

Finance Return

Glossary

AAS	Australian Accounting Standard
AASB	Australian Accounting Standards Board
AIMS	Agency Information Management System
AFR	Annual Financial Report
AHCA	Australian Health Care Agreement
BPS	Budget and Payments System
CCU	Critical Care Unit
CEO	Chief Executive Officer
CFO	Chief Finance Officer/Director of Finance
DHS	Department of Human Services
DTF	Department of Treasury and Finance
DVA	Department of Veterans' Affairs
EBA	Enterprise Bargaining Agreement
EFT	Equivalent Full Time
HACC	Home and Community Care
HSA	Health Services Agreement
LSL	Long Service Leave
MHS	Metropolitan Health Service
NHT	Nursing Home Type
SAMS	Service Agreement Management System
SPF	Specific Purpose Fund
TAC	Transport Accident Commission
UIG	Urgent Issues Group
VACS	Victorian Ambulatory Classification System
VAED	Victorian Admitted Episode Database
VDP	Voluntary Departure Package
WIES	Weighted Inlier Equivalent Separation

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Finance Return Form F1

Reporting Requirements

Form F1 is used to report agency level financial data for all sources of funding. The data is requested in accordance with the Health Services Act 1988. The key feature of the financial statements and ratios on the AIMS Form F1 return is to provide the Department of Human Services with information to determine the performance and viability of each reporting entity.

AIMS Form F1 consists of the following:

- Statement of Financial Performance
 - Metropolitan, Group B and C Health Services/Hospitals
 - Group D, E and MPS Health Services/Hospitals
- Statement of Financial Position
- Performance Indicators
- Statement of Cash Flows
- Notes (consisting of 17 notes, 16 accounting notes and one narrative note in the statement of financial position), and
- Chief Executive Officer's or Chief Finance Officer's Comments.

The statement of financial performance comes in two versions as indicated above.

For metropolitan health services and five other rural hospitals namely Barwon Health, Ballarat, Bendigo, Goulburn Valley and Latrobe, the common chart of accounts and cost centres are mapped to the F1 statement of financial performance. This involves submitting the general ledgers of these hospitals electronically onto a DHS dedicated website. Henceforth, the chart of accounts (which is aligned with the health service/hospital general ledgers) and cost centres are mapped to produce the F1 statement of financial performance. Manual data entry is required on the remaining F1 return.

For the other hospitals not using the common chart of accounts and cost centres, manual data entry is required on the F1 return. This involves the download of the F1 form layout in an Excel workbook. Data entry is done offline. Once this process is completed, data can be submitted from the workbook via the Internet.

Return of Forms

The completed forms as described under 'Reporting Requirements' are to be submitted to the department *within 12 calendar days* following the end of the month for all metropolitan health services, Barwon Health, Bendigo Health Care Group and Ballarat Health Services. All other hospitals are to submit the completed F1 within 14 calendar days.

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Printouts of the original signed forms must be retained by the hospital and be available to officers of the department upon request.

Assistance

If assistance is required with the completion of this return, please contact your regional office (for regional base and rural hospitals) and respective account manager (for metropolitan health services). For technical assistance on AIMS related problems, please contact the AIMS Help Desk on (03) 9616 8595.

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Instructions for Completing Form F1

The instructions for completing the F1 are found in the following pages arranged in the numerical order of the F1 format. These instructions are applicable to the actual as well as the budgeted position. The instructions should be closely adhered to so that the monthly financial returns of the public hospitals are prepared on a consistent and comparable basis. The accompanying notes will further enhance the understanding and comparability of the financial result and position of the public hospitals.

For metropolitan public hospitals the budget required of the financial performance is for year- to-date as well as full year performance before capital, specific and extraordinary items.

For rural and regional public hospitals the budget required of the financial performance is for the full year including capital, specific and extraordinary items.

For all public hospitals the budgets for financial position and cash flow statements are for the whole of the financial year 2004–2005. These are Board approved budgets of the public hospitals. These should be updated periodically to include changes approved by the Board to account for change in assumptions and new developments.

Accounting and Reporting Issues

The monthly F1 provides information on the financial result and position of public hospitals to the department on an accrual basis. The analysis carried out on this information forms the basis of monitoring the industry by the department and the Minister, which is formalised in the Hospital Performance Reports provided to the Government's Expenditure Review Committee. There have been inconsistencies in the reporting of certain revenue and expenses between public hospitals. The inconsistencies have distorted the comparability of financial results and performance between public hospitals. In addition to financial information provided through monthly F1, hospitals also provide financial information through Annual Reports, Quarterly Financial Reports and Annual Financial Returns. Inconsistencies in reporting of financial information between these financial returns or reports have been identified in the past. These issues are being addressed in the following manner.

- Introduction of the common chart of accounts, campus and cost centre codes.
- Mapping of the F1 to these codes.
- Mapping of AFR to common chart of accounts.
- Introduction of uniform recording of wages costs.
- The development of business rules for recording income and expenditure.

You are advised to become familiar with the following documents, which are accessible through <http://www.health.vic.gov.au/accounts>.

- Business Rules Version 5.
- Victorian Public Hospitals—Account Codes Version 3.78.

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- Victorian Public Hospitals—Cost Centres Codes 3.81.
- Wage Type Mapping.
- The Proforma of F1 Forms and related guidelines are also posted to this website.

Major Changes for 2004–2005

The main changes are found in the following areas:

- Statement of Financial Performance
- Statement of Cash flows
- Accompanying Notes
- Performance Indicators

Statement of Financial Performance

This statement has been redesigned to align with the Victorian Public Hospitals—Account Codes 3.78, Victorian Public Hospitals—Cost Centres 3.81 and annual reporting. The line items are closely aligned with the annual reporting format.

Statement of Cash Flows

Two new sections are added seeking additional information on receipts and payments and reconciliation of net cash flows from operating activities to the net surplus/deficit of the agency. This will only be required for identified rural and regional agencies.

Accompanying Notes

Seventeen notes are added to provide additional financial information on certain balance sheet and revenue and expense items.

Performance Indicators

This section is expanded to include VACS and non-financial indicators.

Fund Accounting

The Finance and Accounting Manual for Public Hospitals describes 'Fund Accounting' as separate accounting for cash inflows according to their source and a matching of expenditure according to the source of funds used in expenditure transactions.

Three funds namely the Operating Fund, Capital Fund and Specific Purpose Funds are used to enable a distinction to be drawn in relation to both stocks and flows of funds between those relating to activities undertaken at the behest of government and those undertaken as a result of local community initiatives.

For the purpose of monitoring the financial performance of public hospitals, the reporting of operating revenue and expenses in the F1 are grouped into 'Services supported by Health Service Agreement' which represents the Operating Fund and Hospital and Community Initiatives (which

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are internally managed Specific Purpose Funds). These are termed controllable operating activities in the F1. As other (non-controllable) operating activities also play an important part in the financial management of the public hospitals, the format makes a clear demarcation between controllable operating activities and restricted specific purpose funds which are deemed not under the control of the Boards. The Departmental guidelines on specific purpose funds are found in <http://www.health.vic.gov.au/spfunds/index.htm>. A separate column is also set up for the reporting of capital purposes income, specific revenue and expenses and extraordinary income and expenses.

Consolidation and Elimination Column

The F1 requires the reporting of consolidated figures. However it does not provide an elimination column, as the details of eliminations are not required. As such all elimination of inter-funds transactions should be done outside the F1 in your consolidation worksheet. The 'consolidated' column in AIMS F1 reports only transactions between the entity and third parties.

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Form F1	Statement of Financial Performance

Statement of Financial Performance

The statement of financial performance consists of revenue and expense lines by type and cost centres. The mapping of F1 to the common chart of accounts and cost centre are provided below. For hospitals not using the common chart of accounts and cost centres, the general ledger should be closely aligned with these account and cost centre codes.

The remittance advices from the BPS payments system and SAMS will provide the cost centre and account code mapping for each grant description. In addition mapping information will be provided for BPS and SAMS payments on the 'Accounts' web site.

Please comply with Business Rules Version 5 (or as updated) when accounting for your revenue and expense items.

Mapping of Revenue and Expenses in F1 to Account Codes in Common Chart of Accounts

Revenue	Account Codes	Account Description
Government Contributions/Grants:		
Department of Human Services	52000	DHS Grant - Non Admitted Services
	52100	DHS Grant - Fixed Overhead Grants
	52200	DHS Grant - Variable Grants
	52300	DHS Grant - Patient Revenue Targets
	52400	DHS Grant - Training and Development Grants
	52500	DHS Grant - Specified - Formula adjustments
	52600	DHS Grant - Specified - Non-admitted radiotherapy/Dialysis
	52700	DHS Grant - Specified - Transplants
	52800	DHS Grant - Specified - Trauma
	52900	DHS Grant - Specified - Award Increases
	53000	DHS Grant - Specified - Administration
	53300	DHS Grant - Specified - Other Specified Grants
	53400	DHS Grant - Specified - Information and Technology
	53500	DHS Grant - Specified - Hospital Demand Management
53600	DHS Grant - Specified - Hospital Program	
Department of Human Services	53700	DHS Grant - Specified - Hospital Quality

Revenue	Account Codes	Account Description
	53800	DHS Grant - Specified - Service Development
	53900	DHS Grant - Specified - Rural Health Grants
	54100	DHS Grant - Sub - Acute Specified Grants
	54200	DHS Grant - Specified - Award Increases
	54300	DHS Grant - Patient Revenue Targets
	54500	DHS Grant - Mental Health Specified Other
	54600	DHS Grant - Clinical Community Care
	54700	DHS Grant - Clinical Inpatient Care
	54800	DHS Grant - Psychiatric Disability Support Services
	54900	DHS Grant - Service System Development and Resourcing
	55000	DHS Grant - Aged Care Assessment Services (ACAS)
	55100	DHS Grant - Aged Care Support Services
	55200	DHS Grant -Aged Care Residential Care
	55300	DHS Grant -Aged Care Service Development and Resourcing
	55400	DHS Grant - Aged Care- Award Increases
	55600	DHS Grants - HACC
	55700	DHS Grants - Primary Health/Community Health Care
	55800	DHS Grants - Disability Services
	55850	DHS Grants - Drug Treatment Services
	55900	DHS Grants - Other Programs
	56000	DHS Capital Grants
Non Cash Revenue from Services Provided (LSL)	56806-56899	DHS Non Cash Grant - Other
Other Victorian State Government	56500	Other Victorian State Agency Grants (Non DHS)
	56600	Other Victorian State Agency Grants (Non DHS) - Capital
Commonwealth Grants	51000	Commonwealth Grants
Indirect Contributions by Human Services	56801	DHS Non Cash Grant - DHS Insurance
Patient/Resident Fees	50400	Non-admitted Patient Fees
	50800	Recoupment Hospital Facilities - Private Practice

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Revenue	Account Codes	Account Description
Donations and Bequests	58200	Donations and Bequests (Cash Only)
	58400	Assets Received Free of Charge (including Assets Donated)
Recoupment Hospital Facilities - Private Practice	50800	Recoupment Hospital Facilities - Private Practice
Interest and Dividends	58500	Investment Income
Interest and Dividends	58520	Other Investment Income
Research Revenue - Non Government	58100	Research Revenue (non Government)
Other	50900	Private Patient Fees
	57000	Other Operating Income
	58000	Coordinated Care Trial
Specific Revenue	59000	Specific Revenue (ex Abnormal)
Extraordinary Items – Revenue	59100	Extraordinary Items (Revenue)
Proceeds from Sale of Non Current Assets	58600	Proceeds from Sale of Fixed Assets

Expenses	Account Codes	Account Description
Employee benefits:		
Salaries and Wages		
Basic	10000	Basic
Sick pay	10100	Sick Pay
Overtime	10200	Overtime/Recall - Unrostered
	10300	Overtime - Rostered
Penalties	10400	Penalties (other than public holiday)
	10500	Public Holiday Penalties
Allowances	10600	Allowances
Workcover	10700	Workcover
Departure Expenditure	10800	Departure Expenditure
Other	10900	Other Salaries and Wages

Expenses	Account Codes	Account Description
Fee for Service	12000	Fee for Service
Nurse Agency Expense	12501-12550	Nurse Agency expense
Other Agency Expenses/External Contract Staff	12551 - 13099	External contract staff
Employee Entitlements	14000	Annual Leave
	14100	Accrued Days Off Expense
	14200	Long Service Leave accrued expense
Employee Entitlements	14300	Other Leave
Superannuation	14400	Superannuation Expense
Workcover Premium	14500	Workcover Premium
Supplies and Consumables:		
Drug Supplies	27000	Drug Supplies
	27100	S100 Costs
	27200	PBS Costs
Medical and Surgical Supplies Including Protheses	20000	Aids and Appliances Purchases
	20300	Coordinated Health Care - Commonwealth Trial Expenses
	20600	Dialysis Consumables
	21000	Medical And Surgical Supplies
	25000	Prosthesis
	26000	Radiology Supplies
	26100	External Contracted Services - Radiology
	26200	Other Radiology
Food Supplies and Services	28000	Food Supplies
Pathology Supplies and Services	24000	Pathology Supplies
	24100	Specialised blood and blood products
	24200	External Contracted Services - Pathology
	24300	Other Pathology Costs
Other Supplies and Consumables	22000	Patient Expenses - General

Expenses	Account Codes	Account Description
Other Expenses:		
Domestic Services and Supplies	30070	Hotel services
	32000	Domestic Supplies
Fuel, Light, Power and Water	31000	Electricity
Fuel, Light, Power and Water	31100	Other Fuel, Light and Power - excluding motor vehicles fuel costs
Repairs and Maintenance (excluding Maintenance Contracts)	33000	Equipment Replacement and Additions
	34000	Repairs And Maintenance
Maintenance Contracts	34200	Maintenance Contracts
Operating Leases	33500	Operating Leases
Administrative Expenses	35000	Administration Expenses
	37000	Interest Expenses
	37200	Audit Fees
	37400	Bad and Doubtful Expenses
	37600	Insurances
Other	23000	Patient Transport
	38000	Other Expenses
Internal Allocations - Transfer Pricing Patient Expenses	60000	Transfer Pricing Accounts - Patient Expenses
Internal Allocations - Transfer Pricing Non-Patient Expenses	61000	Transfer Pricing Accounts - Other Expenses
Specific Expense	39000	Specific Expenses (ex Abnormal)
Depreciation and Amortisation	40000	Depreciation
	40100	Amortisation
Extraordinary Items - Expenses	39200	Extraordinary Items (Expenses)
	44000	Devaluation of Assets
Written Down Value of Assets Sold	43000	Written down value of assets disposed
	43100	Written down value of investment assets disposed

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Mapping of F1 to Cost Centres Codes—For Metropolitan Health Services, B and C

		Cost Centre Codes	Cost Centre Description
Acute	Inpatient	A 0000	Acute Wards - Multi day
		A 3000	Acute Wards - Same day
		A 4000	Clinical Units
		A 8000	Operating Theatres Suites
		A 8500	Acute Inpatients
	Emergency	B 0000	Emergency
	Non-Admitted Patients	C 0000	Non-admitted Patient Services
	Other Services	D 0000	Other Acute Health Funded Services
Sub-Acute Services	F 0000	Sub Acute Services	
Aged	Residential Care - Low Care	J 0000	Aged Care Residential Low Care
	Residential Care - High Care	J 2000	Aged Care Residential High Care
	HACC	J 5000	Home and Community Care (HACC)
	Other	J 7000	Aged Care Other
Mental Health Services		H 0000	Mental Health Other
		H 8700	Mental Health Residential Care
Primary Health		L 0000	Primary Health
Other Programs		M 0000	Drug prevention services
		M 1000	Disability services
		M 1500	Public Health
		M 2000	Dental Health
		M 4000	Other Programs
		M 5000	Department Funded Research
		M 8500	Other Programs

	Cost Centre Codes	Cost Centre Description
Clinical Support, Infrastructure and Corporate	N 0000	Pharmacy
	N 2000	Allied Health Services
	N 8500	Clinical Services
	P 0000	Clinical Support
	R 0000	Infrastructure Services
	R 1000	Corporate Services
Business Units Diagnostic Laboratory and Medical Imaging Services	Y 0000	Diagnostic Laboratory Services
	Y 1000	Medical Imaging Services
Hand CI Internally Managed SPF	Y 2000	Internal
Restricted Specific Purpose	Z 0000	Restricted
Capital, Specific and Extraordinary Items	X 0000	Capital
	COA Codes 39000	Specific Expenses (ex Abnormal)
	COA Codes 39200	Extraordinary Items (Expenses)
	COA Codes 44000	Devaluation of Assets
	COA Codes 59000	Specific Revenue (ex Abnormal)
	COA Codes 59100	Extraordinary Items (Revenue)

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Mapping of F1 to Cost Centres Codes—For D and E Hospitals and MPS

	Cost Centre Codes	Cost Centre Description
Acute and Sub Acute	A 0000	Acute Wards - Multi day
	A 3000	Acute Wards - Same day
	A 4000	Clinical Units
	A 8000	Operating Theatres Suites
	A 8500	Acute Inpatients
	B 0000	Emergency
	C 0000	Non-admitted Patient Services
	D 0000	Other Acute Health Funded Services
Aged Care Services	F 0000	Sub Acute Services
	J 0000	Aged Care Residential Low Care
	J 2000	Aged Care Residential High Care
HACC	J 7000	Aged Care Other
	J 5000	Home and Community Care (HACC)
Mental Health Services	H 0000	Mental Health Other
	H 8700	Mental Health Residential Care
Primary Health	L 0000	Primary Health
Other Programs	M 0000	Drug prevention services
	M 1000	Disability services
	M 1500	Public Health
	M 2000	Dental Health
	M 4000	Other Programs
	M 5000	Department Funded Research
	M 8500	Other Programs

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	Cost Centre Codes	Cost Centre Description
Clinical Support, Infrastructure and Corporate	N 0000	Pharmacy
	N 2000	Allied Health Services
	N 8500	Clinical Services
	P 0000	Clinical Support
	R 0000	Infrastructure Services
	R 1000	Corporate Services
Business Units Diagnostic Laboratory and Medical Imaging Services	Y 0000	Diagnostic Laboratory Services
	Y 1000	Medical Imaging Services
Hand CI Internally Managed SPF	Y 2000	Internal
Restricted Specific Purpose	Z 0000	Restricted
Capital, Specific and Extraordinary Items	X 0000	Capital
	COA 39000 Codes	Specific Expenses (ex Abnormal)
	COA 39200 Codes	Extraordinary Items (Expenses)
	COA 44000 Codes	Devaluation of Assets
	COA 59000 Codes	Specific Revenue (ex Abnormal)
	COA 59100 Codes	Extraordinary Items (Revenue)

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Additional Information on Statement of Financial Performance

Internal Allocations

Internal allocations for Transfer Pricing of Patient Expenses and Non–Patient Expenses are to be used for clearing Clinical Support, Infrastructure and Corporate expenses to various cost centres.

Restricted Specific Purposes Fund

This Fund is introduced as a result of the review of the SP Funds. The review indicated three categories of SPF namely certain business units, internally managed SPF and restricted purpose SPF. The department has issued Guidelines for the Identification and Establishment of SPFs. The Guidelines can be accessed via the department's website at:

<http://www.health.vic.gov.au/spfunds/index.htm>

The characteristics of a restricted purpose SPF include the following features:

- The fund is established for a *particular or specific purpose (that is, a restriction or condition)* through some forms of legal instrument such as a trust or legal undertaking to comply with the condition or purpose for which the fund is established. The common types would be a donation provided to purchase a specified equipment and research grant provided for particular field of interest.
- A separate board or a separate committee normally manages the fund such as a foundation managed by a separate board. Alternatively, this could be managed by a management auxiliary to the hospital's Board.

The hospital's Board has no effective control on the restricted purpose SPF other than to comply with or to implement the purpose for which the fund is set up. All funding and donations specifically provided for *capital works* are to be reported as such in 'Capital, Specific and Extraordinary Items' column.

Those specific purpose funds over which the hospital's Board has effective control are Internal Specific Purpose Funds,

Business Units

These are confined to internally provided pathology and radiology services and are to be reported as part of the Health Service Agreement initiatives in accordance with the Business Rules (as updated) available at <http://www.health.vic.gov.au/accounts>.

Capital, Specific and Extraordinary Items

The department continues to require the presentation in the statement of financial performance where depreciation, capital purpose income, specific items, extraordinary items and sale of non current assets are shown separately after the 'entity operating surplus/deficit' column. The existing presentation is retained so that results are comparable and consistent with previous years.

Depreciation

In the Annual Report, Hospital and Community Initiatives activities include those of the Capital Fund that is deemed to hold all the hospital's fixed assets. As such, depreciation on these assets

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should be treated as an expense of the Hand CI activities. In the F1 this item is reported separately under Capital, Specific and Extraordinary Items.

The three common depreciation methods are spelt out in page 51 of the Department of Human Services' Finance and Accounting Manual. The Victorian Healthcare Association has issued a list of depreciation rates that are suitable for use by public hospitals, subject only to unusual conditions prevailing with respect to particular assets. This list appears in the Appendices (page 114) of the Department of Human Services' Finance and Accounting Manual for Public Hospitals.

Depreciation in the first year of acquisition must be computed according to the time the asset was used during the year. Fractions of a month are to be disregarded. Please also refer to Business Rules Version 5 (Section G 4).

Specific Items

In 2000–2001, the reference to abnormal items disappeared from the accounting standards. These were replaced by specific revenue and expense. As the F1 serves the specific monitoring purpose of the department, the specific revenue or an expense is of such a *size, nature or incidence* that its disclosure is relevant in explaining and understanding the financial performance of the public hospitals. The requirement is in compliance with section 5.4 of AAS1 (AASB 1018) on 'Disclosure of Specific Revenue and Expenses', which became operative from 30 June 2002. Some of the circumstances that may give rise to the separate disclosure of these specific revenues and expenses include:

- the write-down of inventories or non-current assets and, where applicable, the reversal of such write-downs
- litigation settlements
- reversals of provisions
- restructuring of operations
- changes in accounting policies, other than those changes made to comply with a Standard or an Urgent Issues Group Consensus View that requires initial adjustments to be recognised as a direct credit to equity or a direct debit to equity.

Note 3 in the F1 are for the reporting of these specific revenue and expenses.

Extraordinary Items

Extraordinary items are items of revenue and expense that are attributable to transactions or other events of type that are outside the ordinary operations of the entity and are not of a recurring nature. For example, the sale of a significant operation or all the assets associated with such an operation or the unintended destruction of a property.

Reporting entity is encouraged to provide additional information of these items in Part 6 'CEO's or CFO's Comments on Performance' section of the F1 for better understanding of the operating result.

Capital Purposes Grants

This relates to all grants specifically received *for the purpose of acquiring non-current assets such as capital works, plant and equipment* and should be reported as revenue in the 'Capital, Specific and Extraordinary Items' column.

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In 2004–2005 the department will continue with the capital equipment funding process comprising of two major annual funding pools briefly described as follows:

General Equipment and Infrastructure Maintenance Grants: The annual infrastructure and maintenance grant is provided to hospitals and health services for general equipment and infrastructure maintenance purposes. The grant is provided as a contribution towards maintenance costs of the agencies. Separate funding is provided by the department to agencies for the replacement of equipment (see *Targeted Equipment Grants*). The allocation of the infrastructure and maintenance grant is based on:

- the size and relative age of equipment of each hospital/health service;
- the inpatient and non-admitted patient outputs; and
- the relative financial capacity and resources of the hospital/health service.

The funding source for this grant is the Department of Treasury and Finance's (DTF) appropriation to the department for the funding of hospital/health service outputs. DTF's Financial Reporting Direction 2 (FRD 2)—Contributed Capital, requires that all appropriations for the provision of outputs (FRD 2 – paragraph 4.6) must be recognised as revenue. (Website: <http://www.dtf.gov.com.au>)

Given the above background and the existing practice of recognising maintenance costs as operating expenses, the department requires all public hospitals/health services to treat the infrastructure and maintenance grants as an item of operating revenue in the HSA section of the F1. The department has issued Circulars 17/2002 and 7/2003 advising hospitals of this treatment.

Targeted Equipment Grants: From this funding pool MHS/hospitals bid for grants towards higher cost replacement or new items of equipment not funded under other special purpose capital funding programs. The allocation of these grants is submission based and for the purchase of equipment only. As such funding received under this program has to be reported as capital purpose income.

Hospitals should also note the requirement of FRD 2 on reporting capital grants as contributed capital.

All Targeted Equipment Grants not reported as contributed capital should be reported in the 'Capital, Specific and Extraordinary Items' column.

All income (other than those reported as capital purposes grants) received for the specific purpose of acquiring non-current assets such as capital works, plant and equipment should be reported as revenue in the 'Capital, Specific and Extraordinary Items' column. The common items to be included here are:

- Donations and bequests specified for the purchase of fixed assets
- The cost of equipment donated by medical practitioners
- Interest earned on accommodation bonds from residents
- The retention amount that may be deducted from accommodation bonds
- Accommodation charges paid by nursing home residents
- Capital interest
- Profit or loss on sale of fixed assets

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The receipt or refund of the principal of accommodation bonds *should not* be recorded under this item.

Revenue Recognition and Cost Allocation

For small rural health service's receiving acute program funding, the recognition of DHS grant revenue is to be allocated to the program that the funding was sourced from. Therefore acute funded grants are to be allocated to the acute program in the F1, this is regardless of where these funds are ultimately expensed.

Costs are to be allocated to the program against which the services are delivered regardless of the program the funds were initially sourced from.

Therefore, funds sourced from the acute program and used to deliver primary health services are to be recognised as revenue under acute and as expenses under primary health.

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Form F1	Statement of Financial Position

Statement of Financial Position

Mapping of F1 to Standard Account Codes

Equity	Standard Account Codes	Account Description
YTD Entity Surplus/(Deficit) - Current Year	Automated Feed	
Retained Earnings (Accumulated Deficits) - 1.7.2004	94000	Retained Earnings/Accumulated Losses
Contributed Capital (note 14)	90000	Contributed Capital State Government Sector
Restricted Specific Purpose Reserves	91000	Restricted Purpose Fund Reserves
Asset Revaluation Reserves	92000	Asset Revaluation Reserve
All Other Equity/Reserves	93000	Reserves Other
Current Liabilities		
Bank Overdraft	80000	Bank Overdraft
Creditors Payable	80100	Current payables
Accrued Expenses	81000	Accrued Expenses
Income in Advance	82000	Income in Advance
Monies held in Trust	83000	Patient Trust
	83100	Patient Accommodation Deposits/IT Alliance Funds
Borrowings	85000	Borrowings
Provision for Employee Benefits (incl accrued salaries and wages)	86000	Provision for Employee Entitlements - Current
Other Current Liabilities	84000	Other Current Liabilities
Non-Current Liabilities		
Creditors Payable	87000	Non Current Payables
Other Non-Current Liabilities (including Money Held in Trust)	87500	Patient Accommodation Deposits/IT Alliance Funds
	88000	Other Non - Current Liabilities
Provision for Employee Benefits	89500	Non-Current - Provision for Employee Entitlements
Borrowings	89000	Non Current Borrowings
Current Assets		
Cash At Bank and On Hand	70000	Cash At Bank and on hand

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Equity	Standard Account Codes	Account Description
Monies held in Trust	70200	Patients Trusts
Short Term Investments	70400	Short Term Investments
Patient Fees Receivable	71000	Patient Fees Receivable
Debtors	71500	Debtors
Accrued Revenue Receivable	72000	Accrued Revenue
Inventories	72100	Inventory
Prepayments	73000	Prepayments
Other Current Assets	73100	Other Current Assets
Non-Current Assets		
Long Term Investments	75000	Long Term Investments
Debtors	75500	Debtors - non current
Other Non-Current Assets	75800	Accrued Revenue - non current
	76000	Non-Current Prepayments
Intangibles (net of amortisation)	76500	Intangible Assets
	76600	Accumulated Ammortisation - Intangible Assets
Non-Current - Fixed Assets	77000	Fixed Assets
Accumulated Depreciation	79000	Accumulated Depreciation

Equity and Liabilities

Equity

YTD Entity Surplus/(Deficit)—Current Year

This represents the year-to-date consolidated result in the Statement of Financial Performance and is automatically populated.

Retained Earnings (Accumulated Deficits)—1 July 2004

This refers to the balance on the retained earnings/(accumulated deficit) at the beginning of the financial year.

Contributed Capital

This refers to appropriations or contributions that satisfy the requirements of AAS29 and UIG Abstract 38 on reporting these transfers as contributions by owners. DTF issued a Financial

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Reporting Direction 2 that prescribes certain requirements with respect to classification of contributed capital. FRD 2 in paragraph 4.2 prescribes:

Transfers that meet the following criteria must be classified as contributed capital:

- (a) Transfers must involve wholly-owned public sector entities that are reporting entities, and
- (b) Transfers must exhibit the characteristics of contributions by owners as defined in AAS 15 'Revenue', and
- (c) Transfers must:
 - (i) Arise from Parliamentary appropriations that are:
 - additions to net assets, or
 - payments on behalf of State (POBOS) and special appropriations that are for capital expenditure purposes, or
 - (ii) subject to a formal designation that effectively occurs at or before the time of the transfers that:
 - arise from administrative restructures (in which case the administrative order or legislative instrument is deemed to be the designation), and/or
 - arise from all other arrangements (in which case the administrative instrument such as the allocation statement signed by the responsible Minister, is deemed to be the designation).

A significant point to note is that no capital grant revenues should be recorded as contributed capital unless notified in writing by the Department.

Restricted Specific Purpose Reserves

This refers to funds held for restricted purposes and funds held in perpetuity that have not been appropriated. Funds held for restricted purposes refer to funds that because of the terms on which they are given or because of a decision of the Board of Management are not available to be used for general activities of the hospital. Examples of these funds are Research Funds, Education Funds, Prize Funds, Charitable Trusts and Private Practice Funds. Funds held in perpetuity refer to endowments from donors where the amount and duration of the gifts continue for an infinite period. Interest earned from these funds is added to the original sum to maintain its value. Funds held for restricted purposes and for perpetuity must be classified under Specific Purpose Fund. The Guidelines can be accessed via the department's website at:

<http://www.health.vic.gov.au/spfunds/index.htm>

Asset Revaluation Reserves

Subsequent to the initial recognition as assets, non-current physical assets, other than plant and equipment, are measured at fair value. Plant and equipment are measured at cost. Revaluations are made with sufficient regularity to ensure that the carrying amount of each asset does not differ materially from its fair value at the reporting date. Revaluations are assessed annually and supplemented by independent assessments, at least every three years. Revaluations are conducted in accordance with the Victorian Government Policy Paper Revaluation of Non-Current Physical Assets.

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Revaluation increments are credited directly to the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised at an expense in net result, the increment is recognised immediately as revenue in the net result.

Revaluation decrements are recognised immediately as expenses in the net result, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of assets, they are debited directly to the asset revaluation reserve.

Revaluation increments and decrements are offset against one another within a class of non-current assets.

All Other Equity/Reserves

These include all other reserves not reported above.

Current Liabilities

Bank Overdraft

This refers to amount owing to financial institutions arising from credit facilities entered into by the health services/hospitals. Bank overdraft must not be set-off against the debit balance in another bank account. Bank overdraft utilised within the approved limit is not a quick liability although it remains a current liability being payable at call.

Creditors Payable

This includes trade creditors that are owing and unpaid at reporting date for goods delivered and services rendered at a point in time, salary and wages related creditors, amount owing to Department of Human Services and other hospitals.

Accrued Expenses

Accrued expenses arise when the expense incurred for the period is not paid for in the same period. As long as payment for expenses and incurrence of the expenses do not take place in the same accounting period, accrual of expenses become necessary for the purpose of matching revenue with expenses. Amounts commonly included in this item are utility charges.

Income in Advance

This represents income in advance with Department of Human Services and other sources.

AAS 15 draws a distinction between reciprocal and non-reciprocal transfer of assets in the recognition of revenue. Non-reciprocal transfer generally means a transfer in which the entity receives assets without directly giving approximately equal value in exchange to the other party. Subject to certain conditions (AAS15 para 9.1), all non-reciprocal transfers must be recognised as revenue. A common example is donated asset, donation in general and non-reciprocal transfers with stipulations. Income in Advance arises from the non-completion or partial completion of services established under the reciprocal transfers. Failure in providing the goods and/or services may render the assets transferred repayable.

In March 2002, the department sought written clarification from the Victorian Auditor General's Office (VAGO) in regard to the appropriate treatment of Income Received in Advance. The advice

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received unequivocally states that income received in advance should be recognised as a liability only when it meets the recognition criteria for a liability. VAGO accepts that funding to be returned under the WIES arrangements can be reported as a liability at balance date. It is accepted because the funding to be returned meets the recognition criteria for a liability at balance date given that the present obligation and amount to be repaid has been determined at that point. VAGO further advised that in their view WIES and other grants, even if output measures are attached, are non-reciprocal at the time of receipt by a hospital. The opinion of VAGO is based on the definitions of non-reciprocal and reciprocal contained in AAS15 'Revenue' and Statement of Accounting Concept 4. Paragraph 102 of SAC states that '...for a transfer to be reciprocal, it is not sufficient that the transfer receives benefit *indirectly* as a result of the transfer'. VAGO explained that while hospitals receive an asset (in the form of WIES funding and grant monies), they are not required to give approximately equal value in exchange to the other party (DHS/Government) involved in the transfer as the recipients of the benefit are essentially the individuals receiving the health service. As such WIES and other grants are non-reciprocal and should be recognised as revenue when received.

The department issued a Circular (17/2002) to give effect to VAGO's view on Income in Advance.

Monies held in Trust

Included in this are Patient Trusts, Entry Contribution, Accommodation Bonds and other Patient Accommodation Deposits.

The common categories referred to in Note 10 are namely Patient Monies Held in Trust, Refundable Accommodation Bonds and Other Monies Held in Trust. These categories are defined as follows:

Patient Monies Held in Trust: refer to funds held on behalf of patients or residents during their stay in hospital or an aged care home. They may cover the general daily living activities of the patient or resident and their daily care fees.

Refundable Accommodation Bonds: refer to the funds (lump sum, periodic payment or a combination of both) payable for entry to an aged care home by residents who meet the specific criteria under the *Commonwealth Aged Care Act 1997*. It is in addition to the basic daily care fee and any income tested fee that may apply for that resident. The service provider can keep a retention amount out of the accommodation bond, with the balance of the bond to be refunded to the resident, or their estate, on departure. The bonds are subject to prudential arrangements (*Commonwealth Aged Care Act 1997, subdivision 57B* and the *User Rights Principles 1997, Part 4 division 3A*). The prudential arrangements have been designed so that residents can be certain that any outstanding lump sum accommodation bond amounts owing to them when they leave an aged care home will be repaid within the time periods required by legislation. The liability must be matched by an asset (usually a bank account) held in trust in the statement of financial position.

Other Monies held in trust: refers to any other monies held in trust that do not fit either of the above categories.

IT Alliance trusts monies are to be reported here.

Borrowings

This generally includes short-term advances from DHS, interest bearing loans and lease liabilities due within 12 months.

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Form F1	Statement of Financial Position

Provision for Employee Benefits

Employee benefits means benefit entitlements which employees accumulate as a result of the rendering of their services to the hospital up to the reporting date, and include accrued salaries and wages, accrued days off, annual leave, long service leave, superannuation and other post-employment benefits. Accounting for employee benefits should comply with the provisions of the revised AASB 1028. Provision is made in the accounts for obligations in respect to long service leave and annual leave entitlements not taken at balance date. The liability for long service leave is expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits as a current liability. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits as a non current liability and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of services. Expected future payments are discounted using interest rates on national Government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Other Current Liabilities

This refers to any amount not otherwise reported above. The liabilities to be reported here include other creditors, non-employee provision, deposits, and GST payable.

Non-Current Liabilities

Creditors Payable

Refers to that portion of creditors payable that is not due and payable within 12 months. (Also see comments on creditors payable under Current Liabilities).

Other Non-Current Liabilities

This includes non-current portion of Monies held in Trust (see comment under Current Liabilities), income in advance - DHS and others, other creditor, non-employee provision and deposits.

Provision for Employee Benefits

Refers to that portion of provision for employee benefits that is not due and payable within 12 months. (Also see comments on provision for employee benefits under Current Liabilities.)

Borrowings

Refers to that portion of borrowings that is not due for repayment within 12 months. (Also see comments on Borrowings under Current Liabilities.)

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Form F1	Statement of Financial Position

Current and Non-Current Assets

Current Assets

Current assets means cash or other assets of the entity that in the ordinary course of operations of the entity are sold, realised, consumed or converted into cash as part of the entity operating cycle which is normally within twelve months after the end of the last reporting period of the entity.

Cash at Bank and on Hand

This refers to the consolidated debit bank balances and petty cash of the entity.

The practice of withholding a material amount of cheques have been drawn in favour of suppliers is not to be encouraged.

Monies held in Trust

Refer to monies held in trust by the hospital on behalf of patients. These are normally kept in a bank account for safekeeping.

Short Term Investments

This includes investments such as at call deposits, fixed deposits, short-term money market, inscribed stocks and bonds, shares, debentures and properties. Investments held by the hospital should be recorded at the lower of cost and net realisable value.

Patient Fees Receivable

This item should only include patient fees. The amounts are to be shown net of any provision for doubtful debts. This includes fees receivable from private inpatients, private outpatients, nursing /hostel residents and diagnostic billings.

Debtors

Refers to all receivables other than patient fees. This includes sundry debtors, receivable from other hospitals, DHS and related entities. The amounts are to be shown net of any provision for doubtful debts.

Accrued Revenue Receivable

This relates to estimation of sundry revenue at month end. The common items are interest accrual and collection from shop/ kiosk deposited in the following month.

Inventories

This includes supplies, pharmacy, aids and appliances, food, linen and laundry. The amount should be shown at book value at the lower of cost and net realisable value. Cost is determined principally by the first-in, first-out method.

Prepayments

Prepayment arises when the hospital makes a payment during the current financial year that applies partly to a period within the current financial year and partly to a future period. The portion pertain to the future period is shown as prepayments. Commonly occurring prepayments include telephone rentals, insurance premiums and journal subscriptions.

Finance	Finance Return
Form F1	Statement of Financial Position

Other Current Assets

Refers to assets that are not specifically covered above. Other current assets include amounts such as GST receivable, deferred expenses.

Non-Current Assets

Long Term Investments

General investments held by the hospital should be recorded at the lower of cost and net realisable value. Revaluation of land and buildings held as investments should comply with the relevant accounting standard. The classification between current and non-current assets depends on the expected timing of disposal of the investment. If the anticipated disposal is more than 12 months for an investment then it should be recorded as non-current. (Also see comments on Short Term Investments—Current Assets).

Debtor

This includes the non-current portion of sundry debtors and receivables from DHS. Since the 2000–2001 financial year, the department has assumed the liability arising from the net increase in the long service leave (LSL) provision of public hospitals. Hospitals will therefore record a net increase in the LSL liability as revenue with the department recorded as a debtor (non-current). Hospitals are requested to seek further guidance from Circular 16/2004. (<http://www.dhs.vic.gov.au/ahs/circular/index.htm>)

Other Non-Current Assets

This includes the non-current portion of accrued revenue and prepayments.

Intangibles (net of amortisation)

These include the purchase of intellectual property or capitalised value of copyrights, patents, trademarks and licences that represent an enforceable right or benefit. Intangibles should be brought to account when an asset exists and has service potential or provides a future economic benefit. Research costs incurred and are expected beyond any reasonable doubt to be recoverable (for example, there is future economic benefit) should be deferred to future financial years. The deferred costs could then be amortised and matched with future benefits.

Non-Current—Fixed Assets

These fixed assets include land, buildings, plant, medical equipment, non-medical equipment, leasehold improvements, motor vehicles, office furniture, computers, capital works (assets) under construction and library books. It should be noted that the Department's recommended threshold for recognition and capitalisation of a non-current physical asset is \$1,000.

Accumulated Depreciation

Apart from land, all other fixed assets should be depreciated over its remaining useful life. The Victorian Healthcare Association has issued a list of depreciation rates that are suitable for use by public hospitals, subject only to unusual conditions prevailing with respect to particular assets. This list appears in Appendix ii (page 111) of the Finance and Accounting Manual for Public Hospitals. If an asset has been re-valued, the depreciation should be calculated on the re-valued amount rather than the historical cost. No depreciation is to be charged on capital works until the facility is complete and ready for use.

Finance	Finance Return
Form F1	Notes to the Financial Statements

Notes to the Financial Statements

Note 1: Analysis of Year-to-Date HSA employee benefits by professional grouping

The information required is for employment costs incurred by the Health Service Agreement activities.

Amounts in the 'Total' column of this note must agree with the corresponding amounts in the 'Total Health Service Agreement' column in the Statement of Financial Performance.

Note 2: Analysis of Business Units

This note provides details on the two components of the business units namely diagnostic laboratory and medical imaging services. As such, 'Total income' and 'Total expenditure' in the Note must agree with the 'Total Revenue' and 'Total Expenses' of the Business Units column in the Statement of Financial Performance.

Note 3: Specific Items (Items 14 and 50 Statement of Financial Performance)

Please refer to comments on Specific Items under 'Capital, Specific and Extraordinary Items'. You are required to report the specific items applicable to your entity. However 'Total Revenue' and 'Total Expenses' in the Note must agree with the respective line item total in the 'Total Consolidated YTD' column of the Statement of Financial Performance.

Note 4: Residential Aged Care Payments

The 'Consolidated YTD' total must agree with the amount reported in 'Capital, Specific and Extraordinary Items' column of the Resident/Patient Fees line in the Statement of Financial Performance.

Note 5: Supplementary Information on Statement of Financial Performance

(i) This refers to disclosure of operating expenses incurred in the current financial year in relation to revenue recognised in the last financial year. This situation is a consequence of recognising non-reciprocal transfer as revenue in previous year with corresponding operating expenses accounted for in the current year.

(ii) This refers to disclosure of revenue recognised in the current financial year without accruing the corresponding operating expenses or having operating expenses recognised only in the following financial year. This situation is a consequence of recognising non-reciprocal transfer as revenue in the current year with corresponding operating expenses accounted for in the following year.

(iii) This refers to disclosure of loss of throughput due to industrial dispute/force majeure and *accrued as revenue*. The WIES lost should not be recognised as revenue until the department agrees to compensate for the loss. The number of WIES lost is to be disclosed in the 'Allocation' column and the revenue amount accrued is to be reported in the 'Year-to-Date' column.

Note 6: Restricted Specific Purpose Reserves

This Note shows the extent of the reserves that are supported by cash, short-term investment, long-term investment and non-cash assets.

Finance	Finance Return
Form F1	Notes to the Financial Statements

Note 7: Bank Overdraft

Bank overdraft within limit refers to that part of the bank overdraft balance that is drawn within the facility limit. Bank overdraft exceeded limit refers to that part of the overdraft balance that has exceeded its approved overdraft limit. For example, if a hospital has an overdraft limit of \$100,000 and this is exceeded by \$20,000 (that is, the account has a credit balance of \$120,000); then \$100,000 should be reported as Bank Overdraft Within Limit with the \$20,000 reported as Bank Overdraft Exceeded Limit.

Note 8: Creditors Payable

The Note is for ageing of creditors payable. The Consolidated and Projected Totals must agree with the relevant line item in the Statement of Financial Position.

Note 9: Provision for Employee Benefits

See explanatory comments on this item under 'Statement of Financial Position'. The respective current and non-current Consolidated and Projected Totals in the Note must agree with those in the Statement of Financial Position.

Note 10: Money Held in Trust

This Note shows the type of assets supporting this liability.

Note 11: Patient Fees Receivable

The Note is for ageing of Patient Fees Receivable. The Consolidated and Projected Totals must agree with the relevant line item in the Statement of Financial Position.

Note 12: Investment

This Note provides detailed listing of both current and non-current investments. The respective current and non-current Consolidated and Projected Totals in the Note must agree with those in the Statement of Financial Position.

Note 13: DHS Net Debtor/Creditor

This Note provides a summary of amounts receivable and payable from/to DHS other than borrowing and LSL receivable from DHS.

Note 14: Contributed Capital

Major Development Grants from DHS forms part of the contributed capital if certain requirements are met. This line in the Note is for reporting of *current year* capital grants received for major works such as redevelopment of hospitals. For the allowable transactions (such as appropriation or major works) to be classified as contributed capital they need to be formally designated on or before the time of the transaction. Due to the complexity of the appropriation of funding from DTF to the department and its on passing to the agencies, no hospital should treat capital grants for major works as contributed capital unless notified in writing by the department.

Note 15: Borrowings

This Note provides details on all current and non-current borrowings undertaken by the entity. The respective current and non-current Consolidated and Projected Totals in the Note must agree with those in the Statement of Financial Position.

Finance	Finance Return
Form F1	Notes to the Financial Statements

Note 16: Debtors

This Note provides detail on non-current debtors which include the non-current portion of sundry debtors and receivable from DHS.

Finance	Finance Return
Form F1	Performance Indicators

Performance Indicators

The intention is to establish the hospital's YTD throughput performance in relation to its targets and to understand what throughput the hospital is recognising in its YTD revenue.

The starting point is to record the YTD WIES estimate which will be coded as fundable and refine that figure to ascertain the WIES recognised as revenue. Separate columns for Private, Public, DVA, and TAC are provided because over 'target' DVA and TAC throughput still earns revenue. The 'public' and 'private' WIES have different condition of funding such as rate differential.

YTD Total WIES

The exact current month WIES will in most cases not be known. The YTD WIES should include:

- The most recent YTD VAED fundable WIES for the prior months.
- VAED fundable separations for the current month (include uncoded) converted to WIES.
- Accrual for patients not yet separated.

WIES that are subject to special funding arrangements and have been coded as such should be included in '*Other Department of Human Services' funded WIES included as revenue.*

Same Day Medical Penalty

WIES over the same day medical cap is not funded. If a hospital believes that despite being over its estimated YTD cap it will be under the cap by end of the year, it should continue to accrue the over cap WIES as revenue. If the over cap situation is likely to persist, then that revenue should not be accrued and should be shown here. For example, if YTD over same day medical cap is 100 and at the end of year this is estimated to be 50 only, the end of year over target estimate of 50 should be entered here.

Other over target WIES not accrued as revenue

The main inclusions here will be:

- Late coded throughput where significant
- Non-DVA throughput being over target at the end of the year and therefore not funded

If the hospital believes that despite being over its estimated YTD target it will be on or under the target by end of the year, it should continue to accrue the target WIES as revenue.

Quick Assets

This refers to liquid assets that can be converted into cash fairly quickly. For the purpose of this return, a cut off period of 60 days is used. Quick assets include Cash at Bank/on Hand, Patient Fees Receivable within 60 days, Accrued Revenue Receivable, Short Term Investments and the 60 days portion of Debtors and Other Current Assets.

Quick Liabilities

Quick liabilities are Bank Overdraft (exceeded limit portion), Creditors Payable within 60 days and the 60 days portion of Accrued Expenses, Monies Held in Trust, Provision for Employee Entitlements, Borrowings, and Other Current Liabilities.

Finance	Finance Return
Form F1	Performance Indicators

Solvency: Quick Asset Ratio

This ratio is a measure of the hospital's ability to satisfy its immediate obligations (quick liabilities) in the short term using a two-month time horizon. The measure is also known as the acid test on the immediate liquidity of the hospital. A hospital with a higher ratio is considered to have more liquidity. This ratio is computed by the system and is derived from dividing Quick Assets by Quick Liabilities.

Current Assets Ratio

This ratio is a measure of the hospital's ability to satisfy its obligations (current liabilities) in the short term using a twelve-month time horizon. This is a very broad measure of the margin of safety to creditors. The ratio is computed by the system and is derived from dividing Current Assets by Current Liabilities.

DTF Liquidity Indicator

The liquidity indicator was requested by Department of Treasury and Finance (DTF) and first introduced in 2000–2001 as part of the F1 reporting routine. The indicator is now incorporated into the 2004–2005 F1 to measure the short-term (three months) liquidity of hospitals. DTF also provided a formula, which is provided below to guide hospitals in computing the indicator. The indicator measures the number of times average trade creditors are covered by free cash available. DTF recommended a minimum coverage of two times.

In the year of introduction, there was wide variability in the size of indicator reported. While these indicators are no indication of inconsistency, there is strong indication that inconsistencies existed among MHS/hospitals in determining the key average trade creditors for computing the liquidity indicator. The department is proposing the following guidelines for the determination of average trade creditors to minimise the inconsistencies noted.

1. Accrual of Expenses

Accrued expenses relating to trade goods/services received but not been billed by suppliers or creditors at month end should be included as trade creditors of the MHS/hospital. Some examples of these are utility charges, medical supplies, food and consumables.

2. Salaries and Wages

Group tax and salary packaging are part of salary calculation and therefore form part of salaries and wages. These items should be excluded from trade creditors.

Employer's contribution of the superannuation is a liability if not paid by month end. This should be included as trade creditors.

Fringe Benefit Tax payable by employer is a liability if not paid by month end. This should be included as trade creditors.

3. GST

Net GST payable is a liability if not paid by month end. This should be included as trade creditors.

4. Builders' Accounts

The 'Free Cash Available' as required by the DTF indicator is net of capital works obligations on which payments were received in advance. If the builders' accounts relate to this category of capital work obligations, these accounts should not be included as trade creditors for the purpose

Finance	Finance Return
Form F1	Performance Indicators

of determining these creditors. Otherwise there would be double counting of obligations or creditors.

5. Average Monthly Trade Creditors

The average is preferred as it helps to minimise fluctuations. The average means the simple average of trade creditors at the beginning and at the end of the reporting month.

For example, if trade creditors have an opening balance of \$1m and a closing balance of \$1.5m for the month, the average trade creditors for the month is \$1.25m.

DTF Liquidity Indicator—Formulae

A: *Liquid Assets*

- Bank balances
- Unencumbered liquid investments (below three months)
- Encumbered liquid investments (below three months)
 - a) Capital purposes
 - b) Specific purposes
 - c) Others (e.g. operating received in advance)

ADD

B: DHS operating grants for next 3 months *less* wages and salaries for next 3 months

LESS

C: DHS operating and Capital Works obligations for payments in advance (excluding SP funds) as at beginning of period.

- a) Operating
- b) DHS capital works
- c) Commonwealth capital works

ADD (LESS)

D: Other Known Significant Cash Flows

For example, major changes in:

- a) SP Income versus Expenditure
- b) Debtor balances
- c) Any other items

Equals: Free Cash Available

Indicator: Divide Free Cash Available by average monthly trade creditors (exclude funded capital work creditors) and other creditors (non-salary/wage items).

Patient Fees Receivable Turnover (in days)

The hospital is required to calculate this monthly ratio and enter it here. Turnover of patients' fees receivable is calculated by dividing the average amount receivable at the beginning and the end of the month by the daily average patient fees earned for the same month. The result is expressed as a number of days that patient fees are taken to collect. This turnover rate will be influenced by

Finance	Finance Return
Form F1	Performance Indicators

the speed with which private health funds and statutory bodies such as TAC settle their accounts. A fall in the ratio or a low rate indicates more effective collection.

Key entity level benchmarking indicators

The department continues to develop and implement strategies to enhance the viability of public hospitals. These include benchmarking key aspects of agency performance to enable hospitals to compare and identify areas for improvement. Three entity level indicators have been incorporated into the F1.

YTD Sick Leave Hours as a % of Ordinary Hours

This is an aggregate measure of all sick leave hours and is defined and calculated as:

$$\frac{\text{Sick hours taken} \times 100}{\text{Total Ordinary Hours}}$$

Current Month % Staff Turnover

This measure is for employees and would exclude HMO rotations and contractor (agency staff) movements and would be calculated as

$$\frac{\text{Current Month FTE Departure[s]}}{\text{FTE at 30 June 2004}} \times \frac{100}{1}$$

Please provide the year-to-date target, actual throughput and the resulting variance for the following indicators.

Casemix Rehabilitation and Funding Tree (CRAFT)

CRAFT is episode funded and applies to participating hospitals with Designated Rehabilitation Units. This model categorises Level 2 rehabilitation patients into sixteen groups according to clinical and functional levels. Categories cover the major clinical groupings in rehabilitation services such as stroke/neurological, orthopaedic, cardiopulmonary, amputee, major head injury, spinal and burns patients and other rehabilitation. Given the statistical variability in episode length, amputee, major head injury, spinal and burns patients, these categories (Special Level 2) are funded on a per diem basis. For all other categories, payments are provided for weighed units, short stay patients and same stay patients.

Geriatric Evaluation and Management (GEM)

This is per diem funded and refers to care type 9 aged patients with co-morbidities requiring sub-acute services.

Rehabilitation Level 1

This is funded per diem and refers to care type 2 spinal, amputee and major head injury patients in the first post-acute episode of rehabilitation.

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Form F1	Performance Indicators

Rehabilitation Level 2/Special Level 2

This is funded per diem and refers to general rehabilitation for non-CRAFT funded hospitals for care type 6 patients. Special Level 2 refers to care type 6 spinal, amputee; major head injury (other than level 1) patients in CRAFT funded hospitals.

VACS (Weighted Encounters)

The Victorian Ambulatory Classification System (VACS) covers all Group A hospitals, and Ballarat Health Services and the Bendigo Health Care Group. Weighted Encounter refers to one episode of care provided to a non-admitted patient multiplied by the VACS cost weight for each clinical service. Cost weights and VACS throughput targets are provided in Victoria—Public Hospitals Policy and Funding Guidelines. Further details on the development of VACS, the definition of the 'encounter' and the ambulatory funding model, including the base grant and teaching component, are outlined in the publication Victorian Ambulatory Classification and Funding System—VACS, September 1998 (<http://www.dhs.vic.gov.au/ahs/vacs/index.htm>).

The throughput reported here must reconcile to S9 of the Monthly Statistical Return.

Allied Health (Occasions of Service)

Occasions of service refer to the number of occasions of examination, consultation, treatment or other service provided to a non-admitted patient in each functional unit of a health service establishment. Each diagnostic test or simultaneous set of related diagnostic tests for the one patient referred to a hospital pathology department consists of one occasion of service.

The throughput reported here must reconcile to S2 and S9 of the Monthly Statistical Return.

Palliative Care

Activity to be reported here pertains to inpatient services for DVA and non-DVA categorised under VAED care type '8'. Activity from hospice and community based services not included in bed-day targets in the Palliative Care Program - Policy and Funding Guidelines is excluded.

Changes to the targets as published in the Policy and Funding Guidelines for Palliative Care Program can only be undertaken after consultation with the DHS Continuing Care Unit.

Interim Care

This is per diem funded and applies to people who have completed their acute or sub-acute episode of care; have been recently assessed by an Aged Care Assessment Service and recommended for high or low level aged residential care; and are suitable for immediate placement in a residential care facility if a place were available.

Nursing Home Type (NHT)

Refers to care type 1 patients not requiring acute care.

Finance	Finance Return
Form F1	Statement of Cash Flow

Statement of Cash Flow

The Statement of Cash Flow requires the combined presentation of information on actual as well as on projected basis. Under this format, cash flows are to be provided on a monthly basis for the current financial year. For example in the July F1 return, the July column reports on the actual cash flow for that month while the remaining eleven months provide the projected cash flow for the respective month. The 'Total' column is an aggregation of the actual and projected cash flows for the financial year.

The form and content (except for the projection requirement) of the Statement of Cash Flow is consistent with those of the Annual Report. The Statement provides useful information on the cash requirements of the public hospitals and how these requirements are satisfied. The information provided in the statement of cash flows together with other information in the financial report will assist in assessing the ability of a public hospital to generate cash flows and meet its financial commitments as they fall due. A Statement of Cash Flows is also required from hospitals in order to enable the department to meet the Government reporting requirements of the Department of Treasury and Finance.

For identified rural and regional public hospitals they are to provide:

- Additional details on cash receipts and payments; and
- Reconciliation of cash flows arising from operating activities to operating surplus or deficit as reported in the profit and loss account.

In preparing this Statement of Cash Flow, hospitals should be guided by the provisions of AAS28. Most of the cash flow activities reported in the Statement are self explanatory or have been explained in other parts of the 'Instructions for Completing the F1' and the Annual Reporting Guidelines. The following clarifications are provided to facilitate the preparation of the Statement.

Cash

Cash means cash on hand and cash equivalents. These cash equivalents consist of highly liquid investments with the following characteristics:

- short maturity periods,
- readily convertible to cash on hand at the hospital's option,
- subject to insignificant risk of changes in value

Borrowings which are integral to the cash management function and which are not subject to a term facility are to be included as cash. For purpose of the Statement of Cash Flow in the F1, 'Cash at End of Period' consists of Bank Overdraft and Cash at Bank and On Hand. This is a change from prior years where the 'Cash at end of Period' included Short Term Investments and Monies in Trust.

Capital Grants

This refers to grants received from government for capital purposes.

Finance	Finance Return
Form F1	Statement of Cash Flow

Non-Government Capital Income

This refers principally to donations and bequests received for the purpose of acquiring non-current assets such as plant and equipment.

Contributed Capital From Government

This principally refers to liquidity injection and capital grants provided by the government for major redevelopment of hospitals. These contributions are normally recognised as revenue in the books of the receiving hospitals (Department of Treasury and Finance FRD 2). Notwithstanding the receiving hospitals are not allowed to report the contributions as contributed capital unless notified in writing by the department to treat the liquidity injection and/or capital grants as contributions of capital.

Return of contributed capital to Government is also reported here.

Sale and Purchase of Investments

This item includes the purchase or sale of any Short Term or Long Term Investments.

Finance	Finance Return
Form F1	CEO or CFO Comments on Performance

Chief Executive Officer or Chief Finance Officer Comments on Performance

The comment should include the following areas:

Review Performance

Review the monthly and year-to-date operating result with reference to the key influences on the reported surplus or deficit position. These influences may be financial (for example, accounting adjustments) and non-financial (for example, lower throughput).

Review of Budgeted Year End Result

The key assumptions made on Budgeted Year End result should be disclosed and explained. If the trend in actual result appears to be contrary to the budgeted one, the disparity or variance should be explained.

Strategies and Progress Plan

Details of action plan and the corresponding progress report is needed where the entity is reporting a significant deficit. The Plan generally outlines the major saving strategies and the progress report updated each month to tracks its implementation and effectiveness in financial terms.

Major Events

Details of major events that have occurred beyond the control of the management and have a significant impact on the operating result or financial position of the entity. Examples of such events are industrial dispute, major break down of plant and equipment or forced shut down of facilities.

Off Balance Sheet Items

The information is requested to enhance disclosure and better understanding of the financial performance and position of the hospital. If any of the following items is applicable please provide the necessary details.

Unrealised Losses

This refers to unrealised loss arising from transaction pending completion, maturity or disposal. Common transactions in this regard are investments in equity and managed funds where losses are not provided for in the accounts.

Litigation/Contingent Liabilities

Litigation/Contingent Liabilities are those liabilities arising from decision, settlement or obligation that become payable or enforceable in certain circumstances against the hospital. Examples would be:

- A guarantee given by the entity to secure a third party's debt.
- Litigation where the probable outcome is unfavourable and may result in a material impact on the financial position of the entity.

Finance	Finance Return
Form F1	CEO or CFO Comments on Performance

Capital Commitments

This refers to contractual obligation relating to capital project and purchases.

Subsequent Events

This refers to events occurring after balance sheet date but relating to a condition existing as at that balance sheet date.

Cash Flows Variances

Hospitals are requested to complete the table provided. Hospitals are also requested to provide explanation on the reported variances and are encouraged to use results of the variance analysis to improve forecast for future months.