



**Health**  
Nepean Blue Mountains  
Local Health District

HPRM Ref: 20/34332

2 October 2020

Mr Strephon Billinghamurst  
Chief Executive Officer  
Hawkesbury District Health Service  
Strephon.Billinghurst@sjog.org.au

Dear Strephon

**HDHS 2020/21 Interim Service Agreement: July – December 2020**

As per earlier advice the deferral of the state budget until November 2020 necessitates a different approach to the service agreements and budget allocations for financial year 2020/21.

An Interim Service Agreement has been issued by the Ministry to NBMLHD for the period 1 July to 31 December 2020, with an acknowledgement that the Final Service Agreement will be executed in December 2020.

The budget allocation to NBMLHD for the interim period reflects 48% of the District's annualised budget for Financial Year 2019/20, with no growth funding or service enhancements provided. Activity targets have been rolled over from prior year in the interim. Negotiation meetings with the Ministry for the Final Service Agreement will include further discussion on growth and NWAU targets for the full year and advice on this will be provided in due course.

For your reference you will find attached a copy of the 2020/21 Interim Service Agreement for period 1 July to 31 December 2020 for the District (Attachment 1). Please take particular note of the KPIs applicable to your facility as these will be monitored in performance meetings.

The District has taken a different approach to the interim allocation for HDHS which is necessitated by the above factors.

The following points outline the approach for this interim period:

- The interim allocation reflects 48% of the HDHS FY19/20 baseline budget.
- No growth funding has been provided.
- NBMLHD has negotiated additional escalation for HDHS in recognition of the pay rate increases you have confirmed, applicable as follows:
  - o 2.5% escalation applied to 65% of the HDHS budget for employee-related expenditure;
  - o 1.6% escalation applied to the remaining 35% of the HDHS budget for all other expenditure.

**TOGETHER  
ACHIEVING  
BETTER HEALTH**

Nepean Blue Mountains Local Health District  
ABN 31 910 677 424

PO Box 63, Penrith NSW 2751  
Tel (02) 4734 2000  
Website: [www.nbmlhd.health.nsw.gov.au](http://www.nbmlhd.health.nsw.gov.au)

- NWAU targets have been rolled over for all facilities to reflect the prior year (July to December); for HDHS this equates to a total of 7,480 NWAU19, representing 50.4% of your current full-year target of 14,850 NWAU19.
- Once the Final Service Agreement is received, the District will undertake a reconciliation process to provide funding to HDHS for NWAU target achieved over the 48% funding allocation provided in the interim. Pending the District's receipt of the Final Service Agreement after the November 17<sup>th</sup> NSW Government budget, we are endeavouring to complete this exercise before the end of December.

### **Hawkesbury District Health Service Interim Allocation**

<b>FY19/20 base budget</b>		<b>Note</b>
Value of FY19/20 allocation	\$ 75,143,173	
Add back adjustors	\$ 391,004	1
	<u>\$ 75,534,177</u>	
<b>FY20/21 interim budget</b>		
48% of prior year base	\$ 36,256,405	2
Escalation: employee-related	\$ 589,167	3
Escalation: other	\$ 203,036	4
<b>Total interim allocation</b>	<u><b>\$ 37,048,607</b></u>	

1 FY20/21 adjustors will be applied in the Final Service Agreement

2 All Health entities received 48% of their full year allocation in the interim budget

3 Escalation rate of 2.5% applied against 65% of HDHS allocation for ERE

4 Escalation rate of 1.6% applied against 35% of HDHS allocation for all non-ERE

### **Outcome Budgeting Methodology**

To deliver better outcomes for the people of NSW, the NSW Government is looking to transform the way budget decisions are made and resources are managed and is utilising an outcome budgeting methodology. The 'NSW Health Outcome and Business Plan 2019-20 to 2022-23' document (Attachment 2) sets the outcomes and objectives that will be focused upon across this four year period as follows:

- Keeping people healthy through prevention and health promotion
- People can access care in and out of hospital settings to manage their health and wellbeing
- People receive timely emergency care
- People receive high-quality, safe care in our hospitals
- Our people and systems are continuously improving to deliver the best health outcomes and experiences.

In line with these objectives, the Interim Service Agreement reflects the strategic priorities for the health system. It sets the performance and accountability requirements for health services measured against updated key performance indicators for 2020/21. NBMLHD performance will be monitored via Service Performance Meetings in line with the NSW Health Performance Framework.

Please sign & return a copy of this letter as acknowledgement of both your receipt and understanding of this covering letter, your allocation, and the attached documents.

Finally, the District's Executive Team understands the coming year will be challenging, and looks forward to working with you throughout the 2020/21 financial year to achieve our desired and mutual outcomes.

Yours sincerely



Ms Rebecca Beech  
Executive Director, Finance & Corporate Services  
Nepean Blue Mountains Local Health District

I acknowledge that I have received and read the 2020/21 Interim Service Agreement for Hawkesbury District Health Service.

Signed:

Name: \_\_\_\_\_

Date: \_\_\_\_\_