

## Request for Costing an Election Commitment

<b>Name of policy proposal:</b>	Expansion of Canberra Hospital (19 September 2016)
Person requesting costing:	Alistair Coe MLA, Shadow Treasurer
Date of request:	12 October 2016
Summary of proposal:	The Canberra Liberals will undertake an expansion of the Canberra Hospital including \$395 million for a new hospital building.
Issue the proposal will address:	Address the long term capacity needs of ACT Health.

### 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 \$395 million construction cost is based off previous ACT Health plans for 'Stage 1' of the Canberra Hospital redevelopment. This is a five story expansion that would occupy the current Building 3 footprint and be designed in such a way to facilitate further expansion of critical health infrastructure on the site as required.
- The cost of capital has been calculated at 2.5% as per Treasury advice.
- Funding for feasibility/design has not been included as the work has already been undertaken by ACT Health, however part of the \$20 million provisioned in 2016-17 could be used for further design work if necessary.
- Depreciation has not been included in the forward estimates period as construction isn't due to be completed until 2020, therefore depreciation will not incur until the first year outside the forwards.
- An operating cost provision has been included in 2019-20 in order to be conservative and represent the actual cost to the budget for this proposal. However, it is likely that this operational expenditure will need to be rolled into the 2020-21 year. The 2019-20 costs are based on:
  - The expansion will become operational in 2020, and therefore costs are on a half year basis.
  - Existing services will be moved into the new building.
  - Although expanded services will be subject to ongoing demand projections, the election commitment specifically promised 10 additional emergency department beds, 14 additional beds for the emergency medical unit and medical assessment unit, and two further ICU beds in the first year.
  - Operating costs for the beds above are based on Treasury advice for the cost an Acute Bed and an Intensive Care Bed, indexed at 2.5% per year to inflate to 2019-20 dollars.
  - A contingency provision for moving costs/additional staff has also been allocated within the \$8 million envelope.

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>	-500	-3,625	-6,750	-17,875	-28,750
<b>Capital</b>	-20,000	-125,000	-125,000	-125,000	-395,000
<b>Depreciation</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</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?

Capital funding will be capped.

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)?

Third parties will be contracted to deliver the proposal (i.e. construction).

Will funding/the cost require indexation?

Ongoing funding beyond the forwards will be indexed.

Who will administer the proposal?

The Health Directorate.

How will the proposal be administered?

The Health Directorate will oversee the capital works and will work to plan the timing and quantity of additional beds and services to be bought online. The Health Directorate will also determine what existing services will be re-located to the new building.

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. Capital works planning and project oversight is business as usual for the Health Directorate.

Will the proposal generate savings or offsets?

No.

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?

No.

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

Community impacts will be positive due to the benefit of having additional capacity at the hospital.

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?

Preliminary works will begin in 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 due to be completed in 2019-20.

Will the proposal cease, and if so, when?

The proposal is ongoing once construction is complete in 2019-20.

Is there any additional information relevant to this proposal?

No.