

THE CANBERRA HOSPITAL

Objectives

The Canberra Hospital, together with ACT Community Care, forms the ACT Health and Community Care Service statutory authority. The primary functions of the Service are to promote, protect and maintain the health of the residents of the Territory, provide health and community care services to residents of the surrounding region, provide training and education in the provision of health and community services and to encourage research in those fields.

The Canberra Hospital, as a major trauma and tertiary care facility, aims to continually provide high level, cost efficient and effective health and hospital services to the ACT and South-Eastern Region of New South Wales. Services include all major medical, surgical and women's and children's health specialties on an inpatient and outpatient basis, accident and emergency, mental health, allied health, pathology and medical imaging.

1999-2000 Highlights

Strategic and operational issues to be pursued in 1999-2000 include:

- continuing the development of The Canberra Hospital as the major referral hospital for the ACT region, with the development of ACT Pathology as the supervising laboratory for the Southern Area Health Service in NSW;
- improving integration of patient care delivery through clinical streaming initiatives that will establish stronger organisational links between clinical specialities to facilitate improved continuity of care;
- continuing the development of mental health services toward community based support, accommodation and intervention under the Commonwealth's Second National Mental Health Strategy;
- enhancing customer service in the Emergency Department with the introduction of volunteer coordinators who, during busy times, are able to provide additional information on expected waiting time and other assistance to patients during their time in the Hospital;
- re-orientating the Pathology, Imaging and Pharmacy services to operate as competitive and potentially contestable business units within their respective markets;
- transferring as part of the Government's strategy of strengthening the primary care sector and re-focusing the role of The Canberra Hospital on providing essential acute services, funding for allied health outpatient and outreach services to ACT Community Care;
- implementing a comprehensive business re-engineering program aimed at reducing operating costs and improving efficiency of underlying fixed cost structures over the medium to long term, subject to the outcome of consultation and industrial negotiation processes;
- implementing in-house financial management reforms with a primary focus on business planning frameworks, management performance regimes that place a greater emphasis on budget responsibility and accountability and improved management information and finance support functions; and

- continuing moderisation of Information Technology infrastructure and systems.

| Budget Summary | 1999-2000 Planned \$000 |
|--|--|
| Government Payments | |
| • Injection for operating requirements | 12 952 |
| • Capital injection | 18 158 |
| Revenues | |
| • User charges - ACT Government | 176 169 |
| • User charges - non ACT Government | 20 755 |
| • Grants from the Commonwealth | 6 948 |
| • Other own source revenue | 2 103 |
| Services Provided | |
| • Medical services | 36 158 |
| • Surgical services | 36 215 |
| • Women's and Children's Health | 16 857 |
| • Mental health services | 15 299 |
| • Allied health services | 19 308 |
| • Pathology | 13 351 |
| • Imaging | 8 809 |
| • Biomedical engineering | 2 584 |
| • Corporate services ² | 33 516 |
| • Clinical School; nursing, clinical, finance & executive support ³ | 49 164 |

1. These costings are indicative only and may change as The Canberra Hospital finalises internal budget allocations within the context of the final 1999-2000 Purchase Agreement with the ACT Department of Health and Community Care.
2. Includes depreciation on buildings (\$4.883m), Comcare premiums (\$4.930m), and maternity leave costs for Hospital staff (\$0.716m).
3. Includes employer superannuation (\$14.903m), general insurance premiums (\$3.389m), information technology upgrade costs (\$4.014m) and linen and sterilising costs (\$5.853m) for the Hospital.

The Canberra Hospital Operating Statement

| 1998-99 Budget \$'000 | | 1998-99 Est.Outcome \$'000 | 1999-00 Budget \$'000 | Var % | 2000-01 Estimate \$'000 | 2001-02 Estimate \$'000 | 2002-03 Estimate \$'000 |
|-----------------------------|--|----------------------------------|-----------------------------|-----------|-------------------------------|-------------------------------|-------------------------------|
| Revenue | | | | | | | |
| 15 477 | User Charges - Non ACT Government | 19 413 | 20 755 | 7 | 20 376 | 20 376 | 20 376 |
| 180 328 | User Charges - ACT Government | 183 070 | 176 169 | -4 | 180 316 | 182 905 | 184 405 |
| 6 938 | Grants from the Commonwealth | 6 948 | 6 948 | - | 6 948 | 6 948 | 6 948 |
| 0 | Interest | 118 | 118 | - | 118 | 118 | 118 |
| 2 830 | Other Revenue | 1 785 | 1 785 | - | 1 785 | 1 785 | 1 785 |
| 296 | Resources Received free of charge | 0 | 200 | - | 200 | 200 | 200 |
| 205 869 | Total Revenue | 211 334 | 205 975 | -3 | 209 744 | 212 333 | 213 833 |
| Expenses | | | | | | | |
| 130 463 | Employee Expenses | 133 097 | 114 564 | -14 | 114 494 | 114 494 | 114 494 |
| 20 272 | Superannuation Expenses | 21 045 | 18 197 | -14 | 18 185 | 18 185 | 18 185 |
| 72 360 | Administrative Expenses | 79 496 | 89 567 | 13 | 88 897 | 91 008 | 92 784 |
| 8 570 | Depreciation and Amortisation | 8 629 | 8 934 | 4 | 9 278 | 8 833 | 8 322 |
| 231 665 | Total Expenses | 242 268 | 231 261 | -5 | 230 854 | 232 521 | 233 785 |
| -25 796 | Operating Result Before Abnormal Items | -30 933 | -25 286 | 18 | -21 110 | -20 188 | -19 952 |
| 0 | Abnormal Expense | 0 | 4 560 | - | 0 | 0 | 0 |
| -25 796 | Operating Result Before Extraordinary Items | -30 933 | -29 846 | 4 | -21 110 | -20 188 | -19 952 |
| 13 557 | Injection for Operating Requirements | 13 557 | 12 952 | -4 | 11 295 | 11 506 | 11 506 |
| -12 239 | Operating Result | -17 376 | -16 894 | 3 | -9 815 | -8 682 | -8 446 |
| 144 329 | Accumulated Funds - Start of Period | 143 130 | 136 917 | -4 | 140 251 | 133 271 | 124 589 |
| 7 706 | Capital Injections | 6 364 | 18 158 | 185 | 2 835 | 0 | 0 |
| 0 | Inc/Dec in Net Assets from Admin Restructure | 4 800 | 2 071 | -57 | 0 | 0 | 0 |
| 139 796 | Accumulated Funds - End of Period | 136 918 | 140 252 | 2 | 133 271 | 124 589 | 116 143 |

**The Canberra Hospital
Statement Of Financial Position**

| Budget as at 30/6/99 \$'000 | | Est.Outcome as at 30/6/99 \$'000 | Planned as at 30/6/00 \$'000 | Var % | Planned as at 30/6/01 \$'000 | Planned as at 30/6/02 \$'000 | Planned as at 30/6/03 \$'000 |
|--|--------------------------------------|--|------------------------------------|------------|---------------------------------------|---------------------------------------|---------------------------------------|
| Current Assets | | | | | | | |
| 1 930 | Cash | 3 189 | 813 | -75 | 889 | 696 | 227 |
| 4 623 | Receivables | 4 924 | 4 924 | - | 4 924 | 4 924 | 4 924 |
| 2 068 | Inventories | 2 479 | 2 479 | - | 2 479 | 2 479 | 2 479 |
| 428 | Other | 830 | 830 | - | 830 | 830 | 830 |
| 9 049 | Total Current Assets | 11 422 | 9 046 | -21 | 9 122 | 8 929 | 8 460 |
| Non Current Assets | | | | | | | |
| 260 266 | Property, Plant and Equipment | 257 271 | 257 366 | .. | 261 550 | 255 167 | 249 295 |
| 1 547 | Capital Works in Progress | 1 438 | 5 069 | 253 | 0 | 0 | 0 |
| 261 813 | Total Non Current Assets | 258 709 | 262 435 | 1 | 261 550 | 255 167 | 249 295 |
| 270 862 | TOTAL ASSETS | 270 131 | 271 481 | .. | 270 672 | 264 096 | 257 755 |
| Current Liabilities | | | | | | | |
| 7 597 | Creditors | 7 775 | 7 775 | - | 7 775 | 7 775 | 7 775 |
| 0 | Finance Leases | 29 | 29 | - | 29 | 29 | 29 |
| 21 043 | Employee Entitlements | 21 738 | 20 973 | -4 | 24 409 | 25 651 | 26 891 |
| 800 | Other | 1 740 | 1 740 | - | 1 740 | 1 740 | 1 740 |
| 29 440 | Total Current Liabilities | 31 282 | 30 517 | -2 | 33 953 | 35 195 | 36 435 |
| Non Current Liabilities | | | | | | | |
| 0 | Finance Leases | 88 | 68 | -23 | 47 | 23 | 0 |
| 16 586 | Employee Entitlements | 16 803 | 15 604 | -7 | 18 361 | 19 249 | 20 135 |
| 16 586 | Total Non Current Liabilities | 16 891 | 15 672 | -7 | 18 408 | 19 272 | 20 135 |
| 46 026 | TOTAL LIABILITIES | 48 173 | 46 189 | -4 | 52 361 | 54 466 | 56 570 |
| 224 836 | NET ASSETS | 221 959 | 225 292 | 2 | 218 311 | 209 630 | 201 184 |
| REPRESENTED BY FUNDS EMPLOYED | | | | | | | |
| 139 796 | Accumulated Funds | 136 918 | 140 252 | 2 | 133 271 | 124 589 | 116 143 |
| 85 040 | Reserves | 85 040 | 85 040 | - | 85 040 | 85 041 | 85 042 |
| 224 836 | TOTAL FUNDS EMPLOYED | 221 958 | 225 292 | 2 | 218 311 | 209 630 | 201 185 |

**The Canberra Hospital
Cashflow Statement**

| 1998-99 Budget \$'000 | | 1998-99 Est.Outcome \$'000 | 1999-00 Budget \$'000 | Var % | 2000-01 Estimate \$'000 | 2001-02 Estimate \$'000 | 2002-03 Estimate \$'000 |
|-----------------------------|--|----------------------------------|-----------------------------|------------|-------------------------------|-------------------------------|-------------------------------|
| 4 074 | CASH AT BEGINNING OF REPORTING PERIOD | 5 701 | 3 189 | -44 | 813 | 889 | 696 |
| | CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | |
| | Receipts | | | | | | |
| 209 362 | User Charges | 216 040 | 209 875 | -3 | 211 987 | 214 787 | 216 287 |
| 0 | Interest Received | 118 | 118 | - | 118 | 118 | 118 |
| 6 938 | Grants Received from the Commonwealth | 6 948 | 6 948 | - | 6 948 | 6 948 | 6 948 |
| 2 830 | Other Revenue | 1 785 | 1 785 | - | 1 785 | 1 785 | 1 785 |
| 219 130 | Operating Receipts | 224 891 | 218 727 | -3 | 220 839 | 223 639 | 225 139 |
| | Payments | | | | | | |
| 148 167 | Related to Employees | 151 529 | 137 136 | -9 | 126 486 | 130 549 | 130 549 |
| 72 064 | Related to Administration | 79 944 | 89 366 | 12 | 88 697 | 90 810 | 92 583 |
| 220 231 | Operating Payments | 231 473 | 226 502 | -2 | 215 183 | 221 359 | 223 132 |
| -1 101 | NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES | -6 582 | -7 775 | -18 | 5 655 | 2 280 | 2 006 |
| | CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | |
| | Payments | | | | | | |
| 8 749 | Purchase of Property, Plant and Equipment | 7 065 | 12 739 | 80 | 8 392 | 2 450 | 2 450 |
| 8 749 | Investing Payments | 7 065 | 12 739 | 80 | 8 392 | 2 450 | 2 450 |
| -8 749 | NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES | -7 065 | -12 739 | -80 | -8 392 | -2 450 | -2 450 |
| | CASH FLOWS FROM FINANCING ACTIVITIES | | | | | | |
| | Receipts | | | | | | |
| 7 706 | Capital Injection from Government | 6 364 | 18 158 | 185 | 2 835 | 0 | 0 |
| 0 | Receipt of Transferred Cash Balances | 4 800 | 0 | -100 | 0 | 0 | 0 |
| 7 706 | Financing Receipts | 11 164 | 18 158 | 63 | 2 835 | 0 | 0 |
| | Payments | | | | | | |
| 0 | Repayment of Finance Lease | 29 | 20 | -31 | 22 | 23 | 25 |
| 0 | Financing Payments | 29 | 20 | -31 | 22 | 23 | 25 |
| 7 706 | NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES | 11 135 | 18 138 | 63 | 2 813 | -23 | -25 |
| -2 144 | NET INCREASE/(DECREASE) IN CASH HELD | -2 512 | 2 376 | 195 | 76 | -193 | -469 |
| 1 930 | CASH AT THE END OF THE REPORTING PERIOD | 3 189 | 813 | -74 | 889 | 696 | 227 |

Notes to the Budget Statements

The major changes affecting the Financial Statements of the Hospital in 1999-2000 are the transfer of allied health services from The Canberra Hospital to ACT Community Care, as set out in the Minister's direction statement '*Setting the Agenda*', and the impacts of the rectification plan aimed at generating savings in the delivery of services.

Operating Statement

In 1999-2000, the operating revenue decreases by \$5.359m, primarily due to the transfer of government payments for select allied health outputs from the Hospital to ACT Community Care. The transfer reflects the Government's objective of strengthening the primary and community care sector, while refocussing the role of the Hospital on acute and emergency care. Operating expenses decrease by \$11.007m, principally from a decrease of \$21.381m in employee and superannuation expenses, partly offset by an increase of \$10.071m in administrative expenses. The major factors contributing to the movements in expenses are:

- transfer of allied health services (\$8.026m);
- savings from the Rectification Plan (\$11.838m); offset by
- devolution of insurance premium from the Department (\$3.389m);
- expenses on IT modernisation (\$2.281m) and Year 2000 compliance costs (\$1.733m); and
- general price increases (\$1.6m).

Significant variations are as follows:

- user charges – ACT Government: the decrease of \$6.901m in 1999-2000 is mainly due to:
 - the transfer of allied health services to ACT Community Care (\$7.705m). Other revenue reductions under the Purchase Agreement with the ACT Department of Health and Community Care are for an expected shift in private patients from The Canberra Hospital to the National Capital Private Hospital (\$1.3m), adjustments for the Coordinated Care Trial (\$0.4m), reduced superannuation expenses (\$1.152m) and removal of one-off payments in 1998-99 (\$2.518m);
 - these reductions are partly offset by increases for devolved insurance costs (\$3.389m), recurrent expenses of information technology modernisation (\$1.845m) and revised operating injections (\$0.605m);
- user charges – non ACT Government increase by \$1.342m, principally due to:
 - additional service and facility revenue from The National Capital Private Hospital (\$1.007m);
 - expected revenue from the Coordinated Care Trial (\$0.4m); and
 - a reduction due to the transfer of allied health revenue to ACT Community Care (\$0.109m);
- employee and superannuation expenses: the decrease of \$21.381m is mainly as a result of:
 - business re-engineering and cost reduction strategies (\$11.353m);
 - the transfer of allied health and rehabilitation staff and diabetes service to ACT Community Care (\$9.670m); and

- the full year effect of 1998-99 enterprise bargaining (\$0.404m);
- administrative expenses: the increase of \$10.071m in 1999-2000 is mainly due to:
 - leasing and debt service charges associated with information technology modernisation (\$2.281m) and anticipated Year 2000 compliance costs (\$1.733m) based on current risk assessments;
 - devolution of insurance premiums from the Department of Health and Community Care (\$3.389m);
 - the net impact of the transfer of allied health services to ACT Community Care (\$1.658m);
 - general price increases (\$1.6m); offset by
 - Rectification Plan savings (\$0.485m); and
- abnormal expense: of \$4.560m in 1999-2000 relates to one-off voluntary redundancy payments required to realise recurrent savings in employee expenses.

Statement of Financial Position

Significant variations are as follows:

- total assets: the increase of \$1.350m in 1999-2000 is primarily due to:
 - work in progress increase of \$3.631m, relating mainly to the refurbishment of Building 7 (Alcohol and Drug Rehabilitation) and Building 10 (Pathology) and continued development of the mental health secure care facility and energy management project; and
 - cash decrease of \$2.376m due to net cash outflows from operating activities (\$7.775m) and investing activities (\$12.739m), partly offset by a net cash inflow from financing activities (\$18.138m);
- total liabilities: the decrease of \$1.984m is predominantly due to the transfer of employee entitlements for allied health staff to ACT Community Care from 1 July 1999; and
- accumulated funds: the movements are represented by:
 - net operating loss of \$16.894m;
 - capital injections of \$18.158m in 1999-2000 for capital works (\$12.158m) and reimbursement for staff redundancies (\$6m, of which \$4.560m is an abnormal expense and the balance decreases employee liabilities) required to achieve planned savings in employee expenses; and
 - movement in net assets from restructuring (\$2.071m) reflecting the transfer of allied health services to ACT Community Care.

Cashflow Statement

Significant variations are as follows:

- net cash flows from operating activities: the decrease of \$1.193m in 1999-2000 is due to:

- reduced operating receipts (\$6.164m), mainly as a result of the transfer of services to ACT Community Care (\$7.814m), which is partly offset by additional service and facility revenue from The National Capital Private Hospital (\$1.007m); and
- reduced operating payments (\$4.971m), predominantly as a result of business re-engineering and cost reduction strategies (\$11.838m), transfer of allied health services to ACT Community Care (\$7.814m), partly offset by increases for information technology enhancements and Year 2000 compliance (\$4.014m), redundancy payments (\$6m), devolved insurance costs (\$3.389m);
- net cash flows from investing activities: the decrease of \$5.674m in 1999-2000 is due to the upgrading of food production systems (\$0.8m) and increased expenditure on capital works (\$4.875m) for the refurbishment of Building 7 (Alcohol and Drug Rehabilitation) and Building 10 (Pathology); continued development of the mental health secure care facility, energy management and Medi-Hotel projects; and minor new works; and
- net cash flows from financing activities: the increase of \$7.003m in 1999-2000 is due to increased capital injections for the capital works program (\$5.794m) and funding for anticipated voluntary redundancies (\$6m), partly offset by a one-off transfer of cash in 1998-99 from the Department of Health and Community Care (\$4.8m).

Capital Works

| | Estimated Total Cost \$m | Expenditure Previous Years \$m | 1999-2000 Estimated Expenditure \$m | 1999-2000 Financing \$m | Expected Completion date |
|--|-----------------------------------|---|--|-------------------------------|--------------------------------|
| New Capital Works | | | | | |
| Building 12 - Day Surgery Modifications | 0.850 | - | 0.850 | 0.850 | Feb 2000 |
| Building 7 - Refurbishment | 2.558 | - | 1.558 | 1.558 | Feb 2001 |
| Medi Hotel Development | 0.150 | - | 0.150 | 0.150 | Jan 2000 |
| Minor New Works | 1.200 | - | 1.200 | 1.200 | May 2000 |
| Total New Capital Works | 4.758 | - | 3.758 | 3.758 | |
| Works In Progress | | | | | |
| Secure Care Facility | 2.000 | 1.000 | 0.500 | 1.000 | Dec 2000 |
| Energy Management Project | 2.600 | 0.200 | 0.923 | 2.400 | June 2001 |
| Refurbishment of Pathology Building | 7.525 | 1.090 | 4.600 | 5.000 | Sep 2001 |
| Total Work In Progress | 12.125 | 2.290 | 6.023 | 8.400 | |
| Total Capital Works | 16.883 | 2.290 | 9.781 | 12.158 | |

Commonwealth Grants

The major Commonwealth payments made directly to The Canberra Hospital are as follows.

| Name of Grant | Activities Funded by Grant | 1999-2000 Estimates (\$'000) |
|--------------------------|---|------------------------------------|
| Health Program Grant | Provision of public pathology services. | 2 794 |
| Highly Specialised Drugs | Provision of highly specialised drug therapies under section 100 of the <i>National Health Act 1953</i> . | 4 154 |

