



Parliamentary Budget Office - Election Policy Costing

NSW Parliament • Parliament House, Macquarie Street Sydney NSW 2000

Referred By: Australian Labor Party
Date Referred: 5/12/2018

Proposal No: A171
Date Published: 18/03/2019

Proposal Title: Detoxification rehabilitation clinics

Cluster: Health

General Government Sector Impacts

| | 2018-19 \$'000 | 2019-20 \$'000 | 2020-21 \$'000 | 2021-22 \$'000 | 4 year Total \$'000 |
|-------------------------------|-------------------|-------------------|-------------------|-------------------|------------------------|
| Expenses (ex. depreciation) | - | - | 37,073 | 38,000 | 75,073 |
| Depreciation | - | - | 791 | 791 | 1,582 |
| Less: Offsets | - | - | - | - | - |
| Revenue | - | - | - | - | - |
| Net Operating Balance: | - | - | (37,864) | (38,791) | (76,655) |

| | | | | | |
|---------------------------------|---|---------------|---|---|---------------|
| Capital Expenditure | - | 28,560 | - | - | 28,560 |
| Capital Offsets | - | - | - | - | - |
| Net Capital Expenditure: | - | 28,560 | - | - | 28,560 |

| | | | | | |
|---------------------------------|---|-----------------|-----------------|-----------------|------------------|
| Net Lending/(Borrowing): | - | (28,560) | (37,073) | (38,000) | (103,633) |
|---------------------------------|---|-----------------|-----------------|-----------------|------------------|

Total State Sector Impacts

| | | | | | |
|---------------------------------|---|-----------------|-----------------|-----------------|------------------|
| Net Lending/(Borrowing): | - | (28,560) | (37,073) | (38,000) | (103,633) |
|---------------------------------|---|-----------------|-----------------|-----------------|------------------|

Notes and costing assumptions

This policy is to open six ice detoxification and rehabilitation clinics to treat patients suffering from severe ice addiction. Two clinics would be established in urban Sydney and the remaining four clinics in regional areas. The clinics would use existing hospital facilities. Capital works, i.e. construction and refurbishment, would be carried out between 1 July 2019 to 30 June 2020 to ensure the clinics are operational from 1 July 2020.

The budget impact of this policy would be \$103.6 million over the forward estimates. For all clinics, the straight line method of depreciation has been applied. A useful life of 40 years has been applied to clinic units and a 20 year useful life has been applied to the fitout.

Key assumptions:

The following assumptions apply to both urban and regional clinics:

- A total of 150 beds would be provided by this policy. 45 beds would be allocated to each urban Sydney clinic and 15 beds would be allocated to each regional clinic. The clinics would treat up to 1,300 ice addicts per year.
- There would be separate sections for men, women and minors in each clinic.
- The clinics would be staffed by nurses, health professionals and security guards specially trained in the treatment of ice addicts.
- Treatment eligibility and allocation arrangements would be determined by the Government.

Key assumptions cont'd over page.

Notes and costing assumptions continued:

Key assumptions cont'd:

- All facilities costs are "rule of thumb" estimates only, and are subject to significant variation depending on key cost factors such as site-specific or unique design requirements, and the cost of land acquisition (which has not been included).
- Capital works, fit-out and other preparatory works would be carried out from 1 July 2019 to 30 June 2020.
- NSW Ministry of Health (MOH) have advised that existing hospitals are unlikely to have spare facilities for clinics.
- Based on this advice, which indicates there may be a low likelihood but does not entirely rule out the potential availability of space, the PBO has prepared this costing on the assumption that spare facilities will be found, pending further investigation. However if this is not possible, new construction will be required, which would increase the cost.
- All non employee-related costs have been indexed by Sydney CPI.
- Employee-related costs are escalated at 2.5 percent per annum, which is consistent with the NSW Public Sector Wages Policy.
- All costs include the standard MOH project contingency of 10 per cent of the total project cost.

As advised by MOH, the profile of each type of clinic would be as follows:

Urban clinics:

- The capital costs, not including fitout, are estimated at \$15.3 million in total.
- Total fit-out costs of \$1.84 million would be incurred across both clinics.
- Two single bedrooms for isolation with dedicated bathroom (for acute patients).
- Separate bed and bathroom amenities for staff, men, women and youth.
- Individual, group and family counselling rooms.
- Medication administration space (with observation window).
- 61 full time equivalent (FTE) multidisciplinary staff at various classifications, commencing work on 1 July 2020.

Regional clinics:

- The capital costs, not including fitout, are estimated at \$10.2 million in total.
- Total fit-out costs of \$1.2 million would be incurred for all four clinics.
- At least two single bedrooms for observation.
- One single bedroom for isolation with dedicated bathroom (for acute patients).
- Separate bed and bathroom amenities for men, women, youth and staff.
- Individual, group and family counselling rooms.
- Medication administration space (with observation window).
- 32.5 FTE multidisciplinary staff at various classifications, commencing work on 1 July 2020.

Notes and assumptions cont'd over page.

Notes and costing assumptions continued:

The total budget impact of this policy is based on the following costs (excluding depreciation):

| | 2018-19 \$'000 | 2019-20 \$'000 | 2020-21 \$'000 | 2021-22 \$'000 | 4 YEAR TOTAL \$'000 |
|----------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|--------------------------------|
| Employee-related costs | - | - | 26,882 | 27,554 | 54,436 |
| Other costs¹ | - | - | 10,191 | 10,446 | 20,637 |
| Fit-out costs² | - | 3,060 | - | - | 3,060 |
| Capital costs | - | 25,500 | - | - | 25,500 |
| Total cost | - | 28,560 | 37,073 | 38,000 | 103,633 |

Notes:

1. Other costs include:

- Medication and I.T. systems
- Food, linen and cleaning services
- Clinical records and data management
- Repairs, maintenance and replacement

2. Fit-out costs would be incurred in 2019-20 for all the clinics. This one-off cost provides for furniture, furnishings, equipment, storage facilities (including safe storage) and security needs. Fit-out costs have been included as part of capital expenditure.