

## 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.