

Multi Purpose Services  
Monthly Financial Return Manual  
2003-2004

# Glossary

AAS	Australian Accounting Standard
AASB	Australian Accounting Standard Board
AHCA	Australian Health Care Agreement
AIMS	Agency Information Management System
CEO	Chief Executive Officer
CFO	Chief Finance Officer / Director of Finance
DHS	Department of Human Services
DTF	Department of Treasury and Finance
FAMPH	Finance and Accounting Manual for Public Hospitals
HSA	Health Services Agreement
LSL	Long Service Leave
MH&ACS	Metropolitan Health and Aged Care Services
MPS	Multi Purpose Service
SPF	Specific Purpose Fund

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## Introduction and Background

The Commonwealth and State Government's are the main funders of Multi Purpose Services (MPSs). In providing this funding, Government's have an expectation that MPSs will deliver agreed services to their catchment populations in an efficient and effective manner. To be able to do this, agencies must be financially viable.

Within the Department of Human Services (DHS), responsibility for monitoring the financial performance of MPSs rests with the Rural and Regional Health and Aged Care Services Division. Responsibility for the role of establishing financial monitoring and reporting systems rests with the Metropolitan Health and Aged Care Services (MH&ACS) Division. A small project team was established in 2001 in the MH&ACS Division to review the financial reporting requirements of MPSs.

Agencies funded by Acute Health, other than MPSs, are required to provide, on a monthly basis, a financial return (F1) to DHS. When MPSs were established, Commonwealth and State funding for health and aged care was 'cashed out', in whole or in part, to create a single funds pool. Use of this pool of funds is not constrained by existing guidelines or program boundaries, and is used flexibly in the delivery of services. It affords greater service responsiveness to community need, rather than service delivery deemed by funding source. Utilising the F1 return for MPS financial reporting is considered unsuitable, as it requires financial reporting on a program structure that is against the principle of a single fund pool.

Following meetings with Commonwealth Government representatives and a number of MPSs regarding financial reporting, a revised financial report for MPSs has been developed. This report is divided into four parts:

- Statement of Financial Performance.
- Statement of Financial Position.
- Statement of Cash Flows.
- Chief Executive Officer's (CEO) or Chief Finance Officer's (CFO) Comments.

At present, MPSs provide quarterly financial returns to the Commonwealth Government and to DHS. It is the view of DHS that the quarterly reports do not enable viability issues to be identified and addressed quickly enough, for example, by the time the second quarterly report for the year is received, seven months or more of the year has elapsed. Under the revised financial reporting arrangements, MPSs are expected to provide monthly financial returns in the new format to the Commonwealth and DHS.

## Return of Forms

MPSs are required to submit their monthly financial return to DHS via the AIMS Online Entry System *within 21 calendar days* following the end of the month. A tick in the *Completed* field indicates to DHS that the form is complete with all validation rules satisfied and appropriate approvals for release obtained.

Printouts of the original signed forms should be retained by the MPS and be available to the Commonwealth or DHS upon request.

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## AIMS Online Services

The Agency Information Management System (AIMS) is a hospital information system owned and managed by DHS for public hospitals (primarily) in Victoria. AIMS is responsible for collecting and reporting statistical and financial information associated with Health Services Agreements (HSA) entered into by public and denominational hospitals, and incorporates the reporting requirements for recognized hospitals in the 1998 Australian Healthcare Agreement between the Commonwealth and Victorian Governments. It also collects information on hospital services for multiple purposes including comparison of the costs and outputs of hospitals with services and institutions elsewhere in Australia and other countries.

The AIMS On-line Service provides an Internet based platform to meet the following objectives:

- To document HSA standard definitions and reporting requirements for public hospitals.
- To provide an efficient data collection mechanism for public and private hospitals.
- To provide an effective information management system for public and private hospital data.
- To provide mechanisms for calculating payments to Victorian hospitals and monitoring their viability.
- To provide analysis of public hospital performance data.

A circular located at <http://www.dhs.vic.gov.au/ahs/circular/circ1401.htm> provides the technical detail required to access the on line services

## Assistance

If assistance is required with the completion of the financial return, the MPS should contact its local DHS Regional Office For technical assistance on AIMS related problems, the AIMS Help Desk should be contacted on (03) 9616 8595.

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## Instructions for Completing Form F1

The instructions for completing the MPS F1 are found in the following pages arranged in the numerical order of the MPS F1 format. The instructions should be closely adhered to so that the monthly financial returns are prepared on a consistent and comparable basis.

### Accounting and Reporting Issues

The monthly MPS F1 provides information on the financial result and position of the agency on an accrual basis. The analysis carried out on the monthly return forms the basis of monitoring MPSs by Government. There is a need for the consistent reporting of certain revenue and expense items to avoid distortion in the comparability of financial results and performance. In particular regarding the accounting treatment of:

- Non-reciprocal transfers or grants.
- The timing of recognising funding revenue for salary increases.
- Changes in provision for employee entitlements.
- Accounting for public holiday expenses.
- Industrial disputes or force majeure events.

Where there are differing views within the industry on accounting policies or with Boards of Management on the manner of recording certain items, this Manual will recommend a preferred approach. Should the agency adopt a different approach, then this should be advised in Section 4, CEO's comments on the MPS F1 return.

### Fund Accounting

The DHS Finance and Accounting Manual for Public Hospitals (FAMPH) 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 Fund 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. The term operating is therefore often used interchangeably with the HSA.

For the purpose of monitoring the financial performance of MPS's the above distinction between these funds has been changed. The MPS business model does not always allow the distinction between activities undertaken at the behest of Government and those undertaken as a result of local community initiatives. Unlike hospitals/health services, the service plan of the MPS often does not distinguish between the sources of funding. Resources are often spread across both areas and the allocation of costs between what is subject to a HSA and what is not is often difficult to determine.

However, distinctions will still need to be made between operating, restricted specific purpose and capital funds. While the words operating and capital are basically defined by their normal usage, the term 'restricted specific purpose' has been newly defined by DHS. The section (Items 16 to 19) on restricted specific purpose funds (SPFs) is introduced as a result of a review by an external

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consultant of SPFs. The consultancy report indicated there are three categories of SPF namely certain business units, internally managed SPF and restricted purpose SPF. The report recommended a clear demarcation in reporting of restricted SPF as these funds are normally not under the control of the Board.

### **Consolidation and Elimination Column**

The F1 requires the reporting of consolidated figures. It does not, however, provide an elimination column, as the details of elimination 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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# Statement of Financial Performance

## Part 1A: Revenue

### Revenue—Inpatient Fees (Item 1)

All accrued private patient fees (with the exception of accrual for inpatient revenue shortfall, if any, which should be taken up in Item (6)) must be recorded here. Under the Australia Health Care Agreement (AHCA), the Department of Treasury and Finance (DTF) through DHS will no longer automatically make up for any short fall in private patient revenue. If the private health insurance participation rate, however, falls below 29.3% and private patient revenue falls below that of 1998–99; under the AHCA, funding will be provided to make up the revenue shortfall. Further details on private patient revenue are also found in the Public Hospitals Policy and Funding Guidelines.

Bad debts recovered should be offset against doubtful debt provision incurred by this program in Item 27.

### Revenue—Other Client fees (Item 2)

This item includes all accrued non-inpatient fees, pharmaceutical charges, co-payments by clients for services delivered outside the campus etc. The exception is co-payments made by patients attending a GP clinic run by the agency; this revenue should be included under Item 12.

### High Care Resident Fees (Item 3)

This Item refers to accommodation and care fees collected from high care/nursing home residents.

Revenue obtained from interest on resident accommodation bonds or retention amounts from accommodation bonds should be reported under Item 32(ii).

Payments received from the Commonwealth Government for residents should be recorded under Item 5.

### Low Care Resident Fees (Item 4)

This Item refers to accommodation and care fees collected from low care/hostel residents.

Revenue obtained from interest on resident accommodation bonds or retention amounts from accommodation bonds should be reported under Item 32(ii).

Payments received from the Commonwealth Government for residents should be recorded under Item 5.

### Commonwealth MPS revenue (Item 5)

All recurrent grants made by the Commonwealth under the MPS Agreement should be reported here. Other Commonwealth grants for programs such as regional health not subject to the tripartite MPS Agreement should be reported under Item 8.

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### **State Government MPS revenue (Item 6)**

All recurrent grants made by the State under the MPS Agreement should be reported here. Other State grants for programs such as alcohol and drug programs, education programs or other programs not subject to the tripartite MPS Agreement should be under Item 9.

### **Local Government revenue (Item 7)**

All recurrent payments made by local government to the MPS should be reported here. Unlike the State and Commonwealth revenue items, local government revenue due under the MPS Agreement varies greatly between MPSs, hence the consolidation of all local government revenue under this Item.

### **Commonwealth Non MPS revenue (Item 8)**

All recurrent grants made by the Commonwealth not under the MPS Agreement should be reported here. Other Commonwealth grants for programs such as regional health not subject to the tripartite MPS Agreement should be under Item 5.

### **State Government Non MPS revenue (Item 9)**

All recurrent grants made by the State not under the MPS Agreement should be reported here. This includes the DHS Infrastructure Maintenance Grant that has been used for a recurrent purpose, (see Item 31). Other State grants for programs such as alcohol and drug programs not subject to the tripartite MPS Agreement should be under this Item.

### **Interest and Dividend (Item 10)**

This refers to interest and dividend earned on bank accounts and investments including those attributable to the business unit operations and management of donations and specific purposes grants. Interest earned on capital funds should be reported in Item 32 as 'Other Capital Purpose Income'.

### **Business Units (Item 11)**

A business unit is a part of the agency and is usually not a separate legal entity. Business units provide a range of services to public as well as private patients and others for a profit. All revenue earned by the business unit on the provision of goods and services is reported here except that as a result for those goods and services to public patients. The general characteristics of 'business units' include but are not limited to:

- The sale of goods and services through a retail business/shop, or through a commercial or medical venture to external parties, for example, provision of pathology and radiology services.
- Separate accountability, such as cost or profit centres for revenue and expenditure.

No income or support received from either DHS, or local government on services or goods provided to an external party or private patient.

As an example, where a medical practitioner requests diagnostic tests such as radiology to be performed on a patient attending their GP clinic, and this patient does not become a patient of the hospital, then the hospital should recognise this service as revenue of the business unit as it is a sale of goods and services to an external party.

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The recording of income and particularly expenses between publicly funded clients and services and business units such as pathology and radiology can be difficult. It is known there is some inconsistency in reporting between hospitals/health services and in many cases systems are unable to make accurate distinctions between patient types. Often, external providers run services such as radiology within a hospital/health service and there are divergent arrangements on what revenue that the hospital can earn from external clients using that service. This issue may also apply to charges between the hospital and business units causing non-full cost recovery to distort results. Nevertheless, the MPS should endeavour to make a realistic estimate of such business unit revenue.

An exception to the above is a medical clinic run by the MPS. The preferred approach is for income earned to report under Item 12 even though that service may satisfy the test of being a business unit.

### **Medical Clinic (Item 12)**

Increasingly MPSs and small hospitals are negotiating arrangements with the Commonwealth where the hospital becomes eligible to be a medicare provider and the GPs in the community become the employees of the agency. All revenue earned under this arrangement from Hospital Insurance Commissioner including co-payments from patients should be included here.

### **Controlled Entity (Item 13)**

A controlled entity is a separately incorporated body that includes subsidiaries such as private hospitals. The decision-making capacity in relation to the financial and operating policies of a controlled entity is dominated directly or indirectly by the MPS. This enables the controlled entity to operate under those policies whilst pursuing the objectives of the hospital/health service/MPS. A common form of control within the public hospital industry is the capacity of the reporting hospital to dominate the composition of the board of directors or governing board of another entity.

### **Property and Rental Income (Item 14)**

This refers to revenue earned from the lease or rental of property owned by MPS. These properties are generally held for commercial/investment purposes but this Item would include the day rental of meeting rooms within the MPS to community groups etc, royalties from intellectual property, and the gross rental income earned on property leases.

### **General Donations and Controlled Entities (Item 15)**

All untied donations, except those raised for a particular ward or program area, other than capital donations are to be reported here. These donations are generally provided without any form of restriction and/or condition.

A MPS may establish foundations to administer fund raising activities. If the foundation meets the criteria of a controlled entity as per Item 13 and is primarily engaged in fund raising activities for the benefit of the MPS, the revenue raised net of expenses of this body should be included here.

### **Specific Purpose Revenue (Items 16 to 19)**

SPFs fall into two broad categories namely internally managed funds (Item 16) and restricted funds (Item 17 to 19). In the case of Restricted SPFs MPSs have the responsibility to clearly document and record these funds and to provide resources and liquidity to meet the obligations of these

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funds as and when these are fall due. Internally managed SPF refers to those funds over which the MPS has management control as well as the discretion on the ultimate disposition of these funds.

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 form 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 'tied' donations provided to purchase a particular service or piece of equipment.
- 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 (item 18).

The MPS Board of Management has no effective control on the restricted purpose SPF other than to comply with or to implement the purpose under which the fund was established.

All funding and donations specifically provided for capital works are to be reported as such in Item 31 or Item 32.

### **Total Entity Operating Revenue (Item 20)**

AIMS requires the user to key in the Total Entity Operating Revenue in the All Activities Consolidated column. If this isn't done, then the system will display an error message upon completion of data entry and the user will not be allowed to proceed with authorisation until the error is corrected.

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## Part 1B: Expenses

This part of the MPS F1 monthly return is an adaptation of the notes on operating expenses contained in agency Annual Reports. It is intended to provide a better understanding of the behaviour of costs and equivalent full time staffing levels in relation to output and enable DHS to meet DTF reporting requirements.

### Salary and Wages (Item 21)

This includes salary and wages of all employees working full-time or part-time but excludes fee-for-service medical officers. Salary and wages should be reported gross and not net of deductions or salary sacrifice arrangements.

### Workcover (Item 22)

All Workcover expenditure, including Workcover premiums is reported here.

### Long Service Leave (Item 23)

This Item is the total amount that the MPS would have provided for in its annual report (including adjustment arising from movements in bond/wage inflation rates) as required by Australian Accounting Standard AASB28 but excluding all expenditure related to Voluntary Departure Packages.

### Superannuation (Item 24)

All superannuation expenditure related to various schemes is to be reported here.

### Fee-for-Service Medical Officers (Item 25)

Payments made to a visiting medical officer engaged by the MPS to provide medical services on a fee-for-service basis are to be reported here.

### Supplies and Consumables (Item 26)

This Item includes the cost of supplying food and beverages to patients, consumables of a medical and surgical nature and pharmaceutical supplies.

### Other Expenses (Item 27)

Other Expenses includes all expenses not reported in Items 21 to 26 of the F1.

### Total Entity Operating Expenses (Item 28)

AIMS allows users to key in the total of Items 21 to 27. If the total does not add up, the system will display an error message upon completion of data entry and the user is not allowed to proceed with authorisation until the error is corrected.

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### Entity Operating Surplus/(Deficit) (Item 29)

AIMS requires a totals to be entered here (Item 20 less Item 28). If the figure entered does not match the system's internal calculation, then an error message will be displayed upon completion of the data entry and the user will not be allowed to proceed until the error is corrected.

### Depreciation (Item 30)

The three common depreciation methods are detailed at page 51 of the FAMPH. The Victorian Healthcare Association has issued a list of depreciation rates that are suitable for use by public hospitals including MPSs, subject only to unusual conditions prevailing with respect to particular assets. This list appears in the Appendices (page 114) of the FAMPH.

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.

### Capital Purposes Grants (Item 31)

This Item relates to all tied grants received for the purpose of acquiring non-current assets such as capital works, plant and equipment.

In 2003–2004 DHS will continue the capital equipment funding process that comprises two major annual funding pools:

*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/MPS;
- the inpatient and non admitted patient outputs; and
- the relative financial capacity and resources of the hospital/health service/MPS.

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 Bulletin 39 requires that all appropriations for the provision of outputs must be recognised as revenue. The introduction of whole of government reporting for the State of Victoria also requires the consistent treatment of assets, liabilities, revenues and expenses between the Government, Departments and wholly owned public entities. This facilitates the process of uniform reporting and proper consolidation of all the entities involved.

Given the above background and the existing practice of recognising maintenance costs as operating expenses, the Department requires all public hospitals/health services/MPSs to treat the infrastructure and maintenance grants as an item of recurrent operating revenue. The Department has issued a Circular 17/2002 and amendment Circular 7/2003 advising hospitals of this treatment (<http://www.dhs.vic.gov.au/ahs/circular/circ0703.htm>).

*Targeted Equipment Grants:* from this funding pool hospitals/health services/MPSs 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

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purchase of equipment only. Funding received under this program is to be reported as capital purpose income.

Unless otherwise designated, capital grants made by the Commonwealth are to be reported at Item 31(i), those made by DHS are to be reported at Item 31(ii), and those from local government and others at Item 31(iii).

### **Other Capital Purpose Income (Item 32)**

All income (other than those reported in Item 31) received for the specific purpose of acquiring non-current assets such as capital works, plant and equipment should be reported as revenue in this item. Common items to be reported here include:

- Donations and bequests specified for the purchase of fixed assets (Item 32i).
- Residential aged care (including psychogeriatric) accommodation payments (Item 32ii).

Item 32ii refers to income generated from interest on accommodation bonds paid by hostel residents, the monthly retention amount that may be deducted from an accommodation bond, and accommodation charges paid by nursing home residents

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

Profit or loss on the sale of fixed assets or the cost of equipment donated by medical practitioners should be reported here (Item 32iii).

### **Entity Surplus/(Deficit) (Item 33)**

AIMS requires a total to be entered at Item 33. AIMS performs its own internal calculation based on the total of Items 29, 30, 31 and 32. If the manual total does not match, the system will display an error message upon completion of data entry and the user will not be allowed to proceed with authorisation until the error is corrected.

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## Statement of Financial Position

### Part 2A Equity and Liabilities

#### Retained Earnings (Item 34)

This Item is the closing balance on the retained earnings/(accumulated deficit) as at the reporting date.

#### Contributed Capital (Item 35)

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 in April 2002 issued an Accounting and Financial Reporting Bulletin 39 that prescribes certain requirements with respect to the application of paragraph 7 (c) of Abstract 38 by wholly-owned public sector entities. The Bulletin prescribes:

- The public sector entities that can apply Abstract 38 (Appendix D of the Bulletin listed all public hospitals as wholly – owned public sector entities),
- The nature of transfers that are permissible for classification and recognition as contributed capital,
- The mode and timing of a formal designation that is required for the transfers to be classified and recognised as contributed capital, and
- The measurement basis for the recognition of the transfers as contributed capital.

The Department has also issued Circulars (18/2002 and 19/2002) to provide guidance to hospitals on the working of Bulletin 39. 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 (Item 36)

This refers to funds held for restricted purposes and funds held in perpetuity. 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 Restricted Specific Purpose Fund. (Please also refer to item 17,18 and 19 on the reporting of restricted purpose revenue.)

#### All Other Equity/Reserves (Item 37)

This Item includes the asset revaluation reserve and other reserves not included in Items 34 35 and 36. The Asset Revaluation Reserve is an equity account that contains the movements in asset values and any upward or downward movement in asset values is recorded against this reserve account.

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### **Total Equity and Reserves (Item 38)**

This is the sum of Items 34, 35, 36, and 37. If the total does not add up, AIMS will display an error message upon completion of data entry and user will not be allowed to proceed until the error is corrected.

### **Bank Overdraft (Item 39)**

This Item must not be set-off against the debit balance in another bank account.

### **Creditors Payable and Accrued Expenses (Item 40)**

Accounts payable are all amounts that are owing and unpaid for goods delivered and services rendered at a point in time. A listing of outstanding suppliers' accounts that agrees with, or is reconciled to, the relevant general ledger balances should support the reported balance in this Item.

Some account payable systems may show a nil balance at the end of a period as the cheque run is done as a part of the month end procedure. There will, however, still be outstanding accounts not yet recorded on the accounts payable due to invoices not yet received. MPSs are expected to make an estimate of this amount and enter an accrual made in the general ledger for this amount

The component of salaries and wages (including fringe benefits and non-monetary benefits) arising from services rendered by employees during the reporting period that is not paid as at the reporting date (that is, month end or year end) is also reported here.

### **Provision for Employee Benefits (Item 41)**

Employee entitlements are those entitlements which employees accumulate as a result of rendering their services to the MPS up to the reporting date, and includes, but is not limited to, annual leave, long service leave, superannuation and other post-employment benefits. Accounting for employee entitlements should comply with the provisions of AASB 28. In respect of measurement of long service leave (LSL), DTF AFR Bulletin No.21 LSL Entitlements (revised) permits agencies to use other wage inflation rates in the calculation of LSL where agencies can clearly demonstrate that for industry – specific reasons, the use of the alternative rates will result in more relevant and reliable LSL calculations.

The proportion of employee entitlements estimated to be payable within the next 12 months is to be reported here. The portion, measured at the present value of the estimated future cash flows arising from employees' services to date and not due for settlement within the next 12 months, is to be classified as non-current under Item 47. If the total provision is say \$100,000 and \$20,000 is required to be settled in the next 12 months, \$20,000 is shown as a current liability while \$80,000 is shown as a non-current liability.

### **Monies held in Trust (Item 42)**

This Item refers to funds held on behalf of patients during their inpatient stay. Upon discharge, these funds are remitted to the patient. The liability has to be matched by an asset (usually a secured investment) held in trust and disclosed as such in the Statement of Financial Position.

Restricted SPFs are characterised by either or both a condition and restriction over the way the assets may be dealt with. A condition or restriction may fail due to non-compliance, thus creating a legal obligation to repay the funds received. The liability arising from of this situation should be reported here.

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Note 1 on Item 42 and 49 requires details to be provided on Money Held in Trust 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.

#### **Lease Liabilities (Item 43)**

This Item relates to finance lease liabilities due within 12 months. For further information, refer to 'Leased Assets' in the FAMPH.

#### **Loans (Item 44)**

Short-term loans or cash advances from all sources including DHS should be shown reported here.

#### **Other Current Liabilities (Item 45)**

This Item relates to any amount not otherwise included in Items 39 to 44.

#### **Total Current Liabilities (Item 46)**

The total keyed here must be equal to the sum of Items 39 to 45. If the total does not add up, the system will display an error message upon completion of data entry and the user will not be allowed to proceed until the error is corrected.

#### **Provision for Employee Benefits (Item 47)**

This Item refers to that portion of the provision for employee entitlements that is not due and payable within 12 months.

#### **Lease Liabilities (Item 48)**

This Item relates to finance lease liabilities not due within 12 months. For further information, refer to 'Leased Assets' in the FAMPH and 'Leases' in AAS17 (AASB 1008).

#### **Other Non-Current Liabilities (Item 49)**

This Item refers to any amount not otherwise included in Items 46 and 47.

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**Total Non-Current Liabilities (Item 50)**

The total entered here is the sum of Items 47 to 49. If the total does not add up, the system will display an error message upon completion of data entry and the user will not be allowed to proceed with authorisation until the error is corrected.

**Total Liabilities (Item 51)**

The total entered here is the sum of Items 46 and 50. If the total does not add up, the system will display an error message upon completion of data entry and the user will not be allowed to proceed with authorisation until the error is corrected.

**Total Equity and Liabilities (Item 52)**

AIMS system will automatically calculate this Item being the sum of Items 38 and 51.

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## Part 2B 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 entity operating cycle, normally within twelve months after the end of the last reporting period of the entity.

### Cash Assets (Item 53)

This refers to the consolidated debit bank balances of the entity.

Where a material amount of cheques have been drawn but not issued to suppliers, the amount should be added back to creditors payable and cash at bank for F1 reporting purposes. An amount equal or greater than 10% of the base amount is regarded as material. The base amount in this case is the total value of cheques drawn in the month.

### Patient Fees Receivable (Item 54)

This Item should only include patient fees. The amounts are to be shown net of any provision for doubtful debts. DHS grants are to be included in accrued revenue (Item 58).

### Monies held in Trust (Item 55)

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

### Stores (Item 56)

The amount reported here should be the lower of cost or net realisable value. Cost is determined principally by the first-in, first-out method. The amount reported should be net of any provision for stock obsolescence

### Prepayments (Item 57)

A prepayment arises when the MPS 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 pertaining to the future period is shown as prepayments. Commonly occurring prepayments include telephone rentals, insurance premiums and journal subscriptions.

### Accrued Revenue Receivable (Item 58)

This Item represents the difference between revenue accrued and payments received from DHS. However, cash advances or loans from DHS are to be excluded.

### Debtors (Item 59)

This Item refers to all amounts receivable within one year that have not been included in Items 54, and 58, for example, invoiced trade debtors.

### Other Financial Assets (Item 60)

Investments held by the MPS should be recorded at the lower of cost and net realisable value. This Item is divided into cash (Item 60i) and others (Item 60ii). The reason for reporting the cash part of the investments is to facilitate its inclusion in the Cash at Beginning of Period and Cash at End of Period in the Statement of Cash Flow. Cash investments would include investments in money market instruments, bank or financial institution deposits and investments at call or which are

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highly liquid and readily convertible into cash within 24 hours. The classification between current and non-current assets depends on the expected timing of disposal of the investment. If disposal is not anticipated within 12 months the amount should be recorded in Item 63.

**Other Current Assets (Item 61)**

This Item includes all amounts due within 12 months that are not reported in Items 53 to 60.

**Total Current Assets (Item 62)**

The total entered here is the sum of Items 53 to 61. If the total does not add up, the system will display an error message upon completion of data entry and the user will not be allowed to proceed with authorisation until the error is corrected.

**Other Financial Assets (Item 63)**

General investments held by the MPS should be reported 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 within 12 months then it should be recorded as a short-term investment under Item 60.

**Long Service Leave Debtor – DHS (Item 64)**

From 2000–2001 DHS has assumed the liability arising from the net increase in the LSL provision of public hospitals/health services/MPSs. MPSs will need to report the net increase in the LSL liability as revenue with DHS a debtor. MPSs are requested to seek further guidance from the DHS Circular 8/2003 (which replaces Circulars 12/2002 and 13/2001) dated 7 April 2003. This can be viewed at <http://www.dhs.vic.gov.au/ahs/circular/index.htm>

**Non-Current Assets at Gross Cost (Item 65)**

This Item includes land and buildings, plant and equipment, leasehold improvements, motor vehicles, office furniture, assets under construction and library books and intangibles. Intangibles 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.

It should be noted that the threshold for recognition and capitalisation of a non-current physical asset is \$1,000.

**Accumulated Depreciation (Item 66)**

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

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### **Total Non-Current Assets (Item 67)**

The total entered here is the sum of Items 63, 64, 65 less Item 66. If the total does not reconcile, the system will display an error message upon completion of data entry and the user will not be allowed to proceed with authorisation until the error is corrected.

### **Total Assets (Item 68)**

The total entered here is the sum of Items 62 and 67. If the total does not correspond, the system will display an error message upon completion of data entry and the user will not be allowed to proceed with authorisation until the error is corrected. The system also automatically compares this Item with Item 52 (Total Equity, Reserves and Liabilities)

### **Quick Asset Ratio**

This Item is automatically calculated. This ratio is a measure of the MPSs ability to satisfy its immediate obligations (quick liabilities) in the short term. The definition used for the MPSs is the simpler version of the more complex method used for the public hospital. Quick assets are current assets less stores, prepayments and monies in trust. Quick liabilities are creditors payables (note accrued salaries and wages are included in creditors).

### **Current Asset Ratio**

This Item is automatically calculated. This ratio is a measure of the MPSs ability to satisfy its obligations (current liabilities) in the short term. 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 (Item 62) by Current Liabilities (Item 46). For Victorian public hospitals, it has been found that a current ratio above 0.7 is satisfactory.

Finance	Finance Return
MF1 Part 4	Statement of Cash Flows

## Part 3 Statement of Cash Flows

The cash flow statement after due consultation with representatives of the industry has been simplified. The consultation process also contributed to a clearer definition of the terms 'cash at beginning of period' and 'cash at end of period'. The statement provides the combined presentation of information on actual as well as the projected cash flow for the year in review.

The Statement of Cash Flow requires the combined presentation of information on actual as well as on a projected basis 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 that of the Annual Report although it is reduced in detail. The Statement provides useful information on the cash requirements of hospitals/health services/MPSs 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 the agency to generate cash flows and meet its financial commitments as they fall due. A Statement of Cash Flows is also required from hospitals/health services/MPSs to enable DHS to meet DTF reporting requirements.

A reconciliation of cash flows arising from operating activities to operating surplus or deficit as reported in the profit and loss account is not required for the Statement of Cash Flow.

In preparing this Statement of Cash Flow, MPSs 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. Cash equivalents consist of highly liquid investments which have the following characteristics:

- Short maturity periods.
- Readily converted to cash on hand at the MPSs 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 overdraft (Item 39), cash assets (Item 53), money held in trust (Item 55) and Other Financial Assets (Item 60i).

Finance	Finance Return
MF1 Part 4	CEOs or CFOs Comments on Performance

## Part 4 CEO's or CFO's Comments on Performance

MPS CEOs are encouraged to provide comment in the F1 monthly return on the following areas:

### Financial Performance

Commentary should include a review of 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/or non-financial (for example, lower throughput).

### Projected Year End Result

MPSs should compare their actual performance against their year-end forecast. The key assumptions made on projected year-end result should be disclosed and explained. If the trend in actual result appears to be contrary to the projected one, the disparity should be explained.

### Strategies and Progress Plan

Details of action plan and the corresponding progress report should be advised, particularly if the MPS is reporting a significant deficit. These strategies and plans generally outline the major saving initiatives and the progress report updated each month allows tracking of the implementation and effectiveness in financial terms of these.

### Major Events

Details of major events beyond the control of the MPS management and which have a significant impact on the operating result or financial position of the entity should be disclosed. Examples of such events are industrial disputes, major break down of plant and equipment or forced shut down of facilities.

### Off Balance Sheet Items

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

- Unrealised losses 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 are those liabilities arising from decision, settlement or obligation that become payable or enforceable in certain circumstances against the MPS. Examples would be a guarantee given by the entity to secure a third party's debt or litigation where the probable outcome is unfavourable and may result in a material impact on the financial position of the entity.
- Capital commitments which are contractual obligations relating to capital project and purchases.
- Subsequent events which are those events occurring after balance sheet date but relating to a condition existing as at that balance sheet date.

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MF1 Part 4	CEOs or CFOs Comments on Performance

### **Cash Flows Variances**

MPS's are requested to provide explanation on the reported variances in the Statement of Cash Flow and are encouraged to use result of the variance analysis to improve forecast for future months.