a 12-month whole-of-government, entry level program hosted by the Department of Employment and Workplace Relations (DEWR) and commences on 30 October each year. The 2024 Program saw 69 Apprentices placed across 7 agencies, including one at the NHFB.



"The Australian Government Apprenticeship Program provided me with an opportunity for a career change after 15 years in the nursing profession. At the NHFB, I have gained invaluable experience. During my Diploma studies I have been supported by a wealth of knowledge shared by my colleagues. I have been able to increase my skills and develop professionally into a capable and confident employee of the APS in a welcoming and encouraging environment."

- Emma Griffin -

The Australian Government Digital Traineeship Program (AGDTP) is hosted by the Australian Public Service Commission. It is a 12-month whole-of-government program. The 2023-24 Program saw Digital Trainees placed across 8 agencies, including one at the NHFB.



"The Australian Government Digital Traineeship Program has provided me with the opportunity to alter my career path and acquire an in-demand skillset. The mixed learning approach to the Traineeship - including valuable on-the-job training, tertiary study and engagement with an experienced mentor - has given me a great head-start in my APS career."

- Scott Gilbert -

5.1 A POSITIVE WORKPLACE CULTURE WHERE THE 'HOW' IS VALUED AS MUCH AS THE 'WHAT'

Performance criteria 5.1 (Corporate Plan)

2023-24 TARGET

Our behaviours are embedded in an inclusive culture.

RESULT



ANALYSIS

We have a small and specialised workforce that is capable, diverse and balanced. We are agile and dynamic, capable of responding quickly and flexibly to meet emerging requirements. In 2023-24 we continued to strengthen our leadership and culture to remain an employer of choice by:

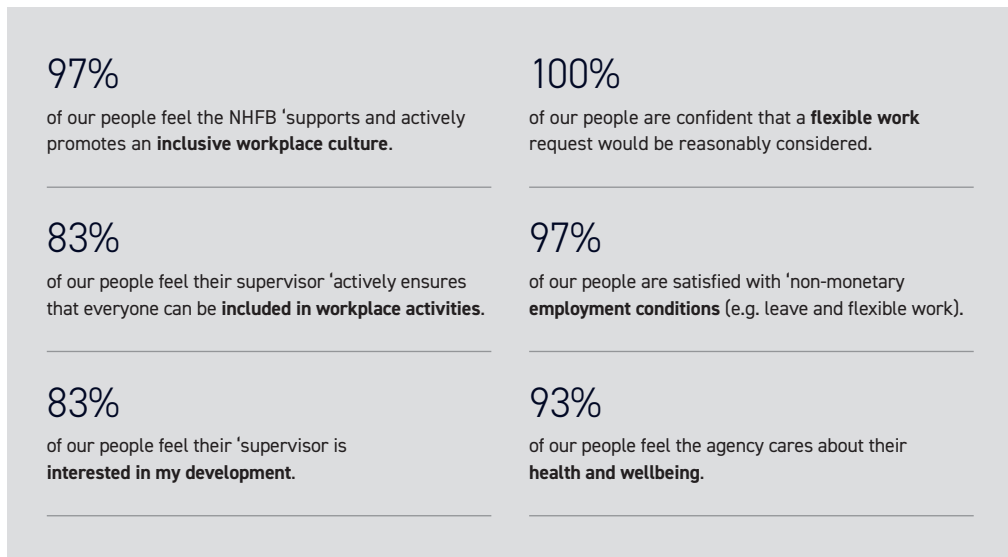
- attracting and retaining the right people in the right roles
- providing opportunities to share new ideas and be innovative in our approach
- developing the capabilities of our people to meet our objectives and their career aspirations
- promoting a culture where people work within and across teams to support each other

We participated in the Australian Public Service Employee Census 2024 and achieved a 100% response rate for the third year in a row, ensuring that everyone's views are captured.

Our results highlight the efforts we have made to embed a positive workplace culture – with an emphasis on 'how' we do things being just as important as 'what' we do. We are proud that for the last four years, over 90% of our people feel that the NHFB 'supports and actively promotes an inclusive workplace culture.

Further detail on our results, including trend information can be found on our website (publichospitalfunding.gov.au).

Figure 27: Census results – results that focus on culture (the how)



PART 2: ANNUAL PERFORMANCE

2023-24 TARGET

Our forward work plans are developed in consultation with staff.

RESULT



ANALYSIS

Our people are critical to our success. We work together as a united team to develop our work plans, achieve our objectives and celebrate success.

In 2023-24, we engaged with our people to develop our:

- 2024-2027 Enterprise Agreement
- Strategic Direction 2023-2027
- Risk Tolerance Statement 2023-24
- Corporate Plan 2023-24
- Section Plans and individual Performance and Development Agreements.

These engagements help our people to understand the agency's goals and how their work contributes, more importantly, feel ownership over their work.

We prioritised clear communication through regular platforms - executive meetings, weekly core function discussions, and monthly all-staff meetings. These weren't just updates from our Executive; they were two-way conversations that connected individual efforts and our United Leadership behaviours directly to the achievement of our agency's goals. This helped our people feel connected and engaged.

Our Census results highlight the efforts we have made to set a clear direction and we are proud that for the last four years, with 97% of our people feel that the NHFB's SES 'clearly articulates the direction and priorities for our area (32 percentage points higher than the APS in 2024).

Figure 28: Survey results – results that focus on direction (the what)



2023-24 TARGET

All compliance reporting requirements for the NHFB as a non-corporate entity are met.

RESULT



ANALYSIS

As an Australian Government agency, regardless of our size, we must meet certain reporting requirements. These include our reporting obligations under:

- *Public Governance, Performance and Accountability Act 2013*
- *Public Service Act 1999*
- *Freedom of Information Act 1982*
- Information Publication Scheme
- other commitments including Senate Orders.

We proactively manage our reporting responsibilities through our monthly organisational performance report. This supports us to plan for the work and monitor completion. In 2023-24, we met all our reporting obligations including:

- publishing the 2023–24 Corporate Plan
- an unmodified audit opinion for the 2022–23 Financial Statements
- contract expenditure reporting (Murray Motion)
- legal services expenditure reporting
- fraud reporting
- Protective Security Policy Framework reporting
- internal file listings (Harradine Order)
- Freedom of Information
- Public Interest Disclosure reporting.

Figure 29: Corporate Plan and Annual Reports



PART 2: ANNUAL PERFORMANCE

5.2 AN INNOVATIVE TEAM WILLING TO EXPLORE BEST PRACTICE APPROACHES TO IMPROVE RESULTS

Performance criteria 5.2 (Corporate Plan)

2023-24 TARGET

Innovation is promoted and change is well managed.

RESULT



Met

ANALYSIS

The innovation section of the APS Census asks respondents whether they feel willing and able to be innovative, and whether their agency has a culture which enables them to. We use these results to measure how people feel about innovation and change as well as promote opportunities to suggest new ways of doing things.

Table 7 shows the NHFB's results when compared to the APS overall, showing that across ten innovation questions, our people do feel willing and able to be innovative and are supported to do so.

Table 7: Innovation survey results – results that focus on innovation

PERCENTAGE OF POSITIVE RESPONSES	2021	2022	2023	2024
My SES manager encourages innovation and creativity	100/67	92/65	100/65	93/66
My agency recognises and supports the notion that failure is a part of innovation	90/36	88/69	84/39	87/41
Change is managed well in my agency	77/45	77/45	69/43	80/44
My supervisor encourages my team to regularly review and improve our work	90/80	100/81	91/81	83/82
My immediate supervisor encourages me to come up with new or better ways of doing things	81/74	92/73	75/72	70/73
My supervisor invites a range of views, including those different to their own	90/79	96/82	88/82	77/83
I suggest ideas to improve our way of doing things	90/84	96/86	94/87	87/87
I believe that one of my responsibilities is to continually look for new ways to improve the way we work	95/87	96/82	88/80	87/79
People are recognised for coming up with new or better ways of doing things	95/62	85/60	78/58	80/58

■ Above APS average ■ APS average

2023-24 TARGET

100% of corporate policies are best practice and fit for purpose for a small agency.

RESULT**ANALYSIS**

In 2023-24, we reviewed and further streamlined our policy suite to ensure they are clear, relevant, flexible and people-focused.

We provided everyone the opportunity to shape our work environment through consultation and engagement; with our policies being sent to all staff for review and feedback. We have shared our best practice approach with other small agencies, creating a supportive and collaborative network across the Health Portfolio.

We continued to monitor our forward work plan of policy reviews through our monthly organisational performance report. We then reported on progress to our independent Audit and Risk Committee on a quarterly basis. In 2023-24, our we reviewed our suite of policies covering the following areas:

- people
- communication
- finance and procurement
- corporate governance
- risk management
- audit and assurance
- data governance
- information management
- privacy
- security
- business continuity.



PART 3:

MANAGEMENT & ACCOUNTABILITY

This part of our report details the corporate governance structures we have in place, how we support our workforce and how we have met our obligations as a PGPA agency.

Our people	82
Managing risks	103
Corporate governance	108
Other accountabilities	119

OUR PEOPLE

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

We have a small and specialised workforce that is capable, diverse and balanced. Our workforce is supported by a flexible legislative framework under the *Public Service Act 1999* with terms and conditions governed by the *National Health Funding Body Enterprise Agreement 2024-2027*.

We achieved our purpose through embedding a positive workplace culture where 'how' we do things is just as important as 'what' we do. As an organisation, we set a clear Strategic Direction, supported by our Corporate Plan, Risk Tolerance Statement and Risk Policy and Framework, section plans and individual performance agreements. This provided a clear line of sight for our people between their individual roles and our Strategic Direction.

All our work is supported by our United Leadership behaviours (One NHFB, Enhanced Trust, Open Communication, and Own It).

We continued to strengthen our leadership and culture to remain an employer of choice. As an organisation, we are committed to:

- reflecting the diversity of the Australian community in our workforce
- building and strengthening our people capability
- investing in our people through learning and development.

Figure 30: 2023-24 Overview



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



Our APS Census survey results show we enjoy a respectful workplace, with collaboration across teams growing day by day.



We implemented a more flexible recruitment approach to source skills that can be utilised across the organisation.



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



We participated in the Australian Government Apprenticeship Program and Digital Traineeship Program for the first time.



We continued to support flexible working arrangements.

2024 EMPLOYEE CENSUS

The APS Employee Census is an annual survey sent to all APS employees. The survey asks a range of questions relating to employee engagement, wellbeing, innovation, performance management, leadership, and general impressions of the APS.

Each year following the release of the census results, we discuss our results openly as an agency. We have discussions on 'what are we proud of' and 'what could we do better' i.e. areas for improvement. We then incorporate this feedback into our Census Action Plan that is published to our website, along with our Census results.

Our 2023 Action Plan identified three key areas of focus:

- communication and change
- increasing role clarity
- recognition and encouragement.

HIGHLIGHTS

Our 2024 Census results highlights the effort we have made to make sure our people feel valued and supported, where 'how' we do things being just as important as 'what' we do.



1ST PLACE
Wellbeing



1ST PLACE
SES Leadership



1ST PLACE
Communication



3RD PLACE
INNOVATION

RESULTS

Our 2024 results showed:

83% OF OUR PEOPLE AGREED

that when changes occur, the impacts are communicated well within my workgroup, 15 percentage points higher than 2023.

80% OF OUR PEOPLE AGREED

that change is managed well in my agency, 11 percentage points higher than 2023.

83% OF OUR PEOPLE AGREED

they are clear what their duties and responsibilities are, 15 percentage points higher than 2023.

77% OF OUR PEOPLE AGREED

they are satisfied with the recognition they receive for doing a good job, two percentage points higher than 2023.

“In our 2024 census, 90% of our people would recommend the agency as a good place to work.”

PART 3: MANAGEMENT AND ACCOUNTABILITY

Workforce Diversity

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

Our Workforce Diversity Plan 2023-27 recognises and appreciates the differences in our people and encourages diversity in our backgrounds, skills, talents, and views to enrich our working environment and the quality of our work. Our Workforce Diversity Plan has four key principles:

- ensure the behaviours and actions of all employees are consistent with the APS Values, Code of Conduct, Employment Principles and the NHFB Enterprise Agreement 2024-2027 (the EA)
- make all decisions affecting employees free of discrimination
- communicate in a way that recognises the diverse workforce and uses inclusive language
- create workplace structures and conditions that allow employees to contribute while considering personal commitments and interests outside of work.

Our Workforce Diversity Plan includes information on:

- Gender diversity (including gender equality in leadership)
- Indigenous employment strategies
- Culturally and linguistically diverse strategies
- Disability employment strategies and programs
- Mature age staff strategies
- Workplace responsibilities
- Legislation and supporting guidelines/frameworks.

Disability Strategy

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

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

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

In accordance with the Strategy 2021-2031, we are committed to providing any of the following adjustments to:

- the workplace, equipment or facilities, including provision of additional software or equipment
- work-related communications, including the form or format in which information is available
- work methods
- work arrangements, including in relation to hours of work - for example, part-time or flexible work arrangements.

Further information on Australia's Disability Strategy is available at dss.gov.au.

■ CASE STUDY

OUR DIVERSITY

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

Figure 31 provides an overview of the diversity of our people as reported by them in our 2024 Census.

The networks include:

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

Figure 31: 2024 Census results



Our gender demographic was 43% female and 57% male.



17% of our workforce identifies as LGBTQIA+.



33% of our people identify as culturally and linguistically diverse.



Our age profile spans from between 20 to 64 years.



10% of our people identify as neurodivergent.



90% of our people access flexible work.



7% of our workforce identify as having a disability.



43% of our people have carer responsibilities.



PART 3: MANAGEMENT AND ACCOUNTABILITY

Employee profile

Our Average Staffing Level (ASL) allocation for 2023-24 was 28 employees. All staff have a flexible work arrangement in place. This enables them to work from home, with the majority of staff choosing to work from home on average one to two days per week. In 2023-24, all NHFB positions were Canberra based.

The following tables (pages 86 to 102) provide a breakdown of our workforce by classification, employment type (ongoing/non-ongoing and full time/part time), gender and salary ranges. During the period 1 July 2023 to 30 June 2024, one of our people identified as Indigenous.

Key highlights of our 2023-24 employee profile:

- we've maintained certainty for our people by ensuring our core functions are delivered in-house by ongoing APS staff
- we have continued to invest in, and grow, our entry level programs and APS1-6 levels.
- our headcount remained stable from 2017-18 to 2020-21 before increasing in 2021-22 and again in each financial year since.

Note: the Administrator of the National Health Funding Pool is a Statutory Appointment (0.6 full-time equivalent) and has been excluded from our staffing profile.

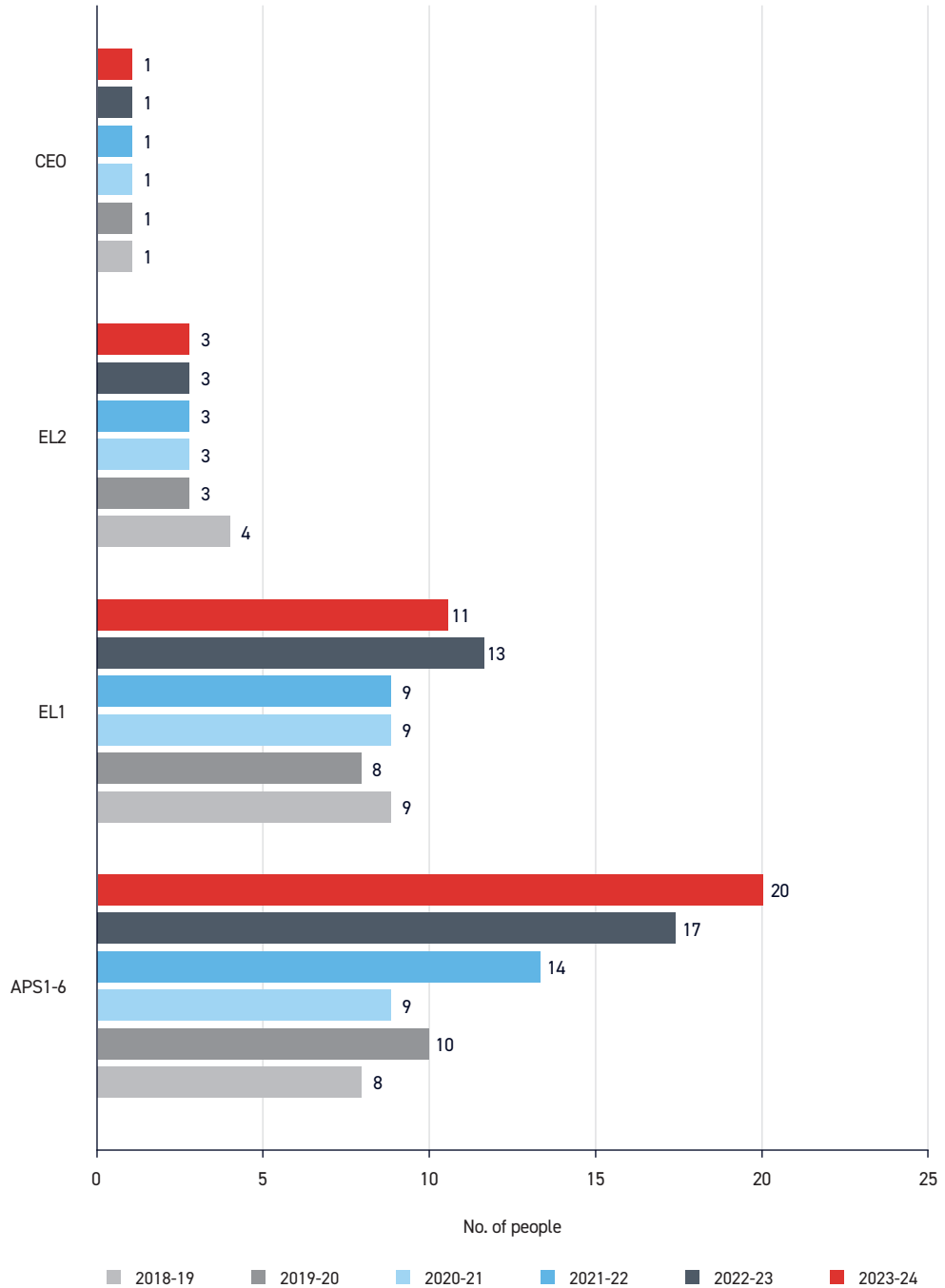
Table 8: Headcount, FTE and ASL 2016-17 to 2023-24

YEAR	ASL CAP	HEADCOUNT	FTE	ASL
2023-24	27.4	35	33.4	29.7
2022-23	27.4	34	28.7	29.6
2021-22	28.4	27	25.9	23.7
2020-21	20.4	22	21.4	20.8
2019-20	20.4	22	19.6	18.9
2018-19	20.4	22	20.2	18.0
2017-18	20.4	23	19.4	18.3
2016-17	18.4	21	18.5	17.3

Table 9: Key Management Personnel

NAME	POSITION TITLE	TERM AS KMP
Michael Lambert	Administrator	5.5
Toni Cunningham	Administrator	0.5
Shannon White	Chief Executive Officer	6

Figure 32: Headcount by classification 2018-19 to 2023-24



PART 3: MANAGEMENT AND ACCOUNTABILITY

Table 10: Headcount by classification and gender 2021-22 to 2023-24

CLASSIFICATION	2021-22		2022-23		2023-24	
	M	F	M	F	M	F
APS1 - 4	0	2	2	1	4	3
APS5	1	0	3	0	4	3
APS6	5	6	6	5	3	4
EL1	3	6	4	9	6	5
EL2	2	1	2	1	2	1
CEO	1	0	1	0	1	0
TOTAL	12	15	18	16	20	16

Table 11: Headcount employment type (full time and part time) 2021-22 to 2023-24

EMPLOYMENT TYPE	2021-22	2022-23	2023-24
Full-time	24	31	30
Part-time	3	3	5

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

Table 12: Headcount by employment status and gender 2017-18 to 2023-24

YEAR	2017-18		2018-19		2019-20		2020-21		2021-22		2022-23		2023-24	
	M	F	M	F	M	F	M	F	M	F	M	F	M	F
Ongoing	7	11	7	13	8	9	10	12	12	15	18	16	20	16
Non-ongoing	4	3	1	1	3	2	0	0	0	0	0	0	0	0
TOTAL	11	14	8	14	11	11	10	12	12	15	18	16	20	16

Table 13: Senior Executive - Holders of Public Office

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

Table 14: Details of Accountable Authority

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

■ CASE STUDY

PEOPLE AND WELLBEING

Each fortnight, we host an all-staff session dedicated to People and Wellbeing. The sessions cover a range of topics from what's in our policies, to days of significance as well as how to access health and wellbeing support services. We host a monthly social event to encourage connection across teams in the workplace. We also host monthly all-staff sessions with senior leaders from across the APS and private sector to share their experiences of navigating leadership at all levels while maintaining work/life balance.

The results of this are reflected in our 2024 Census results where we ranked 1st out of 104 agencies for wellbeing with:

- 93% of our people think the NHFB cares about their health and wellbeing, 29 percentage points higher than the APS overall
- 93% of our people agreeing the NHFB does a good job of promoting health and wellbeing, 27 percentage points higher than the APS overall.

Figure 33: People and Wellbeing Support



Employee Assistance Program (EAP) – a free and anonymous support service for our people and their immediate family to help support their wellbeing, health, work/life balance and performance.



Workstation assessments – available in-person and virtual to ensure our people have correct individual ergonomic set-ups when working from home or the office.



Wellbeing webinars – free wellbeing webinars covering different topics about health, wellbeing and practical tools to support us in work and life.



Workplace software – to remind us to take regular breaks, including a range of rest and stretch activities.



Discounted gym memberships – to support our health and wellbeing initiatives, we have access to discounted membership rates across a number of local facilities.



Influenza vaccinations – each year from the end of April, we offer our people free flu vaccinations.



Eyesight testing – we can provide access to subsidised eyesight testing and reimbursement for glasses prescribed for screen-based work.



Blood and plasma donation leave – we provide opportunities for our people to donate blood and plasma during work hours, without having to access their personal leave.

Workforce Capability Plan

In 2023-24, we reviewed and updated our Workforce Capability Plan, aligning it to our Strategic Direction, Corporate and Section Plans, Learning and Development Strategy and individual Performance Agreements. It sets out the strategies to build and strengthen our people capability based on:

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

We considered internal and external factors that may impact our staffing profile, identified workforce gaps, priorities and strategies for delivering the best outcomes now and into the future. We have three objectives in the Workforce Capability Plan that help guide our decision making to ensure we have the the right capability across our agency:

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

Capability

In 2023-24 we broadened our diversity and built capability through participating in the APS Graduate Program for the fourth year, onboarding two Data Graduates and three entry level program trainees. We will be further expanding our participation in entry level programs in 2024-25 through the Indigenous Apprenticeship Program (see Case Study Entry Level Programs).

We continued to focus on our people and our United Leadership behaviours. We monitored our team and individual performance under our Performance and Development Framework which highlights our approach to 'how we do things' is just as important as 'what we deliver'. This has helped us to strengthen our high performing environment, where everyone feels valued and performs their role to the best of their ability. This is evidenced in our 2024 APS Census results, where 90% of our people feel they are supported to use their expertise to provide frank and fearless advice.

■ CASE STUDY

BUILDING CAPABILITY THROUGH ENTRY LEVEL PROGRAMS

Over the last four years, we expanded our capability through accessing a pipeline of new talent through Entry Level Programs (see Figure 34). The programs provide opportunities for people from diverse backgrounds to kick start their Australian Public Service career and access additional support, training and mentoring.

Our investment in Entry Level Programs has been a rewarding experience both for those joining the agency (see page 74), as well as our people who support them. The opportunity for our people to expand their leadership capability and experience through buddying, mentoring and supervising our entry level program participants is invaluable.

Throughout the duration of each entry level program, our participants are supported with professional and personal development opportunities including mentoring, networking and rotations through other government department, to expand their capability as they commence their career in the Australian Public Service.

The Australian Government Apprenticeship Program is targeted at people looking for a career change, to re-enter the workforce, or to kick-start their career. It is a 12-month program coordinated by the Department of Employment and Workplace Relations (DEWR). Participants achieve a Diploma of Government at the completion of the program.

The Digital Traineeship Program helps participants build a digital career in the APS, leveraging their existing transferable skills and experience to learn new digital skills. The program is coordinated by the Australian Public Service Commission (APSC) with participants completing a Certificate IV or Diploma (or equivalent) in a digital or IT discipline.

Led by the Australian Bureau of Statistics (ABS), the Australian Government Graduate Program Data Stream is targeted at recent university graduates who want to make a meaningful difference to the Australian public.

Led by the Australian Tax Office, the Australian Government Graduate Program HR Stream is targeted at recent university graduates (who completed at least one major in HR). Participants are also provided with an Australian Human Resources Institute (AHRI) membership.

The Australian Government Indigenous Apprenticeship Program is coordinated by Services Australia and provides a pathway for Aboriginal and Torres Strait Islander people to start their career in the Australian Public Service. It is a 12-month program with participants completing a Certificate IV or Diploma in Government. These qualifications support career development and provide additional exposure to the work of the Australian Public Service.

Figure 34: Timeline of Entry Level Program expansion



Remuneration Framework

An enterprise agreement is an agreement between an employer and its employees that sets the wages and conditions of those employees for a period of up to four years.

At start of the 2023-24 Financial year, the terms and conditions of employment for our non-SES employees were provided for in our *Enterprise Agreement 2016-2019*, which took effect from 16 February 2016. While this agreement nominally ended in 2019, Determinations were put in place to provide pay rises for staff each year while maintaining the existing conditions under the Agreement

APS-wide bargaining officially commenced in late March 2023 aimed to provide APS employees with fair and equitable conditions of employment. In addition to negotiating a set of common terms and conditions, APS wide bargaining was also aimed at providing a fair and affordable pay rise for APS employees.

At the conclusion of APS-wide bargaining, 59 common conditions were negotiated and agreed with a further 22 conditions referred to agency-level bargaining and a further 22 conditions to be maintained.

From March 2023 through to December 2023, we engaged in open, honest and comprehensive consultation and communication with our people. We did this through weekly all-staff meetings, regular email updates, presentations on draft clauses and drop-in Q&A sessions.

This approach helped us to develop a draft Enterprise Agreement to support our high-performing people and positive workplace culture.

Following a formal access period for all staff to review the draft Enterprise Agreement (from Monday 4 December 2023 to Monday 11 December 2023), voting formally commenced on Tuesday, 12 December 2023.

100 per cent of employees who voted supported the new agreement, with over 93 per cent of our people participating in the vote. We were the first APS enterprise agreement to go to vote following this round of APS bargaining and the first to achieve a yes vote.

The Fair Work Commission approved our application and the *National Health Funding Body Enterprise Agreement 2024-2027* came into effect on Tuesday, 30 January 2024, with the new salary rates applying from 14 March 2024.

Our agency appoints one SES-level employee, the CEO of the National Health Funding Body, who is a Holder of Public Office. The remuneration and employment conditions for the CEO and Administrator (Statutory Appointment) are set by the Commonwealth Remuneration Tribunal. The NHFB does not have any other highly paid staff remunerated above the reporting threshold of \$250,000.

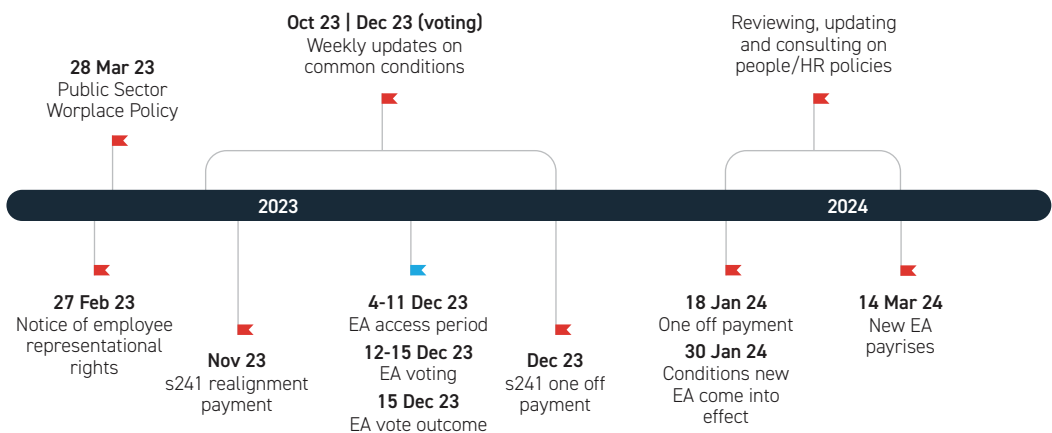
Salary ranges for non-SES employees are detailed in Table 15. Zero employees received performance pay in 2023-24, and four non-SES employees were covered by the Enterprise Agreement (EA) and an Individual Flexibility Arrangement.

Table 15: Salary range by classification and allowances

CLASSIFICATION	SALARY RANGE \$
EL2	136,294 – 161,366
EL1	114,236 – 130,288
APS6	92,960 – 104,874
APS5	83,041 – 89,804
APS4	77,475 – 81,860
APS3	68,832 – 75,796
APS2	59,173 – 64,573
APS1	52,037 – 56,862
First Aid	35.13*
Health and Safety Representative	35.13*
Emergency Warden	35.13*
Harassment Contact Officer	35.13*

* Per fortnight.

Figure 35: Remuneration Framework timeline



PART 3: MANAGEMENT AND ACCOUNTABILITY

Table 16: Executive Remuneration for key management personnel

Name	Position title	Short-term benefits			Post-employment benefits	Other long-term benefits		Termination benefits	Total remuneration
		Base salary	Bonuses	Other benefits and allowances		Long service leave	Other long-term benefits		
Michael Lambert	Administrator	32,855	-	-	3,819	(1,148)	-	-	35,526
Toni Cunningham	Administrator	148,153	-	-	10,714	2,554	-	-	161,421
Shannon White	CEO	288,579	-	-	43,695	8,973	-	-	341,248
TOTAL		469,587	-	-	58,228	10,379	-	-	538,194

Non-Salary Benefits

The NHFB also provides a range of non-salary benefits that are incorporated into our HR policies. Any changes to these policies are reviewed by our internal Workplace Consultative Committee and cleared by the CEO. The non-salary benefits provided include:

- access to an Employee Assistance Program
- substitution of leave for religious or cultural days of significance
- flexible working locations and home-based work
- influenza vaccinations
- time off for blood and/or plasma donation
- financial assistance to access financial advice for our people aged 54 years and over.

In our 2024 Census :

- 97% of our people reported being satisfied with non monetary employment conditions (eg., leave, flexible work arrangements), 12 percentage points higher than the APS overall, and an increase of 3 per cent from 2023
- 90% of our people access flexible work arrangements, including flexible hours of work and working away from the office
- 97% of our people were satisfied (and 3 per cent were neutral) with the stability and security of their jobs, 12 percentage points higher than the APS overall and an increase of 3 percentage points from 2023.

■ CASE STUDY

GENDER PAY GAPS

The gender pay gap is a measurement of how the contribution of men and women in the workforce is valued. It can be expressed as a percentage of a dollar figure and shows the difference between the earnings of women and men.

As reported by the APS Remuneration Data 31 December 2023, at the APS-wide level, there continues to be a gender pay gap, driven primarily by the different representation of males and females across classifications. The difference in overall average remuneration between genders was 4.5%, decreasing from 5.2% in 2022 and 7.3% in 2019.

Table 17 shows the NHFBs Median Base Salary. As at 31 December 2023, by gender, across our APS5 to EL2 classifications. The table highlights that across our APS5, APS6 and EL2 cohort, our people identifying as female are paid a higher median salary than those identifying as male.

Further to the detail in the Table 17, Table 18 shows our gender pay gap has improved year on year since 2020. In 2023, our people identifying as female were paid more than those identifying as male.

Table 18: 2020-23 Gender pay gap

YEAR	APS GENDER PAY GAP	NHFB GENDER PAY GAP
2020	6.6%	10.7%
2021	6.0%	6.0%
2022	5.2%	-4.4%
2023	4.5%	-13.3%

Table 17: NHFB Median Base Salary – 31 December 2023

CLASSIFICATION	MALE	FEMALE	% DIFFERENCE
APS 5	80,933	83,099	-2.70%
APS 6	97,629	100,840	-3.30%
EL 1	124,810	120,816	3.20%
EL 2	131,052	155,160	-18.40%

PART 3: MANAGEMENT AND ACCOUNTABILITY

Stewardship

We ensured our advice to government and our stakeholders considered both the short-term and long-term impacts on the health system by:

- providing frank and independent advice
- sharing knowledge and information appropriately and openly
- maintaining accurate and accessible records of decisions
- growing our capability (people, process and technology).

Integrity

We have worked hard to create a psychologically safe workplace where our people can raise ideas or concerns and we talk openly about opportunities for improvement.

We support our people to understand their obligations and responsibilities as APS employees and to act with integrity. We have a strong record of managing our fraud and corruption risks and a reputation for operating with integrity in our role in Australia's Health System.

Workforce planning, employee retention and turnover

We have been operational since 2012-13 and have continued to grow our ASL over time, from 15 in 2012-13 (against an allocation of 21) to 30 in 2023-24 against an allocation of 28.

Michael Lambert ceased as Administrator of the National Health Funding Pool on 7 July 2023. While health ministers considered the appointment of a new administrator, Michael was the acting Administrator for the period 11 September to 5 November 2023. Toni Cunningham was appointed the Administrator on 6 November 2023.

In our 2024 Census, 60% of our people said they wanted to stay with our agency for the next one to three years. Figure 36 shows our turnover rate has reduced year on year since 2019-20.

Unscheduled absences

Our unscheduled absence rate remains below the APS average (see Figure 38). Over time, our unscheduled absence rate continues to decline. The slight increase from 2019-20 to 2020-21 was due to planned and active management of known medical requirements.

“In our 2024 census, 97 agreed our culture supports people to act with integrity.”

Figure 36: Turnover rate 2016-17 to 2023-24

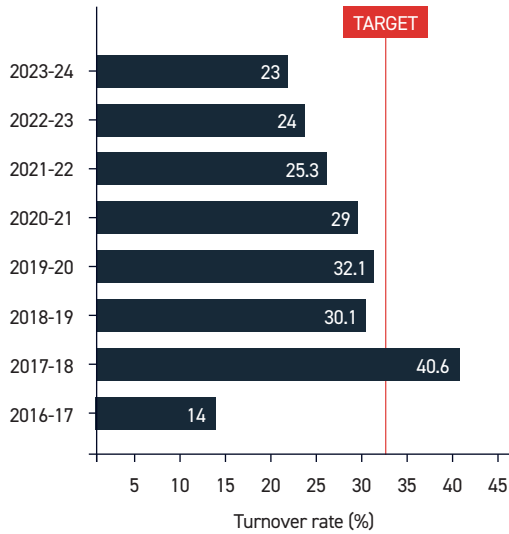


Figure 37: Average length of service 2016-17 to 2023-24

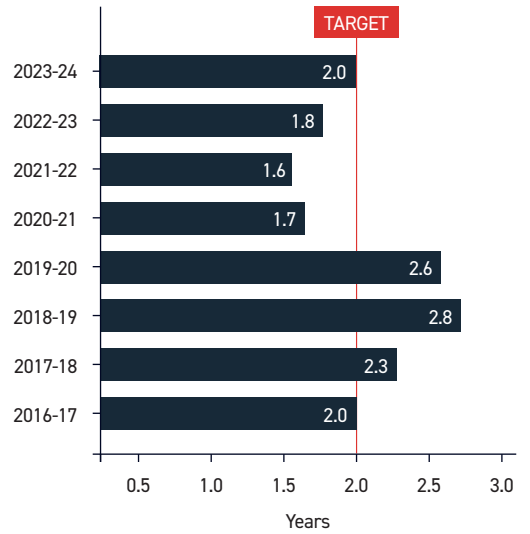
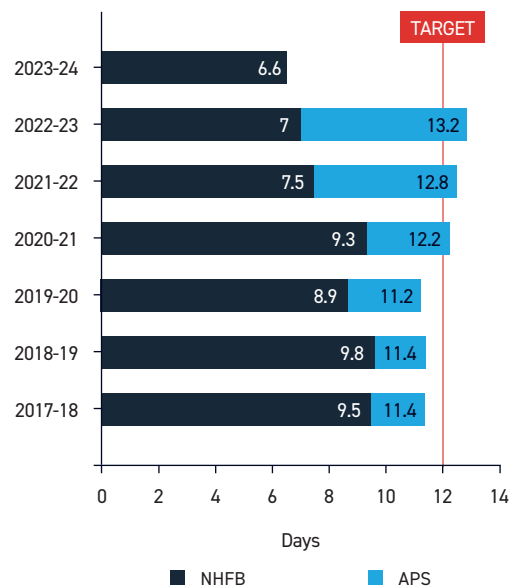


Figure 38: Unscheduled absences (days) 2017-18 to 2023-24



Note: APS rate for 2023-24 is not yet available.

PART 3: MANAGEMENT AND ACCOUNTABILITY

Learning and development

We are committed to investing in our people through learning and development activities that are tailored to individual, team and agency needs.

Our Learning and Development Strategy aims to support the career development of our people by identifying a broad range of learning methods to best support our workforce. This includes balancing learning activities across both soft skills (e.g. leadership and communication) and targeted technical training (e.g. data and finance) for individual people.

In 2023-24, we identified a broad range of learning methods to best support our workforce including:

- Self-managed learning (i.e. online training)
- Mobility (inter-team, or secondments and temporary transfers)
- group learning
- facilitator-led training (classroom)
- conferences and seminars
- mentoring and coaching.

Another element of our Learning and Development Strategy is mandatory training. Completing mandatory training ensures our people understand their responsibilities and obligations as APS employees and supports a safe working environment. 100% of our people completed their mandatory training in 2023-24 that covered:

- record keeping
- security
- fraud
- safety
- privacy
- fraud control
- integrity
- security
- work, health and safety
- emergency warden training.

In 2023-24, we provided Study Bank or Professional Membership assistance to 20% of our workforce. Our Study Bank Scheme offers financial assistance, paid leave for study purposes, or a combination of both.

In addition to our people using Study Bank, all of our people accessed at least one form of learning and development in 2023-24, including through:

- APS Learning Academy e-Learning
- Department of Health and Aged Care's e-Learning
- APS-wide Data Graduate Development Programs
- APS-wide Human Resources Graduate Programs
- Canberra Institute of Technology courses
- Institute of Public Administration Australia (IPAA) ACT forums
- SAS coding and analytics courses
- TechnologyOne e-Learning
- First Aid courses and Workplace Health and Safety Officer training
- Emergency Warden training.

We provided a variety of other informal channels, including:

- leadership programs
- APS and private sector conferences
- Communities of Practice forums
- participation in Commonwealth, State and Territory technical and advisory committees.

“In our 2024 census, 90% of our people agreed their workgroup has the appropriate skills, capabilities and knowledge to perform well.”

PART 3: MANAGEMENT AND ACCOUNTABILITY**Performance management**

In 2023-24, all of our people participated in our performance management framework. We set a clear Strategic Direction that was supported by our Corporate Plan and section plans that cascaded into individual plans and performance agreements. This provided a clear line of sight for our people between their individual roles and our Strategic Direction.

We have maintained our focus on connecting individual performance with our United Leadership behaviours. This highlights that we value 'how' we do things being just as much as 'what' we do.

Our performance agreements capture our emphasis on individual career and professional development with dedicated discussions on opportunities for learning and development.

While we actively support regular feedback opportunities and discussion, the more formal twice yearly performance agreement discussions between individuals and their supervisor provide and opportunity to pause and reflect, celebrate success and plan for the future.

In 2023-24, there were no instances of employees requiring management for underperformance.

Code of Conduct

As an agency covered by the Public Service Act 1999, our employees are bound by the APS Values and Code of Conduct. The APS values and Code of Conduct are reinforced through day-to-day behaviour by all employees within the agency.

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

In 2023-24, we had zero Code of Conduct investigations and zero claims of bullying and harassment within the agency.

Figure 39: 2024-27 Performance management framework

**THE RIGHT
JOB FIT**



**CLEAR
EXPECTATIONS**



**BUILDING THE
RIGHT CAPABILITY**



**REGULAR FEEDBACK
AND REVIEW**



**RECOGNITION OF
ACHIEVEMENTS**



**RESPONDING TO
UNDERPERFORMANCE**

APS GOVERNING DOCUMENTS

- The *Public Service Act 1999*
- APS Commissioner's Directions
- Integrated Leadership System (ILS) Framework

NHFB GOVERNING DOCUMENTS

- Enterprise Agreement
- Strategic Direction
- Corporate Plan
- Workforce Capability Plan
- Learning and Development Strategy

POLICIES

- Recruitment, Selection and Probation Policy
- Performance Policy and Framework
- Managing Underperformance Guideline

OTHER TOOLS

- Department of Health Success Factors program
- LinkedIn Learning
- Other Learning and Development opportunities
- United Leadership Program

PART 3: MANAGEMENT AND ACCOUNTABILITY

Work, Health and Safety

We are committed to providing and maintaining a safe and healthy workplace for all our employees and visitors, and achieving high levels of psychological safety in the workplace.

We consult with our people regularly on health and safety matters and monitor our performance through our Workplace Consultative Committee (see page 110). This provides a forum for communication with our staff in line with our Enterprise Agreement (Part J - Consultation and Communication). The WCC reports to the CEO on matters including:

- workplace conditions (e.g. Enterprise Agreement, HR policies and change management)
- workplace health and safety (e.g. policies, procedures and hazard identification).

The WCC also serves as a forum to ensure we meet the legislative requirements of the *Work Health and Safety Act 2011* (WHS Act), the *Work Health and Safety Regulation 2011* (the WHS Regulation) and the *Safety, Rehabilitation and Compensation Act 1988*. In 2023-24, no directions or notices were issued to the NHFB under the WHS Act 2011.

We have a rehabilitation management system in line with Comcare's Guidelines for Rehabilitation Authorities 2019; these Guidelines provide a framework for our health and safety management arrangements.

Online Work Health and Safety training is mandatory for all employees, and this training is linked to individual performance agreements. This assists us to meet our WHS obligations and provide for a workplace that is safety conscious.

Health and safety outcomes

Through our active management and health promotion practices, we aim to eliminate all preventable work related injuries and illnesses. In 2023-24, there were no workers compensation claims submitted to Comcare. Due to the expansion of our workforce (from 21 in 2020-21 to 35 in 2023-24), our premium increased in 2022-23, the slight decrease in 2023-24 was due to fluctuations in staffing numbers. Even with the staffing increase, our premium remains lower than 2018-19 (against a staffing profile of 21).

Table 19: Comcare premium rates

YEAR	PREMIUM (\$)
2023-24	24,211
2022-23	26,076
2021-22	19,153
2020-21	18,165
2019-20	19,920
2018-19	26,710
2017-18	35,976

Note: Figures are GST inclusive.

MANAGING RISKS

Risk management is an essential component of sound decision making and good corporate governance.

Our approach

Understanding risks and managing them appropriately enhances our ability to make better decisions, deliver on objectives and improve our performance.

As a PGPA agency our Risk Management Policy and Framework aligns with the Commonwealth Risk Management Policy and is based on the International Standard on Risk Management (ISO 31000:2018 - Risk Management Guidelines).

Our Risk Tolerance Statement and Risk Management Instructions support our risk policy and framework. These documents are reviewed annually to ensure we maintain an appropriate system for risk oversight and the management of internal controls.

The NHFB oversees risks associated with assisting the Administrator to fulfil their obligations under the NHR Act and Agreement, as well as those relevant to our status as a non-corporate entity under the PGPA Act and the PGPA Rule 2014.

Our risk culture and tolerance

We have created an organisational culture that supports risk-aware decision-making and encourages innovation.

We have embedded 'risk' as a natural part of daily agency activities and have defined our tolerance levels across our five strategic objectives (see Figure 40).

Our positive risk culture means that everyone understands they are responsible for managing risk. In a perfect world there would be no breakdown in risk management controls, or a risk event realised, however this is not realistic.

We encourage everyone to share new ideas and perform their role to the best of their ability and at the same time acknowledge that sometimes things can and do go wrong.

We report and discuss near misses as they occur so that any gaps in processes or procedures can be addressed quickly and in doing so, we don't 'blame others' or 'point fingers'. We then regularly reflect on our lessons learned and use these to shape continuous improvements to our processes and technology.

The NHFB has very little to no appetite for risks that would compromise the safety and wellbeing of our people and stakeholders. This means we work as a united team to keep our working environment safe, friendly, and inclusive for everyone.

Our approach

With an \$8 million operating budget and 35 staff administering over \$64 billion in public hospital payments, it is critical that we have proactive risk management embedded into our day-to-day work.

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

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

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

Figure 41 shows the NHFB's approach to risk management and the policies, frameworks and guidelines that support staff to maintain robust systems for risk and controls.

Managing and identifying opportunities

Being a small agency, managing risk is everyone's responsibility. We encourage early engagement and open conversations about risk - seeing this as an essential factor in identifying and assessing emerging or new risks impacting on business activities that could hinder us from achieving our objectives.

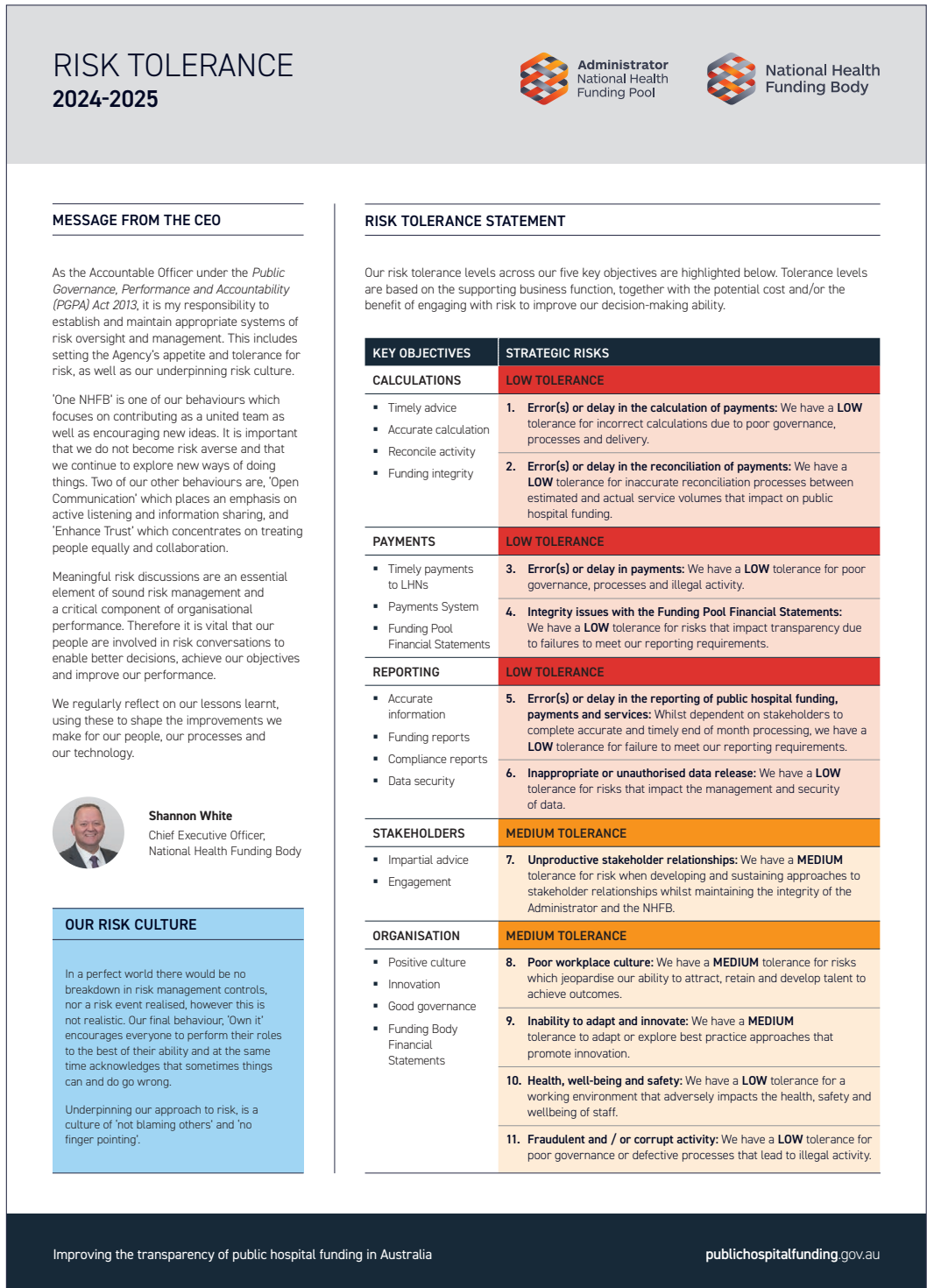
By using consistent language, methodologies and documentation across the organisation, managing risk has become a natural part of core business activities. Having regular risk discussions at all levels ensures every member of our organisation raises potential risks in their business area, as well as identifying any potential opportunities, as part of their day-to-day activities.

We continue to develop and improve our risk management capability through 'best practice, fit-for-purpose' initiatives. We achieve this through strong leadership who promote and influence a proactive risk culture, empowering and supporting our staff in understanding their role in managing risk and exploring potential opportunities.

Shared risk

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

Figure 40: NHFB Risk Tolerance Statement



PART 3: MANAGEMENT AND ACCOUNTABILITY

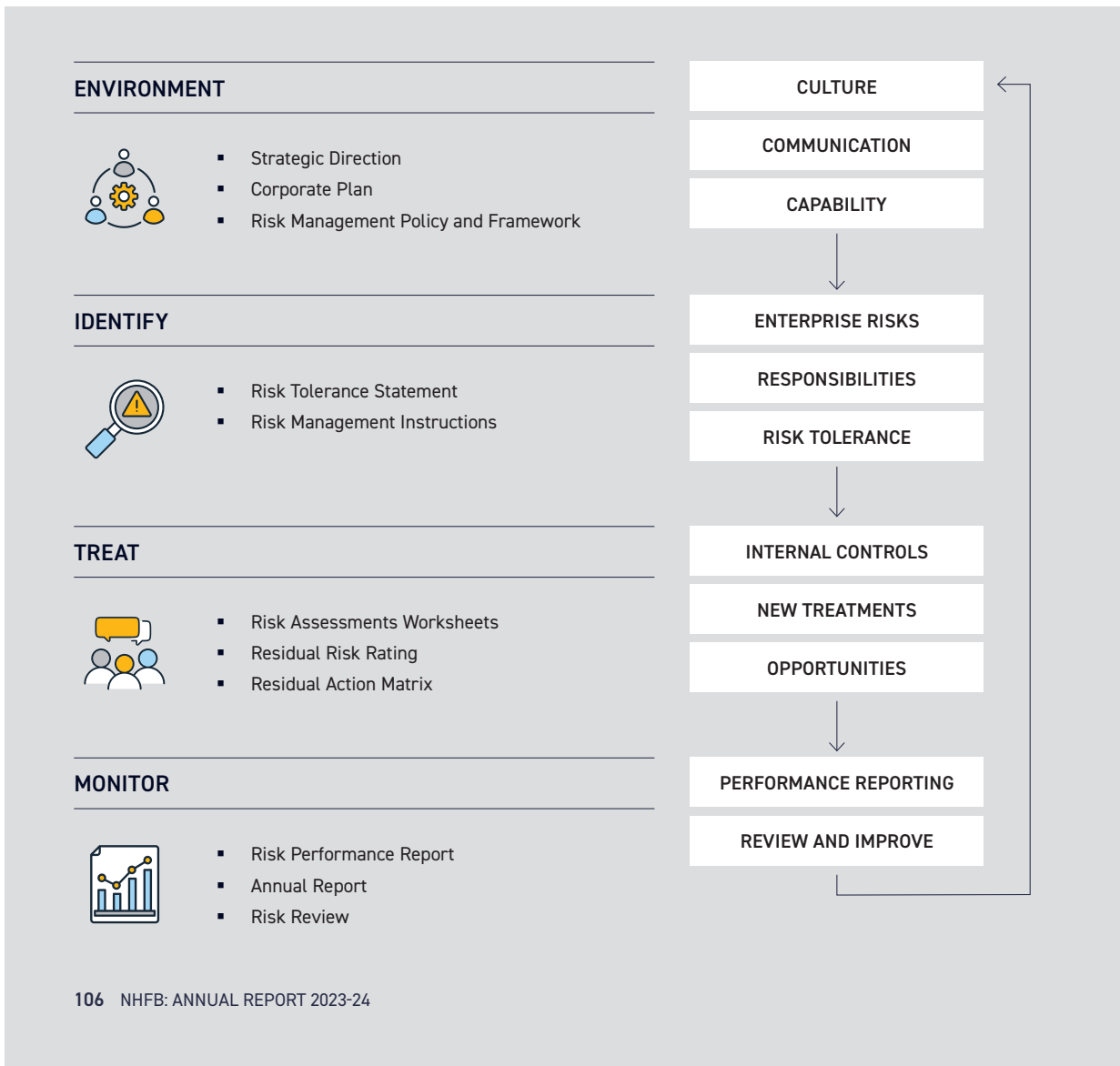
Reviewing our risk environment

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

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

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

Figure 41: Risk management approach



■ CASE STUDY

REFLECTIONS FROM THE RISK MANAGER



Sab Bonelli
Risk Manager
National Health Funding Body

As the NHFB's Risk Manager over the last five years, I've seen our risk management mature significantly, not just in the way we manage our strategic level risks but also how the agency engages with risk generally. Our staff understand that the tools and guidance we have developed as a united team and have provided them with the confidence they need to deal with the uncertainty that comes with engaging with risk.

Over the last five years, our focus has been on a 'best practice, fit-for-purpose for a small agency' approach to all things, and being such a small agency, this is the one of the best ways to effectively manage risk. As the Risk Manager, and with support from the NHFB leadership, we've embedded 'risk' as a natural part of daily agency activities. Having defined risk appetite and agreed tolerances for risk taking, means that everyone understands they are responsible for managing risk, including raising new ideas, highlighting potential issues, and reporting near misses when they occur.

Good risk management is reflecting on risk learnings within the agency and sharing knowledge and experiences – good or bad. Good risk management practices are a result of a good organisational culture, supported by people who see the benefits that good risk management brings. For example:

- In our data team, an awareness of what needs to go right under the 'Calculate' objective enables the team to identify gaps in critical data models and quickly mitigate before things go wrong.
- The Finance team is responsible for the administration of the Payment System – another key critical resource. Managing the shared risks includes effective stakeholder relationships to ensure processes, people and technology all work effectively and are in sync with each other.
- Supporting the agency across all five strategic objectives means the Policy, Planning and Performance team are managing not just the associated strategic risks but the way the NHFB approach risk, including regular risk reviews, risk discussions and reporting to the independent Audit and Risk Committee.

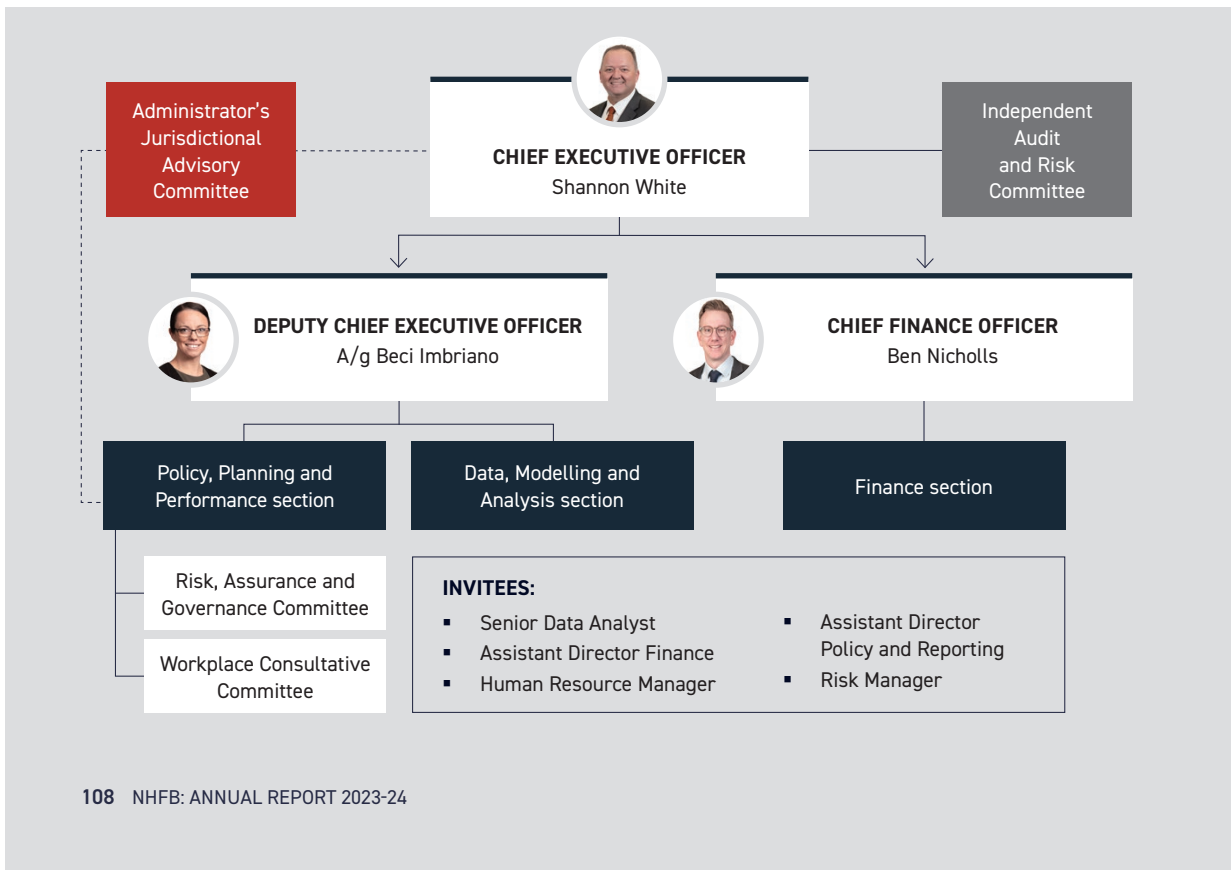
CORPORATE GOVERNANCE

Our governance approach ensures we can deliver on our strategic objectives and statutory obligations.

We are subject to legislation, regulations, standards, and guidelines applicable to our status as a non-corporate Commonwealth entity under the PGPA Act and the PGPA Rule. We are also subject to both Commonwealth, State and Territory legislation when assisting the Administrator to fulfil their obligations under the NHR Act and Agreement. In 2023-24 we reviewed and updated our Accountable Authority Instructions, Financial Delegations and Human Resource Delegations to ensure we commenced the new financial year fully compliant.

Our Executive (see pages 14 and 15 for profiles) meet weekly and use these meetings as a forum for engagement and discussion, including providing advice to the CEO on strategic direction, key initiatives, agency policies, as well as any immediate and emerging issues.

Figure 42: National Health Funding Body Governance



Risk, Assurance and Governance Committee

The Risk, Assurance and Governance Committee (RAGC) provides assurance to the CEO, Executive, and the Independent Audit and Risk Committee on the adequacy, effectiveness and performance of our governance arrangements including:

- risk management (including fraud and corruption control)
- PGPA Compliance
- audit and assurance
- information and data governance
- security
- business continuity.

The RAGC is comprised of the following members:

- Chair (currently the Director, Policy, Planning and Performance)
- CFO
- Director Data, Modelling and Analysis
- Risk Manager
- Enterprise Information Architect
- Work, Health and Safety Representative.

The RAGC met four times in 2023-24:

- 3 August 2023
- 2 November 2023
- 25 February 2024
- 17 May 2024.

Key area of focus for the RAGC in 2023-24 included:

- recommending the CEO approve the 2023-24 Risk Tolerance Statement, providing updates to critical controls, reviewing risk performance reporting, and oversight of the Agency's 2023 risk review,
- reviewing and recommending the CEO endorse the:
 - Accountable Authority Instructions, Financial Delegations and Procurement and Contract Management Policy
 - National Health Funding Pool Payments System Internal Controls Framework
 - NHFB's Internal Control Framework
 - NHFB's suite of security policies and plans
 - NHFB's Fraud and Corruption Control Plan.

In 2024-25, our Risk Assurance and Governance Committee will oversee the review and updates to internal policies and procedures across our core functions (calculate, pay, report) stemming from a new Addendum.

PART 3: MANAGEMENT AND ACCOUNTABILITY

Workplace Consultative Committee

The Workplace Consultative Committee (WCC) is our consultative body for communication, consultation and employee participation in the management of work health and safety, including all HR policies and procedures.

The WCC is comprised of the following members:

- Chair (currently the Director Policy, Planning and Performance)
- Management Representative
- Human Resource Manager
- Health and Safety Representative
- Employee Representative.

In 2023-24, to support the implementation of the *National Health Funding Body Enterprise Agreement 2024-2027*, the WCC consulted with our Agency Lead Negotiator on potential changes required as a result of APS-wide bargaining outcomes (see page 92 for more information on Enterprise Bargaining).

In addition to the two formal meetings of the WCC in 2023-24 (20 November 2023 and 14 March 2024), the WCC undertook out-of-session reviews of the full suite of work health and safety and human resource policies. This was done to ensure all policies were reviewed and shared to all staff for consultation following the approval of our Enterprise Agreement in January 2024.

Key area of focus for the WCC in 2023-24 included:

- monitoring the implementation of the agency's workforce capability and workforce diversity plans and Learning and Development Strategy
- reviewing, updating, and recommending the CEO endorse updates to the following policies:
 - Human Resources Delegations
 - Recruitment, Selection and Probation Guidelines
 - Work Health, Safety and Wellbeing Policy (includes Domestic Violence Policy)
 - Working Guidelines (including remote work arrangements)
 - Leave, Travel and Allowances Policy
 - Performance Development Agreement Framework
 - Study Bank Guidelines
 - Preventing Bullying, Harassment and Discrimination in the Workplace
 - Managing Underperformance
 - Dispute Resolution Policy.

SPOTLIGHT ON: OUR GOVERNANCE

The NHFB's approach to Corporate Governance is centred around a best practice and fit-for-purpose approach for our small agency. Our corporate governance encompasses:

- How we use governance arrangements to ensure we meet our legislative requirements, regulations, published standards and community expectations of probity, accountability, and openness
- How we use governance arrangements to contribute to our overall performance and the successful delivery of our objectives.

Our Corporate Governance Framework has been established to ensure we meet our obligations under the:

- *Public Service Act 1999* (PS Act) and the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) – as all employees of the NHFB are engaged on behalf of the Commonwealth.
- *National Health Reform Act 2011* (NHR Act) – as we undertake functions on behalf of the Administrator
- Addendum to the National Health Reform Agreement 2020-2025.

Our strong corporate governance framework is critical to direct and manage both our strategic and operational activities to ensure we achieve our objectives and provides a sound basis for decision making through:

- clearly defined organisational structures, roles and responsibilities
- established stakeholder forums and communication channels
- well developed planning, performance and reporting mechanisms
- sound financial management policies, procedures and guidelines
- robust risk management and fraud control practices
- structured internal audit functions and activities
- an independent Audit and Risk Committee to provide independent advice to the CEO on the NHFB's activities.

“Our governance framework and processes ensure transparency, integrity, accountability and the efficient and ethical use of our resources; our people, our budget and our technology.”

PART 3: MANAGEMENT AND ACCOUNTABILITY

Independent Audit and Risk Committee

The Independent Audit and Risk Committee (the Committee) is an integral component of our corporate governance and a valuable source of independent advice for the CEO.

The Committee has been established in accordance with subsection 45 of the PGPA Act and section 17 of the PGPA Rule - Audit Committee for Commonwealth entities.

The Committee's role is to provide independent advice and assurance to the NHFB CEO on the agency's performance and financial reporting, risk oversight and management, and system of internal control.

This includes providing advice to the NHFB CEO and the Administrator on the operation, management and financial reporting of the National Health Funding Pool. The Committee is not responsible for the executive management of these functions.

The Audit and Risk Committee Charter (the Charter) provides a blueprint of the Audit and Risk Committee's operations and responsibilities and is reviewed annually. Full details on the functions of the ARC are available from the NHFB Audit and Risk Committee Charter at www.publichospitalfunding.gov.au/publications/audit-and-risk-committee-charter.

Performance reporting

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

In particular, the Committee will satisfy itself that:

- the NHFB's Portfolio Budget Statements and Corporate Plan include details of how the NHFB's performance will be measured and assessed

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

Financial reporting

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

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

System of risk management and oversight

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

- reviews whether NHFB management has in place a current and sound enterprise risk management framework and associated internal controls for effective identification and management of identified risks
- assesses the impact of the NHFB's risk management framework on the NHFB's control environment
- reviews the process of developing and implementing the NHFB's fraud and corruption control arrangements and satisfy itself that the NHFB has appropriate processes and systems in place to detect, capture and effectively respond to fraud and corruption risks
- review reports from management that outline any significant or systemic allegations of wrongdoing, the status of any ongoing investigations and any changes to the fraud and corruption risk environment in the NHFB
- satisfies itself that the NHFB has appropriate systems and procedures in place to identify the NHFB's key assurance arrangements and is reviewed annually.

Internal control

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

- reviews NHFB management's approach to maintaining an effective internal control framework
- notes NHFB's HR delegations, and associated bullying and harassment policies
- satisfies itself that appropriate processes are in place to assess the entity's compliance with laws, regulations and associated government policies
- satisfies itself that management periodically assesses the adequacy of the NHFB information security arrangements.
 - reviews the proposed audit coverage, ensuring that it takes into account the NHFB's key risks, and recommend approval of the Annual Work Plan by the NHFB CEO
 - reviews all audit reports and provide advice to the NHFB CEO on significant issues identified in audit reports and action to be taken on issues raised, including identification and dissemination of good practice.
- satisfies itself that the NHFB has sound business continuity procedures in place.

Audit and Risk Committee Members 2023-24

Summary of their skills, knowledge and experience



Stephen Horne
Chair
(September 2020 – Present)

As a Non-Executive Director since 2015, Stephen has developed a portfolio of audit committee experience spanning the Commonwealth, NSW Local Government and Victorian Local Government sectors, with a diverse range of entity types.

Stephen previously served for 38 years in the NSW public sector, including roles of Assistant Auditor-General for NSW, looking after Performance Audits, and the Chief Executive of IAB, a Government Trading Enterprise undertaking internal audits and misconduct investigations.

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

Stephen chaired five NHFB ARC meetings in 2023-24.



Jeanette Barker
Member
(September 2020 – Present)

Jeanette has worked and held appointments on boards and committees associated with the NSW public health system for over 20 years. She is a former senior executive of NSW Health where she was employed in executive roles specialising in governance and risk, policy and health regulation.

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

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

Jeanette attended five NHFB ARC meetings in 2023-24.



Mark Jenkin
Member
(October 2020 – Present)

Mark currently serves on the board of two ACT-based registered not for profit charities and is an independent member of the audit and risk committee of the Office of the Inspector General of Aged Care.

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

Mark has a Bachelor of Commerce, a Master of Financial Management and is a Fellow Certified Practising Accountant, a Member of the Australian Institute of Company Directors and a past member of the Australian Accounting Standards Board.

Mark attended five NHFB ARC meetings in 2023-24.

Table 20: 2023-24 Audit and Risk Committee meeting attendance and remuneration

NAME	NUMBER OF MEETINGS HELD	NUMBER OF MEETINGS ATTENDED	2023-24 TOTAL REMUNERATION
Stephen Horne (Chair)	5	5	\$12,210
Jeanette Barker	5	5	\$6,212
Mark Jenkin	5	5	\$9,500
TOTAL 2023-24 ARC REMUNERATION			\$27,922

Oversight and assurance

Our strong corporate governance framework is critical to managing our strategic and operational activities to ensure we achieve our purpose and deliver on our objectives. Our formal governance arrangements provide a clear structure and process for reporting to the CEO and independent Audit and Risk Committee on the effectiveness of current risk controls and the implementation of new treatments.

We have adopted the principles of the Institute of Internal Auditors 'three lines' model and adapted the model to ensure it is fit-for-purpose for our small agency (see Figure 43).

This model ensures that we have robust, independent and objective oversight embedded at all levels to provide appropriate assurance.

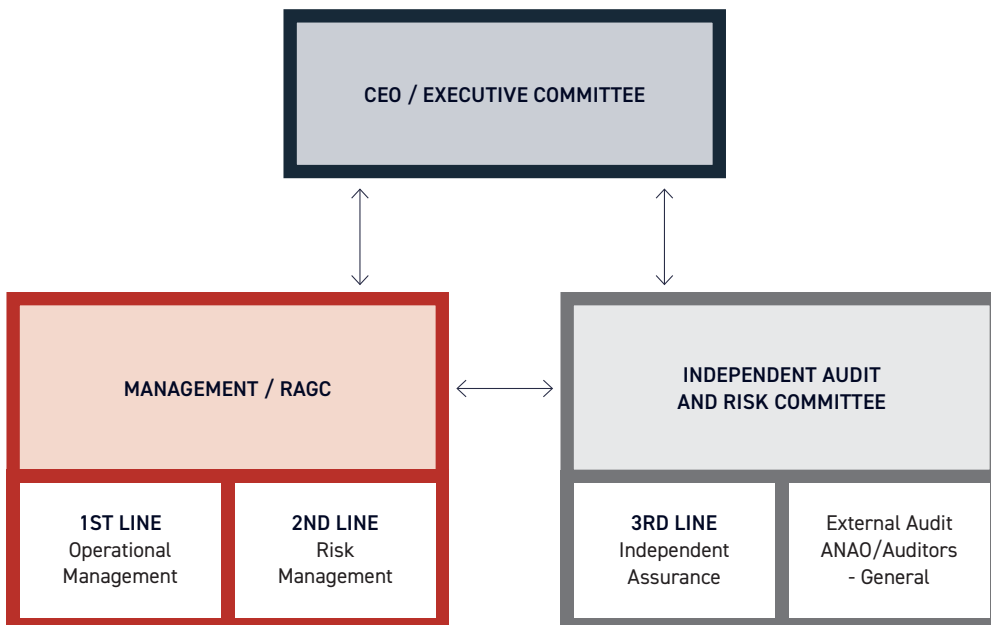
Audit and assurance

NHFB's Audit and Assurance Strategy 2023-24 outlined the role of audit in addressing our assurance requirements, as well as the approaches used.

The Strategy was developed through the RAGC, before being considered by our Independent Audit and Risk Committee. It was then signed off by the CEO in consultation with the Administrator.

In 2023-24, NHFB's audit and assurance functions were provided by external resources to provide assurance to the CEO that the NHFB's risk management, governance and internal control processes are operating effectively.

Figure 43: NHFB three lines model



External scrutiny

During 2023-24, there were no reports on the operations of the NHFB including:

- judicial, tribunal or Australian Information Commissioner reviews
- Auditor-General, Parliamentary Committee or Commonwealth Ombudsman inquiries
- external capability reviews.

Freedom of Information

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

However, the NHFB can refuse access to some or part of those documents that have an exemption under the FOI Act.

One FOI request was made to the NHFB in May 2024 in relation to hospital funding information regarding Albury- Wodonga. Access to the information was granted under Administrative Access arrangements, and the information was also made available on our website publichospitalfunding.gov.au.

Table 21: Audit and assurance activities undertaken in 2023-24

STRATEGIC OBJECTIVE	ACTIVITY	PROVIDER
Calculate	External assurance review of the completeness and accuracy of the NWAU calculation	Taylor Fry
Calculate	External assurance review of the CCM including the integrity of the methodology, formulas and inputs	Taylor Fry
Pay	Assurance review of Payments System documentation	Libratum
Pay	Assurance review of Payments System Control Framework and proposed actions	RSM
Report	Audit of the National Health Funding Pool Special Purpose Financial Statements for each State and Territory	Each State and Territory Auditor-General
Organisation	Internal audit of the National Health Funding Body arrangements for: <ul style="list-style-type: none"> ▪ credit card, travel and Cabcharge ▪ procurement ▪ payroll function ▪ risk management ▪ privacy 	RSM

PART 3: MANAGEMENT AND ACCOUNTABILITY

Fraud and Corruption Control

The NHFB's Fraud and Corruption Control Plan has been developed to manage the risks of fraud and corruption in our workplace. It was reviewed and updated in late 2023 and approved by the CEO in January 2024.

The Plan puts into place a comprehensive program that covers prevention, detection, investigation, and reporting of fraud and corruption.

Identifying and assessing fraud and corruption risks ensures the NHFB can:

- protect public resources, including money, information and property
- protect the integrity and reputation of the NHFB and Administrator
- provide for accountability as to implementation of fraud and corruption control arrangements.

We encourage our people and contractors to report all incidents of suspected illegal or corrupt conduct including fraud and the misconduct or mismanagement of resources.

In 2023-24, the NHFB did not detect or report any suspected or actual instances of fraud or corruption.

Certification of Fraud and Corruption Control Arrangements

I, Shannon White, certify that I am satisfied that for 2023-24, the NHFB has:

- prepared a fraud and corruption control plan and associated risk assessment
- appropriate prevention, detection, investigation and reporting mechanisms that meet NHFB's needs
- taken all reasonable measures to appropriately deal with fraud and corruption relating to the NHFB.



Shannon White

Chief Executive Officer
National Health Funding Body
20 September 2024

OTHER ACCOUNTABILITIES

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

Data privacy

Our Data Governance Policy was reviewed by the RAGC and circulated to the Administrator's JAC in September 2023 and covers both the Pool and NHFB. It details the information collected, the purpose for the collection, its use, storage, disclosure and disposal, by the Administrator of the National Health Funding Pool.

Our systems and processes used for collection, storage and reporting have been designed to ensure security of information in line with the Australian Government's Protective Security Policy Framework. Further information can be found in our Data Governance Policy, available on our website, publichospitalfunding.gov.au.

Purchasing

With support from the Commonwealth Department of Health and Aged Care Procurement Advisory Service, all our procurement activities in 2023-24 were conducted in line with the Commonwealth Procurement Guidelines, NHFB Accountable Authority Instructions and NHFB Procurement and Contract Management Policy.

Consultants

In 2023-24, the NHFB did not enter into any new consultancy contracts, therefore, our expenditure on Reportable Consultancy Contracts in 2023-24 is \$0. Any future decisions to engage consultants will be made in accordance with the PGPA Act and related regulations including the Commonwealth Procurement Rules and the NHFB internal policies.

Reportable non-consultancy contracts 2023-24

Annual reports contain information about actual expenditure on reportable non-consultancy contracts. Information on the value of reportable non-consultancy contracts is available on the AusTender website.

Table 22: Reportable non-consultancy contracts 2023-24

	NUMBER	EXPENDITURE (INCL. GST) \$
New contracts entered into during the reporting period	6	312,809
Ongoing contracts entered into during a previous reporting period	6	616,964
TOTAL		929,773

Table 23: Organisations receiving a share of reportable non-consultancy contract expenditure 2023-24

ORGANISATION	ABN	EXPENDITURE (INCL. GST) \$
Taylor Fry Pty Ltd	29087047809	295,107
TechnologyOne Ltd	84010487180	171,241
Chartertech Pty Ltd	30617464990	123,599
Salsa Digital Pty Ltd	85676742328	106,474
Libratum Pty Ltd	91646007196	82,720

PART 3: MANAGEMENT AND ACCOUNTABILITY

Australian National Audit Office access

In 2023-24, the NHFB did not enter into any contracts precluding access by the Commonwealth Auditor-General.

Exempt contracts

In 2023-24, the NHFB did not enter into any contracts that were exempt from publication on the AusTender website.

Grants

There were no grant programs undertaken by the NHFB in 2023-24.

Procurement initiatives to support small business

The NHFB supports small business participation in the Commonwealth Government procurement market. Small and Medium Enterprises (SME) and Small Enterprise participation statistics are available on the Department of Finance's website.

Our measures to support SMEs include:

- complying with the Commonwealth Procurement Framework
- using standardised contracts for low-risk procurements valued under \$200,000
- implementing the Indigenous Procurement Policy, noting that many Indigenous businesses are also SMEs
- using credit cards for procurements valued below \$10,000
- complying with the Government's Supplier Pay on-Time or Pay Interest Policy.

Advertising and market research

During the 2023-24 reporting period, the NHFB did not conduct any advertising campaigns or market research.

Ecological and environmental reporting

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

In 2023-24 the NHFB continued to minimise its environmental impact by:

- encouraging staff to reduce the volume of printing, for example using laptops for committee meetings instead of printing folders of agenda papers
- turning off lights and computers when the office is not in use
- using a waste recycling station
- limiting travel by using technological solutions whenever possible, for example, holding meetings via videoconference.

APS Net Zero 2030

APS Net Zero 2030 is the Government's policy for the Australian Public Service (APS) to reduce its greenhouse gas emissions to net zero by 2030, and transparently report on its emissions. As part of the Net Zero in Government Operations Strategy, non-corporate Commonwealth entities, corporate Commonwealth entities and Commonwealth companies are required to report on their operational greenhouse gas emissions.

The Greenhouse Gas Emissions Inventory presents greenhouse gas emissions over the 2023-24 period. Results are presented based on Carbon Dioxide Equivalent (CO₂-e) emissions. Greenhouse gas emissions have been calculated in line with the APS Net Zero Emissions Reporting Framework, consistent with the Whole-of-Australian Government approach as part of the APS Net Zero 2030 policy.

PART 3: MANAGEMENT AND ACCOUNTABILITY

Not all data sources were available at the time of the report and amendments to data may be required in future reports.

Reporting on refrigerants is optional for 2023-24 and will be phased in over time as emissions reporting matures. The NFHB had zero fleet vehicles in 2023-24.

Table 24: Greenhouse gas emissions inventory - location-based method

EMISSION SOURCE	SCOPE 1 T CO2-E	SCOPE 2 T CO2-E	SCOPE 3 T CO2-E	TOTAL T CO2-E
Electricity (Location based approach)	N/A	22.247	1.775	24.022
Natural gas	0.000	N/A	0.000	0.000
Solid waste ^{1,2}	N/A	N/A	0.000	0.000
Refrigerants ^{1,4}	0.000	N/A	N/A	0.000
Fleet and other vehicles	0.000	N/A	0.000	0.000
Domestic commercial flights ³	N/A	N/A	16.320	16.320
Domestic hire car ^{1,3}	N/A	N/A	0.000	0.000
Domestic travel accommodation ^{1,3}	N/A	N/A	5.265	5.265
Other energy	0.000	N/A	0.000	0.000
TOTAL T CO2-E	0.000	22.247	23.360	45.607

Note: The table above presents emissions related to electricity usage using the location-based accounting method. CO2-e = Carbon Dioxide Equivalent.

- 1 Indicates emission sources collected for the first time in 2023-24. The quality of data is expected to improve over time as emissions reporting matures.
- 2 Solid waste data was unable to be separated from Landlord data and has not been included.
- 3 Some domestic travel emissions may have been reported in the Department of Health and Aged Care's annual report due to a shared services agreement. Efforts were made to separate the data, however a small portion may have been included in the Department of Health and Aged Care's annual report.
- 4 Indicates optional emission source for 2023-24 emissions reporting.

Table 25: Electricity greenhouse gas emissions

EMISSION SOURCE	SCOPE 2 T CO2-E	SCOPE 3 T CO2-E	TOTAL T CO2-E	PERCENTAGE OF ELECTRICITY USE %
Electricity (Location based approach)	22.247	1.775	24.022	100.00
Market-based electricity emissions	1.904	0.235	2.139	7.15
Total renewable electricity	-	-	-	92.85
Mandatory renewables ¹	-	-	-	18.72
Voluntary renewables ²	-	-	-	74.13

Note: The table above presents emissions related to electricity usage using both the location-based and the market-based accounting methods. CO2-e = Carbon Dioxide Equivalent.

- 1 Mandatory renewables are the portion of electricity consumed from the grid that is generated by renewable sources. This includes the renewable power percentage.
- 2 Voluntary renewables reflect the eligible carbon credit units surrendered by the entity. This may include purchased large-scale generation certificates, power purchasing agreements, GreenPower and the jurisdictional renewable power percentage (ACT only).



PART 4:

FINANCIAL
STATEMENTS

This section of our report details our budget and expenditure for 2023-24 and includes our financial statements which have been audited by the Australian National Audit Office.

For the period ended 30 June 2024

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SUMMARY OF FINANCIAL PERFORMANCE

The net operating result as at 30 June 2024 is a surplus of \$1.134 million.

Revenue for the 2023-24 financial year was \$7.564 million which included one-off funding relating to the 2022-23 Budget measure *COVID-19 Response Package – supporting hospitals and emergency response extension* (\$0.714 million) and resources received free of charge.

Total expenditure in 2023-24 was \$6.423 million and is primarily driven by employee benefits, supplier costs and amortisation. Supplier expenses were lower than budget largely due to reductions in contractors and support agreement expenditure related to the National Partnership on COVID-19 Response.

Table 26: NHFB Budgeted v Actual Expenditure 2019-20 to 2023-24

	2019-20 \$ million	2020-21 \$ million	2021-22 \$ million	2022-23 \$ million	2023-24 \$ million
Budgeted Expenditure¹	5.9	6.8	8.0	7.8	7.7
Employee Benefits	3.0	3.2	3.6	4.4	4.3
Supplier Expenses	2.1	1.9	2.1	2.3	1.7
Amortisation	0.4	0.8	0.9	0.9	0.4
TOTAL ACTUAL EXPENDITURE	5.5	5.9	6.6	7.5	6.4
SURPLUS (DEFICIT)	0.4	0.9	1.4	0.3	1.3

¹ Includes 'Ordinary annual services (Appropriation Bill No. 1)' and 'Revenue from independent sources' under section 74 of the PGPA Act.

Table 27: NHFB resource statement 2023-24

	Actual available appropriations for 2023-24 \$'000	Payments made in 2023-24 \$'000	Balance remaining in 2023-24 \$'000
ORDINARY ANNUAL SERVICES			
Departmental			
Annual appropriations	7,620 ¹	(2,181)	5,439
Prior year available appropriations	4,183	(4,183)	-
TOTAL DEPARTMENTAL RESOURCING	11,803	(6,364)	5,439

1 Appropriation Bill (No. 1) 2023-24 and section 74 receipts.

Table 28: Expenses for outcome 2023-24

	Budget ¹ 2023-24 \$'000	Actual expenses 2023-24 \$'000	Variation 2023-24 \$'000
OUTCOME: Improve transparency of public hospital funding in Australia by supporting the obligations and responsibilities of the Administrator of the National Health Funding Pool through best practice administration of public hospital funding.			
PROGRAM 1.1: NATIONAL HEALTH FUNDING BODY			
Departmental expenses			
Departmental appropriation ²	7,073	5,905	1,168
Expenses not requiring appropriation in the budget year ³	618	524	94
TOTAL FOR PROGRAM 1.1	7,691	6,429	1,262
TOTAL FOR OUTCOME 1	7,691	6,429	1,262

	2023-24	2022-23
Average staffing level (number) ⁴	30	30

1 Full year budget.

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

3 Expenses not requiring appropriation in the Budget year are made up of depreciation and amortisation expenses, audit fees and services received free of charge.

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

Compliance with Finance Law

There were no instances of significant non-compliance with finance law for the year ended 30 June 2024.

PART 4: FINANCIAL STATEMENTS



INDEPENDENT AUDITOR'S REPORT

To the Minister for Health and Aged Care

Opinion

In my opinion, the financial statements of the National Health Funding Body (the Entity) for the year ended 30 June 2024:

- (a) comply with Australian Accounting Standards – Simplified Disclosures and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of the Entity as at 30 June 2024 and its financial performance and cash flows for the year then ended.

The financial statements of the Entity, which I have audited, comprise the following as at 30 June 2024 and for the year then ended:

- Statement by the Accountable Authority and Chief Finance Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement; and
- Notes to and forming part of the financial statements comprising material accounting policy information and other explanatory information.

Basis for opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Entity in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and their delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matter

I draw attention to the Overview note in the financial statements, which describes the Entity's correction of a prior period error relating to the incorrect recognition of intangible non-financial assets in prior years. My opinion is not modified in respect of this matter.

Other information

The Accountable Authority is responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2024 but does not include the financial statements and my auditor's report thereon.

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

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

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

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

Accountable Authority's responsibility for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

PART 4: FINANCIAL STATEMENTS

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

Australian National Audit Office

A handwritten signature in black ink that reads "SBond." The signature is written in a cursive, slightly informal style.

Sally Bond

Executive Director

Delegate of the Auditor-General

Canberra

20 September 2024



National Health
Funding Body

GPO Box 1252
Canberra ACT 2601
1300 930 522

publichospitalfunding.gov.au

Statement by the Accountable Authority and Chief Finance Officer

In our opinion, the attached financial statements for the year ended 30 June 2024 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

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

A handwritten signature in black ink that reads "Shannon White".

Shannon White
Chief Executive Officer
National Health Funding Body
20 September 2024

A handwritten signature in black ink that reads "Ben Nicholls".

Ben Nicholls
Chief Finance Officer
National Health Funding Body
20 September 2024

PART 4: FINANCIAL STATEMENTS

**National Health Funding Body Statement of Comprehensive Income
for the period ended 30 June 2024**

	NOTES	2024 \$	RESTATED ¹ 2023 \$	ORIGINAL BUDGET \$
NET COST OF SERVICES				
Expenses				
Employee benefits	2A	4,276,324	4,379,244	4,540,000
Suppliers	2B	1,729,702	2,261,588	2,618,000
Depreciation and amortisation	5	416,519	416,519	526,000
Finance costs		7,390	11,089	7,000
TOTAL EXPENSES		6,429,935	7,068,440	7,691,000
OWN-SOURCE INCOME				
Own-source revenue				
Resources received free of charge	3A	108,400	92,000	92,000
TOTAL OWN-SOURCE REVENUE		108,400	92,000	92,000
TOTAL OWN-SOURCE INCOME		108,400	92,000	92,000
NET COST OF SERVICES		6,321,535	6,976,440	7,599,000
Revenue from Government	3B	7,456,000	7,263,000	7,456,000
SURPLUS/(DEFICIT) ATTRIBUTABLE TO THE AUSTRALIAN GOVERNMENT		1,134,465	286,560	(143,000)
TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO THE AUSTRALIAN GOVERNMENT		1,134,465	286,560	(143,000)

¹ Refer to the Overview note.

The above statement should be read in conjunction with the accompanying notes, including variance analysis in Note 16.

National Health Funding Body Statement of Financial Position as at 30 June 2024

	NOTES	2024 \$	RESTATED ¹ 2023 \$	ORIGINAL BUDGET \$
ASSETS				
Financial Assets				
Cash and Cash Equivalents	4A	28,857	39,034	38,000
Trade and Other Receivables	4B	5,441,912	4,191,754	3,853,000
TOTAL FINANCIAL ASSETS		5,470,769	4,230,788	3,891,000
Non-Financial Assets				
Intangible Assets	5	53,381	106,761	488,000
Right-of-use Asset	5	524,945	888,085	525,000
Prepayments		83,827	49,725	49,000
TOTAL NON-FINANCIAL ASSETS		662,152	1,044,571	1,062,000
TOTAL ASSETS		6,132,921	5,275,359	4,953,000
LIABILITIES				
Payables				
Suppliers	6A	316,229	238,877	349,000
Other Payables	6B	348,927	171,068	152,000
TOTAL PAYABLES		665,156	409,946	501,000
Interest Bearing Liabilities				
Leases	7	571,680	954,758	572,000
TOTAL INTEREST BEARING LIABILITIES		571,680	954,758	572,000
Provisions				
Other Provisions	8	10,500	10,500	11,000
Employee Provisions	9	1,034,920	1,183,954	1,089,000
TOTAL PROVISIONS		1,045,420	1,194,454	1,100,000
TOTAL LIABILITIES		2,282,256	2,559,158	2,173,000
NET ASSETS		3,850,665	2,716,200	2,780,000
EQUITY				
Retained surplus/ (Accumulated deficit)		3,850,665	2,716,200	2,780,000
TOTAL EQUITY		3,850,665	2,716,200	2,780,000

1 Refer to the Overview note.

The above statement should be read in conjunction with the accompanying notes, including variance analysis in Note 16.

PART 4: FINANCIAL STATEMENTS

**National Health Funding Body Statement of Changes in Equity
for the period ended 30 June 2024**

	RETAINED EARNINGS		TOTAL EQUITY		ORIGINAL BUDGET \$
	2024 \$	RESTATED ¹ 2023 \$	2024 \$	RESTATED ¹ 2023 \$	
Opening balance					
Balance carried forward from previous period	2,716,200	2,429,640	2,716,200	2,429,640	2,923,000
Comprehensive income					
Surplus/(Deficit) for the period	1,134,465	286,560	1,134,465	286,560	(143,000)
TOTAL COMPREHENSIVE INCOME	1,134,465	286,560	1,134,465	286,560	(143,000)
CLOSING BALANCE	3,850,665	2,716,200	3,850,665	2,716,200	2,780,000

¹ Refer to the Overview note.

The above statement should be read in conjunction with the accompanying notes, including variance analysis in Note 16.

**National Health Funding Body Cash Flow Statement
for the period ended 30 June 2024**

	NOTES	2024 \$	2023 \$	ORIGINAL BUDGET \$
OPERATING ACTIVITIES				
Cash received				
Appropriations		6,484,607	7,164,445	7,456,000
GST received		125,252	185,580	206,000
Other s74 receipts		164,335	83,054	-
TOTAL CASH RECEIVED		6,774,194	7,433,079	7,662,000
Cash used				
Employees		4,413,818	4,326,120	4,540,000
Suppliers		1,685,877	2,429,128	2,739,000
Section 74 receipts transferred to the Official Public Account		294,209	268,912	-
TOTAL CASH USED		6,393,904	7,024,160	7,279,000
NET CASH FROM OPERATING ACTIVITIES		380,290	408,919	383,000
INVESTING ACTIVITIES				
TOTAL CASH USED		-	-	-
NET CASH USED BY INVESTING ACTIVITIES		-	-	-
FINANCING ACTIVITIES				
Cash used				
Lease principal repayments		390,468	407,737	383,000
TOTAL CASH USED		390,468	407,737	383,000
NET CASH FROM (USED BY) FINANCING ACTIVITIES		(390,468)	(407,737)	(383,000)
NET INCREASE (DECREASE) IN CASH HELD		(10,178)	1,182	-
Cash and cash equivalents at the beginning of the reporting period		39,034	37,852	38,000
CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD	4A	28,857	39,034	38,000

The above statement should be read in conjunction with the accompanying notes, including variance analysis in Note 16.

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the Financial Statements for the
period ended 30 June 2024

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Notes to and forming part of the Financial Statements
for the period ended 30 June 2024

Note 1: Overview

The NHFB is a Commonwealth non-corporate entity under the PGPA Act and was established to support the obligations and responsibilities of the Administrator of the National Health Funding Pool.

The role and function of the NHFB are set out in the *National Health Reform Act 2011*.

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

- a. calculating and advising the Commonwealth Treasurer of the Commonwealth's contribution to public hospital funding in each State and Territory
- b. reconciling estimated and actual hospital services, and adjusting Commonwealth payments
- c. undertaking funding integrity analysis to identify public hospital services that potentially received funding through other Commonwealth programs
- d. monitoring payments of Commonwealth, State and Territory public hospital funding into the National Health Funding Pool (the Pool)
- e. making payments from the Pool to each Local Hospital Network
- f. reporting publicly on National Health Reform Agreement funding, payments and services
- g. developing and providing rolling three year data plans to the Commonwealth, States and Territories
- h. supporting additional funding streams to be transacted through the Pool.

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

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

1.1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements are required by s42 of the *Public Governance, Performance and Accountability Act 2013* (Cth).

The financial statements have been prepared in accordance with:

- a. Public Governance, Performance and Accountability (Financial Reporting) Rule 2015 (FFR)
- b. Australian Accounting Standards and Interpretations – including simplified disclosures for Tier 2 Entities under AASB 1060 issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

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

1.2 NEW AUSTRALIAN ACCOUNTING STANDARDS

Adoption of New Australian Accounting Standard Requirements

No amending standards were issued prior to the signing of the statement by the Accountable Authority and Chief Finance Officer that were applicable to the current reporting period that had a material effect on the NHFB's financial statements.

1.3 TAXATION

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

PART 4: FINANCIAL STATEMENTS

Notes to and forming part of the Financial Statements
for the period ended 30 June 2024

1.4 PRIOR PERIOD ERROR RESTATEMENT

On 1 October 2019 the NHFB launched the National Health Funding Pool Payments System utilising the TechnologyOne OneGov Cloud based Software as a Service.

During 2021, the International Financial Reporting Interpretations Committee (IFRIC) issued an agenda decision and related guidance on Software as a Service (SaaS) arrangements and considered that SaaS contracts are not intangible assets under AASB 138 *Intangible Assets* where the customer does not control the application software. The Department of Finance issued guidance regarding IFRIC's agenda decision in August 2022.

Prior to the above IFRIC decision there was no specific accounting guidance for either cloud computing arrangements or the treatment of costs to implement them. Accordingly, in line with market practice, historically the NHFB had recognised intangible assets for SaaS and implementation costs and amortised these over the useful life of the underlying software. The above IFRIC decision results in a change in NHFB's intangible asset software recognition approach.

The NHFB developed further enhancements to the solution configuration to meet the processing and reporting requirements of the NHFB, States and Territories. These enhancements were capitalised in the financial years ended 30 June 2020 and 30 June 2021.

Pursuant to AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* and AASB 101 *Presentation of Financial Statements* the 2022-23 financial year has been restated, including an opening balance adjustment to derecognise the intangible asset non-financial assets for the year ended 30 June 2022.

Statement of comprehensive income for the year ended 30 June 2023

	NOTES	PREVIOUSLY REPORTED 30 JUNE 2023 \$	ADJUSTMENTS \$	RESTATED 30 JUNE 2023 \$
NET COST OF SERVICES				
Expenses				
Depreciation and amortisation	5	851,141	(434,622)	416,519
TOTAL EXPENSES		7,503,062		7,068,440
NET COST OF SERVICES		7,411,063		6,976,440
SURPLUS/(DEFICIT) ATTRIBUTABLE TO THE AUSTRALIAN GOVERNMENT		(148,062)		286,560
TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO THE AUSTRALIAN GOVERNMENT		(148,062)	434,622	286,560

Notes to and forming part of the Financial Statements
for the period ended 30 June 2024

Statement of financial position as at 30 June 2023

	NOTES	PREVIOUSLY REPORTED 30 JUNE 2023 \$	ADJUSTMENTS \$	RESTATED 30 JUNE 2023 \$
ASSETS				
Non-Financial Assets				
Intangible Assets	5	650,039	(543,278)	106,761
TOTAL NON-FINANCIAL ASSETS		1,587,848		1,044,571
TOTAL ASSETS		5,818,636		5,275,359
NET ASSETS		3,259,478		2,716,200
EQUITY				
Retained surplus/(Accumulated deficit)		3,259,478	543,278	2,716,200
TOTAL EQUITY		3,259,478		2,716,200

Statement of Changes in Equity for the period ended 30 June 2023

	PREVIOUSLY REPORTED 30 JUNE 2023 \$	ADJUSTMENTS \$	RESTATED 30 JUNE 2023 \$
EQUITY			
RETAINED EARNINGS			
Opening balance			
Balance carried forward from previous period	3,407,541	(977,901)	2,429,640
TOTAL OPENING BALANCE	3,407,541	(977,901)	2,429,640
Comprehensive income			
Surplus/(Deficit) for the period	(148,062)	434,624	286,560
TOTAL COMPREHENSIVE INCOME	(148,062)	434,624	286,560
CLOSING BALANCE	3,259,478	543,278	2,716,200

The adjustments also have implications on the following notes:

- Note 5: Non-Financial Assets
- Note 8: Aggregate Assets and Liabilities
- Note 14: Appropriations

1.5 EVENTS AFTER THE REPORTING PERIOD

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

PART 4: FINANCIAL STATEMENTS

Notes to and forming part of the Financial Statements
for the period ended 30 June 2024

Note 2: Expenses

	2024 \$	2023 \$
NOTE 2A: EMPLOYEE BENEFITS		
Wages and salaries	2,942,829	2,931,452
Leave and other entitlements	788,701	880,883
Superannuation		
Defined contribution plans	443,452	416,726
Defined benefit plans	101,342	150,183
Separation and redundancies	-	-
TOTAL EMPLOYEE BENEFITS	4,276,324	4,379,244
ACCOUNTING POLICY		
The accounting policy for Employee Benefits is contained in Note 9 Employee Provisions.		
NOTE 2B: SUPPLIERS		
Goods and Services Supplied or Rendered		
Contractors and support agreements	1,383,751	1,942,675
Professional fees	98,000	92,000
Travel	108,475	67,644
Consumables, printing and training	82,378	94,312
Other	33,782	38,614
TOTAL GOODS AND SERVICES SUPPLIED OR RENDERED	1,706,385	2,235,246
Goods supplied	15,416	34,483
Services rendered	1,690,970	2,200,763
TOTAL GOODS AND SERVICES SUPPLIED OR RENDERED	1,706,385	2,235,246
Other suppliers		
Workers compensation expenses	23,317	26,343
TOTAL OTHER SUPPLIER EXPENSES	23,317	26,343
TOTAL SUPPLIER EXPENSES	1,729,702	2,261,588

ACCOUNTING POLICY**Short-term leases and leases of low-value assets**

NHFB has elected not to recognise right-of-use assets and lease liabilities for short-term leases of assets that have a lease term of 12 months or less and leases of low-value assets (less than \$10,000 per asset). The NHFB recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Settlement Terms for Suppliers

All payables are expected to be settled within 21 days (2023: 21 days).

Notes to and forming part of the Financial Statements
for the period ended 30 June 2024

Note 3: Income

	2024 \$	2023 \$
OWN-SOURCE OTHER REVENUE		
NOTE 3A: RESOURCES RECEIVED FREE OF CHARGE		
Remuneration of auditors	98,000	92,000
Services received free of charge	10,400	-
TOTAL RESOURCES RECEIVED FREE OF CHARGE	108,400	92,000
ACCOUNTING POLICY		
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.		
NOTE 3B: REVENUE FROM GOVERNMENT		
Appropriations		
Departmental appropriations	7,456,000	7,263,000
TOTAL REVENUE FROM GOVERNMENT	7,456,000	7,263,000

ACCOUNTING POLICY

Revenue from Government

Amounts appropriated for departmental appropriations for the year (adjusted for any formal additions and reductions) are recognised as Revenue from Government when the NHFB gains control of the appropriation, except for certain amounts that relate to activities that are reciprocal in nature, in which case revenue is recognised only when it has been earned. Appropriations receivable are recognised at their nominal amounts.

PART 4: FINANCIAL STATEMENTS

Notes to and forming part of the Financial Statements
for the period ended 30 June 2024

Note 4: Financial Assets

	2024 \$	2023 \$
NOTE 4A: CASH AND CASH EQUIVALENTS		
Cash on hand or on deposit	28,857	39,034
TOTAL CASH AND CASH EQUIVALENTS	28,857	39,034
ACCOUNTING POLICY		
Cash and Cash Equivalents		
Cash is recognised at its nominal amount. Cash and cash equivalents include:		
a. cash on hand		
b. cash held in respect to employee salary sacrifice arrangements.		
NOTE 4B: TRADE AND OTHER RECEIVABLES		
Goods and Services receivables in connection with:		
Other	28,660	24,483
TOTAL GOODS AND SERVICES RECEIVABLES	28,660	24,483
Appropriations receivable:		
Appropriation receivable	5,410,096	4,144,494
TOTAL APPROPRIATIONS RECEIVABLE	5,410,096	4,144,494
Other receivables:		
GST receivable from the Australian Taxation Office	3,156	22,777
TOTAL OTHER RECEIVABLES	3,156	22,777
TOTAL TRADE AND OTHER RECEIVABLES	5,441,912	4,191,754

ACCOUNTING POLICY**Impairment of financial assets**

Financial assets are assessed for impairment at the end of each reporting period. No indicators of impairment were identified.

Notes to and forming part of the Financial Statements
for the period ended 30 June 2024

Note 5: Non-Financial Assets

	RIGHT-OF-USE ASSET \$	INTANGIBLES ^{1,2} \$	TOTAL \$
NOTE 5: RECONCILIATION OF THE OPENING AND CLOSING BALANCE OF RIGHT-OF USE ASSETS AND INTANGIBLES			
As at 1 July 2023			
Gross book value	2,159,065	344,875	2,503,940
Accumulated depreciation, amortisation and impairment	(1,270,980)	(238,116)	(1,509,096)
TOTAL AS AT 1 JULY 2023	888,085	106,761	994,846
Additions	-	-	-
Depreciation and amortisation	(363,140)	(53,380)	(416,519)
TOTAL AS AT 30 JUNE 2024	524,945	53,381	578,326
Total as at 30 June 2024 represented by			
Gross book value	2,159,065	344,875	2,503,940
Accumulated depreciation, amortisation and impairment	(1,634,120)	(291,496)	(1,925,616)
TOTAL AS AT 30 JUNE 2024	524,945	53,381	578,326

1 Refer to the Overview note.

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

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

At 30 June 2024, NHFB had no contractual commitments for the acquisition of intangible assets to be completed in the 2023-24 financial year.

ACCOUNTING POLICY

Acquisition of assets

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

The NHFB does not have any Property, Plant and Equipment (PP&E) assets and use of PP&E is paid for under the shared services Memorandum of Understanding (MOU) with the Department of Health and Aged Care as a supplier expense.

Asset recognition threshold

Purchases of Property, Plant and Equipment are recognised initially at cost in the statement of financial position, except for purchases costing less than \$10,000 (excluding GST), which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total). The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located.

PART 4: FINANCIAL STATEMENTS

Notes to and forming part of the Financial Statements
 for the period ended 30 June 2024
ACCOUNTING POLICY (CONT'D)**Right-of-Use (ROU) Assets**

Leased ROU assets are capitalised at the commencement date of the lease and comprise of the initial lease liability amount, initial direct costs incurred when entering into the lease less any lease incentives received. These assets are accounted for by the NHFB (as lessee) as separate asset classes to corresponding assets owned outright but included in the same column as where the corresponding underlying assets would be presented if they were owned.

On initial adoption of AASB 16 the NHFB has adjusted the ROU assets at the date of initial application by the amount of any provision for onerous leases recognised immediately before the date of initial application. Following initial application, an impairment review is undertaken for any right of use lease asset that shows indicators of impairment and an impairment loss is recognised against any right of use lease asset that is impaired. Lease ROU assets continue to be measured at cost after initial recognition in Commonwealth agency, General Government Sector and Whole of Government financial statements.

Impairment

All assets were assessed for impairment at 30 June 2024. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if the entity were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

Derecognition

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

Intangibles

The NHFB's intangibles comprise internally developed software for internal use which have a capitalisation threshold of \$100,000 and external purchased software threshold of \$2,000. These assets are carried at cost less accumulated amortisation and accumulated impairment losses. All software assets were assessed for indications of impairment. No indicators of impairment were identified.

Depreciation and amortisation

Depreciable Property, Plant and Equipment assets are written-off to their estimated residual values over their estimated useful lives to the NHFB using in all cases, the straight-line method of depreciation.

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

	2024	2023
Right-of-use Asset	Lease Term	Lease Term
Intangible Asset	3-5 years	3-5 years

Notes to and forming part of the Financial Statements
for the period ended 30 June 2024

Note 6: Payables

	2024 \$	2023 \$
NOTE 6A: SUPPLIERS		
Trade creditors and accruals	316,229	238,877
TOTAL SUPPLIER PAYABLES	316,229	238,877
Settlement was usually made within 21 days. (2023: 21 days)		
NOTE 6B: OTHER PAYABLES		
Wages and salaries	118,293	86,268
Superannuation	15,967	15,203
Leave provisions payable	201,168	59,346
Salary sacrifice payable	3,466	10,252
Fringe Benefits Tax payable	10,033	-
TOTAL OTHER PAYABLES	348,927	171,068

ACCOUNTING POLICY

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

PART 4: FINANCIAL STATEMENTS

Notes to and forming part of the Financial Statements
for the period ended 30 June 2024

Note 7: Interest Bearing Liabilities

	2024 \$	2023 \$
LEASES		
Lease liabilities	571,680	954,758
TOTAL LEASES	571,680	954,758
Total cash outflow for leases for the year ended 30 June 2024 was \$390,468 (2023: \$407,737)		
Maturity analysis - contractual undiscounted cash flows		
Within 1 year	404,477	390,468
Between 1 to 5 years	171,001	575,478
More than 5 years	-	-
TOTAL UNDISCOUNTED LEASES	575,478	965,945
Discount	(3,798)	(11,187)
TOTAL LEASES	571,680	954,758

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

ACCOUNTING POLICY

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

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

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

Notes to and forming part of the Financial Statements
for the period ended 30 June 2024

Note 8: Other provisions

	PROVISION FOR RESTORATION \$	TOTAL \$
NOTE 8: OTHER PROVISIONS		
As at 1 July 2023	10,500	10,500
Additional provisions made	-	-
TOTAL OTHER PROVISIONS	10,500	10,500

Note 9: Employee Provisions

	2024 \$	2023 \$
NOTE 9: EMPLOYEE PROVISIONS		
Leave	1,034,920	1,183,954
TOTAL EMPLOYEE PROVISIONS	1,034,920	1,183,954

ACCOUNTING POLICY

Liabilities for 'short-term employee benefits' (as defined in AASB 119 *Employee Benefits*) and termination benefits expected within twelve months of the end of the reporting period are measured at their nominal amounts.

Leave

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

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

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

Superannuation

Staff of the NHFB are members of the Public Sector Superannuation Scheme (PSS), the PSS accumulation plan (PSSap) or employee nominated superannuation funds. The PSS is a defined benefit scheme for the Australian Government. The PSSap and employee nominated superannuation funds are defined contribution schemes.

The liability for defined benefits is recognised in the financial statements of the Australian government and is settled by the Australian government in due course. This liability is reported by the Department of Finance's administered schedules and notes. The NHFB makes employer contributions to the employees' superannuation scheme at rates determined by an actuary to be sufficient to meet the current cost to the government. The NHFB accounts for the contributions as if they were contributions to defined contribution plans.

PART 4: FINANCIAL STATEMENTS

Notes to and forming part of the Financial Statements
for the period ended 30 June 2024

Note 10: Key Management Personnel Remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. The entity has determined the key management personnel to be the Administrator and CEO. Key management personnel remuneration is reported in the table below:

	2024 \$	2023 \$
Short-term employee benefits	469,587	483,645
Post-employment benefits	58,228	61,280
Other long-term employee benefits	10,379	13,667
TOTAL KEY MANAGEMENT PERSONNEL REMUNERATION EXPENSES	538,194	558,592

Notes:

The total number of key management personnel that are included in the above table is 3 (2023: 2). Michael Lambert ceased as Administrator of the National Health Funding Pool on 7 July 2023. While health ministers considered the appointment of a new administrator, Michael was the acting Administrator for the period 11 September to 5 November 2023. Ms Toni Cunningham was appointed the Administrator on 6 November 2023.

The above key management personnel remuneration excludes the remuneration and other benefits of the Responsible Minister. The Responsible Minister's remuneration and other benefits are set by the Remuneration Tribunal and are not paid by the NHFB.

Notes to and forming part of the Financial Statements
for the period ended 30 June 2024

Note 11: Related Party Disclosures

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

No payments were made outside of the normal course of business. There are no related party transactions by Key Management Personnel or Ministers requiring disclosure (2023: Nil).

Note 12: Contingent Assets and Liabilities

Quantifiable contingencies

As at 30 June 2024, the NHFB had no quantifiable contingencies (2023: Nil).

Unquantifiable contingencies

As at 30 June 2024, the NHFB had no unquantifiable contingencies (2023: Nil).

Significant remote contingencies

As at 30 June 2024, the NHFB had no significant remote contingencies (2023: Nil).

ACCOUNTING POLICY

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

PART 4: FINANCIAL STATEMENTS

Notes to and forming part of the Financial Statements
for the period ended 30 June 2024

Note 13: Financial Instruments

	2024 \$	2023 \$
NOTE 13A: CATEGORIES OF FINANCIAL INSTRUMENTS		
FINANCIAL ASSETS AT AMORTISED COSTS		
Cash and Equivalents	28,857	39,034
Trade and other receivables	-	5,310
TOTAL	28,857	44,344
CARRYING AMOUNT OF FINANCIAL ASSETS	28,857	44,344
FINANCIAL LIABILITIES AT AMORTISED COSTS		
Trade creditors and accruals	252,982	150,568
Payable to the Commonwealth Department of Health and Aged Care	63,247	88,309
TOTAL	316,229	238,877
CARRYING AMOUNT OF FINANCIAL LIABILITIES	316,229	238,877

NOTE 13B: NET INCOME AND EXPENSE FROM FINANCIAL ASSETS

There is no income or expense from financial assets in 2024 (2023: Nil).

NOTE 13C: NET INCOME AND EXPENSE FROM FINANCIAL LIABILITIES

There is no net income or expense from financial liabilities in 2024 (2023: Nil).

NOTE 13D: FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of all financial assets and liabilities equals its carrying amount in 2024 and 2023.

Notes to and forming part of the Financial Statements
for the period ended 30 June 2024

ACCOUNTING POLICY

In accordance with AASB 9 Financial Instruments, the NHFB classifies its financial assets as financial assets measured at amortised cost.

The classification depends on both the entity's business model for managing the financial assets and contractual cash flow characteristics at the time of initial recognition.

Financial assets are recognised when the entity becomes a party to the contract and, as a consequence, has a legal right to receive or a legal obligation to pay cash and derecognised when the contractual rights to the cash flows from the financial asset expire or are transferred upon trade date.

Financial Assets at Amortised Cost

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

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

Amortised cost is determined using the effective interest method.

Effective Interest Method

Income is recognised on an effective interest rate basis.

Impairment of financial assets

Financial assets are assessed for impairment at the end of each reporting period. The NHFB did not impair any of its financial assets.

Financial liabilities

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

PART 4: FINANCIAL STATEMENTS

Notes to and forming part of the Financial Statements
for the period ended 30 June 2024

Note 14: Appropriations**TABLE 14A: ANNUAL APPROPRIATIONS (RECOVERABLE GST EXCLUSIVE)**

	2024				
	Annual appropriation \$	Adjustment to appropriation ¹ \$	Total appropriation \$	Appropriation applied in 2024 (current and prior years) \$	Variance ² \$
DEPARTMENTAL					
Ordinary annual services	7,456,000	164,335	7,620,335	(6,372,203)	1,248,132
TOTAL DEPARTMENTAL	7,456,000	164,335	7,620,335	(6,372,203)	1,248,132
	2023				
	Annual appropriation ³ \$	Adjustment to appropriation ¹ \$	Total appropriation \$	Appropriation applied in 2023 (current and prior years) \$	Variance ⁴ \$
DEPARTMENTAL					
Ordinary annual services	7,387,000	83,332	7,470,332	(6,985,527)	484,805
TOTAL DEPARTMENTAL	7,387,000	83,332	7,470,332	(6,985,527)	484,805

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

2 The 2024 variance of \$1,248,132 is due to an underspend on supplier expenses. The variance analysis is presented in Note 16.

3 The 2023 annual appropriation includes \$124,000 withheld under section 51 of the PGPA Act.

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

Notes to and forming part of the Financial Statements
for the period ended 30 June 2024

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

There was no Departmental or Administered Capital Budget appropriated to the NHFB in 2024 (2023: Nil).

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

	2024 \$	2023 \$
DEPARTMENTAL		
Supply Act (No.1) 2022-23	-	4,169
Supply Act (No.3) 2022-23 ¹	124,000	4,264,325
Appropriation Act (No.1) 2023-24	5,410,096	-
Cash at bank	28,857	39,034
TOTAL	5,562,953	4,307,529

1 The Supply Act (No.3) 2022-23 includes \$124,000 withheld under section 51 of the PGPA Act.

TABLE 14D: NET CASH APPROPRIATION ARRANGEMENTS

	2024 \$	RESTATED ¹ 2023 \$
Total comprehensive income/(loss) - as per the Statement of Comprehensive Income	1,134,465	286,560
Plus: depreciation of right-of-use assets ²	363,140	363,138
Less: lease principal repayments ²	(390,468)	(407,737)
NET CASH OPERATING SURPLUS/ (DEFICIT)	1,107,137	241,961

1 Refer to Overview Note.

2 The inclusion of depreciation/amortisation expenses related to ROU leased assets and the lease liability principal repayment amount reflects the impact of AASB 16 Leases, which does not directly reflect a change in appropriation arrangements.

PART 4: FINANCIAL STATEMENTS

Notes to and forming part of the Financial Statements
for the period ended 30 June 2024

Note 15: Current/non-current distinction for assets and liabilities

	2024 \$	RESTATED ¹ 2023 \$
ASSETS EXPECTED TO BE RECOVERED IN:		
No more than 12 months		
Cash and cash equivalents	28,857	39,034
Trade and other receivables	5,441,912	4,191,754
Prepayments	83,827	49,725
Right of Use Asset	363,132	363,132
Intangible Assets	53,381	53,380
TOTAL NO MORE THAN 12 MONTHS	5,971,109	4,697,025
More than 12 months		
Right of Use Asset	161,812	524,953
Intangible Assets	-	53,381
TOTAL MORE THAN 12 MONTHS	161,812	578,334
TOTAL ASSETS	6,132,921	5,275,359
LIABILITIES EXPECTED TO BE SETTLED IN:		
No more than 12 months		
Suppliers	316,229	238,877
Other payables	348,927	171,068
Employee provisions	319,588	364,990
Leases	403,291	383,078
TOTAL NO MORE THAN 12 MONTHS	1,388,035	1,158,013
More than 12 months		
Employee provisions	715,332	818,964
Leases	168,389	571,680
Other provisions	10,500	10,500
TOTAL MORE THAN 12 MONTHS	894,221	1,401,145
TOTAL LIABILITIES	2,282,256	2,559,158

¹ Refer to Overview Note.

Notes to and forming part of the Financial Statements
for the period ended 30 June 2024

Note 16: Budgetary Reporting

The following note provides high level commentary of major variance between budgeted information for the NHFB published in the Health and Aged Care's Portfolio Budget Statements (PBS) 2023-24 and the 2023-24 final outcome as presented in accordance with the Australian Accounting Standards for the NHFB. The budget is not audited.

An explanation for a major variance may not be provided where the item is considered immaterial in the overall context of the financial statements.

As a guide, variances are considered to be 'major' based on the following criteria:

- the variance between budget and actual is greater or less than 10%; and
- the variance between budget and actual is greater or less than 2% of the total relevant financial statements line item; or
- an item below this threshold but is considered important for the reader's understanding or is relevant to an assessment of the discharge of accountability and to an analysis of performance of the NHFB.

Explanation of Major Variances:

IMPACTED LINE ITEMS	VARIANCE EXPLANATION
Suppliers expense, Suppliers Payable and Trade and Other Receivables	Supplier expenses were lower than budget largely due to reductions in contractors and support agreement expenditure related to the National Partnership on COVID-19 Response. This contributed to an operating surplus and an increase in appropriation receivable from government.
Depreciation and amortisation, Intangible Assets	The variance in depreciation and amortisation expense and intangible assets is a result of the restatement of the balances reported in relation to the Payments System. This also contributed to the operating surplus. The NHFB is not appropriated for depreciation and amortisation expenses.
Other payables	Other payables were higher than budgeted due to the amounts payable for employees transferred to other Commonwealth entities.
Retained surplus/ (Accumulated deficit)	The variance in Retained surplus/ (Accumulated deficit) is a result of the restatement of the balances reported in relation to the Payments System and the current years operating result.

The above explanations also explain the major variances in the Cash Flow Statement and Statement of Changes in Equity.

End of General Purpose Financial Statements.



PART 5:

REFERENCE INFORMATION

This section provides an explanation of the terms used throughout our report and an alphabetical index to help our readers locate key information easily.

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Glossary	157
Disclosure index	158
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ABBREVIATIONS AND ACRONYMS

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

GLOSSARY

Activity Based Funding	Refers to a method for funding public hospital services provided to individual patients using national classifications, cost weights and nationally efficient prices developed by the IHPA. Funding is based on the actual number of services provided to patients and the efficient cost of delivering those services.
(the) Administrator	The Administrator of the National Health Funding Pool (the Administrator) is an independent statutory office holder, distinct from Commonwealth and State and Territory government departments, established under legislation of the Commonwealth and State and Territory governments. The role of the Administrator, with support from the NHFB, is to oversee the responsible, efficient and effective administration of Commonwealth and State and Territory public hospital funding and payments under the National Health Reform Agreement (NHR Agreement).
Block funding	A method of funding public hospital functions and services as a fixed amount based on population and previous funding. Under the NHR Agreement, Block funding will be provided to States and Territories to support teaching and research undertaken in public hospitals and for some public hospital services where it is more appropriate, particularly smaller rural and regional hospitals.
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.
Local Hospital Networks (LHNs)	Recipients of the payments from the National Health Funding Pool, Commonwealth Block funding and State (and Territory) Managed Funds.
Medicare Benefits Schedule (MBS)	A listing of the Medicare services subsidised by the Australian Government.
National Funding Cap	The limit in growth in Commonwealth funding for Public Hospital Services for all States and Territories of 6.5% per annum and where the context so requires includes the operation of the Funding Cap as provided in the NHR Agreement.
National Health Funding Body (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 Pool (the 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 NHR Agreement.
National Health Funding Pool Payments System (the Payments System)	The Administrator's National Health Funding Pool Payments System processes the NHR Commonwealth, State/Territory deposits and payments into and out of the Pool, as required under the NHR Act.
PGPA Act	<i>The Public Governance, Performance and Accountability Act 2013</i> establishes a coherent system of governance and accountability for public resources, with an emphasis on planning, performance and reporting.
State Managed Fund (SMF)	A separate bank account or fund established by a State or Territory for the purposes of health funding under the NHR Agreement which must be undertaken in the State or Territory through a State Managed Fund.
State Pool Account (SPA)	A Reserve Bank of Australia account established by a for the purpose of receiving all Commonwealth and Activity Based State and Territory public hospital funding, and for making payments under the Agreement. The State (and Territory) Pool Accounts of all States and Territories are collectively known as the National Health Funding Pool or the Pool.

PART 5: REFERENCE INFORMATION

DISCLOSURE INDEX

Below is the table set out in Schedule 2 of the PGPA Rule. Section 17AJ(d) requires this table be included in entities' annual reports as an aid of access.

PGPA Rule Reference	DESCRIPTION	REQUIREMENT	LOCATION
17AD(g) LETTER OF TRANSMITTAL			
17AI	A copy of the letter of transmittal signed and dated by accountable authority on date final text approved, with statement that the report has been prepared in accordance with section 46 of the Act and any enabling legislation that specifies additional requirements in relation to the annual report.	Mandatory	vii
17AD(h) AIDS TO ACCESS			
17AJ(a)	Table of contents.	Mandatory	ix
17AJ(b)	Alphabetical index.	Mandatory	163
17AJ(c)	Glossary of abbreviations and acronyms.	Mandatory	156
17AJ(d)	List of requirements.	Mandatory	158-162
17AJ(e)	Details of contact officer.	Mandatory	vi
17AJ(f)	Entity's website address.	Mandatory	vi
17AJ(g)	Electronic address of report.	Mandatory	vi
17AD(a) REVIEW BY ACCOUNTABLE AUTHORITY			
17AD(a)	A review by the accountable authority of the entity.	Mandatory	4-6
17AD(b) OVERVIEW OF THE ENTITY			
17AE(1)(a)(i)	A description of the role and functions of the entity.	Mandatory	8-9
17AE(1)(a)(ii)	A description of the organisational structure of the entity.	Mandatory	12
17AE(1)(a)(iii)	A description of the outcomes and programmes administered by the entity.	Mandatory	38
17AE(1)(a)(iv)	A description of the purposes of the entity as included in corporate plan.	Mandatory	38
17AE(1)(aa)(i)	Name of the accountable authority or each member of the accountable authority	Mandatory	37
17AE(1)(aa)(ii)	Position title of the accountable authority or each member of the accountable authority	Mandatory	37
17AE(1)(aa)(iii)	Period as the accountable authority or member of the accountable authority within the reporting period	Mandatory	86
17AE(1)(b)	An outline of the structure of the portfolio of the entity.	Portfolio departments - Mandatory	12-15
17AE(2)	Where the outcomes and programs administered by the entity differ from any Portfolio Budget Statement, Portfolio Additional Estimates Statement or other portfolio estimates statement that was prepared for the entity for the period, include details of variation and reasons for change.	If applicable, Mandatory	N/A

PART 5: REFERENCE INFORMATION

PGPA Rule Reference	DESCRIPTION	REQUIREMENT	LOCATION
17AD(c) REPORT ON THE PERFORMANCE OF THE ENTITY			
Annual performance Statements			
17AD(c)(i); 16F	Annual performance statement in accordance with paragraph 39(1)(b) of the Act and section 16F of the Rule.	Mandatory	39-79
17AD(c)(II) REPORT ON FINANCIAL PERFORMANCE			
17AF(1)(a)	A discussion and analysis of the entity's financial performance.	Mandatory	32-33
17AF(1)(b)	A table summarising the total resources and total payments of the entity.	Mandatory	124-125
17AF(2)	If there may be significant changes in the financial results during or after the previous or current reporting period, information on those changes, including: the cause of any operating loss of the entity; how the entity has responded to the loss and the actions that have been taken in relation to the loss; and any matter or circumstances that it can reasonably be anticipated will have a significant impact on the entity's future operation or financial results.	If applicable, Mandatory.	N/A
17AD(d) MANAGEMENT AND ACCOUNTABILITY			
Corporate Governance			
17AG(2)(a)	Information on compliance with section 10 (fraud systems)	Mandatory	118
17AG(2)(b)(i)	A certification by accountable authority that fraud risk assessments and fraud control plans have been prepared.	Mandatory	118
17AG(2)(b)(ii)	A certification by accountable authority that appropriate mechanisms for preventing, detecting incidents of, investigating or otherwise dealing with, and recording or reporting fraud that meet the specific needs of the entity are in place.	Mandatory	118
17AG(2)(b)(iii)	A certification by accountable authority that all reasonable measures have been taken to deal appropriately with fraud relating to the entity.	Mandatory	118
17AG(2)(c)	An outline of structures and processes in place for the entity to implement principles and objectives of corporate governance.	Mandatory	108-121
17AG(2)(d) - (e)	A statement of significant issues reported to Minister under paragraph 19(1)(e) of the Act that relates to non-compliance with Finance law and action taken to remedy non-compliance.	If applicable, Mandatory	N/A
Audit Committee			
17AG(2A)(a)	A direct electronic address of the charter determining the functions of the entity's audit committee.	Mandatory	112
17AG(2A)(b)	The name of each member of the entity's audit committee.	Mandatory	114-115
17AG(2A)(c)	The qualifications, knowledge, skills or experience of each member of the entity's audit committee.	Mandatory	114-115
17AG(2A)(d)	Information about the attendance of each member of the entity's audit committee at committee meetings.	Mandatory	115
17AG(2A)(e)	The remuneration of each member of the entity's audit committee.	Mandatory	115
External Scrutiny			
17AG(3)	Information on the most significant developments in external scrutiny and the entity's response to the scrutiny.	Mandatory	117

PART 5: REFERENCE INFORMATION

PGPA Rule Reference	DESCRIPTION	REQUIREMENT	LOCATION
17AG(3)(a)	Information on judicial decisions and decisions of administrative tribunals and by the Australian Information Commissioner that may have a significant effect on the operations of the entity.	If applicable, Mandatory	117
17AG(3)(b)	Information on any reports on operations of the entity by the Auditor-General (other than report under section 43 of the Act), a Parliamentary Committee, or the Commonwealth Ombudsman.	If applicable, Mandatory	117
17AG(3)(c)	Information on any capability reviews on the entity that were released during the period.	If applicable, Mandatory	117
Management of Human Resources			
17AG(4)(a)	An assessment of the entity's effectiveness in managing and developing employees to achieve entity objectives.	Mandatory	90
17AG(4)(aa)	Statistics on the entity's employees on an ongoing and non-ongoing basis, including the following: <ul style="list-style-type: none"> ▪ statistics on full-time employees; ▪ statistics on part-time employees; ▪ statistics on gender; and ▪ statistics on staff location. 	Mandatory	86-88
17AG(4)(b)	Statistics on the entity's APS employees on an ongoing and non-ongoing basis; including the following: <ul style="list-style-type: none"> ▪ Statistics on staffing classification level; ▪ Statistics on full-time employees; ▪ Statistics on part-time employees; ▪ Statistics on gender; ▪ Statistics on staff location; and ▪ Statistics on employees who identify as Indigenous. 	Mandatory	86-88
17AG(4)(c)	Information on any enterprise agreements, individual flexibility arrangements, Australian workplace agreements, common law contracts and determinations under subsection 24(1) of the <i>Public Service Act 1999</i> .	Mandatory	92-94
17AG(4)(c)(i)	Information on the number of SES and non SES employees covered by agreements etc identified in paragraph 17AG(4)(c).	Mandatory	93
17AG(4)(c)(ii)	The salary ranges available for APS employees by classification level.	Mandatory	94
17AG(4)(c)(iii)	A description of non-salary benefits provided to employees.	Mandatory	94
17AG(4)(d)(i)	Information on the number of employees at each classification level who received performance pay.	If applicable, Mandatory	N/A
17AG(4)(d)(ii)	Information on aggregate amounts of performance pay at each classification level.	If applicable, Mandatory	N/A
17AG(4)(d)(iii)	Information on the average amount of performance payment, and range of such payments, at each classification level.	If applicable, Mandatory	N/A
17AG(4)(d)(iv)	Information on aggregate amount of performance payments.	If applicable, Mandatory	N/A
Assets Management			
17AG(5)	An assessment of effectiveness of assets management where asset management is a significant part of the entity's activities	If applicable, Mandatory	N/A

PART 5: REFERENCE INFORMATION

PGPA Rule Reference	DESCRIPTION	REQUIREMENT	LOCATION
Purchasing			
17AG(6)	An assessment of entity performance against the <i>Commonwealth Procurement Rules</i> .	Mandatory	119
Reportable consultancy contracts			
17AG(7)(a)	A summary statement detailing the number of new reportable consultancy contracts entered into during the period; the total actual expenditure on all such contracts (inclusive of GST); the number of ongoing reportable consultancy contracts that were entered into during a previous reporting period; and the total actual expenditure in the reporting period on those ongoing contracts (inclusive of GST).	Mandatory	119
17AG(7)(b)	A statement that " <i>During [reporting period], [specified number] new reportable consultancy contracts were entered into involving total actual expenditure of \$[specified million]. In addition, [specified number] ongoing reportable consultancy contracts were active during the period, involving total actual expenditure of \$[specified million].</i> ".	Mandatory	119
17AG(7)(c)	A summary of the policies and procedures for selecting and engaging consultants and the main categories of purposes for which consultants were selected and engaged.	Mandatory	119
17AG(7)(d)	A statement that " <i>Annual reports contain information about actual expenditure on reportable consultancy contracts. Information on the value of reportable consultancy contracts is available on the AusTender website</i> ".	Mandatory	119
Reportable non-consultancy contracts			
17AG(7A)(a)	A summary statement detailing the number of new reportable non-consultancy contracts entered into during the period; the total actual expenditure on such contracts (inclusive of GST); the number of ongoing reportable non-consultancy contracts that were entered into during a previous reporting period; and the total actual expenditure in the reporting period on those ongoing contracts (inclusive of GST).	Mandatory	119
17AG(7A)(b)	A statement that " <i>Annual reports contain information about actual expenditure on reportable non-consultancy contracts. Information on the value of reportable non-consultancy contracts is available on the AusTender website.</i> ".	Mandatory	119
17AD(daa) ADDITIONAL INFORMATION ABOUT ORGANISATIONS RECEIVING AMOUNTS UNDER REPORTABLE CONSULTANCY CONTRACTS OR REPORTABLE NON-CONSULTANCY CONTRACTS			
17AGA	Additional information, in accordance with section 17AGA, about organisations receiving amounts under reportable consultancy contracts or reportable non-consultancy contracts.	Mandatory	119
Australian National Audit Office Access Clauses			
17AG(8)	If an entity entered into a contract with a value of more than \$100 000 (inclusive of GST) and the contract did not provide the Auditor-General with access to the contractor's premises, the report must include the name of the contractor, purpose and value of the contract, and the reason why a clause allowing access was not included in the contract.	If applicable, Mandatory	120

PART 5: REFERENCE INFORMATION

PGPA Rule Reference	DESCRIPTION	REQUIREMENT	LOCATION
Exempt contracts			
17AG(9)	If an entity entered into a contract or there is a standing offer with a value greater than \$10 000 (inclusive of GST) which has been exempted from being published in AusTender because it would disclose exempt matters under the FOI Act, the annual report must include a statement that the contract or standing offer has been exempted, and the value of the contract or standing offer, to the extent that doing so does not disclose the exempt matters.	If applicable, Mandatory	120
Small business			
17AG(10)(a)	A statement that “[Name of entity] supports small business participation in the Commonwealth Government procurement market. Small and Medium Enterprises (SME) and Small Enterprise participation statistics are available on the Department of Finance’s website.”	Mandatory	120
17AG(10)(b)	An outline of the ways in which the procurement practices of the entity support small and medium enterprises.	Mandatory	120
17AG(10)(c)	If the entity is considered by the Department administered by the Finance Minister as material in nature—a statement that “[Name of entity] recognises the importance of ensuring that small businesses are paid on time. The results of the Survey of Australian Government Payments to Small Business are available on the Treasury’s website.”	If applicable, Mandatory	N/A
Financial Statements			
17AD(e)	Inclusion of the annual financial statements in accordance with subsection 43(4) of the Act.	Mandatory	123-153
Executive Remuneration			
17AD(da)	Information about executive remuneration in accordance with Subdivision C of Division 3A of Part 2-3 of the Rule.	Mandatory	94
17AD(f) OTHER MANDATORY INFORMATION			
17AH(1)(a)(i)	If the entity conducted advertising campaigns, a statement that “During [reporting period], the [name of entity] conducted the following advertising campaigns: [name of advertising campaigns undertaken]. Further information on those advertising campaigns is available at [address of entity’s website] and in the reports on Australian Government advertising prepared by the Department of Finance. Those reports are available on the Department of Finance’s website.”	If applicable, Mandatory	N/A
17AH(1)(a)(ii)	If the entity did not conduct advertising campaigns, a statement to that effect.	If applicable, Mandatory	120
17AH(1)(b)	A statement that “Information on grants awarded by [name of entity] during [reporting period] is available at [address of entity’s website].”	If applicable, Mandatory	120
17AH(1)(c)	Outline of mechanisms of disability reporting, including reference to website for further information.	Mandatory	84
17AH(1)(d)	Website reference to where the entity’s Information Publication Scheme statement pursuant to Part II of FOI Act can be found.	Mandatory	117
17AH(1)(e)	Correction of material errors in previous annual report	If applicable, Mandatory	N/A
17AH(2)	Information required by other legislation	Mandatory	76-89

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