SA Health

# Guideline

## Budget Process



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Government of South Australia
SA Health

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# 1. Name of guideline

Budget Process

# 2. Relationship to parent policy

The Budget Management Policy is the parent policy to this Budget Process Guideline.

# 3. Guideline statement

This guideline has been developed to assist with budget construction with the intent to establish a fiscal strategy that achieves service delivery objectives within the total budget allocation for SA Health.

# 4. Applicability

This guideline applies to all employees and contractors of SA Health; that is all employees and contractors of the Department for Health and Wellbeing (DHW), Local Health Networks (LHNs) including Statewide services aligned with those Networks and SA Ambulance Service (SAAS).

Specifically, this guideline applies to all employees and contracted staff who are involved in the budget process including the initial budget load and budget variations.

**Out of scope**

The Funding and Commission Activity section of the Service Agreement between DHW and LHNs (Service Agreement) provides the budget allocation, methodologies and decisions for LHNs, and therefore is out of scope for this guideline.

The process to identify, request, adjust and approve budget variations (BVs) are also outside the scope of this guideline.

# 5. Guideline details

## 5.1 Background

### 5.1.1 Key principles

- It is the responsibility of each respective entity to complete their entity's budget.
- The budget process will comprise of the initial budget load, which reconciles to the Health Performance Agreement (HPA) and ongoing BVs.
- The budget is developed for operating revenue and expenditure line items and does not include balance sheet lines. This is consistent with the whole of government approach for all government agencies, including SA Health.
- The key consideration for budget development is to model costs and revenues at a given point in time based on a capped level of activity for the budget period.
- For LHNs, the employee expense budget is a guide, and the final budget will be determined and approved by the LHN Governing Boards.
- Wherever possible, income or expenditure budgets should be calculated using appropriate cost drivers to assist with ongoing monitoring and Full Time Equivalents (FTE) should be able to correlate with employee expense budgets.
- Budget projections should be based on targeted activity levels and outcomes. These targets will be established between DHW and respective LHNs.
- Budgets should be correctly flowed over the year taking into consideration the drivers used in building the budget (for example, the flow of targeted activity and the consideration of material changes such as when public holidays occur). Finance, Corporate and Infrastructure, DHW, will undertake its own reasonableness check after the budget has been fully loaded and reconciled and advise entities if any material inconsistencies are required to be reviewed.

- A **$1,000** minimum limit will be placed on non-salary budget lines, as the system does not accept budgets below this threshold. Budgets should be reviewed annually to remove or consolidate any individual Revenue or Supplies and Services account line budgets that are less than $1,000.

### 5.1.2 Stakeholders

The following stakeholders have a significant role in the development and implementation of the budget:

- Chief Executive, DHW
- LHN Governing Boards
- LHN/SAAS Chief Executive Officers
- Entity's Executives
- Entity's Chief Finance Officers
- Finance, Corporate and Infrastructure, DHW
- Cost centre managers

### 5.1.3 Budget timetable

At the start of each calendar year, a budget timetable will be provided to DHW/SAAS/LHNs outlining the required timeframes for the completion of the budget load for the next financial year. Consideration should be given to allow time to:

- plan the budget build process
- make bulk changes in an excel template environment
- load the initial budget into the approved budget model (currently Magiq)
- build and refine the initial budget within the approved budget model (currently Magiq)
- review reconciliations and budget loaded into Budget Manger (BM) and Oracle Corporate Systems (Oracle), and
- enable budgets to be made available for July reporting.

## 5.2 General parameters

The following sections detail the key parameters for preparing the budget.

### 5.2.1 Budget period

The budget period is based on a standard fiscal year commencing on 1 July and concluding on 30 June each year.

### 5.2.2 Recommended price increases

Inflationary pressures need to be considered when budgeting for expenditure other than salaries and wages (such as, Enterprise Agreement (EA) rate, known contract prices and known revenue rates). For both revenue and supplies and services, indexation increases shall be recognised at the Department of Treasury and Finance (DTF) approved indexation rates.

### 5.2.3 Budget phasing

All expenditure is required to be flowed to reflect the anticipated period in which the item will be incurred to minimise the distortions in reporting and analysis throughout the financial year. Each natural account will be allocated a standard rule flowing budgets, however for non-labour budgets:

- The budget template includes a worksheet that allows phasing to be based on activity.
- For non-activity, both the budget software and the budget template will allow the direct entry of manual flowing as required, and
- Start and end date fields are also provided to assist with part-year impacts.

The following principles should be captured in flowing the budget:

- Use of accrual accounting principles
- Alignment with approved activity levels (refer to Section 5.3.1), and
- Recognition of public holidays (refer to Section 5.2.6).

All per annum salaries and wages should be indexed to include any part-year approved EA increases only. Where EA outcomes are not finalised and the future rate adjustments are unknown for the expired EA, there will be no percentage increase to the per annum salaries and wages for those unapproved EAs. Refer to Section 5.5.6 for more information.

Where the per annum salaries and wages rate include an approved EA increase, the affected natural account increase will be automatically phased from the approved increase date.

### 5.2.4 Saving targets

There are a number of DTF applied savings targets for both revenue and expenses that are included within the LHN HPA or Budget and Monitoring Systems (BMS) budgets.

Where possible, these targets can and should ideally be specifically identified in the budget build process to assist DHW/SAAS/LHNs in monitoring and reporting. The budget templates allow this information being captured at the Responsibility Index (RI) level.

### 5.2.5 Negative budgets

Negative budgets are poor budgeting practice and are not supported by Finance and should not be loaded against salaries and wages, supplies and services lines to achieve a balance position.

### 5.2.6 Public holidays

All relevant public holidays (per SafeWork SA) are listed below and should be considered when preparing the budget. This list may be subject to EA or Award changes.

- Australia Day – if a Saturday, normal rates apply, and the following Monday is the public holiday. If a Sunday, then that and the following Monday are both public holidays.
- Adelaide Cup Day
- Good Friday
- Easter Saturday
- Easter Monday
- Anzac Day – if a Saturday, that day is the public holiday. If a Sunday, then that and the following Monday are both public holidays.
- King's Birthday
- Labour Day
- Christmas Eve – a part-day public holiday from 7pm to 12am (midnight)
- Christmas Day – if a Saturday, normal rates apply, and the following Monday is the public holiday. If a Sunday, then that and the following Monday are both public holidays.
- Proclamation Day – if a Sunday or Monday, that and the following Tuesday are both public holidays.
- New Year's Eve – a part-day public holiday from 7pm to 12am (midnight).
- New Year's Day – if a Saturday, normal rates apply, and the following Monday is the public holiday. If a Sunday, then that and the following Monday are both public holidays.

Based on full accrual accounting principles, the budget model will automatically reflect the expense impact of the public holidays in the relevant calendar month end and not the payroll payment cycle.

Natural account for all penalties (which include public holiday penalties) include an adjusted phasing percentage to accommodate the months the public holidays fall in. A manual phasing adjustment can also be requested, via Health Portfolio Budgets, to accommodate material instances where the auto phasing applied does not provide the required phasing.

### 5.2.7 Taxation

- All budgets should be prepared on a GST-exclusive basis.

### 5.2.8 Inter entity transactions (recharges)

Recharging between DHW, SAAS and LHNs should be identified as “inter entity transactions”.

Budgets for inter entity transactions (recharges) will be required where services are traded (provided and received) between DHW, SAAS and LHNs. This will assist with inter entity eliminations and reconciliation of budgets at the whole of health level. The budget for both sides (revenue and expenditure) of any inter entity transaction included in the budget should reconcile in totality monthly. Unreconciled inter entity budgets will not be loaded.

For clarification, there are three types of inter entity transactions:

- Intra-regional – where the transaction occurs within the same reporting entity, but between different Oracle Business Codes.

  For example, RAH trading with TQEH for instance, is not considered intra-regional as they both use the same Oracle Business Code.
- Inter-regional – where the transaction occurs between the different Oracle Business Codes within the same DTF BMS budget entity, except where the transactions are intra-regional.
- Inter-portfolio – where the transaction occurs between the different DTF BMS budget entities, i.e., DHW (0191), SAAS (0189) and the LHNs (191H).

### 5.2.9 Oracle Chart of Accounts (CoA)

All budgets should be developed based on the Oracle Chart of Accounts. DHW, SAAS and LHNs should familiarise themselves with the latest version available through Oracle Assist.

Particular attention should be made in relation to:

- New natural accounts
- Sector codes
- All transactions as a result of direct dealing with the Commonwealth Government should be assigned sector 50.
- All intra- and inter-regional transactions should be assigned sector code 60, and
- All inter-portfolio transactions should be assigned sector code 70.

Refer to the Financial Information Procedure for further information.

### 5.2.10 DTF BMS control lines

- As part of the ongoing budget alignment with DTF BMS budgets, some individual account lines and/or account groups are deemed control lines. The targets for these control lines are loaded within Maqig and are also available within BM. These control lines are predominantly non-GFS (Government Financial Statistics) impacting such as revaluations, internal recharges or depreciation which is centrally applied based on asset balances.
- In the event that local decisions resulting in an alternate control line budget being required, in the first instance DHW, SAAS or LHNs should load the approved control line budget.
- DHW, SAAS or LHNs can then request a reclassification of control line budgets once the necessary substantiation has been provided to Finance, Corporate and Infrastructure, DHW, for review and approval by DTF. These adjustments will be processed in current year variations.

- Some reclassification of control budgets includes a third party (such as other SA Government) and therefore consultation will be required with the third party to reach an agreed position before the reclassification may be processed.
- It is acknowledged that activity-based costing data may not contain detailed control line information (such as sectors), however there is still an expectation that LHNs allow for this when finalising their budgets.

#### 5.2.11 Special Purpose Funding (SPF) project budgets

LHN HPAs include an allocation for SPF.

The loading of budgets for SPF allocations is restricted to the following categories:

- Rights of Private Practice
- Donations
- Research

Refer to the Special Purpose Funds Creation, Management and Closure Procedure for further information.

## 5.3 Activity and revenue

### 5.3.1 Activity

- Budget projections should be based on targeted activity levels and outcomes. These targets will be developed by Commissioning and Performance, DHW at a functional level, and included in HPAs as part of the budget process.

### 5.3.2 Revenue

- Generally, all revenue anticipated to be received during the year should be budgeted for.
- Revenue budget amounts resulting from material contracts are to be flowed when it is earned (i.e., the cash receipt can occur a different time). To facilitate this process, it is important to understanding the terms of a contract or following up with the provider of goods and/or services to understand the likely invoicing terms.

### 5.3.3 Commonwealth revenue

- All revenue received from the Commonwealth Government should be loaded against sector 50 and this should be supported by the specific agreement in place.

## 5.4 Salaries and wages

### 5.4.1 General

The budgeting model has been designed to assist with the development of a labour budget for each RI.

As a general rule to avoid an excessive employee expense budget build:

- The average salary for each entity should be consistent with the previous years' average after allowing for approved EA increases, including the loading of estimated unapproved increases for the budgeted year.
- The HPA allocation includes inherent savings targets, and it is important that these are recognised and applied to employee expenses on a basis that maintains the appropriate split with supplies and services and is assigned across multiple labour groups. Where there are defined strategies that materially changes this overall mix between salaries and wages and supplies and services then, with the provision of appropriate working papers, Finance, DHW can work with DTF to seek realignment of the overall budget mix. Generally, as supported by actuals year-on-year, these ratios are relatively consistent.

### 5.4.2 Full-time equivalent (FTE) definition

FTE means the number of total hours worked divided by the maximum number of compensable hours in a work year.

For examples, if the work year is defined as 1,950 hours (52 weeks * 37.5 hours per week), then:

- One employee occupying a full-time job for a full year would amount to one FTE.
- Two employees working for 975 hours (52 weeks * 18.75 hours per week) each would amount to one FTE in total (975 * 2 = 1,950).

For the purpose of calculating FTE in the templates, where activity drivers (i.e., occupied bed days (OBD) and nursing hours per patient day (NHPPD)) are used to calculate the FTE, the following full year hours should be used in lieu of the base (i.e., 1,950 or 1,976 hours):

| Fortnightly hours | Full year hours |
|---|---|
| 75 | 1,955.4 (normal year) or<br>1,960.7 (leap year) |
| 76 | 1,981.4 (normal year) or<br>1,986.9 (leap year) |

### 5.4.3 FTE principles

As a general rule, entities should consider:

- Current vacant positions are to be reviewed to avoid additional cost pressures that need managing.
- The full-year impacts from appointments approved and made in the current year on next year, should be loaded as part of the next year FTE base.
- Where funding for the current year will not continue into next year, FTEs should be adjusted downwards accordingly.

The FTE for next year should NOT include:

- FTE that is the subject of business cases that are not approved by DHW, SAAS or LHN Governing Boards.
- FTE that is still subject to discussion between DHW and another entity that has not yet been confirmed.
- FTE that has been approved in principle by DHW, but for which funding has not been confirmed.
- FTE that is related to growth in activity outside the agreed commissioned activity provided by Commissioning and Performance in the HPA.

SA Health are required to report workforce FTE and headcount statistics as calculated and provided by the Office of the Commissioner for Public Service Employment (OCPSE) methodology.

As FTE data is received as a single monthly statistic per employee from OCPSE:

- FTE per employee is not broken-out across multiple general ledger accounts for annual leave, sick leave, overtime, allowances, etc.
- It should be noted that the previous dot point ‘only relates to FTE’ and that dollars are required to be broken-out across the multiple general ledger accounts for annual leave, sick leave, overtime, allowances, etc.

For the purpose of FTE reporting, all budget FTE is considered to be ‘Standard FTE.’

### 5.4.4 Variable nursing/midwifery FTE

The specific principles that apply to the development of a 'variable' nursing/midwifery budget are as follows:

- Activity plans should be developed for each site at an RI level by LHNs. This process should also account for the transfer of services between sites where approved.
- The budget will be developed at an RI level, based on the agreed activity plans and ratios (NHPPD, skill mix, agency utilisation, etc.). Reference to the most recent Nursing/Midwifery (South Australian Public Sector) Enterprise Agreement, where applicable, may be required in relation to NHPPD and skill mix at the RI level.
- On-costs and leave entitlements: A nurse calculator file is available and can be used to build budgets via rosters that contains a conversion worksheet to transfer across to the standard labour template. (Separate user manual has been prepared to support the completion of this template). With regards to 'fixed' nursing/midwifery positions, these are subject to the same principles outlined above relating to FTE.

### 5.4.5 Employee expense budget

As separate DTF BMS budget entities (DHW, SAAS and LHNs), an employee expense budget is allocated to each entity. With respect to DHW and SAAS, reconciliation is a relatively simple process, as each DTF BMS budget entity largely corresponds to each reporting entity. For LHNs, this process is more complicated.

To ensure alignment of employee expenses to DTF, each LHN will be provided with a targeted employee expense budget for their initial annual budget load. The total annual employee expense budget is individually calculated for each LHN using the following principles:

- A GFS employee expense ratio (%) is calculated for each LHN using prior year GFS actuals (excluding depreciation, amortisation, borrowings).
- The GFS employee expense actual percentage is then multiplied by a GFS budget equivalent (i.e., excluding depreciation / amortisation, borrowings).
- Assumes a proportion of savings allocated in accordance with DTF principles.
- Material funding exclusions (excluding activity movements) not comparable to the ratio base may be excluded from the calculation. For example, in 2019-20 centralised costs/uplift/SSSA budgets were excluded, however these will form part of future ratios.

Each LHN is asked to achieve an employee expense budget within their initial budget load that is consistent with the estimated target and ratio of GFS employee expenses to total GFS expenses. This can be achieved either as a reduction in FTE build (volume) or adjustment to the price, noting there should be consideration to ensuring a consistent approach to an average salary build in line with actuals.

Notwithstanding the above, for LHNs, the employee expense budget is a guide, and the final budget will be determined and approved by the LHN Governing Boards

Should the need arise, during the financial year, LHN will have the opportunity to seek a reclassification of supplies and services to employee expenses, provided the necessary substantiation can be forwarded to Finance, Corporate and Infrastructure, DHW for review.

### 5.4.6 Staff establishment detail

- To assist with reconciliation of budgets and CHRIS21 payroll data, the labour budget template enables the loading of specific staff establishment details, including CHRIS21 pay classification codes, position descriptions and position numbers.
- To ensure an appropriate average salary load, salaries and wages budgets driven by FTE should be loaded via the labour budget template with an FTE and at an appropriate labour rate. Agency staff (except nursing where NMHPPD is affected) should be loaded as a supplies and service cost in the expense template in the relevant Oracle natural account.

- Separate labour classification codes have been created to enable the budget to be loaded against the required Oracle natural account.

### 5.4.7 Budgeting for salaries and wages expenditure

- Unless otherwise allowed, the following shall be used as a guide in developing budgets for salaries and wages expenditure:

#### a. Nursing

Where activity is the driver of the FTE build then the following formulas should be used:

- **The budget** is calculated using occupied bed days (OBD) multiplied by nursing/midwifery hours per patient day (NMHPPD) multiplied by the average hourly rate (HR) multiplied by RN/EN ratio splits (RATIO) plus indirect costs (IC), i.e.:

**Budget = [OBD] x [NMHPPD] x [HR] x [RATIO] + [IC]**

- **OBD** equates to the midnight bed census plus day cases within the ward/unit.
- **NMHPPD** is used to measure the effective and efficient use of nursing/midwifery resources where clinical care is provided for an inpatient ward/unit by a Registered Nurse (RN), Registered Midwife, Enrolled Nurse (EN) or Assistant In Nursing (AIN) and it is correlated to activity. It is calculated as:

**NMHPPD = [Productive Hours]/[OBD]**

noting that in most cases the NMHPPD is now defined within the respective EA.

- **Productive Hours** include all nursing and midwifery work hours paid and worked (including overtime and agency) in providing direct clinical care and management of an inpatient ward/unit including AIN, EN, RN levels 1-4. It is calculated as:

**[Directive Productive Hours] + [Indirect Productive Hours]**

- **Directive Productive Hours** include:
  - Clinical specials, except where EA deems otherwise.
  - Non-clinical specials, i.e., behavioural, child protection complexities, except where EA deems otherwise.
  - Productive supports required to meet the EA or faculty guidelines, i.e., Paediatric Intensive Care Unit (PICU support, minimum staffing levels).
- **Indirect Productive Hours** include:
  - Clinical Service Coordinators
  - Nurse Education Facilitators on the ward/unit
  - Clinical Practice Coordinators on the ward/unit
  - Associate Clinical Service Coordinator's management time
  - Clinical Nurses portfolio development time (under the new career structure agreement)

Specials no longer form part of the NMHPPD as per EA.

- **Note:** NMHPPD excludes nursing and midwifery Non-Productive Hours paid but not related to direct patient care to patients in the ward/unit or managing the ward/unit and includes:
  - professional development
  - annual leave, long service leave, skills and retention leave
  - personal carers leave
  - maternity leave
  - un-worked public holiday
  - workers compensation, and
  - approved special paid leave.

**b. Medical**

- All medical, except Clinical Academics, loaded as fixed FTE.
- Clinical Academics is a fixed cost, but is not loaded as an FTE, only as dollars.
- Rotating staff are to be budgeted as FTE and should align with expected revenue.
- Fee for service is a fixed cost and is loaded within the expense budget template.
- Separate rates exist for Medical Officer Specific Salary Sacrifice Scheme (MOSSSS) and General Public Sector Salary Sacrifice Scheme (GPSSSS) classifications.

**c. Other staff**

- Loaded as fixed FTE.

### 5.4.8 Salary increases

**a. EA indexation percentages**

Approved EA increases for the relevant financial year will be reflected in the budget spreadsheets and budget model, and indexation applied automatically to the award rate as at 1 July each year.

A table will be provided each year as an update identifying the relevant increases that have been included within the labour rates for the below Enterprise Agreements. EA increases to consider include:

- SA Public Sector Wages Parity EA (PSA)
- Nursing/Midwifery (SA Public Sector) EA
- Metal Trades
- Salaried Medical Officers EA
- Weekly Paid EA
- Clinical Academics
- SAAS Employees
- Visiting Medical Specialists EA

For Clinical Academics (CA), it should be noted that although the University rate increases may vary from the Salaried Medical EA, the rate paid by DHW to CAs reflects a top up of the University rate to the Salaried Medical EA rates.

It is the entity's responsibility to load an estimated budget for unapproved EAs from within their existing budget allocation, that have not already been accommodated within the labour templates salary rates table.

**b. EA restructures**

It is the entity's responsibility to ensure approved EA restructures are loaded within their budget build from within their existing allocations.

### 5.4.9 Employee entitlements

**a. Long service leave (LSL)**

- A default standard average percentage of 2.1% will be applied automatically to ordinary earnings for LSL. Ordinary earnings are defined as ordinary time, annual leave, rostered days off (RDO), sick leave, public holidays (excluding the penalty component) and other miscellaneous paid leave and allowances.

**b. Long service leave provision evaluation**

- For the budget period, any 'LSL Movement Expense' should be recognised in the period where the respective salary increases are expected. This is to reflect the revised balance of accumulated leave not taken, at new salary and wage rates.

### c. Skills and employee retention leave (SERL)

- A default standard average percentage of 0.45% will be applied automatically to ordinary earnings for SERL. Ordinary earnings are defined as ordinary time, annual leave, RDO, sick leave, public holidays (excluding the penalty component) and other miscellaneous paid leave. Whilst it is recognised that this leave entitlement only applies to those employees with 15 or more years of effective service, as all labour budgets are not specifically loaded on an individual position basis, an averaging approach is applied across all positions.

### d. Superannuation

- The minimum standard Superannuation Guarantee Charge (SGC) will be applied to all employees, except employees who are covered by the SA Health Visiting Medical Specialists Enterprise Agreement or its subsequent agreement, however there is the option to modify this should the employee contribute to a previous government superannuation scheme. For simplistic purposes, the budget template includes superannuation on all costs, including LSL, except for overtime costs.
- The standard rate included within the templates should be applied for budgeting purposes, unless another rate can be justified, by way of superannuation data from the CHRIS21 Payroll System.

### e. WorkCover levy

- WorkCover levy will be determined and paid centrally through Workforce Services, DHW.

### f. Worker's compensation claims

- As distinct from the WorkCover levy in item e above, budgets are to be derived for expenditure to be incurred by DHW, SAAS and LHNs, exceeding WorkCover reimbursements, in line with actuarial assessments reports.
- Worker's compensation claims include salary income maintenance and medical expenses, reports, etc.

### g. Annual leave

- Annual leave is to be budgeted based on the appropriate entitlements as set out within the relevant Award or employee contract. Managers are expected to ensure that leave is taken in accordance with the Award in order to minimise potential budget impacts resulting from accrual requirements and unnecessary/unapproved build-up of yearly entitlements. Where it is necessary for leave to be backfilled, the budget templates enable the capture of this requirement.
- The annual leave budget will also include any allowances that are paid during periods of annual leave. The budget templates have been modified to cater for this change.

### h. Annual leave provision revaluation

- For the budget period, any 'Annual Leave Movement Expense' should be recognised in the period where the respective salary increases are expected. This is to reflect the revised balance of accumulated leave not taken, at new salary and wage rates.

### i. Sick leave

- All cost centres are to budget for anticipated sick leave. The allocation of sick leave in the budget templates will be in accordance with agreed principles within each entity.

### j. Overtime

The budget allocation for 'Overtime' should be based on the most relevant data available for each RI and employee classification, either using:

- the historical CHRIS21 data incurred over the preceding 12 months (allowing for any change in EA conditions), by RI and by award classification, or
- employee rosters.

In determining the overtime budget using historical data, care should be taken to ensure that relevant overtime is not included:

- where base FTE has already been loaded in lieu of overtime, or

- where change of business practice determines that overtime will no longer be included as part of the budget load.

**k. Backfilling**

- The budget build templates and systems allow for the inclusion of appropriate resources for backfilling. Backfill, however, is only to be included where it can be funded and aligns with endorsed policy and procedure.
- For variable nursing FTE, backfill automatically forms part of the FTE calculation.

**l. Incremental levels**

- Rates used for staffing are to be based on the actual increment level. Information should be obtained from and reconcilable with the CHRIS21 Payroll System.

**m. Penalties**

The budget allocation for penalties should be based on the most relevant data available for each RI and employee classification, either using:

- the historical CHRIS21 data incurred over the preceding 12 months (allowing for any change in EA conditions), by RI and by award classification, or
- employee rosters.

The labour template allows for the separation of public holiday penalties so that the budget can be appropriately phased in the relevant months.

**n. Allowances – fixed and variable**

- The budget build templates and systems allow for the loading of budgets for both fixed and variable allowances. There is a further requirement to separate those allowances that are payable during periods of leave and those that are not, so that the amount actually paid during leave is allocated to the correct Oracle natural account.

**o. Fringe benefit tax (FBT)**

- The labour template accommodates an estimated Fringe Benefit Tax (FBT) budget for those who receive the old MOSSS rates of pay, however there are further FBT budgets that relate to non-MOSSS rates of pay that need to be accommodated in the budget setting process. It should be noted that FBT is now an inter-portfolio transaction, and therefore whilst the labour template builds an estimated budget, it is for information purposes only and not allocated to a GL account.

**p. Payroll tax**

- Payroll tax is only applied to salaries and wages of non-LHN staff, primarily those working in DHW. LHNs do not incur a payroll tax expense. The percent applied shall be that as defined by the *Payroll Tax Act 2009*.

## 5.5 Other expenditure

- The term ‘Other Expenditure’ for budget purposes is used to define all costs other than salary and wage expenditure.

### 5.5.1 Activity drivers

- The revenue and expense budget templates include an activity table which enables the building of budgets using a type of activity driver as the basis for the build. The driver does not need to be patient related, i.e., it can be number of PCs for PC Fleet, etc.
- The activity table allows for different drivers to be used within a single RI or the same driver used across multiple natural accounts. This provides for flexibility in building budgets at the detailed level.

### 5.5.2 Medical supplies and consumables

- Where the cost centre expenses are derived based on activity, the formula to be used for this group should be based on last year's rate (LYR) multiplied by the DTF Indexation Rate (IR) multiplied by the activity driver (AD) to arrive at a budget, where the cost centre expenses are derived based on activity, and is represented by the following formula:

**Budget = [LYR] x [IR] x [AD]**

- The LYR is the unit cost for the activity driver, not the full year cost.
- The specific formula shall align to the appropriate RI. The budget should be able to identify the activity plus unit cost, where applicable. Consumable usage is driven by specialty. This is likely to vary from ward to ward and between entities. For instance, with SAAS, the activity may be dispatches and for SA Pathology it may be tests.

### 5.5.3 Other supplies and services

If using actuals or activity-based costing as a basis to drive the budget load the following points should be taken into consideration:

- Removal of material once of expenditure from the actuals.
- Allowance for full year recurrent cost where actuals only represent part year cost up to budgeted levels.
- Allowance for additional savings targets that are inherent within the budget allocations, but not represented within the actuals.

### 5.5.4 Public pathology, medical imaging and pharmacy (recharges)

In the absence of a previously approved and agreed recharge model arrangement, State-wide Clinical and Support Services (SCSS) will take the lead as part of the original base build process, to initially consult and negotiate with LHNs an agreed recharge budget for public work related to:

- Pathology
- Imaging
- Pharmacy

This expenditure budget will also include the new uplift charges.

#### a. LHN recharge expense

- The LHN budget for this expenditure type should be loaded as sector 60, except for CALHN which is loaded as sector 00 (NSAG).

#### b. CONTRA

- The CONTRA is an elimination of the public work budget loaded by CALHN. The CONTRA budget is to be loaded by SCSS.

### 5.5.5 Contracts and maintenance agreements

- Details of all contracts and maintenance agreements loaded in the budget build should be identified separately to assist with Portfolio Performance Review analysis.

### 5.5.6 Inter entity transactions

- Refer to section 5.2.8 for inter entity transaction definitions.

#### a. Sector 60 (inter-regional)

- Where LHNs are trading with each other, each LHN is to agree on the recharge budget.
- To achieve this, all inter-regional budgets (with the exception of budgets identified within section 5.5.4) will be loaded direct into budget system. This enables LHNs to utilise the system reporting functionality that allows them to view both sides of the recharge/purchase to assist with reconciliation of agree purchased expenses.

**b. Sector 70 (inter-portfolio)**

- Where the DTF BMS budget entities (DHW/SAAS/LHNs) trade with each other the budget allocation is obtained from BM which provides the expense totals that are in line with expected inter-portfolio revenue received by DHW.

#### 5.5.7 Staff training (professional development within EAs)

- Professional development is to be based on the award or EA provision for reimbursement of expenses for a 12-month period only, allowing for the non take-up of reimbursement by all employees using historical records as a guide.
- Note: These costs shown for staff training excluding the labour component.

#### 5.5.8 Depreciation and amortisation

- Asset registers are to provide the basis for the preparation of detailed depreciation and amortisation budgets at an RI level. It is also essential that the total depreciation and amortisation for each entity and DHW is reconciled to the allocations provided within BM/HPA/BMS.
- All budgets for depreciation should be loaded into an RI that contains the service code 221.

#### 5.5.9 Lease commitments

- Lease commitments should be budgeted based on legally binding contractual documentation. Amounts to be budgeted shall reflect the interest expense associated with the lease commitment.

#### 5.5.10 Capitalisation

The current SA Health approach aligns with the DTF guidelines, stating that an item purchased for:

- less than $10,000 (exclusive GST) is to be expensed to the operating RI in possession, and
- equal to or more than $10,000 (exclusive GST) having a useful life in excess of one year should be capitalised.

### 5.6 Capital budget development

The budget development of the capital works program will be separately coordinated by the Project Accounting Team, Finance, Corporate and Infrastructure, DHW and loaded within the budget systems.

## 6. Supporting information

- Budget Management Policy
- Budget Manager - Budget Transfer Journal Type Factsheet (for SA Health internal use only)
- Budget Templates are available on the Shared Transfer drive (for SA Health internal use only)
- Enterprise Agreements - SAET
- Financial Information Procedure (for SA Health internal use only)
- *National Health Funding Pool Administration (South Australia) Act 2012*
- *National Health Reform Act 2011*
- National Health Reform Agreement
- *Public Finance and Audit Act 1987*
- Special Purpose Fund Creation, Management and Closure Procedure (for SA Health internal use only)
- Treasurer's Instruction 19 Budgetary Control and Reporting
- Treasurer's Instruction 28 Financial Management Compliance Program

## 7. Definitions

- **Activity driver**, in activity-based costing (ABC), means an activity cost driver that influences the costs of labour, maintenance, or other variable costs. Cost drivers are essential in ABC, a branch of managerial accounting that allocates the indirect costs, or overheads, of an activity.
- **BMS budget entities** mean the budget entities within DTF BMS. For example, SA Ambulance Service is a standalone BMS Budget Entity (0189), Department for Health and Wellbeing is a standalone BMS Budget Entity (0191), LHNs is within a BMS Budget Entity (191H).
- **Budget and Monitoring System (BMS)** means a systematic tool to manage the submission to, and approval of, budget variations by DTF for the monitoring of actual results against budget, and for management of budget reporting. The system transacts budget dollars and FTE for a 5-year rolling budget as per the on-going whole of government budget process. BMS is reconciled monthly for the multiple entities which the Chief Executive, SA Health is responsible.
- **Budget Manager (BM)** means the SA Health integrated budget management system which interfaces into the singular financial system Oracle. BM is designed to track variations to budgets at relevant entities and account levels designed to allow better integration/reconciliation to BMS and the business management needs/health reporting requirements. BM, consistent with BMS, processes budget dollars and FTE adjustments for a current and additional four (4) year fiscal periods.
- **Budget variation (BV)** means an adjustment to the original approved budget. These are adjustments to budgets for internal (transfers between divisions/directorates) and external (Cabinet) decisions that impact on revenue and expenditure.
- **Employee expenditure budget** means a budgetary control mechanism which is set annually and ratified through the SLA for LHNs and by DTF for SAAS/DHW.
- **Entities** means all controlled operating businesses within the Health Portfolio.
- **Government Finance Statistics (GFS)** means the measurement of government financial activities and reflecting the impact of those activities on other sectors of the economy. GFS is based on international statistical standards.
- **Local Health Network (LHN)** means an organisation that provides public hospital services in accordance with the National Health Reform Agreement. A local hospital network can contain one or more hospitals, and is usually defined as a business group, geographical area or community. There are ten LHNs in South Australia established under the Health Care Act 2008.
- **Magiq (Magiq Software Performance Suite)** means a budgeting tool that enables the initial SA Health budget to be built and managed in a controlled environment, including the reconciliation to necessary budgetary control frameworks. The system allows budget to be loaded at the lowest detail using key drivers before importing into the BM. It contains a number of datasets to allow viewing or extraction of the budget that reflect:
    - Consolidated budgets for both Management and Directorate RIAT reporting structures
    - Salaries and wages (including FTE)
    - Supplies and services, and
    - Revenue.

  Magiq has a reporting function where managers can access reports such as:
    - Status Report
    - BMS AI Report
    - Negative Budgets (in the event of), and
    - Alerts.

- **National Health Reform Agreement (NHRA)** means the nation-wide agreement between the Commonwealth and each Australian State/Territory which outlines measures to improve the transparency, governance, and financing of Australia's health care system. The NHRA introduced new financial and governance arrangements for Australian public hospital services, primary health care and aged care. This includes funding public hospital services, using ABF where practicable and block funding in other cases, methodologies for funding growth in public hospital services and maintaining nationally consistent standards for healthcare including data collecting and reporting as mandated by Independent Health and Aged Care Pricing Authority (IHACPA) and the Administrator of the National Health Funding Pool (NHFP).
- **Oracle (Oracle Corporate System)** means the SA Health statewide operating service which was implemented from 1 July 2010. It consists of Accounts Payable, Accounts Receivable, Cash Management, Fixed Assets, Project Accounting, General Ledger and Procurement and Supply Chain modules.
- **Responsibility Index (RI)** mean the combination of the first four segments in the chart of account structure, being Business, Unit, Service and Cost Centre.
- **Service Level Agreements (SLAs or Service Agreements)** mean the annual agreements in place between DHW and each LHN, in which DHW formally assigns accountability for high-level outcomes and targets to be achieved during the term of the agreement. SLAs are regulated by the NHRA.
- **Statewide services:** includes Statewide Clinical Support Services, Prison Health, SA Dental Service, BreastScreen SA and any other state-wide services that fall under the governance of the Local Health Networks.

## 8. Document ownership

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## 9. Document history

| Version | Date approved | Approved by | Amendment notes |
|---|---|---|---|
| 1.0 | 17/09/2019 | Director, Corporate Finance Services, DHW | Original approved version |
| 2.0 | 27/05/2024 | Deputy Chief Executive, Corporate and Infrastructure, DHW | Policy re-templated to align with the Policy Framework<br>Scheduled review |