



Northern Beaches Hospital

PERFORMANCE AUDIT | 17 APRIL 2025

NEW SOUTH WALES AUDITOR-GENERAL'S REPORT

ROLE OF THE AUDITOR-GENERAL

The roles and responsibilities of the Auditor-General and the Audit Office, are set out in the *Government Sector Audit Act 1983* and the *Local Government Act 1993*.

We conduct financial or 'attest' audits of state public sector and local government entities' financial statements. We also audit the Consolidated State Financial Statements, a consolidation of all state public sector agencies' financial statements.

Financial audits are designed to give reasonable assurance that financial statements are true and fair, enhancing their value to end users. Also, the existence of such audits provides a constant stimulus to entities to ensure sound financial management.

Following a financial audit the Audit Office issues a variety of reports to entities and reports periodically to Parliament. In combination, these reports give opinions on the truth and fairness of financial statements, and comment on entity internal controls and governance, and compliance with certain laws, regulations and government directives. They may comment on financial prudence, probity and waste, and recommend operational improvements.

We also conduct performance audits. These assess whether the activities of government entities are being carried out effectively, economically, efficiently and in compliance with relevant laws. Audits may cover all or parts of an entity's operations, or consider particular issues across a number of entities. Our performance audits may also extend to activities of non-government entities that receive money or resources, whether directly or indirectly, from or on behalf of government entities for a particular purpose.

As well as financial and performance audits, the Auditor-General carries out special reviews, compliance engagements and audits requested under section 27B(3) of the *Government Sector Audit Act 1983*, and section 421E of the *Local Government Act 1993*.



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In accordance with section 38EC of the *Government Sector Audit Act 1983*, I present a report titled '**Northern Beaches Hospital**'.

A handwritten signature in black ink, reading 'Bola Oyetunji'.

Bola Oyetunji
Auditor-General for New South Wales
17 April 2025

RECONCILIATION STATEMENT

We pay our respects and recognise Aboriginal peoples as the traditional custodians of the land in NSW who have cared for and protected the environment, waterways, and sacred sites over many millennia. We honour and thank the traditional custodians of the land on which our office is located, the Gadigal people of the Eora Nation, and the traditional custodians of all the lands on which our employees live and work. We pay our respects to their Elders past and present, and to the next generation of leaders.

We acknowledge that our long history of helping to foster accountability and transparency in the government and Parliament is also shared with the histories of colonisation and the resulting disadvantage of Aboriginal and Torres Strait Islander peoples in this state.

We embrace our role in holding government agencies to account for the delivery of effective services for Aboriginal and Torres Strait Islander peoples. We are committed to ensuring that our audits are culturally responsive, respectful and inclusive, and that we engage with Aboriginal and Torres Strait Islander peoples and communities in a meaningful and collaborative way.

We recognise the ancestral tie of Aboriginal and Torres Strait Islander peoples to this land, and we acknowledge that we have much to learn from their wisdom, rich and diverse culture, languages, knowledge and practices.

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Section 1 –

Northern Beaches Hospital

1. Executive Summary

Context

The Northern Beaches Hospital, located in Frenchs Forest, Northern Sydney, is a private hospital providing public hospital services, as well as a range of private hospital services. The hospital was built and is now operated by a private operator, Healthscope, in a public-private partnership with the NSW Government.

From October 2018, the Northern Beaches Hospital replaced two smaller public hospitals, Mona Vale and Manly. Healthscope is a private company that is contracted to run the public hospital portion of the Northern Beaches Hospital until at least 2038. Healthscope was granted a concession to run a private hospital on the same site for a period of 40 years until 2058 as part of the same arrangement.

The Northern Sydney Local Health District manages the public-private partnership day-to-day and the Ministry of Health provides support. The Northern Beaches Hospital is currently the only public-private partnership for comprehensive public hospital services operating in NSW.

Audit objective

The objective of this audit was to determine how effectively and efficiently the Northern Beaches Hospital public-private partnership delivers public hospital services. The audit examined this through two lines of inquiry.

- Do NSW Health agencies ensure the effective and efficient delivery of public funded hospital services from the Northern Beaches Hospital?
- Is the operator of the Northern Beaches Hospital effectively delivering public hospital services in selected clinical areas (emergency department and general surgery)?

The main period of focus for this audit was July 2022 to June 2024. However, significant events before and after this date have been considered where relevant to the audit scope. In assessing the effective delivery of hospital services this audit considered the performance of the hospital against contractual requirements and relevant peer hospitals.

Conclusion

The Northern Beaches Hospital public-private partnership is not effectively delivering the best quality integrated health services and clinical outcomes to the Northern Beaches community and the State – the standard required under the arrangement and the key objective of the project deed.

The partnership is at risk of failure, with Healthscope requesting in November 2023, and again in December 2023, that the return of the public portion of the Northern Beaches Hospital be brought forward by 14 years. In its requests, Healthscope noted the risk to the viability of the Northern Beaches Hospital, citing insufficient funding, a lack of integration into the wider health network, and strained stakeholder relationships.

NSW Health effectively manages the contract with Healthscope day-to-day on behalf of the State, ensuring that public hospital activity at the Northern Beaches Hospital is provided at a lower cost than if the State operated the hospital. However, the public-private partnership structure creates tension between commercial imperatives and clinical outcomes. The Northern Beaches Hospital has recorded concerning results for some hospital-acquired complications and has not taken sufficient actions to address some identified clinical safety risks.

The project deed, which governs the partnership, does not support the hospital's integration into the local health district and broader health network. This has an impact on patient journeys and access to services for patients in the Northern Beaches. Additionally, Healthscope has no obligation or commitment to implement NSW Health initiatives – such as the Safe Staffing Levels initiative.

The Northern Beaches Hospital has achieved accreditation to ensure the hospital meets national quality standards for hospital care but some quality and safety concerns remain.

Key findings

NSW Health has identified that there is a risk the Northern Beaches Hospital public-private partnership will fail, and is monitoring that risk

There is a risk that the State may need to assume responsibility for public health services at the Northern Beaches Hospital earlier than the expected timeframe of 2038. In November and December 2023, Healthscope wrote to the Ministry of Health with a request to bring forward the return of the public portion of the Northern Beaches Hospital by 14 years, while retaining the private portion until 2058. In these requests, Healthscope noted operational concerns including:

- challenging administrative and integration outlook
- risk to viability of Northern Beaches Hospital due to insufficient funding
- lack of integration into the wider health network
- strained stakeholder relationships.

In January 2024, the Ministry of Health formally declined Healthscope's requests, noting that Healthscope have no legal or contractual entitlement to withdraw from or vary the project in the manner proposed. The Ministry of Health reaffirmed that Healthscope must continue to provide services under the terms of the project deed. Recent reported financial challenges for Healthscope confirm this is an ongoing risk for NSW Health to manage.

The Northern Sydney Local Health District effectively manages the contract day-to-day to ensure it is cost effective for the State

The Northern Sydney Local Health District is effective in managing the contract with Healthscope to deliver public hospital activity at the Northern Beaches Hospital. The Northern Sydney Local Health District is focused on enforcing the risk allocation set out in the project deed, relying on dialogue in project deed governance forums to resolve issues, rather than on more formal contract mechanisms, such as reviews and performance improvement plans.

The Northern Beaches Hospital public-private partnership delivers public hospital activity at a lower cost to the State than NSW Health public hospitals. This is due to the discounted price paid to Healthscope for delivering units of public hospital activity. The financial benefit to the State remains despite several funding increases provided to Healthscope by NSW Health. In June 2024, the Northern Sydney Local Health District calculated that over \$73 million in additional funding had been provided to Healthscope to operate the Northern Beaches Hospital since the hospital opened in October 2018.

The Northern Beaches Hospital has achieved accreditation to ensure the hospital meets national quality standards for hospital care, but some quality and safety concerns remain

The Northern Beaches Hospital has achieved and maintained accreditation and licensing. This level of accreditation ensures that the hospital meets national quality standards for hospital care. The Northern Beaches Hospital meets the same national quality standards as NSW public hospitals.

Notwithstanding accreditation and licensing, the hospital has recorded some concerning results for hospital-acquired complications relative to expectations. Hospital-acquired complication rates at the Northern Beaches Hospital are mostly within the expected range of results. However, the hospital has recorded elevated rates of falls, third- and fourth-degree perineal lacerations, and birth trauma during the review period. The Northern Sydney Local Health District and Healthscope have worked to resolve these issues through project deed governance forums and mechanisms, but repeated patterns of poor results are a cause for concern.

More recently, Healthscope and the Northern Sydney Local Health District have investigated sepsis and deteriorating patient pathways at the Northern Beaches Hospital following several incidents and concern that Healthscope has not adequately embedded appropriate clinical models of care.

The Northern Beaches Hospital has not addressed a known, longstanding clinical risk and has limited visibility over minor harm and near-miss incidents

The Northern Beaches Hospital electronic clinical systems present quality and safety risks that have been known to Healthscope and the Northern Sydney Local Health District since the hospital opened in 2018. In the emergency department, Healthscope's electronic medical record system is used in tandem with another system that captures patient administrative data. The two systems are not well connected, elevating the risk that clinically relevant information is not fully considered in making clinical decisions. This risk was realised in a serious adverse event in September 2024 as identified in a Serious Adverse Event Review. Neither Healthscope nor the Northern Sydney Local Health District have taken sufficient action to address this risk.

Healthscope complies with requirements to report serious harm incidents to the Ministry of Health and the Northern Sydney Local Health District. The Northern Sydney Local Health District relies on Healthscope to maintain incident response systems equivalent to those at NSW public hospitals. The audit observed gaps in how minor harm or near-miss incidents at the Northern Beaches Hospital are reported and analysed by Healthscope, which is not consistent with practice in NSW public hospitals.

The relatively limited analysis and monitoring of trends for minor harm or near-miss incidents present a risk that emerging trends are not identified and addressed. Additionally, Healthscope is unable to determine the extent to which factors such as insufficient staffing or equipment result in minor harm or near-miss incidents at the Northern Beaches Hospital.

The Northern Beaches Hospital is not well integrated into the District and network

A key objective of the Northern Beaches Hospital public-private partnership is to deliver a hospital integrated into the Northern Sydney Local Health District and the NSW Health network. Characteristics of an integrated facility include: supporting the District's principal referral hospital, the Royal North Shore Hospital, by absorbing demand; ensuring that patients experience seamless transfer of care between the Northern Beaches Hospital and NSW Health facilities; and supporting the objectives of the Northern Sydney Local Health District in providing health services to the community.

Integration is a challenge for the Northern Beaches Hospital public-private partnership. While some of the expected absorption of demand has occurred, it has not met initial expectations. Additionally, the Northern Beaches Hospital project deed has created barriers to introducing new services at the hospital. The public-private partnership was established as a mechanism to buy admitted patient activity. Opportunities to add new services have been frustrated by technical aspects related to how the Northern Sydney Local Health District purchases activity from Healthscope. This situation will worsen as trends continue for health services to explore more outpatient care, such as Hospital in the Home. The Northern Beaches Hospital public-private partnership structure presents a barrier to flexible and holistic clinical service planning in the District.

Healthscope is not required to implement the Safe Staffing Levels initiative at the Northern Beaches Hospital, which may affect service quality over time

The NSW Government is currently implementing the Safe Staffing Levels initiative in emergency departments at NSW public hospitals. The Safe Staffing Levels initiative introduces minimum staffing levels, which will result in more nurses and midwives in NSW Health public hospitals. However, Healthscope is not required to implement the initiative at the Northern Beaches Hospital.

In the absence of any other action to enhance staffing levels at the Northern Beaches Hospital, there is a risk that patients at the Northern Beaches Hospital will experience a lower level of service over time than at NSW public hospitals. Efforts to match the NSW Government initiative may also make it difficult for Healthscope to make the public portion of the Northern Beaches Hospital work financially, further risking the success of the partnership.

The Northern Beaches Hospital does not meet all performance expectations set out in the project deed but, based on NSW Health data, it often outperforms its NSW public hospital peers

The Northern Beaches Hospital project deed lists the objective of the partnership as providing the best quality care. The project deed operationalises this by requiring Healthscope to perform within the top quartile of performance across many key performance indicators. Failure to achieve that level of performance results in abatements, or financial penalties, being applied to payments from the State to Healthscope.

The audit reviewed NSW Health data related to activity at the Northern Beaches Hospital. The Northern Beaches Hospital generally performs well against output targets for elective surgery. It does not always meet emergency department output targets required under the project deed. Based on NSW Health data, the Northern Beaches Hospital outperforms its NSW public hospital peers for key output indicators in the project deed relating to emergency department and elective surgery.

Recommendations

As a matter of priority, the NSW Government and NSW Health should:

1. note the findings of this report and consider whether the Northern Beaches Hospital public-private partnership is the appropriate model to deliver the best quality integrated health care in the Northern Beaches region.

By December 2025, Healthscope should:

2. resolve safety and quality, system and reporting issues by:
 - a) working with NSW Health to sustainably address underperformance on hospital-acquired complications
 - b) minimising clinical risk of duplicate and disconnected systems in the emergency department
 - c) improving incident management system functional capability, to enable analysis and reporting that better identifies and addresses safety and quality risks.

For any future health service delivery outsourcing arrangements, NSW Health should:

3. consider in developing the contract:
 - a) the balance of risk allocation between parties to ensure the sustainability of quality and safe health services over the term of the agreement
 - b) the ability to mandate hospital network integration requirements
 - c) requiring adoption of NSW Health systems
 - d) requiring NSW Health staffing models and clinical models of care
 - e) comprehensive key performance indicators to measure and drive performance.

2. Introduction

2.1. Overview of the Northern Beaches Hospital

In 2014, the NSW Government commenced a public-private partnership with a private sector operator, Healthscope, to deliver the Northern Beaches Hospital in Frenchs Forest. Healthscope designed, built and now operates the hospital. The Northern Beaches Hospital, a private hospital that provides public hospital services, as well as a range of private hospital services, opened in October 2018. The public concession to deliver public patient services is for an initial period of 20 years to 2038, with a potential 5-year extension. The private patient licence is for a period of 40 years to 2058.

The objectives listed in the Northern Beaches Hospital public-private partnership project deed are to:

- a) deliver the best quality integrated health services and clinical outcomes to the community of the Northern Beaches area of Sydney and the State
- b) integrate health care to Public Patients and Compensable Patients from a single Facility to maximise the range and breadth of services available to the community of the Northern Beaches of Sydney
- c) provide health care teaching, training, education and research within the Facility as part of the Northern Sydney Local Health District
- d) consolidate existing health services in the Frenchs Forest location to create critical mass, thus improving accessibility to health services
- e) deliver an integrated public and private health care facility to maximise the range and breadth of health services available to the community of the Northern Beaches area of Sydney
- f) address the demand and cost impact of current and future health services by enabling a sustainable health system by changing the patterns of supply and demand. This will be achieved by utilising the location of the Facility, its operational and design innovation and digital hospital technologies.

The Northern Beaches Hospital has 488 beds across private and public wards, 14 operating theatres, four procedural rooms, a 50-space emergency department and an on-site medical centre. NSW Health uses a six-level scale to define public hospital services. Each level sets out the minimum services, specialisation and other requirements for clinical services to be delivered safely. Level one services are more basic and level six services are highly advanced. The Northern Beaches Hospital provides a range of high-level public hospital surgical services, generally level five, and provides teaching and training for clinical workforces. See Appendix 2 for more details.

The Northern Beaches Hospital replaced two smaller hospitals, Mona Vale and Manly hospitals. The Northern Beaches Hospital is supported within the Northern Beaches catchment by the Brookvale Community Centre and the redeveloped Mona Vale Hospital that delivers sub-acute and community health services. The Royal North Shore Hospital is the principal referral hospital, and largest hospital, within the Northern Sydney Local Health District. Exhibit 1 shows a map of facilities in the Northern Sydney Local Health District including the Northern Beaches Hospital.

The Northern Beaches Hospital public-private partnership is the only such arrangement providing comprehensive public hospital services in NSW.

Exhibit 1: Map of facilities in the Northern Sydney Local Health District including the Northern Beaches Hospital



Source: Northern Sydney Local Health District, 2024.

See Appendix 2 for the range and level of services provided at the Northern Beaches Hospital compared with services provided in the last year of operation of the Mona Vale and Manly Hospitals.

2.2. Risk allocation, governance and contract arrangements

A project deed governs the Northern Beaches Hospital public-private partnership. The key parties to the project deed are as follows.

- Healthscope: the private operator of the hospital. Healthscope established several subsidiaries and holding corporations to conduct hospital operations including public hospital services and the hospital car park.

- Health Administration Corporation: is a corporation sole, and the Secretary of Health is its single office holder. During the hospital construction Health Infrastructure (part of the Health Administration Corporation) was the main contract manager for NSW Health. The Ministry of Health acts as the Secretary of NSW Health’s representative on Northern Beaches Hospital matters during the operational phase.
- Northern Sydney Local Health District: one of 15 local health districts responsible and accountable for providing public health services in NSW. The Northern Sydney Local Health District is now the main government entity responsible for oversight of the operator’s provision of public hospital services.

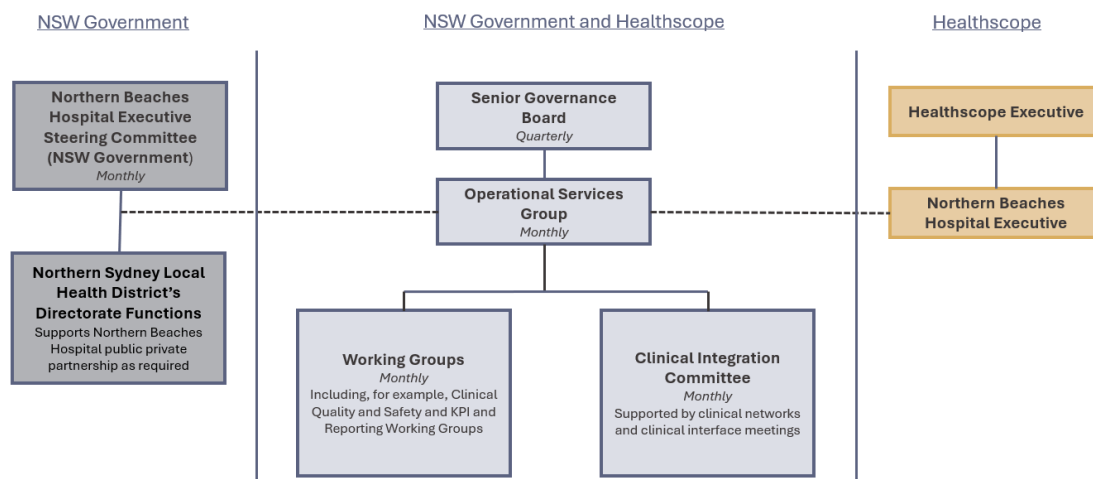
Public-private partnerships are long term arrangements that share risk between the public and private sectors. The Northern Beaches Hospital project deed allocates the risk of the operational term of the hospital to Healthscope including volume and demand management, operational costs, responsibility to maintain a hospital licence, responsibility to meet key performance indicators, and responsibility for workforce and industrial relations matters.

The Northern Sydney Local Health District pays Healthscope a discount on the state price for public hospital activity at the Northern Beaches Hospital. The discount in part recognises the efficiencies that Healthscope is expected to achieve in operating the hospital.

The Northern Sydney Local Health District determines and sets an activity volume that it will purchase from Healthscope for a given year. Multiplied by the discounted state price, this establishes the maximum payment amount that can be paid to Healthscope for that year. That is, the project deed imposes volume and demand management obligations on Healthscope to deliver services within an activity cap set by NSW Health. Failure to achieve outcomes on a variety of key performance indicators triggers abatements or financial penalties that are deducted at monthly billing for services.

The project deed specifies a minimum set of governance committees to discuss service and contract issues – set out in Exhibit 2 – as well as a range of reporting and assurance requirements. Reporting is used by the Northern Sydney Local Health District to assess the performance of Healthscope in providing public health services and other project deed requirements.

Exhibit 2: Northern Beaches Hospital public-private partnership governance arrangements



Source: Northern Sydney Local Health District.

The project deed has been amended twice during the operating period. Changes have ranged from the introduction of the Senior Governance Board in March 2023 to better manage the relationship between parties and refinements, to mechanisms to determine the annual activity profile for public hospital services.

2.3. Confidentiality

A redacted version of the project deed is published on the NSW Treasury website consistent with the requirements of the *Government Information (Public Access) Act 2009*. Redacted details include the value of the maximum payment amount, targets for abatable measures, and failure points that apply when target and performance thresholds are not met by Healthscope. The explanatory table that accompanies the redacted project deed on the NSW Treasury website notes that disclosure of this information is redacted because disclosure might prejudice the State in future negotiations, placing it at a commercial disadvantage.

That argument has been considered in determining what information is in the public interest to disclose in this report. However, the Audit Office is of the opinion that there is public benefit in knowing the standards to which Healthscope is being held in providing public hospital services to citizens of the Northern Beaches and NSW.

2.4. 2020 Parliamentary Inquiry into the Operation and Management of the Northern Beaches Hospital

On 27 February 2020, the NSW Legislative Council Portfolio Committee Number 2 published its report on the Operation and Management of the Northern Beaches Hospital. The report covered the decision to proceed with a public-private partnership to deliver the hospital, the effect of the hospital on public health services in the Northern Beaches catchment, and the first 16 months of operation at the hospital. This performance audit report does not revisit this early operational period.

The Committee's report noted that the first 12 months of the Northern Beaches Hospital's operation were notable for several issues around inadequate medical supplies, short-staffing, poor planning for initial emergency loads, access to public patient records, and time taken to achieve teaching and training accreditation.

The Committee recorded its concern with the public-private partnership model used to deliver public hospital services. It made 23 recommendations to the NSW Government including Recommendation 18 to establish a specific forum, the Clinical Integration Committee, to manage interactions between the privately run Northern Beaches Hospital and publicly run health facilities in the Northern Beaches catchment and the broader NSW Health network. The NSW Government supported most of the committee's recommendations, including the establishment of the Clinical Integration Committee.

2.5. Submissions from members of the public

Between August 2024 and April 2025, the Audit Office received over 190 submissions via an online public mailbox and general correspondence. These contributions were voluntary, sometimes anonymous, contributions, sharing people's experience with the Northern Beaches Hospital. Patients and their families were the main contributors. But the audit also heard from staff who worked at the hospital and the public.

Most of the contributors reflected negatively on their experience with the Northern Beaches Hospital. Many contributors were concerned about the quality of care they experienced or witnessed at the hospital. Other contributors spoke of challenges with how the hospital communicated with them or their family. Staffing issues, such as understaffing and related resourcing issues, were raised by patients and their families, as well as staff at the hospital.

There were also positive reflections on peoples' experience at the Northern Beaches Hospital. Contributors praised the professionalism of staff and their dedication to delivering health care.

The Audit Office would like to thank the people who took the time to share their experiences with us about the Northern Beaches Hospital.

3. Safety, quality and performance of the Northern Beaches Hospital

This chapter reports on the performance of the Northern Beaches Hospital. The first section reviews the performance of the Northern Beaches Hospital in terms of safety and quality. The second and third sections review the operational performance of the emergency department and elective surgery (including general surgery). One of the features of the Northern Beaches Hospital public-private partnership is the requirements of demand and volume management placed on Healthscope, the operator of the hospital. How that interacts with the performance of the emergency department and admitted patient areas is examined here. The fourth section reports on patient experience and complaints.

A key objective of the project deed is for the Northern Beaches Hospital to provide the best quality care for people in the Northern Beaches catchment and the people of NSW. The best quality care is operationalised in the project deed by requiring the Northern Beaches Hospital to perform in the top quartile of comparator hospitals for many measures. Only one of these measures relates to the scope of this audit – patients who left the emergency department after triage without being seen. Comparator hospitals are drawn from national hospitals for these measures.

When comparing results with NSW hospitals, the Northern Beaches Hospital is within the B1 hospital grouping, which includes Blacktown, Sutherland, Hornsby Ku-ring-gai and Campbelltown in metropolitan Sydney, and Orange, Tamworth, Wagga Wagga, Tweed Valley, Coffs Harbour, Port Macquarie and Lismore hospitals in regional NSW.

3.1. Safety and quality

The Northern Beaches Hospital is accredited to the National Safety and Quality Health Service standards

The Northern Beaches Hospital is accredited to the National Safety and Quality Health Service (NSQHS) standards and has maintained this accreditation from opening. This is the same level of accreditation that applies to NSW public hospitals. In 2023, the Australian Commission on Safety and Quality in Health Care, which publishes the NSQHS standards, introduced a regime of short notice assessments that applies to the Northern Beaches Hospital. This regime replaced the previous system of announced and voluntary short notice assessments. The short notice assessments are notified to a facility up to 48 hours before an assessment. In theory, this element of surprise limits the ability of a facility to stage manage or game the assessment of compliance against the NSQHS standards and encourages facilities to develop longer term strategies rather than fixate on the assessment cycle. The Northern Beaches Hospital was assessed under the short notice assessment in December 2023 and received full accreditation in March 2024. This audit did not seek to reperform the assessment conducted against the NSQHS standards.

Accreditation to the NSQHS standards is complemented by the Northern Beaches Hospital's accreditation as a private facility under the *Private Health Facilities Act 2007*. The licensing team undertakes in-person reviews at the hospital when deciding to license a facility. The Ministry of Health Private Health Facilities licensing team does not consider the Northern Beaches Hospital to be a high-risk facility. There is also a range of other accreditation arrangements for specific disciplines and functions in the hospital, such as teaching and training. The Northern Beaches Hospital has received and maintained full accreditation since its opening.

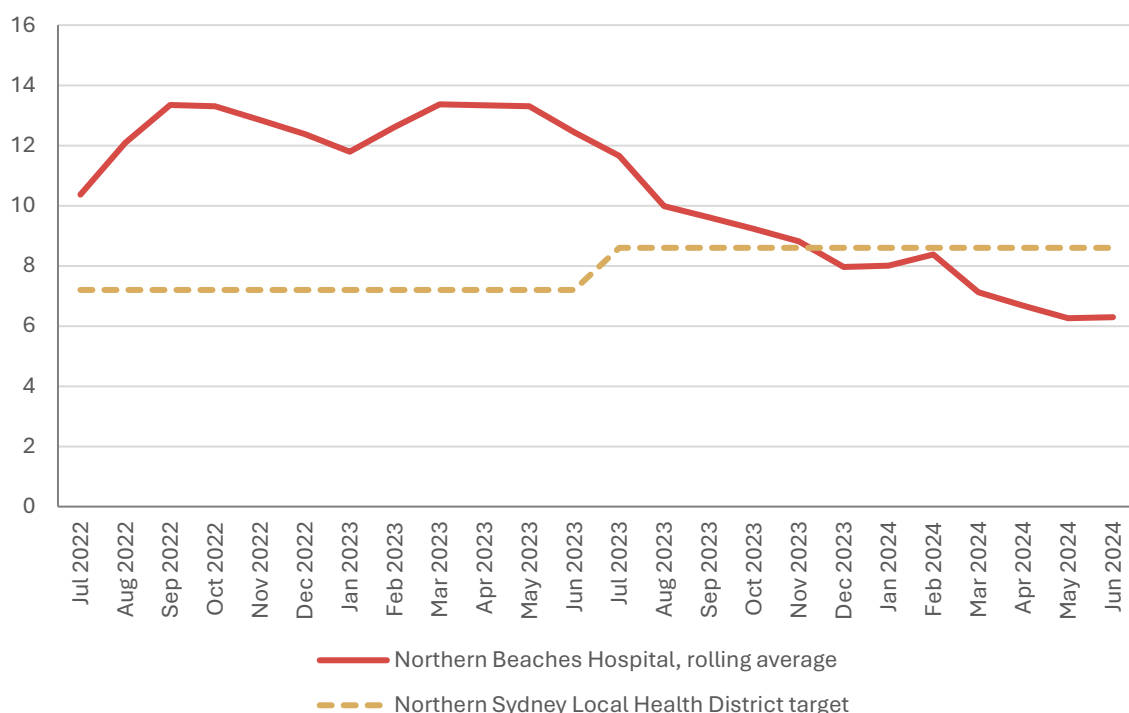
The Northern Beaches Hospital underperformed against expectations on some hospital-acquired complications during the review period

There are 16 nationally agreed hospital-acquired complication indicators that measure outcomes of hospital care for which clinical risk mitigation strategies may reduce, but not necessarily eliminate, the risk of occurrence. The 16 nationally agreed hospital-acquired complications are a subset of possible hospital complications and are important in determining funding for hospital activity between the Australian Government and states and territories. The occurrence of a hospital-acquired complication can lengthen a patient’s stay in a hospital and divert resources from other patients. It is a condition of accreditation that hospitals, including the Northern Beaches Hospital, maintain systems to monitor, act and document unwanted variation in hospital-acquired complications.

NSW Health sets differing targets for hospital-acquired complications across the NSW public hospital network. These targets inform monitoring and oversight of the Northern Beaches Hospital but are not subject to financial penalties. The targets correspond to demographic factors that drive certain complications. For instance, the Northern Sydney Local Health District has an older population than other areas of Sydney and NSW. Consequently, the expected rate of falls and pressure injuries is higher than in other parts of the network that have a younger population. The conditions of patients presenting at hospitals, or case mix, will also affect rates of hospital-acquired complications. Peer results for hospital-acquired complications therefore need to be interpreted carefully. Differences in hospital-acquired complications at peer hospitals often point to opportunities for improvement. Nevertheless, as shown in Exhibit 3, the Northern Beaches Hospital has under-performed against expectations for falls, third- or fourth-degree perineal lacerations, and birth trauma over the review period. Months where zero incidents are recorded for falls are also against expectation and are investigated accordingly.

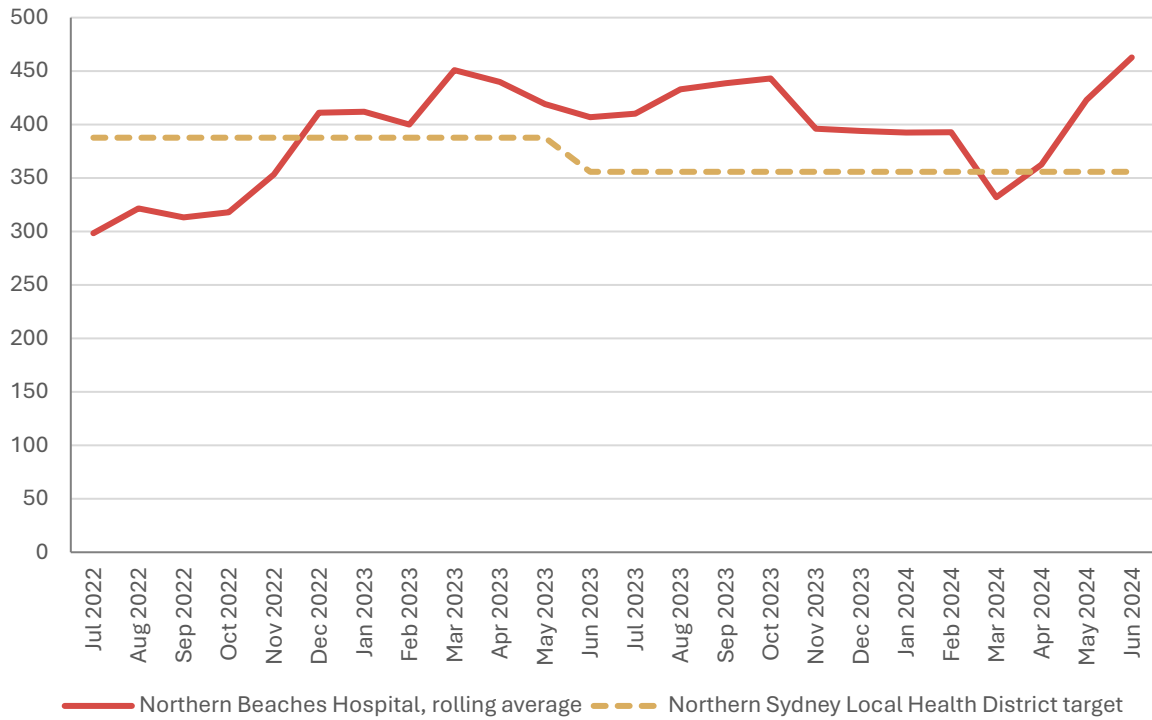
The Northern Beaches Hospital has also experienced challenges in managing hospital-acquired pressure injuries, hospital-acquired infections and birth trauma during the review period for this audit. Performance of the Northern Beaches Hospital against the remaining 13 hospital-acquired complications is presented in Appendix 3. NSW Health does not publish information on hospital-acquired complications for any of its facilities.

Exhibit 3A: – Hospital-acquired complications – Falls rate per 10,000 episodes of care for the Northern Beaches Hospital



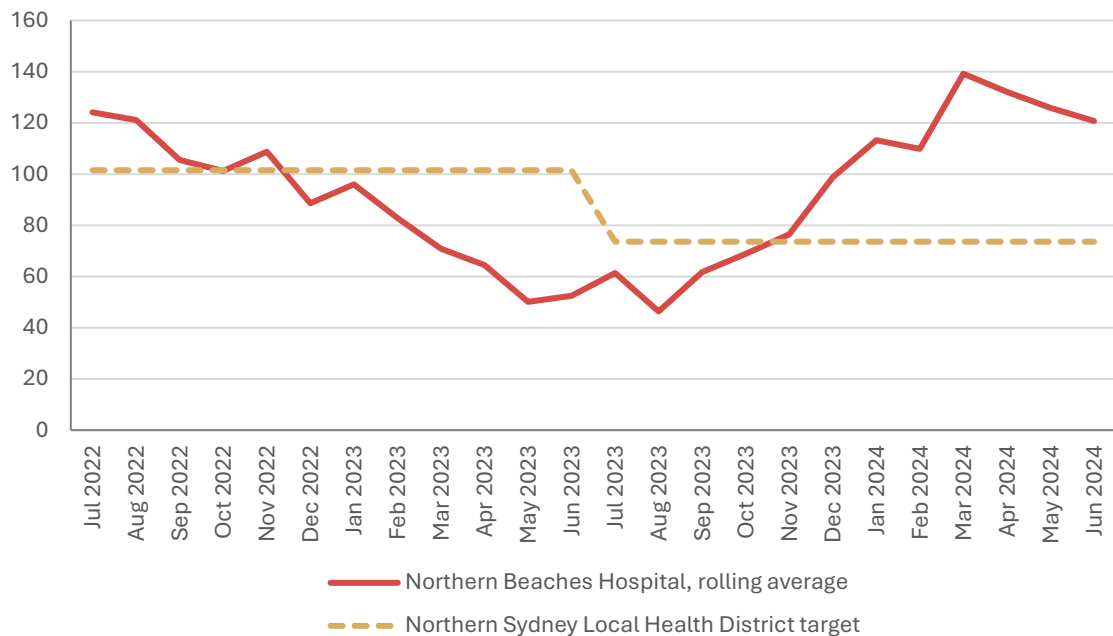
Source: Audit Office analysis of NSW Health data.

Exhibit 3B: Hospital-acquired complications – Third- or fourth-degree perineal lacerations rate per 10,000 episodes of care for the Northern Beaches Hospital



Source: Audit Office analysis of NSW Health data.

Exhibit 3C: Hospital-acquired complications – Birth trauma rate per 10,000 episodes of care for the Northern Beaches Hospital



Source: Audit Office analysis of NSW Health data.

The Northern Sydney Local Health District responds quickly to deviations from expected rates of hospital-acquired complications

The Northern Sydney Local Health District interrogates the hospital-acquired complications data and follows up with Healthscope on patterns of concern. Patterns in hospital-acquired complications are also regular items of discussion at project deed governance forums. These discussions occur with the presentation of quality and safety data. The Northern Sydney Local Health District can use project deed mechanisms to formally require reviews in response to emerging trends in hospital-acquired complications, however, to date, the Northern Sydney Local Health District and Healthscope have been able to work through contract management and project deed forums to investigate and resolve issues without needing to activate these formal project deed mechanisms. Exhibit 4 discusses the identification of concerning trends in falls and response from Healthscope and the Northern Sydney Local Health District.

Exhibit 4: Revising the Northern Beaches Hospital falls action plan in response to an increasing prevalence of falls

In 2022 the Northern Beaches Hospital recorded poor performance on falls during care at the hospital, one of the 16 nationally agreed hospital-acquired complications. In August 2022, the Northern Sydney Local Health District contract management team started to note concerns about falls performance in reports to its Chief Executive. This marked a recurrence of a similar increase in falls in 2020. Falls are one of the hospital-acquired complications that are highly correlated with human factors. Falls are also related to the demographics of patients at a facility and the older profile of patients at the Northern Beaches Hospital is expected to result in relatively higher rates of falls than at facilities with a younger patient profile.

In the first half of 2023, Healthscope revised the Northern Beaches Hospital falls action plan and began reporting on its finalisation and implementation through the Quality and Safety Working Group. The Northern Beaches Hospital and the Northern Sydney Local Health District are represented on each other's falls committees. This strengthens collaboration on revisiting the Northern Beaches Hospital falls action plan. Key initiatives included the implementation of a new risk assessment tool to bring the hospital into alignment with NSW Health practice, intentional rounding and intensive auditing of falls data. Intentional rounding is purposeful communication by clinicians with patients

Falls data records some improvement following the implementation of the new falls action plan but this area of safe care remains a challenge for the Northern Beaches Hospital.

Source: Audit Office of NSW research.

Similar to the falls case, other concerning emerging trends in hospital-acquired complications receive attention at the Northern Beaches Hospital public-private partnership governance committees and through contract mechanisms. Action plans are agreed between Healthscope and the Northern Sydney Local Health District. While this approach has proven successful in reversing underperformance, repeated issues over the last few years indicate that the agreed improvements may not be sustained by the Northern Beaches Hospital over time.

Sepsis and deteriorating patient pathways are other recent areas of concern

On one occasion over the operating term of the hospital, in September 2024, the Northern Sydney Local Health District insisted on a review of specific clinical pathways – the sepsis and clinical deterioration pathways. This was in response to increased concern about Healthscope's repeated failure to implement clinical models to prevent sepsis and clinical deterioration at the Northern Beaches Hospital. These models were to be introduced as a result of serious adverse event reviews conducted by Healthscope into incidents at the hospital. The Northern Sydney Local Health District first raised concerns about sepsis and deteriorating patients with Healthscope in November 2023 and asked Healthscope to consider implementing the NSW Clinical Excellence Commission's incoming sepsis pathway. The NSW Clinical Excellence Commission is part of NSW Health and responsible for system-wide leadership in clinical governance and safety.

In October 2024, the Northern Sydney Local Health District and Healthscope conducted a review into a sample of patients. The review found that most patients in the sample received clinically appropriate care but there was room for improvement. It recommended Healthscope implement the NSW Clinical Excellence Commission's February 2024 sepsis pathway, provide better documentation of clinical decision-making around sepsis, and conduct regular auditing of compliance and sharing of results with the NSW Health network. In December 2024, the Secretary of NSW Health wrote to Healthscope to seek assurance that the recommendations of the October 2024 review were being prioritised and implemented.

The Northern Beaches Hospital electronic clinical systems present quality and safety risks

The Northern Beaches Hospital uses different electronic clinical systems from those used by the District. The public-private partnership assumed that a successful bidder for the Northern Beaches Hospital request for tender might have an established suite of electronic clinical systems that could be rolled out to the hospital, rather than requiring the successful bidder to implement the systems used by the Northern Sydney Local Health District. In this way the successful bidder could access efficiencies across its business.

However, this has had unintended consequences. In the emergency department, Healthscope's electronic medical record system is used in tandem with another system that captures patient administrative data. Data is not easily shared between the two systems, requiring clinical staff to access both systems to fully understand their patient. This elevates the risk that clinically relevant information is not fully considered in making clinical decisions. The 2020 Parliamentary Inquiry into the Operation and Management of the Northern Beaches Hospital also identified this risk. In September 2024, this risk was realised in a significant adverse event.

Diverging workforce configurations at the Northern Beaches Hospital risk diminished service levels compared to NSW public hospitals over time

The project deed is clear that Healthscope, as the operator of the Northern Beaches Hospital, is responsible for the management and cost of clinical and non-clinical staff required to provide services at the hospital. The public-private partnership anticipates that models of care and workforce composition at the Northern Beaches Hospital will differ from those deployed at public hospitals in NSW. This is because the public-private partnership model assumes that Healthscope will be motivated to establish efficiencies in operations to deliver value to investors, while accreditation and similar frameworks provide a safety net. This allocation of risk is described as one of the key advantages of the project deed that permits the State to achieve financial benefits from the arrangement overall. That is, by allowing Healthscope to find efficient modes of service delivery, including with respect to workforce, Healthscope is more willing to accept a discounted price for the services it delivers.

Following a period of transition after the hospital opened in October 2018, clinical and non-clinical staff employed by Healthscope at the Northern Beaches Hospital work under a different award with different pay and conditions from staff in NSW public hospitals. By 2023, all clinical and non-clinical staff at the Northern Beaches Hospital transitioned to Healthscope awards. Some awards, such as the nursing award, included further transitional measures in the form of a memorandum of understanding that retained a link between how NSW Health describes its nursing workforces (in terms of nurse-to-patient ratios) and how Healthscope describes its nursing workforces (in terms of nurse per patient-day). However, that memorandum of understanding lapsed in October 2023 as part of a planned transition of nursing workforces to Healthscope award pay and conditions.

In 2023, the NSW Government committed to implementing Safe Staffing Levels in NSW public hospitals. Safe Staffing Levels is an initiative to increase nurse-to-patient ratios in NSW public hospitals. In 2024, the program commenced in level five and six emergency departments with plans to extend the program to other areas of NSW public hospitals. Under the terms of the project deed, Healthscope is not required to implement Safe Staffing Levels. Instead, the project deed requires Healthscope to provide public health services in accordance with good operating practices, including sufficient clinical staff to meet the expectations of the project deed. In time, that could be expected to force Healthscope to adopt something like Safe Staffing Levels, but likely with a lag. Meanwhile, there may be a period where the Northern Beaches Hospital will not be able to offer the same level of service as its peers in the NSW hospital system.

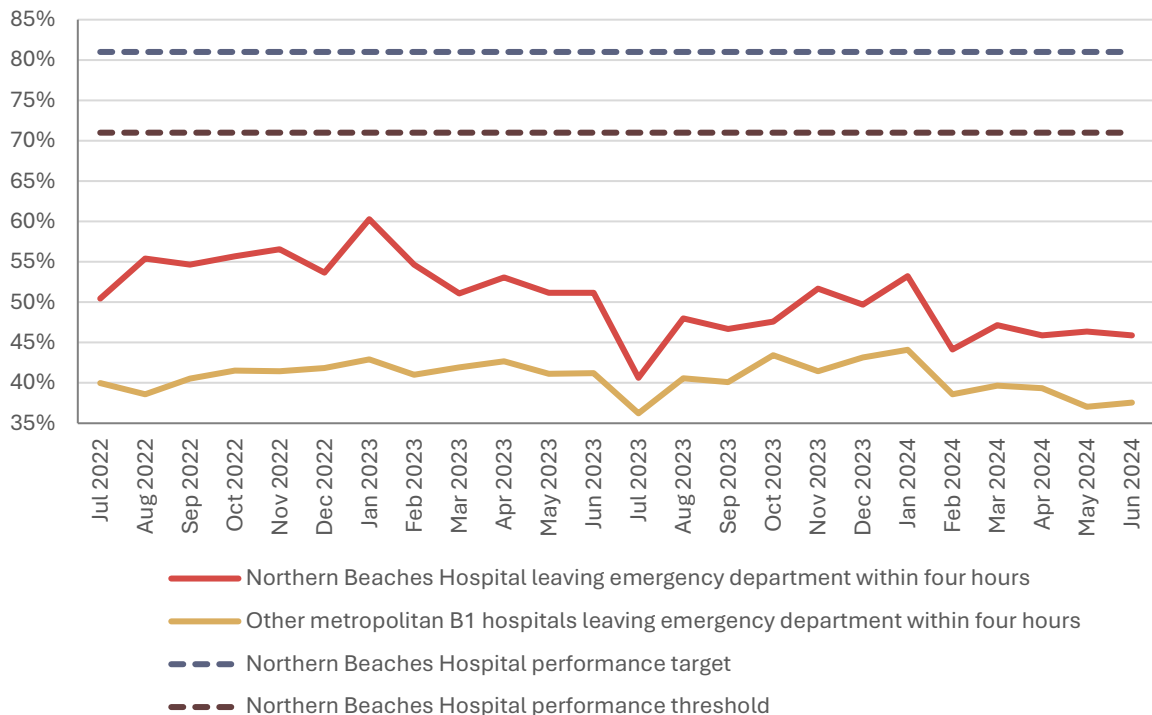
The Northern Beaches Hospital project deed permits the Northern Sydney Local Health District to inquire into workforce matters. During the review period for this audit, the District used these mechanisms of the project deed to inquire into several workforce matters, including the effect of fatigue on clinical decision-making and patient outcomes. The Northern Sydney Local Health District assessed that it was appropriate to rely on various accreditation and assurance processes in addition to continued monitoring of existing collections of activity data from the hospital. Healthscope reported that, in addition to meeting accreditation requirements, clinical shifts are reviewed every shift by managers to ensure that hours and profile are safe and appropriate for patients and staff. Quality and safety indicators, patient feedback, employee feedback, and work health and safety incidents are also monitored with a view to determining whether staffing levels are safe and effective.

3.2. Emergency department performance

The Northern Beaches Hospital has not met its emergency department targets, but generally outperforms its NSW public hospital peers

The Northern Beaches Hospital is accountable for measuring several emergency department targets under the project deed. Emergency treatment performance measures the number of patients leaving the emergency department within four hours. The Northern Beaches Hospital has performed poorly on this measure over the operating term of the hospital, triggering a corresponding abatement for a six-month performance period. The Northern Sydney Local Health District waived the application of the abatement in the first half of the 2022–23 financial year because of COVID. Results for the audit review period are shown in Exhibit 5. Comparison is made to metropolitan B1 facilities only, as there are expected differences in how regional and metropolitan emergency departments operate. It is important to note that no NSW peer B1 public hospital would have met the Northern Beaches Hospital emergency treatment performance targets for admitted and non-admitted patients over the review period.

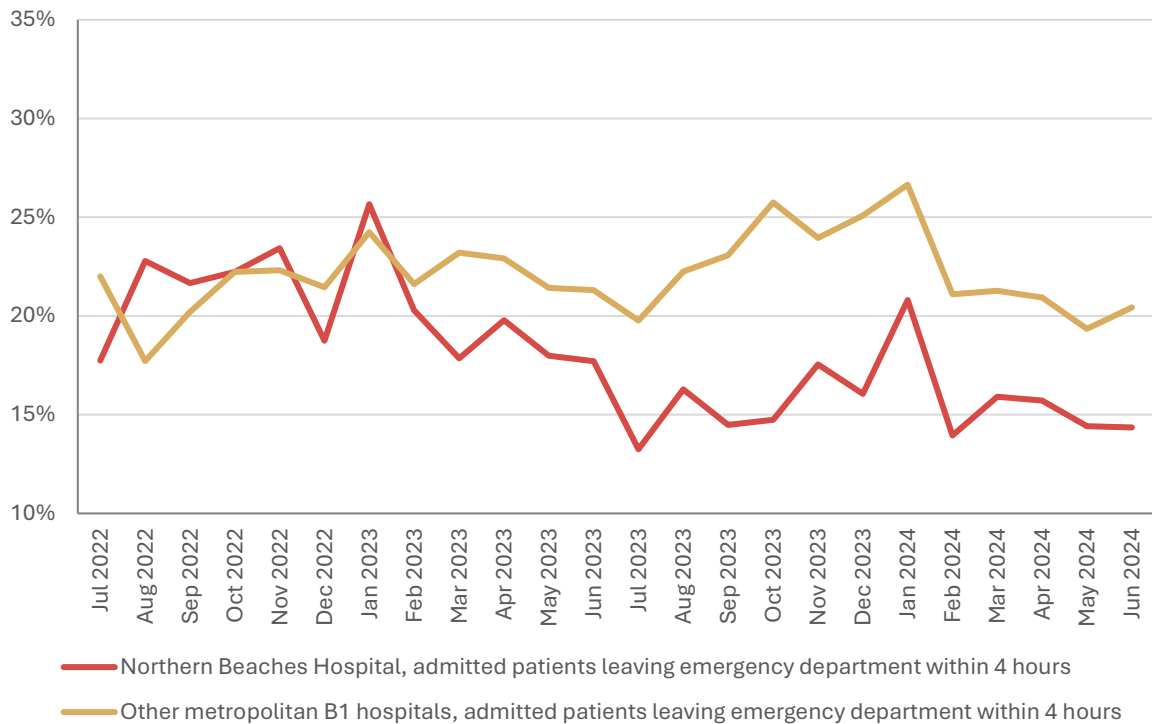
Exhibit 5: Emergency treatment performance, per cent of patients with total time in emergency department less than four hours, for the Northern Beaches Hospital and metropolitan B1 peer hospitals, July 2022 to June 2024



Source: Audit Office analysis of NSW Health data.

The Northern Beaches Hospital performance for admitted patients waiting time in the hospital is worse than peer B1 hospitals. Emergency treatment performance for admitted patients is a measure of the timeliness in which patients are moved from the emergency department into other parts of the hospital. It is not an abatable measure. Trends for this measure could indicate a prioritisation of elective surgery patients over emergency department patients. Exhibit 6 shows the performance of the Northern Beaches Hospital and metropolitan B1 peers for admitted emergency treatment performance.

Exhibit 6: Admitted patient emergency treatment performance, per cent of patients with total time in emergency department less than four hours, for the Northern Beaches Hospital and metropolitan B1 peer hospitals, July 2022 to June 2024



Source: Audit Office analysis of NSW Health data.

The number of patients in the emergency department for longer than 24 hours is another key performance indicator that attracts abatements under the project deed for the Northern Beaches Hospital. For this measure, the Northern Beaches Hospital outperforms B1 peer hospitals. It is, in fact, rare for patients to spend more than 24 hours in the Northern Beaches Hospital emergency department when measured against comparators. Patients who left the emergency department after triage without being seen is the only indicator relevant to the audit scope where the Northern Beaches Hospital is compared with national peers. The Northern Beaches Hospital performs well on this measure and within the project deed specification of performance is in the top quartile of peer results.

The Northern Beaches Hospital project deed services specification requires that Healthscope maintains a full-time medical centre. The medical centre is adjacent to the emergency department, connected via a short corridor, and is intended to divert non-urgent presentations away from the emergency department. Consequently, the medical centre is an important component of the Northern Beaches Hospital’s demand management strategy. The Australian Government, via Medicare, is the primary funder of services at the medical centre.

The Northern Beaches Hospital’s compensable patient strategy sets out the target opening hours of the medical centre as Monday to Saturday from 9am to 6pm and Sunday from 10am to 5pm. A compensable patient means someone whose health expenses are not met by the State. Most commonly this is by a private health insurer. Healthscope notifies the Northern Sydney Local Health District when this is not the case. While the medical centre has been closed more frequently due to general practitioner shortages in recent times, analysis performed by the Northern Sydney Local

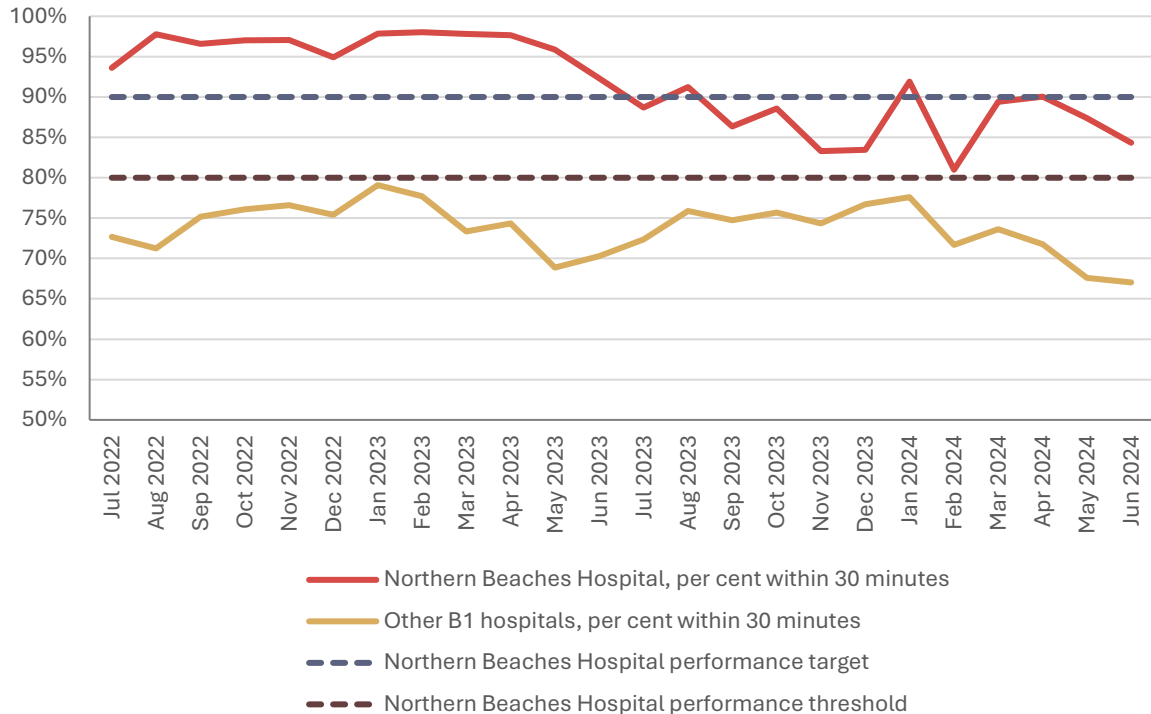
Health District indicates this has not led to a significant increase in lower triaged presentations to the Northern Beaches Hospital emergency department.

The Northern Sydney Local Health District does not consider periodic closures of the medical centre as a failure to operate in accordance with the project deed. Instead, the ability of Healthscope to operate the medical centre as part of its demand management obligations is taken into consideration when framing the activity volume for the following year. The Northern Sydney Local Health District makes a judgement about overall adherence to the demand management strategy in adjusting the activity profile, such that repeated failure to maintain the medical centre could see the activity profile adjusted downwards. The project deed does not set out an agreed methodology for calculating the value of this and other demand management strategies. The lack of methodology may then create tension between Healthscope and the Northern Sydney Local Health District as the District sets the activity profile for future years.

The Northern Beaches Hospital did not consistently meet targets for the efficient transfer of care of patients arriving by ambulance

Healthscope is required by the project deed to meet a target rate of 90% of transfer of care between ambulances and the Northern Beaches Hospital within 30 minutes each month. Exhibit 7 shows that the Northern Beaches Hospital performed well against this target in the 2022–23 year but has consistently not met the target over the 2023–24 financial year. This is a deteriorating trend over time. However, peer NSW public hospitals have also experienced this downward trend in transfer of care performance. The Northern Beaches Hospital has outperformed all B1 peer hospitals except one in every month of the review period by some margin. That peer was the Hornsby Ku-ring-gai Hospital which, while a B1 hospital, is nevertheless a smaller hospital and emergency department overall.

Exhibit 7: Ambulance transfer of care performance, the Northern Beaches Hospital and other B1 hospitals, July 2023 to June 2024, per cent ambulance transfer of care within 30 minutes as proportion of all transfer of care



Source: Audit Office analysis of NSW Health data.

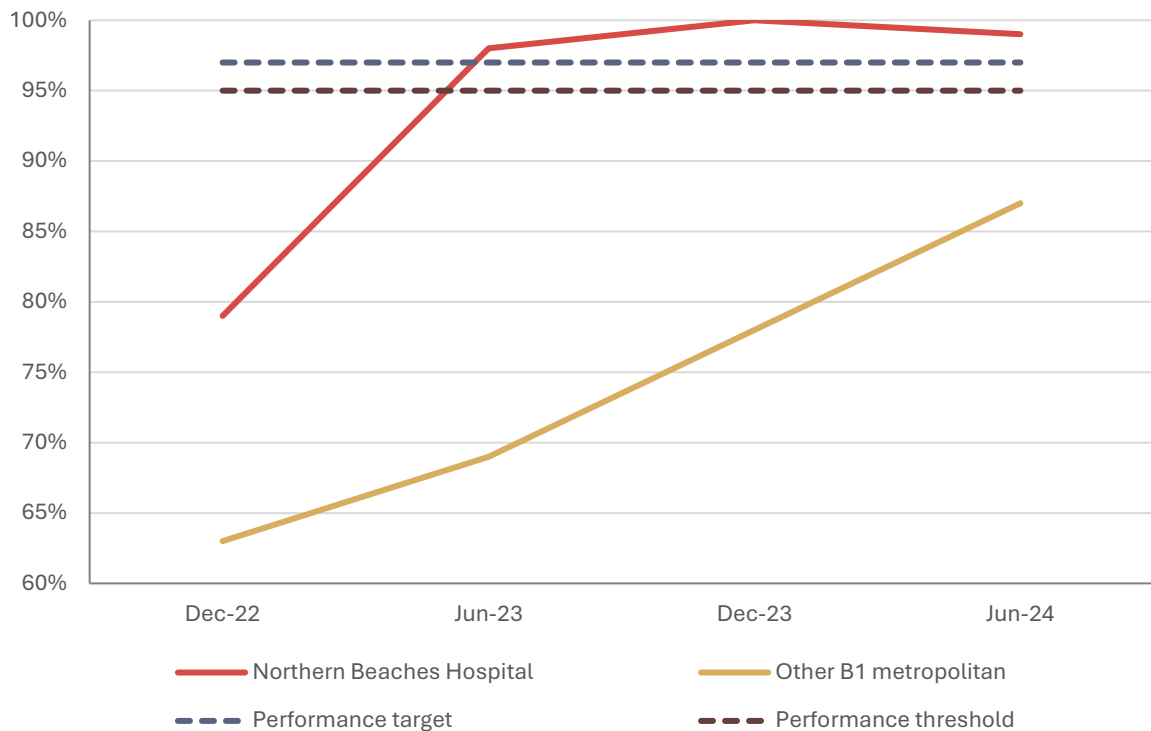
Under the project deed, the Northern Beaches Hospital must accept all presentations to its emergency department. However, all hospitals in the NSW network can make a request to reduce their rolling hourly schedule of ambulance arrivals when the emergency department has exceeded safe operating capacity. The Northern Beaches Hospital has used this option infrequently compared with its peer B1 metropolitan hospitals. NSW Ambulance contacts the Ministry of Health where it has concerns about transfer of care delays at a hospital. NSW Ambulance records that it has not done this for the Northern Beaches Hospital during the review period.

3.3. Elective surgery performance

The Northern Beaches Hospital performs well on elective surgery measures compared with peers

The Northern Beaches Hospital generally outperforms its NSW public hospital peers on elective surgery access measures and wait list management timeliness. Exhibit 8 shows performance for elective surgery access performance for category three patients. Category three patients are non-urgent elective surgery patients. Category one and two elective surgeries are urgent and semi-urgent respectively. Exhibit 8 shows a minor deviation from the performance target and threshold, for which the Northern Beaches Hospital received an abatement. The Northern Beaches Hospital achieved expected performance for elective surgery access performance for category one and two patients.

Exhibit 8: Elective surgery access performance, per cent category three patients treated within clinically appropriate timeframes for the Northern Beaches Hospital and metropolitan B1 facilities, July 2022 to June 2024



Source: Audit Office analysis of NSW Health data.

In 2022, the Northern Sydney Local Health District purchased additional elective surgery from the Northern Beaches Hospital to clear the backlog in elective surgery caused by COVID pauses on elective surgery activity. However, despite strong Northern Beaches Hospital performance in elective surgery measures, the Northern Sydney Local Health District does not routinely purchase additional elective surgery from the Northern Beaches Hospital. The Northern Sydney Local Health District reports that it is a deliberate decision not to purchase additional elective surgery from Healthscope because of the expected effect this might have on emergency department performance at the Northern Beaches Hospital.

The Northern Beaches Hospital is reducing elective surgery performance to manage overall demand for public hospital activity

Healthscope has issued nine legal notices of dispute since the start of the operating term of the Northern Beaches Hospital. A regular theme of those disputes has been the construction of the Northern Beaches Hospital activity profile that NSW Health purchases from Healthscope. The activity profile sets out the maximum levels of public hospital activity at the Northern Beaches Hospital for which NSW Health will pay Healthscope. This volume cap incentivises Healthscope to develop and maintain strategies and tools to manage volume.

Healthscope has repeatedly argued that activity profiles are set too low relative to demand for public services at the Northern Beaches Hospital. The demand management plan was developed as an outcome from structured negotiations stemming from these disputes. The demand management plan is a set of specific strategies to influence how and when patients use services at the hospital. In March 2023, this demand management planning requirement was introduced into the amended project deed.

In 2024, as part of the new demand management planning requirement, Healthscope targeted reducing non-urgent elective surgery performance to manage demand. This balance between emergency department and elective surgery, and strategies to address it, are common at all public hospitals in NSW. This strategy increases the risk to Healthscope of non-compliance with the abatable elective surgery targets.

3.4. Patient experience

Patient experience results at the Northern Beaches Hospital cannot be directly compared with NSW public hospitals, limiting transparency

The project deed requires Healthscope to report on subjective measures of patient experience at the Northern Beaches Hospital annually but does not specify the methodology for the surveys. The Northern Beaches Hospital attempts to collect the feedback of all patients at discharge from the hospital. In contrast, NSW Health uses a sample methodology that is conducted a few months after discharge. Consequently, the results from the surveys to date cannot be compared, limiting the transparency of the Northern Beaches Hospital's performance relative to NSW public hospitals. The Northern Beaches Hospital is working to adopt the NSW Health methodology that will permit public reporting of patient experience results and comparisons to NSW public hospitals from late 2025.

Repeated themes in complaints about the Northern Beaches Hospital indicate complaints are not being sufficiently addressed

The Health Care Complaints Commission receives complaints about all health services and providers in NSW, including public and private hospitals. In its analysis of complaint trends, the Health Care Complaints Commission noted repeated themes in complaints made to it relating to the quality of communication with patients and, for older patients, communication with families, to ensure elderly patients receive appropriate care and after-care. Healthscope internal analysis of complaints it receives from patients and others about the hospital identify a similar theme. Communication issues were also a significant theme in submissions to this audit.

4. NSW Health management of the Northern Beaches Hospital public-private partnership

This chapter focuses on the role of the Northern Sydney Local Health District and Ministry of Health in managing the Northern Beaches Hospital public-private partnership for the State. The first section reviews identification and management of risks arising from this arrangement, including clinical risks and how NSW Health intervenes to address issues. (Chapter 3 also considered this question in relation to results for hospital-acquired complications and for sepsis and deteriorating patients). The second section looks at integration, which is one of the key objectives of the public-private partnership. Integration is the way the hospital fits into the surrounding NSW Health network. The third section then considers the efficiency of this arrangement for NSW Health.

4.1. Identification and management of risk

There is a risk that the State may need to assume responsibility for public health services at the Northern Beaches Hospital earlier than 2038

In November and December 2023, Healthscope wrote to the Ministry of Health requesting to bring forward the return of the public portion of the Northern Beaches Hospital by 14 years while retaining the private portion until 2058. In presenting its offer, Healthscope noted the challenges of operating the hospital including:

- challenging administrative and integration outlook
- risk to viability of Northern Beaches Hospital due to insufficient funding
- lack of integration into the wider health network
- strained stakeholder relationships.

In January 2024, the Ministry of Health formally declined the Healthscope offer, noting that Healthscope has no legal or contractual entitlement to withdraw from or vary the project in the manner proposed. The Ministry of Health reaffirmed that Healthscope must continue to provide services under the terms of the project deed. The Ministry of Health and the Northern Sydney Local Health District have identified and are continuing to monitor this risk to the success of the Northern Beaches Hospital public-private partnership. Recent reported financial challenges for Healthscope confirm this is an ongoing risk for NSW Health to manage.

Limited information about minor harm and near-miss incidents may reduce the Northern Sydney Local Health District's ability to monitor and respond to some emerging clinical and safety risks

All health facilities in NSW follow a similar incident identification and management policy. This includes all private facilities such as the Northern Beaches Hospital. It is a requirement of the private hospital licence, and Healthscope has fulfilled this obligation since the hospital opened. All public hospitals in the Northern Sydney Local Health District use a common incident management system, which means that the District can see reporting across the network. The Northern Beaches Hospital has a separate incident management system that it uses for both the public and private portion of the hospital. When incidents occur, the Northern Beaches Hospital notifies the District and Ministry of Health as required for major incidents, and the District, in aggregate monthly, for less serious incidents.

The project deed requires that Healthscope notify the Northern Sydney Local Health District of all incidents shortly after they occur and in line with NSW Health reporting requirements. However, before the hospital opened, the Northern Sydney Local Health District and Healthscope agreed to modify the reporting of incidents. Major incidents would continue to be reported on an ad hoc basis as required by the private licence, but minor harm and near-miss incidents – harm score three and four incidents – would be reported in summary every month. The Northern Beaches Hospital records about 40 harm score three and four incidents every day, similar to its peers. The Northern Sydney Local Health District and Healthscope agreed that isolated harm score three and four incident reports are not meaningful data points in forming an assessment of the overall risk and safety landscape. Consequently, the Northern Sydney Local Health District reported that this arrangement is a pragmatic approach to reporting of these risks and consistent with practice in the rest of the district, where these minor harm and near-miss incidents would not be notified to the hospital general manager. Instead, quality and safety managers at the hospitals are expected to conduct regular trend and theme analysis of minor harm and near-miss incidents, which is then reported to hospital and district management.

The Northern Sydney Local Health District relies on the Northern Beaches Hospital undertaking this analysis and reporting any concerning trends. However, the incident management system and related reporting maintained by Healthscope at the Northern Beaches Hospital do not support the expected level of trend and theme analysis. The Northern Beaches Hospital does routinely track minor harm and near-miss incidents related to the 16 nationally agreed hospital-acquired complications. However, due to system reporting limitations, the Northern Beaches Hospital is unable to interrogate its incident management system for emerging themes.

For example, this audit asked Healthscope to consider the effect of fatigue in reported incidents. Healthscope was unable to provide this analysis, citing the significant time required for staff to manually read and code incidents to perform this analysis. Similarly, Healthscope is unable to identify and understand the role of equipment shortages in contributing to incidents. There is a risk that system reporting that is not fit for purpose is obscuring insight into incident patterns at the Northern Beaches Hospital. This in turn exposes the Northern Sydney Local Health District to risk as it assumes a level of thematic reporting and analysis that is not undertaken at the Northern Beaches Hospital.

Healthscope and the Northern Sydney Local Health District reported to this audit that the reporting culture at the Northern Beaches Hospital was good and comparable to NSW public hospitals. However, this assessment is not quantified. Healthscope is currently negotiating with the Northern Sydney Local Health District to participate in the District's survey of reporting culture, based on a NSW Clinical Excellence Commission tool. Healthscope participation in the Northern Sydney Local Health District survey tool would give greater confidence that staff at the Northern Beaches Hospital are encouraged to report incidents as part of a sound speak up for safety culture, which is vital for the continued safe delivery of quality health services.

NSW Health agreed to Healthscope's proposal to reduce the penalties attributable to poor performance, in part due to concerns about unintended consequences for patient safety

The Northern Beaches Hospital project deed allows for 48 measures that attract abatements for performance below a given target or performance threshold. The target rate is the higher of the two numbers. Results between the target rate and performance rate attract fewer abatements than performance below the performance threshold. There are no bonus payments for performance above the target rate. Appendix 4 lists the abatable key performance indicators for 2023–24. The original abatement regime, agreed in 2014, set high failure points across many of the measures that attracted abatements. For instance, in the original 2014 project deed, seven measures attracted the highest level of abatements for non-performance – around \$900,000 per instance of failure.

In 2019, Healthscope raised concerns with NSW Health that this regime may affect clinical decision-making and result in unintended consequences for patient safety. Healthscope recommended recasting the abatement failure points on a risk basis, corresponding to the severity of outcome for the patient or service. The Northern Sydney Local Health District also reported a concern that high failure points were an impediment to accurate reporting. The Northern Sydney Local Health District received advice from the Ministry of Health in agreeing to formally reduce the failure points attributable to not meeting the performance and target thresholds for many measures. The highest level of abatements under the revised regime are about \$800,000 per instance of failure. The value of the new abatement regime compared to the old is incorporated into the Northern Sydney Local Health District estimate of financial enhancements granted to Healthscope noted later in this report.

Over the review period, about \$1.5 million in abatements have been applied against service fees for the Northern Beaches Hospital. Some of the measures attracting abatements over this time include:

- patients in emergency department greater than four hours
- unplanned mental health readmissions within 28 days
- transfer of care time between ambulance and the emergency department exceeding 30 minutes.

The unplanned mental health readmissions within 28 days measure is a safety and quality key performance indicator. Healthscope has not triggered or applied abatements for any other safety and quality key performance indicators during the review period.

The Northern Beaches Hospital is not meeting its clinical coding accuracy requirements

The Northern Beaches Hospital project deed provides for a range of assurance reviews at various stages throughout the contract cycle to provide the State with assurance that the hospital is, in fact, performing the purchased services and outcomes that it reports. The annual clinical coding audit and key performance indicator audits are the main reports that purport to demonstrate that Healthscope is performing the agreed public hospital activity. However, the Northern Sydney Local Health District also reviews a range of other data and reporting to ensure that the specified services are delivered.

Hospital activity is expressed in a common activity unit called national weighted activity units or NWAUs. More complex hospital services consume more NWAUs than simpler procedures. It is therefore important that clinical coding is accurate because inaccuracies could lead to over-payment in time. The scope of the clinical coding audits is agreed by subject matter experts from the Northern Sydney Local Health District and Healthscope before endorsement by the governing Operational Services Group. The clinical coding audits are undertaken by experts. The resulting reports are reviewed by the Northern Sydney Local Health District and issues are remedied through the working groups and formal correspondence.

The Northern Beaches Hospital recorded clinical coding inaccuracies slightly above rates achieved by other facilities in the Northern Sydney Local Health District. The value of these inaccuracies was between \$3–4 million per annum. NSW public hospitals are afforded a degree of latitude in coding accuracy. However, the Northern Beaches Hospital project deed requires 100% accuracy of clinical coding. Inaccuracies in clinical coding do not receive a direct financial penalty. Instead, Healthscope adjusts the next monthly invoice for public hospital activity for the inaccuracy identified in the clinical coding audit. For the 2023–24 annual notice, the Northern Sydney Local Health District also adjusted the activity profile for coding inaccuracies.

The scope of key performance indicator audits commissioned by Healthscope is limited and our audit identified unexplained patterns in reported activity that is now under investigation

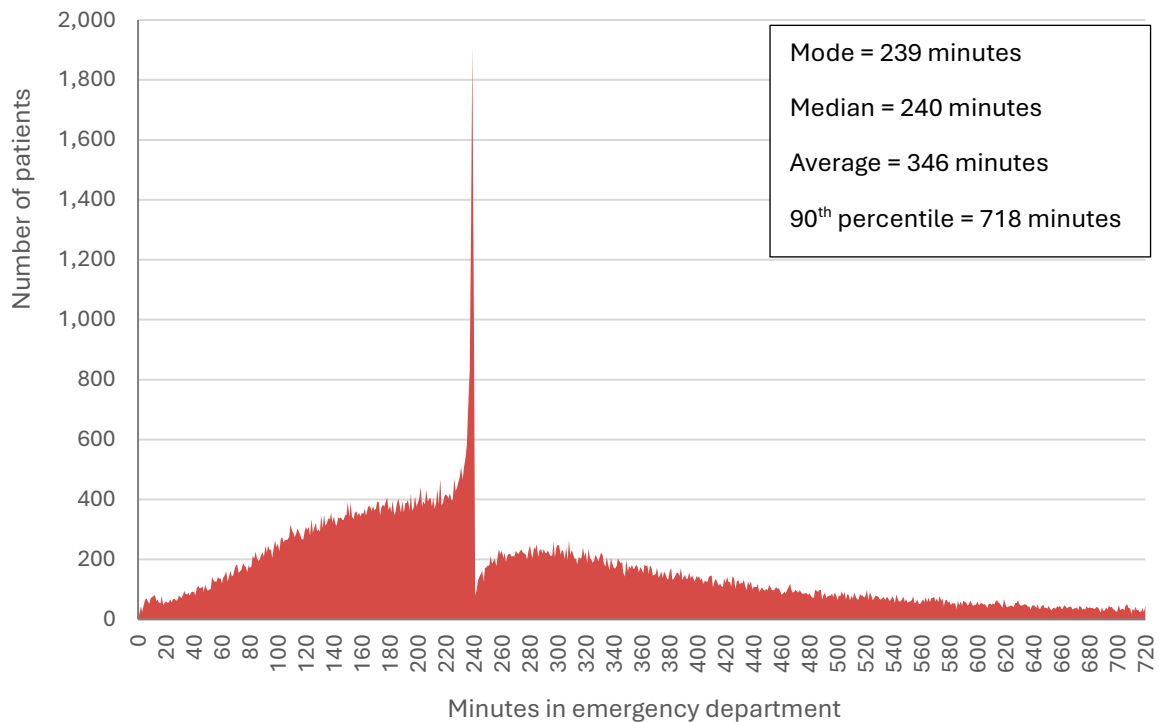
The scope of key performance indicator audits is agreed via correspondence between the Northern Sydney Local Health District and Healthscope. The scope of the Key Performance Indicator audits is:

- a re-calculation of the performance measures set out in Schedule 18 using a raw extract of data
- analysis of current period results with prior periods to identify variances.

The key performance indicator audit reports do not include an assessment of the distribution of results and therefore do not consider unusual groupings of results that might indicate errors. Given that there are significant financial penalties for not achieving certain key performance indicators, this absence is noteworthy.

In evaluating Healthscope’s performance in meeting the abatable key performance indicators relating to the emergency department and general surgery under the Northern Beaches Hospital project deed, the audit assessed the distribution of results over the review period. This review highlighted unusual patterns of activity recorded for one abatable key performance indicator – total time in emergency department less than four hours. Healthscope has never met project deed expectations for this measure and the Northern Sydney Local Health District has applied an abatement for this measure three times during the review period – and granted a waiver in the first half of January 2022 due to the effects of COVID on hospital activity. The distribution analysis in Exhibit 9 shows a significant spike in the total time in emergency department just before the four-hour mark. This pattern is not consistent with results from similar hospitals in NSW – the B1 hospital grouping. This audit identified this anomaly and escalated it to Healthscope and the Northern Sydney Local Health District. The District is now investigating this pattern further.

Exhibit 9: Distribution of patient time in the Northern Beaches Hospital emergency department, July 2022 to June 2024



Source: Audit Office analysis of NSW Health data.

Section 3.2 and Exhibit 5 noted that the Northern Beaches Hospital underperformed against this abatable key performance indicator during the review period. The abatement for total time spent in the emergency department is determined on a six-monthly basis as a flat amount of failure points. It is not applied on a sliding scale. Although this pattern does not affect the financial penalty applied, it does potentially obscure actual performance and casts doubt over the accuracy of emergency department data used to apply abatements and monitor the performance of the Northern Beaches Hospital.

NSW Health agencies and Healthscope collaborate effectively to identify and monitor most other emerging risks from the Northern Beaches Hospital public-private partnership

The Northern Beaches Hospital project deed requires Healthscope to provide extensive data to NSW Health on the outputs of health activity at the hospital. Data about clinical service delivery is periodically uploaded to the NSW Health data warehouse and is available to NSW Health to assess the performance of the hospital and compare it with the performance of other public hospitals in NSW. There have been occasional issues with bulk data upload and the interface between Healthscope and NSW Health systems, but these do not present a risk to the visibility of the performance of the Northern Beaches Hospital.

The Northern Sydney Local Health District, as the contract manager of the Northern Beaches Hospital for NSW Health, reviews all Northern Beaches Hospital data to identify emerging trends and risks. This has allowed the District to, for example, identify patterns and trends in hospital-acquired complications and progress these concerns through various governance committees that have been established around the public-private partnership and via general contract management.

4.2. Integration

The project deed restricts the ability of the Northern Sydney Local Health District to deliver new services from the Northern Beaches Hospital

The Northern Beaches Hospital is funded to deliver up to a maximum number of activity units of hospital patient care, set out in the activity profile in the annual notice. This mostly comprises admitted patient care, but the hospital does operate a number of outpatient clinics. This model of delivery and procurement at the hospital is in contrast with a movement away from admitted models of care in the broader NSW Health system that favours outpatient services and Hospital in the Home arrangements where these can be safely delivered.

The project deed contains provisions for NSW Health or Healthscope to propose new services to be provided at the Northern Beaches Hospital. However, in contrast to services already contemplated in the project deed, Healthscope is entitled to make a reasonable estimate of the cost of new services. The price per occasion of service may exceed the discounted price Healthscope receives for existing services. NSW Health can then accept or reject that offer. The project deed provides for the State to compel Healthscope to deliver a new service but Northern Sydney Local Health District reports that to maintain the commercial principles of the project deed it has not used this approach to date.

This mechanism can create challenges for planning new services as set out in Exhibit 10. The thrombolysis example highlights the peculiarities the project deed price mechanism introduces into service planning. The marginal costs of delivering part of a service at a NSW Health facility has mostly been cheaper than the cost of purchasing the proposed new service at the Northern Beaches Hospital, which is the price per activity unit. This is because the marginal cost for part services at NSW Health facilities does not account for the indirect costs that are already expended in operating the unit. Healthscope proposals have generally been at or above the state price, which exceeds the marginal cost at NSW Health facilities. There were other considerations in this example, but this cost issue is a direct artefact of the public-private partnership arrangement based on purchasing units of hospital activity. The paediatric acute mental health beds example in Exhibit 10 highlights tensions between commercial principles and public health service delivery. Interventional cardiology, added before the review period for this audit, is one of the few new services added to the project deed schedule of services since the hospital opened in October 2018.

As new services are developed, there is a risk that the Northern Beaches Hospital becomes out of step with the Northern Sydney Local Health District's clinical services plan over time and before the end of the public hospital services concession in 2038.

Exhibit 10: Proposed new services, accepted and declined – Thrombolysis, paediatric acute mental health beds and interventional cardiology

Thrombolysis, not progressed

The Northern Beaches Hospital opened in October 2018 with a level five neurology service and a non-thrombolysis stroke service. At the time, this was consistent with the service profile of the Northern Sydney Local Health District, which concentrated acute stroke services at the Royal North Shore Hospital. However, over time, the District expanded access to acute stroke services to Hornsby Ku-ring-gai Hospital. From mid-2022, Healthscope and NSW Health discussed adding thrombolysis stroke services to the schedule of services in the project deed. Because the thrombolysis service was not included in the schedule of services, Healthscope could, under the project deed, submit a price estimate greater than the discounted price payable for other hospital services. NSW Health could then accept or decline that offer.

The Northern Sydney Local Health District analysis determined that the cost of purchasing the services from the Northern Beaches Hospital and the potential for part erosion of expertise at the Royal North Shore Hospital outweighed the benefits for patients in the Northern Beaches catchment in receiving this treatment closer to home. The Northern Sydney Local Health District analysis determined that it was cheaper for the District to continue to provide the services directly from the Royal North Shore Hospital due to the lower marginal costs.

In September 2023, the Northern Sydney Local Health District decided not to progress purchasing these services from the Northern Beaches Hospital.

Paediatric acute mental health beds, declined

The original project deed services specification for the Northern Beaches Hospital included a range of mental health services but did not include separate beds to accommodate child and adolescent mental health patients. In June 2022, the Minister for Health announced an enhancement to child and youth mental health services across the Northern Beaches, including four dedicated paediatric specialist mental health beds at the Northern Beaches Hospital. In July 2022, Healthscope gave the Northern Sydney Local Health District informal proposed costings for the proposed unit at the hospital. However, the Northern Sydney Local Health District noted that these indicative costs were higher than expected.

In September 2022, the Northern Sydney Local Health District formally requested Healthscope to cost the provision of paediatric acute mental health beds at the Northern Beaches Hospital. Healthscope wrote back later that month and informed the Northern Sydney Local Health District that it did not wish to proceed with the unit because the original plan announced by the Minister could not be constructed at the hospital and Healthscope deemed that a scaled back service could not be offered efficiently around current services.

In December 2023 the Minister for Mental Health re-directed the funds to a facility at the Brookvale Community Centre. While the construction of the child and adolescent mental health beds did not occur, the Northern Beaches Hospital did introduce a new model of care to treat child and adolescent mental health patients presenting at the hospital. The role delineation set out in Appendix 2 records that the Northern Beaches Hospital must maintain level three Child and Youth Mental Health Services. However, the Northern Sydney Local Health District reported that the Northern Beaches Hospital and district health teams together provide the equivalent of a higher level of service, level four, for Child and Youth Mental Health Services in the Northern Beaches catchment.

Interventional cardiology, accepted

The services scheduled in the original 2014 project deed did not include interventional cardiology services for public patients. Interventional cardiology is minimally invasive surgery to treat heart conditions, including the insertion of stents and pacemakers. Public patients who required this treatment were expected to be treated at the Royal North Shore Hospital, as was the practice when Manly and Mona Vale hospitals operated as level three hospitals. The Northern Beaches Hospital was built with the necessary infrastructure to deliver these services, but those facilities are in the private portion of the hospital and the corresponding services originally available only to private patients of the hospital.

In December 2017, the Northern Sydney Local Health District commissioned a study of interventional cardiology services in the District. In March 2018, following that review and discussion at the project deed governance committees, the Northern Sydney Local Health District wrote to inform Healthscope that it would amend the 2018–19 annual notice to remove the restriction on interventional cardiology for public patients but would not purchase additional activity. The Northern Sydney Local Health District noted that anticipated demand for interventional cardiology could be met from within the established activity profile. Healthscope disagreed and further argued that an additional capital contribution was required because the facilities to undertake interventional cardiology were in the private portion of the hospital.

In August 2020, the Northern Sydney Local Health District elected to purchase interventional cardiology services separately by activity as a new service. The discount applying to other patient activity at the hospital does not apply to interventional cardiology services. The Northern Sydney Local Health District also secured adjustments to the NSW Ambulance allocation matrix to divert patients who require emergency interventional cardiology services to the Northern Beaches Hospital rather than to the Royal North Shore Hospital as they were previously.

Source: NSW Audit Office research and analysis.

The Northern Beaches Hospital is not well integrated into the NSW Health network

A key objective of the Northern Beaches Hospital public-private partnership is to provide integrated health care to people in the Northern Beaches area of Sydney and the State. The project deed defines integrated health services as health services that:

- operate as part of a broader state-wide health system and state-wide network of services
- help people to stay healthy and gain access to timely, high quality, patient centred care in ways that are user friendly, achieve the desired results and provide value for money
- deliver coordinated high-quality health service to the communities serviced by the district
- support the district's teaching, training and research roles
- enable the district to outline its roles and responsibilities as a key member organisation of a wider NSW public health network of services and support organisations
- promote accountability to government and the community.

One of the original benefits that NSW Health identified from the operation of the Northern Beaches Hospital was in relieving pressure on the Royal North Shore Hospital by absorbing some of the less serious presentations, which would support the District and NSW Health network of services. The Royal North Shore Hospital, as the principal referral hospital, would still need to accommodate Northern Beaches residents requiring the highest level of treatment. The original benefits realisation plan for the Northern Beaches Hospital assumed the hospital would relieve pressure on the Royal North Shore Hospital from day one. In doing so the Northern Beaches Hospital was expected to reduce unplanned admissions at the Royal North Shore Hospital by 50% and reduce less complicated planned episodes for patients from the Northern Beaches catchment by 90%. However, this did not occur immediately and it took some time to reach expected activity volumes. It took four years to reduce unplanned admissions at the Royal North Shore Hospital. The anticipated reduction in less complicated planned episodes has not occurred to date. The Northern Sydney Local Health District has conducted limited analysis of the presentation at other hospitals in the District, such as the Royal North Shore Hospital, by Northern Beaches catchment residents who could be treated at the Northern Beaches Hospital.

The two abatable key performance indicators in the project deed relating to the integration target are inappropriate transfers from the Northern Beaches Hospital to other hospitals and inappropriate transfers to community allied health services. An inappropriate transfer occurs when a patient with a condition within the Northern Beaches Hospital role delineation is transferred to a public health facility or where a patient is transferred to a facility with a lower role delineation. The Northern Beaches Hospital has not reported any inappropriate transfers during the review period.

Hospital in the Home is an important innovation that allows patients to either receive treatment away from hospitals or reduce their length of stay at hospitals where it is safe. Hospital in the Home saves patients from unnecessary stays in hospital and frees up hospital beds for patients who need to be in hospital for their care. The Northern Beaches Hospital has only marginal involvement in Hospital in the

Home. For example, in June 2024, the Northern Beaches Hospital referred 36 patients into the District's Hospital in the Home service compared with 130 referrals from the Royal North Shore Hospital. Clinicians at the Northern Beaches Hospital report frustration in making referrals into Hospital in the Home services that do not eventuate in alternative care pathways for patients. Subsequently, clinicians report they no longer make referrals because the administrative investment of time goes unrewarded. More recently, the Northern Beaches Hospital has, with the Northern Sydney Local Health District, initiated a new program to increase referrals into Hospital in the Home.

In its November and December 2023 request to hand back the public portion of the Northern Beaches Hospital, Healthscope cited lack of participation in NSW Health's Leading Better Value Care initiative as indicative of the lack of integration between the facility and the District and health network. The Leading Better Value Care initiative is a multi-agency program to identify and scale-up projects to deliver better outcomes for patients in targeted areas, taking advantage of the experience of the health pillar organisations and experts across local health districts. However, the Northern Sydney Local Health District notes that in its six years of operation, Healthscope has not lodged any proposal to implement additional health initiatives as allowed for under the project deed.

The Clinical Integration Committee has had a limited impact in promoting the integration of the Northern Beaches Hospital into the NSW Health network

In February 2020, the NSW Legislative Council Portfolio Committee Number 2 published its report on the Operation and Management of the Northern Beaches Hospital. In Recommendation 18, the committee recommended that Northern Sydney Local Health District and Healthscope:

Take further action to fully integrate the Northern Beaches Hospital into the operations of the local health district, including in the hospital's working relationship with other hospitals; and

Establish integration as a formal item for reporting and discussion in the local health district's fortnightly meetings with Healthscope.

In August 2020, the NSW Government accepted the recommendations and announced that the Clinical Integration Committee would be established to strengthen operational links and drive opportunities for collaboration. The Clinical Integration Committee is an officer-level forum that meets monthly to support and monitor the implementation of the key service linkage directory, strengthen operational links between the District and the Northern Beaches Hospital, and identify and resolve issues referred to the group that have not been resolved through day-to-day operations. The key service linkage directory is a document that sets out standardised linkages to promote seamless movement of patients between the Northern Beaches Hospital and other facilities. The Clinical Integration Committee is also supported by other interface committees, such as the Mental Health Interface and the Mona Vale Hospital and Northern Sydney Local Health District Primary and Community Health Care Interface, which focus on mental health and community health issues respectively and also through clinical network meetings. Since its establishment in 2020, the Clinical Integration Committee has been limited in effectively promoting operational links between the Northern Beaches Hospital and NSW Health facilities.

In June 2022, the Northern Sydney Local Health District introduced a form to capture incidents where a district clinician identified issues between the Northern Beaches Hospital and Northern Sydney Local Health District facilities. This has allowed some visibility of integration issues to the District and facilitated resolution at the Clinical Integration Committee. Over the review period, the District received 20 forms on a variety of matters. The Northern Sydney Local Health District received a further five forms related to mental health interface issues, which highlighted issues around discharge planning. This audit spoke with staff from Northern Sydney Local Health District community mental health services and heard similar themes about disrupted patient journeys through the health system from the Northern Beaches Hospital. Staff report that due to increased workload and lack of perceived action, issues are no longer reported as regularly to interface meetings and via forms. Other Northern Sydney Local Health District staff spoken to for this audit also reflected on communications challenges with the Northern Beaches Hospital that have led to inefficient patient journeys across the network.

The Clinical Integration Committee has been less successful in pursuing integration on other fronts, for example, installing vision for life cameras in the Northern Beaches Hospital. The Newborn and Paediatric Emergency Transport Service (NETS) uses a system of cameras in many public hospitals called vision for life. These cameras allow the NETS team to coordinate transfers from hospitals where that is clinically required. The Northern Beaches Hospital does not, and is not permitted to, have a Neonatal Intensive Care Unit, which is instead housed at the Royal North Shore Hospital. In the absence of cameras, the NETS team speaks with hospital clinicians via phone, complemented by notes, but this introduces risks for the coordination and safety of the transfer. The Clinical Integration Committee has listed this item on its agenda for over two years but has not been able to progress the installation of cameras and it has recently been escalated via formal correspondence.

Healthscope participation in Northern Sydney Local Health District clinical network meetings is variable. Clinical network meetings are clinician-led forums to raise district-wide issues and monitor district priorities. This audit focused on two services provided at Northern Beaches Hospital: emergency department and general surgery. The Northern Beaches Hospital is well represented at the emergency department clinical network meeting, and is, in fact, the chair of that meeting, but is not well represented on the general surgery clinical network meeting.

The Northern Sydney Local Health District is yet to formally evaluate the effectiveness of the Clinical Integration Committee.

Differences in electronic medical record systems between the Northern Beaches Hospital and the Northern Sydney Local Health District affect patient continuity of care

Earlier, this report noted that Healthscope is not required to use the same electronic medical record as other facilities in the Northern Sydney Local Health District or NSW Health. Under this current arrangement, clinically relevant information for patients of the hospital is not fully visible to clinicians outside of the Northern Beaches Hospital until discharge. This affects the continuity of care for some patients, notably for mental health patients at the hospital. In other cases, the way the Northern Beaches Hospital electronic medical records connect with the District's records makes information more difficult to access for District-based clinicians. That is, there are additional screens and selections for Northern Beaches Hospital patients than for other patients, which are different and not always known to all clinicians.

The Northern Sydney Local Health District and Healthscope are discussing the possibility of the hospital using NSW Health's Single Digital Patient Record. Health privacy and cost considerations are key barriers to the implementation of the Single Digital Patient Record at the Northern Beaches Hospital.

4.3. Efficiency

The public-private partnership allows the Northern Sydney Local Health District to acquire public hospital activity at the Northern Beaches Hospital at a lower price than if the District ran the hospital

The Northern Beaches Hospital is predominantly funded by the volume of service activity produced at the hospital up to a capped amount multiplied by a discounted state price: the maximum payment amount. The maximum payment amount set out in the activity notice was \$182 million for 2022–23 and \$178 million for 2023–24 for the provision of public hospital activity at the Northern Beaches Hospital. Northern Sydney Local Health District paid Healthscope \$179 million in 2022–23 and \$178 million in 2023–24. The difference is accounted for by Northern Beaches Hospital providing less activity than the maximum payment amount allowed for in some areas, abatements, and adjustments for junior medical officers who are employed by NSW Health and have a rotation at the Northern Beaches Hospital.

The discount that is applied to Northern Beaches Hospital activity purchased from Healthscope does not apply to public hospitals in the Northern Sydney Local Health District. Consequently, the Northern Beaches Hospital, by virtue of the discounted arrangement, costs the Northern Sydney Local Health District and NSW Health less than if this hospital activity was delivered in a public hospital. This is the case notwithstanding financial enhancements to the original project deed through resolution of contract disputes over time and accounting for direct contract management and legal costs.

Resolutions to a series of legal disputes led to financial enhancements for Healthscope, but net financial benefits for the State remain

Healthscope has issued nine legal notices of dispute relating to the operating phase of the Northern Beaches Hospital public-private partnership. A central and recurring tension of the project deed is the construction of the annual notice. The annual notice establishes the maximum amount of public hospital activity, such as emergency department and admitted patient activity, for which the Northern Sydney Local Health District will pay Healthscope each year. The Northern Beaches Hospital has limited means to control demand for its public hospital activity and cannot refuse service to public patients presenting to the hospital. Consequently, Healthscope is responsible for the in-year risk that actual activity differs from the annual notice. To the extent that activity exceeds the maximum payment amount, Healthscope essentially provides public hospital services for free. Healthscope has argued in the nine legal notices and in the request to hand back the public portion of the hospital that this has called into question the viability of the arrangement.

In June 2024, the Northern Sydney Local Health District estimated that the nine dispute processes have resulted in a financial enhancement of about approximately \$73 million in cash value to Healthscope and a further \$70 million in reductions of liability. However, these financial enhancements do not exceed the expected value to the State of the discount applied to activity purchased under the arrangement.

Legal disputes highlight the inherent tensions of the Northern Beaches Hospital public-private partnership

The central tension of the project deed – the maximum payment amount – drives antagonism between parties to the public-private partnership that can be seen across various interactions noted in this report. In December 2021, the Northern Sydney Local Health District commissioned a consultant to work with NSW Health and Healthscope to address the strained relationship between them following a series of seven legal disputes in 2019 and 2021. The resulting report led to the creation of the Senior Governance Board in March 2023, providing Healthscope access to high-level NSW Government representatives to monitor and resolve issues on the Northern Beaches Hospital public-private partnership.

Both Healthscope and the Northern Sydney Local Health District report that the relationship has improved since 2019 and 2021 but is at times challenging and could be better. The antagonism between parties between 2019 and 2021 highlights the importance of trust for this type of arrangement. The safety concerns recounted in the previous chapters erode that trust and put the Northern Beaches Hospital public-private partnership at further risk.

NSW Health restricts the delivery of certain services to maintain efficiencies within the district and the broader public health system

Under the project deed, NSW Health defines the activity it will purchase. It also defines several restricted services that it does not permit the hospital to undertake. For example, the Northern Beaches Hospital is not permitted to perform neurosurgery (or brain surgery), cardiothoracic surgery and elective interventional cardiology for public patients, despite the hospital performing these procedures for private patients. In these instances, and for other restricted services, the Northern Beaches Hospital is expected to arrange transport to another facility, the Royal North Shore Hospital in this case, for care and treatment. The Northern Sydney Local Health District screens for these procedures and investigates whether there were plausible options to transfer patients. The Northern Sydney Local Health District reports that there are about ten of these instances per year. The results of investigations often result in non-payment for that activity as part of monthly billing.

The Northern Sydney Local Health District argues that this policy of restricting services at the Northern Beaches Hospital supports the overall safe and efficient delivery of services in the District. That is, by concentrating specialists in one location there is sufficient volume to keep required skills current for these types of procedures and to support cost effective delivery of the services. The Northern Sydney Local Health District notes that this way of organising services is similar to that operating in other local health districts.

The Northern Beaches Hospital activity profiling does not align with broader funding and district service agreement processes

The Northern Beaches Hospital activity profile is finalised three months prior to the start of the operating period – March for an operating period commencing in July. However, the State budget is generally delivered in June, a few weeks before a new operating period. The State budget informs the service agreements that establish budgets for local health districts. Consequently, the actual funding approved in the budget is not known with certainty at the time of finalising the activity profile for the Northern Beaches Hospital.

In practice this means that the State must assume a lower growth in volume for the Northern Beaches Hospital year-on-year or accept the funding risk for services purchased over this amount. This means that the activity profile for the hospital lags by one year because the starting point for a new year's activity profile is the completed activity volume for the prior year plus an adjustment for expected activity for the remainder of the year based on simple phasing. Healthscope is therefore responsible for in-year volume risks and must address this shortfall in the operating year. The calculation of the yearly activity profile is a source of tension between Healthscope and NSW Health.

The Northern Sydney Local Health District does not use the Northern Beaches Hospital to meet district public elective surgery waitlist times

The Northern Beaches Hospital performs better than peer hospitals on elective surgery wait time performance. However, despite this, the Northern Sydney Local Health District does not routinely divert or purchase additional elective surgery from the Northern Beaches Hospital. The Northern Sydney Local Health District reports the decision not to purchase additional elective surgery from the Northern Beaches Hospital is a deliberate one because of the expected effect additional activity might have on emergency department performance at the hospital. That is, increasing elective surgery at the Northern Beaches Hospital reduces the supply of beds available for other patients, in particular beds that could be used for patients requiring admission directly from the emergency department.

Section 2 – Appendices

Appendix 1 – Response from entities

Response from NSW Health

NSW Health



Date: 9 April 2025

Ref: H25/19059

Mr Bola Oyetunji
Auditor-General of New South Wales

NSW Health response to the Auditor-General's performance audit on Northern Beaches Hospital

Dear Mr Oyetunji

I refer to your letter dated 10 March 2025, and I thank you for the opportunity to provide a response on the final *Performance Audit - Northern Beaches Hospital* report as issued on 25 March 2025.

The audit recommendations made for NSW Health are supported, as detailed in the enclosed table. NSW Health also supports the report's recommendation for Healthscope (2a – 2c) and will work collaboratively with Healthscope to ensure the recommendation's implementation and that any changes made are sustained through ongoing reporting and monitoring.

I am appreciative of the efforts undertaken by the Audit Office in understanding the complex nature of delivering acute hospital services through a Public Private Partnership model. I believe that the findings and recommendations from this audit will have a direct and meaningful impact on the way health care services are provided to the Northern Beaches community.

NSW Health is committed to ensuring that the Northern Beaches community continues to receive safe, high quality health care. NSW Health will work with Healthscope as the Operator of Northern Beaches Hospital, to ensure ongoing progress and that improvements at the facility are implemented.

I also note the support offered by the Audit Office of NSW during this audit and for the collaborative approach taken when working with representatives of NSW Health.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Matthew Daly'.

Matthew Daly
A/Secretary, NSW Health

Encl: NSW Health response to the Northern Beaches Hospital Performance Audit recommendations

NSW Health response to the Northern Beaches Hospital Performance Audit Recommendations

Rec No	Recommendation	NSW Health response
1	<p>As a matter of priority, the NSW Government and NSW Health should:</p> <p>Note the findings of this report and consider whether the Northern Beaches Hospital public private partnership is the appropriate model to deliver the best quality integrated health care in the Northern Beaches region.</p>	NSW Health accepts this recommendation
2	<p>By December 2025, Healthscope should:</p> <p>Resolve safety and quality, system and reporting issues by:</p> <ul style="list-style-type: none"> a) working with NSW Health to sustainably address underperformance on hospital acquired complications b) minimising clinical risk of duplicate and disconnected systems in the emergency department c) improving incident management system functional capability, to enable analysis and reporting that better identifies and addresses safety and quality risks. 	<p>NSW Health supports this recommendation.</p> <p>NSW Health will work with Healthscope under the provision of the Northern Beaches Hospital Project Deed to ensure that improvement from this recommendation (2a- 2c) are implemented and that the changes made are sustained through ongoing reporting and monitoring processes.</p>
3	<p>For any future health service delivery outsourcing arrangements, NSW Health should:</p> <p>Consider in developing the contract:</p> <ul style="list-style-type: none"> a) the balance of risk allocation between parties to ensure the sustainability of quality and safe health services over the term of the agreement b) the ability to mandate hospital network integration requirements c) requiring adoption of NSW Health systems d) requiring NSW Health staffing models and clinical models of care e) comprehensive key performance indicators to measure and drive performance. 	<p>NSW Health accepts this recommendation (in principle).</p> <p>NSW Health acknowledges the implementation of this recommendation is subject to the <i>Health Services Amendment (PPP Prohibition) Bill 2025</i> and its subsequent consideration in NSW Parliament.</p>

Response from Healthscope

Mr Bola Oyetunji
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11 April 2025

Dear Mr Oyetunji,

Re: Northern Beaches Hospital Performance Audit

Healthscope acknowledges the Audit Office of New South Wales report *Northern Beaches Hospital Performance Audit* and appreciates the opportunity to respond.

Healthscope remains committed to delivering safe, high-quality hospital care and to working collaboratively with the Government to achieve the best possible health outcomes for the Northern Beaches community.

Detailed responses to each of the report's recommendations and key findings are included in the attached table, however we would like to highlight two critical areas in response to the report.

The Public-Private Partnership Model

Healthscope agrees that the contractual arrangements with the NSW Government underpinning the operation of Northern Beaches Hospital (NBH) are severely challenged.

We acknowledge the Government's stated policy position against further use of public-private partnerships (PPPs) in the health sector. We recognise that the continued operation of the public hospital component of NBH under a PPP model is no longer compatible with the Government's objectives.

Healthscope reiterates its willingness to engage constructively with the Government regarding the potential early handback of the public hospital component of NBH, consistent with the handover provisions in the Project Deed.

Healthscope independently believes that such an outcome would be in the best interests of the hospital and the community for three principal reasons:

1. The complexity and rigidity of the contractual arrangements require disproportionate resourcing and constant administrative attention from both NBH and the Northern Sydney Local Health District instead of allowing both parties to focus on delivery of high-quality health services.

2. The high level of public scrutiny associated with the PPP model has a material impact on staff and clinician morale and undermines community confidence in the hospital.
3. While the report confirms that NBH operates efficiently and delivers significant cost savings to the Government, there has been significant and persistent underfunding relative to actual patient activity levels by the State.

Accordingly, Healthscope believes it is in the best interests of our staff and the broader community for the Government to initiate discussions regarding an early handback of the public hospital component.

Quality and Safety of Care at Northern Beaches Hospital

We welcome the Audit Office's recognition of the strong performance NBH has delivered in many core areas of care and that we have met or exceeded the performance of most other public hospitals in NSW on most clinical measures. These include elective surgery access, ambulance transfers of care, and emergency department performance.

NBH provides over 120,000 episodes of care every year, with the vast majority of our patients receiving timely and compassionate care.

However, like all hospitals, there are instances where patients sadly pass away after presenting at NBH, despite the best efforts of our clinical teams. On even rarer occasions, there can be times when the care we provide has not met expectations.

Healthscope acknowledges recent instances of failure in patient care at NBH that have resulted in tragic outcomes in specific cases, and we are participating fulsomely and transparently in the independent inquiries that are examining the circumstances.

In addition, NBH has undertaken a range of improvements which are detailed in the attached table. Continuous improvement is essential to fulfilling our obligations as a health service provider. Healthscope remains committed to embedding these reforms across the hospital and to strengthening community confidence in NBH.

Healthscope looks forward to working collaboratively with the NSW Government, NSW Health, and the Local Health District to ensure that residents of the Northern Beaches continue to have access to safe, high-quality, and reliable healthcare.

Yours sincerely,



Tino La Spina
CEO, Healthscope Group

Attachment 1: Detailed Response to Recommendations and Key Findings

RECOMMENDATIONS	RESPONSE	COMMENTARY
As a matter of priority, the NSW Government and NSW Health should: 1. Consider whether the NBH PPP is the appropriate model to deliver the best quality integrated health care in the Northern Beaches region.	Noted	Healthscope agrees that the contractual arrangements with the NSW Government underpinning the operation of Northern Beaches Hospital (NBH) are severely challenged. We acknowledge the Government's stated policy position against further use of public-private partnerships (PPPs) in the health sector. We recognise that the continued operation of the public hospital component of NBH under a PPP model is no longer compatible with the Government's objectives. Healthscope reiterates its willingness to engage constructively with the Government regarding the potential early handback of the public hospital component of NBH, consistent with the handover provisions in the Project Deed.
2. By December 2025, Healthscope should: Resolve safety and quality, system and reporting issues by: a) working with NSW Health to sustainably address underperformance on hospital acquired complications b) minimising clinical risk of duplicate and disconnected systems in the emergency department c) improving incident management system functional capability, to enable analysis and reporting that better identifies and addresses safety and quality risks.	Accept	a) The report summarises NBH's performance against sixteen nationally recognised hospital acquired complications (HACs). NBH performs at or above standard in 13 of the 16 indicators. A targeted action plan which has led to significant improvement in pressure injury rates. Falls and birth trauma remain priority areas at NBH, with active interventions in place. The report notes that the NSLHD, in which NBH's catchment is located, has an older patient demographic, which correlates with a higher expected rate of certain complications, particularly falls. b) NBH has completed a review of its emergency department IT systems and processes and has invested in an improvement project to enhance triage processes, including automatic alerts for patient vital signs. c) NBH will continue to investigate further improvements to incident analysis and reporting. NBH notes it currently has systems in place that allow for interrogation of incidents and trend identification. Specific interrogation ability is available through for all HACs through Healthscope's dashboard, enabling the review of specific trends and outliers. As the report notes, Healthscope complies with requirements to report serious harm incidents to the Ministry of Health and the NSLHD.

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3. For any future health service delivery outsourcing arrangements, NSW Health should: Consider in developing the contract: a) the balance of risk allocation between parties to ensure the sustainability of quality and safe health services over the term of the agreement b) the ability to mandate hospital network integration requirements c) requiring adoption of NSW Health systems d) requiring NSW Health staffing models and clinical models of care e) comprehensive key performance indicators to measure and drive performance.	Noted	Healthscope stands ready to provide any analysis or advice requested by NSW Health, drawing on our experience at NBH, to support informed decision-making into the future. We respectfully submit that a more balanced allocation of risk would better enable all parties to focus on the delivery of high-quality health services, rather than disproportionately on the administration of contractual mechanics.
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KEY FINDINGS	RESPONSE	COMMENTARY
1. NSW Health has identified and is monitoring the risk that the Northern Beaches Hospital public private partnership will fail.	Accepted	Healthscope remains committed to fulfilling its obligations under the project deed. However, we have reiterated our willingness to engage constructively with the Government regarding the potential early handback of the public hospital component of NBH, consistent with the handover provisions in the project deed.
2. The Northern Sydney Local Health District effectively manages the contract day to day to ensure it is cost effective for the State	Noted	The day-to-day working relationship between NBH and the NSLHD is constructive. However, the significant and persistent underfunding of actual patient activity levels identified in the report necessitates ongoing reliance on the dispute resolution processes under the project deed, requiring disproportionate focus and resourcing from both NBH and the LHD.

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<p>3. The Northern Beaches Hospital has achieved accreditation to ensure the hospital meets national quality standards for hospital care, but some quality and safety concerns remain.</p>	<p>Accepted-in-principle</p>	<p>NBH has achieved full accreditation and complies with national quality and safety standards. Accreditation survey feedback highlighted strong teamwork, patient-centred care, and a culture of continuous improvement. While there are areas for ongoing improvement, NBH continues to take proactive steps to address these through targeted action plans and ongoing monitoring. As detailed in the report, Northern Beaches Hospital meets the same national quality standards as all NSW public hospitals and the Ministry of Health's Private Health Facilities Licencing team does not consider NBH to be a high-risk facility.</p> <p>In addition to hospital licencing, accreditation and compliance with national quality standards, NBH is also subject to a complex performance framework and a multifaceted reporting and audit regime under the project deed.</p>
<p>4. The Northern Beaches Hospital has not addressed a known, long-standing clinical risk...</p> <p>...and has limited visibility over minor harm and near miss incidents.</p>	<p>Accepted</p> <p>Not accepted</p>	<p>NBH has completed a review of its emergency department IT systems and processes and has invested in an improvement project to enhance triage processes, including automatic alerts for patient vital signs.</p> <p>NBH has visibility through Healthscope's specific systems that allow for interrogation of near misses, incidents and identified trends. This is done through the indicator report in its incident system called Riskman. NBH also has specific interrogation capability for all hospital acquired complications through Healthscope's performance dashboard, which allows review of specific trends and outliers.</p> <p>In addition to the reporting to the State prescribed in the project deed, Healthscope also requires NBH to use the Australian Council on Healthcare Standards (ACHS) indicators to track performance and monitor trends. The ACHS Report demonstrates that NBH monitors trends across a series of outcome indicators from various incident types. NBH currently submits and benchmarks 112 indicators with ACHS and this data is peer benchmarked by ACHS. Healthscope reviews this data and monitors for trends. Where areas of suboptimal performance are identified, strategies are implemented to drive improvement.</p>
<p>5. The Northern Beaches Hospital is not well integrated into the district and network.</p>	<p>Accepted</p>	<p>NBH is well integrated into the NSLHD clinical network, however, integration with the broader public health system remains inherently constrained under the current model.</p>

<p>6. Healthscope is not required to implement the Safe Staffing Levels program at the Northern Beaches Hospital...</p> <p>...which may affect service quality over time.</p>	<p>Accepted</p> <p>Not accepted</p>	<p>The NBH PPP pre-dates the Safe Staffing Levels program and as such, the program is not contemplated in the project deed or funded by NSW Health.</p> <p>As outlined in the report, the project deed requires Healthscope to provide public health services in accordance with good operating practices including ensuring sufficient clinical staff. Healthscope meets this requirement through a range of processes. At NBH clinical managers review every shift to ensure that staffing hours and profiles are safe and appropriate for both patients and staff. Quality and safety indicators, patient feedback, employee feedback, and work health and safety incidents are also monitored to assess whether staffing levels remain safe and effective.</p>
<p>7. The Northern Beaches Hospital does not meet all performance expectations set out in the project deed, but based on NSW Health data it often outperforms NSW public hospital peers.</p>	<p>Accepted</p>	<p>NBH performs comparably to or exceeds peer hospitals' performance in all emergency department key performance indicators, except for admitted Emergency Treatment Performance (ETP). A 50% increase in Triage 1 cases (highest acuity patients) has placed pressure on ETP performance but reflects NBH's role as a key emergency care provider. NBH outperforms peer hospitals in Transfer of Care (91.4% vs. 75%) and Time to Commencement of Treatment in ED across all triage categories.</p> <p>As noted in the report, NSW Ambulance contacts the Ministry of Health where it has concerns about transfer of care delays at a hospital. NSW Ambulance records that it has not done this for NBH during the audit review period.</p> <p>NBH exceeds peer averages in all elective surgery categories, achieving 100% compliance for Category 1 and 2 cases and 99.6% for Category 3, compared to lower peer hospital compliance rates.</p>

Appendix 2 – Northern Beaches Hospital services and role delineation

NSW Health uses a six-level scale to define public hospital services. Each level sets out the minimum services, specialisation and other requirements for clinical services to be delivered safely. Level one services are more basic and level six services are highly advanced. This scheme of public hospital services has changed since the Northern Beaches Hospital opened in October 2018.

Exhibit 10 in Chapter 4 discusses the two services marked in the table by an asterisk.

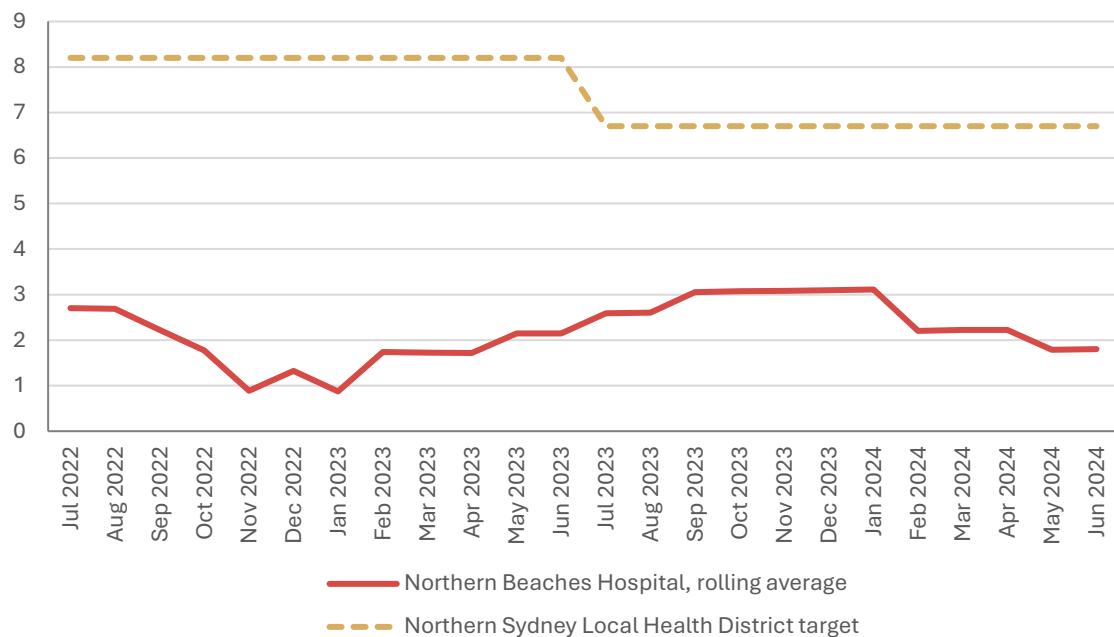
Service	Service type	Manly Hospital	Mona Vale Hospital	Northern Beaches Hospital
Anaesthetics and Recovery	Core Services	4	4	5
Operating Suite	Core Services	4	4	5
Intensive Care Services	Core Services	5	4	5
Nuclear Medicine	Core Services	3	3	5
Radiology and Interventional Radiology	Core Services	4	4	5
Pathology	Core Services	4	4	5
Pharmacy	Core Services	4	4	5
Emergency Medicine	Clinical Services – Emergency Medicine	4	4	5
Acute Stroke Services*	Clinical Services – Medicine	Not stipulated	Not stipulated	4
Cardiology and Interventional Cardiology	Clinical Services – Medicine	4	4	5
Dermatology	Clinical Services – Medicine	4	4	4
Drug and Alcohol Services	Clinical Services – Medicine	3	3	No planned service
Endocrinology	Clinical Services – Medicine	4	4	5
Gastroenterology	Clinical Services – Medicine	4	4	5
General and Acute Medicine	Clinical Services – Medicine	4	4	5
Geriatric Medicine	Clinical Services – Medicine	5	5	5
Haematology	Clinical Services – Medicine	4	4	5
Immunology	Clinical Services – Medicine	4	4	5
Infectious Diseases	Clinical Services – Medicine	4	4	5
Neurology	Clinical Services – Medicine	4	4	5
Oncology – Medical	Clinical Services – Medicine	4	4	5
Oncology – Radiation	Clinical Services – Medicine	4	Not stipulated	4
Palliative Care	Clinical Services – Medicine	3	3	Not stipulated

Service	Service type	Manly Hospital	Mona Vale Hospital	Northern Beaches Hospital
Rehabilitation	Clinical Services – Medicine	3	5	Not stipulated
Renal Medicine	Clinical Services – Medicine	3	3	5
Respiratory and Sleep Medicine	Clinical Services – Medicine	4	4	5
Rheumatology	Clinical Services – Medicine	4	4	5
Sexual Assault Services	Clinical Services – Medicine	1	1	Not stipulated
Sexual Health Services	Clinical Services – Medicine	1	1	Not stipulated
Burns	Clinical Services – Surgery	3	3	4
Ear Nose and Throat Surgery	Clinical Services – Surgery	Not stipulated	4	5
General Surgery	Clinical Services – Surgery	4	4	5
Gynaecology	Clinical Services – Surgery	4	4	5
Ophthalmology	Clinical Services – Surgery	1	1	1
Oral Health	Clinical Services – Surgery	Not stipulated	2	No planned service
Orthopaedics	Clinical Services – Surgery	4	4	5
Plastic Surgery	Clinical Services – Surgery	3	Not stipulated	5
Urology	Clinical Services – Surgery	3	3	5
Vascular Surgery	Clinical Services – Surgery	4	4	5
Child & Family Health	Child and Family Health Services	4	4	No planned service
Child Protection Services (PANOC)	Child and Family Health Services	3	3	Not stipulated
Maternity	Child and Family Health Services	4	4	5
Neonatal	Child and Family Health Services	3	Not stipulated	4
Paediatric Medicine	Child and Family Health Services	1	4	4
Surgery for Children	Child and Family Health Services	1	3	4
Adult Mental Health	Mental Health	4	1	5
Child and Adolescent Mental Health*	Mental Health	2	1	3
Older Adult Mental Health	Mental Health	3	1	5
Aboriginal/ Indigenous Health	Aboriginal Health	1	1	Not stipulated

Appendix 3 – Hospital-acquired complication data

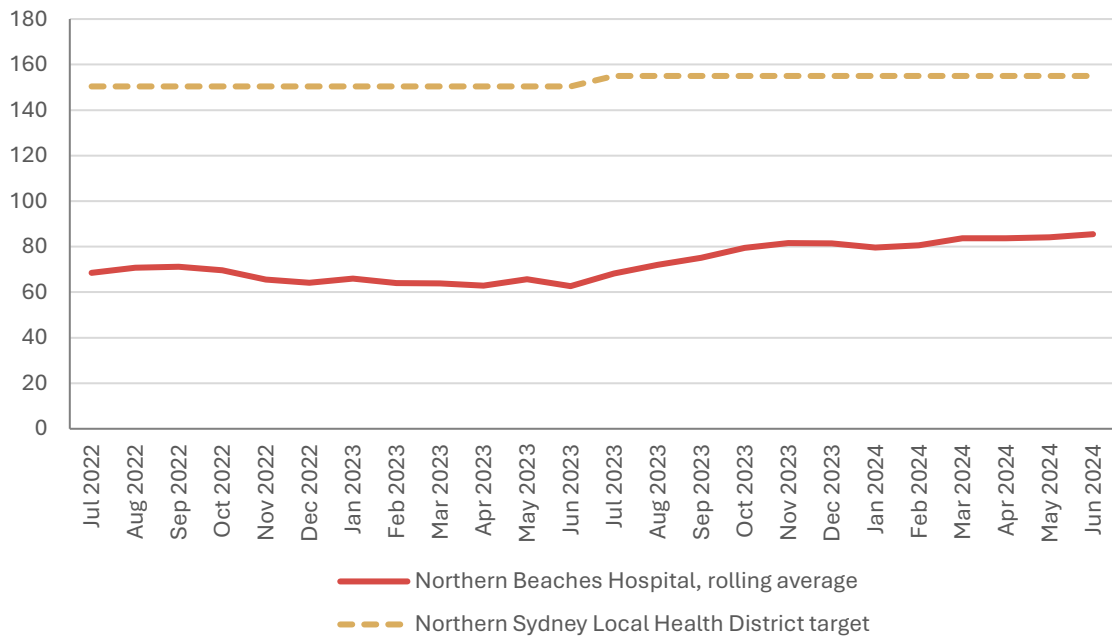
Section 3.1 discusses the Northern Beaches Hospital’s performance on the 16 nationally agreed hospital-acquired complications. Exhibit 3 presents Audit Office analysis of NSW Health data on falls, third- or fourth-degree perineal lacerations, and birth trauma. NSW Health reports that it does not centrally calculate two other hospital-acquired complications: surgical complications requiring unplanned return to theatre; and unplanned intensive care unit admission. The remaining 11 hospital-acquired complications are presented below.

A3.1 Hospital-acquired pressure injuries rate per 10,000 episodes of care



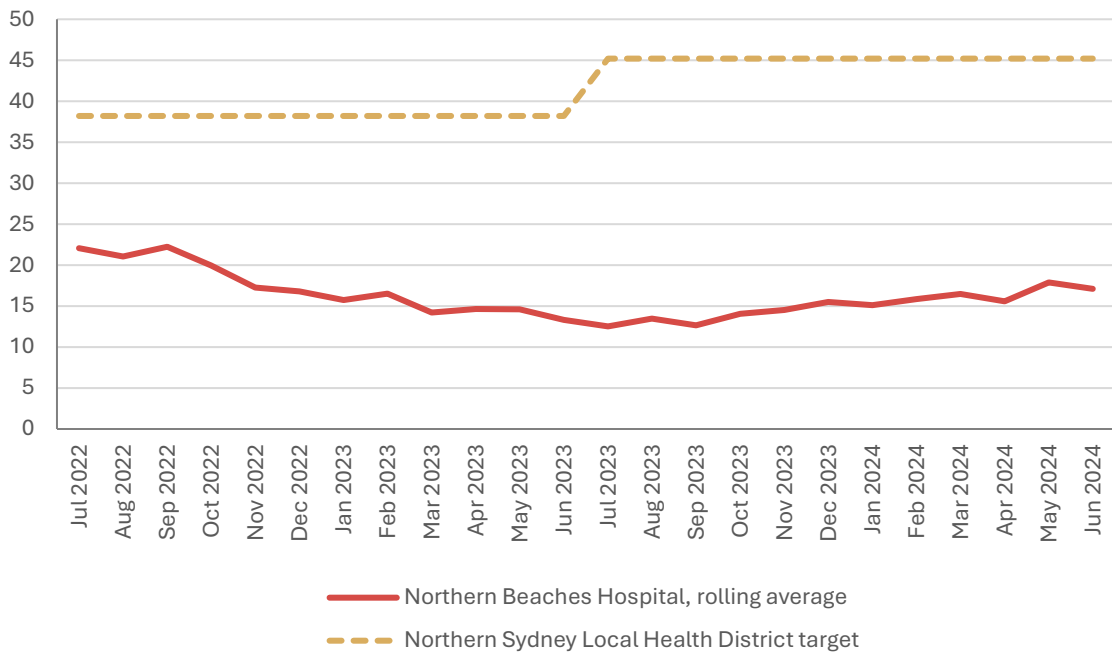
Source: Audit Office analysis of NSW Health data.

A3.2 Hospital-acquired infections rate per 10,000 episodes of care



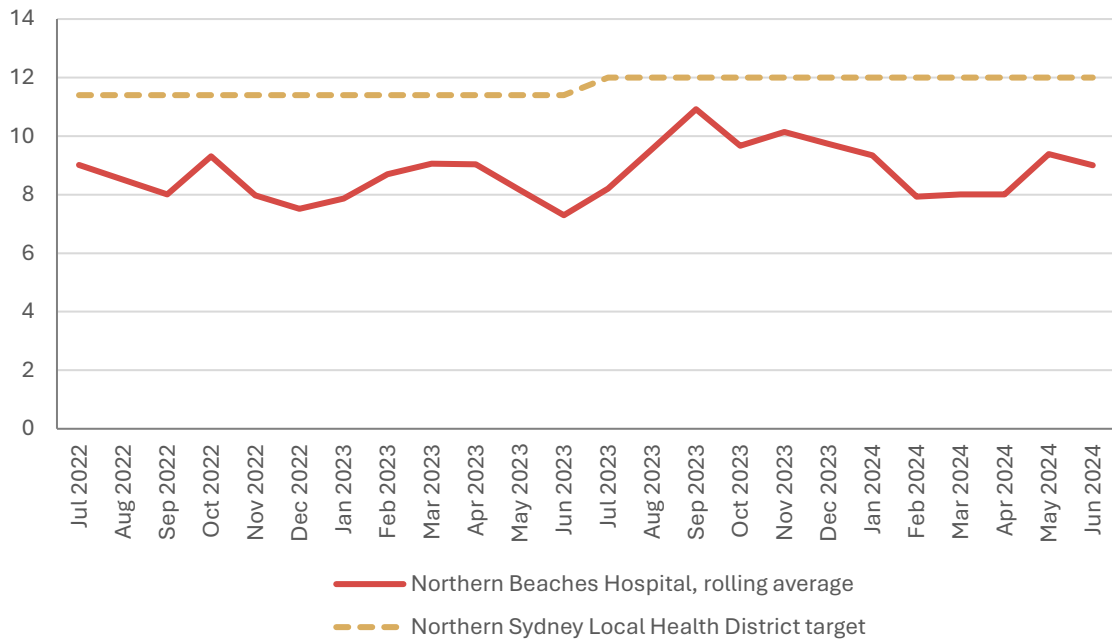
Source: Audit Office analysis of NSW Health data.

A3.3 Respiratory complications rate per 10,000 episodes of care



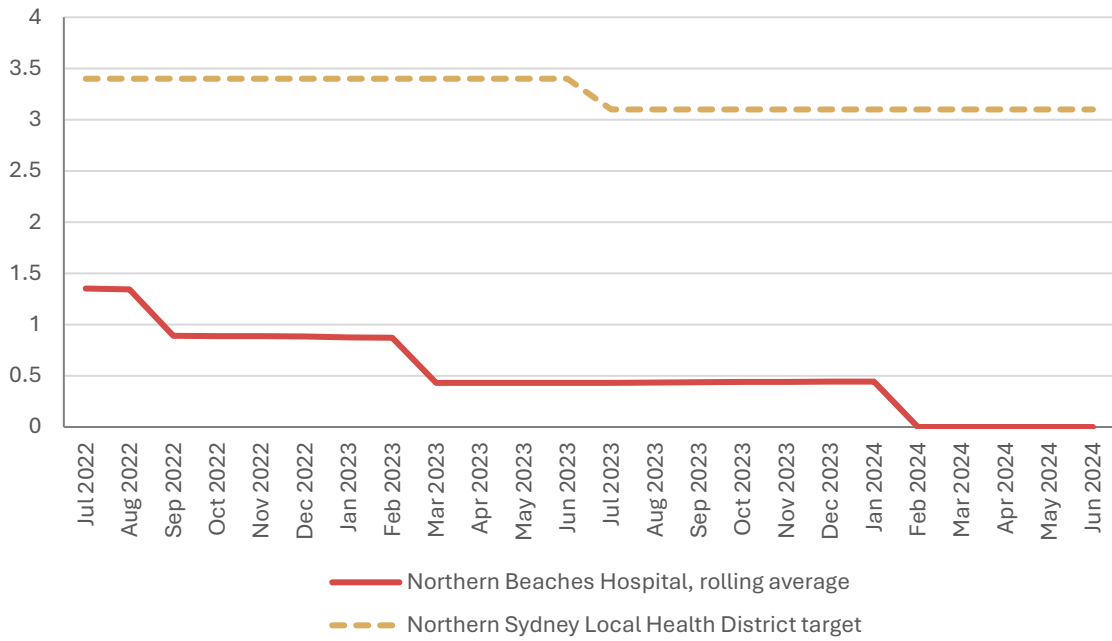
Source: Audit Office analysis of NSW Health data.

A3.4 Venous thromboembolism rate per 10,000 episodes of care



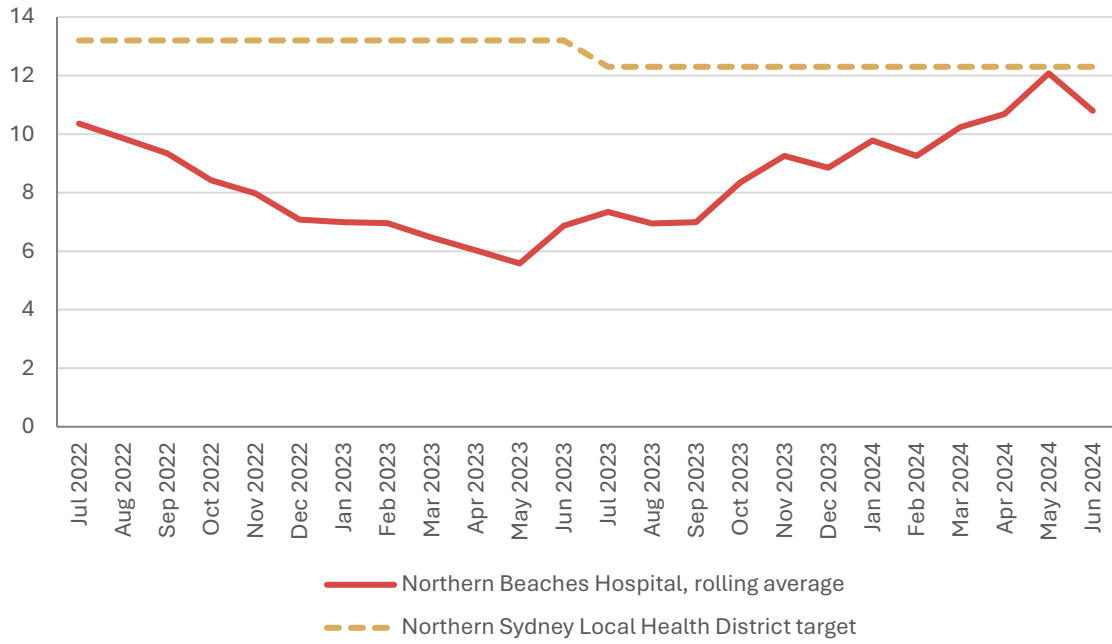
Source: Audit Office analysis of NSW Health data.

A3.5 Renal failure rate per 10,000 episodes of care



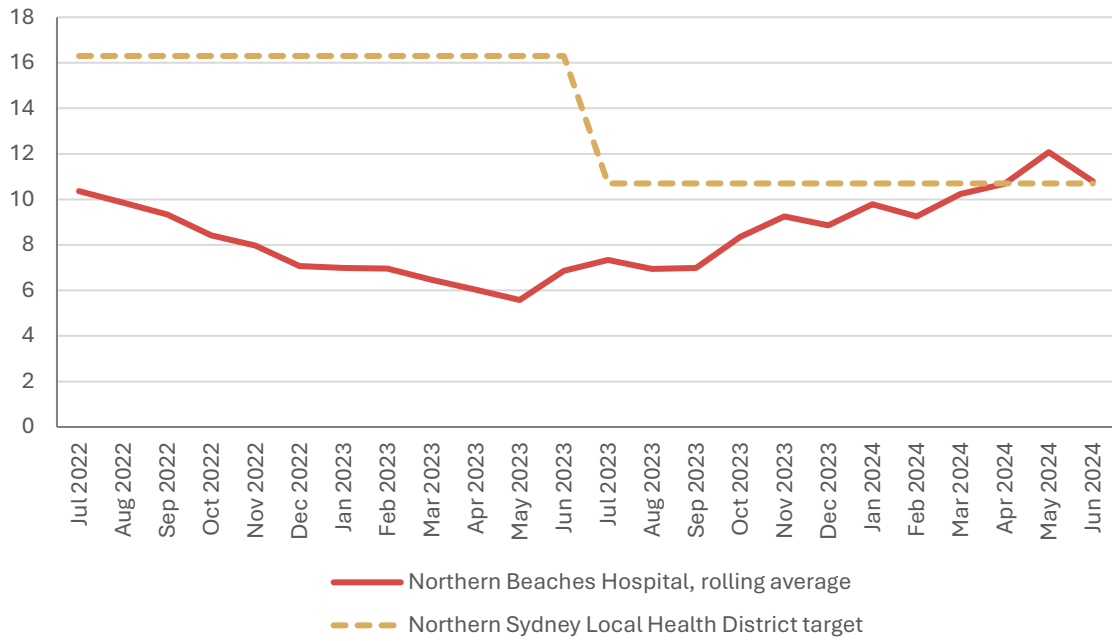
Source: Audit Office analysis of NSW Health data.

A3.6 Gastrointestinal bleeding rate per 10,000 episodes of care



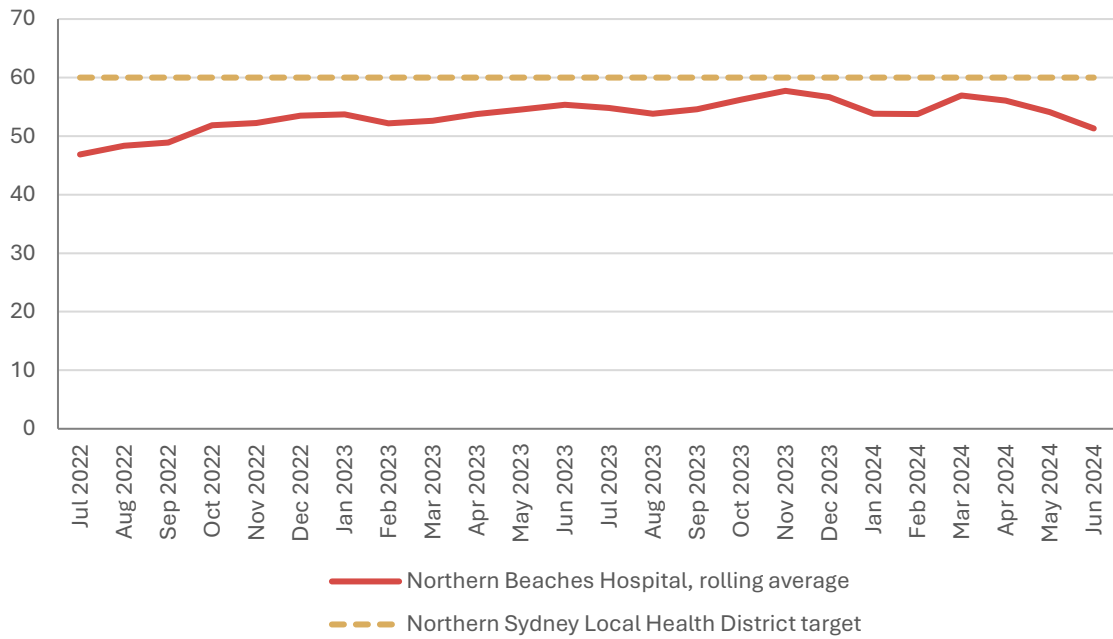
Source: Audit Office analysis of NSW Health data.

A.3.7 Medication complications rate per 10,000 episodes of care



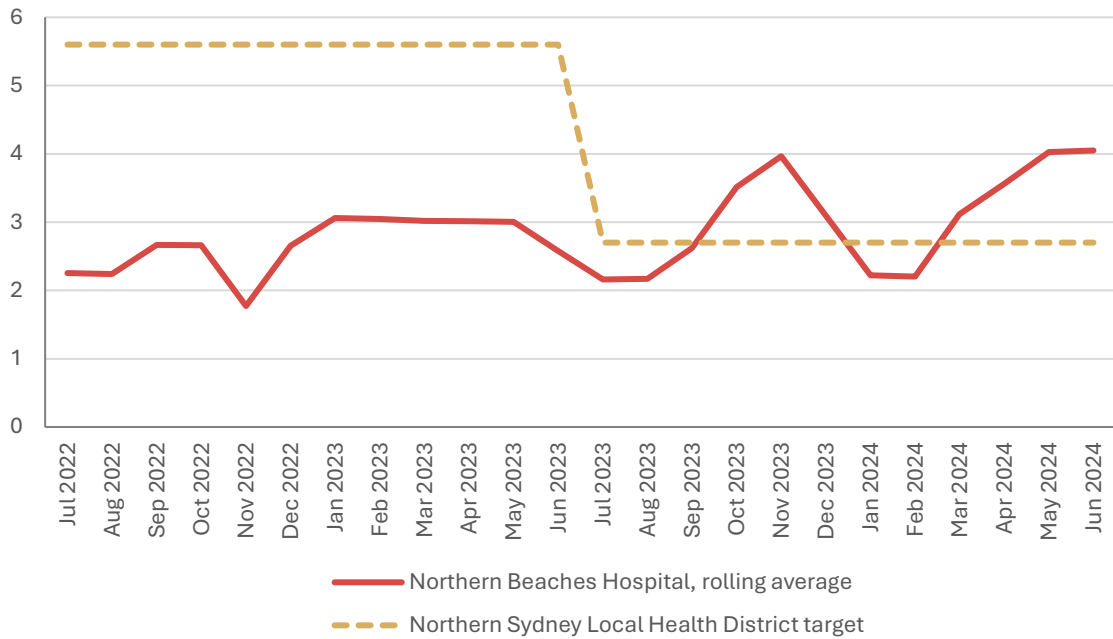
Source: Audit Office analysis of NSW Health data.

A3.8 Delirium rate per 10,000 episodes of care



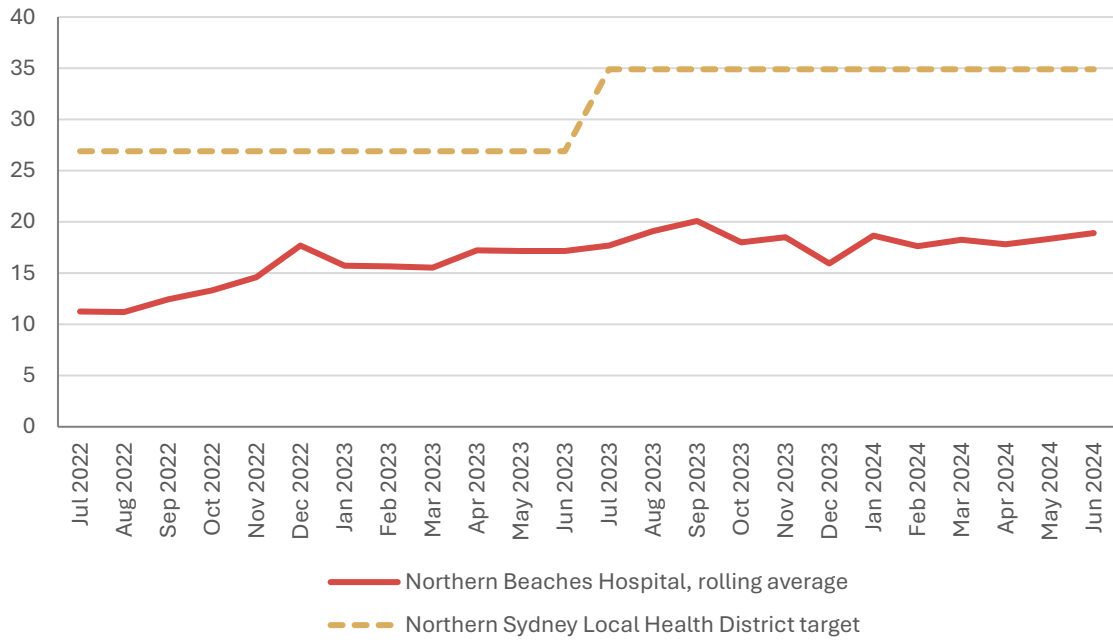
Source: Audit Office analysis of NSW Health data.

A3.9 Persistent incontinence rate per 10,000 episodes of care



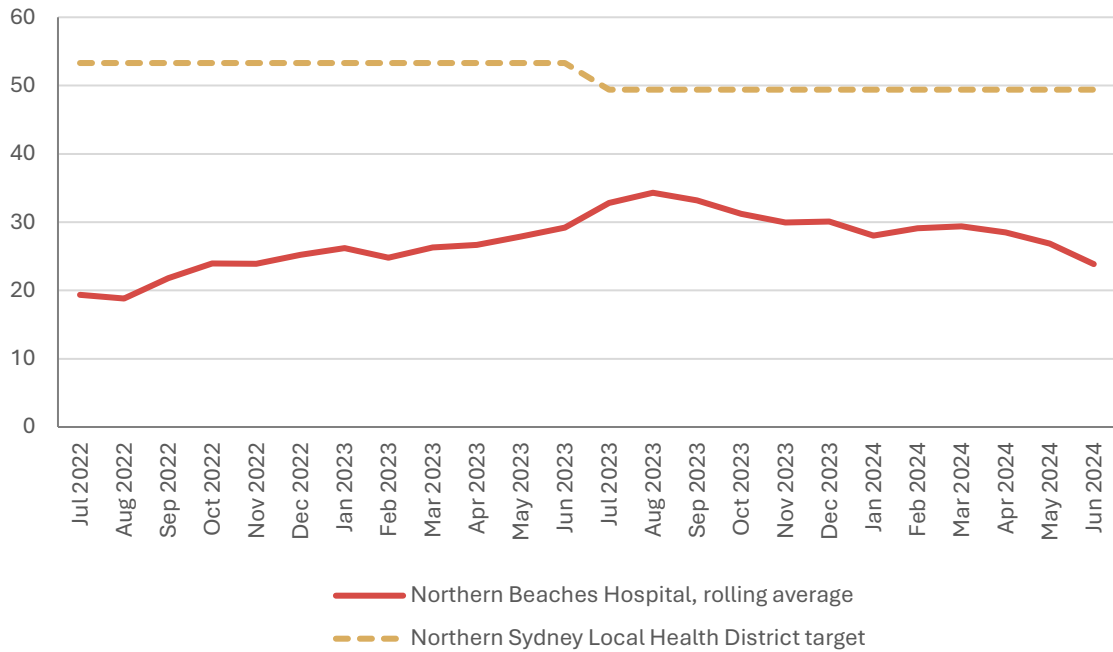
Source: Audit Office analysis of NSW Health data.

A3.10 Endocrine complications rate per 10,000 episodes of care



Source: Audit Office analysis of NSW Health data.

A3.11 Cardiac complications rate per 10,000 episodes of care



Source: Audit Office analysis of NSW Health data.

Appendix 4 – 2023–24 abatable key performance indicators

Abatable key performance indicators for the Northern Beaches Hospital public-private partnership are listed in Schedule 18 of the project deed. Some of them are discussed in this report as they relate to emergency department, general surgery, and safety and quality of public hospital services at the Northern Beaches Hospital.

Schedule 18 allows for up to 48 abatable key performance indicators in total. However, a smaller set of indicators can be used as is, in fact, the case over the review period.

The table below lists all the abatable key performance indicators in the 2023–24 activity notice. The Northern Sydney Local Health District and Healthscope elected not to use eight abatable key performance indicators. The asterisks denote key performance indicators where Northern Beaches Hospital performance is measured against national peers.

#	Area	Type of measure	Description of measure
1.	Safety and Quality	Safety and Quality	Patient/ consumer satisfaction: Complaints management
2.	Safety and Quality	Safety and Quality	Incorrect procedures: Operating theatre resulting in death or major loss of function (number)
3.	Safety and Quality*	Hospital-wide	Unplanned return to the operating room during the same admission (CI No. 2.1)
4.	Safety and Quality	Infection Control	Staphylococcus aureus bloodstream infections (per 10,000 occupied bed days)
5.	Safety and Quality	Infection Control	Intensive care unit central line associated blood stream infections (number)
6.	Safety and Quality	Safety and Quality	Unplanned mental health: Readmission within 28 days
7.	Integration and Teaching, Training Education and Research	Integration	Integration: Inappropriate transfers to other hospitals
8.	Integration and Teaching, Training, Education and Research	Integration	Integration: Inappropriate referrals to community adult allied health services to include Acute / Post Acute Care physiotherapy and occupational therapy
9.	Service Access and Patient Flow	Service Access and Patient Flow	Transfer of care time from ambulance to emergency department <30 minutes (%)
10.	Service Access and Patient Flow	Service Access and Patient Flow	Patients with total time in the emergency department ≤ 4hrs (%)
11.	Service Access and Patient Flow	Service Access and Patient Flow	Presentations to the Emergency Department, staying in the Emergency Department > 24 hours
12.	Service Access and Patient Flow	Service Access and Patient Flow	Target elective surgery patients treated on time (%): 1. Cat 1 @100%; 2. Cat 2 @ >=97%; 3. Cat 3 @ >=97%
13.	Service Access and Patient Flow	Service Access and Patient Flow	Patients waiting more than 365 days for an initial outpatient service appointment
14.	Service Specific*	Anaesthesia and Perioperative Care	Unplanned intensive care unit admission ≤ 24 hours after procedure (CI No. 4.1)

#	Area	Type of measure	Description of measure
15.	Service Specific*	Mental Health	Average duration of seclusion episode (hours per episode) (CI No. 5.2)
16.	Service Specific*	Emergency Medicine	Patients who left the emergency department after triage without being seen (CI No. 1.6)
17.	Service Specific*	Mental Health	Individual Care Plan (CI No. 1.1)
18.	Service Specific*	Mental Health	Physical examination documented within 24 hours of admission (CI No. 2.1)
19.	Service Specific*	Mental Health	Rate of seclusion (CI No. 5.2)
20.	Service Specific	Mental Health	Suicide (CI No. 6.1)
21.	Service Specific*	Mental Health	Consumers who assault (CI No. 6.3)
22.	Service Specific*	Mental Health	Significant self- harm (CI No. 6.6)
23.	Service Specific*	Mental Health	Discharge summary/letter provided to consumer or nominated carer (CI No. 9.1)
24.	Service Specific*	Maternity	Surgical repair of perineum for fourth degree tear (CI No. 3.6)
25.	Service Specific*	Maternity	Vaginal birth – blood transfusion (CI No. 7.1)
26.	Service Specific*	Maternity	Birth weight <2750g at 40 weeks gestation or beyond (CI No. 8.1)
27.	Service Specific*	Maternity	Term neonates Apgar score of <7 at 5 minutes post-deliver (CI No. 9.1)
28.	Service Specific*	Maternity	General anaesthetic for caesarean section (CI No. 4.1)
29.	Service Specific*	Maternity	Appropriate prophylactic antibiotic at time of caesarean section (CI No. 5.1)
30.	Service Specific*	Hospital-wide	Preoperative acute appendicitis – normal histology (CI No. 9.1)
31.	Service Specific*	Hospital-wide	Tonsillectomy – significant reactionary haemorrhage (CI No. 9.3)
32.	Service Specific*	Day Patient	Unplanned return to operating room on same day as initial procedure (CI No. 5.1)
33.	Service Specific*	Day Patient	Patients who experience an adverse event during care delivery (CI No. 4.1)
34.	Australian Commission on Safety and Quality in Health Care Advisory Note No. A13/01	Notification of Significant Risk	To advise Accrediting Agencies and State that notification of significant risk identified at survey are to be made to regulators, Commission and Client Representative within 48 hours
35.	Australian Commission on Safety and Quality in Healthcare	Standards 1 to 8	Greater than six actions not met

#	Area	Type of measure	Description of measure
36.	Australian Commission on Safety and Quality in Healthcare	Standards 1 to 8	90 day remediation
37.	National Standards for Mental Health Services	National Mental Health Services	Greater than six actions not met
38.	National Standards for Mental Health Services	National Mental Health Services	90 day remediation
39.	Asset	Site, Facility and Non-clinical Support Services	1. The Annual Works Plan, Planned Annual Maintenance Plan, Asset Life Cycle Plan; 2. Food Safety Plan
40.	Reporting	Failing to Report any KPI or Service Measure Non-compliance	All non-compliances to be reported to State in required reporting time

Source: 2023–24 Northern Beaches Hospital Annual Notice.

Appendix 5 – About the audit

Audit objective

This audit assessed the effectiveness and efficiency of the Northern Beaches Hospital public-private partnership in delivering public hospital services.

Audit criteria

1. Do NSW Health agencies ensure the effective and efficient delivery of public funded hospital services from the Northern Beaches Hospital?
 - a) Do NSW Health agencies effectively identify and monitor risks to the success of the Northern Beaches Hospital?
 - b) Do NSW Health agencies collect the information required to ensure effective delivery of public hospital services at the Northern Beaches Hospital?
 - c) Do NSW Health agencies effectively manage the Northern Beaches Hospital contract to ensure effective delivery of public hospital services at the Northern Beaches Hospital?
 - d) Is the Northern Sydney Local Health District using the Northern Beaches Hospital public-private partnership to achieve efficient service delivery?
2. Is the operator of the Northern Beaches Hospital effectively delivering public hospital services in the emergency department and general surgery?
 - a) Does the Northern Beaches Hospital meet contract requirements for performance, planning and reporting?
 - b) Does the Northern Beaches Hospital provide quality care consistent with equivalent public health facilities in NSW?

This audit focused on period from July 2022 to June 2024.

Audit exclusions

The audit did not:

- examine the decision to deliver the Northern Beaches Hospital via a public-private partnership
- examine the build phase of the Northern Beaches Hospital
- examine quality as it relates to an assessment of the specific effectiveness of clinical activities or scopes of practice; however, the audit did consider whether the agencies have themselves adequately considered and assessed clinical evidence as part of performance monitoring and oversight of clinical services.
- question the merits of government policy objectives.

Audit approach

Our procedures included the following.

1. Interviewing
 - key personnel from the Ministry of Health and Northern Sydney Local Health District involved in managing the Northern Beaches Hospital public-private partnership
 - clinical staff from the Northern Sydney Local Health District who interact with the Northern Beaches Hospital
 - key Healthscope personnel involved in operating the Northern Beaches Hospital and selected clinical staff providing health care
 - stakeholders including unions and accreditation bodies
2. Examining
 - documentation relating to the management and operation of the Northern Beaches Hospital from Healthscope and NSW Health agencies
3. Analysing
 - data relating to key performance indicators for the Northern Beaches Hospital and peer hospitals

The audit approach was complemented by quality assurance processes within the Audit Office to ensure compliance with professional standards.

Audit methodology

Our performance audit methodology is designed to satisfy Australian Auditing Standard ASAE 3500 Performance Engagements and other professional standards. The standards require the audit team to comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance and draw a conclusion on the audit objective. Our processes have also been designed to comply with requirements specified in the *Government Sector Audit Act 1983* and the *Local Government Act 1993*.

Acknowledgements

We gratefully acknowledge the cooperation and assistance provided by Healthscope and NSW Health. We would particularly like to thank our liaison officers and the staff who participated in interviews and provided evidence to the audit.

We would also like to thank the people who wrote to us about their experiences with the Northern Beaches Hospital.

Audit cost

The estimated cost of the audit is approximately \$515,000.

Appendix 6 – Performance auditing

What are performance audits?

Performance audits assess whether the activities of state or local government entities are being carried out effectively, economically, efficiently and in compliance with relevant laws.

The activities examined by a performance audit may include a government program, all or part of an audited entity, or more than one entity. A performance audit can also consider particular issues that affect the whole public sector and/or the whole local government sector. They cannot question the merits of government policy objectives.

The Auditor-General's mandate to undertake audits is set out in the *Government Sector Audit Act 1983* for state government entities, and in the *Local Government Act 1993* for local government entities. This mandate includes audit of non-government sector entities where these entities have received money or other resources (whether directly or indirectly) from, or on behalf of, a government entity for a particular purpose (follow-the-dollar).

Why do we conduct performance audits?

Performance audits provide independent assurance to the NSW Parliament and the public.

Through their recommendations, performance audits seek to improve the value for money the community receives from government services.

Performance audits are selected at the discretion of the Auditor-General who seeks input from parliamentarians, state and local government entities, other interested stakeholders and Audit Office research.

How are performance audits selected?

When selecting and scoping topics, we aim to choose topics that reflect the interests of Parliament in holding the government to account. Performance audits are selected at the discretion of the Auditor-General based on our own research, suggestions from the public, and in consultation with parliamentarians, agency heads and key government stakeholders. Our three-year performance audit program is published on the website and is reviewed annually to ensure it continues to address significant issues of interest to Parliament, aligns with government priorities and reflects contemporary thinking on public sector management. Our program is sufficiently flexible to allow us to respond readily to any emerging issues.

What happens during the phases of a performance audit?

Performance audits have three key phases: planning, fieldwork and report writing.

During the planning phase, the audit team develops an understanding of the audit topic and responsible entities and defines the objective and scope of the audit.

The planning phase also identifies the audit criteria. These are standards of performance against which the audited entity, program or activities are assessed. Criteria may be based on relevant legislation, internal policies and procedures, industry standards, best practice, government targets, benchmarks or published guidelines.

During the fieldwork phase, audit teams will require access to books, records or any documentation deemed necessary in the conduct of the audit, including confidential information that is either Cabinet information within the meaning of the *Government Information (Public Access) Act 2009* or information that could be subject to a claim of privilege by the State or a public official in a court of law. Confidential information will not be disclosed, unless authorised by the Auditor-General.

At the completion of fieldwork, the audit team meets with management representatives to discuss all significant matters arising from the audit. Following this, a draft performance audit report is prepared.

The audit team then meets with management representatives to check that facts presented in the draft report are accurate and to seek input into developing practical recommendations on areas of improvement.

A final report is then provided to the accountable authority of the audited entity(ies), which will be invited to formally respond to the report. If the audit includes a follow-the-dollar component, the final report will also be provided to the governing body of the relevant entity. The report presented to the NSW Parliament includes any response from the accountable authority of the audited entity. The relevant Minister and the Treasurer are also provided with a copy of the final report for state government entities. For local government entities, the Secretary of the Department of Planning and Environment, the Minister for Local Government and other responsible Ministers will also be provided with a copy of the report. In performance audits that involve multiple entities, there may be responses from more than one audited entity or from a nominated coordinating entity.

Who checks to see if recommendations have been implemented?

After the report is presented to the NSW Parliament, it is usual for the entity's Audit and Risk Committee / Audit Risk and Improvement Committee to monitor progress with the implementation of recommendations.

In addition, it is the practice of NSW Parliament's Public Accounts Committee to conduct reviews or hold inquiries into matters raised in performance audit reports. The reviews and inquiries are usually held 12 months after the report received by the NSW Parliament. These reports are available on the NSW Parliament website.

Who audits the auditors?

Our performance audits are subject to internal and external quality reviews against relevant Australian standards.

The Public Accounts Committee appoints an independent reviewer to report on compliance with auditing practices and standards every four years. The reviewer's report is presented to the NSW Parliament and available on its website.

Periodic peer reviews by other Audit Offices test our activities against relevant standards and better practice.

Each audit is subject to internal review prior to its release.

Who pays for performance audits?

No fee is charged to entities for performance audits. Our performance audit services are funded by the NSW Parliament.

Further information and copies of reports

For further information, including copies of performance audit reports and a list of audits currently in-progress, please see our website www.audit.nsw.gov.au or contact us on 9275 7100.

OUR VISION

Our insights inform and challenge government to improve outcomes for citizens.

OUR PURPOSE

To help Parliament hold government accountable for its use of public resources.

OUR VALUES

Pride in purpose
Curious and open-minded
Valuing people
Contagious integrity
Courage (even when it's uncomfortable)

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