

DEPARTMENT OF HEALTH

Legislative Council's Standing Committee on Estimates and Financial Operations

Hearing on Monday 23 November 2009

CORRECTION OF FACTUAL INFORMATION

The following corrections of factual information are requested in relation to the Transcript of Evidence of the Committee's hearing on 23 November 2009.

1. Budget supplementation approved by EERC in April 2009

The supplementation of the Department of Health's (DOH) 2008/09 budget that EERC approved in April 2009 was \$160 million, not \$180 million as stated in the Transcript of Evidence.

The \$160 million comprised:

- \$50 million in additional Commonwealth Government funding for public hospitals received by Western Australia from the Commonwealth Government on completion of the new National Health Care Agreement signed in December 2008;
- \$110 million from the State Government in respect of cost and demand pressures in the DOH's budget in 2008/09. This funding related to unbudgeted activity increases (\$77 million), escalated costs in the Pilbara region (\$25 million) and additional subacute beds (\$8 million).

2. 2009/10 Year to Date (YTD) expenditure compared to budget

At various points in the Committee's proceedings, the association was explored between the DOH's use of 2009/10 appropriation revenue to refund restricted and non-restricted cash that had been used to meet creditor payments at the end of 2008/09, and the year to date budget position in 2009/10.

It is co-incidental that the budget deficit for 2008/09 (net of extraordinary payments received from the Commonwealth Government) of \$70.8 million advised by the DOH is close in number to the year to date (YTD) budget deficit in 2009/10 of \$72.4 million.

The conclusion cannot be drawn that the DOH's restoration of cash balances in restricted and non-restricted accounts on 2 July 2009 using cash appropriated to the Department in the 2009/10 budget explains the YTD budget deficit; or that, had the restoration of cash balances not occurred, the DOH YTD position would be on track to deliver an expenditure outcome consistent with the current approved expenditure limit.

A clear distinction needs to be made between the expenditure and revenue sides of the budget.

What occurred at the end of 2008/09 was that the DOH's actual spending exceeded its final approved expenditure limit for the year (excluding the impact of extraordinary payments received from the Commonwealth at the end of 2008/09), and the DOH did not have access to sufficient "discretionary" cash to meet actual expenditure commitments.

The DOH's approved expenditure limit for 2009/10 has not been adjusted to take account of last year's final spending, nor the use of cash received at the start of 2009/10 to re-imburse restricted and non-restricted cash accounts from which cash was withdrawn at the end of 2008/09 to meet creditor payments.

When the Director General referred to the DOH having a deficit year to date of \$70 million, he was comparing actual spending in 2009/10 with the proportion of the DOH's approved expenditure limit in 2009/10 that was available to be spent in first four months of the 2009/10.

Put simply, the \$70 million is this year's deficit against the budgeted expenditure in the July-October period, and is not a consequence of the use of cash received in 2009/10 being applied as indicated above.