

<Insert Area Health Service>

<Insert Capital Project Name>

Financial Impact Statement Template and Guidance

<Insert Version>

<Insert Date>

Note: This Financial Impact Statement (FIS) template is to be used in conjunction with the NSW Health Process of Facility Planning to support the business case for capital projects >\$10M.

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Version record

Version	Date	Comment

Notes:

1. This template will be reviewed and updated on a regular basis.
2. A pro-forma excel spreadsheet is available to facilitate Health Service in the development of the FIS.

1 Introduction

The NSW Health Process of Facility Planning identifies the process for the development of a Service Procurement Plan (Preliminary Business Case) and Project Definition Plan (Final Business Case) for capital projects. There are two processes and various templates for projects of either <\$10M or projects >\$10M. This template is to be applied for projects >\$10M.

For the purpose of capital works planning, the Financial Impact Statement (FIS) analyses the financial impact of the proposed project and implications for the relevant Area Health Service and where applicable, other Area Health Services or other budget sector agencies.

The FIS template is to be adopted in the format to summarise the findings and budget impacts. The Treasury financial impact statement template must be completed and submitted (see Attachment 3). It is required for all projects being considered for inclusion on the NSW Health Asset Acquisition Program.

The objective of the FIS is to:

- Provide the best estimate of expenditure required to meet the projected level of demand underlying the service plan, while optimising efficiency;
- Provide the best estimate of the projected revenue (if applicable) based on the approved forward budget;
- Summarise the projected budget growth, identified efficiency gains, revenue from compensable activity and other sources of income, proposed flow reversals, and/or internal redistribution;
- Identify the Net Cost of Service impact of the project and funding sources;
- Identify the timetable for funding and commissioning of new services; and
- Identify the activity and financial risks to the Area of the proposed service development and strategies to manage these risks and ensure that capacity is managed within the available budget.

2 Background Statement

The key aspects of the proposal are to be summarised below:

- **Project:**
- **Area Health Service/ Local Health Network:**
- **Description of Project:**
- **Objective of the Project:**

3 Activity Statement

A summary of the activity projections is to be provided in this section. Current and proposed level of activity by unit of output or throughput (eg cost weighted separation, non-acute beddays) is to be summarised for the next 5-10 year period. The activity projections are to be based on the Clinical Services Plan or other relevant planning documents for the project and which underpin the Project scope.

The activity projections will be used to estimate activity based recurrent funding under the capital proposal using the prices set out in the Department's Episode Funding Policy (PD2008_063). The activity projections will also assist in future transition to activity based funding for admitted acute patient services, emergency department, sub-acute and outpatient services under the National Health and Hospitals Network Agreement.

Table 1 provides information on activity estimates and includes historic activity for the actual for recent years (eg 2009/10), budget year (2010/11) and projected activity for 2016/17 and 2021/22 by service type.

Table 1: Activity projections (example only)

Program	Output Measure	Base Year (actual)	Current Budget Year	Current Year +1	Current Year +2	Current Year +3
Acute	Weighted Episodes					
ED	Weighted Presentations					
ICU Chargeable	Bed Days					
ICU Non/chargeable	Bed Days					
Rehabilitation admitted	Bed Days					
Palliative Care	Bed Days					
Maintenance Care: Admitted Patients	Bed Days					
Outpatient Service	NAPOOS					
Primary and Community based services: Non Admitted	NAPOOS					
Home & Community Care (HACC)	NAPOOS					
CAPAC	NAPOOS					
Mental Health	Per Bed					
Rehabilitation & Extended Care: Other non-admitted services	NAPOOS					
Teaching & Research - Other Health	FTE					
Teaching ED	FTE					
Teaching & Research ICU	FTE					

ED – Emergency Department

NAPOOS – Non admitted patients occasions of service

4 Staffing Implications

This section is to present the projected change in full time equivalent positions, which will be used to estimate the labour cost impact under the proposals.

Table 2: Staffing impacts

	current	Year 1	Year 2	Year 3	Year 4	Year 5
FTE						

A more detailed summary by staff profile is provided in Attachment 1.

5 Capital Cost and Funding

The cost of the preferred option is \$XM (total end cost) as detailed in section XXX in the SPP/PDP. The following sections show the cashflows and sources of funding. Construction commencement dates & commissioning dates are shown in Attachment 2.

5.1 Capital costs and cash flow

Key assumptions used in the development of the capital cost in the SPP/PDP are:

- Capital cost escalation based on the building cost index [provide details where applicable].
- Contingency budget including design and construction risks and client contingencies
- Total floor space of [m2]
- Inclusion of major medical equipment etc.
- Others assumptions which impact on the capital cost should also be included where appropriate– for example site specifics.

Based on the projected construction commencement date of [month/year] and the projected completion date in [month/year], the capital cash flow is summarised as follows.

Table 3: Capital Cost Summary

Capital Costs (\$)	Total (\$)	Year 1	Year 2	Year 3	Year 4	Year 5
Project Item						
Building costs	-					
Professional fees	-					
Contingencies	-					
FF&E	-					
Escalation	-					
Total project costs	-	-	-	-	-	-

5.2 Capital Funding

The proposed funding sources are as follows:

Table 4: Capital funding

Funding sources (\$)	Total (\$)	Year 1	Year 2	Year 3	Year 4	Year 5
Consolidated Funding (on AAP)	-					
Commonwealth Funding	-					
Asset Sales	-					
Local Funding sources (please specify)	-					
Other Funding sources (please specify)	-					
Total contributions	-	-	-	-	-	-

The total funding sources should be equal to the total project costs.

6 Recurrent Costs and Budget Forecasting

The financial impact of the Project and the recurrent cost implications for the Health Service, including staff, incremental costs, revenues and the net cost of services is summarised in the following sections. Reference is to be made to the activity based costing including rationale for any difference in estimated total costs.

6.1 Current year budget

The estimated current year budgets will need to be assessed and comparable to prior year actual results for the facility.

6.2 Budget based on activity based costing and episode funding

The current and projected future costs of delivering public hospital and health services are to be assessed having regard to the benchmark costs, existing budget and funds available.

Activity based costing is a commonly used method to measure costs using activity as output measure.

Since 2008, NSW Health has implemented the NSW Episode Funding policy as a means of funding Admitted patient activity and Emergency Department activity in NSW public hospitals. Benchmark costs and relevant definitions can be sourced from the NSW Episode Funding Policy 2008/09 PD2008_063. The policy covers the following services:

- Acute inpatients
- Emergency Department (ED)
- Intensive care (IC) and
- Designated Sub- and non-acute admitted patients (SNAP)

For those capital projects occurring at facilities that are in scope for Episode Funding (A1 – C1 Hospitals)¹, are required to complete the budget forecasts using the peer group prices and the output measures in Table 1.

To obtain the most recent/base year prices for Episode Funding related activities, please seek advice from the Casemix Policy Unit located within the Inter-Government & Funding Strategies Branch at the Department of Health or alternatively from within the Area Finance Branch.

The total activity cost for the services in scope for the capital project is to be projected by applying the peer price set out in the Episode Funding Policy to the activity projections set out in Table 1.

The current level of expenditure should reconcile to the budget based on episode funding and existing level of activities. The variance should be addressed in accordance with the Episode funding policy.

For those program areas under direct funding and where there is no peer price, it is recommended that the Area derive a local cost per output measure, based on the most recent years worth of activity and apply this to the projected activity. This will need to be clearly documented in the assumptions.

¹ Facilities to be included under the Episode Funding Policy is provided at Appendix A (p18-20) of the Policy Directive PD2008_063.

Direct funding programs are:

- Outpatients
- Primary and community
- Mental health (funding basis to be advised by Statewide Services/MHDAO)
- Rehab & extended care (admitted non-designated)
- Rehab & extended care (non admitted)
- Population health
- Teaching & research
- Acute C2 and below

Combining episode funding and program funding, the budget forecast based on NSW Health funding policy under the proposed project is summarised below:

Table 5: Budget estimates based on episode/activity funding (\$000)

Public Hospital Service / Program	Price (funding)	Base Year (actual)	Current Budget Year	Current Year +1	Current Year +2	Current Year +3
Acute						
ED						
ICU Chargeable						
ICU Non/chargeable						
Rehabilitation admitted						
Palliative Care						
Maintenance Care: Admitted Patients						
Outpatient Service						
Primary and Community based services: non Admitted						
Home & Community Care (HACC)						
CAPAC						
Mental Health						
Rehabilitation & Extended Care: Other non-admitted services						
Teaching & Research - Other Health						
Teaching ED						
Teaching & Research ICU						

6.3 Net cost of service impact

The budget impact on the net cost of service (NCOS) under the proposal is to be assessed based on input based costing (ie labour, goods and services, repairs & maintenance and depreciation).

Summarise the net cost of service impacts in this section and provide the summary table. The analysis period should cover the financial year when full service commissioning occurs.

At a summary level, the NCOS projections should reconcile to the episode/activity based funding, after allowing for changes to services outputs.

6.3.1 Operating cost and revenue assumptions

Key cost assumptions are:

- All figures are at [base year, normally the budget year] \$ values.
- Employee related costs based on the workforce profile and requirements for the Project – these assumptions must be consistent with the information shown in

Attachment 1 – Staffing profile. The superannuation and salary oncost assumptions are also required to be listed.

- Depreciation is based on the economic asset lives (10 years for equipment, 40 years for buildings)
- Recurrent repairs and maintenance in line with the Department’s long term asset maintenance benchmarking objective which involves a benchmark maintenance expenditure of 2% of an asset’s replacement value.
- Include assumptions made in relation to any cost impact on goods and services. This should be linked to changes in activity levels or type.
- Assumptions regarding impact on hotel services, where applicable.

Key revenue assumptions are:

- Patient Fees – define assumptions for revenue projections & validate against existing revenue
- [describe details if applicable]

6.4 Summary of net cost of service impact (by service type where applicable and consolidated)

The combined net cost of service will be presented in this section. Where there are separate service components, the net cost of service impact by service is required to be summarised here.

Employee related cost projections must be based on the staffing profile shown in Attachment 1.

Any change in the cost of Goods and Services needs to be linked to changes in activity type or levels as outlined in the assumptions.

Revenue projections need to be validated against existing revenues and assumptions used.

Where applicable, the impact on NCOS needs to be broken down by service type (e.g. ICU beds, ED beds, Mental Health beds etc).

[Health Service] estimates that the net cost of service for the project is [].

Table 6: Net cost of service impact summary

	Actual	Budget	Projected (in base budget year dollars)				
	2009/10	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Current Cost / Funding of Existing Facilities							
<u>Employee related costs (reflecting Attachment 1)</u>							
Direct salaries and wages							
Superannuation							
Workers Compensation							
Long Service Leave							
Other labour on costs							
Total Employee Related Costs	-	-	-	-	-	-	-
<u>Goods and Services (list key cost items)</u>							
e.g. Drug Supplies							
Medical & Surgical Supplies							
Other							
Repairs, maintenance & replacements (recurrent)							
Visiting Medical Officers (VMO)							
Depreciation							
Total expenses		-					
Patient fees							
Other revenue/user charges							
Total revenues		-					
Net cost of service (NCOS) incl. depreciation		-					
NCOS excl. depreciation		-					
Estimated Operating Cost of New Proposal							
<u>Employee related costs (reflecting Attachment 1)</u>							
Direct salaries and wages							
Superannuation							
Workers Compensation							
Long Service Leave							
Other (please specify)							
Total Employee Related Costs	-	-	-	-	-	-	-
<u>Goods and Services (list key cost items)</u>							
e.g. Drug Supplies							
Medical & Surgical Supplies							
Other							
Repairs, maintenance & replacements (recurrent)							
Visiting Medical Officers							
Depreciation							
Projected total expenses		-	-	-	-	-	-
Patient fees							
Other revenue/user charges							
Projected total revenue			-	-	-	-	-
Net cost of service (NCOS) incl. depreciation			-	-	-	-	-
NCOS excl. depreciation for funding analysis (A)			-	-	-	-	-
Net impacts on NCOS							
Increase (decrease) in NCOS incl. Depreciation*			-	-	-	-	-
Increase (decrease) in NCOS excl. Depreciation			-	-	-	-	-
Net impacts on NCOS by service type (List key services)							
e.g. ICU Beds							
ED Beds							
Ward Beds							
Mental Health Beds							
Increase (decrease) in NCOS excl. Depreciation		-	-	-	-	-	-

6.5 Proposed recurrent cost funding sources

Sources of recurrent funding may include:

- AHS existing funding
- Growth funding (if applicable)
- NSW Health’s program funds
- Operational efficiencies
- Internal redistribution
- Proposed increase in consolidated funding (subject to approval)
- External funding
- Statewide enhancements
- Commonwealth Funding

Where funding is for specified periods (eg four years) this should be clearly identified.

Table 7: Proposed recurrent funding

Funding analysis	Actual	Budget Year	Projected (in base budget year dollars)				
	2009/10	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
NCOS projections (excl depreciation) - (A)		-	-	-	-	-	-
AHS existing funding - (B)							
Net funding requirements (C) = (A) - (B)							
Sources for net funding requirements							
Identified sources (please specify)							
Growth funding							
NSW Health's Program funds							
Operational Efficiencies							
Internal Redistribution							
External funding							
Other (please specify)							
Subtotal (D)							
Estimated net funding shortfall (E) = (C) - (D)			-				
Proposal to fund net shortfall (please specify)			-	-	-	-	-

7 Efficiency and Benchmarking

Describe and summarise the assessment of efficiency gain that will be achieved by implementing the Project, including service reconfiguration. The methodology used and applied in determining project efficiency gains should be provided in this section.

The analysis in the section on recurrent cost and budget forecasting (eg variance between NCOS forecast and the episode funding) should be noted in this section. For example, based on recent project estimates and cost guidance on service delivery by NSW Health's Services Development Branch, the cost projections are considered to reflect the efficient cost of delivery. If there is a gap between the projected cost and benchmark costs, the reasons should be provided.

Other benchmarking for capital and recurrent cost estimates should also be addressed in this section.

8 Financial Risk Management

This section is to provide a summary of project risks that will have a flow on impact on the capital and recurrent costs under the proposal. The extent of capital/recurrent cost impact should be assessed and the likelihood of such risk events, followed by the risk mitigations strategies.

- If increase in recurrent cost, is it affordable and sustainable?
- Adequacy of capital contingency
- How will the Health Service manage recurrent cost shortfall if the proposed increase in Consolidated Funding Recurrent is not approved?
- Identification of risk management strategies.

.....

Chief Executive

<Insert Area Health Service>

.....

Director of Finance & Corporate Services

<Insert Area Health Service>

.....

Chief Executive

<Health Support Services>

(If applicable, regarding Health Support Services impacts including food and linen)

Attachment 1 – Staffing Profile

PROJECT NAME:

By classification	Salary Rate (\$ Mid-Point)	FTE					
		Current Year	Year 1	Year 2	Year 3	Year 4	Year 5
Medical							
Senior Staff Specialist							
Registrar							
Junior							
Total Medical		-	-	-	-	-	-
Nursing							
Registered Nurse							
Enrolled Nurse							
Other - please specify							
Total Nursing		-	-	-	-	-	-
Corporate Administration							
Administrative Assistant							
Receptionist/Clerk							
Total Corporate Administration		-	-	-	-	-	-
Allied Health							
Social Worker							
Occupational Therapist							
Total Allied Health		-	-	-	-	-	-
Hospital Employees							
Total Hospital Employees		-	-	-	-	-	-
Health Support Services*							
Food services							
Linen services							
Cleaning							
Other							
Total Hotel Services		-	-	-	-	-	-
Maintenance & Trades							
Maintenance							
Total Maintenance & Trades		-	-	-	-	-	-
Total FTEs		-	-	-	-	-	-

*The projected Hotel Services staff will require sign-off by Health Support Services (HSS)

Attachment 2 – Program for Commissioning

A summary is provided in the following table:

Example only – to be adapted

Key Milestones	Actual/Forecast
Gateway review completion	
SPP/PDP submission to NSW Health / Treasury	
SPP/PDP and budget approved	
Engagement of Project Manager Procurement	
Cost Planner Appointed	
PDC Engagement	
Detailed Design Consultant (Services)	
Detailed Design & Documentation	
DA Submission	
Construction Documentation complete	
Issue Tender Documents	
Commence Construction	
Complete Construction	
Facility Commissioning	

Attachment 3 – Treasury FIS Template

(This template is to be completed to show the incremental impact. It should be completed based on the near final draft FIS prior to submission to the Gateway Review Panel.)

7 FINANCIAL IMPACT STATEMENT

Proposal:

Schedule 1: Budget Impact of Proposal

	Current Year (\$'000)	FORWARD ESTIMATES			
		Current Year + 1 (\$'000)	Current Year + 2 (\$'000)	Current Year + 3 (\$'000)	Current Year + 4 (\$'000)
RECURRENT					
Expenses:					
Employee related					
Depreciation					
Other					
Total Expenses					
<i>less</i> agency offset savings					
Net Expenses					
<i>less</i> Agency revenue					
Net Cost Of Services – lead agency					
Net recurrent on-costs to <u>other</u> budget sector agencies (as per schedule 3)					
Total Net Cost of Services (NCS)					
CONSOLIDATED FUND REVENUES					
Taxes					
Commonwealth Funding					
Other (please specify) NSW Health					
Total Consolidated Fund Revenues					
CAPITAL					
Capital Expenditure					
<i>less</i> Agency offset savings (incl. asset sales)					
Net Capital Expenditure – lead agency					
Net capital on-costs to <u>other</u> budget sector agencies (as per schedule 3)					
Total Net Capital Expenditure					
TOTAL FINANCIAL IMPACT <i>Equals</i> NCS (net of Depreciation) + Net Capital Expenditure less Consolidated Fund Revenues					
Funded by:					
Cash Balances/Loans/Advances					
Consolidated Fund					
Other (please specify)					
Total					

Schedule 2: Additional Budget Sector Staffing

	Current Year	FORWARD ESTIMATES			
		Current Year + 1	Current Year + 2	Current Year + 3	Current Year + 4
Staffing (FTE) – lead agency					
Other Budget sector agencies (FTE)					
TOTAL					

Schedule 3: Net on-costs to Other Budget Sector Agencies

	Current Year (\$'000)	FORWARD ESTIMATES			
		Current Year + 1 (\$'000)	Current Year + 2 (\$'000)	Current Year + 3 (\$'000)	Current Year + 4 (\$'000)
RECURRENT:					
Agency 1 (insert agency name)					
Agency 2 (insert agency name)					
Agency 3 (insert agency name)					
Impact on Net Cost of Services (Transfer to Schedule 1)					
CAPITAL: (including asset sales)					
Agency 1 (insert agency name)					
Agency 2 (insert agency name)					
Agency 3 (insert agency name)					
Impact on Net Capital Expenditure (Transfer to Schedule 1)					

Schedule 4: Net on-costs to Non-Budget Sector Agencies

	Current Year (\$'000)	FORWARD ESTIMATES			
		Current Year + 1 (\$'000)	Current Year + 2 (\$'000)	Current Year + 3 (\$'000)	Current Year + 4 (\$'000)
RECURRENT:					
Agency 1 (insert agency name)					
Agency 2 (insert agency name)					
Agency 3 (insert agency name)					
Impact on Net Cost of Services					
CAPITAL: (including asset sales)					
Agency 1 (insert agency name)					
Agency 2 (insert agency name)					
Agency 3 (insert agency name)					
Impact on Net Capital Expenditure					

FIS Reviewed
by:

Included in Current Budget and
Forward Estimates? Yes/No

How to complete this form:

This form is intended to demonstrate to Treasury/Cabinet the financial impact of the proposal including on-costs to other agencies, offsetting savings and the manner in which it is proposed to fund the initiative. **Where a proposal is to be undertaken within existing expenditure or funding levels, the gross cost of the proposal should be shown along with agency offset savings.** The Budget sector includes all General Government Sector agencies.

Agencies must complete schedules 1 to 4. **All data is to be in dollars applicable to the year.** Use 'n/a' where an item is not applicable. Agencies must consult with other agencies to determine sector wide financial impacts, where applicable. For joint agency proposals, each agency should complete a separate Financial Impact Statement and the lead agency should summarise the on-cost results in Schedule 3. Depreciation and maintenance expenses should also be included where approval for capital expenditure is sought.

Employee numbers for forward estimates are cumulative. For example; if one additional FTE is required in the current year and another in following year the columns should read "1, 2, 2, 2, 2" respectively.