

NSW Ministry of Health

**Financial Requirements and Conditions of Subsidy  
(Government Grants)**

For Public Health Organisations

For the year ending 30 June 2022



**Health**



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## SECTION 1 GENERAL BUDGET ADVICE

### 1.1 Minister's Approval

- a. Section 127 of the Health Services Act 1997 requires the Minister for Health (the Minister) to approve the initial cash grant paid to all NSW Health public health organisations (PHOs)<sup>1</sup> each financial year.

### 1.2 Conditions of Government Grants

- a. PHOs must ensure that Government Grants are spent in accordance with the purpose and conditions of annual Service (or Performance) Agreements<sup>2</sup> and must comply with all statutory and regulatory conditions placed upon the payment of grants under the Service (or Performance) Agreement and any subsequent funding approvals.
- b. PHOs must meet the targets and other requirements of their annual Service (or Performance) Agreement. Organisations must operate within approved recurrent and capital budgets and achieve service activity volumes and other performance and service objectives required under the annual Service (or Performance) Agreement.
- c. PHOs must operate within the NSW Health Performance Framework. Financial sustainability should be viewed from both a short and long-term perspective. Short-term indicators show the ability of an entity to sustain sufficient liquidity over the short-term, while long-term indicators have a strategic focus such as an ability to continue funding asset replacement programs.
- d. AASB 1004 Contributions requires that income arising from contributions such as appropriations be recognised as a Government Grant by a PHO when the cash is received. Similarly, payments from the National Health Funding Pool – NSW for Activity Based Funding (ABF) activity should also be recognised as revenue "Government Grants" by Local Health Districts (LHDs) / Specialty Health Networks (SHNs).

### 1.3 Calculation of Government Grants (Funding)

- a. PHOs are provided with funding to achieve budget, including expenditure, own source revenue and balance sheet movement budgets.
- b. PHOs are funded using the following equation:
  - i. 
$$\text{Funding} = \text{Expenditure} - \text{Own Source Revenue} \pm \text{Balance Sheet Movement}^3$$

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<sup>1</sup> Defined under s.7 of the Health Services Act 1997 and means Local Health Districts, Statutory Health Corporations and Affiliated Health Organisations (AHOs) in respect of their recognised establishments and services.

<sup>2</sup> LHDs/SHNs have annual Service Agreements; Statutory Health Corporations (i.e., Pillars) have annual Performance Agreements.

<sup>3</sup> Based on full year initial budgets

## 1.4 Accounts and Audit Determination

- a. The Secretary may impose further conditions on Consolidated Fund Payments, including Government Grants, as considered appropriate for any PHO.
- b. In the exercise of power conferred under section 127(4) the Health Services Act 1997, the Secretary, as delegate of the Minister, has determined that it shall be a condition of the receipt of Consolidated Fund Recurrent Payments and Consolidated Fund Capital Payments that each PHO comply with the requirements of the Accounts and Audit Determination and the Accounting Manual for Public Health Entities in NSW<sup>4</sup>.
- c. Under the Accounts and Audit Determination, the Chief Executive and Board of a PHO must ensure:
  - i. The proper performance of its accounting procedures including the adequacy of internal controls
  - ii. The accuracy of its accounting, financial and other records
  - iii. The proper compilation and accuracy of its statistical records
  - iv. Observance of the directions and requirements of the Secretary and the Ministry of Health set out in policy directives and procedure manuals issued by the Minister, the Secretary and the Ministry of Health.

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<sup>4</sup> Public Health Entities in NSW include PHOs and units of the Health Administration Corporation (the Ambulance Service of NSW, NSW Health Pathology, eHealth NSW, HealthShare NSW, Health Infrastructure and the Public Health System Support Division).

## SECTION 2 FINANCIAL REPORTING AND ACCOUNTABILITY

### 2.1 Accountabilities

- a. It is a Condition of Subsidy (Government Grants) that Chief Executives are responsible for ensuring that there are appropriate measures in place to ensure sound financial management and compliance with Ministry of Health and Government policies with regards to financial and budgeting practices.
- b. In doing so, Chief Executives are required to undertake the following for controlled entities of the PHO:
  - i. Ensure a clear connection exists between funding and service delivery targets, consistent with the annual Service (or Performance) Agreement
  - ii. Ensure that financial authority is appropriately delegated to budget holders
  - iii. Ensure budget holders operate within approved expenditure and revenue budgets as per Service Agreement KPIs and not on Net Cost of Service (NCOS)
  - iv. Devolve financial budgets and service requirements to appropriate management control levels throughout the PHO with appropriate and responsible delegations
  - v. Not maintain negative reserves or provisions in any financial reserve accounts under the direction and accounting control of the PHO
  - vi. Ensure sufficient cash is available to service short term liabilities, such as direct debits within the PHOs bank account whilst maintaining minimum cash buffer requirements. Under current cash reforms it is expected that remaining payments from PHOs banks will continue to transition to the NSW Health Creditors bank account minimising the need for PHO's to hold excess cash balances. Cash balances will be monitored, and excess cash will be swept back to the Ministry of Health regularly and made available to be allocated to the central payments bank accounts as required.
  - vii. Submit cash forecasts and projections as per the directions from the Ministry in order to comply with NSW Treasury daily, monthly and longer-term cash forecasting requirements.
  - viii. All invoices will be paid from Health Share's NSW Health Creditors bank account. PHOs are to ensure invoices are available to pay within terms, not exceeding 30 days from the date of the invoice<sup>5</sup>. PHOs are not permitted to make creditor payments direct from their own bank account without prior approval from the Ministry.
  - ix. From 1 July 2021, all Procurement Card, Virtual cards and miscellaneous direct debits are to be made from the central NSW Health Creditors bank account.

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<sup>5</sup> Whilst this is a benchmark, there is an expectation that creditors will be paid within contract or agreed terms based on valid invoices supported by approved purchase orders. Considering the Covid-19 pandemic NSW Treasury has enacted a Faster Payment Terms policy for all validated creditor invoices, reducing all creditors payments to zero terms. This is expected to continue during 21/22 with an end date yet to be determined by NSW Treasury.

Once transitioned, any new payment arrangements must be made in consultation with the HealthShare Shared Services team to ensure the NSW Health Creditors bank account is used. It is expected that from 1 July 2021 the only remaining outgoing payments from PHO bank accounts will be transfers between funds (General/RFA & CTF funds) and cash sweeps processed by the Ministry of Health.

- x. Ensure invoices from registered small vendors are available to pay within the terms stipulated by the Small Business Commissioner's Faster Payment Terms Policy<sup>6</sup>. Payments must be made within five business days of receipt of a correctly rendered invoice, unless an existing contract or standing offer provides for an alternative time period.
- xi. Ensure that restricted funding is maintained in real terms (do not overdraw its cash balance) and used before recurrent funds and for the approved purpose for which funding was provided
- xii. Ensure that Restricted Financial Asset (RFA) Fund forecasts and budgets in-year align with forecast income and expenditure held in the eCTRA system
- xiii. Review dormant and overdrawn RFA cost centres on a monthly basis
- xiv. Ensure the Ministry of Health's eRoPP system is used by Staff Specialists to undertake their RoPP elections from the commencement of 2021/22 by promptly withdrawing all existing paper election forms from use.
- xv. Ensure funds are transferred between General Fund bank accounts and other fund type bank accounts promptly after receipt, and at least 2 days prior to each Ministry cash sweep (as per the issued timetable).
- xvi. Ensure there are no intra-health transactional or intra-health balance sheet variances prior to month-end close by promptly resolving imbalances with counterparties
- xvii. Ensure that official travel is undertaken in accordance with Policy Directive PD2016\_010 *Official Travel* and that Overseas Travel Returns are prepared and submitted to the Ministry of Health by 15 January for the 1 July to 31 December period and by 17 July for the 1 January to 30 June period (197100 TESL Overseas Travel and 197200 Non TESL Travel should be the only accounts used as the general ledger is expected to match the return provided). All returns **must** reconcile to the general ledger. PHO's should not exceed the allocated budget set by the Ministry of Health for 2021/22.
- xviii. Implement strategies and procedures to continuously reduce excessive annual leave balances in line with Ministry of Health and NSW Treasury directives
- xix. Implement strategies and procedures to continuously reduce all ADO balances greater than three days in line with Ministry of Health and NSW Treasury directives

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<sup>6</sup> [https://www.smallbusiness.nsw.gov.au/\\_data/assets/pdf\\_file/0009/174177/Fast-Payment-Terms-Policy.pdf](https://www.smallbusiness.nsw.gov.au/_data/assets/pdf_file/0009/174177/Fast-Payment-Terms-Policy.pdf) . Considering the Covid-19 pandemic NSW Treasury has enacted a Faster Payment Terms policy for all validated creditor invoices, reducing all creditors payments to zero terms. This is expected to continue during 21/22 with an end date yet to be determined by NSW Treasury.



- xx. Implement all elements of the Efficiency Improvement Plan (EIP) and ensure effective monitoring and reporting of performance against the plan through the Rigorous Program Management (RPM) software
- xxi. Ensure new own source revenue initiatives do not impact a PHOs expense result. Where a new own source revenue initiative will impact a PHOs expense result, the PHO must contact the Ministry of Health for approval before committing to the initiative
- xxii. Ensure District and Network Returns are submitted to the Ministry of Health for input into the State Price determination and determination of applicable transitional grants
- xxiii. Ensure that annual clinical coding audits are incorporated into the PHO's internal audit programs
- xxiv. Ensure that an internal audit of the costing and patient data, including the annual District and Network Return, is undertaken
- xxv. Ensure that new cost centres are allocated costing fractions within the ABF costing systems before any actual costs are coded to them
- xxvi. Submit a monthly narrative to the Ministry of Health (refer section 2.2 Budget Allocation Practices and Management)
- xxvii. Ensure the Ministry of Health's approved pro-forma financial statements are used to prepare the early close and end of financial year financial statements. Any required changes must be endorsed by the Ministry of Health's Financial Accounting team.
- xxviii. Submit early close and year-end statutory financial statements in accordance with Ministry of Health directives and timeframes
- xxix. Undertake the annual Certification of the Effectiveness of Internal Controls over Financial Information process in line with NSW Treasury (TPP17-06<sup>7</sup>) and Ministry of Health directives
- xxx. Identify material emerging issues that may impact PHO financial statements and submit to the Ministry of Health's Financial Accounting team as advised
- xxxi. Submit progress updates as requested by the Ministry of Health in relation to Management Letter issues and the status of Auditor-General recommendations
- xxxii. Submit monthly milestone tasks using Financial Task Manager (FTM) within the required timeframes
- xxxiii. Ensure a process is implemented so 100 per cent of leases are accurately captured and recorded on AFM Online (unless approval otherwise has been received) to allow compliance with *AASB 16 Leases*

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<sup>7</sup> TPP17-06 Certifying the Effectiveness of Internal Controls Over Financial Information

- xxxiv. Review all leases for impairment before 30 June. If an impairment is required to be taken up, it needs to be reviewed by the Ministry of Health's Financial Accounting team.
- xxxv. Ensure an accurate revenue contracts register is centrally maintained and used to ensure revenue is recognised appropriately in line with *AASB 15 Revenue from Contracts with Customers* or *AASB 1058 Income of Not-for-Profit Entities*
- xxxvi. Ensure an accurate revenue grants register is centrally maintained and used to ensure revenue is recognised appropriately in line with *AASB 15 Revenue from Contracts with Customers* or *AASB 1058 Income of Not-for-Profit Entities*.
- xxxvii. Complete Key Management Personnel Questionnaires within the timeframes stipulated by the Ministry of Health
- xxxviii. Ensure asset revaluations (including desktop revaluations and reviews) are undertaken for mandatory early close (TPP20-01 Agency Guidelines Mandatory Early Close) in accordance with Ministry of Health policy
- xxxix. Ensure assets held for sale are correctly brought to account, it is recommended it is reviewed by the Ministry of Health's Financial Accounting team in advance of processing
  - xl. Ensure the Ministry of Health's Financial Accounting team are advised of all administrative transfers on a timely basis
  - xli. Undertake annual assessments of controlled entities and joint arrangements in accordance with Ministry of Health guidelines.

## **2.2 Budget Allocation Practices and Management**

### *2.2.1 LHD/SHN-Level Initial Budget Allocations (excluding AHOs<sup>8</sup>)*

- a. For LHDs and SHNs, State Outcome Budget Schedule (Part 1 and 2) of the annual Service Agreement advises the initial expenditure and revenue budgets (inclusive of Government Grants). For statutory health corporations, expenditure and revenue, budgets are advised in the Budget Schedule of the annual Performance Agreement.
- b. Initial balance sheet movement budgets include:
  - i. Salary and Wages accrual
  - ii. Accumulated Depreciation
  - iii. Loan repayments, as per schedules
  - iv. Lease Liabilities, as per schedules
  - v. PPP Liabilities, as per schedules
  - vi. Prepayments, long term only and as per schedules

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<sup>8</sup> Affiliated Health Organisation (AHO) is defined under section 13 of the *Health Services Act 1997* and means a non-profit, religious, charitable or other non-government organisation listed in Column 1 of Schedule 3 of the Act, but only in respect of establishments or services listed in Column 2 of that Schedule.

- vii. Income in Advance, long term only and as per schedules
- viii. Capital Programs and other Capital related movements
- c. Only Salary and Wages accrual and Accumulated Depreciation budgets are annualised.
- d. Budget for General Fund Cash at Bank should reflect the minimum cash buffer only and have no net movement.

### 2.2.2 LHD/SHN-Level Budget Supplementations (excluding AHOs<sup>9</sup>)

- a. The initial expense and revenue budgets are subject to variation through supplementations or other directives approved by the Ministry of Health or through line item adjustments initiated by reporting entities. No other variations to revenue or expense budgets are permitted.
- b. Should the PHO have formal Ministry of Health approval for a budget variation, which has not yet been transacted in the budget transaction system (BTS), then an outstanding supplementation is permitted to be entered by the PHO into the BTS. Once the budget variation is formally processed by the Ministry of Health in the BTS, the outstanding supplementation must be reversed. Under no circumstances should an outstanding supplementation which increases/decreases the approved 2021/22 budget be entered into the BTS without formal Ministry of Health approval. All outstanding supplementations are required to balance to zero by budget class or be removed from BTS at 30 June.
- c. Subsequent balance sheet movements will be assessed as per the table below:

Table 1: Balance Sheet Movement Assessment

<b>Assets</b>	<b>Assessment Details</b>
Cash at Bank	Only for cash buffer adjustments
Debtors	Will be reviewed at the end of the financial year. Any approved budget movements will be reversed the following year
Inventories	Budget may be provided where the Ministry has approved the increase in inventory holdings
Prepayments	Long term (> 1 year) prepayments need to be provided as a schedule and included as part of the forward estimates. Material movements between financial years may receive budget, with the budget reversed in the following year.
Accumulated Depreciation	Will be reviewed during the year by the MoH's Financial Accounting Team
Capital Programs	Will be reviewed during the year by the MoH's Treasury & Capital Reporting Team

<sup>9</sup> Affiliated Health Organisation (AHO) is defined under section 13 of the *Health Services Act 1997* and means a non-profit, religious, charitable or other non-government organisation listed in Column 1 of Schedule 3 of the Act, but only in respect of establishments or services listed in Column 2 of that Schedule.

Assets - Lease	For new leases, a budget will be provided at the end of each quarter
<b>Liabilities</b>	<b>Assessment Details</b>
Creditors	Will be reviewed at the end of the financial year. If the movement is a timing difference, approved budget movements will be reversed the following year
Accruals	Salary & wages accruals are reviewed as part of the forward estimates. Other accruals require schedules and are assessed as part of the forward estimates.
Borrowings	Budget will be provided where schedules are submitted as part of the forward estimates
Provisions	Will be reviewed during the year by the MoH's Financial Accounting Team
PPP Liabilities	Budget will be provided where schedules are submitted as part of the forward estimates
Lease Liabilities	For new leases, a budget will be provided at the end of each quarter
Contract Liabilities and Other Liabilities	Long term (> 1 year) contract liabilities and other liabilities needs to be provided as a schedule and included as part of the forward estimates. Material movements between financial years may receive budget, with the budget reversed in the following year.

- d. Unless otherwise noted above, the MoH's Funds Management & Reporting Systems Team will provide the assessment.

### 2.2.3 Budget Devolution and Transparency (LHDs/SHNs only)

- a. Budget reporting at the ward or associated hospital unit is strongly encouraged. However, it is important that this information is updated and reported monthly in the relevant modules of Corporate Analytics.
- b. It is a Condition of Subsidy (Government Grants) that LHDs/SHNs publish the executed annual Service Agreement, signed by the Chair of the Board and the Secretary, NSW Health on its external website no later than the date stipulated by the Secretary, NSW Health in the letter that accompanies the issued Service Agreement. In addition, the State Outcome Budget Schedule and Service Agreement Data Supplement documents are to be published on the same external website page as the annual Service Agreement.

### 2.2.4 Budget Setting and Phasing Practices

- a. Budgets and forecasts must be recorded in Corporate Analytics within cost centres, using relevant account codes. Budgets and forecasts are to be phased across months in the year to show expected financial trends. In doing so, it is important that a full year budget is not allocated against one month (such as June). The appropriateness

of budget phasing will be monitored during NSW Health Performance Framework meetings with PHOs (excluding AHOs).

- b. PHOs must ensure own source revenue budgets are accurately projected and variances between budget and actual revenue are minimised.
- c. PHOs must ensure expense budgets for services procured from HealthShare NSW, eHealth NSW and NSW Health Pathology equal what is advised by those same entities when the budgets are being developed. PHOs should ensure that intra-health monthly budgets are flowed in line with the 2021/22 intra-health budget schedules distributed by the Ministry of Health.
- d. Expenditure and revenue budgets are each consolidated across the State and reported at the State level. Therefore, PHOs must ensure line item transfers remain within gross expense and revenue limits, and changes between budget expense and revenue cash classes do not occur without prior written approval from the Ministry of Health.
- e. Intra-Health changes to budgets must follow the same rules for actual Intra-Health transactions using the one-for-one mapping or same account with the other party to the change. Intra-Health charges and revenues must eliminate on consolidation across NSW Health; therefore, it is required that any changes are reflected in the budgets of both parties to the change.

#### 2.2.5 Monthly Financial Reporting – Statutory Organisations

- a. Chief Executives are responsible for ensuring that cost, budgeting and forecast data is reliably entered into Corporate Analytics in a timely manner. Monthly narratives must reflect the underlying financial data contained in Corporate Analytics.
- b. For PHOs (excluding AHOs), the first complete narrative will be required for the month ending August each year and is to include forecasts and variances. The Monthly Financial Reporting Timetable (Operating) is set out in the table below:

Table 2: Monthly Financial Reporting Timetable (Operating)

<b>Monthly Financial Reporting Timetable</b>	
<b>Action</b>	<b>Working Day of Reporting Period<sup>10</sup></b>
Six monthly cash forecast projections entered into Statewide Cash Forecasting System	-5
Final date for outstanding supplementations to be submitted by public health organisations	1
Budget supplementations and/or line item adjustments to be processed by the Ministry of Health	1

<sup>10</sup> Reporting timeframes subject to change should NSW Treasury reporting milestones change.

FMIS closed – actual results complete	2 LHD's / 1 Pillars
Forecasts finalised and loaded into Corporate Analytics (as "submitted")	3
Corporate Analytics budgets to close	3
Corporate Analytics budgets and forecast promoted to "official"	4
Actuals consolidation and elimination entries complete	2
Narrative Report submitted to the Ministry of Health	4
Milestones for roadmaps up to date in RPM	4
Capital narrative submitted to the Ministry of Health	4

- c. PHOs must review their monthly financial results and provide considered forecasts (expenditure, own source revenue and balance sheet) at an appropriate fund entity/cost centre level. This ensures true transparency and accountability for managers. It is expected that budgets and forecasts reflect cyclical trends with respect to the delivery of the majority of health programs. Forecasts should be completed based on the Minimum Entry Level account mapping.
- d. Chief Executives must ensure that information presented to Boards is consistent with the financial information held in Corporate Analytics and the financial performance reported to the Ministry of Health.

#### 2.2.6 Certification of forecasts

- a. The Government requires the Secretary, NSW Health and Deputy Secretary Finance and Asset Management and Chief Financial Officer, NSW Health to certify the accuracy of NSW Health's financial forecasts during the last quarter of the reporting year. The Ministry's certification relies on PHOs (excluding AHOs) accurately forecasting their expenditure, revenues, balance sheet movements and any gains and losses associated with the General Fund and the Restricted Financial Assets Fund. As a result, PHOs must certify the accuracy of their June 2022 forecasts submitted at the end of March 2022 on the template provided by the Ministry of Health.

## 2.3 Cash, Banking and Liquidity Management

### 2.3.1 Cash Management Requirements

- a. PHOs must ensure sufficient cash is available to service short term liabilities, such as direct debits, within the PHOs bank account whilst maintaining minimum cash buffer requirements.

Under current cash reforms it is expected that remaining payments (such as direct debits) from PHOs bank accounts will continue to transition to the NSW Health Creditors bank account minimising the need for PHO's to hold excess cash balances.

Cash balances will be continued to be monitored and excess cash will be regularly swept back to the Ministry of Health and made available to be allocated to the central payments bank accounts as required.

- b. Cash buffers will be reviewed and adjusted as required. Further information is in each LHD/SHN's State Outcome Budget Schedule. PHOs are required to be at their approved cash buffer at the close of business each Monday. Cash buffers are related to General Fund designated bank accounts only.
- c. All outgoing payments will be paid from HealthShare's central bank accounts for creditors and payroll. PHOs are to ensure invoices are available to pay within terms, not exceeding 30 days from the date of the invoice<sup>11</sup>. PHOs are not permitted to make creditor payments directly from their own bank account without prior approval from the Ministry. As payroll and creditors are paid, these amounts will be treated as a use of recurrent subsidy, reducing the PHOs remaining subsidy available.
- d. Whilst PHOs continue to receive proceeds from own source revenues in the PHO bank account, the reduction of payments from the PHO bank account will result in excess cash balances. As a result, the Ministry will regularly sweep this excess cash (in consultation with the PHO). This transfer will be treated as a reduction in recurrent subsidy received, increasing the PHOs remaining subsidy available.
- e. In order to ensure excess buffer sweeps can be calculated by the Ministry, PHOs must input accurate cash forecasts into the Cash Forecasting Tool as per the schedule issued annually.
- f. PHOs need to ensure sources of capital funds are managed and received in a timely manner. Where the capital funding has been utilised either from an RFA or an external source, PHOs must ensure that these proceeds are transferred to the General Fund bank account and will form part of the excess buffer sweep noted above and treated as a reduction in recurrent subsidy received.
- g. The payment of revenues, such as DVA, MVA, RAS and TACP, will continue to be a non-physical cash payment to the PHO. The revenue will be recognised in the PHOs accounts with a reduction in recurrent subsidy received (increasing the PHO remaining subsidy available).

### *2.3.2 Banking and Cash Facilities Requirements*

- a. PHOs are required to refer all requests related to operating bank accounts and payment facilities including opening and closing accounts, signatory or Corporate Online administrator changes, or new or changed payment facilities to the central banking function for approval, submission and liaison with the Contract Banking providers. This must be requested via the MOH-Banking email address - MOH-Banking@health.nsw.gov.au.

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<sup>11</sup> Whilst this is a benchmark, there is an expectation that creditors will be paid within contract or agreed terms based on valid invoices supported by approved purchase orders. Considering the Covid-19 pandemic NSW Treasury has enacted a Faster Payment Terms policy for all validated creditor invoices, reducing all creditors payments to zero terms. This is expected to continue during 21/22 with an end date yet to be determined by NSW Treasury.

- b. All bank accounts, financial accommodation and banking facilities held by PHOs must be categorised in line with NSW Treasury requirements, and compliance with the *Government Sector Finance Act 2018*.
- c. Any funds held with other banks or financial service providers including at call cash, term deposits and any type of investment must be transitioned to the Treasury Banking System (TBS) held with State Financial Service and Banking providers by 1 December 2021. PHOs can no longer withdraw funds from the TBS to invest General Funds or Restricted Fund Assets without Treasury exemption. All Treasury exemptions will be submitted via the Ministry Cash Management directorate.
- d. Approval for entering into financial arrangements such as investments, derivative arrangements (including foreign currency transactions) and borrowings are required to be arranged in line with Ministry policy and procedures and in compliance with the *Government Sector Finance Act 2018*.

### 2.3.3 Cash Flow Forecasting and Reporting Requirements

- a. PHOs are required to provide cash forecasting within the requirements of NSW Treasury Policy & Guideline *TPP10-2 Treasury Banking System Cash forecasting and banking arrangements* (or any updated requirements), for bank accounts held in the TBS. The forecast will be required to be entered into the State-wide Cash Flow Forecasting System.
- b. PHOs are required to provide to the Ministry of Health:
  - i. Detailed daily cash flow forecasts each month, for the following six months (or any other period required by Treasury), noting the total daily expected cash inflows and cash outflows using the State-wide Cash Forecasting System.
  - ii. State-wide Cash Forecasting System. Daily estimates reporting on the daily cash flow forecasts to actual cash flow must be completed using the State-wide Cash Forecasting System **by 10am each day**.
- c. To facilitate the automation of forecasting and variance reporting, PHOs are required to utilise the StaffLink Cash Management Module when reconciling their Cash at Bank.

### 2.3.3. Prudent Financial Practice

- a. It is the responsibility of the Directors of Finance to ensure that bank accounts are not operating in an overdraft position.

### 2.3.4 Availability and reporting of banking information

- 3 It is a Condition of Subsidy (Government Grants) that PHOs authorise NSW Treasury Corporation to make available to the Ministry of Health any information with respect to funds held in the name of, or provided to, the PHO for any purpose. This includes any transactional data, or financial arrangements.
- 4 It is a Condition of Subsidy (Government Grants) that PHOs authorise the Ministry of Health to request any information with respect to funds held in the name of the PHO for any banking institution they hold funds with, including any financial facilities.



- 5 Reporting of all reconciled balances for cash at bank will be required to ensure monitoring in compliance with NSW Treasury cash balance reporting. This includes 'restricted' and 'unrestricted' funds<sup>12</sup>.
- 6 Requests for information regarding bank accounts and cash held may be made by any one of the following authorised officers of the Ministry:
  - i. Secretary, NSW Health
  - ii. Deputy Secretary, Financial Services and Asset Management and Chief Financial Officer
  - iii. Executive Director System Financial Performance and Deputy Chief Financial Officer
  - iv. Director, Cash Management
  - v. Director, Financial Performance and Reporting

## **2.4 Efficiency Improvement Plan**

- a. PHOs are required to deliver and report to the Ministry of Health on strategies to improve financial sustainability in regard to productivity, revenue and expenses.
- b. Revenue improvement requirements are identified in State Outcome Budget Schedule of the Annual Service Agreement (or annual Performance Agreement for Statutory Health Corporations). As with prior years, these requirements should be incorporated into the PHO Efficiency Improvement Plans and reported through the RPM.
- c. The Expenses category represents the value of all saving measures required to deliver all service requirements. This should account for any underlying deficits carry forward from 2020/21, efficiency dividends and the impact of the marginal price and any activity benefits (as per State Outcome Budget Schedule) and strategic investment plans while achieving on budget performance. Strategies to address expenses may include improved management of staff and rosters as well as direct savings from procurement and other initiatives.
- d. PHOs in partnership with the Program Management Office and Ministry of Health Finance are required to develop efficiency improvement plans with sufficient value to meet the above requirements. The strategies are to be documented as roadmaps within the RPM tool.
- e. PHOs are required to monitor and report progress against these strategies as part of their monthly financial reporting processes.

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<sup>12</sup> The delineation between 'restricted' and 'unrestricted' funds refers to the NSW Treasury classification of cash held in specified accounts. For NSW Health, all funds held in Restricted Financial Assets and Custodial Trust Fund accounts are considered 'restricted'. Monies held in a General Fund account are considered 'unrestricted'.

## 2.5 Statutory Reporting and Audit Compliance

### 2.5.1 Statutory Reporting Timetable

PHOs are required to meet financial reporting deadlines set by the Ministry of Health for early close and 30 June 2022. The following timetable sets out the indicative key reporting dates:

Table 3: Financial Statements Timetable

Financial Statements Timetable <sup>13</sup>		
Action	Early Close	30 June 2022
Submit draft financial statements to Ministry of Health	8 April 2022	8 July 2022
Submit endorsed financial statements to the Audit Office	15 April 2022	15 July 2022

### 2.5.2 Certification of Financial Statements

- a. Directors of Finance must certify to the Ministry of Health and their Chief Executive an expression of opinion as to the effectiveness of internal controls over financial information, based on the design, implementation and operation of internal control systems over the entity's financial information.
- b. The Ministry of Health will issue a health specific questionnaire and accompanying schedules and certification templates prepared in accordance with TPP17-06 Certifying the Effectiveness of Internal Controls over Financial Information (May 2017).
- c. The questionnaire and signed certification are due to the Ministry of Health no later than 1 August 2022<sup>14</sup>.

### 2.5.3 Audit compliance

- a. Chief Executives are to ensure they have processes and governance arrangements in place to ensure there are no material misstatements or errors in the annual financial statements of their reporting entity.
- b. The Audit Office issues Management Letters to PHOs and makes recommendations in its Auditor-General Report to Parliament on areas it considers requires improvement.
- c. All PHOs need to respond to the audit management letters in a timely manner, responding to the matters raised and where required, putting measures to improve processes and practices. PHOs should also track performance against Auditor-General Report Recommendations made to parliament where applicable. The Ministry of Health will request for status reports occasionally and these should be provided in

<sup>13</sup> Dates subject to change following release of NSW Treasury Circular related to Mandatory Early Close Reporting Procedures early in January 2022.

<sup>14</sup> Date subject to confirmation by NSW Treasury.

a timely manner. The Ministry of Health also requires copies of the audit management letters and management responses to be provided to the Ministry of Health by 29 October 2022.

- d. Local Audit and Risk Committees should review matters raised by auditors and establish processes to satisfy themselves that action is being taken to rectify issues raised by the auditors. Repeat issues should be avoided. Status reports should be provided to the Local Audit and Risk Committees until the matter is resolved to the auditor's satisfaction.
- e. The Audit Office issues Statutory Audit Reports and Client Service Reports each year and provides each PHO with a list of unadjusted errors. PHOs must provide these reports to the Ministry of Health by 10 September 2022.

## **2.6 Own Source Revenue**

- a. It is the responsibility of PHO Chief Executives to ensure that billing practices comply with the laws, policies and other requirements of the NSW and Commonwealth Governments.
- b. Receipts of all activities of PHOs subject to the provisions of the Accounts and Audit Determination are to be accounted for through the General Fund unless scheduled as Restricted Financial Assets Fund.
- c. Chief Executives must also ensure that the PHO makes no payments to visiting medical officers or staff specialists in breach of section 19(2) of the Health Insurance Act 1973.
- d. Directors of Finance are also responsible for ensuring the LHD or SHN provides a suitable representative to all state-wide Revenue groups and meetings, including the State-wide Revenue Strategies Committee (SRSC) and Revenue Operations Forum.
- e. LHDs and SHNs are strongly encouraged to fully utilise the tools developed and supported by the Ministry of Health to maximise own source revenue, including the Revenue Portal and Revenue Website. LHD Directors of Finance must ensure that the Clinician Billing Portal is made available to staff specialists and visiting medical officers.
- f. PHO Directors of Finance are responsible for ensuring that, upon written request from the Ministry of Health's Director, Revenue and Insurance, nominated Ministry of Health staff are granted full access to patient billing systems, including PBRC and Platypus 2, for the purpose of developing and supporting state-wide tools and assisting PHO staff to resolve billing, data and Health Fund issues arising from time-to-time.
- g. Although comprehensive access is required, Ministry of Health staff with access will not be permitted to edit, correct or in any way change any aspect of the system or its data.

## SECTION 3 OTHER FINANCIAL INFORMATION

### 3.1 Government Grants and Other Revenue Payments by the Ministry

- a. Government Grants are paid weekly or monthly per existing timetables. All subsidy support paid as Government Grants are received to accounts A425010 (Recurrent) and A425050 (Capital). This includes the following categories:

Table 4: Government Grant Categories

<b>National Health Funding Pool</b>	Funds relate to the ABF activity undertaken by PHOs included in the annual Service Agreements
<b>State Managed Fund</b>	Funds relate to in-year block funding to the PHO defined in the <i>National Health Reform Agreement</i> , subject to review and consensus between NSW as the State Manager and the Commonwealth, as per the Service Agreement.
<b>Ministry of Health – State Pool</b>	Funds relate to all other services provided by the PHO, as per the Service Agreement.

- b. PHOs must ensure that Government Grants are recorded in the general ledger account A425010 and reconcile to the monthly Government Grant (Subsidy) Cash Payment Sheet and the local receipt of funds. A statement attesting to this reconciliation must be included in the monthly narrative report submitted to the Ministry of Health.
- c. Disbursement of funds will continue to reflect necessary fund transfers to internal service providers as part of the whole of health fund management functions. This includes provision of specific fee for services (e.g. linen, pathology and transactional services) or whole of health payment services (e.g. creditors, payroll, electricity, TMF) which will continue to be managed by the relevant Health entity (e.g. HealthShare NSW, eHealth NSW, Ministry of Health) in co-operation and agreement with the PHO.
- d. PHOs wishing to use these fund management arrangements to transact business unit charges between PHOs and other reporting entities (e.g. Pillars) should first discuss the process with the Ministry of Health to ensure appropriate practices are established and agreements with relevant entities are formalised.
- e. The payment of revenues, such as DVA, MVA, RAS and TACP, continue to no longer result in a physical cash payment to the PHO. The revenue will be recognised in the PHOs accounts with a reduction in recurrent subsidy received (increasing the PHO remaining subsidy available).
- f. The Ministry of Health has moved away from providing prior year “wash-ups” for these revenue streams and as such PHO’s are required to work with the Ministry of Health in identifying actual activity in year to ensure the appropriate subsidy allocation is provided to PHO’s.

### **3.2 Escalation Requirements**

- a. NSW Health receives growth funding each year from NSW Treasury, which is used to fund:
  - i. System escalation
  - ii. Activity growth
  - iii. New initiatives and election commitments
- b. The 2021/22 Technical Budget Notes, accompanying the 2021/22 Service Agreements, contain further details on expenditure and own source revenue escalations.
- c. It is a Condition of Subsidy (Government Grant)
  - i. that budget allocated by PHOs for services purchased from NSW Health Pathology, eHealth NSW and HealthShare NSW agree with the volume and pricing advice provided by these entities (and, therefore, with the budgets allocated to PHOs for this purpose).
  - ii. that PHOs escalate NGO budgets by the applied escalation rate (to be advised)

### **3.3 Recoupment of On-costs relating to Seconded Staff**

- a. PHOs may recoup on-costs related to the secondment of staff at the rate of 19.0 per cent of the actual employee related cost.
- b. This rate has been determined on the following basis:
  - i. Annual leave expense at the rate of 7.7 per cent
  - ii. Superannuation at the rate of 10.0 per cent
  - iii. Workers Compensation at the rate of 1.3 per cent.
- c. Long service leave expense is not to be recovered as it is funded by the Crown finance entity.

### **3.4 Administrative Charges**

- a. PHOs may levy an administrative charge to recover costs associated with:
  - i. The support of projects and programs funded by the Ministry of Health
  - ii. The management of Restricted Financial Assets
  - iii. The recouping of seconded employee costs and on-costs.
- b. PHOs are to ensure:
  - i. The overhead charge is commensurate with the marginal cost of providing the support
  - ii. The overhead charge is determined in a transparent manner (based upon an estimate of actual effort required)

- iii. The overhead charge applied to funding is communicated to the budget holder in a timely manner
  - iv. The overhead charge applied to Restricted Financial Assets is transferred as an expense offset to the General Fund.
- c. In recouping overheads, the maximum rate to be applied is 7.5 per cent.

### **3.5 Procurement**

#### *3.5.1 Purchase Order Compliance*

- a. It is a requirement that purchase orders be used for the procurement of specific general goods and services. Compliance with this requirement is monitored by HealthShare NSW and reported monthly for defined service categories.
- b. Where non-purchase order invoices are unavoidable, PHOs must utilise HealthShare's invoice scanning system to load and reroute the invoice in Stafflink to gain the appropriate PHO approvals as per the PHOs delegation manual.
- c. HealthShare may charge PHOs an additional fee per invoice for non-purchase order invoices requiring manual processing, where PHOs have not established the required resources and processes to enable the rerouting of non-purchase order invoices in Stafflink.
- d. Purchase orders are not to be raised against other NSW Health entities, as all inter-entity charges are to be managed via the AGIS system

#### *3.5.2 Procurement Cards (PCards)*

- a. Compliance is required with any condition or limitation contained in Directives issued by the Treasurer or NSW Treasury or the Secretary of Health or NSW Health.
- b. The current relevant Directives are:
  - i. Treasury Circular *TC21-01 NSW Payments Digital Reform – Digital Payment Adoption*
  - ii. Treasury Policy & Guideline *TPP21-02 Use and Management of NSW Govt Purchasing Cards*
  - iii. NSW Health Policy Determination *PD2016\_005 Application and Use of Procurement Cards (PCards) within NSW Health*
- c. Treasury Circular TC21-01 mandates that PCards must be adopted, where viable, for transactions up to \$10,000 where payments are low value, ad-hoc or irregular in nature.
- d. Under PD2016\_005, Chief Executives of PHOs are responsible for:
  - i. Ensuring that purchasing guidelines and procedures are in place to support implementation and use of PCards within their organisation and that the guidelines and procedures are consistent with the Directive.

- ii. Determining those roles within the organisation authorised to be issued with a P-Card including that they hold appropriate delegation and undertake functions requiring the use of a PCard.
- iii. Ensuring P-Cards are used according to the conditions and requirements of the Directive.
- iv. Developing an annual audit program of P-Cards in accordance with Section 1.6.4 of the Directive.

### **3.6 Debtors**

- a. The recovery of debt from third parties is a matter of high priority.
- b. Recovery of outstanding patient fees must be actioned at 30 days, 45 days and 60 days using reminder letters and final notices for recovery.
- c. Strategies must be put in place to minimise doubtful and bad debts, including adherence to the Ministry of Health's policy on securing fees for service and the reporting of debtors' written off to the PHO's Finance and Performance Committee each quarter.
- d. Directors of Finance are responsible for implementing payment processes to support debt recovery and further reduce transaction processing time.

### **3.7 Accumulated Annual Leave**

- a. PHOs must ensure that employees take a reasonable amount of annual leave each year. Measures must be put in place to continuously reduce excess leave balances in order to ensure compliance with NSW Government Policy, the Annual Holiday Act 1944 and the Industrial Relations Act 1996. Excessive leave entitlements adversely impact the organisation because it is paid at the rate of pay when the leave is taken or paid out, not the time at which it was accrued. It can also have adverse effects on employee wellbeing and productivity.
- b. The monetary value of annual leave strategies agreed with the Ministry of Health's Workforce and Planning Branch must be communicated to the Ministry of Health's Finance Branch no later than 14 August 2021. NSW Treasury as part of TC15-01 Cash Management – Expanding the Scope of the Treasury Banking System has communicated a readiness to provide cash support for reductions in annual leave provisions, in approved circumstances.

### **3.8 Allocated Days OFF (ADOs)**

- a. PHOs must ensure that employees do not accrue ADOs in excess of three (3) days. Measures must be put in place to continuously reduce ADO balances in order to comply with NSW Government Policy.

### **3.9 Taxation and Superannuation**

- a. PHOs are responsible for ensuring GST is appropriately coded for all financial transactions for reporting on the Business Activity Statements (BAS). PHOs are also

responsible for ensuring the accurate reporting of all fringe benefits provided to NSW Health employees for the preparation of the annual Fringe Benefit Tax (FBT) Return.

- b. The Ministry of Health provides Health entities with policy directives, tax law interpretation and technical support for all taxation and superannuation issues. The Ministry of Health also provides guidance on management of risk. The Ministry of Health has overarching responsibility to manage taxation and superannuation risk for NSW Health. Training manuals and other supporting materials can be found on the NSW Health Intranet site.
- c. Chief Executives must ensure that appropriately qualified staff oversee the taxation function, particularly in relation to the NSW Health Salary Packaging Policy and Procedures Manual and compliance with FBT legislation as it relates to the salary packaging function. In undertaking this function, PHOs must nominate a suitably qualified representative to attend all tax forums and training days run by the Ministry of Health. The nominated tax representative is responsible for ensuring their PHO is compliant with the directives issued by the Ministry of Health.
- d. Chief Executives must also ensure that, where the administration of salary packaging is outsourced to an external provider, the PHO has clearly identified and appropriately experienced staff to manage the contract with the external provider and ensure compliance with the NSW Health Salary Packaging Policy and Procedures Manual.
- e. It is a Condition of Subsidy (Government Grants) that all private rulings to the ATO in relation to any PHO are prepared and lodged by the Ministry of Health.
- f. Chief Executives are required as part of governance controls to ensure compliance with PD2015\_043 Enterprise-Wide Risk Management Policy and Framework and include an annual review of tax compliance in the Internal Audit Program. Chief Executives must notify the Ministry of Health immediately of taxation risks added to the Enterprise Risk Register.
- g. It is also a Condition of Subsidy (Government Grants) that PHOs follow the Ministry of Health's protocol for ATO reviews and audits. The Ministry of Health should be notified as soon as practicable of all ATO reviews and audits. The Ministry of Health will provide guidance in managing this process.

### **3.10 Restricted Financial Assets and Custodial Trust Funds**

- a. PHOs (excluding AHOs) are required to use the electronic registry for Custodial Trust Funds and Restricted Financial Assets (eCTRA) to ensure standardised management and recording practices in relation to restricted assets.
- b. In managing these funds, Health entities must ensure that effective processes are implemented to monitor and maintain relevant cost centres within eCTRA and identify alternative uses should it become unlikely that remaining funds can be expended on activities related to its initial purpose. Health entities should refer to '*A Guide to Restricted Financial Assets and Custodial Trust Funds*' and at all times ensure compliance with relevant legislation and policy.



- c. Ensure that Restricted Financial Asset (RFA) Fund forecasts and budgets in-year align with forecast income and expenditure held in the eCTRA system.
- d. PHOs must ensure that the following classes of revenue and assets are held and appropriately recorded in the Restricted Financial Assets Fund:
  - i. Grants or any other funds designated by the Deputy Secretary Financial Services and Asset Management and Chief Financial Officer, NSW Health as being Restricted Financial Assets
  - ii. Donations, gifts, legacies and bequests, other than those required to be credited to the General Fund
  - iii. Public Contributions Fund
  - iv. Clinical/Drug trials that are funded in advance through a grant by a third party
  - v. Commonwealth Health Program Grants (HPGs)
  - vi. Samaritan Fund
  - vii. Proceeds of charitable fundraising by the PHO
  - viii. Research, project and other grants from external third parties that are not allocated to the PHO by the Ministry (not to include use of General Fund payments from other NSW Health reporting entities)
  - ix. Salaried staff specialist private practice funds under an approved right of private practice arrangement
  - x. Interest earned on the above, appropriately apportioned and credited to applicable accounts
  - xi. Capital Equipment Replacement Fund for designated PHO entities
  - xii. Revenue earned under the Improving Access to Primary Care in Rural and Remote Areas Initiative (also known as the 'COAG s19(2) Exemptions').

### *3.10.1 Capital Asset-Fund (for designated Business Unit Entities)*

- a. For nominated Business Unit entities (namely, NSW Health Pathology, HealthShare and eHealth), that incorporate as part of their business model, a charge for capital assets in their pricing methodologies with respect to external customers (including LHDs/SHNs and other organisations external to NSW Health), they are to establish a designated Restricted Financial Assets Fund for the purpose of accumulating such component charges, on an annual basis, as a source of funds for future capital purchases. Any funds accumulated in the RFA bank account established for this purpose must be directly traceable to the Business entities' charging methodology and billing records and must provide for a forward (three year) capital budget forecast that aligns with estimated use of Locally Funded Initiative capital programs.

### *3.10.2 Funds designated as Restricted Financial Assets by the CFO of NSW Health*

- a. From time to time, the Deputy Secretary Finance and Asset Management and Chief Financial Officer, NSW Health may approve the establishment of a Restricted Financial Assets Fund by a PHO for a specified purpose other than those listed above. Where this occurs, PHOs are to ensure that the designated funds are held and used in

accordance with the purpose and period of time specified by the Deputy Secretary Financial Services and Asset Management and Chief Financial Officer, NSW Health.

### *3.10.3 Public Contributions Fund*

- a. Any donation, gift, legacy or bequest that does not contain any conditions as to its use must be credited to an account within the Restricted Financial Assets Fund entitled "Public Contributions Account".

### *3.10.4 Clinical Drug Trials*

- a. Restricted Financial Assets Fund cost centres may only be established for clinical/drug trials meeting the following criteria:
  - i. The research is funded in advance through a grant from a third party,
  - ii. The trial meets the World Health Organisation's<sup>15</sup> definition of a clinical trial as "any research study that prospectively assigns human participants or groups of humans to one or more health-related interventions to evaluate the effects on health outcomes", and
  - iii. The trial is approved in line with the National Health and Medical Research Council requirements as published at the time the trial cost centre is established in the Restricted Financial Assets Fund.

### *3.10.5 Commonwealth Health Program Grant (HPG) Funds*

- a. The Commonwealth Government Radiation and Oncology Health Program Grants Scheme provides a funding contribution to approved providers towards the capital cost of eligible high-cost equipment used in the delivery of radiation therapy.
- b. Eligible PHOs must establish a Restricted Financial Assets Fund cost centre for the purpose of accumulating funds received from the Commonwealth under this Scheme, to be used towards the future purchase of eligible radiation therapy equipment.

## **3.11 Capital Works Program**

### *3.11.1 Specific Budget Provisions*

- a. After taking the prior year's final expenditure into consideration, each PHO should review their capital project allocations for the reporting year and cash requirements for the three forward estimate years. Any proposed adjustments to existing project allocations (including rollovers) must be formally requested by submitting a budget variation form and be accommodated from within each individual project's Estimated Total Cost (ETC) and NSW Health's overall Capital Expenditure Authorisation Limit.
- b. All new projects or changes in scope must be reviewed and approved through the Facility Planning Process. The Ministry of Health will not approve requests which seek retrospective approvals for completed new projects/increase scope which did not follow the Facility Planning Process. Therefore, it is imperative that all new

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<sup>15</sup> [https://www.who.int/topics/clinical\\_trials/en/](https://www.who.int/topics/clinical_trials/en/)

works/scope variation requests are submitted and approved by the Ministry of Health prior to the commencement of future new works or the equipment purchases above the value of \$250,000.

### *3.11.2 Capital Subsidy Payments by the Ministry of Health*

- a. Health Entity's creditor payments (including capital related invoices) will be processed by HealthShare on each working day of the week and paid from a central NSW Health Creditors bank account. The value of the capital creditor payments will be recovered from Health Entity's recurrent subsidy for the month in arrears.
- b. Capital subsidy drawdowns will not result in a physical transfer of cash but will result in the recognition of capital subsidy and a reduction in recurrent subsidy received (increasing the PHO remaining subsidy available).
- c. Health entities must ensure that Capital Subsidy payments are recorded in the General Ledger Account Number A425050 and the capital project code in which the Ministry of Health processed the payment. No portion of the capital subsidy may be used for purposes other than the capital project for which the subsidy was paid.
- d. The Ministry will only authorise the release of capital subsidy to a PHO where the capital expenditure is correctly coded against a capital project code and the appropriate expenditure GL account codes. The value of subsidy released by the Ministry will be determined using YTD capital expenditure recorded appropriately in Corporate Analytics and will not exceed the total capital subsidy budget available for the project over its lifetime.

### *3.11.3 Changes to the Capital Limit*

- a. Changes to the capital limit creates an opportunity to optimise the greater use of local funds (e.g. RFAs) where it can be demonstrated the PHO has sufficient cash available. Requests to use these funds should be made to both [MOH-SCPU@health.nsw.gov.au](mailto:MOH-SCPU@health.nsw.gov.au) and [MOH-CapitalReporting@health.nsw.gov.au](mailto:MOH-CapitalReporting@health.nsw.gov.au) for LFI projects > \$250,000 and to the Deputy Secretary Finance and Asset Management and Chief Financial Officer, NSW Health for the Minor Works and Equipment > \$10,000 Program. The Ministry of Health will endeavour to provide a quick turnaround in the approval of these requests.

### *3.11.4 Locally Funded Initiatives > \$250,000*

- a. Locally Funded Initiatives exceeding \$250,000 are projects which involve the use of locally sourced PHO funds for use on capital works. The nature of the expenditure may include new or refurbished buildings, fit out, infrastructure or equipment to support local service delivery priorities. PHO funding sources may include bequests, donations, grants and other Restricted Assets Funds that are held as cash at bank or, in some cases, proceeds realised from asset sales per the Real Property Disposal Policy (PD2012\_039).

### *3.11.5 Minor Works and Equipment > \$10,000 Program*

- a. This program includes expenditure on all items of minor works and equipment which are capital in nature, as determined by the definition of an asset by Australian Accounting Standards, and where total cost is less than \$250,000. The allocation must be fully expended within the financial year it is provided.
- b. The methodology used to determine the budget distribution for the “Minor Works and Equipment exceeding \$10,000 Program” was recalculated for the 2021/22 financial year using the fair value of plant and equipment assets from the audited financial statements for the year ended 30 June 2020 with the balance of capital RFAs as at the 31<sup>th</sup> March 2021 used to allocate the funding split between capital subsidy and locally funded. The base will remain effective for one year where the Ministry of Health will review the distribution process following the submission of the Asset Management Plans by Health Entities in July 2021.
- c. Local contributions towards the Program remain uncapped. Requests for an increase in the use of local fund contributions should be made in writing to the Deputy Secretary Finance and Asset Management and Chief Financial Officer, NSW Health for approval and recognition in Corporate Analytics.

#### *3.11.6 Major Capital Investment Proposals*

- a. A new approach to capital investment planning commenced in 2021 to replace the former Asset Strategic Plan (ASP) process.
- b. Capital Investment Planning meetings will be scheduled with each health entity to discuss local investment planning, forming ‘Stage 0’ of the NSW Health Facility Planning Process.
- c. Health entities may submit Capital Investment Proposals to the Ministry of Health to be assessed and prioritised against the three strategic alignment tests in the State-wide Investment and Prioritisation Framework. Investment Proposals may then be eligible for funding consideration as part of the Ministry’s 10 Year Capital Investment Strategic Plan (CISP).

### 3.11.7 Capital Key Dates

Table 5: Capital Key Dates

Major Capital Milestones		
Action	Who	Date
2021/22 Capital Works Program Initial Budget Allocation Letter issued and processed	Ministry	Late June 2021
Rollover confirmation template issued	Ministry	Mid-Late July 2021
Rollover confirmations returns due	Health Services	Early August 2021
2021/22 Mid-Year Review Return due	Health Services	Late Jan 2022
2021/22 Final budget variation requests due <sup>16</sup>	Health Services	25 <sup>th</sup> March 2022
Invitation to submit 2022 Capital Investment Proposals	Ministry	Feb 2022
2022 Capital Investment Planning meetings	Ministry & Health Services	Mar-Apr 2022
2022 Capital Investment Proposals due to inform the 2023/24 budget	Health Services	Jun 2022
2021/22 LFI Submissions due	Health Services	11 <sup>th</sup> June 2021
Late 2021/22 LFI Submissions due (for Treasury mid-year review)*	Health Services	27 <sup>th</sup> Aug 2021
Critical 2021/22 LFI Submissions for urgent works due*	Health Services	April 2022
Invitation to submit new Locally Funded Initiatives (LFI) Projects requests for commencement in 2022/23	Ministry	April 2022
2022/23 New LFI Submissions due*	Health Services	TBA

\*LFI submissions received outside of these timeframes may experience delays in review and processing.

<sup>16</sup> The due date for budget variation requests has been brought forward to March in line with NSW Treasury requirements for final capital carry forward in Period 9 (March) reporting,

## SECTION 4 ASSET MANAGEMENT

### 4.1 Maintenance of Assets

- a. Maintenance of Assets – Use of AFM Online
- b. It is a Condition of Subsidy (Government Grants) for PHOs that assets are maintained as per statutory requirements and as set out in policy directives and procedure manuals issued by the Minister, the Secretary, NSW Health and the Ministry of Health.
- c. To support the maintenance of assets, it is a Condition of Subsidy for LHDs and SHNs to continue to implement the AFM Online software system for asset maintenance in accordance with the Whole of Government Asset Management Policy TPP 19-07 implementation program being rolled out by NSW Health.
- d. Regular updates on implementation schedules and progress will be provided to the Deputy Secretary Finance and Asset Management and Chief Financial Officer, NSW Health by the Director Asset Management, NSW Health. Documentation of AFM Online migration plans is further required as part of the local Asset Management Framework Implementation Plan, to be updated annually.

### 4.2 Leased Assets

- a. All LHDs and SHNs are to record and account for all leased assets using AFM Online Software. AFM Online has been configured so it meets the requirements of AASB 16 Leases. With all leases being loaded onto a central location it will allow PHOs and the Ministry of Health to be more strategic with asset purchases and leases.
- b. Lease data is managed centrally via the mandated statewide Shared Services Lease Data Hub. LHDs and SHNs must refer new leases and requests for lease data modification to the Lease Data Hub for action.

### 4.3 Strategic Asset Management Plans and Asset Management Plans

- a. PHOs are responsible for developing, maintaining and progressively improving their local Strategic Asset Management Plans (SAMPs) and Asset Management Plans (AMPs). These artefacts are required to be revised and submitted annually to the Ministry of Health.
- b. SAMPs and AMPs provide input into the development of the NSW Health Cluster Agency Strategic Asset Management Plan and Asset Management Plan, including information on current and future capital investment priorities, asset maintenance and asset disposals. The PHO's SAMP and AMP should identify any potential asset gaps, maintenance requirements, critical works and asset disposals necessary to support the ongoing delivery of services in the PHO and optimising use of local funds.
- c. The PHO's SAMPs and AMPs must be supported by robust and comprehensive service and strategic plans to support the need for capital investment to achieve service development priorities, and proposed changes in the local approach to health care.

Importantly there will also be a need to develop the capital investment proposals (see 3.11.6) which should:

- i. Reflect the PHO's prioritisation of proposed asset investments
  - ii. Align with the long-term statewide directions in the 20-year Health Infrastructure Strategy
  - iii. Clearly describe the benefit of the investment and health outcomes expected
  - iv. Demonstrate a consideration of a range of procurement options, including non-asset solutions.
- d. Strategic Reform and Planning Branch, Financial Services and Asset Management Division and Health Infrastructure are available to provide guidance to individual PHOs in the development of this plan.

#### **4.4 Asset Revenue**

- a. Real property assets are only held by government when required, and in the form necessary, to support core government service provision (including holding and maintaining State strategic assets). Real property assets which do not meet this test should be relinquished or realised and the unlocked capital and potential savings put to alternate use, with a priority given to maintaining, improving and extending real property assets that are core to current or future service delivery.
- b. Asset sale revenue should be managed to optimise revenue to support capital works and locally funded works. Any variation in targeted asset sale revenue receipts and in asset sale revenues tied to capital projects, when known, should be immediately advised to the Deputy Secretary Finance and Asset Management and Chief Financial Officer, NSW Health.

## Appendix A – Major Milestones – 2021/22

Due date	Description
30 July 2022	Budget information available on notice boards using the Budget Templates provided in Appendices B and C.
18 March 2022	Submit forward estimates and information schedules to the Ministry of Health
April 2022	Submit Certification of full year forecasts on the template provided by the Ministry of Health
April 2022	Certify as to the accuracy, in all material respects, of the 2021/22 forecasts year-to-date and predicted June result as submitted at the end of March 2022
8 April 2022	Cut off for submission of annualised budget supplementations to the Ministry of Health
8 April 2022	Submit early close Financial Statements to Ministry of Health for Consolidation of Ministry of Health Financial Statements
8 July 2022	Submit year-end statements to Ministry for Consolidation of Ministry of Health Financial Statements
1 August 2022	Submit certification of the effectiveness of internal controls over financial information to the Ministry of Health



## Appendix B – Budget Notice Template 2021/22

Insert LHD Logo here

**xxx District/Hospital**

The following information is provided in respect to the budget and activity requirements for the financial year 2021-2022. The budget represents the initial allocation and may be subject to change as the year progresses.

**INITIAL BUDGET ALLOCATION FINANCIAL YEAR 2021-2022**

2021-2022 BUDGET ALLOCATION

	('000)
Keeping people healthy through prevention and health promotion People can access care in 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	\$0
Provision for Specific Initiatives	\$0
Restricted Financial Asset Expenses	\$0
Depreciation (General Funds only)	\$0
<b>Total Expenses</b>	<b>\$0</b>
<b>Revenue</b>	<b>\$0</b>
<b>Net Result</b>	<b>\$0</b>
State Price	\$0

**ACTIVITY TARGETS 2021-2022**

	Target Volume (NWAU21)
Acute	0
Drug & Alcohol	0
ED	0
Mental Health	0
Non Admitted Patients	0
Sub-Acute Services - Admitted	0
<b>Total</b>	<b>0</b>

<b>FTE BUDGET 2021-2022</b>	
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This schedule represents the NSW Treasury's transition to Outcome Budgeting (TPP 18-09) and aligns to the *NSW Health Business Plan 2019-20 to 2022-23*. The NSW Treasury Outcome Budgeting initiative intends to transform the way budget decisions are made, and resources are managed in the NSW public sector. The initiative aims to shift the focus of the NSW Government to deliver better outcomes for the people of NSW (TPP 18-09).

As this transition will take place across several years, figures listed in this schedule are currently unable to accurately be carried through from LHD/SHN budgets to each facility. Some facility figures will therefore be consolidated at a LHD/SHN level with investment allocation managed locally.

Figures included in this schedule do not include 2021-2022 stimulus funding in response to the COVID-19 pandemic.

