NSW Health
2025-2029 Service Agreement

Explanatory Notes for 2026–27 Funding and Performance Supplement: Section 1 - Budget

For the period 1 July 2026 to 30 June 2027

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1. Budget Schedules

State Budget Schedule: Part 1 - Annual Budget Allocation

The State Budget Schedule: Part 1 sets out types of services split by allocation method. In line with the devolved health system governance, Districts have the flexibility to determine the application and reconfiguration of resources between services that will best meet local needs and priorities and meet agreed key performance indicators.

Table 1: Budget Schedule section description

Section	Detail
A	Budget for episodic stream A services – Acute Admitted, Emergency Department, Ambulance Emergency Services, Sub-Acute Services and Non Admitted Services (including Dental Services), Mental Health Admitted, Teaching, Training and Research and Home Vent. The amounts have been allocated using both an activity based and block basis.
B	Budget Stream B services – including Mental Health Non Admitted, Community Health including Primary Health, Population Health, Aboriginal Health are allocated funding on a block basis. Other Services are funded through a combination of methodologies, depending on the nature of the initiative.
C	This section of the Schedule identifies expenses relating to 'restricted' funds. The delineation between 'restricted' and 'unrestricted' funds refers to the NSW Treasury classification of cash held in specified accounts. For NSW Health, all funds held in Restricted Financial Assets and Custodial Trust Fund accounts are considered 'restricted'. Monies held in a General Fund account are considered 'unrestricted'.
D	This section of the Schedule identifies capital expenditure charged as an operating expense during the year. This includes minor works and other capital items expensed in the period and does not represent the full capital program.
E	This section of the Schedule identifies expenses relating to depreciation amounts. Depreciation is defined as the systematic allocation of the depreciable amount of an asset over its useful life, where the depreciable amount is defined as the cost of an asset or other amount substituted for cost, less its residual value. For Right-of-Use assets, depreciation reflects the allocation of the cost of the leased asset across the lease term.
F	This section of the schedule provides the total expense amount.
G	This section of the Schedule provides other gains or losses on disposal of assets etc

H	This section of the Schedule identifies the revenue, split by ABF Commonwealth Share, Block Commonwealth Share and all other revenue excluding these amounts.
I	This section of the Schedule provides the net result.

Figure 1: Budget Schedule example

2026-27 Budget Schedule: Part 1

		Initial Budget	
XXX Local Health District		**Target Volume** (NWAU)	**2026-27** ($000)
State Efficient Price $6,187 per NWAU26			
Stream A			
Acute Admitted			
Emergency			
Sub-Acute Services			
Non Admitted Services - Incl Dental Services			
Mental Health - Admitted			
Teaching, Training and Research			
Home Vent			
Total Stream A	**A**		
Stream B			
Mental Health - Non Admitted			
Community Health - Incl. Primary Health			
Population Health			
Aboriginal Health			
Other Services			
Total Stream B	**B**		
Restricted Financial Asset Expenses	**C**		
Capital Expense	**D**		
Depreciation (General Funds only)	**E**		
Total Expenses (F = A + B + C + D + E)	**F**		
Other - Gain/Loss on disposal of assets etc	**G**		
Total Revenue	**H**		
GF Revenue - ABF Commonwealth Share			
GF Revenue - Block Commonwealth Share			
Own Source Revenue			
Net Result (I = F + G + H)	**I**		

See allocation methodology and other budget considerations for more detailed budget information.

State Budget Schedule: Part 2 - Revenue

The 2026-27 Revenue Budget for each District results from trend growth and volume increases as well as a performance factor and other adjustments. There are also specific amendments for High Cost Drugs, revenue attributable to compensable patients and for certain other items.

Capital revenue includes grants received from external organisations to support capital expenditure.

Own source revenue includes all revenue generated directly by Districts from its own services and resources.

Figure 2: Revenue Budget Schedule example

2026-27 Budget Schedule: Part 2 - Revenue

	XXX Local Health District	2026-27 ($000)
	Government Grants	
A	Subsidy* - In-Scope ABF State Share	
B	Subsidy - In-Scope Block State Share	
C	Subsidy - Out of Scope State Share	
D	Capital Subsidy	
E	Crown Acceptance (Super, LSL)	
F	**Total Government Contribution (F=A+B+C+D+E)**	
	Own Source Revenue	
G	GF Revenue	
H	GF Revenue - Capital	
I	GF Revenue - ABF Commonwealth Share	
J	GF Revenue - Block Commonwealth Share	
K	Restricted Financial Asset Revenue	
L	**Total Own Source Revenue (K=G+H+I+J+K)**	
M	**Total Revenue (M=F+L)**	
N	Total Expense Budget - General Funds	
O	Restricted Financial Asset Expense Budget	
P	Other Expense Budget	
Q	**Total Expense Budget (Q=N+O+P)**	
R	**Net Result (R=M+Q)**	
	Net Result Represented by:	
S	Asset Movements	
T	Liability Movements	
U	Entity Transfers	
V	**Total (V=S+T+U)**	
Note:		
Cash, liquidity and payments are managed centrally by the Ministry and HealthShare to ensure payroll, creditors and other commitments are paid as and when required on behalf of NSW		
* The subsidy amount does not include items E and G, which are		

State Budget Schedule: Part 3 - NHRA Clause A95(b) Notice

This section represents the initial estimate of activity provided by the Ministry of Health as a system manager to the National Health Funding Body (NHFB) to enable the calculation and payment of the Commonwealth contribution into the Pool.

The Schedule reflects both the Commonwealth and the State's contribution to the funding of health services both in scope for Commonwealth contributions as well as those services for which the Commonwealth does not contribute.

Figure 3: Commonwealth Contribution Budget Schedule

2026-27 Budget Schedule: Part 3

National Health Funding Body Service Agreement

XXX Local Health District	In-Scope services (NWAU)	Out-of-scope services (NWAU)	Total Services (NWAU)	State Efficient Price ($)	Total Funding ($000)	Total Funding for In-scope services ($000)	C'wealth Funding for In-scope services ($000)	State Funding for In-scope services ($000)	Funding for out-of-scope services ($000)
ABF Allocation									
Emergency Department									
Acute Admitted									
Admitted Mental Health									
Sub-Acute									
Non-Admitted									
Community Mental Health									
Total ABF Allocation									
Block Allocation									
Teaching, Training and Research									
Small Rural Hospitals									
Small Hospital Major Cities									
Standalone Mental Health									
Other Mental Health									
Non-Admitted Home Ventilation									
Other Public Hospital Programs									
Highly Specialised Therapies									
Total Block Allocation									
Public Health									
Non-NHRA Block									
Total Non-NHRA Block Allocation									
Grand Total Funding Allocation									

State Budget Schedule: Part 4 - Capital Program

This section represents the 2026-27 capital program, including capital projects managed by Health Infrastructure and Ministry of Health. The schedule reflects a health service's total Capital Expenditure Authorisation Limit (CEAL) and the funding sources supporting the program expenditure is detailed in State Budget Schedule: Part 2 – Revenue.

Figure 4: Capital Budget Schedule

Appendix E – Capital Budget Schedule

XXX Local Health District

Project Description	Project Code	Silo	Estimated Total Cost	PY Spend 30 June 26	2026-27	2027-28	2028-29	2029-30	Balance to Complete
Project managed by health entity									
Works in Progress									
Total Works in Progress									
Total Capital Expenditure Authorisation Limit managed by Health Entity									
Project managed by Health Infrastructure									
New Works									
Total New Works									
Total New Works									
Works in Progress									
Total Works in Progress									
Total Capital Expenditure Authorisation Limit managed by Health Infrastructure									
Total Capital Expenditure Authorisation Limit									

2. Allocation Methodology

State Efficient Price

For 2026-27, the State Efficient Price is $6,187 per NWAU26, derived from the 2024-25 District and Network Return (DNR) Clinical Costing Study.

The 2025-26 State Price was derived from 2023-24 DNR data expressed in NWAU25. As such, a direct comparison between 2025-26 and 2026-27 prices is not appropriate.

The DNR process is supported by strong quality assurance and improvement strategies, maintaining a focus on data accuracy in activity reporting and cost allocation across the system.

The following notes relate to the specific elements of the Budget Schedule in Section 4 of the Service Agreement.

Activity Based Funded Services

The ABF activity targets have been set for Acute Admitted, Emergency Department, Sub-Acute Services, Non-Admitted Services (including Dental) Mental Health Admitted Services. This amount also includes allocation linked to certain specific initiatives with activity targets (refer below).

For 2026-27, growth funding for Community Mental Health will be subject to ABF targets, while the base component remains block funded as the service continues its transition to an ABF model.

For Regional & Rural Districts with recognised structural costs (RSC) that result in a Projected Average Cost (PAC) that exceeds the State Price an RSC allocation will be provided, detailed below.

Recognised Structural Cost

The 2026-27 NSW Health budget includes a Recognised Structural Cost (RSC) component in the funding allocation to acknowledge the persistent barriers faced by individual Districts and Networks in achieving operational efficiencies.

The RSC is established using the 2024-25 District Network Return (DNR) and aims to counterbalance these structural challenges, bringing LHDs facing diseconomies of scale, fluctuating service demand and higher fixed cost base to an equitable position with other Local Health Districts.

Small Hospitals Funding Model

For 2026-27, small and rural hospitals are block funded. Funding has been determined using the 2024-25 District and Network Return (DNR) clinical costing results, escalated for 2026-27. This approach provides funding certainty and recognises the structural and operational characteristics of smaller rural facilities.

Aged Care Services

For 2026-27, aged care services are block funded. Funding has been determined using the 2024-25 District and Network Return (DNR) clinical costing results, escalated for 2026-27.

NSW recognises cost variations across districts and provides additional funding to support the delivery of aged care services.

Block Funded Services

This allocation in the 2026-27 State Budget has been informed by the 2024-25 DNR, clinical costing study plus escalation.

- Baseline funding for existing community mental health services will be block funded to reduce volatility and enhance funding stability for existing services. Growth funding will be subject to ABF targets as the service transitions to an ABF model.
- The NSW State-wide Teaching, Training, and Research (TTR) cost allocation methodology continues to be applied in 2026-27.
- Other block funded services in 2026-27 include Population Health, Aboriginal Health and funding for home ventilation clinics.

Specific Initiatives

The specific initiatives amounts have been allocated across both ABF and Block in line with their service profile.