

Ms Tanya Bosch
Director, Budget Estimates
Room 812
Parliament of New South Wales
Macquarie Street
SYDNEY NSW 2000

Dear Ms Bosch

I refer to your letter of 21 December 2004 regarding questions taken on notice during the Budget Estimates Hearing on 20 December 2004.

The Hon Melinda Pavey MLC asked a question which was taken on notice concerning savings that may be incurred as a result of the shutdown of elective surgery during the Christmas period. The following response is provided:

Since around 1990 NSW Health has set budgets and reflected expenditure using accrual accounting principles as distinct to cash accounting. Under the principles of accrual accounting, budgets and expenditure reflect the actual monthly cost of hospital activity rather than when payments are made.

NSW public hospitals operate a 365 day budget (366 in a leap year). Area Health Services are provided an annual budget at the commencement of each financial year. Budgets are then distributed on a monthly basis to reflect planned activities.

In planning for service provision if a hospital anticipates a period of reduced activity, such as over Christmas, expenditure will be reduced in comparison to other periods of the year. However, over the full 12 months the current year budget will be fully distributed.

As a result there is no money saved during periods of reduced levels of activity such as over the Christmas period.

Yours sincerely

Robert McGregor
A/Director General