

## Chapter 3 – Budget and Resourcing

This section of the Report deals with budgetary and resource allocation in the QAS. It undertakes a detailed examination of historical trends in the QAS budget to determine the growth in the amount of resources dedicated to ambulance services. The section also examines the various funding sources which make up the ambulance budget including an analysis of the proportion of government and own source revenue.

### Key Facts

- The QAS recurrent budget, now exceeds \$400M per annum, with an allocated budget of \$404M in 2007-08. The budget has experienced significant growth, increasing by \$157M over the past five financial years, which equates to an average annual growth of around 10.4%.
- QAS relies heavily on Queensland Government funding, with approximately 85% of revenue generated from the Consolidated Fund, the Community Ambulance Cover (CAC) levy and the Queensland Health Inter-facility Transfer (IFT) grants.
- The abolition of the ambulance subscription scheme and introduction of the CAC levy, in 2003-04, resulted in a notable shift from user charge revenue to output revenue.
- 'Staffing costs' are the largest expense category for QAS, representing 70.1% of the Service's total expenses, and have grown by \$86.61M over the past five years to \$253.37M.
- QAS has \$586.71M of capital stock primarily made up of ambulance stations and associated land, ambulance vehicles and medical equipment.
- QAS contributes to the costs of the DES whole-of-department corporate service areas as well as employing corporate support personnel within the division for QAS specific corporate support.
- In 2007-08, QAS allocated \$58.67M to corporate services and support with \$38.11M to whole-of-department corporate services (9.3% of the total revised QAS budget) and \$20.56M to divisional corporate services (5.0% of the total revised QAS budget).
- QAS provides more ancillary (non-ambulance transport related) services to the community than other ambulance services in Australian jurisdictions, including baby capsule hire /fitting services and community education services.

*Note: Growth trends in the following section have been established using various time frames depending on availability of data. The most current data available was utilised to measure resource allocation levels, therefore actual revenues and expenditures reflect 2006-07 data, budgets reflect data up to 2007-08 and Report on Government Service comparisons reflect 2005-06 data.*

## Overview of Existing Arrangements

### Budget

The audit has reviewed the growth in the QAS Budget over the last five financial years to establish the change in the level of resources the organisation is able to dedicate to ambulance services. Furthermore, the audit examined whether operational revenues are at a sufficient level to meet operational expenses.

For 2007-08, the published QAS budget (estimated total expenditure as published in the Ministerial Portfolio Statement (MPS)) is \$404.45M and represents 47.6% of the total DES budget of \$849.35M.

The published ambulance budget has grown at an average rate of 10.4% per annum over the past five years, from \$247.03M in 2002-03 to \$404.45M in 2007-08 (Table 3.1). This is slightly in excess of the growth in the Queensland Government's general budget outlays over the same period (9.9% per annum). In 2007-08, the Queensland Government enhanced ambulance services by allocating additional funding for 250 extra ambulance officers and 140 new ambulance vehicles across the state.

**Table 3.1: QAS Published Budget**

	Year					
	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
<b>Published Budget (MPS)</b>	\$247.03M*	\$266.01M*	\$289.21M	\$313.28M	\$355.74M	\$404.45M

Source: Department of Emergency Services Ministerial Portfolio Statements 2002-03 to 2007-08

\*The 2002-03 and 2003-04 budgets have been adjusted to exclude equity return expense for comparison purposes.

### Operating Position

On average, QAS annual total revenue has grown at a faster rate than QAS total expenses, resulting in a growth in the operating surplus. As shown in Table 3.2, the operating surplus has increased from \$1.36M in 2001-02 to \$9.13M in 2006-07. The end of year position in 2006-07 was \$7.26M greater than the estimated operating position of \$1.87M. QAS has traditionally budgeted for a surplus position with the excess funds retained by the agency and invested in capital assets through the QAS building and vehicle replacement programs.

**Table 3.2: Budget Position QAS**

	Year					
	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
<b>QAS Actual Surplus(Deficit)</b>	\$1.36M	\$2.53M	\$0.70M	\$3.76M	\$6.82M	\$9.13M

Source: The Department of Emergency Services Financial Statements 2001-02 to 2006-07

Before 2003-04, QAS own source revenue constituted a higher proportion of total revenue, therefore retention and use of surplus funds for capital investment was considered a reasonable method of budgeting. However, since the introduction of the Community Ambulance Cover (CAC) levy, own source revenue has declined significantly and surplus funds are a result of unspent appropriation from the Government's Consolidated Fund.

For the purpose of transparency and accountability, it may be more appropriate for QAS to allocate the recurrent budget fully to meet service delivery requirements and seek capital

funding as part of the budget process in line with the practice in other agencies. This would allow the Government to prioritise capital needs at the whole-of-government level.

### Revenue Components

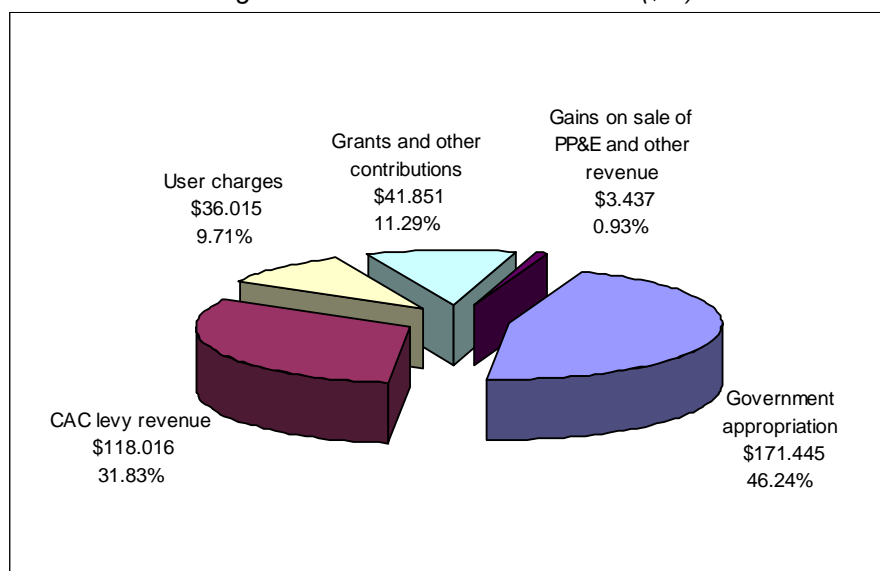
The audit has examined the revenue sources of the ambulance service to establish QAS's level of reliance on government funding and the capacity of the service to generate own source revenue.

In 2006-07, QAS had total revenues of \$370.76M, which represents an average per annum growth of 8.8% since 2001-02. QAS revenues consist of:

- Government appropriation (including the Community Ambulance Cover (CAC) levy revenue)
- User charges
- Grants and other contributions
- Gains on sale of property plant and equipment
- Other revenues

Figure 3.1 illustrates the proportion of QAS total revenue from each source.

Figure 3.1: QAS Revenues 2006-07(\$M)



Source: Queensland Treasury

### Government Funding/Output Revenue

The QAS receives Queensland Government appropriation through DES-Controlled appropriation. The appropriation is a mixture of approximately three-fifth Consolidated Fund revenue and two-fifth CAC levy revenue.

Replacement of the ambulance subscription scheme with the CAC levy, between 2002-03 and 2003-04, caused a significant shift from user charge revenue to general government revenue. For this reason, growth in output revenue is examined from 2003-04 onwards, to provide a more meaningful growth figure.

In 2006-07, QAS received \$289.46M in output funding which included \$118.02M revenue from the CAC levy. From 2003-04 to 2006-07, general output revenue increased at a

growing rate, with average per annum growth of 8.5% and total growth of 27.8%. While per annum government revenue growth is 8.5%, the CAC levy part of the revenue only grows by an indexation factor combining CPI and growth in non-exempt households. These two growth factors equate to a per annum growth of between 4% and 5%.

#### ***What is the Community Ambulance Cover Levy?***

The CAC levy is a levy paid by households on their electricity bills which entitles Queensland residents to use ambulance services free of charge at the point of delivery.

The levy is currently set as a daily amount of 26.773 cents, or \$97.99 per annum per household.

Each household pays the same amount of levy. Pensioners (Pensioner Concession/Senior/Gold Card holders) are exempt from payment of the levy. Special electricity sale arrangement exemption categories also exist, such as multiple accounts and religious bodies and other institutions, which are clearly outlined in the *Community Ambulance Cover Act 2003*.

Since its introduction in July 2003, the levy has been adjusted annually on the first day of the financial year in line with movements in the Australian Bureau of Statistics Capital Cities Consumer Price Index (CPI) for Brisbane, for the year to 31 March. The rate of \$97.99 for the financial year commencing 1 July 2007, reflects a 2.9% increase in the CPI.

Electricity retailers and suppliers collect the levy on behalf of the Queensland Government through retailers' billing arrangements.

#### ***Community Ambulance Cover Revenue***

In 2006-07, the CAC levy raised \$123.04M, resulting in \$118.02M of revenue to QAS net of administration costs. The levy increases each year in line with increases in CPI and increases in the number of eligible households.

Growth in the CAC revenue of between 4% and 5% is significantly below the annual escalation in the QAS total revenue of 12.7% leading to:

- A declining share of CAC revenue as a portion of total QAS income. In 2003-04, CAC revenue accounted for 37.3% of the total published budget decreasing to only 30.5% in 2007-08.
- A need for increased government appropriation from the Consolidated Fund to close the funding gap arising from the difference in growth rates.

#### ***User charges***

The move away from the ambulance subscription scheme to a universal levy caused a shift from user charges revenue to output revenue. In its last year of operation (2002-03), the QAS subscription scheme raised an estimated \$55.53M. The abolition of the scheme saw user charge revenue decrease from \$90.71M in 2002-03 to \$28.20M in 2003-04. The decrease is attributable not only to the elimination of subscription scheme revenue, but also transport fees charged to non-subscribing individuals. Currently, transport fees are paid only by users not eligible for cover under the CAC, such as overseas and interstate residents.

The audit has found that since 2003-04, user charge revenue has increased on average 8.5% per annum to \$36.0M in 2006-07. User charges now mainly consist of ambulance transport charges. Ambulance transport charges raised \$22.53M in 2006-07, which includes fees charged to the Department of Veterans' Affairs (DVA) and Workers' Compensation. Other major user charge revenues are commercial contract revenues and public education revenues, respectively raising \$5.77M and \$5.10M in 2006-07. (Note that Queensland Health Inter-Facility Transfer (IFT) charges are not included in this revenue category.)

A detailed assessment of the fee recovery from invoices raised for individual, private ambulance use highlighted a low level of debt recovery by QAS. The organisation collects on approximately half of the invoices raised on transport charges for residents of other states, territories and overseas. In 2006-07, the outstanding debt level was 53.0%, which equates to \$3.50M uncollected revenue.

### **Ambulance Transport Charges**

Fees for the provision of ambulance service to non-exempt persons are found in the *Ambulance Service Regulation 2003 Section 5 Fees for Ambulance Services*.

<b>SERVICE</b>	<b>FEE PER SERVICE (as at 1 July 2007)</b>
<b>Ambulance Transport</b>	
Emergency Transport Code 1 and 2 (Flat Rate)	\$888
Non Emergency Transport Code 3 and 4 – first 50 km	\$330
Each km or part of a kilometre in excess of 50 km	\$1.38 per km
<b>Treatment No Transport (Callout)</b>	
<b>the greater of:</b>	
Minimum Fee	\$90.50
Each km or part thereof travelled by the ambulance	\$12.50
Maximum fee of	\$888
<b>Casualty Room Consultation</b>	\$15.70
<b>Aerial Ambulance</b>	
Minimum Fee	\$298.00
Each km or part thereof	\$6.30
<b>Special Events Rates (Includes 10% GST)</b>	
Commercially	\$63.14
Non – Commercial Events	\$0.00 - \$63.14
Preparation of Vehicle 1 hour charge only per vehicle	\$63.14
Administrative access to Health Records – Fee	37.00

10% Commonwealth GST is charged on the total cost incurred for Special Events only. All other transactions are GST exempt.

### **Grants and other contributions**

The main components of this revenue type are the IFT grant and the Motor Accident Insurance Commission (MAIC) contribution, which account for approximately 70.8% and 22.2% of the grants and other contribution revenues, respectively.

In 2006-07, contributions from Local Ambulance Committees raised \$1.17M for QAS. This represents approximately 0.3% of total revenue. The donations are dedicated to general service provision (\$0.51M) and to capital investments for the local ambulance service (\$0.66M).

#### *Grants and Commercial User Charge Arrangements*

##### Queensland Health Inter-Facility Transfers

In 2006-07, IFTs accounted for \$29.22M (7.9%) of total QAS revenue. Queensland Health and QAS have a Service Agreement governing inter-facility road transports. IFTs are categorised as a 'Grant' and according to the Service Agreement the annual quantum of the grant is based on actual cost and activity and adjusted quarterly to reflect actual service provision. From 2003-04 to 2006-07, total IFT grants increased by 39.1%.

##### Motor Accident Insurance Commission

In 2006-07, MAIC contributions accounted for \$9.16M (2.5%) of total QAS revenue. The contributions are based on revenue raised through the Hospital and Emergency Services (HES) levy. The HES Levy is collected through Compulsory Third Party Insurance Premiums to contribute to the cost of emergency attendance and medical care at road accidents. This levy is paid to Queensland Health and DES by MAIC, with DES receiving a percentage of the levy collected. The MAIC contributions to the ambulance service are based on activity levels in relation to motor vehicle accident attendance. The contributions only partially cover the cost of road accident attendance involving MAIC claims and QAS bears the cost of emergency services personnel attending roadside accidents that do not involve a claim.

##### The Department of Veterans' Affairs and Workers' Compensation

In 2006-07, DVA fees accounted for \$14.52M (3.9%) and Workers' Compensation fees accounted for \$2.75M (0.7%) of total QAS revenue. The DVA and Workers' Compensation have agreements in place with QAS for the provision of ambulance transport services to entitled persons (as defined under each agreement). QAS is paid a fee for these services which is recorded as an ambulance transport charge under user charge revenue. DES estimate that revenue from DVA user charges is likely to decline in future years, due to the gradual passing of DVA members.

User charges and grants and contributions account for 21% of total QAS revenue. Since 2003-04, user charges revenue and grant revenue have increased by an average of 8.5% and 11.6% per annum respectively. The audit has found that QAS has tended to under estimate its income from these sources with actual revenues being \$6.17M to \$16.72M more than the published estimates per annum. This indicates that there is potential to utilise more own source revenue to meet core service delivery expenses, especially if all services provided to third parties based on activity levels were to move towards full cost recovery.

#### **Other Revenues**

The quantum of other revenue collected is fairly insignificant and is comprised of minor adjustments, interest revenue, rent and lease revenue, and recoveries.

## Expenditure Components

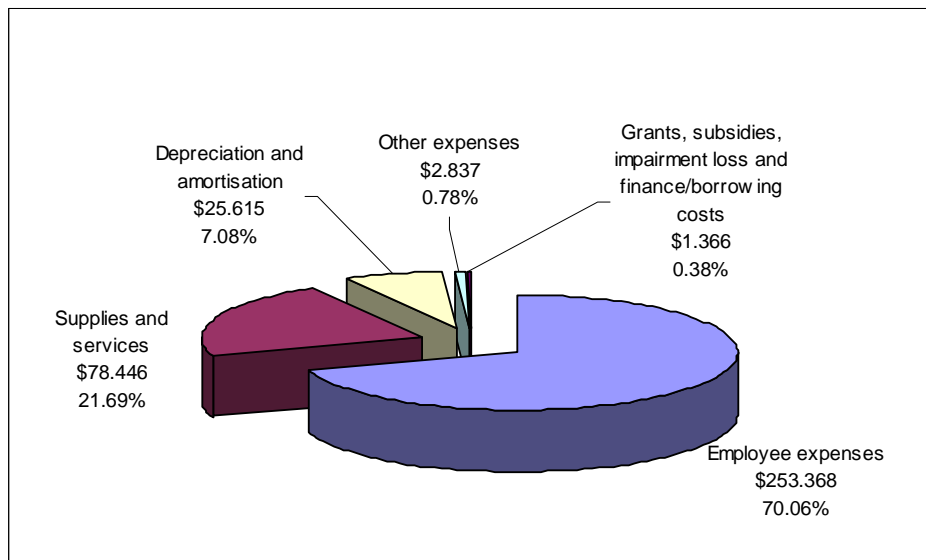
The audit examined in detail the main components of expenditure for the organisation to highlight major cost drivers for service delivery and to understand which expenditure components are likely to place pressure on service delivery in the future.

In 2006-07, QAS total expenses were \$361.63M, which represents an average per annum growth of 8.5% since 2001-02 (adjusted for equity return and borrowing expenses for comparison purposes). QAS expenses consist of:

- Employee expenses
- Supplies and Services
- Grants and subsidies
- Depreciation and amortisation
- Impairment loss
- Finance/borrowing costs
- Other expenses

Figure 3.2 illustrates the proportion of QAS total expenses for each expense category.

Figure 3.2: Breakdown of QAS Expenses (\$M)



Source: Queensland Treasury

## Employee Expenses

Employee expenses are clearly the largest component of QAS expenses representing 70.1% of the Service's entire spending at a cost of \$253.37M in 2006-07. The majority of the costs associated with this category are salaries and wages, but also include superannuation contributions, WorkCover insurance, leave provisions and other staff related expenses.

Staffing costs have grown at an average of 8.7% per annum since 2001-02. This growth factor is well in excess of the growth factored into the Enterprise Partnership Agreements (EPA) (3% in 2001-02, 3.8% per annum 2002-03 to 2004-05, 4% per annum 2005-06 to 2006-07). Some growth in expenses over and above the EPA growth is attributable to the increased use of overtime in rostering. However, staffing costs are generally explained by an increase in the number of staff, 772 additional FTEs recruited between 2001-02 and 2006-

07. Employee expenses relating to corporate services are included in the above-mentioned figure, as QAS's divisional corporate support staff and QAS's share of the whole-of-department corporate service staff expenses.

In 2006-07, the number of FTE staff was 3197, which equates to staff costs of \$79,252 of per FTE personnel (overhead costs not included).

**Supplies and Services Expenses**

'Supplies and services' is the second largest expense category accounting for 21.7% or \$78.45M of total expenses in 2006-07. This category encompasses a wide range of costs incurred by QAS, with the most significant components being motor vehicle expenses and operational and other equipment purchases.

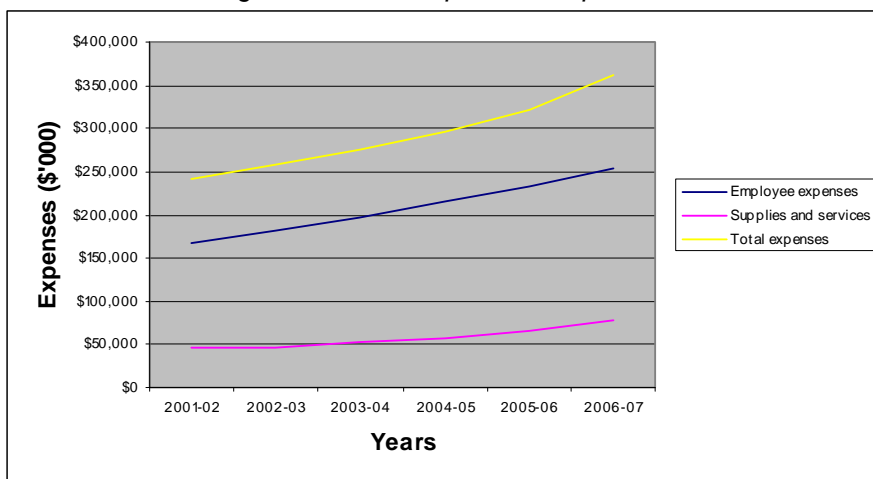
The growth in the supplies and services expense since 2001-02 is significant, increasing 72.1% over the five year period, or 11.5% on average per annum. Furthermore, every consecutive financial year has seen supplies and services expense progressively increase to constitute a larger portion of overall costs, from 19.0% in 2001-02 to 21.7% in 2006-07.

The audit considers the increase in supplies and services costs high, however has identified several key factors, some outside of QAS's control, which impact on this expense component. Key factors driving the increase in supplies and service costs include the following:

- Motor vehicle expenses have been particularly affected by the rise in fuel and oil prices and the aging fleet of operational vehicles requiring increased maintenance and repair.
- The increase in spending on patient consumables is a direct result of the increased demand resulting in more patient transports.
- The increase in equipment expenses is related to increasing repairs and maintenance of defibrillators and stretchers and new operational and communication equipment purchases.

Figure 3.3 illustrates how the growth in the major components of expense is driving total costs up rapidly.

*Figure 3.3: QAS Expense Components*



Source: Queensland Treasury

### *Depreciation and Amortisation*

Details on the depreciation and amortisation expenses of QAS can be found in the following sub-section titled *Capital Budget Arrangements* of the Audit Report.

### *Grants, subsidies, impairment loss, finance/borrowing expenses and other expenses*

The quantum of other costs associated with grants, subsidies, impairment losses, finance/borrowing expenses and other expenses is fairly insignificant as they comprise a minor portion of total expenses (1.2%).

## **Capital Budget Arrangements**

### *Current Asset Base*

QAS total capital stock has a current value of \$586.71M and a book value of \$311.81M. The assets are divided into four categories: Buildings, Land, Motor Vehicles and Other. The assets classified in the 'Other' category include computer and communication technologies, air-conditioning, training and medical equipment, marine transport and security systems. Table 3.3 shows a comprehensive summary of the QAS asset base as of 5 October 2007.

**Table 3.3: QAS Asset Base**

<b>Capital Asset Group Type</b>	<b>Total Current Value (\$'000)</b>	<b>Depreciation or Amortisation (\$'000)</b>	<b>Total Net Book Value (\$'000)</b>	<b>Number of Assets</b>
Buildings	350,492	181,328	169,164	491
Land	76,392	Not depreciated	76,392	284
Motor Vehicles	94,801	50,280	44,520	1057
Other	65,021	43,283	21,738	2858
<b>Total</b>	<b>586,706</b>	<b>274,892</b>	<b>311,814</b>	<b>N/A</b>

*Source: Internal asset data supplied by QAS*

The largest class of capital stock for QAS is 'Buildings' including all the ambulance stations and associated building structures/components. QAS also has a large stock of motor vehicle assets, due to service provision centring on road transport. The vehicle assets are managed through a replacement program spanning five to eight years depending on vehicle workload.

The audit found that QAS has employed sound financial management and accounting practices in relation to capital investment, with no financial Audit qualifications received by the agency over the last several years. The organisation records and reports assets in accordance with Queensland Treasury's *Non-Current Asset Accounting Policies for the Queensland Public Sector* and *AASB 116 Property, Plant and Equipment*.

### **Capital Acquisitions**

QAS capital acquisitions have seen a considerable increase over the past four years to meet increased demand for ambulance services. Table 3.4 shows capital acquisition by categories from 2003-04 to 2006-07.

**Table 3.4: Capital Acquisition Summary**

Category	Year			
	2003-04 (\$'000)	2004-05 (\$'000)	2005-06 (\$'000)	2006-07 (\$'000)
Land	890	1,171	1,484	1,369
Buildings	12,044	8,012	14,039	16,043
Major Plant and Equipment	0	0	0	0
Transport Equipment	11,531	8,277	15,924	10,437
Other Plant and Equipment	3,879	5,115	8,585	10,371
Intangibles and Computer Software	-4	1,151	2,043	2,932
<b>Total Capital Acquisitions</b>	<b>28,340</b>	<b>23,726</b>	<b>42,075</b>	<b>41,152</b>

Source: Internal capital acquisition documents supplied by QAS

The QAS has a comprehensive capital program focusing on replacement and redevelopment of ambulance stations, commissioning of new ambulance stations, strategic land purchases, vehicle replacement, and operational and communications equipment replacement/improvement.

In addition to the QAS exclusive capital initiatives, QAS invests heavily in joint initiatives with QFRS. For example, the Queensland Combined Emergency Services Academy, Emergency Services Computer Aided Dispatch and joint fire and ambulance facilities in Palm Island, North Mackay and Roma Street.

The capital budget has varied and there has been a spike in capital expenditure in the past four years. These impacts could be limited through forward expenditure planning and active asset management to ensure that expenditure is smoothed over time rather than large purchases being made in an ad hoc fashion as assets reach the end of their economic life

QAS has experienced capital acquisition difficulties such as construction labour skill shortage and building material cost escalation resulting in rescheduling and delays on certain projects, but overall the audit has found that these difficulties do not appear to have seriously impacted on the ability of QAS to provide the community with ambulance services.

## Corporate Services Allocation

Corporate services allocation has specifically been identified as a key area for investigation by the audit to ascertain how much of the organisation's resources are dedicated to front-line service delivery as opposed to the corporate support of organisational activities and processes. The QAS dual corporate service allocation, on both a whole-of-department and the divisional level, has been examined specifically as the publicly available information on detailing corporate service allocation is limited.

### *Corporate Service Structure*

#### Whole of Department Corporate Services

Whole-of-department corporate services utilised by the entire agency are allocated to the three divisions of the department (QAS, QFRS and EMQ) on an Activity-Based Costing (ABC) methodology. DES has advised that based on minor adjustment to the ABC methodology following the most recent ABC review, QAS corporate service allocation for 2007-08 is a 44.74% share. Whole-of-department corporate services comprise Strategic Policy and Executive Services (SP&ES), incorporating the Office of the Director-General and Internal Audit, Business Support Services (BSS) and the Shared Service Providers (SSPs).

<b>BSS</b>	<b>SP&amp;ES</b>	<b>SSPs</b>
Provides QAS, QFRS, EMQ and SP&ES with services and advice related to human resources, industrial relations, finance and acquisitions, logistics, asset and facilities management, corporate governance, library and records, and information systems and networks to the Kedron Park complex and regions.	Provides organisation-wide strategic management, strategic policy co-ordination, legal services, legislative and Cabinet services, corporate initiatives, public affairs and communication services, community engagement, indigenous co-ordination services, and executive support to the Director-General and the Minister's office.	PartnerOne and Corptech provide a standard suite of corporate services including finance and procurement, human resources, document management and mail services.

#### QAS Divisional Corporate Services

QAS also employs staff within the division to undertake corporate type activities specific to QAS. These employees are classed as corporate support personnel and fall into the following sub-categories: administration, community services, executives, human resource, information technology, marketing and medical director.

### *Corporate Service Overheads*

In 2007-08, QAS allocated \$58.67M in total to corporate type activities to support the core operations and ancillary service provision of the organisation. This figure represents 14.4% of the revised QAS budget, which can be categorised as:

- **\$38.11M** - QAS's portion of the whole-of-department corporate allocation. This constitutes 9.3% of the QAS revised estimated budget.
- **\$20.56M** – allocation to corporate support services internal to QAS, representing 5.0% of the QAS revised estimated budget.

The audit has found that the dual corporate service allocation on both a whole-of-department and the divisional level masks the true level of spending on non-frontline services (ie.

corporate and operational services). The true aggregate figure of \$58.67M is significantly greater than the published corporate service allocation estimated figure of \$35.46M for QAS, evident in the DES 2007-08 Ministerial Portfolio Statement.

Whole-of-Department Corporate Services Allocation

DES calculates whole-of-department corporate service allocation to each division per annum using the ABC model. Table 3.5 contains the QAS corporate services allocation from 2003-04 to 2007-08, itemised by corporate service areas.

**Table 3.5: Corporate Service Allocation**

	Year				
	2003-04 (\$'000)	2004-05 (\$'000)	2005-06 (\$'000)	2006-07 (\$'000)	2007-08 (\$'000)
Strategic Policy & Executive Services	4,508	5,931	6,809	8,602	8,926
Business Support Services	11,838	11,711	16,080	17,277	20,549
Shared Service Providers	3,849	4,288	4,956	5,923	6,094
<b>Total Corporate Services</b>	<b>20,195</b>	<b>21,931</b>	<b>27,845</b>	<b>31,802</b>	<b>35,570</b>

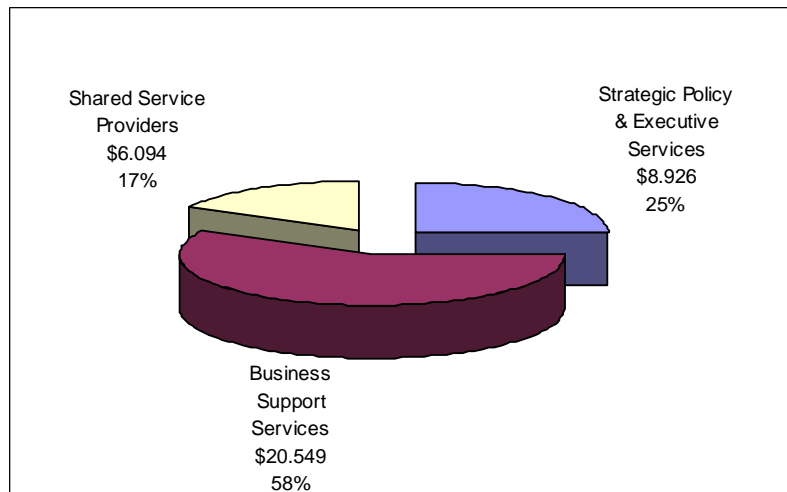
*Source: Internal corporate service allocation data supplied by QAS*

For disclosure purposes, in the audited financial statements, actual corporate service revenues and expenses are allocated according to the ABC model to each division, including surpluses and deficits. For this reason, QAS actual corporate service expenses do not fully align with the total corporate service allocation figures in Table 3.5. The whole-of-department corporate service operating surpluses, which range from \$0.92M to \$1.39M in the past five years, account for the variance.

Between 2003-04 and 2007-08, the whole-of-department corporate service allocation borne by the QAS increased by 76.1%. The BSS and SSPs cost allocations increased by 73.6 % and 58.3% respectively, while the increase in the SP&ES allocation over the same period was considerably greater with a 98.0% growth exhibited. The audit acknowledges that some of the growth in whole-of-department corporate allocation is attributable to transfers of functions and new initiatives.

The proportional allocation to SP&ES, BSS and SSPs in 2007-08 is illustrated in Figure 3.4.

Figure 3.4: Corporate Service Cost Allocation (\$M)



Source: QAS Internal Documents

#### QAS Divisional Corporate Support Allocation

QAS corporate support allocation in 2007-08 was \$20.56M. This allocation can be further broken down into Head Office corporate support (\$10.05M), regional corporate support (\$9.48M) and regional administration (\$1.02M). No growth trend could be established for QAS divisional corporate support allocation, as no historical data has been made available relating to these costs.

The audit findings reveal that the true corporate overhead of QAS is sizeable and arguably excessive at 14.4% of the total revised budget. It appears from the corporate service allocation analysis that some duplication may exist between whole-of-department corporate services and QAS division specific corporate services.

Duplication of activities seems to arise specifically in areas such as administration, marketing, human resources and information technology where activities are undertaken at both a divisional and whole-of-department level. In the opinion of the audit, an internal review of corporate overhead and the possible introduction of an efficiency dividend would be useful to encourage both QAS and DES to streamline corporate services. The department and the division should be encouraged to jointly identify synergies and eliminate duplication of tasks and activities between the whole-of-department and the divisional levels. Resources saved as a result of efficiencies identified and implemented could be transferred to core ambulance activities, to assist in meeting expense pressures on the front-line.

#### **Cost Allocation to Services**

Resource allocation to services has been examined to further highlight the service areas consuming the majority QAS resources. In this cost-by-service analysis the audit attempted to determine the proportion of resource allocation to core services (ambulance response services) and contrast it with allocation to ancillary services (community education and safety).

### *Publicly Reported Allocation to Services*

For the purposes of public reporting, QAS breaks its expenditure on services down into two sub-output categories as shown in the Ministerial Portfolio Statements:

- Ambulance response services (89% of the budget or \$358.09M in 2007-08)
- Ambulance community and business services (11% of the budget or \$46.36M in 2007-08)

### *Internally Reported Allocation to Services*

Further information has been made available by the Department on the allocation of resources for internal reporting purposes contained in Table 3.6.

**Table 3.6: Cost Allocation by Service Type (2006-07)**

<b>Service Type</b>	<b>Total Service Expense (\$'000)</b>	<b>Expense as a Proportion of Total Expense</b>
Other Operational	291,047	80.25%
Corporate Services (BSS, SP&ES, SSPs)	31,802	8.77%
Communication Centres	24,032	6.63%
Community & Baby Capsules Services	10,967	3.02%
Mining Contracts	3,027	0.83%
Sports/Special Events	1,696	0.47%
Other Commercial Contracts	126	0.03%
<b>Total</b>	<b>362,697</b>	<b>100%</b>

*Source: Internal corporate service allocation data supplied by QAS*

Examining this breakdown, 80% of funding in 2006-07 was dedicated to the 'Other Operational' category, which includes ambulance responses. This would seem to indicate that the majority of funding is allocated appropriately to core business. However, costing emergency and non-emergency patient transport would provide a more informative indicator of allocation to core services. Furthermore it would eliminate any ambiguity about what other smaller subsidiary service activities are classified under 'other operational', which are not suitable for inclusion in other categories.

Concerning resource allocation to specific services, the audit has found that the public reporting is limited in identifying the true level of spending on discrete services, such as emergency ambulance transports, non-emergency transports and inter-hospital transfers. Furthermore, internal reporting of cost allocation to services shows a similarly limited approach with an overemphasis on ancillary services.

### *Allocation to Ancillary Services*

QAS provides more ancillary (non-ambulance transport related) services to the community than any other ambulance service in an Australian jurisdiction. These include baby capsule hire and fitting, community education and training, the CPR for Life program and the PrimeSafe program. These types of community and business services are mostly offered by private providers and not-for-profit organisations, such as St John Ambulance, in other states and territories.

### Baby Capsule Hire and Fitting

QAS provides baby capsule hire services for a fee and private restraint fitting/checking services for free. In 2007-08, allocation to these services is \$1.37M and revenues of \$0.62M are expected to be generated.

The increasing demand for baby capsule related services is clearly evident in Table 3.7. Figures show a 55.6% growth in the number of hires and a 120.8% growth in private restraint services provided per annum from 2003-04 to 2006-07.

**Table 3.7: Number of Baby Capsule Services Provided**

	Year			
	2003-04	2004-05	2005-06	2006-07
<b>Hire</b>	8,055	9,239	11,226	12,530
<b>Private Restraints</b>	3,668	5,827	6,445	8,100

Source: Baby Capsule Hire Booking System data provided by QAS

The audit has found that, in 2006-07, 34.9% of baby capsule service expenses were covered by service revenue, which is not dissimilar to cost recovery figures for the service in recent years. This results in QAS continuing to show a net deficit in the provision of baby capsule services. The inability of QAS to recover the expenses associated with baby capsules is arguable due to the provision of free installation and checking services. The net deficit from baby capsule services was \$1.30M in 2006-07.

The audit findings do not dispute the merit of child safety restraints in reducing injury to children in vehicle accidents and support the notion that such baby capsule fitting services should be available to the Queensland public. However, the findings of the audit bring into question the appropriateness of QAS providing these services and contend that private sector organisations, or other Queensland Government agencies may be more suited to providing such a service.

### Community Services

In 2006-07, community service provision (both community education and community safety) resulted in \$9.69M expenses and \$5.10M of revenues, resulting in a \$4.59M deficit.

QAS is a Queensland Registered Training Organisation and offers a variety of patient care training courses including First Aid courses and courses on use of medical equipment and administering emergency medical treatment. Table 3.8 contains information on the number of courses and certificates provided per annum between 2003-04 to 2006-07.

**Table 3.8: Number of Community Education Courses/Certificates Provided**

	Year			
	2003-04	2004-05	2005-06	2006-07
<b>Courses</b>	8,712	8,650	8,219	8,330
<b>Certificates</b>	73,447	72,512	63,092	65,550

Source: Ambulance Community Education System (ACES) data provided by QAS

The figures show that there has been a decrease in demand of 4.4% for courses and 10.8% for certificates since 2003-04. A commercial market exists for these types of community education services and there are several private providers in Queensland offering similar courses/certificates, which may go toward explaining the decrease in QAS's demand for education services.

While the cost-by-service breakdown provided by the Department in Table 3.6, does not distinguish between community education and community safety services, additional advice provided by the agency states that the community education component operates as full cost recovery. This is due to a one-off escalation above CPI in course/certificate fees approved by CBRC. The audit analysis would argue annual escalation utilising CPI indexation only going forward will result in QAS being unable to maintain full cost recovery on this service in future years.

The community services category also encompasses community safety services, which is a suite of programs supported by QAS to build the community's capacity to respond to injury and illness. These services generate no revenue and are estimated to cost \$6.39M in 2007-08. Safety programs include childhood injury prevention, drug overdose visitation and PrimeSafe, a prevention and response program aimed at primary school students. In the opinion of the audit, Queensland Health is arguably better suited to provide these types of health related intervention and prevention programs instead of QAS.

#### *Ambulance Response Subsidiary Services*

##### Mining and Other Commercial Contracts

Contracts for the exclusive provision of ambulance/paramedic/training services are negotiated independently, depending on the procurer's requirements. The majority of commercial contracts are associated with mine sites, though QAS does enter into a limited number of ad hoc and regular contracts with other commercial entities (for example, Indycar Australia), for the exclusive provision of ambulance services. Mining contracts exist only in the Northern and Central ambulance regions.

Mining and other commercial contracts recover all associated expenses and generate a net profit for QAS (\$2.62M in 2006-07).

##### Sports and Special Events

In 2006-07, sport/special event attendance utilised \$1.70M of QAS's budget. An organiser of a special event in Queensland has a legal duty of care to provide appropriate levels of health care for people attending the event. If the event has a high likelihood of injury, the organiser may need to contract QAS dedicated services to fulfil terms of public liability insurance including pre-arranged stand-by and dedicated ambulance services to an event. Information from the Department indicates that Sports/Special Events services are designed and costed to attain full cost recovery (100%).

The audit has found that commercial contracted ambulance services for the private sector entities and special events are financially viable, as full cost recovery is attained and net revenue is generated in some cases.

#### *Allocation to Core Services*

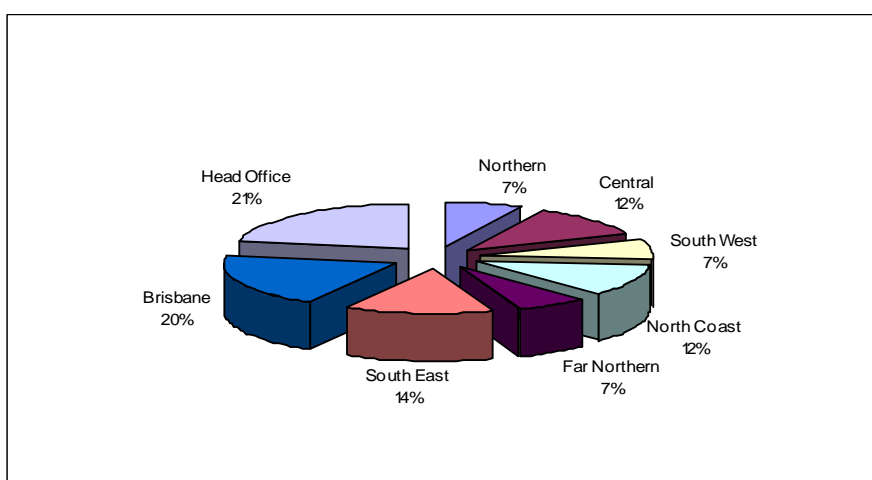
A projection of allocation to core services has been done using the regulated ambulance fees currently charged to non-exempt individuals. Minimum travel has been assumed for all transports, therefore emergency (Code 1 and 2) transports were calculated at \$888, non-emergency (Code 3 and 4) transports were calculated at a flat rate of \$330 and treat-no-transport services were calculated at \$90.50. In 2006-07, there were 366,242 emergency transports, 198,179 non-emergency transports and 51,089 treat-no-transport cases. Using these figures a total expenditure for service has been calculated at \$397.91M. In reality this figure would be reduced due to discounting of IFTs and fixed fee arrangements with DVA and Workers' Compensation.

### *Internal Reporting of Allocation to Ambulance Regions*

The audit has also examined budget allocation to ambulance regions to highlight where resources are being utilised in the state and to attempt to match spending with population patterns in the State. This analysis was undertaken using further information on cost allocation to regions made available by the Department which the agency uses for internal reporting purposes.

Note that all BSS, SP&ES and SSPs costs are allocated to Head Office, therefore the expenses of each region appear proportionately lower and may not be fully indicative of corporate service resourcing. Figure 3.5 shows the cost allocation to each ambulance service region.

*Figure 3.5: Budget Allocation by Region 2006-07*



*Source: Internal QAS Documents*

As evident from Figure 3.5, Head Office is allocated the most resources out of all the regions. As well as the whole-of-department corporate allocation, a large proportion of divisional corporate support, community services and baby capsule services are also allocated to Head Office, substantially increasing the resource consumption of this ambulance region. The proportion of the budget allocated to Head Office appears high relative to the regions where the majority of service delivery costs are incurred.

### **Forward Estimates**

#### *Budget Development*

The QAS Budget is developed on a no-change policy basis using a top-down approach. The organisation maintains a budget planning tool to manage the allocation of funding across regions, called the Resource Allocation Model (RAM).

QAS estimates that total revenue will continue to exceed total expenses, with a surplus of \$5.12M to \$5.81M per annum. Total revenue is estimated to climb to \$450.56M and total expenses to \$445.40M by 2010-11. This implies an expected growth of approximately 2.5% per annum in revenue and in expenses over four years. This is considerably below the latest per annum growth figures of 12.7% and 12.2% respectively.

The audit findings on the historical growth trends of the budget illustrate that the methodology used by QAS to estimate future budgets appears overly conservative and may not provide an accurate forward projection of revenues and expenses. For example, user charges escalated by CPI alone understate future user charge revenue, as it fails to factor in the growth in demand for ambulance transport services.

## **Other Australian Jurisdictions**

In order to perform a comparison of the budgetary and resource allocation of ambulance services in other jurisdictions, the audit has undertaken research on the funding structures and mechanisms in other states and territories. The objective of the research was to allow for analysis of the various funding structures to ascertain which methods were most suitable in ensuring a sustainable funding base for ambulance services.

All states and territories have various governance structures and revenue raising methods to assist in providing ambulance services to the community. *Appendix 3* contains a detailed report on the governance structure of ambulance services in each Australian jurisdiction. The report also explores the level of funding for ambulance services and the various funding mechanisms utilised.

### Governance Structure

Queensland and the ACT are the only jurisdictions where the ambulance service is part of the Department of Emergency Services. In NSW, Victoria, SA and Tasmania the ambulance service is part of the Department of Health, as a division, statutory government owned corporation, incorporated association and a division, respectively. In WA and the NT ambulance services are provided by non-profit organisations.

### Ambulance Levies

Queensland is the only jurisdiction that has a universal ambulance levy. NSW and the ACT have health insurance levies in place, which raise approximately 25% and 40% of their entire revenue respectively. Health insurance levies are collected through private health insurance providers, with the cost of the levy built into the insurance premiums. Transport fees for individuals who are covered by private health insurance are charged directly to the insurance provider.

### Subscription Schemes

Victoria, SA, WA, the ACT and the NT offer subscription schemes, which provide various levels of cover for subscribers. Some schemes provide cover for only emergency services, while others cover non-emergency services also. Certain schemes require a co-contribution by the patient in non-emergency cases.

### Contract Transport Fees and Charges

All major Australian ambulance services receive income from transport fees charged to large organisations and private sector entities. These transport fees are usually charged under a bulk agreement, which is individually negotiated between the service provider and service recipient.

### Government Funding

All ambulance services receive government funding in some manner, through appropriation, grant or contractual agreements. The proportion of funding provided by the government varies greatly depending on the nature of the ambulance service and its ability to gain support from the community in the form of donations and volunteer labour. Excluding any levy revenues appropriated through government, Tasmania has the highest level of government funding at 87% and WA the lowest at 34%.

NSW, Victoria and Tasmania are currently reviewing the operations and/or funding of their state's ambulance service providers to ensure adequate service provision can be maintained for the community.

Table 3.9 is a summary of income sources for each state and territory's ambulance service in Australia.

**Table 3.9: Funding Source Summary Other States**

Funding Source	Qld	NSW	Vic	SA	WA	Tas	ACT	NT
Government	✓	✓	✓	✓	✓	✓	✓	✓
<i>Universal Levy</i>	✓	x	x	x <sup>a</sup>	x	x <sup>b</sup>	x	x
<i>Private Health Insurance Levy</i>	x	✓	x	x	x	x	✓	x
Subscription Scheme	x	x	✓	✓	✓	x	✓	✓
Private Transport Fees	✓	✓	✓	✓	✓	✓	✓	✓
<i>Residents</i>	x	✓	✓	✓	✓	x	✓	✓
<i>Non-Residents</i>	✓	✓	✓	✓	✓	✓	✓	✓
Contract Transport Fees (For example: hospitals, WorkCover, Motor Accident, DVA)	✓	✓	✓	✓	✓	✓	✓	✓
Donations and Other	✓	✓	✓	✓	✓	✓	✓	✓

a) An Emergency Service levy is charged in the state of which SAAS receives a small portion

b) A levy exists that is applicable in Oatlands only, where the local government has imposed an ambulance levy on rate-payers.

## Interstate Comparison of Funding and Benchmarking

One of the key issues the audit was set up to examine was the corporate overheads of QAS, in order to determine whether the organisation has an appropriate ratio of corporate/operation support personnel to front-line ambulance operatives. The audit utilised several benchmarking methodologies to ascertain whether the level of QAS corporate overhead was appropriate in comparison to other Queensland Government departments, other DES operational divisions and ambulance services in other Australian Jurisdictions.

### **Benchmarking Corporate Service Allocation**

#### Comparison with other Queensland Government Departments

Analysis has been undertaken attempting to benchmark DES corporate service expenses against corporate service expenses of other Queensland Government Departments (as disclosed by agencies in the audited financial statements and in Ministerial Portfolio Statements).

Corporate service allocation as a percentage of total budget shows an extremely large variation, ranging from 1.2% to 30.8%. The factors generating such a large variance include: differentiated services; human resource intensive vs. capital resource intensive service delivery models; economies of scale; and other types of efficiencies achievable by each agency. Furthermore, this corporate allocation figure may not be fully indicative of spending on corporate type activities within the agency. For examples, as with DES, the figure may fail to capture various corporate support activities at divisional and/or regional levels. For this reason, benchmarking across other Queensland Government departments is unlikely to result in a meaningful comparison.

#### Comparison with QFRS and EMQ

QAS corporate services allocation has been compared with the other two operational divisions of the agency, QFRS and EMQ in terms of their share of whole of department overheads.

Results of the comparison of whole-of-department corporate service allocation only are shown in Table 3.10.

**Table 3.10: Whole-of-Department Corporate Service Allocation as a Proportion of Total Expenses**

	Years			
	2003-04	2004-05	2005-06	2006-07
Queensland Ambulance Services	7.04%	7.39%	8.62%	8.77%
Queensland Fire and Rescue Services	7.04%	7.39%	8.57%	9.06%
Emergency Management Queensland	8.02%	8.37%	8.73%	8.33%

Source: Internal QAS Data

As expected, the proportions for QFRS and EMQ are not vastly different from that of QAS, due to the other divisions also operating under the same operational model and sharing the same whole-of-department corporate service delivery areas. However, it is interesting to note that overall all three divisions have increased their proportional corporate service allocation since 2003-04, with QFRS exhibiting the largest growth.

As the whole-of-department corporate allocation above fails to capture the total corporate overhead costs, this type of benchmarking is unlikely to provide a meaningful comparison for the purpose of the audit. Furthermore, as total corporate overhead for QFRS and EMQ are underestimated by not accounting for divisional corporate support, the comparisons will not assist in determining whether the QAS level of corporate allocation is appropriate.

#### Comparison with Ambulance Services in Other Jurisdictions

To provide a meaningful comparison of corporate support allocation with similar services the audit has utilised ROGS data on the number of staff allocated to corporate services functions in ambulance organisation in all Australian states and territories. This provides a non-financial comparison of corporate service allocation with other ambulance services. As ROGS data is based on mandatory disclosure with regulated reporting requirements, it offers an acceptable level of comparability and accuracy.

The comparison shows that QAS has a much higher level of overhead compared with other similar jurisdictions, as Table 3.11 and Table 3.11 illustrate.

**Table 3.11: Ambulance Service Organisations' Human Resources (2005-06)**

	Unit	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
Ambulance operatives	FTE	3 066	2 040	2 402	504	720	188	107	84	9 111
Operational support personnel	FTE	257	152	178	72	81	28	14	15	797
Corporate support personnel	FTE	218	263	453	118	136	16	22	16	1 243
<b>Total salaried personnel</b>	<b>FTE</b>	<b>3 541</b>	<b>2 455</b>	<b>3 033</b>	<b>695</b>	<b>937</b>	<b>232</b>	<b>143</b>	<b>116</b>	<b>11 152</b>

Source: Report on Government Services 2007

**Table 3.12: Ambulance Service Organisations' Human Resources (2005-06)**

	Unit	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
Ambulance operatives	%	86.6%	83.1%	79.2%	72.5%	76.8%	81.1%	75.0%	72.9%	81.7%
Operational support personnel	%	7.3%	6.2%	5.9%	10.4%	8.7%	12.0%	9.5%	13.0%	7.1%
Corporate support personnel	%	6.2%	10.7%	14.9%	17.0%	14.5%	6.9%	15.5%	14.2%	11.1%
<b>Total salaried personnel</b>	<b>%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: Report on Government Services 2007

The QAS corporate support personnel figure is significantly higher than other states and territories. While some of the FTEs classified under corporate support personnel are in fact utilised in delivering ancillary services (i.e. community education and safety activities). The most recent data available for Queensland (2006-07) shows total FTEs at 3197 with 448 FTEs providing genuine corporate services. This illustrates that 14.0% of human resources are dedicated to corporate activities. Note that this percentage allocation closely aligns with the 14.4% corporate overhead share of the total budget calculated in the sub-section title 'Corporate Service Allocation', further validating the accuracy of this corporate overhead measure.

The audit has compared the 2006-07 Queensland human resource allocation of ambulance operatives and communication staff to operational and corporate personnel and has found that only 77.6% of the organisation's resources are utilised in providing core-ambulance services. This appears fairly low in comparison to the 2005-06 national average of 81.7%.

QAS maintains that it is restricted in its ability to reduce corporate service FTEs, due to being an operational division of a larger department, and therefore having to bear corporate service costs at both a divisional and whole-of-department level. This reinforces the argument that efficiencies are likely to result from streamlining corporate services and eliminating activity duplication between the whole-of-department and divisional corporate areas.

### **Benchmarking Funding of the Ambulance Service**

The audit has also benchmarked overall resource allocation to ambulance services to determine how Queensland's ambulance service resource dedication compares with the resource commitments in other Australian jurisdictions. In 2005-06, expenditure on ambulance services in Queensland was \$81,505 per 1,000 people. This figure is significantly

higher (18.5%) than the national average of \$68,765 per 1,000 people, as shown in Table 3.13. The trend of Queensland continuing to spend more on ambulance services than any other state or territory has continued from 2001-02.

**Table 3.13: Ambulance service organisations' expenditure per 1,000 people (2005-06)**

	Unit	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
Total	\$ million	434.9	394.9	324.1	77.1	104.4	30.1	20.4	12.9	1 398.7
Population	million	6.8	5.0	4.0	2.0	1.5	0.5	0.3	0.2	20.3
<b>Per 1000 people</b>	<b>\$</b>	<b>64,250</b>	<b>78,614</b>	<b>81,505</b>	<b>38,332</b>	<b>67,679</b>	<b>61,899</b>	<b>62,484</b>	<b>63,214</b>	<b>68,765</b>

Source: Report on Government Services 2007

### **Benchmarking Financial Performance and Efficiency**

Expenditure on ambulance services by ambulance response/incident/patient/transport, contained in the Report on Government Services, has been compared as an indicator of service efficiency. Further details of performance indicators using ROGS data can be found in Chapter 6 – Performance Assessment and Performance Management Systems of the audit report. In summary, Table 3.14 shows that Queensland has a lower unit cost in each category than the national average. The lower cost is a direct result of the higher demand and quantum of service provided. Since a large proportion of the costs for ambulance services are fixed in the short term the higher number of responses / incidents / patients / transports allows the organisation to spread their fixed costs over more units, resulting in a smaller per unit cost.

**Table 3.14: Ambulance Service Costs Per Response/Incident/Patient/Transport (2005-06)**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
Cost per Response	\$435	\$528	\$434	\$484	\$488	\$487	\$683	\$409	\$468
Cost per Incident	\$521	\$631	\$502	\$495	\$521	\$508	\$754	N/A	\$549
Cost per Patient	\$543	\$682	\$540	\$477	\$543	\$653	\$821	\$475	\$575
Cost per Transport	\$664	\$746	\$583	\$524	\$650	\$823	\$1,078	\$517	\$657

Source: Report on Government Services 2007

## **Chapter 3 - Budget and Resourcing Recommendations**

### **Recommendation 3.1**

QAS adopt improved budget management and forecasting procedures including:

- revising its methods for forecasting own source revenue to provide a more realistic revenue outlook for the Service for the purposes of planning and budgeting;
- ceasing the practice of budgeting for surpluses to support the purchase of capital items with a view to freeing up recurrent funding to meet service delivery demand increases (funding for capital items should be sought as part of the annual budget process); and
- improving its level of debt recovery on user charges to ineligible clients and other parties.

### **Recommendation 3.2**

An efficiency dividend of 1% is to be applied immediately to the Department's corporate overheads and that a similar dividend be applied to the QAS's own corporate overhead to free up funds for service delivery. The Department of Emergency Services is to further reduce the level of overhead such that it aligns with other State ambulance services within the next two years.

### **Recommendation 3.3**

QAS review the provision of ancillary services including community education services noting an estimated \$12M in reduced expenses (with a net saving to the budget of \$7.75M after taking into account revenue) could be realised if QAS was to focus on its core business.

In the event that the Government wishes to retain these services within the QAS, then it is recommended the QAS review these services to ensure there is no duplication with other agencies such as Queensland Health, and move the services progressively towards full cost recovery.

### **Recommendation 3.4**

QAS move all its third party funding arrangements to full cost recovery including payments from the Motor Accident Insurance Commission (raised by the hospital and emergency services levy attached to vehicle registrations).