

## Request for Costing an Election Commitment

<b>Name of policy proposal:</b>	Two Emergency Departments for Gungahlin and Tuggeranong (3 September 2016)
<b>Person requesting costing:</b>	Alistair Coe MLA, Shadow Treasurer
<b>Date of request:</b>	12 October 2016
<b>Summary of proposal:</b>	The Canberra Liberals will establish two 'out-post' emergency departments in Gungahlin and Tuggeranong.
<b>Issue the proposal will address:</b>	To address emergency department waiting times and take pressure off the ED's at the major hospitals.

### **What are the key assumptions that have been made in the proposal?**

**Note:** The costing will developed on the basis of information and assumptions provided in the costing request. The professional judgment of the Under Treasurer will determine whether these assumptions are adopted in the costing of the proposal.

- The capital costs have been calculated assuming that each bed in the hospital will require 172m<sup>2</sup> (based off advice from a private hospital provider), therefore each building will be approximately 3,800m<sup>2</sup> (172 x 22 = 3,784).
- Construction alone has been calculated using an industry average of \$6,200/m<sup>2</sup> (\$23.6 million) with additional capital costs for fitout and ICT (30%), external works (\$1m), consultants (12%), contingencies (8%) and escalations (3%). This brings total capital cost to \$38 million per facility.
- It has been assumed for costing purposes that the facilities will be built on government owned land therefore no purchase of land is required.
- The capital expenditure has been spread over four years with \$4 million allocated for forward design in 2016-17, construction spread over 2017-18 and 2018-19 and fitout allocated in 2019-20.
- The cost of capital has been calculated at 2.5% as per Treasury advice.
- As it is anticipated that the two facilities will open in 2020, a half year appropriation has been included in 2019-20.
- The operating cost is based off Treasury advice for the operating cost of an Acute Care Bed, indexed at 2.5% per year to estimate the 2019-20 cost.
- It is estimated that at full capacity, each facility will cost approximately \$10.8 million to operate (2019-20 dollars).
- Depreciation has been included in 2019-20, calculated using the straight line method for a building only (fitout not included as it will occur in the following year), 50 years with no resale.

What are the estimated revenue and operating costs each year (if available) and what are the capital requirements for this proposal and estimated costs each year (if available)?

	2016-17	2017-18	2018-19	2019-20	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Revenue<sup>(a)</sup></b>					
<b>Expenses<sup>(a)</sup></b>	-100	-875	-1,650	-12,780	-15,405
<b>Capital</b>	-4,000	-31,000	-31,000	-14,000	-80,000
<b>Depreciation</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-1,780</b>	<b>-1,780</b>

(a) A negative number indicates a decrease in revenue or an increase in expenses. The expenses row does not include depreciation costs.

Has any specific information or data been utilised in generating the proposal?

No.

Where relevant, is funding for the proposal to be demand driven or a capped amount?

Ongoing funding will ultimately be demand driven.

Will third parties, for instance the Commonwealth or other State/Territories, have a role in funding or delivering the proposal? Does the proposal provide additional funding to, or redirect, any existing Commonwealth/State or Territory funding arrangements (for example, does an education proposal add to or redirect NERA funding)?

No.

Will funding/the cost require indexation?

Yes. Ongoing operational funding will need to be indexed.

Who will administer the proposal?

The Health Directorate.

How will the proposal be administered?

The Health Directorate will identify the appropriate sites and engage construction companies to begin works.

Is the proposal part of a broader package?

No.

Has an allowance been made for expenses necessary to support the implementation of this proposal?

- If no, will the government agency be expected to absorb expenses associated with this proposal?
- If yes, please specify the key assumptions.

No. Implementation of this proposal will be met from within existing resources. Major health infrastructure planning and works is core business of the Health Directorate.

Will the proposal generate savings or offsets?

Yes. It is proposed that the walk-in clinic at Tuggeranong will be closed once the ED's are operational. It is also anticipated that savings will be achieved at Calvary Public and the Canberra Hospital emergency department's over the long term as presentations decrease as a result of the two new facilities coming online.

Has the proposal been previously costed by an external (third) party? Will a copy of this material, including any assumptions, be made available to Treasury?

Advice on the cost of construction has been received from third parties. Advice available on

request.

What are the community impacts associated with the proposal? Who and how many people will be affected?

Community impacts will be positive.

Are there any transitional considerations associated with implementation of the proposal? If so, how will they be managed?

No.

What is the intended implementation date of the proposal?

Site selection and design are due to start 2016-17.

When is the proposal expected to be fully operational? Please provide details such as the start and end dates, the level of commitment during each period etc?

Construction is expected to take two years. It is anticipated that both facilities will become operational beginning of 2020.

Will the proposal cease, and if so, when?

Proposal is ongoing.

Is there any additional information relevant to this proposal?

No.