Our Path to Excellence

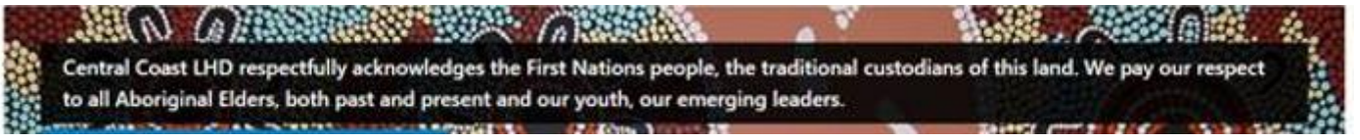
NSW GOVERNMENT

Health
Central Coast
Local Health District

Financial and Environmental Sustainability

Central Coast Local Health District

2024-25 Resource Allocation Guidelines & Budget Principles


Central Coast LHD respectfully acknowledges the First Nations people, the traditional custodians of this land. We pay our respect to all Aboriginal Elders, both past and present and our youth, our emerging leaders.

Contents

1. Introduction

As part of our Annual Priority to be financially sustainable, these Resource Allocation Guidelines and Budget Principles are designed to ensure the responsible and accountable use of Central Coast Local Health District resources to provide timely, safe and high-quality care for every patient, every time.

This document provides a transparent and standardised framework for the District's internal budget allocation methodology.

In summary, the allocation methodology will use the prior financial year budgets as the starting point or 'baseline' for allocating resources across directorates (in line with the current approved service profiles and overall funding position of the District). This baseline will then be adjusted with approved changes to activity, purchasing adjustors, procurement and other savings, internal and service agreement enhancements, and CPI to form the basis of the 2024-25 (FY25) cost centre budgets. This methodology was introduced in FY24 and is being replicated in FY25 and future financial periods - refer Chart 1 below (with changes from FY24 noted in Appendix 1).

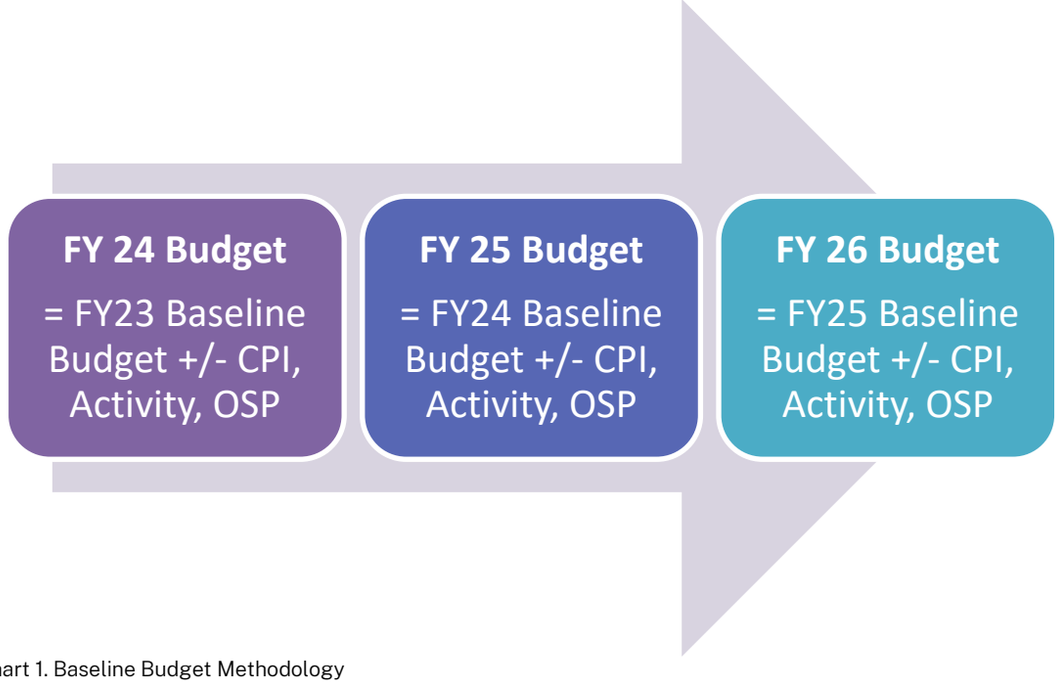


Chart 1. Baseline Budget Methodology

Proposed variations beyond the established baseline will be considered by the Executive Leadership Team (ELT) from the Prioritised Enhancement Register and will not be included in the initial budget builds.

This 'baseline' approach will:

- Provide stability and certainty in directorate allocations in both current and future budgets.
- Provide a platform for a multi-year approach to service planning and delivery.
- Allow for the transition to a stronger linkage between activity outputs and funding.
- Provide transparency and clarity around the budget process and allocations.
- Provide incentives to meet budget targets and reward sound financial performance.
- Be supported by the Prioritised Enhancement Register which aligns enhancement requests with annual priorities.

2. Context

2.1 Regulations

These Guidelines are informed by:

- NSW Ministry of Health, Financial Requirement and Conditions of Subsidy (issued annually with the Service Agreement)
- Accounting Manual for Public Health Organisations
- Accounts and Audit Determination for Public Health Organisations
- *Public Finance and Audit Act 1983*
- *Government Sector Finance Act 2018*

2.2 Future Health: Guiding the next decade of health care in NSW 2022-2023

Future Health is the roadmap for how services are delivered over the coming decade. It builds on the achievements of the *NSW State Health Plan: Towards 2021* and looks to position the health system so meet the needs of patients, community and workforce in the years ahead.

A key theme of Future Health is ensuring the health system is managed with an outcomes-focused lens to deliver a financially and environmentally sustainable future.

2.3 NSW Health Performance Framework

The NSW Health Performance Framework outlines the Ministry of Health process for setting performance expectations and monitoring performance of public sector health services. *(Appendix 2)*

2.4 Service Agreement

The Annual Service Agreement sets out the service and performance expectations for funding and other support provided to CCLHD to ensure the provision of equitable, safe, high quality and human-centred healthcare services.

2.5 Outcomes Budgeting

Outcome Budgeting focuses on ensuring that all Government spending is getting real results for the people of NSW.

The NSW Health Outcome and Business Plan has identified six state outcomes (aligned with the Future Health strategic framework):

- People are healthy and well
- Safe care is delivered within our community
- Safe emergency care is delivered
- Safe care is delivered within our hospitals
- Our staff are engaged and well supported
- Research and innovation and digital advances inform service delivery

2.6 Activity Based Funding (ABF)

Activity targets for Acute, Emergency, Mental Health, Sub-Acute, Non-Admitted, Dental and Drug & Alcohol combined with the NSW State Efficient Price determine the ABF budget (i.e. the activity purchased from the District by the Ministry).

From FY24 funding contributions from the Australian Government through the National Health Reform Agreement (NHRA) are recognised as revenue to strengthen the linkage between activity and funding.

2.7 CCLHD Performance Framework

CCLHD's Organisational Performance Framework aims to:

- Align performance to organisational objectives;
- Monitor and support desired performance; and
- Identify and manage emerging performance issues.

Our Performance Framework is an internal control and support measure to ensure we provide quality and safe care in appropriate timeframes within funding envelopes and meet the Ministry's targets for a range of key performance indicators. *(Appendix 3)*

3. Strategic Objectives & Priorities

To progress our vision of financial sustainability, the annual budget allocates resources to implement the strategies and actions identified in our Annual Priorities, along with agreed business as usual activities to provide an integrated range of preventative, community, and acute health services across the region.

3.1 Annual Priorities

Our Annual Priorities are key strategies that support the delivery of our annual performance agreement with NSW Health and our strategic objectives. They guide our focus and bring us together on the path to excellence. *(Appendix 4)*

One of the eight Annual Priorities is Financial & Environmental Sustainability – refer table 1 below.

Table 1. CCLHD Financial Sustainability Objective

	Strategic Priority	Annual Priority	Measures of Success
	Our Resources	Meet budget whilst also generating capacity to meet future service delivery change management needs.	• Achieve expense, revenue and NCOS budgets and meet OSP performance targets. • Purchased activity volumes to meet or exceed targets.

3.2 Risk Appetite

A key strategic risk has been identified that without achieving financial sustainability CCLHD will not meet service demand, community expectations, performance obligations nor have the capacity to invest in the future.

CCLHD has a low risk tolerance for failing to deliver a sustainable financial position and meet NSW Health Service Agreement funding and performance obligations.

3.3 Long Term Sustainability

CCLHD's goal to achieve long-term financial sustainability has the dual purpose of meeting the requirements of the Service Agreement and positioning the District to provide the best level of service possible to our community.

In FY25 an equipment renewal levy (formerly the "hurdle rate") will again be incorporated (up to 0.2%) in budget allocations, business cases, grant and funding agreements, etc. to promote long-term sustainability.

The equipment renewal levy will progress (subject to a year-end operating surplus being forecast in March) the District's asset management priorities in a more planned and timely manner, including replacement of computer and other equipment; and provision for the Health Grade Enterprise Network (HGEN).

3.4 Balanced Budget

CCLHD aims to deliver on-budget expense and revenue performance in FY25 (consistent with the KPI classification of '*Performing*' in the NSW Health Performance Framework).

3.5 Organisational Sustainability Program

The Organisational Sustainability Program (OSP) is a key strategy to ensure CCLHD continues to be a high performing and accountable organisation, optimising our use of resources to deliver exceptional care and improve health outcomes for our community. In addition, achieving financially sustainability provides the capacity for internal enhancements and service investment opportunities.

The FY25 OSP target will comprise: the carried forward one-off savings from FY24 and the FY25 budget 'savings' required for the District to fit within the initial expense budget funding envelope.

In addition, any FY24 year-end expense budget unfavourability for sites/services/departments will be included in their respective FY25 OSP targets to ensure ongoing accountability.

The methodology for determining the FY25 OSP savings target is summarised in Chart 2 below.

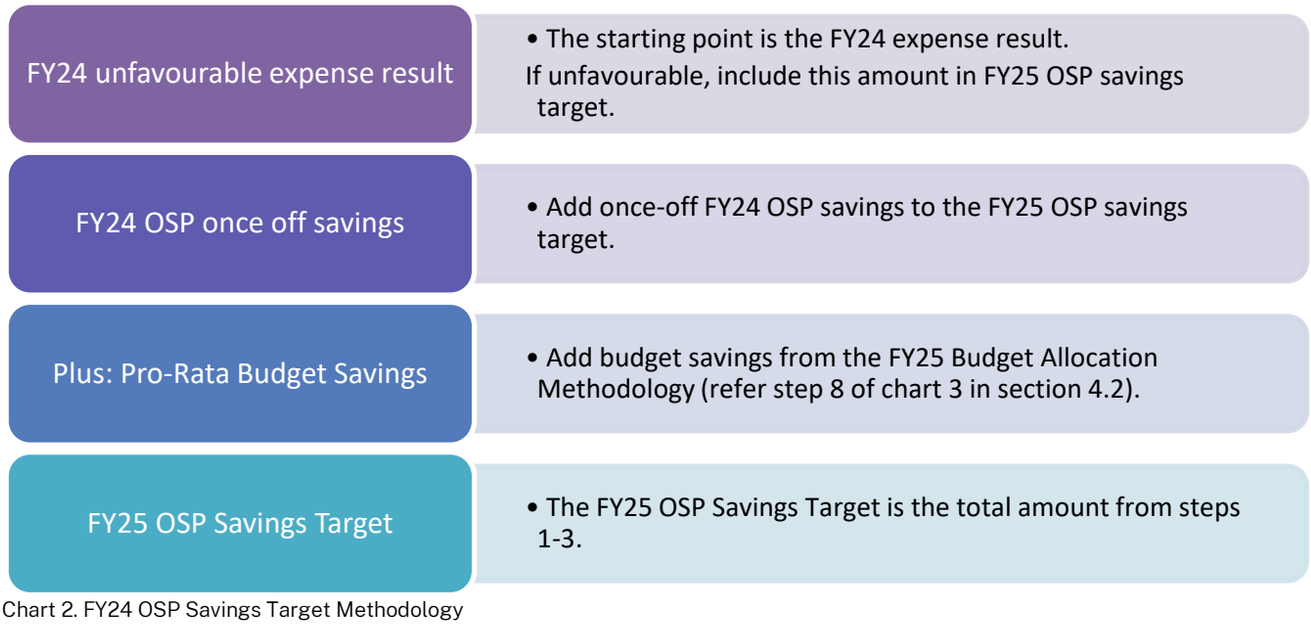


Chart 2. FY24 OSP Savings Target Methodology

3.6 Budget Enhancements

A key part of the proposed governance framework for considering budget enhancements is the 'Prioritised Enhancement Register' - a ranked list of developed service enhancements (that align with organisational objectives/annual priorities). (*Appendix 5*)

The Register will be updated bi-annually (during April/May and October/November) as part of process where the Executive reviews proposals (for alignment with strategic goals) and updates the priority rankings.

Chart 3. Overview of Prioritised Enhancement Register cycle

Funding requests that are submitted throughout the year will be considered in the next prioritisation cycle.

4. Budget Allocation Methodology

4.1 Process

The expense budget allocation methodology will be a top-down approach involving a cascade of activity targets and distribution decisions (within the funding envelope) through each level of the organisation (from Executive to Directorates, from Directorates to sites/services/departments, etc.).

The Ministry of Health is expected to release the FY25 budget on 20 June 2024.

The CE and Executive will approve the FY25 budget and present it to the Finance & Performance Committee and Board.

4.2 Allocation Methodology

The expense budget allocation methodology is summarised in Chart 3 below.

FY24 Annualised budget	• The starting point is the annualised FY25 budget
Reallocations across directorates	• Reallocate budgets across directorates to reflect any centralisation/decentralisation of costs, transferred areas of responsibility, or reprioritisation of service delivery.
Plus: Escalation	• Apportion escalation (using the Ministry of Health composite rate) across the sub-total of steps 1-2.
+/- Purchasing Adjustors	• Allocate FY25 purchasing adjustors (budget reductions and/or additions) to areas responsible for performance.
Less: Procurement Savings	• Allocate procurement savings (budget reduction) based on YTD FY24 G&S expenditure
Plus: Internal enhancements	• Allocate budget for approved internal enhancements (in addition to FY25 annualised budget)
Plus: Service Agreement enhancements	• Allocate budget for enhancements specified in the Service Agreement
Less: Pro-rata Savings	• This is the "budget gap". • Pro-rata the required budget savings (across the total from steps 1-5) to reconcile to the FY25 MoH budget allocation (in step 9) • For favourable FY24 expense results a discount (rate tbd) will be applied to this pro-rata apportionment
FY24 Initial budget	• This equals the FY25 budget allocation from the Ministry.

Chart 4. CCLHD Internal Expense Budget Allocation Methodology

4.3 Budget Responsibilities

The key roles within the organisation responsible for preparation, oversight and governance of the FY25 budget are summarised in Appendix 6.

4.4 Timeline

The high-level timeline for FY25 budget cycle is in Table 2 below.

Table 2. FY25 Budget Timeline

Date	Action	Responsibility
20 Feb	Brief Executive on FY25 budget cycle	FCS
22 Feb	Business Partner gateway meeting #1	FCS
29 Feb	Distribute Resource Allocation Guidelines & Budget Principles	FCS
29 Feb	Distribute annualised FY25 budgets	FCS
21 Mar	Business Partner gateway meeting #2	
31 March	Prepare expense budget build templates	FCS
1 Mar-31 May	Discuss NWAU FY24 forecasts and FY25 estimates with sites/directorates	QSI
1 Mar- 30 Apr	Update expected occupancies/LOS targets in Bed Plan/Nurse Planner	FCS/N&M
15 May	Update Nurse Planner	FCS
1 Apr-31 May	Update nursing rosters to align with NRM	ACS/CWAH/MH/WCF
1 Mar-31 May	Prepare preliminary S&W builds	FCS
1 Apr-31 May	Prepare G&S and other expense builds	FCS
18 April	Business Partner gateway meeting #3	FCS
31 May	Submit FY25 Savings Targets to MoH	OP
20 May	Business Partner gateway meeting #4	FCS
20 June	Release of CCLHD budget (following State budget announcement)	MoH
30 June	Update budget allocation and finalise builds	FCS
30 Jun-12 Jul	Reconcile builds to MoH allocation	FCS
12 July	Finalise NWAU allocations	QSI
12 July	Determine FY25 OSP targets	OP
16 July	Present FY25 budget allocations to Executive	FCS
29 July	Present FY25 budget to Board F&P Committee	FCS
30 July	Present FY25 budget to Board	CE
31 July	Post FY25 budget information on website	FCS/Comms
5 August	Load FY25 budget	FCS
12 August	Issue Resource Allocation letters	CE

5. Budget Principles

5.1 Budget Builds

Expenditure budget builds at site/service/department/unit/cost centre level will include a planned level of OSP savings.

Budget builds will be reconciled to specific funding sources/items such as special projects, IntraHealth charges, internal charges and depreciation budgets.

In line with the Ministry Conditions of Subsidy, expense budget builds will be positive amounts (with any exceptions to be approved by the Director Finance & Corporate Services).

5.2 Determining affordable FTE

The first step in the build process is to ensure that the G&S and RMR builds are accurate and sustainably cover expected costs (and have not been used as a balancing item to cover more FTEs than can be afforded).

Ideally these G&S/RMR budget amounts will be underpinned by a logic (i.e. price x volume) driven by expected levels of activity.

This will ensure a fiscally responsible budget that accurately covers all known/expected non-employee costs (which, by default, defines our affordable FTE as what can be covered by the remaining budget allocation).

5.3 Activity Targets

As part of the FY25 budget-setting process, sites/services will have an opportunity to discuss forecast NWAU results for FY24 and expected NWAU volumes for FY25 with the Quality, Strategy & Improvement directorate.

At the time of the FY25 budget allocation the Ministry of Health will issue total NWAU volumes and price along with NWAU24 weights and allocations by service area (ED, Acute, Sub and Non-Acute, Mental Health, Drug & Alcohol and Non-Admitted). In turn, CCLHD will apportion this activity to the relevant site/directorate.

Consistent with the Ministry methodology, internal activity allocations at a cost centre level will be based on prior year budget (not prior year actual).

5.4 Nursing Resource Management (NRM)

Nursing Resource Management (NRM) is a business methodology (aligned with the Award) to identify total workforce requirements and inform the annual budget build.

The Nurse Planner tool identifies nursing resourcing requirements aligned with NHPPD, Birth Rate Plus and Acorn staffing requirements based on forecast occupancies (and not capacity).

Since the NRM's inception, prior year activity has been used to determine NHPPD resourcing. Due to post-COVID activity changes, activity fluctuation and average length of stay variability; the Executive will determine the FY25 bed numbers to be applied in the NRM.

The rosters from the Nurse Planner are reflected in the S&W build templates. For NHPPD wards, budgets assume rosters are matched to the NHPPD target.

5.5 Junior Medical Officers (JMOs)

The JMO build (including rostered overtime) will be prepared centrally for inclusion in the site/directorate budgets.

As a principle, during the annual JMO recruitment process, the Medical Workforce Unit will recruit to the estimated annual average FTE contained in the FY25 budget build.

5.6 Senior Medical Officers (SMOs)

Staff specialist and VMO budgets will be considered interchangeable with the combined expense to be managed so as not to exceed budget.

The FY25 build will be based on the prior year allocation plus escalation (and not contracted VMO hours).

5.7 Service Agreement/in-year budget supplementations

All Service Agreement and in-year budget supplementations for new initiatives will initially be held centrally.

Budgets will be allocated to sites/services/directorates following an agreed plan for expenditure and when costs (such as staff are employed and/or commitments for other expenses) are incurred.

5.8 Contribution to corporate overheads

A proportion of expense budget funding for new (general fund) initiatives will be retained centrally as a contribution to corporate overheads and a provision for internal enhancement requests.

This mirrors the special project levy (currently 7.5%) that is charged against actual expenditure of project funding.

This contribution/levy should be included in external funding requests.

6. Budget Build Guidelines

6.1 Expense budgets

Expense budget builds will include all specific programs/initiatives/projects specifically funded by the Ministry of Health.

Escalation will be flowed through to Directorates as part of the build process.

OSP budget savings targets will be included in directorate/site/service/department funding allocations.

Expense and revenue budgets are separately reconciled against the allocations provided by the Ministry.

Budgets will be loaded at account and cost centre level and will be cash-flowed appropriately.

Budgets will be built to align with the top-down funding allocation and incorporate required OSP savings.

Negative expense budgets will only be loaded in the general ledger with the approval of the Director Finance & Corporate Services.

6.2 Salaries & Wages - General

Salaries and wages budgets will be built in the S&W Build Template (updated with the FY25 Award rates).

Services/activities that are identified to be reduced/discontinued will exclude any associated FTEs from the budget build.

The Salaries & Wages Builds will include an allocation of two weeks for Non-Productive leave (made up of one week for sick leave and one week for other leave – FACS, study, etc.).

The Salaries & Wages Build will only include backfill of sick leave/annual leave for essential frontline positions such as nursing staff identified in the Nurse Planner and selected doctors, inpatient clinicians, environmental staff and ward clerks/customer facing administration. Some key management positions may also be backfilled for (extended periods of) annual leave only.

Health Service Managers are to be budgeted for the at their current pay rates (at 30 June 2024) or at the minimum rate for new HSMs (and this will be the baseline for future years with any increases to be offset from savings within the current budget).

Other staff will be budgeted at realistic award rates and year levels.

Salary and wage recoveries will be budgeted at cost centre level and recognised in accordance with accounting standards (as either an expense offset or a revenue).

The Salaries & Wages Build (for non-NRM nursing staff) will not include long-term (i.e. 12 month) vacant positions.

Staff will be budgeted for the number of weeks they are expected to work (in almost all instances this will be for a full year).

Once the builds are finalised (and the budgets loaded) the budgeted FTEs will be loaded into SMRS.

For recruitment purposes, vacancies will be assessed against budgeted FTEs (for non-nursing staff) and recruitable FTEs (as agreed in the Nurse Planner for nursing staff).

6.3 Vacancy Targets

Vacancy targets can be incorporated in the builds to assist with reconciling employee-related expense budgets. Vacancy targets can be reallocated within directorates.

Vacancy targets will be entered against cost centres in the S&W build template (via a negative FTE line).

6.4 Salaries & Wages – Nursing

For the rostered cost centres within the scope of the Nursing Resource Management (NRM) project, the Salaries & Wages FTE will be built to a maximum of the agreed rosters included in the Nurse FTE Planner (to convert the FTE to dollars, the actual mix or RNs/ENs will be included in the S&W Build Template).

For the NHPPD cost centres within the scope of the NRM project (where the projected staffing has been based on NHPPD target x forecast activity) the Salaries & Wages FTE build will be based on the agreed rosters. These rosters are to be matched to the NHPPD target and endorsed by the District Director Nursing & Midwifery.

Award rates aligned with the actual mix of RNs/ENs will be used to convert the NRM FTE to dollars in the S&W Build Template).

The Master Nurse FTE Planner (Nurse Planner) will include the agreed rosters.

The Nurse Planner will be reconciled to the Salaries & Wages Build templates to ensure the FTEs from the Planner align with the budget allocation.

The Nurse Planner will include both budgeted FTEs and recruitable FTEs, with the former to be loaded into SMRS FTE Reporting and the latter to be used for determining vacancies (and be available for loading into Stafflink Oracle HR).

The Salaries & Wages Build will include an allocation of two weeks for Non-Productive leave (made up of one week for sick leave and one week for other unplanned leave – FACS, study, etc.).

For nursing staff on seven-day rosters, 6.4 weeks of leave is to be included in the Salaries & Wages Build.

Nursing allowances for in charge, continuing education, laundry, birthing centre and meals are to be included in the Salaries & Wages Build (based on the previous year forecast actuals).

The Nurse Support Roster will be allocated budgeted FTE and dollars to cover the leave/allowances of the nurse support resources.

6.5 Overtime

As a general principle the Salaries & Wages build will include no overtime except where there is a reasonable expectation that it will occur, for example, JMO rostered overtime, services that use an on-call/call back model, etc.

Any budgeted overtime will require substantiation and approval by the Director Finance & Corporate Services.

6.6 Training Education & Study Leave (TESL)

TESL budgets will be based on the estimated number of level 1 staff specialists, unclaimed prior year TESL provisions and anticipated travel during the financial year.

6.7 Other Expenses

Finance & Corporate Services will determine the budgets for:

- Long service leave provision
- Superannuation linked to Crown Acceptance
- Workers' Compensation Premium
- Depreciation

A separate budget will be allocated and held centrally for high cost drugs which are not funded by the Commonwealth for "uncommon therapies" transferred from other LHDs for our residents and for "individual patient usage".

A separate budget will be allocated and held centrally for nursing maternity leave (based on the original estimate in the 2019-20 Nurse Planner). This allocation will be apportioned monthly throughout FY25 based on actual Maternity Leave taken.

6.8 IntraHealth

Separate budgets (as advised by the Ministry) will be allocated for IntraHealth transactions (for pathology, linen, food, blood products, eHealth, etc.) across the Directorates.

6.9 Externally funded programs

Expense (as well as revenue) budgets will be loaded for grant/other externally funded programs. Budgets will be phased to reflect the timing of receipts and payments.

6.10 Revenue budgets

Budgets will be loaded to both an account and cost centre level and will be cash-flowed appropriately.

Budget allocation will be based on FY24 forecast actual results or expected FY25 results (not the historical budget allocation).

Any one-off items will be adjusted out of the FY24 actuals before budgets are calculated.

Once the one-offs have been removed any surplus/shortfall in the overall allocation will be dispersed across the set of accounts as previously agreed by the Strategic Revenue Committee.

Finance & Corporate Services will determine revenue budgets for DVA and MAA.

6.11 FTE budgets

An affordable FTE equivalent budget will be loaded into the financial system.

The affordable FTE equivalent will align with the top-down budget allocation.

6.12 Phasing

During FY25 budget round there will be a focus on budget phasing at a granular level.

Budgets will be phased based on predicted activity patterns, agreed payment cycles, number of calendar or working days, historical trends, etc. to reflect the anticipated timing of expenditure across the financial year.

6.13 Program Fractions

The FY25 budget build meetings (between business partners and cost centre managers) will include a review of the program fractions and outpatient clinics.

6.14 Capital budgeting

The capital budget comprises pre-determined components for specific capital projects (valued between $250,000-$10M) and Minor Works & Equipment (valued between $10,000-$250,000).

Purchase of any capital items valued over $10,000 and any capital works (e.g. construction, reconfiguration, refurbishment, fit-out etc.) valued over $10,000 must be approved by the Asset Management Committee.

Templates for capital funding requests are on the CCLHD Intranet (under Finance & Corporate Services – Capital Works and Asset Management).

6.15 Restricted Financial Asset (RFA) budgeting

Restricted Financial Asset (RFA) budgets will allocated against the appropriate cost centres and account lines; and phased to reflect expected cash inflows/outflows.
The RFA budget build will be completed in accordance with the timeline in section 4.4.

6.16 Quality Assurance (QA)

A quality assurance (QA) process will be undertaken on final budget builds including:

- Employee-related budget builds, FTEs and $ per FTE;
- Non-employee related budget builds (compared with prior year); and
- Revenue budget builds.

The final phase of the QA process will be a sign-off by directors/general managers and their business partner.

Appendix 1: Major changes from 2023-24 Resource Allocation Guidelines & Budget Principles

Section	Change
2.2 Future Health Outcomes Budgeting	New section
2.5 Outcomes Budgeting	Updated NSW Health outcomes
2.6 Activity Based Funding	Included reference to NHRA funding
3.1 Annual Priorities	Updated FY24 Annual Priorities
3.2 Risk Appetite	New section
3.6 Budget Enhancements	Included chart of enhancement process
5.4 Nursing Resource Management	Executive to determine FY25 occupancy
5.6 Senior Medical Officers	New section
5.7 Service Agreement/in-year budget supplementations	New section
5.8 Contribution to corporate overheads	New section
6.3 Vacancy Targets	New section
6.5 Overtime	New section
6.6 Training Education & Study Leave (TESL)	New section
6.13 Program Fractions	New section
6.14 Capital budgeting	New section
6.15 Restricted Financial Asset (RFA) budgeting	New section
6.16 Quality Assurance	New section
Appendix 1	New section
Appendix 4	Updated FY24 Annual Priorities
Appendix 5	Updated Prioritised Enhancement Register

Appendix 2: NSW Health Performance Framework

Assessing Performance

Local Health District/Specialty Health Network Performance Levels

Each health organisation is assigned a performance level between 0 and 4.

Performance Level	Description	Point of escalation
0	Nil performance concerns	N/A
1	Under review	Performance issue identified through a LHD's/SHN's Relative Performance Assessment against the Future Health strategic outcomes.
2	Under performing	The original performance issue that triggered a Level 1 response has not been resolved: or Other performance issue(s) emerge warranting Level 2; or A governance or management failure or sentinel event occurs warranting escalation to level 2.
3	Serious under-performance risk	Recovery activity is not progressing well and is unlikely to succeed without additional support and input from the Ministry.
4	Health service challenged and failing	The recovery strategy has failed and changes to the governance of the LHD/SHN may be required.

The health system is managed sustainably

Scoring Matrix			
	Performing 0 points	Underperforming 1 point	Not performing 2 points
Expenditure Matched to Budget –General Fund –Variance (%) Year to date	On Budget or Favourable	>0 and ≤0.5% unfavourable	>0.5% Unfavourable
Expenditure Matched to Budget –General Fund –Variance (%) Full Year forecast	On Budget or Favourable	>0 and ≤0.5% unfavourable	>0.5% Unfavourable
Own Source Revenue Matched to Budget –General Fund –Variance (%) Year to Date	On Budget or Favourable	>0 and ≤0.5% unfavourable	>0.5% Unfavourable
Own Source Revenue Matched to Budget –General Fund –Variance (%) Full Year forecast	On Budget or Favourable	>0 and ≤0.5% unfavourable	>0.5% Unfavourable
Net Cost of Service (NCOS) Matched to Budget – General Fund (%)	On Budget or Favourable	>0 and ≤0.5% unfavourable	>0.5% Unfavourable
Asset maintenance Expenditure as a proportion of asset replacement value (%)	≥2.15%	≥1.5% and <2.15%	<1.5%
Total Activity (NWAU)	≤ +/-1.0% of target	>+/-1.0% and ≤ +/-2.0% of target	> +/-2.0% of target
Efficiency Improvement Plans (EIP)	EIP FY plans ≥90% of the target AND EIP YTD actuals ≥90% of planned value	EIP FY plans ≥80% and <90% of the target OR EIP YTD actuals ≥80% and ≤90% of planned value (Neither EIP FY plans or EIP YTD actuals are <80% of the target/planned value.)	EIP FY plans <80% of the target OR EIP YTD actuals <80% of planned value
Annual Procurement Savings Target Achieved –(% of target achieved)	≥95%	≥90% and <95%	<90%
Capital renewal as a proportion of asset replacement value (%)	≥1.4%	≥0.8 and <1.4%	<0.8%

The health system is managed sustainably – Performance Classification	
Total Points	Classification
0-4 points	Nil performance concerns
5-8 points	Under review
9-12 points	Under-performing
13-16 points	Serious under-performance risk
17+ points	Health service challenged and failing

Appendix 3: CCLHD Organisational Performance Framework

Extract from CCLHD Organisational Performance Framework

Annual Resource Allocation

All Directorates along with sites and services of the Operations Directorate will obtain a Budget Allocation Letter with relevant expenditure and revenue allocations Key Performance Indicators, Performance Deliverables, Organisational Sustainability Program and FTE targets signed by the Chief Executive.

Directorates are required to meet the performance requirements as set out in the Budget Allocation Letter and attachments, specifically:

A. **Strategic Priorities:**
Successfully develop and implement an annual Operational Plan that addresses the key focus areas of the CCLHD Strategic Plan relevant to the Directorate or Health Service.

B. **NSW Health System Services and Networks:**
Where applicable, ensure effective contribution to the operation of state-wide and local networks of retrieval, specialty service transfer and cross district networked specialty clinical services. Performance Measures:

C. **Budget:**
Independently achieve expense and own sources revenue budgets cascading the same performance and tolerance bands set by the Ministry for the District.

Measure	Target	Not Performing ✗	Under Performing ↘	Performing ✓
Expenditure Matched to Budget - General Fund - Variance (%)	On budget or favourable	>0.5% unfavourable	>0 and ≤0.5% unfavourable	On budget or favourable
Own Sourced Revenue Matched to Budget - General Fund - Variance (%)				

D. Purchased Volumes:

Where applicable, meet purchased NWAU activity targets cascading the same tolerance bands set by the Ministry for the District.

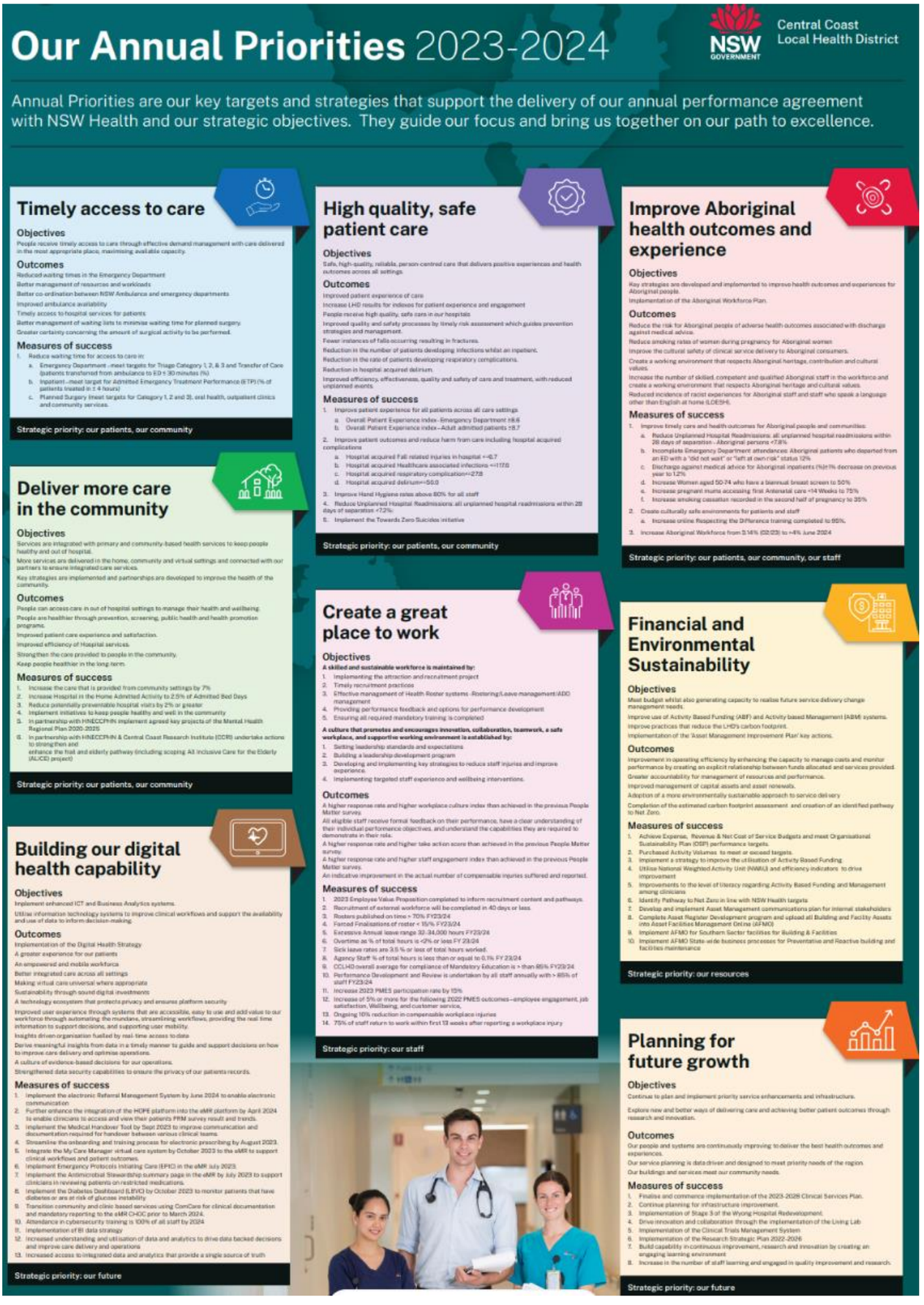
Measure	Target	Not Performing ✗	Under Performing ↘	Performing ✓
Outcome 4 indicator Acute admitted (NWAU)	Individual - See Purchased Volumes	> +/-2.0%	> +/-1.0% and ≤ +/-2.0%	≤ +/-1.0%
Outcome 3 indicator Emergency department (NWAU)				
Outcome 2 indicator Non-admitted patients (NWAU)				
Outcome 4 indicator Sub and non-acute services - Admitted (NWAU)				
Outcome 4 indicator Mental health – Admitted (NWAU)				
Outcome 2 indicator Mental health – Non-admitted (NWAU)				
Outcome 2 indicator Alcohol and other drug related Acute Admitted (NWAU)				
Outcome 2 indicator Alcohol and other drug related Non-Admitted (NWAU)				
Outcome 1 indicator Public dental clinical service (DWAU)				

E. Performance Measures:

Achieve KPI targets. KPIs will incorporate those from the CCLHD Service Agreement and other KPIs that are specific to the Directorate.

Appendix 4: CCLHD Annual Priorities

CCLHD 2023-24 Annual Priorities



Appendix 5: Budget Enhancement Process

Prioritised Enhancement Register

A key part of the proposed governance framework for considering budget enhancements is the Prioritised Enhancement Register.

Objective

The objective of the Prioritised Enhancement Register is to be prepared for funding opportunities by having readily available a ranked list of developed service enhancements (that align with organisational objectives/annual priorities).

Principles

The principles underpinning the prioritisation process are:

- To ensure alignment of enhancements with strategic objectives and annual priorities
- To prioritise requests against agreed criteria (and against each other)
- To provide a consistent and transparent process (and reduce unnecessary work on proposals that do not meet the criteria)
- To ensure all ideas and suggestions are considered fairly and equitably.

Prioritisation Process

The Prioritisation Process comprises four main steps:

- collation of proposals;
- assessment of proposals;
- ranking of proposals; and
- confirmation of benefits realisation.

Chart 5.1: Overview of Prioritisation Process:

Ideas and suggestions will be actively sought to deliver on the organisation's annual priorities; and the proposal documentation (based on the template originally developed by PWC) will identify benefits, expenses, activity, revenue and risks.

Funding requests that are submitted throughout the year will be considered in the next prioritisation cycle however, in exceptional circumstances, the Chief Executive has discretion to approve out-of-session enhancements to budget.

Table 5.1: Process Steps

Process Step		Rnd 1	Rnd 2	Responsibility
1. Targeted call for submissions	Focus on projects that align with Annual Priorities			DQSI
2. Discuss idea with Director	If given okay to proceed, develop proposal			Service Director
3. Develop proposal	Work with Business Partner to develop financial aspects of proposal			Service Director & Business Partner
4. Proposal endorsement	To progress to prioritisation process			Executive Director
5. Proposal submission	To QSI for assessment	15 October	15 April	Service Director
6. Collation of proposals	For assessment/follow-up	31 October	30 April	DQSI
7. Assessment of proposals	With provisional rankings for Executive	20 Nov	21 May	DQSI
8. Review and rank proposals		30 Nov	31 May	Executive Leadership Team
9. Update Register	And publish	7 Dec	7 June	DFCS
10. As available, allocate funding	Note in Register			DFCS
11. Implement proposals				Service Director
12. Follow-up benefits				DQSI/DFCS

The prioritisation process will occur bi-annually as part of a six-week process (in April/May and October/November) where DQSI will assess proposals for alignment with strategic goals and provide recommendations for the Executive to review and update the priority rankings.

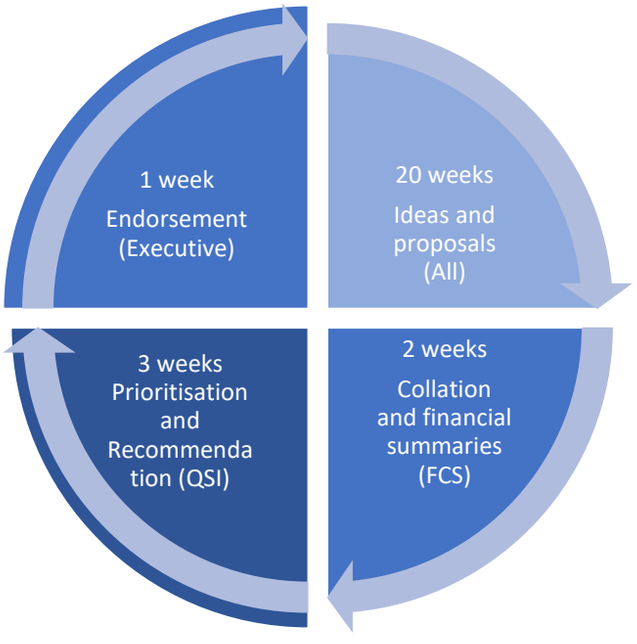


Chart 5.2: Prioritisation Process Bi-Annual Cycle

Register

The Register will be centrally managed by the Finance & Corporate Services directorate and comprise five sections.

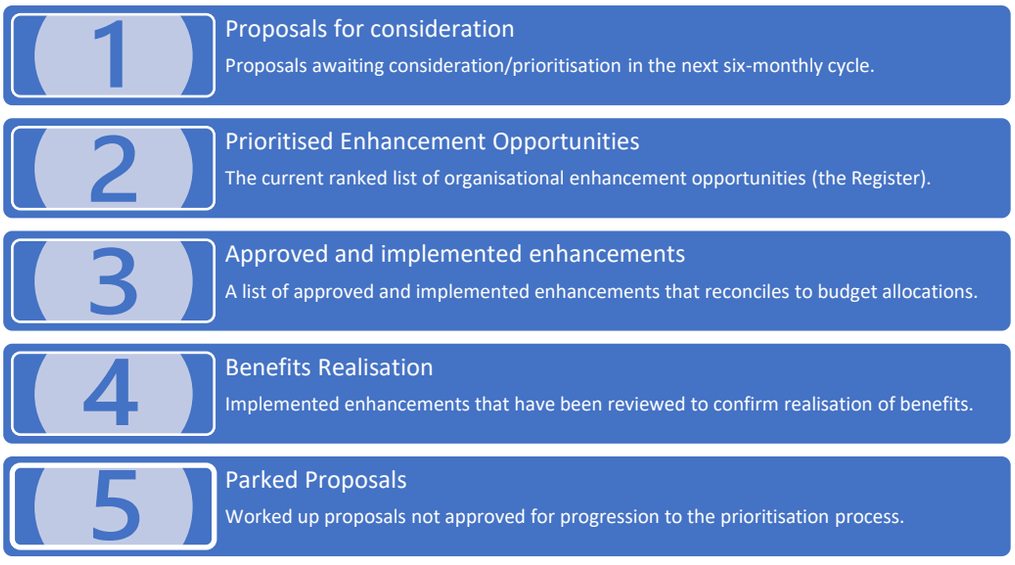


Chart 5.3: Contents of Register

The process steps link to the Register contents as shown below.

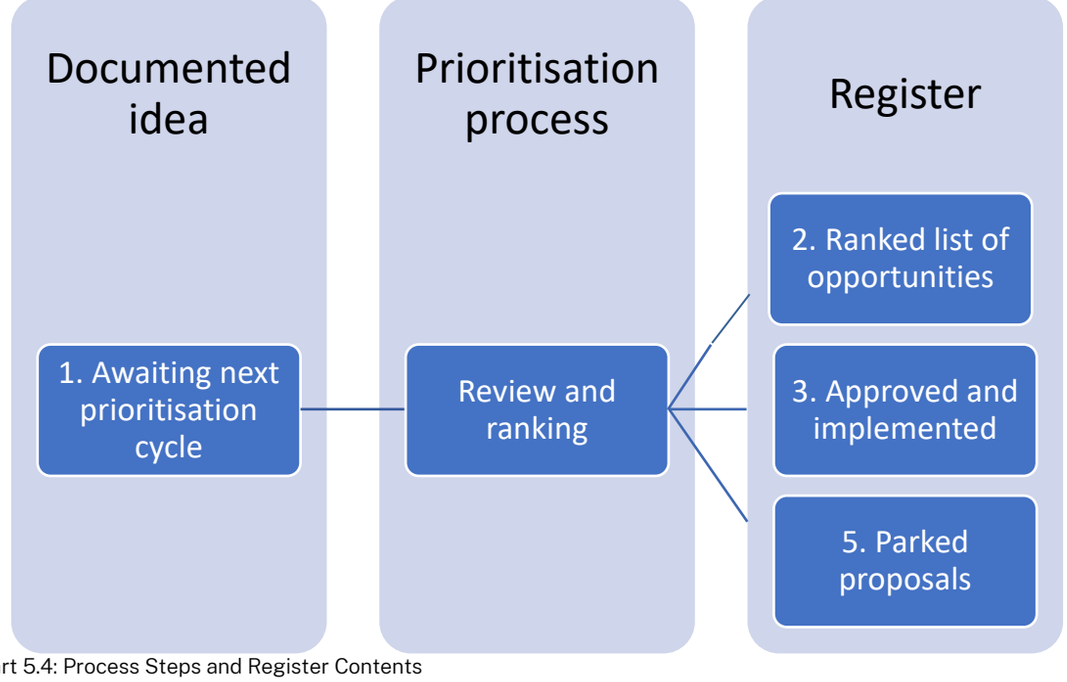


Chart 5.4: Process Steps and Register Contents

Appendix 5: Budget Responsibilities

Budget Responsibilities

Role	Responsibility
Executive Leadership Committee	Determine the FY25 resource allocation guidelines and budget principles
Directors & General Managers	Allocate directorate/site/service budget in line with District priorities Manage directorate/site/service financial budgets and activity targets Devolve budgetary responsibilities to cost centre managers where appropriate Manage staff profiles to ensure they are financially sustainable Review financial and non-financial results monthly and take action to mitigate risks/correct unfavourable results Ensure appropriate processes are followed/delegations exercised when authorising expenses Ensure rosters align with FTE budgets
District Director Finance & Corporate Services	Determine budget allocations across directorates Oversee the budget preparation process Prepare budget papers for ELC and Board F&P
Budget preparers	Ensure budget builds reconcile to the top-down allocation Ensure budgets are accurately allocated across cost centres, accounts and months Provide reports and analysis to support management as part of the budget preparation process
Clinical Costing & Data Quality	Determine activity allocations across directorates
Management Accounting	Consolidate budget builds and reconcile to the Ministry allocation Provide advice and guidance to Directors/General Managers and budget preparers