



CAPITAL EXPENDITURE

IN THE VICTORIAN

PUBLIC HEALTHCARE SYSTEM

—VHA BOARD ENDORSED POSITION STATEMENT—

EXECUTIVE SUMMARY

The VHA is committed to improving the processes underpinning capital planning and funding in Victorian's healthcare sector. In 2005, the VHA was closely involved in the Health Service Capital Funding and Management Review. Since 2005, capital planning and funding has been a priority topic in the VHA's state budget submissions and advocacy activities.

Overall standards of capital resources in our health services impacts on the quality of services delivered, patient and client satisfaction and the calibre of staff able to be recruited and retained. Indeed, the state government's own policy statements have indicated a need for a strategic plan to manage the physical infrastructure of health services into the future. The Government has recently foreshadowed an important shift in health service delivery towards a community-based approach. The VHA would seek a strategic plan to not only shape capital investment into the future, but also increase the transparency of the processes behind such a plan.

Of major concern to the VHA is that major capital projects place an undue strain on the remainder of the health system where capital investment is small, but the overall outcome significant for the population it serves. The VHA calls for the establishment of a medium capital stream to bridge the gap between small and large projects.

The State Government should be commended for increasing the overall funding for building and renewal of capital infrastructure. However, the VHA believes more work is needed to ensure transparent systems and processes are in place to prioritise funding based on need to ensure high quality health services for Victorian's into the future.

POLICY CONTEXT

The VHA recognises State Government funding increases in recent budgets to support the building and renewal of capital infrastructure within the Victorian health system. These projects are of significant importance to ensure the health needs of all Victorians can be met today and into the future.

The Victorian Government and Commonwealth Governments have shown a commitment to fund health infrastructure. To ensure equivalent health facilities for all Victorians, government capital investment should be linked to an open systemic review of health service infrastructure and identification of high needs areas.

However, the VHA is concerned that this level of funding may not be sustainable in the long term. Further, the efficacy of small amounts of capital funding, used effectively has not been fully realised.

The Victorian Health Care Association

PLANNING FOR FUTURE CAPITAL INVESTMENT

Currently, there is no state-wide plan for the funding of health service capital infrastructure. The Rural Directions for a Better State of Health policy highlights the enhancement of the physical infrastructure and equipment of health facilities as one of its key strategies (DHS. 2007).

The Rural Directions document goes on to identify, as a key activity, the development of a five-year capital investment plan. While health services can refer to documents such as the Labor Party's Labor Financial Statement, Victoria lacks a document aligning election promises to policy direction and desperately needed capital investment.

ALIGNMENT WITH POLICY

With predictive data indicating that service demand from chronic illness management will grow exponentially over the coming decade, it is more important than ever that the Department of Human Services (DHS) ensures capital funding decisions clearly align with policy frameworks guiding service reorientation.

VHA POSITION

For healthcare providers to effectively service their patients, their workforce and communities premises must be functional, purpose-built and adaptable. Recent research has found a number of flaws in capital planning processes of state government over recent years.

PLANNING FOR THE FUTURE

The VHA's position remains that, while continued investment in infrastructure is required; the issue is not the amount of spending committed to capital projects. Instead, the spending must be equitable and in-line with pre-identified priorities. Small amounts of money used effectively can provide significant outcomes for populations.

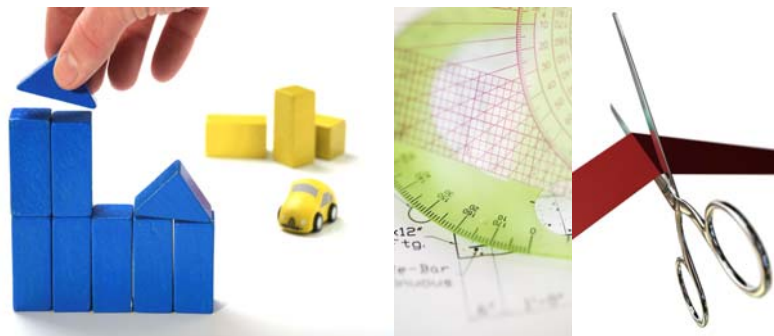
The current capital planning process lacks clarity and transparent communication. The DHS and the State Government must ensure that funding decisions meet policy commitments and that processes governing capital funding allocations are clear to all parties. The VHA calls on the government to implement the recommendations in the Capital Management and Expenditure Review and to establish a medium-level capital stream.

VHA and its members are committed to an open discussion to improve the processes behind Service Planning and Capital Funding. The quality of a services' infrastructure and assets directly affect the staff they can attract and the service they can provide.

RECOMMENDATIONS

1. That DHS immediately develop a ten-year strategic plan for capital investment in Victoria's healthcare infrastructure. Such a plan would ensure capital development is:
 - Aligned with current policy
 - Appropriate for its intended use
 - Environmentally sustainable
 - Governed by a transparent process
2. Raise the ceiling for minor projects to \$250,000 and introduce a new 'medium capital' funding stream between \$250,000 and \$5M.
3. That macro-capital projects—like the redevelopment of state or major metropolitan health services—are sourced from separate funding than that used for smaller capital growth projects.
4. That in the next 12 months the State Government analyse alternatives to current capital funding and depreciation mechanisms.

The full position statement and references are available on the VHA website: <http://www.vha.org.au>



The Victorian Health Care Association

Level 6 | 136 Exhibition Street | Melbourne | VIC | Australia | 3000
Tel: (03) 9094 7777 Fax: (03) 9094 7788 Email: vha@vha.org.au

www.vha.org.au
ABN: 54 004 228 111