



Health
Nepean Blue Mountains
Local Health District

HPRM Ref: 21/70116

30 July 2021

Mr Strephon Billingham
Chief Executive Officer
Hawkesbury District Health Service

Strephon.billinghurst@sjog.org.au

Dear Strephon

2021/22 Service Agreement

I am pleased to provide you with your 2021/22 Service Agreement for Hawkesbury District Health Service (HDHS).

The Service Agreement sets the performance and accountability requirements for health services measured against key performance indicators for 2021-22. Your entity's performance will be monitored in line with NBMLHD Performance Framework.

NSW Health Budget

For 2021-22, the NSW Government budget for health is \$30.2 billion. The expense budget for 2021-22 will be \$27.1 billion. This represents an underlying increase of \$889 million or 3.6 per cent after adjusting for several one-off or time-limited programs, including the funding of the COVID-19 public health response. These amounts will change in line with the recently announced salaries and wages increase of 2.5 per cent.

This funding allocation allows for all Districts, Networks and NSW Ambulance to receive growth in their annual budget, reflecting both final approved cost indexation plus the negotiated service growth and capacity funding to meet increasing health needs in our community.

More than \$3.2 billion will be invested in health capital, including \$138.7 million in capital expensing. Capital funding has been allocated for the construction, development or redevelopment of health assets across the State to expand and improve the quality of care provided to our patients.

Since March 2020, the NSW Government has committed more than \$4.0 billion to help our healthcare system to increase its capacity and ensure it is well placed to manage the ongoing impacts of COVID-19 with funding provisioned for 2021-22.

NBMLHD Budget

Nepean Blue Mountains LHD expense budget for FY21/22 is \$946.352 million, an increase of 5.28% on our annualised budget and inclusive of \$7.3 million in total activity growth and \$17.5 million for 'build capacity' relating to Nepean Redevelopment Stage 1 go-live. Note, exclusive of award & CPI increases, redevelopment and other targeted initiatives, and inclusive of 'allocated saving programs', the increase in available budget is \$2.589 million or 0.3%.

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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

LHD Facility/Service/Directorate Allocations

The HDHS budget has been calculated as follows:

<u>Activity Stream</u>	<u>NWAU 21</u>	<u>Amount (\$'000)</u>
Acute	9344	46,617
ED	3559	17,756
SNAP	1152	5,747
NAP	1294	6,456
TTR		1,570
TACP		916
Total Activity Budget		\$ 79,061
Escalation for ERE and G&S		\$ 1,581
Total Recurrent Budget Allocation		\$ 80,642
Purchasing Adjustors		-\$ 245
Total FY21/22 Budget Allocation		\$ 80,397

The HDHS budget allocation is inclusive of medical indemnity, Long Service Leave, rent (\$1), Repairs & Maintenance, Minor Works & Equipment (MW&E), in line with the prior year allocation. An amount of \$410,000 from the budget allocation is to be 'quarantined' for MW&E (capital greater than \$10k), along with a co-contribution of \$90,000 by SJOG representative of the proportion of private work undertaken by the facility. A joint steering committee between NBM and HDHS (already established) will continue to govern capital expenditure. HDHS will also continue to be eligible to submit ARRP applications for consideration by the program and will be included in the LHD's Strategic Asset Management Plan (SAMP) which replaced Asset Strategic Plans or ASP in FY20/21.

It is important to note that HDHS is being funded at the NSW State Price which is above the NBMLHD funded price, inclusive of 'cost price adjustment', provided by the Ministry. On this basis we do not expect to receive any in-year requests for additional funding of normal operations.

Transitional Aged Care Program (TACP) Funding

The Ministry undertake in-year adjustments to TACP budget allocations based on performance. These have not been applied to HDHS in previous years and are impacting on LHD performance. These adjustments need to be applied equitably across the entire program based on performance, including HDHS. Further the Ministry and external consultant are currently undertaking a review of TACP arrangements that will require changes to the program application across the LHD to ensure financial and operational compliance with Commonwealth and NSW Health requirements. The LHD, in consultation with the Ministry, are currently reviewing the recommendations with changes proposed to commence in January 2022 to safeguard service provision for residents of NBMLHD..

Efficiency Improvement Program (EIP)

The NBMLHD Service Agreement includes saving programs which reduces available budget. NBMLHD has an EIP target (\$10m) which we have allocated to each facility on a proportionate basis for 2021-22. Facilities are required to have plans developed by 13 August, with the LHD required to formally submit plans to the Ministry PMO team by 31 August. HDHS will not receive an EIP target in 2021-22 however wider application of EIP targets is being considered in future. Noting that no EIP target has been applied to your budget for 2021-22, we still strongly

encourage HDHS to seek efficiency improvement opportunities to assist with your financial performance. Our Contract & Procurement team will be in contact to assist you in potentially identify additional value for money via procurement practises

COVID Financial Impact

COVID-19 incremental cost arrangements will continue for FY2021-22. Further advice will be provided if changes are implemented by the Ministry.

Timeframes

Please review the documents and return your signed Service Agreement to the A/Director Finance & Corporate Services, by **CoB Friday 31 August 2021**.

Should you require further information or have specific questions about the Service Agreement, please contact Mr Steven Black, A/Director Finance & Corporate Services.

Yours sincerely



Kay Hyman
Chief Executive
Nepean Blue Mountains Local Health District