

THE
REVISED UNIFORM SYSTEM
OF
HOSPITAL ACCOUNTS,

AS ADOPTED BY

KING EDWARD'S HOSPITAL FUND FOR LONDON,
THE METROPOLITAN HOSPITAL SUNDAY FUND,
THE HOSPITAL SATURDAY FUND.

FOURTH EDITION

JANUARY, 1926.

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KING EDWARD'S HOSPITAL FUND FOR LONDON.
THE METROPOLITAN HOSPITAL SUNDAY FUND.
THE HOSPITAL SATURDAY FUND.

REVISED UNIFORM SYSTEM OF HOSPITAL ACCOUNTS.
4th Edition, January, 1926.

Supplement 1929.

As the result of experience and after consultation with the Hospitals, it has been found desirable to amend the paragraphs of the Revised Uniform System relating to *Training Schools attached to Maternity Hospitals*; *Definition of an Available Bed*; *Average Number of Patients Resident Daily*; and also *Section A. of the In-patient Statistical Table*, as follows :—

I. Paragraph (11), pages 5 and 6. Delete the published text and substitute the following :—

- (11) A Training School attached to a Hospital (a) for the training of page 9, par. 21 midwives and maternity nurses, or (b) for the purpose of giving a course of preliminary training to its own nurses before entering the wards, is to be treated as an integral part of the Hospital. The income and expenditure of the Training School should, therefore, be amalgamated with that of the Hospital under each appropriate heading of the Income and Expenditure Account of the Hospital.

If a Hospital receives into residence Medical Students or Post Graduates for a course in maternity work, the cost of their board and lodging should be eliminated from the Hospital Accounts by being set off against any fees received from them.

✓ **II. Paragraph (21), Section (b) Sub-section 1, pages 9 and 10. Delete the published text and substitute the following :—**

- (21) (b) Staff Education. (1) Midwifery Pupils: The proportion of the training fees paid by a Public Authority will be included with the fees from the pupils themselves and shown in the Income and Expenditure Account under II. Receipts on Account of Services Rendered—2. Fees. Nurses and Probationers' Fees. As the Income and Expenditure Account should show the actual expenditure for the year dealt with by the account, the whole of the fees covering the actual training given during the year of the account, and only that amount, should be brought into Income. Any portion of the fees not received will appear on the Balance Sheet under Debtors, while, in the case of fees paid in advance, the proportion representing any uncompleted period of training at the end of the accounting year will be carried forward and appear on the Balance Sheet under Creditors.

(The remaining text of the paragraph stands.)

III. Paragraph (73), pages 30 and 31. Delete the published text and substitute the following:—

(73) *Definitions of Beds.*—For statistical purposes, a bed is to be regarded as a service and not as an article of furniture.

(A) *Bed Complement.*—The Bed Complement of a Hospital is the number of units of bed-service, that is, the total number of beds normally provided for the reception of In-patients. It includes, therefore, permanent beds temporarily closed, and excludes temporary beds.

The Bed Complement will not include beds that have never been open for use by patients, nor beds that have been permanently closed. Thus a Hospital of 200 beds means that the Hospital normally provides 200 units of bed-service for In-patients; as a temporary measure, there may be a greater number (*e.g.*, in an emergency) or a lesser number (*e.g.*, during a reconstruction).

The following classes of beds for In-patients, regarding which the practice has not always been uniform, should be included in the Bed Complement:—Beds reserved for contingencies such as Accident, Isolation, Observation, Septic cases, etc., and Beds reserved for the hospital treatment of the Staff.

The following classes of beds should not be included in the Bed Complement:—Beds in the Labour Rooms of Maternity Wards; Cots for newly born Infants in Maternity Wards; Temporary Beds; Beds in the Out-patient Department; Beds in a sick-room reserved for the use of nurses suffering from minor ailments.

(B) *Temporary Beds.*—A bed (or stretcher) brought into use to supplement the Bed Complement is a Temporary Bed. If a ward is temporarily closed and an equivalent number of beds is provided in another part of the Hospital, the service is still available and for statistical purposes there is neither closure of beds nor provision of temporary beds.

(C) *Open Beds.*—An Open Bed is one which forms part of the Bed Complement and which is at the time either in use by an In-patient or available for the admission of an In-patient.

(D) *Occupied Beds.*—An Occupied Bed is one that is allotted to a patient included in the daily count of In-patients.

IV. Paragraph (75), page 31. Delete the published text and substitute the following:—

(75) *Average Daily Number of Beds and In-patients.*—The average daily numbers will require to be ascertained for each of the following:

1. Bed Complement of the Hospital;
2. Beds Closed owing to—
 - (a) Re-building or Extension Schemes;
 - (b) Repairs, Re-decoration, Cleaning or Infection;
 - (c) Other causes (to be specified);
3. Beds Open;
4. Beds Occupied (*i.e.*, Patients resident daily).

These averages are to be calculated by adding together the

totals of the daily counts for each day in the year and dividing the resulting total by the number of days in the year, 365 or 366 as applicable ; the daily record need not necessarily enumerate the open beds, as those can be ascertained by deducting the beds closed from the complement. This daily count should be recorded in a book kept for the purpose and should be made at an hour when there is a minimum of movement among the patients : to secure uniformity of practice among the Hospitals, midnight is recommended as the most suitable hour.

If the Hospital is closed* for part of the year, the average daily number of beds occupied for the period during which the Hospital was open may be given in a footnote, but this number must not be given under this heading in the Statistical Table itself.

* Where the Hospital is closed for building reconstruction or abnormal works the question of the method of dealing with statistics should be referred to the King's Fund.

V. In-patient Statistical Table, page 38: Section A. Number of Beds and In-patients. Delete the published text and substitute the following:—

A. NUMBER OF BEDS AND IN-PATIENTS.

		Numbers in 19 (Year under review)	Numbers in previous year.
1. BEDS :	(a) Complement at 31st December		
<i>These figures to be based on the daily count.</i>	(b) Average Daily Complement during the year ...		
	(c) Average Daily Number Closed during the year, owing to :—		
	(i) Re-building or Extension Schemes		
	(ii) Repairs, Redecoration, Cleaning or Infection		
	(iii) Other causes (<i>to be specified</i>)		
	(d) Average Daily Number Open during the year ...		
	(e) Average Daily Number Occupied during the year		
2. Number of In-patients in the Hospital at beginning of year	...		
3. " " " admitted during year	... ..	
4. " " " in the Hospital at the end of the year	...		
5. Average number of days each Patient was resident	... ..	
<small>(Ascertained by dividing the yearly total of daily counts, viz. —, by the number of Patients treated to a conclusion, i.e., (2) + (3) - (4).)</small>			
6. Number of Patients admitted and discharged during the year			
who were resident for	(i) only 1 day		
	(ii) 2 and 3 days		

(Section B of the table stands.)

(OVER)

Consequential Alterations.

- (a) The re-numbering of the headings of Part A. of the In-patient Statistical Table will necessitate the following alterations :—
- (i) **Paragraph (77), page 32.** In the inset paragraphs—*Average Number of Days each Patient was Resident* and *Average Cost per In-patient*—
For the figures 4 + 5 - 6 substitute 2 + 3 - 4.
- (ii) **In-patient Statistical Table, page 38.** In the footnote marked*—
For (No. 3 in A above) substitute (No. 1 (e) in A above).
 and in the footnote marked†—
For (Nos. 4 + 5 - 6 in A above) substitute (Nos. 2 + 3 - 4 in A above)
- (b) **Pro Forma Laundry Account, page 47.** In the list of deductions inset below "Total Expenditure" **delete the words *Training School*** and adjust the illustrative figures accordingly.
- (c) Throughout the published text **substitute** the term *Bed Complement* **for *Beds Available*** or equivalent phrase.

KING EDWARD'S HOSPITAL FUND FOR LONDON, 10 OLD JEWRY, E.C.2,
 H. R. MAYNARD, *Secretary.*

THE METROPOLITAN HOSPITAL SUNDAY FUND, MANSION HOUSE, E.C.4,
 ARNOLD JAMES, *Secretary.*

THE HOSPITAL SATURDAY FUND, 52-54 GRAY'S INN ROAD, W.C.1,
 WILLIAM H. REED, *Secretary.*

December, 1929.

KING EDWARD'S HOSPITAL FUND FOR LONDON, 10 OLD JEWRY, E.C.2.
 THE METROPOLITAN HOSPITAL SUNDAY FUND, MANSION HOUSE, E.C.4.
 THE HOSPITAL SATURDAY FUND, 54 GRAY'S INN ROAD, W.C.1.

REVISED UNIFORM SYSTEM OF HOSPITAL ACCOUNTS. 4th Edition, January, 1926.

HOSPITAL SATURDAY FUND'S PAYMENTS IN THE INCOME AND EXPENDITURE ACCOUNTS OF THE HOSPITALS.

- (1) Following on the decision of the Hospital Saturday Fund to base its payments to Hospitals on the services rendered to that Fund's subscribers, the three Funds have decided that the Hospital Saturday Fund's payments in the published Income and Expenditure Accounts of the Hospitals should no longer appear under *Central Funds* but should be entered under *Receipts on Account of Services rendered* and that the wording of the present sub-head "*Hospital Contributory Associations*" be altered to "*Contributory Schemes*."
- (2) The headings in the Income and Expenditure Account will now read as follows:—

I. Voluntary Gifts.

2. CENTRAL FUNDS:—

King Edward's Hospital Fund.
 Hospital Sunday Fund.
 Other Central Funds.
 (To be detailed.)

II. Receipts on Account of Services rendered.

1. CONTRIBUTIONS ON ACCOUNT OF SERVICES TO PATIENTS:—

(a) From Patients and their Societies—

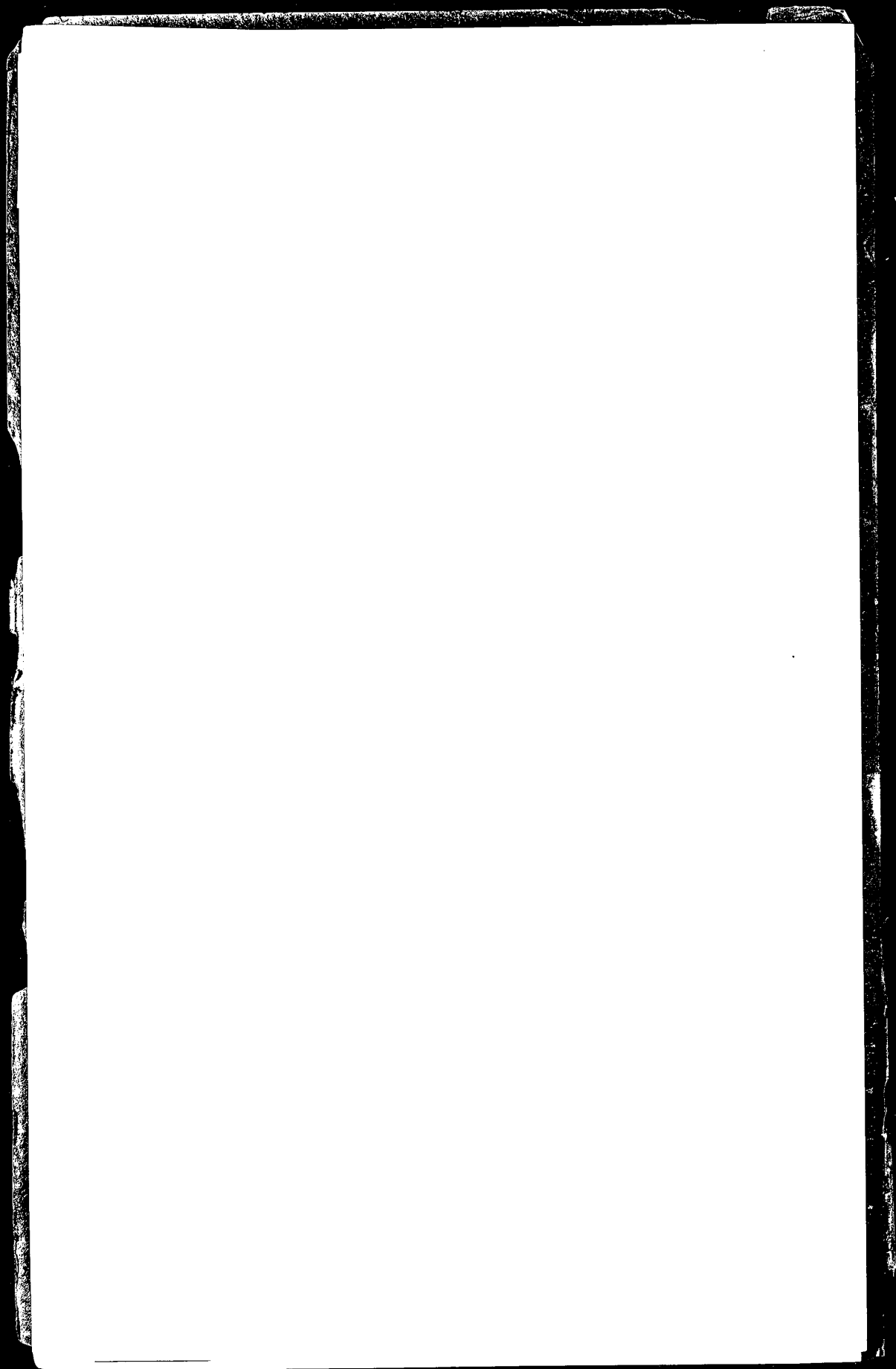
Patients.
 Contributory Schemes—
 Hospital Saturday Fund.
 Hospital Saving Association.
 Other Schemes.
 (To be detailed.)
 Approved Societies.
 Other Sources.

- (3) The alteration in the headings will be incorporated in the next revision of the Revised Uniform System, but the three Funds have decided to give immediate effect to the decision by formally notifying the Hospitals of the new rule which will come into effect in the Accounts covering 1931.
- (4) Hospitals are, therefore, requested to regard this circular as forming a supplement to the current edition of the Revised Uniform System.

KING EDWARD'S HOSPITAL FUND FOR LONDON, 10 OLD JEWRY, E.C.2.
 LEONARD COHEN, *Chairman, Hospital Economy Committee.*

THE METROPOLITAN HOSPITAL SUNDAY FUND, MANSION HOUSE, E.C.4.
 G. H. MAKINS, *Chairman, Distribution Committee.*

THE HOSPITAL SATURDAY FUND, 54 GRAY'S INN ROAD, W.C.1.
 F. C. GOSS, *Chairman, Distribution Committee,*



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KING EDWARD'S HOSPITAL FUND FOR LONDON,
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THE HOSPITAL SATURDAY FUND.

FOURTH EDITION.

JANUARY, 1926.

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ATTENTION is more especially drawn to the following paragraphs, which contain either new regulations or explanatory additions to existing regulations.

I. INCOME AND EXPENDITURE ACCOUNT.

PARAGRAPH	SUBJECT
6	Receipts and Expenses of Collecting Agencies.
10	Special Departments.
11	Training Schools for Nurses.
16	Contributions in Reduction of Debt.
17	Entertainments.
18	Gifts in Kind.
19	Contributions on Account of Services to Patients.
20	Work done for Public Authorities.
21	Grants for Education from Public Authorities.
22	Receipts for Services to Non-patients.
23	Income from Invested Property.
24	Discretionary Bequests.
26	Stocks on Hand.
27	Sale of Waste.
28	Refund of Spirit Duty.
30	Laundry.
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[P.T.O.]

THE HOSPITAL SATURDAY FUND, 54 GRAY'S INN ROAD, W.C.1,

MALMESBURY, *Chairman of the Fund.*

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I		

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F		

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APPENDI

A.

B.

C.

INTRODUCTION.

THE REVISED UNIFORM SYSTEM OF HOSPITAL ACCOUNTS is based on the original Uniform System which was revised with the assistance of the late Mr. John G. Griffiths, F.C.A., and a Committee of Hospital Secretaries, and adopted by King Edward's Hospital Fund for London, the Metropolitan Hospital Sunday Fund and the Hospital Saturday Fund in 1906.

Since this date there has been a great increase in the accounting knowledge of Hospital Officers, who are now all familiar with the Revised Uniform System and many of whom are anxious to develop their accounting systems on more modern lines. The present revision has been undertaken with a view to bringing Hospital accounts more into line with present-day requirements, without losing sight of the fact that a Hospital is not a profit-making concern and that the primary object of the published accounts is to show the supporters of a Hospital how their contributions have been utilised and the financial position of the institution.

The main features of the forms of the Income and Expenditure Account, the Balance Sheet and the Statistical Tables have been retained, but the accounting work has been simplified by the elimination of all unnecessary detail and the statistics rendered more generally useful for purposes of comparison.

An Appendix has been added dealing with the Internal Control of Expenditure by the following means, which are closely allied with, or dependent on, the system of accounting, viz.: (A) Quantity Statistics; (B) The Budget; (C) Departmental Costs.

Without much change in the published accounts the way has been prepared for Hospitals to develop an accounting system which would enable them to ascertain the cost of each department of work done.

The Index of Classification of Expenditure previously embodied with the Revised Uniform System is now issued as a separate publication.

This new edition of the Revised Uniform System of Hospital Accounts has been prepared after consultation with the British Hospitals Association, the Incorporated Association of Hospital Officers and the Hospitals on the books of the Fund, by a Sub-Committee of the Hospital Economy Committee of the King's Fund under the Chairmanship of Sir Basil Mayhew, K.B.E., F.C.A., from material drafted by Mr. Hugh Macrae, C.A., Departmental Secretary to the Committee. It is issued with the authority of the three Funds, and supersedes all previous editions. All new regulations contained therein should be adopted (beginning with published accounts for the year 1926) by all Institutions applying for grants from any of the three Funds.

KING EDWARD'S HOSPITAL FUND FOR LONDON, 10 OLD JEWRY, E.C.2,

LEONARD L. COHEN, *Chairman, Hospital Economy Committee.*

THE METROPOLITAN HOSPITAL SUNDAY FUND, MANSION HOUSE, E.C.4,

W. R. PRYKE, *LORD MAYOR, President & Treasurer.*

THE HOSPITAL SATURDAY FUND, 54 GRAY'S INN ROAD, W.C.1,

MALMESBURY, *Chairman of the Fund.*

I.—THE INCOME AND EXPENDITURE ACCOUNT.

A.—FORM OF ACCOUNT.

- (1) The Form of Income and Expenditure Account which must be published will be found on pages 16 and 17.

pages 16 to 17

- (2) The headings and sub-headings of the Form of the Income and Expenditure Account are to be printed intact. Where there are no figures to place against any particular item a blank is to be shown, thus —

page 15, par. 38

- (3) If it is desired to publish more details than the form provides for, they should be given in an inner column so as to cast to one or other of the sub-heads; if the details to be published are numerous it would be better to embody them in a schedule appended to the Income and Expenditure Account.

B.—GENERAL REMARKS.

page 11, par. 26

- (4) The Income and Expenditure Account is not to be treated as a Cash Account, but as an account of the actual income and expenditure of the calendar year from 1st January to 31st December. Accordingly, no balance brought forward from the preceding year may be shown, and it is immaterial when the items were actually received or paid.

The Income and Expenditure Account is intended to show the expenses actually incurred during the year, whether defrayed or not. It would, therefore, be incorrect to bring in the unpaid bills for the last quarter or month of a previous year, and to set them off against the same period of the current year.

page 6, par. 13

- (5) Interest, Dividends, Rents, etc., whether receivable or payable, should be brought into the accounts on the date on which the receipt or payment falls due.

All other income accrued during the year, whether actually received or not, must be included in the account, *e.g.*, amounts outstanding at the end of the year for the treatment of patients for which payment is made by Public Authorities or other bodies.

Any items of income or expenditure accidentally omitted in any year must be treated as relating to the year in which the correction is made.

page 7, par. 17
page 7, par. 18

- (6) When money is collected specifically for the benefit of a Hospital by associations or other agencies connected with the Hospital, and the liability for the expenses incurred in such collections attaches to the Hospital, the gross amount collected should be included as part of

the income of the Hospital, even if only the net amount collected has been received by the Hospital. Where no such liability attaches to the Hospital, and the association is not under the control of the Hospital Committee, only the actual amount handed over to the Hospital should be entered and should be included with "Donations."

- (7) Every item of receipts, including Legacies, not specifically earmarked on or before receipt by the donor for a capital purpose or for some special purpose outside the general purposes of the Hospital,

page 21, par. 50
page 23, par. 53

ATTENTION is more especially drawn to the following paragraphs, which contain either new regulations or explanatory additions to existing regulations.

page 18, par. 42
page 25, par. 60

I. INCOME AND EXPENDITURE ACCOUNT.

PARAGRAPH	SUBJECT	
6	Receipts and Expenses of Collecting Agencies.	
10	Special Departments.	
11	Training Schools for Nurses.	
16	Contributions in Reduction of Debt.	
17	Entertainments.	
18	Gifts in Kind.	page 8, par. 20
19	Contributions on Account of Services to Patients.	page 9, par. 21
20	Work done for Public Authorities.	page 10, par. 22
21	Grants for Education from Public Authorities.	page 14, par. 37
22	Receipts for Services to Non-patients.	ages 40 to 49
23	Income from Invested Property.	
24	Discretionary Bequests.	
26	Stocks on Hand.	page 12, par. 30
27	Sale of Waste.	page 12, par. 32
28	Refund of Spirit Duty.	ages 44 to 49
30	Laundry.	
31	Renewals and Repairs.	
32	Works Departments.	
35	Interest.	
36	Expenses of Appeals.	
37	Contributions to other Institutions.	page 9, par. 21

Pages 16 & 17 Form of Income and Expenditure Account.

to a Lying-in Hospital for training Maternity Nurses and Midwives must be separated from that of the Hospital. The balance on the Training School Account should then be brought into the Hospital Account under a special heading, as Extraordinary Income if it be a surplus and as Extraordinary Expenditure if it be a deficit. The published accounts of the Hospital should contain a separate Income and Expenditure Account for the Training School.

In the case of a School attached to a General Hospital for the purpose of giving a course of preliminary instruction to its own nurses before entering the wards, the expenditure on the School should be treated as part of the normal expenditure of the Hospital

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pages 16 to 17

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Any items of income or expenditure accidentally omitted in any year must be treated as relating to the year in which the correction is made.

page 7, par. 17
page 7, par. 18

- (6) When money is collected specifically for the benefit of a Hospital by associations or other agencies connected with the Hospital, and the liability for the expenses incurred in such collections attaches to the Hospital, the gross amount collected should be included as part of

the income of the Hospital, even if only the net amount collected has been received by the Hospital. Where no such liability attaches to the Hospital, and the association is not under the control of the Hospital Committee, only the actual amount handed over to the Hospital should be entered and should be included with "Donations."

- (7) Every item of receipts, including Legacies, not specifically earmarked on or before receipt by the donor for a capital purpose or for some special purpose outside the general purposes of the Hospital, must be treated in the accounts as income, and must be included on the Income side of the account, whether received in the form of cash or of securities, and whether expended on maintenance or buildings, equipment, etc., or ultimately invested. page 21, par. 50
page 23, par. 53
- (8) Any financial transactions which have no direct relation to the income or expenses of the year, such as borrowing money and realising investments (including profit or loss on such realisation) on the one hand, or repayments of loans and purchases of property and securities on the other, will be excluded from the Income and Expenditure Account and dealt with on the Balance Sheet. page 18, par. 42
page 25, par. 60

C.—SPECIAL DEPARTMENTS.

- (9) The Income and Expenditure Account must include both the income and the expenses of all departments which form an essential part of the Hospital, *qua* Hospital: Provided this rule is observed, there is no objection to the publication elsewhere of a special account showing the income and expenses of any particular department. page 8, par. 20
page 9, par. 21
page 10, par. 22
page 14, par. 37
pages 40 to 49
- (10) In the case of a special department to provide an article or service usually bought or contracted for, such as the manufacture of gut or dressings or the carrying out of washing or repairs, the expenses should be shown under the sub-heading where the expenditure would have appeared if the article or service had been bought. page 12, par. 30
page 12, par. 32
pages 44 to 49
- (11) Training Schools for Nurses attached to Hospitals are to be treated as follows :— page 9, par. 21

The Income and Expenditure of a Training School attached to a Lying-in Hospital for training Maternity Nurses and Midwives must be separated from that of the Hospital. The balance on the Training School Account should then be brought into the Hospital Account under a special heading, as Extraordinary Income if it be a surplus and as Extraordinary Expenditure if it be a deficit. The published accounts of the Hospital should contain a separate Income and Expenditure Account for the Training School.

In the case of a School attached to a General Hospital for the purpose of giving a course of preliminary instruction to its own nurses before entering the wards, the expenditure on the School should be treated as part of the normal expenditure of the Hospital

and be included therein under the various headings, *e.g.*, Provisions, Domestic, Salaries, etc.

page 14, par. 37
page 42, par. 91

- (12) Where a Hospital has a Convalescent Home or any other Account kept separately from the Income and Expenditure Account of the Hospital, *qua* Hospital, a separate account should be published, and no amounts other than those exclusively appertaining to the Convalescent Home or other activity in question are to be included in such separate accounts. Where officials are partly employed by the Hospital and partly by the Convalescent Home or other activity, then an apportionment of such officers' salaries should be made, and charged to each account. Such part of the remuneration of the Secretary or chief executive officer as is chargeable to the Hospital and has not been apportioned to the separate account, should appear under "Administration" but the salaries of other officers may be apportioned over "Salaries and Wages (Maintenance)," "Administration" and "Finance" according to their duties.

D.—HEADINGS OF THE INCOME AND EXPENDITURE ACCOUNT.

I.—Income.

- (13) *Voluntary Gifts, Subscriptions, Donations, etc.*—The items, Annual Subscriptions, Donations and Boxes, should agree with the totals of the lists of Subscribers and Donors and Box Collections in the Report (which lists will consequently require casting), and a reference should be given to the pages showing the respective lists.

Annual Subscriptions or Donations not actually received before the end of the year must not be included as income for that year because, being voluntary gifts, the Hospital has no right in them until they have been received, before which date they do not form part of the income of the Hospital. Annual Subscriptions received in advance of the year for which they are intended may be carried forward on the Balance Sheet and credited to the income of the year for which they were intended.

page 24, par. 59

- (14) *Donations or Legacies received in the form of Securities.*—These must be treated in the same way as donations or legacies in cash to the amount of the value of the securities received, and the retention of the securities, if decided upon, should be treated as an investment made by the Hospital Authorities out of funds belonging to the Hospital. The value at which such investments should be taken is the middle price of the Stock Exchange quotation on the date of transfer to the Hospital and, when no quotation is available, at a price to be agreed upon with a firm of stockbrokers.
- (15) *Donations entitling Donors to Life Governorships.*—These must not be treated as capital receipts and excluded from the Income and Expenditure Account, unless specifically given by the donor for a capital purpose. They should be included in Ordinary Income under the heading "Donations."

- (16) *Contributions specifically received in reduction of debt.*—Contributions received specifically to reduce General Fund debt must be included in the Income and Expenditure Account under the appropriate heading of Income, *i.e.*, "Donations" or "Legacies," etc., as the case may be. page 18, par. 42
page 21, par. 50

(Contributions to reduce debt on Building or other Capital Account must be regarded as contributions to that Capital Account, and accordingly will be dealt with on the Balance Sheet only.)

No entry in the published accounts in respect of the actual repayment of debt is required.

If there are debts both on general account and on capital account, donations given to reduce debt, without further specification, must be brought into the Income and Expenditure Account and applied to reduce the General Fund debt so long as any portion of that debt remains unpaid.

- (17) *Entertainments for General Purposes.*—Where Festivals, Bazaars, Dinners or other entertainments to raise funds for the general purposes of a Hospital are organised by the Hospital, the gross proceeds and expenses of such entertainments should be entered as an inset under the heading "Entertainments," and the net amount carried into the appropriate column under "I. 1. Subscriptions, Donations, etc." page 4, par. 6
page 14, par. 36

Similar activities conducted by outsiders should be treated as though organised by the Hospital if the Hospital is finally liable for the expenses in the event of the organisers failing to meet them.

Receipts from entertainments organised by sympathisers of a Hospital on their own responsibility should not be entered under this heading but under "Donations," and only the actual amount received by the Hospital should be entered.

- (18) *Gifts in Kind.*—Articles in general use presented to a Hospital which have been purchased by associations or other agencies connected with the Hospital, and items of expenditure paid for by these agencies on behalf of the Hospital, must be entered at their cost on the Income side of the Account under "Gifts in Kind" and on the Expenditure side under the appropriate sub-heading. Similarly, gifts in kind from private donors should be treated in the same way; where the cost is unknown the estimated market value should be entered. page 11, par. 26
page 19, par. 44
page 25, par. 62

The rule is not meant to apply to anything which is not in general use by the Hospital; but where such gifts as game, venison or fruit have saved the Hospital expenditure on other items they should be included at the estimated amount of the savings effected. The rule does not require that in the accounts or in the lists of donations, particulars of the gifts, or the separate value attached to each gift, should be published, so long as the total of all the values is entered under "Gifts in Kind" with an appropriate general description.

Gifts of the nature of capital additions to Property, Buildings or Equipment will, of course, be dealt with on the Balance Sheet and not in the Income and Expenditure Account.

page 8, par. 20
page 9, par. 21

- (19) *Contributions on account of Services to Patients.*—This heading will include all ordinary receipts from any patient or from friends or charitable agencies on their behalf or from their societies or from any other source on behalf of any patient.

Receipts from patients themselves or from friends or charitable agencies on their behalf should be entered under the sub-head "Patients." The only receipts that may be entered under "Donations" are those arising from exceptional voluntary contributions that are in excess of the sums contemplated by the regulations or the practice as to patients' contributions in force at the Hospital.

Any sums received by the Hospital under the National Insurance Act in respect of insured patients, whether as individuals or otherwise, included as such in the statistics of the Hospital, from, or as the result of arrangement with, any insurance authority, approved society, or other agency under the Act should be entered under the sub-head "Approved Societies." Amounts paid voluntarily by individual insured patients should be dealt with under the second section of this paragraph, as a receipt from a patient.

All receipts from Public Authorities for the treatment of patients should be entered under "(b) From Public Authorities."

Grants received from Public Authorities for services to patients should be detailed, showing the amount received from each Authority, with an indication of the nature of the grant (*i.e.*, Phthisis, V.D., etc.). In some instances, in the case of Children's Hospitals, these grants are of a composite nature covering not only Hospital treatment but also educational training of the patients; in such cases the grant should be divided and only the portion given in respect of Hospital treatment should be entered under this heading while the educational portion of the grant should be set against the corresponding school expenditure and only the balance, if any, brought into the Income and Expenditure Account under Extraordinary Income or Expenditure as the case may be.

- (20) *Work done by arrangement with Public Authorities.*—The receipts, payments, and statistics in connection with work done by Hospitals, Convalescent Homes or Consumption Sanatoria by arrangement with Public Authorities should be dealt with in the accounts and statistics in accordance with the following principle :—

- (a) Where the work involves the attendance or admission of a patient at the Hospital or Branch (or attendance on a maternity patient at home by an officer of the Hospital in connection with the treatment of the case)
 - (i) the patient and the attendance (or the occupied bed, as the case may be) should be counted for the purpose of the Statistical Tables;
 - (ii) the expenditure should be treated as expenditure in the Income and Expenditure Account;
 - (iii) any grant received should be treated as income in the Income and Expenditure Account; and should be entered

under the heading "Contributions on account of Services to Patients, (b) from Public Authorities," with an appropriate description.

- (b) Where the work does not involve the attendance of a patient at the Hospital or Branch (or attendance on a maternity patient at home by an officer of the Hospital in connection with the treatment of the case)
 - (i) the patient and the attendance should not be included in the Statistical Tables of the Hospital ;
 - (ii) the amount received should be set off against the expenditure incurred ;
 - (iii) the balance (if any) should be brought into the Income and Expenditure Account as Extraordinary Income or Expenditure.

Where the work done by arrangement with the Public Authority takes the form of the establishment of a new and entirely separate branch which is under the management of the Hospital but the maintenance of which is organically distinct from that of the Hospital, then the method in which the accounts and statistics should be dealt with would depend primarily on whether the work done was in fact part of the work of the Hospital.

In cases falling under (a) above, the whole of the ascertainable income and expenditure in respect of work done during the 12 months January 1st to December 31st should be brought into the Income and Expenditure Account of the Hospital, any contribution not actually received from the Authorities until after December 31st being entered on the Balance Sheet under "Sundry Debtors" ; and any outstanding expenditure under "Sundry Creditors."

- (21) *Education Grants from Public Authorities and Expenditure on Education.*—

page 5, par. 9
page 5, par. 11
page 8, par. 19

(a) Patients' Education. Where a Children's Hospital or Convalescent Home receives from a Public Authority a grant for the Hospital Treatment and Education of the Children, that portion of the grant given to cover the cost of Teaching should be set against the School Expenditure, and only the balance, if any, in respect of the educational work brought into the Income and Expenditure Account of the Hospital under Extraordinary Income or Expenditure as the case may be. That portion of the grant received for Hospital treatment should be shown under "Contributions on account of Services to Patients (b) From Public Authorities."

(b) Staff Education. (1) Midwifery Pupils : The proportion of the training fees paid by a Public Authority should be brought into the Income and Expenditure Account of the Training School in the same way as that part of the fee received from the pupils themselves, but stated separately. As the Income and Expenditure Account should show the actual expenditure for the year dealt with by the account, the whole of the fees covering the actual training given during the year of the account, and only that amount, should be

brought into Income. Any portion of the fees not received will appear on the Balance Sheet under Debtors, while in the case of fees paid in advance the proportion representing any uncompleted period of training at the end of the accounting year will be carried forward and appear on the Balance Sheet under Creditors.

(2) Nurses: Some Hospitals receive grants from Public Authorities in respect of certain subjects included in the training curriculum given at these Hospitals to their nurses. Such grants should be deducted from the expenditure on the subjects taught in respect of which the grants were given before the cost of training the nurses is brought into the Income and Expenditure Account of the Hospital.

page 5, par. 9

- (22) *Receipts on account of Services to the Public.*—Moneys received for services to persons who are not patients of the Hospital should be applied in payment of the cost of providing such services. If the money received exceeds the cost of providing the service paid for, the excess should be brought in as income under "Other Receipts." In no case should the expenditure of the Hospital be reduced below what would have been incurred for providing the necessary services to the Hospital's own patients if no work had been done for other parties.

page 19, par. 44
pages 42 to 43

- (23) *Invested Property.*—This heading will include all interest or dividends from Hospital Endowments as well as from Investments held for General Fund. All such income should be brought in gross, *i.e.*, before deduction of, or after adding back, income tax. It will also include, stated separately, all income payable to the Hospital (for its general purposes) under a trust deed out of funds the capital of which is not the property of the Hospital. But where such income is paid to the Hospital at the discretion of the trustees, then it should not be entered under "Invested Property, etc." but under "I. Voluntary Gifts; 1. Subscriptions, Donations, etc.," being treated in every respect like any other donation, and therefore being regarded as income of the Hospital only after receipt.

It will also include the balance of income over expenditure derived from landed property belonging to a Hospital. Where administrative expenses in respect of an estate are incurred, a separate Estate Account, giving details of the expenditure which has been set off against the income, should be published with the Income and Expenditure Account.

page 10, par. 23

- (24) *Discretionary Bequests.*—Bequests allocated to the General Fund of the Hospital by executors under discretionary powers should be entered as "Legacies," stated in a separate sub-head if desired.

II.—Expenditure.

- (25) An Index of Classification is issued as a separate publication. This gives detailed instructions as to the proper headings to which

expenditure should be charged. The following paragraphs deal with the more general instructions.

- (26) *Stocks on Hand*.—As the Expenditure to be brought into the Income and Expenditure Account should relate only to the year covered by the Account, it follows that in the case of consumable stores, such as Provisions, Drugs, Fuel, etc., stocks should be taken into account so that the amount entered as Expenditure in the Income and Expenditure Account represents the actual consumption during the year and not simply the Purchases.* Stocks should be valued at their cost price.

The question of what stocks should be included in the accounts should be decided in accordance with the principle that the expenditure entered in the Income and Expenditure Account should reflect, as between one year and another, the actual consumption during a year as accurately as possible. In general, the stocks of all commodities of which a continuous record of receipts and issues is kept, should be brought into account. There are, however, numerous items, such as "Pepper" and other Grocery and Domestic sundries, the consumption of which is more or less negligible, and in these cases the purchases made during the year may usually be treated as having been entirely consumed; but should any unusually large purchase of any such item have been made and a considerable stock be left at the end of the year, it should be included in the stocktaking. In most cases stocks will consist only of unissued stores.

Postage and Insurance Stamps should be regarded as "Cash in hand."

In the case of loss of stores by fire the amount recovered and recoverable by insurance should be deducted from the total expenditure on such stores.

- (27) *Sales of Waste*.—Receipts from the sale of Kitchen Waste, Empties, etc., are not to be treated as Income, but must be deducted from the heading to which the original expenditure was charged. If the proportion of the amount received which should be allocated to the respective headings of expenditure concerned cannot be exactly determined, as accurate an allocation as possible should be made.

* Stocks at the beginning of the year will be added to Expenditure, and stocks at the end of the year deducted. A Hospital bringing in stocks for the first time must bring them into account for both the beginning and the end of the year under review, as otherwise the Income and Expenditure Account would not show the true expenditure during the year. This will necessitate an adjustment on the Balance Sheet, which should be shown thus:—

CAPITAL ACCOUNTS—

(d) General Fund—

Balance as per last account	...	...	...	£	:	:
Add :—Stocks of unissued Stores on hand at close of last account	...	...	...	£	:	:
Adjusted Balance at beginning of year	...	...	...	£	:	:

(28) *Refund of Spirit Duty.*—At the end of the year the amount recoverable should be calculated and deducted from the corresponding item of expenditure in the Income and Expenditure Account and the amount carried forward under the heading "Sundry Debtors" on the Balance Sheet.

(29) *Sundries.*—The sub-headings "Sundries" should be used as little as possible. Important exceptional expenditure which cannot be appropriately grouped with one of the existing sub-heads should be detailed under "Sundries," but should still be kept within the most appropriate main heading.

page 5, par. 10
pages 46 to 47

(30) *Laundry.*—The expenses of all Laundry work, whether done by an outside contractor or by the Hospital itself, will be entered under "Domestic ; 2. Laundry." Where any or all of the Laundry is done by the Hospital, a special account entitled "Laundry Account," giving details of the total cost (calculated, if necessary, by estimates and apportionments) of the Washing done on the Hospital premises may be added as a subsidiary account.

page 5, par. 10
page 12, par. 32
page 26, par. 63

(31) *Renewals and Repairs.*—All expenditure upon structural renewals and repairs, whatever the amount of such expenditure, must be included in Ordinary Expenditure, and no renewals or repairs are to be entered under Extraordinary Expenditure, or to be treated as Capital Expenditure.

Expenditure which is necessary for the ordinary upkeep and working of an Institution does not become "extraordinary" because it happens to be exceptional in amount in a particular year—whether exceptionally large or exceptionally small. Similarly, expenditure which only restores the building or equipment, and does not improve upon its original condition, does not become capital expenditure because it is exceptionally large in amount. There is no objection, however, to the addition of a footnote explaining the cause of any exceptionally large expenditure under the heading "Renewals and Repairs."

Before deciding the always difficult question how expenditure which includes necessary outlay on repairs and renewals, together with the cost of additions or other manifest improvements to the property of a Hospital, should be apportioned as between "Ordinary Expenditure" and "Land, Buildings and Equipment," a reliable report should be obtained by the Hospital Authorities setting forth the extent and value of the permanent addition to the property of the Hospital.

The reinstatement of property damaged by fire, not being part of the ordinary upkeep of the institution, should be dealt with on the Balance Sheet.

page 5, par. 10
page 12, par. 31
pages 40 to 49

(32) *Hospitals with Works Departments.*—In the case of Hospitals with works departments the chargeability of the expenditure of such

departments will depend on whether the expenditure is in connection with (A) Maintenance items (including Renewals and Repairs), or (B) Building Additions or Improvements or other Capital operations, viz. :—

(A) *Direct Labour employed on maintenance items.*—Where a Hospital uses its own labour (1) to carry out any operation which at other Hospitals is carried out by contract, or (2) to make any article which at other Hospitals is purchased, the whole of the expenditure on such operation or article is to be charged to the heading to which the operation is carried out by contract or the article if purchased would be charged.

(B) *Direct Labour employed on Building Additions or Improvements, or other Capital operations.*—Since the cost of all Building Additions or Improvements, additions to Equipment, or other capital expenditure is excluded from the Income and Expenditure Account by the rules of the Revised Uniform System, it follows that where such Capital operations are carried out by means of a Works Department the expenditure incurred in respect of such operations should be excluded from the Income and Expenditure Account and be charged on the Balance Sheet, under the appropriate heading, e.g. "6. Land, Buildings and Equipment of the Hospital," or "5. Investments," if for the Estate of the Hospital.

The total cost of a Works Department or Departments must be shown in a subsidiary account or accounts.

- (33) *Salaries and Wages.*—*Payments under the National Insurance and Pensions Acts.*—Insurance Stamps (Health, Unemployment and Pensions) used should be debited as follows :—

The proportion representing contributions of employed contributors deducted from the wages of such contributors should be charged to the appropriate sub-head of "Salaries and Wages (Maintenance)" or to "Administration—Salaries," etc., as the case may be; in the former case each sub-head of "Salaries and Wages" will be charged with the total of the contributor's proportion of Stamps used in respect of the employees covered by the sub-head.

The proportion representing employers' contribution should also be charged to the same sub-head of "Salaries and Wages" as the employee's contribution or to "Administration—Salaries," etc.

- (34) *Administration.*—*Law Charges.*—Law Charges in connection with the income, the administration or the maintenance of a Hospital must be included in the Income and Expenditure Account under "Administration 5. Law Charges"; Law Charges in connection with the acquisition or disposal of property, being Capital expenditure, should be dealt with on the Balance Sheet. page 24, par. 59

- (35) *Finance.*—*Interest.*—Interest paid for loans to the General Fund of a Hospital is to be treated as Ordinary Expenditure and shown under

"Finance 1. Interest." Interest on loans borrowed on behalf of the Building Fund or other Capital Account must be treated as ordinary expenditure while the interest received on Building Fund moneys should be added to the Building Fund in the absence of any stipulation to the contrary being attached to the gift.

page 7, par. 17

(36) *Expenses of Appeals.*—

(A) Carried out by the Ordinary Staff:—

Where appeals for the General Fund or for Buildings, Equipment, Endowment, or any similar capital purposes are carried out by the ordinary staff of the Hospital as part of the ordinary duties, the whole of the expenses, except those of Entertainments, should be charged against "Appeals" under the heading "Finance" and no portion of such expense should be charged against the Building or other special fund to be benefited, or taken out of the donations or subscriptions specifically given for the capital purpose. In the case of "Entertainments" the expenses should be shown as a deduction from the receipts.

(B) Carried out by a Special Staff:—

(i) Where a separate staff or department has been organised to raise funds for a specific scheme of Extension, Building or Equipment by an appeal quite distinct from the ordinary appeals of the Hospital, the expenses should be charged against the receipts and only the net proceeds carried direct to the Balance Sheet as an addition to the Capital Account, which should have a page reference to the appeal account which must be published giving the details of the receipts and the expenses.

No part, however, of the normal expenditure of the Hospital should be charged to this Special Appeal, even although a portion of the ordinary time of the general staff has been devoted to the work.

(ii) In all other cases appeals by a special staff, whether for general or capital purposes, must be dealt with in the accounts as if the appeal had been carried out by the ordinary staff and should, therefore, be included in the Income and Expenditure Account as shown in (A) above.

page 27, par. 64

(37) *Contributions to Other Institutions.*—Where a Home of Recovery, Convalescent Home, or similar Branch is run by the Hospital, whether with or without the aid of a local committee, the deficit, if any, on the working of the Branch for the year should be shown in the Income and Expenditure Account of the Hospital under "Extraordinary Expenditure: Contributions to other Institutions." In no case should the grant from the Hospital exceed the amount required to meet the deficit.

- (38) *Totals and Balance.*—Attention is directed to the grouping of the items in the Income and Expenditure Account, so as to show the totals of the various classes of Income and Expenditure. The balance of the Income and Expenditure Account should also be stated as shown on the form, in which provision for it is made necessarily on both sides in order to provide for either a surplus or a deficit as the case may be.
- (39) *Form of Income and Expenditure Account.*—The following is the pages 16 to 17 prescribed form of the Income and Expenditure Account :—

Revised Form,

NOTE.—Words in *Italics* are explanatory and are not intended to be printed. For furtherReferences
pars.

ORDINARY.		INCOME.		£	s.	d.
I. Voluntary Gifts.						
6, 13	1. SUBSCRIPTIONS, DONATIONS, ETC. :—					
14, 15 & 16	Annual Subscriptions (see page )	...	...	£
	Donations (see page )	...	...	£
17	Box Collections (see page )	...	...	£
	Entertainments—Gross Receipts	...	...	£
	Less Expenses	...	...	£
18	Gifts in Kind	...	...	£
	Other Voluntary Gifts	...	...	£
	(Large items should be detailed.)					
16	2. CENTRAL FUNDS :—					
	King Edward's Hospital Fund	...	...	£
	Hospital Sunday Fund	...	...	£
	Hospital Saturday Fund	...	...	£
	Other Central Funds	...	...	£
	(To be detailed.)					
II. Receipts on Account of Services rendered.						
19, 20, 21 & 22	1. CONTRIBUTIONS ON ACCOUNT OF SERVICES TO PATIENTS :—					
	(a) From Patients and their Societies—					
	Patients	...	...	£
	Hospital Contributory Associations	...	...	£
	Approved Societies	...	...	£
	Other Sources	...	...	£
	(b) From Public Authorities					
	(To be detailed.)					
11	2. FEES :—					
	Nurses' and Probationers' Fees	...	...	£
	Other Fees	...	...	£
22	3. OTHER RECEIPTS					
	(To be detailed.)					
23 5 & 35 5 and page 42	III. Invested Property.					
	Interest, Dividends, etc...	...	...	£
	Rents	...	...	£
				Ordinary Income		
				£		
EXTRAORDINARY.						
14, 16 & 24	I. Legacies					
	II. Other Extraordinary Income					
				Extraordinary Income		
				£		
				Total Income		
				£		
48	Balance, being excess of Total Expenditure over Total Income for the Year					
				£		

NOTE.—The £s entered on this form are to indicate where

for the Year to the 31st December, 19

17

January, 1926.

explanations, see pages 4 to 15, and references in margin below.

References pars.	EXPENDITURE.	£	s.	d.
	ORDINARY.			
26 & 27	I. Provisions.	£		
26 & 27 28	II. Surgery and Dispensary.			
	1. Drugs, Chemicals, Disinfectants, etc.	£		
	2. Dressings, Bandages, etc.	£		
	3. Instruments and Appliances	£		
	4. Wines and Spirits	£		
29	5. Salaries and Wages of Dispensing Staff ...	£		
	6. Sundries ...	£		
26 & 27 31 & 32 30	III. Domestic.			
	1. Renewal and Repair of Furniture, Bedding, Crockery, etc.	£		
	2. Laundry ...	£		
	3. Cleaning and Chandlery ...	£		
	4. Water... ..	£		
	5. Fuel, Lighting, Heat and Power ...	£		
29	6. Uniforms ...	£		
	7. Sundries ...	£		
12 & 33	IV. Salaries and Wages (Maintenance).			
	1. Medical ...	£		
	2. Nursing ...	£		
	3. Other Officers and Employees ...	£		
	4. Pensions ...	£		
26 & 27	V. Miscellaneous.			
	1. Printing, Stationery, Postages, Telephones, etc.	£		
	2. Advertisements ...	£		
	3. Insurance of Buildings, Equipment, Stores, etc.	£		
29	4. Garden ...	£		
	5. Sundries ...	£		
12 & 33	VI. Administration.			
	1. Salaries ...	£		
	2. Pensions ...	£		
	3. Printing, Stationery, Postages, Telephones, etc.	£		
34	4. Advertisements ...	£		
	5. Law Charges ...	£		
29	6. Auditors' Fee ...	£		
	7. Sundries ...	£		
31 & 32	VII. Establishment :			
	Renewals and Repairs to Buildings and Plant ...	£		
5 & 35 12, 13, 35 & 36 5 5	VIII. Finance.			
	1. Interest ...	£		
	2. Appeals ...	£		
	3. Rent ...	£		
	4. Rates and Taxes ...	£		
	Ordinary Expenditure	£		
	EXTRAORDINARY.			
37	I. Contributions to other Institutions	£		
	(To be detailed.)			
	II. Other Extraordinary Expenditure	£		
	Extraordinary Expenditure	£		
	Total Expenditure	£		
48	Balance, being excess of Total Income over Total Expenditure for the Year	£		

the figures should be entered, and need not be printed.

II.—THE BALANCE SHEET.

- (40) The form of Balance Sheet which must be published will be found on page 28.

- (41) The headings and sub-headings should be stated in the wording of the form, but may be omitted where there are no appropriate figures against them.

If it is desired to publish more details than the form provides for, they should be given in an inner column so as to cast to one or other of the sub-heads. Sufficient detail should be given to enable the Liabilities and Assets of each fund to be readily ascertained.*

Liabilities.

page 21, par. 50
page 24, par. 57
page 25, par. 62

- (42) *Loans to Hospital.*—All loans to the Institution remaining unpaid at the end of the financial year should appear in detail under this heading, distinguishing the Funds in respect of which the loans were incurred and stating whether secured or unsecured. Mortgage debt on the Hospital buildings should be separately stated and described as such.

Bank Overdraft should appear under: "Loans to Hospital," and not under "Sundry Creditors." If on December 31st there is an overdraft and also cash in hand, both items should be shown in full under their respective headings, and one should not be deducted from the other.

If amounts have been lent from one Fund of the Hospital to another, the loan should appear on the left-hand side of the Balance Sheet under the name of the Fund to which the loan has been made, and on its right-hand side under "Internal Loans" as an asset of the Fund from which the loan has been made. The wording should show clearly which Fund is the borrower and which the lender.

Income moneys (such as dividends, rents, or a proportion of other General Fund receipts) applied to the repayment of debt are not to be excluded from the income side of the Income and Expenditure Account. Their subsequent application to the repayment of debt will be dealt with on the Balance Sheet, but an explanatory footnote may be printed on the Income and Expenditure Account if desired.

The repayment of loans does not affect the Capital Accounts. The reduction in the amount of the loan on the left-hand side of the Balance Sheet is balanced by a corresponding reduction in the amount of the securities or cash of the Fund which makes the repayment. In

* Two points should receive careful attention in framing the Balance Sheet. The first is, to link it up with the preceding Balance Sheet and so make it a self-contained record of any changes that may have taken place in the Capital Liabilities and in the Expenditure on Land, Buildings and Equipment, by stating separately the balances on these accounts brought forward from the previous year. The other point is, that the Balance Sheet is a summarised statement of Assets and Liabilities, and should, therefore, be kept free from all unnecessary details which should rather be stated on schedules to the Balance Sheet, the latter containing page references to these schedules.

the case of a loan between two Funds the reduction or disappearance of the loan shown as an asset of the lending Fund (*i.e.*, under Internal Loans) is balanced by an increase of securities or cash under the lending Fund.

In the case of a General or a Building Fund debt, where periodical payments are made representing both interest and repayment of debt, that portion of a payment which represents interest will be entered in the Income and Expenditure Account, while that part which represents repayment of debt will be dealt with on the Balance Sheet.

(43) *Debts on Building Account.*—Debts on the Building Account, whether

ATTENTION is more especially drawn to the following paragraphs, which contain either new regulations or explanatory additions to existing regulations.

II. BALANCE SHEET.

PARAGRAPH	SUBJECT
42	Loans to Hospital.
48	Capital Account (D) General Fund.
49	Capital Account (E) Suspense Funds.
50	Transfers from General Fund to Building Fund.
51	Building Fund Accounts.
53	Gifts for Alternative or Deferred Purposes.
55	Stocks on Hand.
57	Internal Loans.
58	Investments.
63	Loss by Fire.
64	Special Trusts.
Page 28	Form of Balance Sheet.

page 10, par. 23
page 14, par. 36

	11,500	0	0	
Less Transfer to Buildings and Equipment Fund...	1,000	0	0	10,500 0 0

A detailed list of donations and legacies to Capital Account should be published in the Annual Report, and this list should be cast to agree with the entries on the Balance Sheet, which should contain a page reference to the lists. Example :—

CAPITAL ACCOUNTS.

(c) Buildings and Equipment Fund—	£	s.	d.	£	s.	d.
Balance as per last Account	10,000	0	0			
Add Donations received during the year						
(see page)...	1,010	10	0			
.. Transfer from General Fund...	1,000	0	0			
				12,010	10	0

Only funds under the control of the Governing Bodies (whether held in the name of the Institution or its Trustees or by the Charity Commissioners on its behalf) should be included under these headings.

If the Hospital derives an income from a fund which is not under the control of the Governing Body but which is held for the

II.—THE BALANCE SHEET.

(40) The form of Balance Sheet which must be published will be found on page 28.

(41) The headings and sub-headings should be stated in the wording of the form, but may be omitted where there are no appropriate figures against them.

If it is desired to publish more details than the form provides for, they should be given in an inner column so as to cast to one or other of the sub-heads. Sufficient detail should be given to enable the Liabilities and Assets of each fund to be readily ascertained.*

page 21, par. 50
page 24, par. 57
page 25, par. 62

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the lender.

Income moneys (such as dividends, rents, or a proportion of other General Fund receipts) applied to the repayment of debt are not to be excluded from the income side of the Income and Expenditure Account. Their subsequent application to the repayment of debt will be dealt with on the Balance Sheet, but an explanatory footnote may be printed on the Income and Expenditure Account if desired.

The repayment of loans does not affect the Capital Accounts. The reduction in the amount of the loan on the left-hand side of the Balance Sheet is balanced by a corresponding reduction in the amount of the securities or cash of the Fund which makes the repayment. In

* Two points should receive careful attention in framing the Balance Sheet. The first is, to link it up with the preceding Balance Sheet and so make it a self-contained record of any changes that may have taken place in the Capital Liabilities and in the Expenditure on Land, Buildings and Equipment, by stating separately the balances on these accounts brought forward from the previous year. The other point is, that the Balance Sheet is a summarised statement of Assets and Liabilities, and should, therefore, be kept free from all unnecessary details which should rather be stated on schedules to the Balance Sheet, the latter containing page references to these schedules.

the case of a loan between two Funds the reduction or disappearance of the loan shown as an asset of the lending Fund (*i.e.*, under Internal Loans) is balanced by an increase of securities or cash under the lending Fund.

In the case of a General or a Building Fund debt, where periodical payments are made representing both interest and repayment of debt, that portion of a payment which represents interest will be entered in the Income and Expenditure Account, while that part which represents repayment of debt will be dealt with on the Balance Sheet.

- (43) *Debts on Building Account.*—Debts on the Building Account, whether under “Sundry Creditors” or under “Loans to Hospital,” should be shown separately from debts on the General Account, so that the Balance Sheet may show the financial position of the Building Fund as distinct from that of the General Fund and the contingent liability of the General Fund in respect of expenditure on Buildings and Equipment.

- (44) *Capital Accounts:* (A) *Hospital Endowments*; (B) *Special Funds*; (C) *Buildings and Equipment*; (D) *General Fund*; (E) *Suspense Funds*. page 10, par. 23
page 14, par. 36

—Under each of these sub-heads the amount of the Capital Accounts in question at the beginning of the year, and the amounts received during the year, whether specially given by donors to the Capital Account or transferred thereto from one of the other Funds, or (in the case of D) carried thereto from the Income and Expenditure Account, should be set forth separately, and added together to give the amount of the Capital Account at the end of the year. Example:—

CAPITAL ACCOUNTS.

				£	s.	d.	£	s.	d.
(D) General Fund—									
Balance as per last Account	...	...	...	10,000	0	0			
Add Excess of Income over Expenditure for the year...	...	...	...	1,500	0	0			
				11,500	0	0			
Less Transfer to Buildings and Equipment Fund...	...	...	...	1,000	0	0			
							10,500	0	0

A detailed list of donations and legacies to Capital Account should be published in the Annual Report, and this list should be cast to agree with the entries on the Balance Sheet, which should contain a page reference to the lists. Example:—

CAPITAL ACCOUNTS.

				£	s.	d.	£	s.	d.
(C) Buildings and Equipment Fund—									
Balance as per last Account	...	...	...	10,000	0	0			
Add Donations received during the year (see page )...	...	...	...	1,010	10	0			
„ Transfer from General Fund...	...	...	...	1,000	0	0			
							12,010	10	0

Only funds under the control of the Governing Bodies (whether held in the name of the Institution or its Trustees or by the Charity Commissioners on its behalf) should be included under these headings.

If the Hospital derives an income from a fund which is not under the control of the Governing Body but which is held for the

benefit of the Hospital, the amount and nature of such fund or funds should be stated in a footnote to the Balance Sheet.

page 19, par. 44
page 23, par. 53
page 26, par. 64

- (45) *Capital Account: (A) Hospital Endowments.**—This heading is intended for Funds which are subject to trusts attached by the original donors whereby the capital of the Fund cannot be spent, while the income is to be applied to the general purposes of the Hospital or some part thereof and is therefore carried to the Income and Expenditure Account. The heading, therefore, includes not only endowments given for the Hospital generally but also bed or cot endowments, endowments for special departments, and funds of which the income is to be applied to upkeep of buildings or equipment or to any other branch of maintenance expenditure.

The distinction between Hospital Endowments, the capital of which cannot be spent, and General Fund, of which both the capital and the income may be applied to general purposes, is essential to any comparison between the financial positions of different Hospitals.

page 19, par. 44
page 23, par. 53
page 26, par. 64

- (46) *Capital Account: (B) Special Funds.*—This heading is intended for Funds subject to trusts in accordance with which the Capital or the Income (as the case may be) is to be applied to purposes outside the general purposes of the Hospital (*e.g.*, Samaritan Fund, Convalescent Home, etc.) and is therefore not carried to the Income and Expenditure Account.

Any balances in respect of the income from these Special Funds will appear on the Balance Sheet under the heading provided for that purpose.

page 14, pars. 35 & 36
page 19, par. 44
page 21, par. 50
page 22, par. 51
page 23, par. 53
page 26, par. 64

- (47) *Capital Account: (C) Buildings and Equipment.*—This sub-heading is intended to provide for the statement thereunder of all funds specifically subscribed, given, or bequeathed, for the above purposes. It provides also for such funds as, in the discretion of the Governing Body, have been transferred for these purposes from the General Fund of the Hospital. Any such transfer from General Fund should be stated separately.

Interest on Building Fund moneys should be added to the Capital Account.

Where there is more than one Fund open for Building, Equipment, Extension, etc., full information should be shown in a schedule attached to the accounts, and the Balance Sheet should show only the

* As the term "endowment" is used throughout the Revised Uniform System to signify a fund which is subject to a special trust, attached by the donor, for the retention of the Capital by the Hospital, it is desirable that in the Annual Reports or other documents issued by Hospitals, whether in appealing for donations or in publishing lists of special wards, beds or cots, the use of the term "endow" and its derivatives (as distinguished from such terms as "name") should be confined to cases where the existence of such special trusts is implied or intended. This would tend to ensure that the phraseology of the documents inviting or recording donations should correspond with that of the headings of the accounts under which such donations are classified, and thus to avoid a possible source of misunderstanding. In view, however, of the wider use of the term "endowment" by the Charity Commissioners (following the Charitable Trusts Acts), and their narrower use of such terms as "maintain," "support," etc., this foot-note is not intended to contain an absolute direction on the subject, except as regards the Balance Sheet itself.

total brought forward from the previous year, the total receipts and transfers for the year and the new total of all the Building and Equipment Funds as a whole.

- (48) *Capital Account: (p) General Fund.*—This sub-heading is intended for the statement thereunder of accumulations derived from time to time from surpluses of the Income of the Hospital over its Expenditure. The balance from the Income and Expenditure Account will be added to this Fund if a surplus or deducted if a deficit.

page 19, par. 44
page 21, par. 50

The balance of the Income and Expenditure Account must be carried intact to the Balance Sheet, and any appropriations therefrom should be dealt with on the Balance Sheet as transfers from the General Fund.

If there is a net deficit on General Fund this heading will appear on the other side of the Balance Sheet.

- (49) *Capital Account: (e) Suspense Funds.*—This sub-heading is intended to provide for the statement thereunder of any Capital Funds the final destination of which is temporarily in suspense; it should contain, stated separately, "Donations subject to Life Annuities" and "Gifts for Alternative or Deferred Purposes," both of which are dealt with in later paragraphs. As soon as the uncertainty which necessitated the placing of a Fund under this sub-head has disappeared the Fund should be transferred in accordance with the original instructions of the donor.

page 19, par. 44
page 22, par. 52
page 23, par. 53

- (50) *Transfer to Building Fund of General Fund Moneys expended on Buildings or Improvements.*—If it is intended ultimately to raise funds to provide for expenditure on Buildings or Improvements, and if, therefore, the application of General Fund moneys to the purpose can be regarded as merely temporary, the Building Fund could properly be shown as over-expended, and the balance to the credit of the Capital Account "(c) Buildings and Equipment" would amount to a sum less than the expenditure on the buildings. If, on the other hand, there is no intention of raising funds to meet such expenditure, and it is intended to apply a portion of the General Fund permanently to this purpose, then the amount it is proposed so to apply should be transferred on the Balance Sheet from the credit of the Capital Account "(p) General Fund" to the credit of the Capital Account "(c) Buildings and Equipment." No such transfer should be made until after the expenditure has actually been met from General Fund.

page 26, par. 64

A transfer from the General Fund to the Building Fund can only be made if there is a sufficient balance standing to the credit of the General Fund on the Balance Sheet. If there is no sufficient surplus on the General Fund, the Capital Account for Buildings and Equipment will appear as over-expended for the time being.*

* While the Revised Uniform System does not absolutely require that the relations between the General Fund and the Building Fund should be adjusted by a transfer whenever possible, it is desirable that the transfer should take place as soon as the two conditions mentioned are present, viz: when there is no intention of raising funds specially to meet the deficit on the Building Fund, and when there is a sufficient surplus on the General Fund.

page 19, par. 43
page 20, par. 47
page 23, par. 54
page 24, par. 58
page 25, par. 62

- (51) *Building Fund Accounts*.—The instructions herein provide that the whole of the funds and debts in respect of Buildings and Equipment should appear on the left-hand side of the Balance Sheet, and the whole expenditure, together with any balance not yet expended, on the other side. There is no objection to the publication, in addition, of a Building Fund Account, giving a detailed statement of the amounts received for the Building Fund and the cost of Buildings, Equipment, etc.

Where any considerable scheme of extension or improvement is in progress, a separate Building Fund Account must always be published.

page 6, par. 14

- (52) *Donations or Legacies subject to Life Annuities*.—The method of dealing with a donation subject to a life annuity will depend on whether the annuity exhausts the income from the donation or legacy or is relatively small.

(a) Where the annuity equals or exceeds the immediate income from the donation or legacy.

The gift should appear on the left-hand side of the Balance Sheet under "Capital Accounts: (E) Suspense Funds, Donations subject to Life Annuities." The investment representing the gift should appear on the right-hand side of the Balance Sheet under the heading "Investments: (E) For Suspense Funds."

If in any year the interest received be in excess of the annuity, the excess will be brought into the Income and Expenditure Account under "Invested Property" if the donation was given for either Endowment or General Fund, or will be added to the Capital Account of the Fund concerned if given for Building or a Special Fund.

If the annuity exceeds the interest received, the excess should each year be deducted from the amount shown under "Donations subject to Life Annuities" on the Balance Sheet, and a corresponding realisation should be made of the Investments held for Suspense Funds.

On the death of an annuitant, or on the cessation of the annuity from any other cause, the balance of the Fund representing the original donation should be transferred to the Fund indicated by the original agreement, *i.e.*, if given ultimately for endowment or building it should be transferred to the Capital Account for "Hospital Endowments" or Capital Account for "Buildings and Equipment"; but if given subject to no such stipulation, it should be carried to the Income and Expenditure Account and treated in the ordinary way as a donation or a legacy, as the case may be.

(b) Where the annuity is less than the immediate income from the donation or legacy.

If the donation or legacy is subject to a trust for the retention of the capital, the whole of the gift should be entered on the Balance Sheet under the Fund for which it was given. The annual amount should be deducted from the income of the gift before the income is

carried to the Income and Expenditure Account or other Fund, as the case may be.

If the donation or legacy is to the General Fund, a portion of the gift sufficient to yield an annual return equal to the annuity should be deducted from the gift and be treated in accordance with paragraph (a) above, the balance of the donation or legacy being carried immediately to the Income and Expenditure Account in the ordinary way.

- (53) *Gifts made for alternative or deferred purposes.*—Sometimes a donor or testator attaches to a gift trusts which give the Hospital the power of applying the gift to one or more of various specified purposes of the Hospital (*e.g.*, the "construction, maintenance or endowment of a ward"). Sometimes a gift is to be applied to a particular maintenance purpose (either solely or as one of specified alternative purposes) and the amount that is spent in the year of receipt is less than the total of the gift (*e.g.*, the provision of a salary for some specified post). page 5, par. 7
page 26, par. 64

Where the circumstances are such that it is desirable that the balance remaining unapplied at the end of the year should be shown separately on the Balance Sheet, the original gift should be carried to Capital Accounts (E) Suspense Funds, with an appropriate description indicating generally the nature of the trusts. When any part of the gift is spent in any year, the amount so spent should be deducted from the Suspense Fund and carried to the Income and Expenditure Account (if the charge is of an ordinary or maintenance character) or to the Capital Account (c) For Buildings and Equipment (if the outlay is for that purpose) and the asset representing the unexpended balance should be shown under a corresponding sub-head of Cash or Investments, as the case may be, on the right-hand side of the Balance Sheet. If any part of it is finally and irrevocably applied to Endowment, that part should be deducted and carried to Capital Accounts (A) Hospital Endowments.

If the gift is solely for additions to buildings or equipment, it will, of course, be carried direct to Capital Account (c) Buildings and Equipment, whether spent at once or at some future time.

Assets.

- (54) *Cash at Bank and In Hand.*—The sub-headings must correspond with the sub-headings of the Capital Accounts, and show all the cash at bank (whether on Deposit or Current Account) and cash in hand.

- (55) *Stocks on Hand.*—This heading will show the value of unissued stores on hand, which should have been valued at cost and the amount of which should have been deducted from the expenditure under the respective headings in the Income and Expenditure Account. Only page 11, par. 26

the total value of the stocks should be shown on the Balance Sheet. Stocks held in respect of expenditure on "Land, Buildings & Equipment of the Hospital" should not be brought in as stocks on hand, but should be regarded as expenditure incurred during the year under that heading.

- (56) *Sundry Debtors*.—This heading will contain all debts due to the Hospital, shown under the respective Funds to which they are due.

page 18, par. 42

- (57) *Internal Loans*.—Loans made from one Fund of the Hospital to another should appear under this heading, showing clearly the Fund making the loan and the Fund to which the loan is made, thus :—

INTERNAL LOANS.

W Fund: Loan to X Fund...	...	...	£10,000	
" " Y Fund...	...	...	5,000	
				£15,000
Z Fund: " " Y Fund...	...	...		173
				£15,173

- (58) *Investments*.—The sub-headings must correspond with the sub-headings of the Capital Accounts, and show all the investments held on behalf of the respective Funds. It is the practice to give a general description of the Investment, such as the number of shares, the nominal amount and character of the stock held, together with the value as determined in accordance with paragraph 59 below.

It is recommended that these particulars, if numerous, should not be set out on the Balance Sheet, but in a Schedule on another page of the Accounts, to which reference should be made on the Balance Sheet. The totals of the various investments held in respect of each Fund will then appear on the Balance Sheet, and the names and amounts of the investments will be set out in the Schedule, which should be subdivided so as to show totals corresponding with the separate headings on the Balance Sheet.

The Investments held for Hospital Endowments and Special Funds plus the corresponding cash balances (and Internal Loans and Debtors, if any) should equal the amount of the Funds under Capital Accounts and Income Balances on the opposite side of the Balance Sheet.

page 13, par. 34

- (59) *Investments: Valuation and Depreciation*.—It is desirable to state each Investment at the cost price including expenses of transfer, except in cases where important depreciation believed to be of a permanent character has taken place, when the cost price may be written down and the security stated at the lower value. In such cases the corresponding Capital Account should be written down by a similar amount and no entry in respect of depreciation should be made in the Income and Expenditure Account.

Any adjustment of the Capital Accounts for the revaluation of investments should be separately stated on the Balance Sheet.

The basis of valuation should be stated, either on the Balance Sheet or on the Schedule, thus : "Valued at cost"; "Valued at date of receipt"; "Valued at December 31, 19 ", etc., etc., as the case

may be. The market value of the total investments of the General Fund should be noted on the Schedule of Investments.

- (60) *Investments: Profit or Loss on Sale.*—Any surplus or deficiency resulting from the realisation of any investment must not be treated as an addition to the year's income or expenditure on the Income and Expenditure Account, but should be treated as an addition to, or reduction of, the Fund in respect of which the investment was held, and is to be shown on the Balance Sheet. Where more than one realisation in any Fund has taken place during the year only the net gain or loss need be shown.

- (61) *Investments: Landed Property and Estates.*—Landed property and estates (other than the land and buildings of the Hospital itself or used or intended for Hospital purposes) should be included under the appropriate sub-heads of "Investments," and not under "Land, Buildings, and Equipment of the Hospital." If the landed property and estates are held for the general purposes of the Hospital, and not subject to any special trust or endowment, they will be stated under the sub-heading "(d) For General Fund," or, if not so held, under the sub-heading in respect of which they are held.

If information as to the cost of such estates is not available, a footnote should be added, to the following effect:—

"No value is attached for Balance Sheet purposes to the following property
"held for.....Fund."

- (62) *Land, Buildings and Equipment of the Hospital.*—The sub-heading, page 12, par. 31
"Expenditure from.....19.....to 31st December, 19.....," should show the cost of the Land, Buildings and Equipment from the foundation of the Hospital to the end of the year preceding that being dealt with, in so far as the records will enable the statement to be made.

In cases where the necessary information is not now available the following note or a modification thereof, will be necessary:—

"The cost of the following property is not included on the Balance Sheet—

"The Site, Buildings, Furniture, and appliances of the Hospital acquired
"prior to....."

The sub-heading, "Expenditure during the year to.....19....." is provided to enable the expenditure on additions to Land, Buildings, Equipment, etc., during the year under review to be set out under convenient headings.

Expenditure upon the improvement of leasehold premises should be dealt with in the same way; any provision that may be necessary for the decreasing value of the asset being made in accordance with the following remarks.

As the amount of Depreciation which may occur yearly in the fabric and equipment of Hospitals depends upon the strength and character of their construction, it is impossible to suggest percentages which would uniformly apply; therefore it is assumed that the annual renewals, repairs and general upkeep of the buildings and plant will

sufficiently preserve their value from year to year, and consequently that this charge will be adequately provided for by the expenditure under the heading of "Renewals and Repairs" in the Income and Expenditure Account. No provision is, therefore, made either in the Income and Expenditure Account or on the Balance Sheet for any charge in respect of Depreciation.* If, however, Depreciation does in fact occur in any instances not met by the regular repairs and renewals (such as exhaustion of a leasehold) there is no reason why such Depreciation should not be provided for by a reduction of the amount appearing on the Balance Sheet under the head of "Land, Buildings, etc.," and a corresponding reduction of the amount to the credit of "Capital Accounts: (c) For Buildings and Equipment." But in no case is this estimated provision for Depreciation to be entered in the Income and Expenditure Account; if any reference to Depreciation is deemed necessary, it should be made only in the Report or in a footnote to the Income and Expenditure Account.

- (63) *Loss by Fire*.—Loss of or damage to Buildings or Equipment occasioned by fire should be written off the Capital Account and off the expenditure on Land, Buildings and Equipment, while the amount recovered through insurance should be added to the Capital Account, and as it is used to replace property destroyed the amount so expended will be added to expenditure on Land, Buildings and Equipment.

In the case of a loss through fire of any stores, etc. the purchase of which would appear in the Income and Expenditure Account, the amount recovered or recoverable by insurance should be deducted from the total expenditure on such stores, etc.

General.

page 14, par. 37
page 21, par. 50
page 23, par. 53

- (64) *Special Trusts attached by the Hospital itself*.—Under paragraph 7 on page 5, all moneys given unconditionally by the donors must be treated as income, and under paragraph 58 on page 24 all investments of income moneys must appear under "Investments: (d) For General Fund," as being available for realisation in case of need.

It follows, therefore, that it would be inconsistent with the Revised Uniform System for a Hospital voluntarily to attach, to any gift received unconditionally from the donors, conditions or trusts which would wholly remove from the Governing Body the ultimate power of realising and using the investments representing such gift, and thus render the gift unsuitable for inclusion under Capital for General Fund.

It would equally be inconsistent with the Revised Uniform System for a Hospital voluntarily to transfer any portion of its

* This direction, as stated above, is given so as to ensure uniformity in accounts: it is not suggested that the depreciation of fabric and equipment can be fully met by annual repairs and renewals.

General Fund surplus to the heading "Capital Accounts : (B) Special Funds," and thus not only to remove the capital from the proper heading, but also to divert the annual income of the corresponding investment from the Income and Expenditure Account.

It would be inconsistent with these principles to transfer to Building Fund or to a Convalescent Home or other Branch any sums in excess of the amounts actually expended for these purposes.

There is no objection to the investment of surplus income moneys in the name of the "Official Trustees of Charitable Funds," since such investment does not interpose any obstacle to the realisation of securities if the proceeds are required for the purposes of the Hospital and does not render the investment unsuitable for inclusion under Capital (D) General Fund.

- (65) *Audit of Accounts.*—The accounts of all Institutions applying for grants from any of the three Funds must be audited and certified as correct by a Chartered or an Incorporated Accountant, who should be required to state *inter alia* that to the best of his knowledge and belief the regulations of the Revised Uniform System have been followed.
- (66) *Form of Balance Sheet.*—The following is the prescribed form of the Balance Sheet :—

III.—THE STATISTICAL TABLES.

(67) The forms of Statistical Tables for In-patients and Out-patients respectively will be found on pages 38 and 39.

(68) The Tables must be published in the annual reports of all Institutions applying for grants from any of the three Funds. In the case of Institutions which have only In-patients or only Out-patients, the Table proper to the class of Patient treated should be published.

page 8, par. 20

(69) The Statistical Tables must include, both in respect of numbers of Beds, Patients, Attendances, &c., and in respect of the Expenditure dealt with in the Tables, all Special Departments which form part of the Hospital.

(70) The figure to be analysed in the Statistical Tables is the total of the Ordinary Expenditure as stated in the Income and Expenditure Account. Extraordinary Expenditure is not to be included.

Where any part of the Ordinary Expenditure (*e.g.*, renewals or repairs, special appeals, payments in lieu of pensions, etc.) has been exceptional in amount during the year in question, there is no objection to the addition to the Table of a footnote explaining the cause of the resulting temporary increase in cost.

(71) Where butter, tea, sugar or any other article of ordinary consumption, is supplied by the Patient and not by the Hospital, a note stating the fact in full is to be added to the heading Provisions on the Statistical Tables for In-patients.

pages 34 to 37

(72) *Separation of Expenditure on In-patients and Expenditure on Out-patients.*—Where both classes of Patient are treated the expenditure on each class, separated under each main heading of Ordinary Expenditure, must be ascertained and entered on the Statistical Tables.

Various suggestions as to the method of separating the costs of the two departments are given below.

(73) *Definition of an Available Bed.*—An available bed is one that forms part of the permanent bed equipment of the Hospital and which is used for the treatment of In-patients.

The following classes of beds where the practice in the past has not been uniform should be included in the number of available beds:—

1. Casualty;
2. Observation (other than "Observation" or "Recovery" beds in

the Out-patient Department provided for use for a few hours pending a Patient's discharge or admission to a ward);

3. Isolation or Seclusion.

The following classes of beds should not be included in the number of available beds :—

4. Labour beds as distinct from Maternity beds. A Maternity bed reserved for a Mother is properly the only bed available, and a Labour bed should be regarded for statistical purposes as merely an adjunct, analogous to an operating table.
5. Cots for newly born Infants in Maternity Wards.
6. Temporary beds, whether proper Hospital beds or simply stretchers.

IN-PATIENTS.

page 38, Table I

(74) *Definition of an In-patient.*—For statistical purposes an In-patient

ATTENTION is more especially drawn to the following paragraphs, which contain either new regulations or explanatory additions to existing regulations.

III. STATISTICAL TABLES.

PARAGRAPH	SUBJECT
70	Total Ordinary Expenditure to be Analysed.
73	Definition of an Available Bed.
74	Definition of an In-patient.
77	Average Period of Residence.
78	Definition of an Out-patient.
79	Definition of a New Out-patient.
Pages 38 & 39	Forms of Statistical Tables.

in the Hospital's number of beds available for the treatment of Patients then they should be counted as In-patients in the ordinary way, whether they have been accommodated in one of the general wards or in a special ward reserved for the treatment of sick members of the Hospital's own staff.

(75) *Average Number of Patients resident daily.*—The number of beds in daily occupation is to be calculated by taking the total of the daily numbers of In-patients for the year and dividing by the number of days in that year.

If the Hospital is closed* for part of the year, the average number of Patients resident for the period during which the Hospital was open may be given in a footnote, but this number must not be given under this heading in the Statistical Table itself.

(76) *Average Cost per In-patient per week.*—The average cost per In-patient (or per bed) per week, is to be arrived at by dividing the average

* Where the Hospital is closed for building reconstruction or abnormal works the question of the method of dealing with statistics should be referred to the King's Fund.

III.—THE STATISTICAL TABLES.

(67) The forms of Statistical Tables for In-patients and Out-patients respectively will be found on pages 38 and 39.

(68) The Tables must be published in the annual reports of all Institutions applying for grants from any of the three Funds. In the case of Institutions which have only In-patients or only Out-patients, the Table proper to the class of Patient treated should be published.

page 8, par. 20

(69) The Statistical Tables must include, both in respect of numbers of Beds, Patients, Attendances, &c., and in respect of the Expenditure

(70) '

(71) '

Tables for In-patients.

pages 34 to 37

(72) *Separation of Expenditure on In-patients and Expenditure on Out-patients.*—Where both classes of Patient are treated the expenditure on each class, separated under each main heading of Ordinary Expenditure, must be ascertained and entered on the Statistical Tables.

Various suggestions as to the method of separating the costs of the two departments are given below.

(73) *Definition of an Available Bed.*—An available bed is one that forms part of the permanent bed equipment of the Hospital and which is used for the treatment of In-patients.

The following classes of beds where the practice in the past has not been uniform should be included in the number of available beds:—

1. Casualty;
2. Observation (other than "Observation" or "Recovery" beds in

the Out-patient Department provided for use for a few hours pending a Patient's discharge or admission to a ward);

3. Isolation or Seclusion.

The following classes of beds should not be included in the number of available beds:—

4. Labour beds as distinct from Maternity beds. A Maternity bed reserved for a Mother is properly the only bed available, and a Labour bed should be regarded for statistical purposes as merely an adjunct, analogous to an operating table.
5. Cots for newly born Infants in Maternity Wards.
6. Temporary beds, whether proper Hospital beds or simply stretchers.

IN-PATIENTS.

page 38, Table I

- (74) *Definition of an In-patient.*—For statistical purposes an In-patient is a Patient who is recorded in a book kept for that purpose as having been in the In-patient Department of the Hospital at a fixed hour of the day, which hour (once fixed) must not be changed during the year. A Patient in a temporary bed in the In-patient Department at the fixed hour should be counted. Infants born in a Maternity Ward are not to be counted as In-patients during the time that the Mother is an In-patient. Should, however, the Infant be retained for In-patient treatment after the discharge of the Mother, whether or not the latter then attends as an Out-patient, the Infant will be counted as an In-patient. Should the Infant be discharged with the Mother, and the Infant continues to attend as an Out-patient, it will be counted as a new Out-patient.

Sick Nurses receiving Hospital treatment are not to be included as In-patients in the Statistics of the Hospital if they are treated in their own living quarters; but if they occupy a bed which is included in the Hospital's number of beds available for the treatment of Patients then they should be counted as In-patients in the ordinary way, whether they have been accommodated in one of the general wards or in a special ward reserved for the treatment of sick members of the Hospital's own staff.

- (75) *Average Number of Patients resident daily.*—The number of beds in daily occupation is to be calculated by taking the total of the daily numbers of In-patients for the year and dividing by the number of days in that year.

If the Hospital is closed* for part of the year, the average number of Patients resident for the period during which the Hospital was open may be given in a footnote, but this number must not be given under this heading in the Statistical Table itself.

- (76) *Average Cost per In-patient per week.*—The average cost per In-patient (or per bed) per week, is to be arrived at by dividing the average

* Where the Hospital is closed for building reconstruction or abnormal works the question of the method of dealing with statistics should be referred to the King's Fund.

number of In-patients per day into the expenditure on In-patients, both for each main heading of Ordinary Expenditure and for the combined total, and dividing by the number of weeks in the year.

- (77) *Average Number of Days each Patient was resident and Cost per In-patient.*—While the fact that the whole period of residence of a Patient does not always fall within the limits of the calendar year prevents the formulation of any method of calculation (in respect of the calendar year) of these two figures which will necessarily give accurate results, experience shows that the method given below which was suggested by the Hospital Secretaries' Committee as being suitable to the average Hospital, gives the most nearly correct figures in all instances. Even in the case of the few long-period Hospitals where the calendar year is shorter than the actual period of residence of many of their cases, this method gives figures that are closer to the real facts than those given by any other method dealing with the calendar year. The following is, therefore, prescribed as the method to be adopted in arriving at the figures in question, viz. :—*

Average Number of Days each Patient was resident.—To be ascertained by dividing the yearly total of daily counts by the number of Patients treated to a conclusion during the year, i.e., headings 4 + 5 - 6. (See Table I, page 38.)

Average Cost per In-patient.—To be found by dividing the total expenditure on In-patients by the number of In-patients treated to a conclusion during the year, i.e., headings 4 + 5 - 6.

page 39, Table II

OUT-PATIENTS.

page 33, par. 79

- (78) *Definition of an Out-patient.*—For statistical purposes an Out-patient is an individual attending the Out-patient Department for treatment or advice or a patient visited by a member of the medical or nursing staff of the Hospital.

A Casualty Patient is either an In-patient or an Out-patient. If taken in, he counts as an In-patient. If treated and sent home, he counts as an Out-patient. Care should be taken that where a Hospital, for the purpose of its own arrangements or statistics, retains a distinction between Casualty and other Patients, no Patient is counted twice, as in that event the total number of In-Patients or Out-patients, as the case may be, would be affected.

Sick Nurses receiving Out-patient treatment should be included in the statistics as Out-patients, whether they are treated in their own quarters or in the regular Out-patient Department.

page 32, par. 78

- (79) *Definition of a New Out-patient.*—A New Out-patient is one whose first attendance of a continuous series for the same ailment (or whose

* If this system is thought to act unfairly by any Hospital having long-term cases, the King's Fund will be prepared to consider an alternative suggestion, based on the individual cases treated to a conclusion.

single attendance, if only one is needed) falls within the year under review.

A register of New Out-patients should always be kept, giving dates and stating the names and addresses of the Patients.

A person attending different departments for different ailments should be counted as a separate New Out-patient in each department. This does not affect the rule that a Patient passing through the Casualty Department to the Out-patient Department for the same ailment should be counted only once.

Thus, if the same person had attended from December 1, 1923, to February 1, 1924, for one attack of bronchitis, and again from November 15, 1924, to January 15, 1925, for another, he should have been counted (for the statistics of 1924) only once as a New Out-patient, namely, on November 15. If he had attended from February 1, 1924, to March 15, 1924, for one attack, and again from November 15, 1924, to January 15, 1925, for another, he should have been counted as two New Out-patients during 1924.*

All statistics of Out-patients, as distinct from attendances, should be based on the enumeration of New Out-patients as here defined.

(80) *Enumeration of Out-patient Attendances.*—The following principles should always be observed in the Enumeration of Attendances as distinct from that of Out-patients :—

- i. The "Total Number of Out-patient Attendances" will include the attendances during the year both of New Out-patients and of those on the books at the beginning of the year.
- ii. The statistics of attendances should be based upon a count of the number of attendances actually made by Patients. The count should be effected by means of a case paper or numbered card or other voucher, delivered to the Patient and given up by him, or by a tally, or by the use of turnstiles, or by other effectual means.

It follows :—

- (a) That attendances should not be reckoned by multiplying the number of Patients by any figure representing the average attendances per Patient.
- (b) That no additions to the count of attendances should be made in respect of the number of weeks' medicine given at any attendance.
- iii. The attendance of a person on behalf of a Patient may only be counted as an attendance of a Patient when a supply of medicine or dressings is given.
- iv. The treatment of the same person at different departments should be counted as separate attendances.

* It is not possible to lay down any rule on the subject of the interval between attendances which should constitute a breach of continuity and cause the Patient to be properly reckoned as a new Patient.

- (81) *Average Cost per Out-patient.*—The same difficulty arises with Out-patients as with In-patients, in respect of Patients whose treatment overlaps the beginning or end of the year. In the case of Out-patients it has been found more simple to omit the Patients on the books at the beginning of the year rather than to deduct those on the books at the end. The "Average Cost per Out-patient" will therefore be based upon the number of "New Out-patients." In the case of Hospitals where, owing to the length of treatment, the number of New Out-patients bears a comparatively small proportion to the total number treated during the year, attention may be called to this fact in a footnote.

SEPARATION OF EXPENDITURE.

page 30, par. 72

- (82) *Separation of the Expenditure on In-patients from that on Out-patients.*—The Expenditure on Out-patients as distinct from that on In-patients must be ascertained. As far as possible this should be done by the identification and separation of the items of Expenditure, but where such analysis is impracticable, by careful estimates and apportionments. The following General Considerations are added for the guidance of Hospital Secretaries :—

General Considerations.

- i. The principle of separation or apportionment (as the case may be) should be applied to every item of expenditure. Where, as sometimes happens, the expenditure would have been the same in amount if only one department had benefited, this fact does not justify the whole of such expenditure being charged to that one department.
- ii. Wherever an actual separation of expenditure is not practicable, an apportionment should be made on some definite basis capable of being stated and justified.
- iii. Where apportionments are made, they should be based on a consideration both of the In-patient share of the expenditure and of the Out-patient share. It may be taken as a general principle that it is unsafe to base apportionments upon a consideration of one department only and then to deduct the result from the total, without also approaching the question from the point of view of the other department and seeing whether the results fairly correspond.
- iv. Where it is not practicable to make a permanent separation or to keep continuous separate records, and where approximations are therefore necessary, it may often be possible to effect a separation, or to keep separate records, for a short period, and thus to provide an experimental test for determining, or checking, the basis of apportionment.

A basis of apportionment thus arrived at should be reconsidered from time to time to see whether it is giving reasonable results, or whether it is affected by any changes that may have

taken place since it was adopted. In some items the relative cost of the two departments may vary from year to year with changes in the relative numbers of patients—in others, it may be affected by new developments or by special expenditure in particular years

Provisions.

- v. With regard to Provisions, the apportionment of board of officers will naturally follow the apportionment of their Salaries or Wages.

Surgery and Dispensary.

- vi. With regard to drugs, etc., dispensed and surgical bandages and dressings used, it will often be found that there is no real difficulty in the actual separation of the issues between those used for the In-patients and those used for the Out-patients. Sometimes this can be done, as is already done in some of the larger Hospitals, by having separate stores and dispensaries for In- and Out-patients; or, in the smaller ones, by keeping and serving in one dispensary the drugs used for the two departments in different parts of the room. It often happens also that it is convenient to dispense for the In-patients at times of the day when the demands of the Out-patient Department are not required to be dealt with; this procedure would reduce the probability of drugs, etc., set aside for one department being used for the other. Where the actual separation of supplies is not practicable, it may be possible to keep continuous records of the drugs, dressings, etc., supplied to In-patients and Out-patients respectively. Where this is not practicable, some definite principle of apportionment should be adopted, subject to periodical careful revisions.
- vii. The following are examples of methods of separation or apportionment actually in operation at various Hospitals:—
 - (a) Complete separation by means of different dispensaries or different parts of the same dispensary.
(This method is recommended wherever practicable.)
 - (b) Apportionment according to the numbers of issues to In-patients and Out-patients, respectively, after charging to In-patients certain items special to In-patients.
(If it may be assumed, or if it is found by experiment, that prescriptions for In-patients and for Out-patients, respectively, represent on an average an equal value, this method is unobjectionable.)
 - (c) Separation of cost by means of continuous records of drugs, etc., supplied to In-patients.
 - (d) Apportionment based on the average cost of drugs, etc., supplied to In-patients, arrived at by records kept for sample periods.

(Methods (c) and (d)—where, as may often be the case,

it is not practicable to check them by experimental calculations in respect of Out-patients—have the material disadvantage of throwing upon the Out-patient Department the whole cost of any loss that may occur through waste, error, or otherwise.)*

Domestic and Establishment (Renewals and Repairs).

- viii. The Out-patients being usually treated in a part of the Hospital separated, to some extent, from that used for the In-patients, it will generally be practicable to separate the accounts of the cost of Repairs and Renewals of the Fabric, of Furniture, Hardware, etc., from the similar expenditure for the In-patient Department; while, in the cases where the buildings or plant are used indiscriminately, an apportionment can be made. Washing, Cleaning, Water, Fuel and Lighting can, in most cases, be separately treated without much difficulty; and, where this cannot actually be done, an apportionment should be made.
- ix. At some Hospitals, water is apportioned according to rateable value or by separate meters; at others, according to the relative area of the two departments. Fuel is sometimes apportioned according to area or cubic contents, sometimes according to the number of radiators; electric light by separate meters, by the number of lamps or the hours during which the light is used. Furniture, bedding and linen, and hardware, etc., are very generally separated, as also are Establishment Renewals and Repairs.

Salaries and Wages (Maintenance).

- x. Where the officials are different there is no difficulty in separating the cost of their salaries and wages. Where the duties of the two departments are performed by the same staff, or where any officer gives part of his time to each, an apportionment should be made. Such apportionments are made, at the majority of the Hospitals, on the principle of work done, the basis adopted being very generally the relative number of hours worked by each official for the benefit of each department. The salaries of supervising officers are sometimes apportioned according to the total apportionments of the salaries of their subordinates.
- xi. The basis of apportionment once arrived at for the salaries of officials serves also for the cost of various services rendered to

* The following additional methods appear to have been tried at various Hospitals, but in the opinion of the three Funds they are undesirable, as they are not calculated to lead to reliable results:—

(e) Apportionment according to the relative numbers of In-patients and Out-patients.
(f) The same as (e), but reckoning each In-patient as equivalent to some fixed number of Out-patients.
(g) Apportionment according to the total number of days' supply of medicine to Out-patients as compared with the total number of days' residence of In-patients.
(h) Apportionment arrived at by multiplying the average cost per prescription by the number of Out-patients.

the officials either by way of remuneration or by way of assistance : *e.g.*, for board and lodging, uniform, laundry, service, upkeep of quarters, etc., etc.

Administration and Finance.

- xii. The expenditure under these heads is very generally common to the two departments, and should, in those cases, therefore, be apportioned (as will, *e.g.*, often happen with rent). Where there is no special reason in favour of any other basis, these apportionments may properly be made on the basis of the relative cost of the two departments resulting from the separation and apportionment of the more direct expenses which appear under Provisions, Surgery and Dispensary, Domestic, Salaries and Wages, and Miscellaneous. This method has already been adopted at many Hospitals. In some cases, however, the principle set out above in section i of the "General Considerations" on page 34 has apparently been overlooked.

(83) *Forms of Tables.*—The following are the forms for the Statistical Tables. The headings, sub-headings and notes in roman type are to be printed in full. Attention is called to the italic note attached to the heading 1 in section (B) of the In-patient Table, as the absence of this information materially affects the accuracy of the conclusions drawn from the comparisons made of the cost of Provisions :—

STATISTICAL TABLES.

Revised Form, January, 1926.

NOTE.— Words in italics are explanatory, and are not intended to be printed. For further explanations, see pages 30 to 37.

NAME OF HOSPITAL.....

Statistics for Year to 31st December, 19.....

Compared with those of the previous Year.

I.—IN-PATIENTS.

A. NUMBER OF BEDS AND IN-PATIENTS.

	Numbers in 19 (Year under review)	Numbers in previous year.
1. Total number of available Beds on 31st December		
2. Average number of available Beds during the year <i>As counted and recorded daily.</i>		
3. Average number of Patients resident daily throughout the year <i>As counted and recorded daily.</i>		
4. Number of In-Patients in the Hospital at beginning of year ...		
5. " " " admitted during year		
6. " " " in the Hospital at the end of the year...		
7. Average number of days each Patient was resident <small>Ascertained by dividing the yearly total of daily counts by the number of Patients treated to a conclusion, i.e., (4) + (5) - (6).</small>		
8. Number of Patients admitted and discharged during the year who were resident for (i) only 1 day (ii) 2 and 3 days		

B. ANNUAL EXPENDITURE ON IN-PATIENTS APART FROM THAT ON OUT-PATIENTS; AVERAGE COST OF EACH IN-PATIENT PER WEEK; AND AVERAGE COST OF EACH IN-PATIENT.

	19 . (Year under review.)							Previous year.						
	Expenditure on In-Patients (Pounds only).	* Average Cost of each In-Patient per week.			† Average Total Cost of each In-patient.			* Average Cost of each In-Patient per week.			† Average Total Cost of each In-Patient.			
	£	£	s.	d.	£	s.	d.	£	s.	d.	£	s.	d.	
1. Provisions (including Board of Officials) <i>Should any article of food for patients not be supplied by the Hospital, a note should be made here of the fact. (See par. 71 on page 30.)</i>														
2. Surgery and Dispensary														
3. Domestic														
4. Salaries and Wages (Maintenance)														
5. Miscellaneous														
6. Administration														
Statistical Cost														
7. Establishment : Renewals and Repairs														
8. Finance														
TOTAL COST														

* Average Cost per week found by dividing the amounts of Expenditure shown against each heading and total by the average number of In-Patients resident daily (No. 3 in A above) and dividing by the number of weeks in the year (*vis.* 52½ or 52½).

† Average Cost per In-Patient found by dividing the amounts of Expenditure shown against each heading and total by the number of In-Patients treated to a conclusion during the year (Nos. 4 + 5 - 6 in A above).

STATISTICAL TABLES (continued).

Revised Form, January, 1926.

NOTE.—Words in italics are explanatory, and are not intended to be printed. For further explanations, see pages 30 to 37.

NAME OF HOSPITAL.....

Statistics for Year to 31st December, 19.....

Compared with those of the previous Year.

II.—OUT-PATIENTS.

A. NUMBERS.

	Numbers in 19 (Year under review)	Numbers in previous year.
1. Total number of new Out-Patients		
2. Total number of Out-Patient Attendances		
(a) Number of Patients on books at the beginning of the year, if ascertainable		
(b) Number of Casualty Patients included in No. 1 above		
(c) Number of Maternity Patients included in No. 1 above, attended at home		
(d) Number of Attendances on Maternity Patients included in No. 2 above		

B. ANNUAL EXPENDITURE ON OUT-PATIENTS AND AVERAGE COST OF EACH OUT-PATIENT ATTENDANCE AND OF EACH OUT-PATIENT.

	19 . (Year under review).			Previous year.	
	Expenditure on Out-Patients (Pounds only).	Average Cost of each Out-Patient Attendance.	Average Total Cost of each Out-patient.	Average Cost of each Out-Patient Attendance.	Average Total Cost of each Out-patient.
	£	Pence	Pence	Pence	Pence
1. Provisions (including Board of Officials) ...					
2. Surgery and Dispensary ...					
3. Domestic					
4. Salaries and Wages (Maintenance)					
5. Miscellaneous					
6. Administration					
Statistical Cost ...					
7. Establishment: Renewals and Repairs					
8. Finance					
TOTAL COST ...					

* Average Cost per Out-Patient Attendance found by dividing the amounts of Expenditure shown against each heading and total by the total number of Out-Patient Attendances (No. 2 in A above).

† Average Cost per Out-Patient found by dividing the amounts shown against each heading and total by the total number of new Out-Patients (No. 1 in A above).

IV.—SUBSIDIARY ACCOUNTS.

GENERAL REMARKS.

page 5, pars. 9 & 10
page 10, par. 23

(84) The Subsidiary Accounts are supplementary to the Income and Expenditure Account, and are intended to furnish fuller information about items, both of income and of expenditure, than it is practicable to give in the Income and Expenditure Account itself. Where a Hospital has a separate Estate Department, or where it maintains a special department for the provision of an article or service which would otherwise be purchased or contracted for, Subsidiary Accounts must be prepared. The necessity to publish these in the Annual Report of the Hospital depends on the description of the account and the relative importance of the expenditure covered by the account.

(85) The Subsidiary Accounts should show the total expenses of the department concerned as completely as the records of each Hospital will allow. All expenditure chargeable to the Income and Expenditure Account of the Hospital which is incurred for a special department should be included in the Subsidiary Account of that department, but no charge should be made for administration or general overhead expenses. Sums received for work done for outside parties are to be deducted from the total expenditure of the department before carrying the expenditure to the Income and Expenditure Account of the Hospital.

(86) A proportion of the salaries of all members of the staff who give any part of their time to the work of a special department should be charged in the Subsidiary Account of that department. Similarly each Subsidiary Account should be charged with its proper share of the Rent and Rates paid for the Hospital buildings as a whole.

(87) The Subsidiary Accounts and the Statistics of Cost stated thereon should include only expenses chargeable to the Income and Expenditure Account of the Hospital. Where a Hospital produces some article which would otherwise be purchased, it is very desirable that the Hospital Authorities should be able to compare the cost of production with the cost of purchase. This can be done by making an allowance for the following additional costs not included in the Subsidiary Accounts or the Statistics of Cost stated thereon :—

Administrative and General Overhead Expenses.
Depreciation.
Interest on Capital.
Rent (if not included as a payment).

(88) The following examples of certain Subsidiary Accounts are outlined in this section. They are largely self-explanatory, but each is prefaced with a few general instructions and observations on particular points:—

- (a) Estate Account.
- (b) Works Department Account.
- (c) Laundry Account.
- (d) Manufacture of.....Account.

(a) ESTATE ACCOUNT.

page 10, par. 23

- (89) A separate Estate Account should be kept by a Hospital when the Estate is of such an extent as to require the attention of a special staff. If a Subsidiary Account for the Estate is not published, all administrative expenses in respect of the Estate should be included in the Income and Expenditure Account, but direct Estate expenses as defined below should be deducted from the income received from the property.

page 25, pars. 61 & 62
page 26, par. 63

- (90) *Estate Expenses*.—Under this heading will be included, shown under the appropriate sub-headings, all the direct expenditure on the property. The salary of any technical officer employed to inspect the property in order that it may be kept in good repair should be charged to this heading, under Renewals and Repairs. Additions to and improvements of the property, being Capital expenditure, will not be charged to the Estate Account but will be dealt with on the Balance Sheet as an increase in the value of the property.

- (91) *Administrative Expenses*.—Under this heading will be included all the administrative expenses directly attributable to the management of the Estate, including, where necessary, an apportionment of the salary of certain of the Hospital officers. Legal expenses in connection with the acquisition or sale of property will not be charged to the Estate Account, but dealt with on the Balance Sheet as part of the cost of the investment purchased or as a deduction from the proceeds of the investment realised.

page 4, par. 5

- (92) *Rents, etc.*.—Rents should be entered gross (*i.e.* without deduction of any Tax or Tithe) and should be credited on the date on which the receipt falls due. Any remissions of rents in arrear, or other rebates or allowances in respect of rents, should be shown as a deduction from the rents receivable, as provided on the form, and not treated as an expenditure.

- (93) *The form of Estate Account*.—The following is a *pro forma* Estate Account, which may be modified as required to meet the particular circumstances of each case :—

*PRO FORMA ESTATE ACCOUNT.**(For the circumstances in which this Account should be published see par. 89, page 42.)*

FOR THE YEAR TO 31ST DECEMBER, 19.....

Expenditure.			Revenue.		
	£	s. d.		£	s. d.
To Estate Expenses :—			By Rents due for the Year (Gross) £1000	—	—
Renewals and Repairs ... £140	—	—	„ Premiums and Compensa- tions 50	—	—
Insurance... .. 15	—	—	1050	—	—
Rates 10	—	—	Less Rebates, Remissions and other allowances 25	—	—
Tithes and irrecoverable Taxes 10	—	—		1025	—
Sundries 20	—	—	„ Sundries	30	—
	195	—			
„ Administrative Expenses:—					
Salaries £50	—	—			
Stationery, Stamps, etc.... 5	—	—			
Law and Audit Expenses 3	—	—			
Office Rent 10	—	—			
Heating, Lighting and Cleaning 10	—	—			
Sundries 5	—	—			
	83	—			
„ Balance transferred to I. & E. A/c of the Hospital under "Invested Property"	777	—			
	£ 550	—			
				£1055	—

(b) WORKS DEPARTMENT ACCOUNT.

page 5, pars. 9 & 10
page 40, par. 87

(94) This Account must be published in the Annual Report of all Hospitals which maintain a staff to execute repairs or renewals to Buildings and Equipment. If the expenditure on a Works Department is so small that it does not justify the publication of a special account, then the expenditure should be entered in the Income and Expenditure Account under the headings in respect of which it was incurred (*i.e.*, Salaries, etc.) and not grouped under Renewals and Repairs, etc. The *pro forma* account annexed is not given as an example of a complete account; it contains the minimum amount of information which the accounting system of a Hospital should be framed to give, in order that the expenditure may be allocated to the sub-headings of the Income and Expenditure Account to which the service would have been charged if it had been provided by an outside supplier.

page 13, par. 33

(95) *Salaries and Wages*.—This heading should include the total salaries and wages of the staff directly attached to the Works Department, and a proportion of the salary or wage of any other official who gives part of his time to the Department. Where, however, an employee nominally attached to the Works Department gives only a portion of his time to the proper work of the Department, only that time should be charged in this account.

page 12, par. 31

(96) *Renewals and Repairs*.—This heading will be limited to direct expenditure incurred for Renewals, Repairs, etc., to the machinery, plant, buildings, etc., of the Works Department itself. No portion of the Salaries and Wages of the staff of the Works Department should be charged to this heading, but only the materials used for renewals and repairs to the Works Department and any charge for renewals or repairs to the latter carried out by outside firms. From this it will be seen that the amount shown under Salaries and Wages is the total amount paid to the staff, while the amount shown under Materials will represent only materials used for the rest of the Hospital.

(97) *Rent*.—If the Hospital pays a rent for the premises occupied by the Works Department this will, of course, be charged to the Department, while if the Hospital pays a rent for the Hospital premises as a whole, a part of which is occupied by the Works Department, a proportion of this rent should be charged to the Department.

(98) *The form of Works Department Account*.—The following is a *pro forma* Account, which may be modified as required to meet the particular circumstances of each case:—

PRO FORMA WORKS DEPARTMENT ACCOUNT.

(For the circumstances in which this Account should be published see par. 94, page 44.)

FOR THE YEAR TO 31ST DECEMBER, 19.....

	£	s.	d.
1. Salaries and Wages (<i>including apportionments where necessary</i>)	1750	-	-
2. Board, Uniforms and other Allowances to Staff	50	-	-
3. Materials consumed (<i>after adjustments for Stock on hand</i>)	1000	-	-
4. Fuel, Power, Light and Water	150	-	-
5. Renewals and Repairs to Tools, Machinery, Plant and Buildings (<i>of the Works Department itself</i>)	70	-	-
6. Insurance of Machinery, Plant and Buildings (<i>of the Works Department</i>) ...	2	-	-
7. Sundries (<i>detail considerable items</i>)	8	-	-
8. Rent (<i>if applicable</i>) and Rates	80	-	-
Total Expenditure	£3110	-	-
Less Receipts (<i>if any</i>)... ..	20	-	-
NET TOTAL EXPENDITURE CHARGED TO HOSPITAL	£3090	-	-
Allocated (<i>as for example</i>):—			
I. and E. A/c:—Surg. & Disp.: Instruments and Appliances	£ 300		
Domestic: Renewals and Repairs to Furniture, etc.	1200		
Laundry (<i>through the Laundry A/c</i>)	50		
Estab.: Renewals and Repairs	1150		
Total charged to I. and E. A/c	£2700		
Balance Sheet:—Land, Buildings and Equipment of the Hospital: for Improvements, Extensions and Additions	390		
NET TOTAL as above	£3090	-	-

(c) LAUNDRY ACCOUNT.

- page 12, par. 30
page 40, par. 87 (99) As the expense of Laundry done on the Hospital premises is now going to appear under "Domestic," this Account will have to be prepared by all Hospitals which have Laundries, and may be published in the Annual Report if desired.
- page 13, par. 33 (100) *Salaries and Wages*.—This heading should include all salaries for laundry hands and a proportion of the salaries of all other members of the staff who give any part of their time to the work of the Laundry, including a charge for supervision.
- page 11, par. 26 (101) *Materials, etc.*.—This heading represents materials consumed and utensils, etc., put into use during the year, and will be arrived at after the necessary adjustments for stock on hand at the beginning and end of the year have been made.
- page 12, par. 31 (102) *Renewals and Repairs to Machinery, Plant and Buildings*.—Under this heading will appear all renewals and repairs to the Laundry Machinery, Plant and Buildings, none of which will now be charged to "Establishment: Renewals and Repairs" in the Income and Expenditure Account.
- (103) *Rent*.—If the Hospital pays a rent for the premises occupied by the Laundry the actual amount of such rent paid should be included under Rent; it follows, therefore, that where rent is paid for the Hospital buildings as a whole and a part is occupied by the Laundry a proportion of this rent should be charged to the Laundry.
- page 10, par. 22 (104) *Receipts on account of Laundry*.—Where a Hospital recovers the cost of washing done for any outside or private party or for a Medical School, Maternity Training School or other department not forming part of the Hospital *qua* Hospital, such receipts should be deducted and only the net expenditure carried to the Income and Expenditure Account: "Domestic."
- (105) *The form of the Laundry Account*.—The following is the form of the Laundry Account, which should be prepared as illustrated:—

PRO FORMA LAUNDRY ACCOUNT.

(For the circumstances in which this Account should be published see par. 99, page 46.)

For the use of Hospitals where the Washing, or any part of it, is done on Hospital premises.

FOR THE YEAR TO 31ST DECEMBER, 19.....

	£	s.	d.
1. Salaries and Wages (<i>including apportionments where necessary</i>)... ..	500	—	—
2. Board, Uniform and other Allowances to Staff	150	—	—
3. Materials, etc. (<i>after adjustments for Stock on hand</i>)— (<i>Soaps, Soda, etc., Brooms, Brushes, Utensils, Baskets, etc.</i>)	85	—	—
4. Fuel, Power, Light and Water (<i>including apportionments where necessary</i>)	175	—	—
5. Renewals and Repairs to Machinery, Plant and Buildings	83	—	—
6. Insurance of Machinery, Plant and Buildings	3	—	—
7. Carriage	2	—	—
8. Rent (<i>if applicable</i>) and Rates	54	—	—
Total Expenditure	£1052	—	—
Less Receipts on account of washing done for:— (<i>as for example</i>)	£	s.	d.
Medical School	5	—	—
Training School	25	—	—
Other accounts not chargeable to Hospital	9	—	—
TOTAL NET EXPENDITURE carried to "Domestic" in the I. and E. Account	£1013	—	—

STATISTICS OF COST.*

Average Number of Pieces washed weekly.....

Cost of Laundry per week per occupied bed (*i.e., excluding cost of Laundry done for Out-patient Department*) 2/6

Cost of Laundry per 100 pieces washed 8/4

* *Excluding Depreciation and Overhead Charges, see par. 87, page 40*

(d) MANUFACTURE OF..... ACCOUNT.

page 40, par. 87
page 44, pars. 95
& 97

- (106) This Account should be published in the Annual Report of all Institutions which manufacture any article to an extent requiring a special staff for the work. The *pro forma* account attached will serve as a specimen of the form which all Manufacturing Accounts will broadly follow. The instructions detailed in the Works Department Account (q.v.) with reference to Salaries and Rent are also applicable to a Manufacturing Account.

page 11, par. 26

- (107) *Materials*.—This heading will contain the cost only of materials consumed as ingredients in the manufacture of the article; this cost should be cost of the material at the Hospital, and will therefore include carriage inwards. In arriving at the correct charge, stocks will, of course, be taken into account.

page 12, par. 31

- (108) *Renewals and Repairs*.—This heading will cover all expenditure incurred on the machinery, plant, buildings, etc., of the department itself. Should these be entirely carried out by the Hospital's own Works Department, the charge will consist simply of the allocation of a portion of the cost of the Works Department in respect of the work done.

- (109) *Statistics of Cost*.—Two aspects of cost should be shown, namely, the total cost per unit of the entire production of the Manufacturing Department and the cost to the Hospital. The latter should be measured by the quantity consumed and by the cost per occupied bed of the portion consumed by the In-patient Department and, where the consumption by the Out-patient Department is at all considerable, by the cost per Out-patient Attendance.

- (110) *Form of Manufacturing Account*.—The following is a *pro forma* account which may be modified as required to meet the particular circumstances of each case and the actual commodity dealt with :—

PRO FORMA.....MANUFACTURING ACCOUNT.

(For the circumstances in which this Account should be published see par. 106, page 48.)

FOR YEAR TO 31ST DECEMBER. 19.....

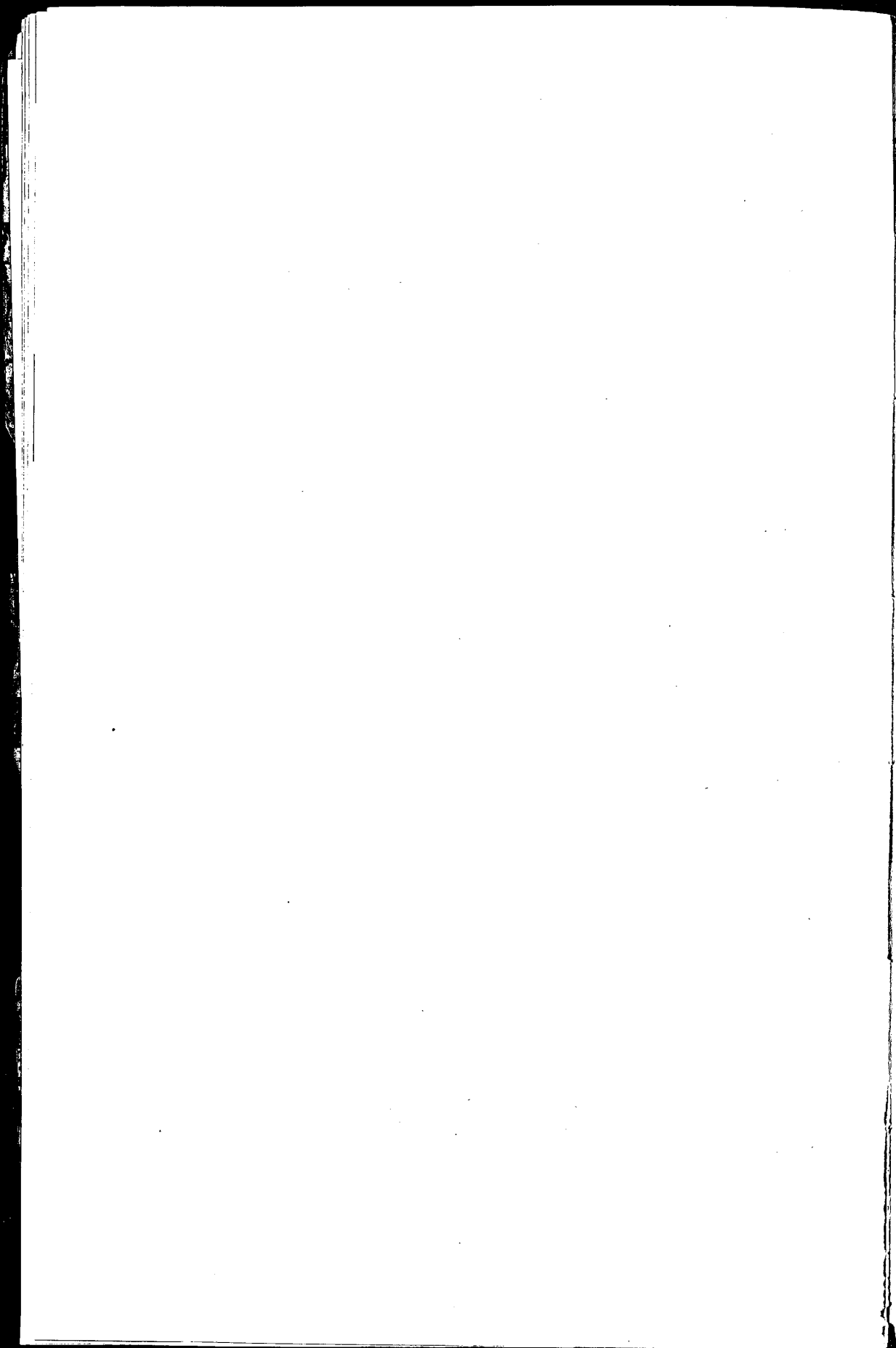
	£	s.	d.
1. Salaries and Wages (<i>including apportionments where necessary</i>)	450	—	—
2. Board, Uniforms and other Allowances to Staff	30	—	—
3. Materials consumed (<i>after adjustments for Stocks</i>)	315	—	—
4. Containers, Bottles, and other packing and wrapping materials (<i>after adjustments for Stocks</i>)	40	—	—
5. Fuel, Power, Light and Water	35	—	—
6. Renewals and Repairs to Tools, Machinery, Plant and Buildings	30	—	—
7. Insurance of Machinery, Plant and Buildings... ..	3	—	—
8. Sundries (<i>detail considerable items</i>)	5	—	—
9. Rent (<i>if applicable</i>) and Rates	16	—	—
Total Expenditure	£924	—	—
Less Receipts for supplies to Outside Parties	105	—	—
NET TOTAL EXPENDITURE CARRIED TO I. AND E. ACCOUNT	£819	—	—
Allocated (<i>as for example</i>):—			
Provisions	£264	s. —	d. —
Surgery and Dispensary	463	—	—
Miscellaneous	92	—	—
NET TOTAL as above	£819	—	—

STATISTICS OF COST.*

Total Quantity of.....produced during year Cwts.....
 Cost per cwt. of.....produced

Total Quantity of.....consumed by Hospital (*i.e., after allowing for Stocks*)... Cwts.....
 Cost per occupied bed of.....consumed by In-patient Department (*i.e., after allowing for charges to the Out-patient Department*)

* Excluding Depreciation and Overhead Charges, see par. 87, page 40.



APPENDIX.

THE INTERNAL CONTROL OF EXPENDITURE.

The Revised Uniform System of Hospital Accounts only deals with the published accounts of a Hospital and does not lay down any rules as to the methods of book-keeping and other details of internal management, but the three Funds consider it of the utmost importance that the methods of internal management should be such as to produce the greatest measure of efficiency and economy.

The adequate control of Hospital expenditure is a matter which should be constantly engaging the attention of Hospital Authorities.

To deal exhaustively with this subject would occupy a whole volume, so the notes in this Appendix will be restricted to three aspects of Internal Control which are closely allied with, or dependent on, the system of accounting.

The three subjects reviewed are :—

- (A) *Quantity Statistics.*
- (B) *The Budget.*
- (C) *Departmental Costs.*

These notes are not issued as rules laid down by the three Funds nor are they intended to outline a uniform system to be adopted by all Hospitals but they are confidently recommended as a means for a more efficient control of expenditure. They deal with three very important subjects, but it would be premature to consider the universal application of any system until the majority of Hospitals were familiar with the principles outlined and did in fact apply these principles in their own way. This is particularly necessary in the case of Departmental Costs, where Hospital Officers will need to ascertain by joint experience how the activities of a Hospital can best be analysed.

(A) QUANTITY STATISTICS.

Statistics, intelligently classified and properly tabulated, afford a means of increasing the efficiency of Hospital administration.

In this section only statistics of quantities, as distinct from financial statistics, will be dealt with. Instances will, no doubt, readily occur to all engaged in Hospital work where statistics of quantities are to be preferred to what are known as financial statistics. For instance, they remain stable when any change takes place in the purchasing power of money (as between pre-war and post-war years) and are unaffected by fluctuating prices (as may occur during any year).

If the price of a commodity is reduced, and the consumption, measured in terms of value, remains the same, it is obvious that an increase in the quantity consumed has taken place. This fact, however, would not be disclosed by financial statistics, and it is even possible for such statistics to show a decrease in expenditure, in spite of the fact that there had been an increase in consumption.

By using statistics of quantities as a basis of comparison, the most disturbing element in all comparisons of consumption, viz., that of price, is eliminated. Prices paid by Hospitals for commodities depend largely on the size of the Hospital and upon locality. Wise and economical buying may be more than counterbalanced by excessive consumption,

losses, waste, etc., rendered possible by the absence of an adequate system of recording and reviewing quantities.

The matter may be looked at from another point of view. The purchase of quantities of any kind of commodity is equivalent to the transfer of money value from the bank to the storeroom. From the point of view of the administration, however, control is just as necessary for the correct utilization of stores as it is for cash, and exactly the same care should be applied in each case. It cannot be too strongly emphasized that stores are as much an asset as cash, and that for every duty imposed upon a Cashier with reference to cash, there should be imposed upon a Store-keeper a corresponding duty with reference to stores.

Enquiries as to actual consumption of various commodities consumed compared with the number of patients, nurses, etc., often reveal interesting and surprising information. It may be found that one ward is daily consuming twice as much electric light as a neighbouring ward with the same number of beds and under similar conditions. This extravagance on the part of the first ward is lost in the total figures of cost per patient, and, as a consequence, the careful sister receives no incentive to continue her economy, and the wasteful one no check to her extravagance.

If comparative returns are prepared and circulated, showing how the consumption of the more frequently used commodities compares, ward by ward, there is developed an intelligent interest among the staff in the management of the Hospital, and a spirit of healthy rivalry and competition is engendered, leading to increased efficiency and economy.

A mere record of quantities consumed is not sufficient, as its value would be nullified by the varying sizes of the wards and the number of vacant beds. Some definite unit of comparison should be adopted; the obvious unit is that of a patient-day, but as for most commodities this would give too small a figure or only some decimal fraction, it will be found more convenient to move the decimal point two places to the right and use 100 patient-days as the unit of comparison. To arrive at this unit of consumption it is only necessary to multiply the quantity consumed in a given period by 100 and divide the result by the number of patient or staff-days recorded during such period.

The employment of the above recommended unit of 100 patient-days would greatly facilitate the comparison of figures between Hospitals, but the employment of this unit is not essential so long as some definite and fixed unit is continuously employed by the same Hospital. Alternative units of 7 patient-days as representing one week or 365 patient-days as representing one year might be used.

Quantity Statistics should be started for the chief commodities consumed, and gradually extended to cover all the supplies required by a Hospital.

The three Funds strongly advocate the institution of a system of Quantity Statistics in Hospitals which have not yet adopted this method of control, as they believe it would enable those in authority to locate excessive consumption, and would also encourage economy amongst the Nursing, Departmental, and Administrative Staff.

A very full and detailed memorandum on the subject, with forms and charts, has been published by the King's Fund, and copies may be obtained from Geo. Barber, 23 Fumival Street, E.C.4. The following forms illustrate the application of Quantity Statistics :—

FORM ILLUSTRATING THE APPLICATION OF "QUANTITY STATISTICS" TO A SMALL HOSPITAL.

Statement prepared for monthly submission to the Committee of a small Hospital, where it is impossible, at present, to separate issues to patients and staff. Based upon purchases only (but see note 3 below).

COMPARATIVE STATEMENT OF CONSUMPTION PER 100 PATIENT-DAYS AND STAFF-DAYS.

COMMODITY.	Month under Review.		Previous Month.		Corresponding Month of last Year.		REMARKS.
	Patient-days ...	1,020	Patient-days ...	961	Patient-days ...	1,080	
	Staff-days : Whole Board ...	720	Staff-days : Whole Board ...	713	Staff-days : Whole Board ...	730	
	Partial Board ...	90	Partial Board ...	93	Partial Board ...	90	
	Total P. & S. days	1,830	Total P. & S. days	1,767	Total P. & S. days	1,900	
	Quantity.	Per 100 Unit.	Quantity.	Per 100 Unit.	Quantity.	Per 100 Unit.	
Meat ...	558	30.5	479	27.1	508	26.7*	* 10 chdn. in Wards (See Milk).
Fish ...	287	15.7	339	19.2†	283	14.9	† Fish in place of meat.
Bacon ...	27	3.8	33	4.6	29	4.0	Staff only.
Potatoes ...	911	49.8‡	917	51.9‡	994	52.3	‡‡ Better grade.
Bread ...	684	37.4	712	40.3	859	45.2	Waste eliminated.
Flour ...	178	9.7	209	11.8	200	10.5	
Milk ...	2,081	113.7	1,968	111.4	2,421	127.4¶	¶ 10 chdn. in Wards.
Eggs ...	542	29.6	466	26.4	659	34.7	31/- 28/- 33/-
Butter ...	108	5.9	108	6.1	139	7.3	
Margarine ...	24	1.3	32	1.8	27	1.4	
Tea ...	48	2.6	53	3.0	65	3.4	2/3 2/3 2/-
Sugar ...	174	9.5	219	12.4	207	10.9	
Jams and Marmalade	62	3.4	51	2.9	91	4.8	
Rice, Tapioca & Sago	134	7.3	120	6.8	133	7.0	

EXAMPLE OF WORKING.

Quantity of meat consumed in November 1925 ... 558 lb.

Number of Patient and Staff-days for November 1925 ... 1,830

Consumption per 100 unit

$$\frac{558 \times 100}{1,830} = \dots \dots \dots 30.5$$

NOTES.

1.—The total number of Patient-days must agree with the total for the month of the daily counts of Patients. The number of Staff receiving board should be recorded daily (Memo. on Quantity Statistics, page 7, paragraph 24). Persons not on full board who are supplied with lunch or dinner should be included under "Staff, Partial Board," but persons who are served with tea and no other meal should not be counted.

2.—The amount spent on provisions should be analysed for the purpose of ascertaining the main items on which the expenditure is incurred. If any main item is not shown above on the statement, this commodity should be added to the list.

3.—The quantities purchased during a month may be taken to represent the amount consumed (Memo. on Quantity Statistics, page 9, paragraph 32), but if any commodity is purchased in bulk, and any considerable quantity is

carried forward from month to month, the amount issued during the month should be judged as accurately as possible and recorded as the consumption.

4.—Quantity must be expressed in weight, or in the usual equivalent measure, and not in portions or otherwise.

5.—The consumption per 100 Patient and Staff-days is found by dividing the quantity consumed by the total number of Patient and Staff-days for the same period, and multiplying by 100 (Memo. on Quantity Statistics, page 15).

6.—If the Hospital requires any commodity to be supplied by the Patients, the amount of any such commodity purchased by the Hospital should be reduced to a unit of 100 Staff-days only. Any commodity supplied only to the Staff should be similarly treated, and in each case the words "Staff only" should be noted in the Remarks column.

The figures in the above table are hypothetical, and are not to be taken as a standard.

FORM ILLUSTRATING THE APPLICATION OF "QUANTITY STATISTICS" TO A LARGER HOSPITAL.
Comparative Ward Statement of Provisions Consumed per 100 Patient-days for the month of

, 19 .

Wards and other Divisions.	Available beds.	Patients and Staff fed during month, i.e., total No. of patient-days	Consumption per unit of 100 Patient-days or Staff-days.															
			Meat.	Bread and Flour.	All Fish.	Vegetables.	Milk.	Butter.	Sugar.	Eggs.	Tea.	Jams.	Cereals.	Cheese.	Malt Liquors.	Bacon.	Cocoa.	Coffee.
			lbs.	lbs.	lbs.	lbs.	pts.	lbs.	lbs.		lbs.	lbs.	lbs.	lbs.	pts.	lbs.	lbs.	lbs.
Essex... ..	22	650	28	41	29	76	170	8½	8	26	3	5	11	2	4½	2½	1	1½
Middlesex	20	600	30½	47	22	90	150	10	7½	22	3½	5½	12½	1½	2½	2½	½	2
Sussex	18	550	29	46	30	69	165	6	10	30	3	4½	14	2½	4	2	1½	1
Surrey	16	450	28½	56	25	78	125	9	7	24	4	4	11½	1	2	2½	2½	1½
Norfolk	15	400	29½	38	27	63	139	7	10½	28	4	5	12	3	3½	½	2	2
Suffolk	12	300	31½	46	24	88	120	11	8½	18	3½	4½	14	3½	1	2	1	1
Kent	10	250	32	45	26	83	110	9½	9	28	3	3½	13	2	3	1½	1½	1½
Dorset	10	200	30	55	28	74	135	8	9½	20	4½	5½	15	2½	1½	1½	2	1
Average*	—	—	30	46	26	77½	139	8½	9	25	3½	4½	12½	2¼	3	2	1½	1½
Nursing Staff ...	—	1,550	35	53	29	89	150	12	12	24	5	6	17	3	—	4½	2½	2½
Domestic ,, ...	—	620	31	55	26	80	140	11	9	24	3½	5	15	2½	—	4½	2	2

* The average is ascertained from the total number of patient-days and the total consumption.

The figures in the above table are hypothetical, and are not to be taken as a standard.

(B) THE BUDGET.

The Budget, or periodical Estimate of Income and Expenditure, is a feature of internal control which has not received the attention it deserves at the hands of Hospital Authorities. When compared from time to time with returns of actual Income and Expenditure it is a most valuable method of control.

It is of greater importance to control the expenditure of money by knowing what it is to be used for before it is spent, than to ascertain by careful analysis what was done with it after it has been spent.

As is well known, the Budget is the basis of Parliamentary control over National Expenditure; every municipal authority is required by law to prepare an annual or bi-annual budget, and if Hospitals are to retain the confidence of their supporters they will have to adopt recognised methods of control.

A Budget simply means financial planning based on a carefully compiled estimate of expected income and intended expenditure. The fact that the proposed expenditure has to be deliberately considered and reviewed at the beginning of the budget period, with the knowledge that it will be periodically compared with the actual expenditure, is invaluable as a moral factor in controlling expenditure.

Another advantage of the Budget is the use to which it can be put on the issue of an appeal for funds. A properly prepared Budget is the foundation on which the financial arguments of an appeal can be based, and frequently is the best advocate for the appeal.

The object of a Budget is to ascertain what amount, in addition to receipts from known sources, will be required to meet the expenditure estimated to be incurred during a certain future period, and to frame the details of expenditure in relation to the income expected and in such form that comparison will be facilitated between the proposed transactions as set out and the actual transactions as and when they take place. The aim should be, therefore, to provide the Committee with such a Budget as will, whilst not being clouded with detail, show clearly the various items of expenditure grouped under appropriate headings. These, for convenience and purposes of subsequent comparison, may well be the headings in the annual Income and Expenditure Account.

In the case of Hospitals organised on a departmental basis, Heads of Departments should prepare their own Budgets, and should be definitely responsible for keeping their expenditure within the estimates approved by the Board.

A preliminary review of the Budgets should then be made by a Sub-Committee having authority to call for revised estimates. The final approval should be given only by the Board of Management, and, once such approval has been given, no addition should be allowed to any of the amounts approved, without the prior sanction of the Board. After the Budget has been approved, it will be of little value unless a definite procedure is adopted by means of which it can be ascertained from time to time that its provisions are being adhered to, not only as to totals, but as to the individual items making up the totals. This is important, as it

prevents a saving on one item being set off against over-expenditure on another.

It frequently happens that special expenditure which could not be foreseen at the time the Budget was prepared has to be provided for, as, for example, additions to, or improvements in, the work of the Hospital. Such contingencies can always be met by means of a supplemental Budget submitted to the Board of Management. It is desirable that a supplemental Budget should be presented at the same time as one of the periodical returns showing how the actual expenditure compares with the estimate to date, so that it may be seen that the proposed expenditure fits in with the main Budget.

The Budget being a statement of estimated Income and Expenditure, the form given on page 57 (with the corresponding information under Expenditure) is the only one essential. But to confine the Budget to this bald statement is to deprive the procedure of most of its usefulness. The form on page 58 (with the corresponding information under Income) shows how the actual income and expenditure should be compared periodically with the estimated figures. These forms, which will be common in outline to all Hospitals preparing Budgets (though some may require more detail than others), are the only forms of which illustrations need be given. In practice, Hospitals will find it necessary to have supporting or complementary schedules dealing in detail with the different items of the Budget or covering the activities of special departments.

A Budget should also be prepared for any Capital Expenditure that may be intended. Here, again, the form required will vary. A Hospital with ample General Funds with no intention of appealing for a Special Building Fund can adopt a simple statement of the amount required to complete the scheme, the amount of expenditure proposed during the period covered by the Budget and the amount authorised. In the case of a Hospital with limited General Funds more information would be necessary, as the issue of a Building Appeal might seriously affect the General Fund income.

The preparation of the Budget leads logically to the preparation of the Statement of the Financial Position. Whether a Hospital's Budget consists only of the fewest and simplest forms or of the most elaborate, it should be accompanied by a statement of the present and prospective financial position.

The Budget and the Financial Statement should be interdependent. The one cannot be prepared and the other ignored without impairing the effectiveness of each. It is just as important to forecast the financial position as a whole as it is to estimate income and expenditure. Obviously the latter is necessary to obtain the former. Conversely, the Budget must be scanned in the light of the financial position, not merely to keep the proposed expenditure within the necessary limits, but still more so if a decision has to be made whether the work of the Hospital must be curtailed or funds borrowed or extraordinary efforts made to increase Income.

The following forms illustrate part of the procedure in preparing and comparing Budgets :—

HOSPITAL.

ESTIMATES FOR 19.....

ITEMS OF INCOME.	Income for 19.... (past year).	Estimates for 19.... (ensuing year).	Increase.	Decrease.	REMARKS.
ORDINARY.					
I. Voluntary Gifts.					
1. Subscriptions, Donations, etc. :—					
Annual Subscriptions					
Donations					
Box Collections					
Entertainments					
Gifts in Kind					
Other Voluntary Gifts					
2. Central Funds :—					
King Edward's Hospital Fund ...					
Hospital Sunday Fund					
Hospital Saturday Fund					
Other Central Funds					
TOTAL					
II. Receipts on Account of Services rendered.					
1. Contributions on Account of Services to Patients :—					
(a) From Patients and their Societies—					
Patients					
Hospital Contributory Associations					
Approved Societies					
Other Sources					
Etc.					
Etc.					
Etc.					
TOTAL					
III. Invested Property.					
Interest, Dividends, etc.					
Rents					
TOTAL					
Continue for all Headings of Income.					
GRAND TOTAL					

A similar form should be used for estimating Expenditure under its various headings for the ensuing year.

HOSPITAL.

COMPARATIVE STATEMENT SHOWING ESTIMATED EXPENDITURE FOR 19..... AND ACTUAL
QUARTERLY EXPENDITURE.

ITEMS OF EXPENDITURE.	Estimates for 19....	For 3 Months.		For 6 Months.		For 9 Months.		For 12 Months.			REMARKS.
		Actual Expen- diture.	Balance avail- able.	Actual Expen- diture.	Balance avail- able.	Actual Expen- diture.	Balance avail- able.	Actual Expen- diture.	Over- spent.	Amount Saved.	
	£	£	£	£	£	£	£	£	£	£	
ORDINARY.											
I. Provisions.											
II. Surgery and Dispensary.											
1. Drugs, Chemicals, Disinfectants, etc.											
2. Dressings, Bandages, etc.											
3. Instruments and Appliances											
4. Wines and Spirits											
5. Salaries and Wages of Dispensing Staff... ..											
6. Sundries											
TOTAL FOR SURGERY & DISPENSARY											
III. Domestic.											
1. Renewal and Repair of Furniture, Bedding, Crockery, etc.											
2. Laundry											
3. Cleaning and Chandlery											
4. Water											
5. Fuel and Lighting											
6. Uniforms											
7. Sundries											
TOTAL FOR DOMESTIC											
IV. Salaries and Wages (Main- tenance).											
1. Medical											
2. Nursing											
3. Other Officers and Employees											
4. Pensions											
TOTAL FOR SALARIES AND WAGES											
etc.											
etc.											
etc.											

A similar form should be used for comparing the Income received with the estimated Income

(c) DEPARTMENTAL COSTS.

Cost per Bed.

The Statistical Tables published by Hospitals using the Revised Uniform System of Hospital Accounts show the expenditure of the Hospital divided between In-patients and Out-patients and expressed as the cost per occupied bed and per Out-patient attendance.

The Annual Statistical Report issued by King Edward's Hospital Fund similarly shows the cost per occupied bed and per Out-patient attendance of the more controllable items of expenditure after excluding the expenditure on certain items not dependent on the work done from year to year.

This is an illustration of costing with which Hospitals are familiar, and if all Hospitals were carrying out the same work it would give a reliable indication of the efficiency and economy of each Hospital. But the statistical value of this "cost" is greatly reduced by the fact that there are considerable differences in the work done by Hospitals, even in the same Group as classified in the Statistical Report of the King's Fund.

The chief reason why cost per bed at a large Teaching Hospital is higher than the cost per bed at a Cottage Hospital lies, not in any difference in the nursing, comfort and feeding of the Patients, but in the fact that the large Hospital is maintaining many expensive departments, either for diagnosis or for treatment of special cases, the expenditure on which increases the cost per bed. If it were possible to separate the expenditure on each such special department and to show the actual ward costs of nursing and maintaining the Patients, these costs should be no higher, and might even prove to be lower, at a large Hospital than at a small one.

To some extent the differences in cost per bed between Hospitals in the same classified Group may be due to differences in the number of such special departments; but without some form of costing or analysis of departmental expenditure the extent to which this accounts for the difference in cost cannot be fully ascertained. Moreover, a system of costing or departmental analysis serves an equally useful purpose in that it permits the Board of Management to locate excessive or unnecessary expenditure which would in the mass grouping of figures in the Income and Expenditure Account otherwise have escaped attention.

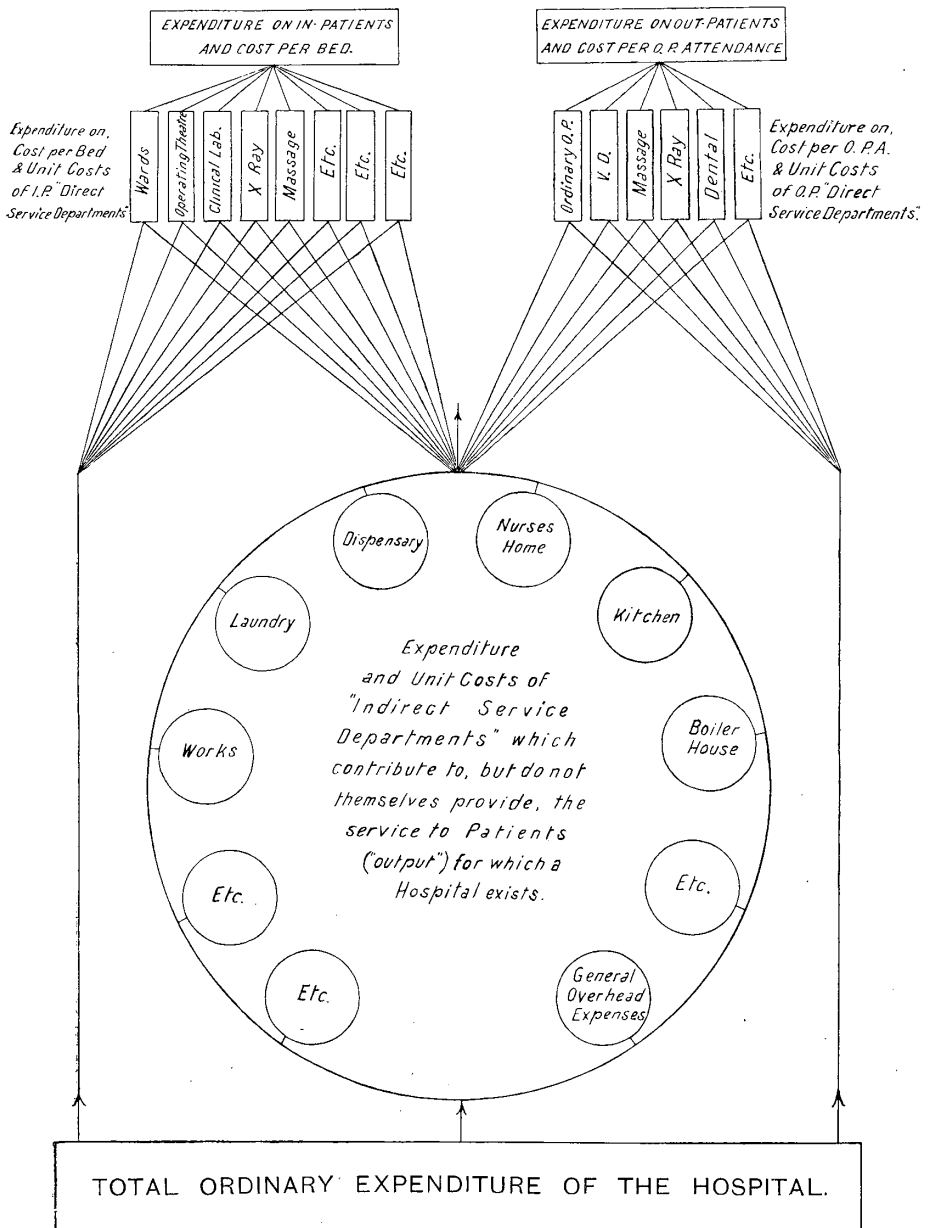
Principles of Costing.

The principles of costing are universally accepted and widely applied in the business world, and in the phraseology of business the services rendered to the Patients may be described as the "Output" of the Hospital. As the output of a factory may consist of several different articles, the cost of each of which is separately ascertained, so the services to Patients should be divided into separate sections of Hospital work, and the expenditure on each such section (*e.g.* wards, operating theatres, X-rays, Finsen light, massage, etc.) ascertained.

THE REVISED UNIFORM SYSTEM OF HOSPITAL ACCOUNTS.

DIAGRAM ILLUSTRATING A SYSTEM OF DEPARTMENTAL ANALYSIS OR COSTING.

This diagram is intended only as an illustration of a comprehensive System of Analysis, and must not be taken to indicate the "Direct Service Departments" into which the work of a Hospital should be divided.



Definition of "Department."

In Hospital use the word "Department" is applied to sections of Hospital work representing the output as indicated above and also to activities which contribute to but do not represent this output. In considering departmental analysis of expenditure or costs these two classes of departments must be clearly distinguished, and for this purpose the title "Direct Service Department" is here used to define the main divisions (*e.g.*, Wards, Operating Theatres, etc.) representing services to the Patients, or "output," and the title "Indirect Service Department" is used for the other activities (*e.g.*, Laundry, Boiler-house, Nurses' Home, etc.) which contribute to, but do not themselves produce, the "output" for which a Hospital exists.

The Washing Return adopted in 1906 at the suggestion of the Hospital Secretaries' Committee was an example of costing, and the Subsidiary Accounts described on pages 40 to 49 illustrate the first steps towards the costing of such "Indirect Service Departments."

Introduction of Departmental Analysis.

Hospitals should not be deterred from starting Departmental Analysis because they do not feel ready to introduce a complete system. It is comparatively easy to ascertain the expenditure of many of the "Indirect Service Departments" (*e.g.*, Laundry, Boiler-house, Nurses' Home, Kitchen, etc.), and any such analysis is valuable in itself and can later be used as part of the fabric for building up a complete system.

Hospitals should, therefore, begin to develop a system of Departmental Analysis by ascertaining the expenditure on all "Indirect Service Departments" the expenditure on which can be readily isolated.

Where it is necessary to reduce the clerical work to a minimum, the cost of the "Indirect Service Department" may be based on the actual expenditure on that Department, but where the accounting staff of the Hospital is equipped to prepare a more complete set of costing accounts the total cost of each "Indirect Service Department" should include a charge for services rendered to it by other Departments. Thus, "Laundry" would include part of the cost of "Boiler-house" in respect of hot-water supplies and part of the cost of "Kitchen" in respect of meals supplied to the Laundry Staff, etc.

It is only when a Hospital has completed the analysis of its expenditure so as to arrive at the cost of all its "Indirect Service Departments" that the further step of ascertaining the expenditure on the "Direct Service Departments" should be started.

Analysis and Distribution of Expenditure.

It will be seen from the diagram opposite that the total ordinary expenditure of the Hospital is distributed over the different "Direct Service Departments" used for In- and Out-patients respectively, part

of the expenditure being charged straight to the "Direct Service Departments," while part is first carried to various "Indirect Service Departments" whose cost is then apportioned and charged to the "Direct Service Departments" concerned. Thus the cost of the X-ray Department will consist partly of a share in the cost of Dispensary, Nurses' Home, etc., etc., and partly of Salaries, Materials, etc., etc., charged to the X-ray Department direct. A complete system should, therefore, show the entire cost of each "Indirect Service Department" after including the cost of services rendered to it by other departments; this cost should be allocated to and included in the cost of the "Direct Service Departments" under which the expenditure will be finally grouped.

Interest on Capital and Depreciation, which are important elements in industrial costing, are not of the same importance to Hospital costing. The cost accounts should be confined to the ordinary expenditure shown in the Income and Expenditure Account.

Units of Cost.

Having thus ascertained the total expenditure of each Department, the next step is to decide by what means the volume of work done can best be measured. The work done should be reduced to some fairly constant "Unit," or, if this is not possible, to some unit which would on the average of a large number of cases represent a fairly definite amount of work.

Thus, amongst "Direct Service Departments" the work of the Clinical Laboratory might be measured by the number of specimens examined, and the work of X-ray photography by the number or size of plates exposed. Where no better unit is available, the Patient receiving the special treatment can be regarded as a unit of work done. Amongst "Indirect Service Departments" the cost of the Laundry might be measured by cost per dozen articles, Kitchen by number of persons fed, and so on.

It is only when expenditure is reduced to cost per unit of work done that the cost can be effectively compared with the past experience of the Hospital and the experience of other Hospitals.

While the main object is to ascertain the cost of the Output of the Hospital, as shown by the cost per unit of each of the "Direct Service Departments," it is obvious that a much more minute examination of costs can be made when the expenditure of each "Indirect Service Department" is dealt with separately as previously explained.

The allocation of the entire expenditure of a Hospital to the various "Direct Service Departments," and the measurement of the expenditure in each such Department by cost per unit of work done, together form the finished picture.

General.

The subject is not entirely new, and there are Hospitals which have already adopted a costing system, from whose experience much may be learnt.

Until Hospitals have had considerable experience in the working of costing systems it would be premature to speculate as to the most suitable methods for general use, but the three Funds consider the subject one of great importance, and all Hospital Authorities are urged to give it their earnest consideration and to use the principles of costing as a method of controlling expenditure to the fullest extent they consider practicable in the circumstances of their own Hospital.

It would be of the greatest value to the Hospitals, to the three Funds, and to the Public, to know to what extent the total cost per bed includes the cost of special sections of work rendered necessary by modern developments in Medicine and Surgery.

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*Excluding items of Expenditure dealt with in the Index of Classification,
which is issued as a separate publication.*

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