

# Budget Explanatory Notes

## South Eastern Sydney Local Health District



Health



# South Eastern Sydney LHD

The Budget Explanatory Notes have been prepared to assist your finance department to unpack the overall budget for 2020/21, including Expenditure, Own Sourced Revenue, Balance Sheet Movements and Government Contributions.

Through-out the 2019/20 financial year, the Ministry has reviewed and realigned various budget lines, including:

- Intra-Health Realignment
- Balance Sheet Movement Realignment
- Depreciation Expense and Provision Realignment
- Long Service Leave Expense and Crown Acceptance Realignment

The Ministry is committed to providing a fair and robust budget process and will continue to improve processes via further review, creation of additional “cash classes” ensuring budget allocations are used for their intended purpose(s), and providing various mechanisms for health entities to request budget reviews where appropriate.

## Expenditure

The interim initial budget allocation for your Health Entity is \$893,083,631 for 2020/21, representing an increase of \$2,328,740 (0.26%) compared to your annualised budget as indicated in the State Outcome Budget Schedule within the 2020-21 Interim Service Agreement.

The increase in expenditure is broken down into three areas:

- Escalation
- Other Initiatives & Priorities (including procurement savings)

### BUDGET SNAPSHOT

2020/21 Initial Budget Allocation

**\$893,083,631**

An increase of

**\$2,328,740**

**0.26%**

*Row K of your State Outcome  
Budget Schedule Part 2*

**TOTAL BUDGET INCREASE \$2,328,740**

Escalation <sup>1</sup> \$2,843,034

Other Initiatives & Priorities <sup>2</sup> \$ -514,294

*The values within this section relate only to General Fund, so when comparing to your State Outcome Budget Schedule, you will need to exclude Restricted Financial Assets noted in row L.*

## Escalation

The 2020/21 budget includes a state average efficient escalation factor on budgeted G&S expenditure and 0% on funded Employee Related expenditure, excluding non-escalated items. National Partnership Agreement items of expenditure are not escalated (and generally relate to expenditure sourced from Commonwealth funds). Depreciation and RFAs are subjected to a separate in year review. Items for specific escalation are noted in the table below.

The composite escalation rate for your organisation is 0.32%, calculated as follows:

				Budget Ref
<b>2020/21 annualised expenditure base</b>	<b>\$ 890,754,890</b>		A	
<b>Less specific items:</b>				
2020/21 Blood & Blood Products	\$ 4,966,731		B	
2020/21 Aeromedical	\$ 0			
2020/21 Electricity	\$ 5,469,583			
2020/21 NGOs	\$ 6,110,068			
<b>TOTAL 2020/21 annualised expenditure base (excl. Specific Items)</b>	<b>\$ 874,208,508</b>		C	A - B
Less: Non escalated expenditure items	\$ 90,569,448		D	
<b>Escalatable expenditure base for 2020/21 (excl. Specific Items)</b>	<b>\$ 783,639,059</b>		E	C - D
<b>General escalation (excl. specific items)</b>	<b>\$ 1,995,253</b>	✓	F	IB21-001
<b>Add specific item escalations:</b>				
Electricity (adjustment to 1.6%)	\$ 87,356	✓	G	IB21-001
Blood & Blood Products (adjustment to 4%)	\$ 198,670	✓		IB21-001
Aeromedical (adjustment to 4%)	\$ 0	✓		IB21-001
Non-Government Organisations (adjustment to 0%)	\$ 0	✓		IB21-001
Intra-Health Adjustment - Escalations	\$ 561,756	✓		IB21-002 to IB21-003
<b>Total composite escalation (\$)</b>	<b>\$ 2,843,034</b>	<b>1</b>	H	F + G
<b>Escalated expenditure base for 2020/21 (incl. Specific Items)</b>	<b>\$ 893,597,924</b>		I	A + H
<b>Total composite escalation rate (%)</b>	<b>0.32%</b>		J	H / A

✓ Indicates the adjustment has been annualised

### **Please Note:**

Escalation is not shown separately in the State Outcome Budget Schedule, it forms part of the total expenditure increase noted in Row E of Part 1.

It is a Condition of Subsidy (Government Grant) that the budget for Health Entities allocated for services purchased from NSW Health Pathology, eHealth NSW and HealthShare NSW must agree with the pricing advice provided by these entities (and, therefore, with the budgets allocated to Health Entities for this purpose).

## Activity, Growth, Savings, Other Initiatives & Priorities

Activity & Growth		\$ 0
Procurement Savings		\$ -1,934,880
Other Initiatives & Priorities		\$ 1,420,586
<b>Total</b>	<b>2</b>	<b>\$ -514,294</b>

### Procurement Savings

The interim budget includes a Procurement Savings target equating to 0.23% of the below calculated expense budget.

The savings target has been annualised and has been separately noted in State Outcome Budget Schedule

2020/21 Initial Expense Budget Excluding Depreciation	\$ 851,253,494
Less Specific Contracted Services	\$ 0
<b>2020/21 Adjusted Expense Budget</b>	<b>\$ 851,253,494</b>
Rate (%)	0.23%

Procurement Savings	\$ -1,934,880	✓	IB21-050
<b>Total Savings &amp; Efficiencies</b>	<b>\$ -1,934,880</b>		<b>Budget Ref</b>

✓ Indicates the adjustment has been annualised

### Procurement Savings

HealthShare NSW Procurement will arrange to meet with your Health Entities executive to present the procurement savings plan for 2020/21. The savings targets are calculated across each procurement category. The savings targets will be split equitably across all NSW Health Organisations based on percentage of spend in each category.

*For further information, please contact:*

*Michael Gendy, Chief Procurement Officer, NSW Ministry of Health*

### Efficiency dividends 2020-21

Efficiency dividends have not been allocated in the interim budget allocation and will be considered upon completion of the NSW Treasury budget.

*For further information, please contact:*

*Alfa D'Amato, Executive Director, System Financial performance & Deputy Chief Financial Officer, NSW Ministry of Health*

## Other Initiatives & Priorities

A number of new initiatives and priorities have been included in your 2020/21 budget allocation and are reflected in your State Outcome Budget Schedule. Election commitments not funded within Growth and Activity will appear in the section.

Assistant in Medicine Positions	\$ 195,506			N-IB21-062
Affordable IVF Clinics	\$ 553,080			N-IB21-064
Dental National Partnership Agreement	\$ 672,000			N-IB21-083
<b>Total Appearing in State Outcome Budget Schedule</b>	<b>\$ 1,420,586</b>			

✓ Indicates the adjustment has been annualised

\* Total Provision for Specific Initiatives are shown separately in your State Outcome Budget Schedule Part 1 as Row B

### Assistant in Medicine Positions

The assistants in medicine positions have been established to supplement the junior medical officer workforce as part of the COVID-19 medical surge workforce planning. Districts will be required to report on positions filled and participate in the evaluation of the role.

*For further information, please contact:*

*Linda Macpherson, Medical Advisor, Workforce Planning and Talent Development, Ministry of Health.*

### Affordable IVF Clinics

The NSW Government has committed to improving the access and affordability of IVF services across NSW. The four-year commitment will expand availability of Government supported IVF clinics to provide lower cost IVF for around 6000 women and establish the first dedicated state-wide fertility preservation service for cancer patients.

*For further information, please contact:*

*Sarah Morton, Director Integrated Service Response, Health And Social Policy, Ministry of Health.*

## Intra-Health Escalation and Growth

Increases in Intra-Health budgets are normally calculated using a combination of price and volume increases. Increases in price are reflected as Intra-Health escalation, whereas increases in volumes are reflected from growth funding.

The Interim budget for 2020/21 will only reflect a price increase. It is expected that the final 2020/21 budget will consider volume adjustments. Details below:

FY21 IntraHealth Base Budget – Un-escalated	\$ 71,260,074		
Price increase funded from Escalation & Other	\$ 561,756	✓	IB21-002, IB21-003
Volume increase funded from Growth – FY21	\$ 0		
<b>Total FY21 IntraHealth Budget</b>	<b>\$ 71,821,830</b>		

✓ Indicates the adjustment has been annualised

### Breakdown via Intra-Health Type:

Ambulance Inter-Hospital Transport	\$ 902,585
Ambulance NETS	\$ 104,510
HSSG Compacts	\$ 881,617
HealthShare NSW Linen	\$ 4,253,631
HealthShare NSW Warehousing & Service Centres	\$ 3,594,659
HealthShare NSW Food	\$ 14,469,511
HealthShare NSW Cleaning & Hotel Services	\$ 0
HealthShare PTS Hub	\$ 229,016
HealthShare PTS Fleet	\$ 4,933,810
HealthShare PTS Fixed Wings	\$ 743,028
HealthShare Enable	\$ 1,229,539
eHealth	\$ 15,096,624
NSW Health Pathology	\$ 24,241,156
IntraHealth Other	\$ 1,142,144
<b>Total IntraHealth Charges</b>	<b>\$ 71,821,830</b>

The table above will align to Part 3 of your State Outcome Budget Schedule. The values above do not include GST where the service is deemed a taxable supply.

For further information, please refer to the IntraHealth schedules (to be distributed after release of interim budget).

## Own Sourced Revenue

The interim initial budget allocation for your Health Entity is \$158,568,517 for 2020/21, representing a reduction of \$-6,144,084 (-3.73%) compared to your annualised budget as indicated in the State Outcome Budget Schedule within the 2020-21 Interim Service Agreement.

The decrease in own sourced revenue is broken down into the areas:

- Price
- Volume
- Other

### BUDGET SNAPSHOT

2020/21 Initial Budget Allocation

**\$158,568,517**

A decrease of

**\$-6,144,084**

**-3.73%**

*Row I of your State Outcome Budget Schedule Part 2*

**TOTAL BUDGET DECREASE \$-6,144,084**

Price \$1,641,642

Volume \$0

Other \$-7,785,727

## Price

Price increases are account-specific and based on various sources (General Fund only). Broadly, private accommodation and pension-based fees are determined by the Commonwealth, with inflation applied to the majority of the remaining accounts. No price indexation is applied to grant accounts.

Please refer to the table to the right for the applicable escalation rate applied to the type of revenue. Detailed information will be distributed in due course.

Revenue Type	Rate %
Change in Pension Fees	1.15%
Inflation	1.90%
NWAU Change (WC)	-0.13%
Change in Fee (Other Comp)	3.80%
New Price (\$317)	2.20%
New Price (\$370)	2.20%
New Price (\$794)	2.70%
Ambulance Fee	2.30%
Ineligible Sydney Health CPI	2.70%
Capital City – Sydney CPI 2021	1.60%

General	\$ 266,345	✓	IB21-250
Patient Fees	\$ 1,375,297	✓	IB21-250
<b>Total Price Increase</b>	<b>\$ 1,641,642</b>		<b>Budget Ref</b>

✓ Indicates the adjustment has been annualised

## Volume

Volume escalations are generally limited to those revenue accounts related to patients, such as accommodation charges and facility fees. Indexation rates are equivalent to the 2020-21 NWAU targets.

The Interim budget for 2020/21 will only reflect price increases. It is expected that the final 2020/21 budget will consider volume adjustments.

## Other Revenue Adjustments

IntraHealth Revenue Escalation	\$ 54,096	✓	IB21-251 & IB21-252
Private Health Insurance Single Room Revenue Reduction	\$ -8,743,977	✓	IB21-263
DVA Adjustment – Alignment to 2019/20 Forecast	\$ -821,309	✓	IB21-260
MAA Adjustment – Alignment to 2019/20 Forecast	\$ 1,352,324	✓	IB21-261
TACP Adjustment – based on 19/20 activity/occupancy and escalated by 1.4%	\$ 373,139	✓	IB21-262
Other Adjustments	\$ 0	✓	IB21-264
<b>Total Other Decrease</b>	<b>\$ -7,785,727</b>		<b>Budget Ref</b>

✓ Indicates the adjustment has been annualised

## DVA / MAA and TACP Revenue Adjustments

The Interim budget for 2020/21 reflects some minor adjustment for 19/20 projections and price increases. It is expected that the final 2020/21 budget will reconsider any price and volume adjustments if necessary.



## Balance Sheet Movements

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The initial budget movement allocation for your Health Entity is \$-24,460,365 for 2020/21.

Balance Sheet movements are broken down into thirteen areas:

- | <b>Assets</b>     | <b>Liabilities</b>  |
|-------------------|---------------------|
| • Cash at Bank    | • Creditors         |
| • Investments     | • Accruals          |
| • Debtors         | • Borrowings        |
| • Inventories     | • Provisions        |
| • Prepayments     | • PPP Liability     |
| • Emerging Assets | • Income in Advance |
| • Capital / FA    |                     |

### BUDGET SNAPSHOT

2020/21 Initial Budget Movement  
Allocation  
\$-24,460,365

Please note, the above total balance sheet budget movement won't reconcile to what is in BTS due to the processing of ARRP, LFI and HI related capital projects in BTS after the State Outcome Budget was produced.

Ministry will be reviewing the balance sheet budgets in more detail during 2020/21.

# Government Contributions

The initial budget allocation for your Health Entity is \$717,885,688 for 2020/21.

Recurrent Government Contributions does not receive direct escalation or growth, as Government Contributions is calculated using the formula, however

## BUDGET SNAPSHOT

2020/21 Initial Budget Allocation

\$717,885,688

An increase of

\$13,882,248

1.97%

*Sum of Rows A to E of your State Outcome Budget Schedule Part 2*

<b>Start</b>	Total Expenditure Budget
<b>Minus</b>	Total Own Sourced Revenue Budget
<b>Plus/Minus</b>	Balance Sheet Movement Budget
<b>Equals</b>	Government Contributions

Government Contributions	2020/21 Base	2020/21 Initial	Movement	%
Recurrent	\$ 686,515,449	\$ 695,763,474	\$ 9,248,025	1.35%
Capital	\$ 0	\$ 5,409,423	\$ 5,409,423	100.00%
Crown Acceptance	\$ 17,487,992	\$ 16,712,792	\$ -775,200	-4.43%
Entity Transfers between GF / SPT / Capital	\$ 0	\$ 0	\$ 0	0.00%
<b>Totals</b>	<b>\$ 704,003,441</b>	<b>\$ 717,885,688</b>	<b>\$ 13,882,248</b>	

## Crown Acceptance

Crown Acceptance has been updated to include the recent NSW Treasury adjustment for the reduction in the Defined Benefit Superannuation Allocation. See below table for the change in budget.

Initial Crown Acceptance	\$ 17,487,992		
Defined Benefit Superannuation Adjustment	\$ -775,200	✓	IB21-300
<b>FY21 Crown Acceptance</b>	<b>\$ 16,712,792</b>		