

NSW PARLIAMENTARY BUDGET OFFICE COSTING OF BYRON CENTRAL HOSPITAL

BRIEFING NOTE

Summary

The ALP has requested the Parliamentary Budget Office (PBO) to cost a policy that ensures surgical procedures in Byron Central Hospital are publicly operated.

The PBO is unable to cost this policy because NSW Health has not been able to provide the information needed to cost the proposal, and publication of this information would not be in the public interest due to commercial negotiations currently underway.

Background

The leader of the Australian Labor Party has submitted an election costing request to the PBO in relation to ensuring that surgical procedures in the new Byron Central Hospital are publicly operated.

The *Parliamentary Budget Officer Act 2010* (the Act) provides that the Parliamentary Budget Officer is to inform a parliamentary leader who makes an election costing request of any costing that the Officer is unable to provide and of the reason that the costing cannot be provided¹.

Also, the Act provides that the “head of the Government agency is not required to provide information in response to such a request if there is an overriding public interest against the disclosure of the information for the purposes of the *Government Information (Public Access) Act 2009* or if access to the information would otherwise be denied under that Act.”² This section of the Act means information needed to cost policies may not always be available to the PBO.

These sections of the Act are especially relevant to any plans that involve the private sector in service delivery in the health sector.

Public operation of Byron Central Hospital’s surgical procedures

The Government has announced plans to build a new Byron Central Hospital, expected to open in mid-2016. The scope of services planned for the new Byron Central Hospital does not include surgical services. A market sounding process is currently underway to determine whether there is interest from private providers to deliver surgical services at the facility³. NSW Health has advised this includes services to public and private patients. To date, no contracts have been entered into.

¹ See section 21(2) of the *Parliamentary Budget Officer Act 2010*

² See section 16(3) of the *Parliamentary Budget Officer Act 2010*

³ See NSW Minister for Health Media Release dated 23 September 2014

Principle applied in the Budget Process to future plans for a change in operations and commercial considerations

The NSW Budget and forward estimates are prepared to reflect existing operations and the impact of new policy decisions taken by the New South Wales Government (where their financial effect can be reliably measured).⁴ Where the impact of a policy decision or planned event cannot be reliably estimated, for example due to uncertainties about the timing and amount of future cash flows, the impact is not reflected within the forward estimates⁵.

The NSW Budget Papers also do not include information where its publication is considered to be commercially sensitive. This applies where disclosure of information would not be in the commercial interests of NSW or could cause financial or other damage to other commercial parties involved in government projects.

Application of the principle to public sector delivery of surgical services and commercial considerations

Where the Government's current plans might include privately operated service delivery and a contract has not yet been entered into, there is limited information available about costs and benefits under such a contract. NSW Health has advised that it does not know private provider costs. As such, an estimate of costs under any such arrangement is not available.

Notwithstanding that the forward estimates do not reflect public delivery of surgical services it could be possible to estimate these costs. However, because there is the future potential for contractual arrangements with the private sector for such services, publication of this cost could compromise the competitive process designed to obtain appropriate services at the lowest price. Accordingly, Health has confirmed that it is unable to provide these costs as it is not in the public interest to do so.

Conclusions

The PBO takes the view that while it could attempt a costing of the services, it would be time consuming and any estimate would be highly unreliable because the PBO would not have access to the comprehensive data held by NSW Health. Publication of a costing figure from the PBO would also have the potential to compromise commercial negotiations, which would not be in the interests of NSW taxpayers.

⁴ See NSW Government Budget Papers 2014-15: Budget Paper No. 2, Appendix A: Statement of Significant Accounting Policies and Forecast Assumptions at A -2

⁵ See NSW Government Budget Papers 2014-15: Budget Paper No. 2, Appendix A: Statement of Significant Accounting Policies and Forecast Assumptions at A -2