

MILESTONE MOMENTS



50 YEARS OF CARE ON THE PENINSULA

Redcliffe Hospital celebrated 50 years of service to the Peninsula community in June.

From humble beginnings, the hospital has grown into a modern community hospital with 281 beds, caring for nearly 200,000 patients a year.

Celebrations included a community open day, the opening of a Healing Garden and the reopening of Ward 4East, which was refurbished at a cost of a \$5 million.



WWI HEALTH WORKERS COMMEMORATED ON FILM

The proud history of Queensland's doctors, nurses and support staff who served during the First World War is the subject of a unique documentary 'Bandages and Battlefields', which was launched at the Royal Brisbane and Women's Hospital just before the centenary of the Gallipoli landing.

The documentary reveals the work, memories and legacy of Queenslanders who worked in terrible conditions in the medical service during the war. It was produced by the Department of Health as part of the Queensland Government's contribution to the Anzac Centenary.

Graham and Kaye Taylor joined Metro North Hospital and Health Service Board member and medical historian Dr Cliff Pollard at the launch of the documentary 'Bandages and Battlefields'. Mrs Taylor's grandfather Herbert Jamieson Stewart, who served in WWI, was an honorary consultant at the then Brisbane Hospital.



Hundreds of people turned out to celebrate 25 years of the Bone Marrow Transplant Service at the Royal Brisbane and Women's Hospital.

25 YEARS OF BONE MARROW TRANSPLANTS

Twenty-five years of the Bone Marrow Transplant Service at Royal Brisbane and Women's Hospital was celebrated in March.

Since its introduction, the service in Metro North has treated almost 2,500 patients and is one of the largest adult and paediatric bone marrow transplant units in Australia. Patients and their families travelled across the State to commemorate the occasion and shared their stories and experiences.



DIAMOND ANNIVERSARY FOR THE PRINCE CHARLES HOSPITAL

The Prince Charles Hospital celebrated 60 years of care in October.

What started as demountable buildings on farmland at Chermside is now an internationally recognised leader for its excellence in heart and lung care.

TPCH has a proud history of firsts. It performed the state's first open heart surgery operations in adults, the first children's heart valve surgery and established the world's first Cryopreservation Valve Bank for adults and children's heart valves. In May, the hospital celebrated 25 years of cardiac transplants.

The hospital was also the first in Australia to use ex-vivo technology, which repairs donated lungs before transplantation.

7.0 FINANCIAL STATEMENTS

7.1 General information

The Metro North Hospital and Health Service is a Queensland Government statutory body established under the *Hospital and Health Boards Act 2011* and its registered name is "Metro North Hospital and Health Service".

The Metro North Hospital and Health Service is controlled by the State of Queensland which is the ultimate parent entity.

The head office and principal place of business of the Metro North Hospital and Health Service is:

Level 14, Block 7
Royal Brisbane and Women's Hospital
Herston QLD 4029

A description of the nature of the operations and principal activities of the Metro North Hospital and Health Service is included in the notes to the financial statements.

For information in relation to the health service's financial statements please call 07 3647 9508, email MD16-MetroNorthHHS@health.qld.gov.au or visit the Queensland Department of Health's internet site <http://www.health.qld.gov.au/metronorth/>

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Statement of Comprehensive Income

For the year ended 30 June 2015

	Notes	2015 \$'000	2014 \$'000
Income from continuing operations			
User charges and fees	2	188,731	172,927
Funding for the provision of public health services	3	1,950,768	1,915,732
Grants and other contributions		21,748	32,025
Other revenue		34,076	34,607
Total revenue		2,195,323	2,155,291
Revaluation increment on property, plant and equipment		–	1,814
Gain on disposal/re-measurement of assets		56	256
Total income from continuing operations		2,195,379	2,157,361
Expenses from continuing operations			
Employee expenses	4	1,542,890	2,251
Supplies and services	5	562,064	2,012,516
Grants and subsidies		1,422	3,143
Depreciation and amortisation	10,11	80,772	73,226
Impairment losses		5,953	3,807
Other expenses	6	6,694	6,572
Total expenses from continuing operations		2,199,795	2,101,515
Operating result from continuing operations		(4,416)	55,846
Other comprehensive income			
Items that will not be reclassified subsequent to operating result:			
Increase/(decrease) in asset revaluation surplus	14	–	17,401
Total other comprehensive income		–	17,401
Total comprehensive income		(4,416)	73,247

The accompanying notes form part of these statements.

Statement of Financial Position

As at 30 June 2015

	Notes	2015 \$'000	2014 \$'000
Current assets			
Cash and cash equivalents	7	130,367	167,698
Receivables	8	60,086	57,874
Inventories	9	15,582	14,329
Other assets		4,104	3,023
Total current assets		210,139	242,924
Non-current assets			
Property, plant and equipment	11	1,199,075	1,259,391
Intangible assets	10	3,161	1,813
Other assets		172	90
Total non-current assets		1,202,408	1,261,294
Total assets		1,412,547	1,504,218
Current liabilities			
Payables	12	55,835	151,386
Accrued employee benefits	13	64,465	74
Unearned revenue		1,208	1,865
Total current liabilities		121,508	153,325
Total liabilities		121,508	153,325
Net assets		1,291,038	1,350,893
Equity			
Contributed equity		1,200,006	1,255,445
Accumulated surplus		73,631	78,047
Asset revaluation surplus	14	17,401	17,401
Total equity		1,291,038	1,350,893

The accompanying notes form part of these statements.

Statement of Changes in Equity For the year ended 30 June 2015

	Notes	Accumulated Surplus/ (deficit) \$'000	Asset Revaluation Surplus \$'000	Contributed Equity \$'000	Total Equity \$'000
Balance at 1 July 2014		78,047	17,401	1,255,445	1,350,893
Operating result from continuing operations		(4,416)	–	–	(4,416)
<i>Other comprehensive income</i>					
Increase in asset revaluation surplus		–	–	–	–
Total comprehensive income for the year		(4,416)	–	–	(4,416)
<i>Transactions with owners as owners</i>					
Equity injections – Minor Capital Funding		–	–	22,791	22,791
Equity withdrawals – depreciation and amortisation	1 (i)	–	–	(80,752)	(80,752)
Non-appropriated equity asset transfers		–	–	2,522	2,522
Net transactions with owners as owners		–	–	(55,439)	(55,439)
Balance as at 30 June 2015		73,631	17,401	1,200,006	1,291,038

	Notes	Accumulated Surplus/ (deficit) \$'000	Asset Revaluation Surplus \$'000	Contributed Equity \$'000	Total Equity \$'000
Balance at 1 July 2013		22,201	–	1,289,805	1,312,006
Operating result from continuing operations		55,846	–	–	55,846
<i>Other comprehensive income</i>					
Increase in asset revaluation surplus		–	17,401	–	17,401
Total comprehensive income for the year		55,846	17,401	–	73,247
<i>Transactions with owners as owners</i>					
Equity injections – Minor Capital Funding		–	–	31,684	31,684
Equity withdrawals – depreciation and amortisation	1 (i)	–	–	(72,848)	(72,848)
Non-appropriated equity asset transfers		–	–	6,804	6,804
Net transactions with owners as owners		–	–	(34,360)	(34,360)
Balance as at 30 June 2014		78,047	17,401	1,255,445	1,350,893

The accompanying notes form part of these statements.

Statement of Cash Flows

For the year ended 30 June 2015

	Notes	2015 \$'000	2014 \$'000
Cash flows from operating activities			
<i>Inflows</i>			
User charges		187,417	155,352
Funding for the provision of public health services		1,862,959	1,872,478
Grants and other contributions		21,748	31,875
Interest received		682	686
Other revenue		33,319	32,506
GST collected from customers		5,878	(3,970)
GST input tax credits from Australian Taxation Office*		27,806	21,714
<i>Outflows</i>			
Employee expenses		(1,553,199)	(2,831)
Supplies and services		(585,330)	(2,023,144)
Grants and subsidies		(1,422)	(3,642)
Other expenses		(5,437)	2,071
GST paid to suppliers		(28,189)	22,691
GST remitted to Australian Taxation Office*		(5,873)	(41,427)
Net cash provided by (used in) operating activities	15	(39,641)	64,359
Cash flows from investing activities			
<i>Inflows</i>			
Sales of property, plant and equipment		199	680
<i>Outflows</i>			
Payments for property, plant and equipment		(21,566)	(29,275)
Payments for intangible assets		(1,633)	(1,639)
Net cash provided by (used in) investing activities		(23,001)	(30,234)
Cash flows from financing activities			
<i>Inflows</i>			
Equity transferred		25,311	31,684
Net cash provided by (used in) financing activities		25,311	31,684
Net increase/(decrease) in cash and cash equivalents		(37,331)	65,809
Cash and cash equivalents at the beginning of the financial year		167,698	101,889
Cash and cash equivalents at the end of the financial year	7	130,367	167,698

The accompanying notes form part of these statements.

* The GST transactions with the Australian Taxation Office are managed and lodged via the Department of Health under a GST Grouping as per the Division 48, *A New Tax System (Goods and Services Tax) Act 1999*. See Note 1(r).

1. Summary of significant accounting policies

The principle accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Statement of compliance

The Metro North Hospital and Health Service has prepared these financial statements in compliance with section 43 of the *Financial and Performance Management Standard 2009 (QLD)*.

These financial statements are general purpose financial statements and have been prepared on an accrual basis in accordance with Australian Accounting Standards and Interpretations. In addition, the financial statements comply with Queensland Treasury's Minimum Reporting Requirements for the year ending 30 June 2015 and other authoritative pronouncements.

With respect to compliance with Australian Accounting Standards and Interpretations, the Metro North Hospital and Health Service has applied those requirements applicable to a not-for-profit entity, as the Metro North Hospital and Health Service is a not-for-profit entity. Except where stated, a historical cost convention is used.

(b) The reporting entity

The financial statements include the value of all income, expenses, assets, liabilities and equity of the Metro North Hospital and Health Service.

(c) Funding for the provision of health services

The funding from the Department of Health is provided predominantly for specific public health services purchased by the Department from Metro North Hospital and Health Service in accordance with a service agreement between the Department of Health and Metro North Hospital and Health Service. The service agreement is reviewed periodically and updated for changes in activities and prices of services delivered by Metro North Hospital and Health Service. The funding from the Department of Health is received fortnightly in advance. At the end of the financial year, a financial adjustment may be required where the level of services provided is above or below the agreed level.

(d) Grants and other contributions

Grants, contributions, donations and gifts that are non-reciprocal in nature are recognised as revenue in the year in which the Metro North Hospital and Health Service obtains control over them.

Contributed assets are recognised at their fair value.

(e) Special payments

Special payments include ex-gratia expenditure and other expenditure that the Metro North Hospital and Health Service is not contractually or legally obligated to make to other parties. In compliance with the

Financial and *Performance Management Standard 2009*, the Metro North Hospital and Health Service maintains a register setting out the details of all special payments greater than \$5,000. The total of all special payments (including those of \$5,000 or less) is disclosed separately within Other Expenses (Note 6). However, descriptions of the nature of special payments are only provided for special payments greater than \$5,000.

(f) Cash and cash equivalents

For the purpose of the Statement of Financial Position and the Statement of Cash Flows, cash assets include all cash and cheques received but not banked as at 30 June as well as deposits at call with financial institutions.

(g) Receivables

Trade debtors are recognised at the amounts due at the time of sale or service delivery i.e. the agreed purchase/contract price. Trade receivables are generally settled within 30-120 days, while some other trade receivables may take longer than twelve months to settle.

The collectability of receivables is assessed periodically with provision being made for impairment. All known bad debts are written off when identified. Increases in the allowance for impairment are based on loss events as disclosed in Notes 8 and 22(c).

(h) Inventories

Inventories consist mainly of medical supplies and equipment, drugs and other pharmaceuticals held for distribution to, and consumption by, hospitals.

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is measured at their weighted average cost; including expenditure incurred in acquiring them and bringing them to their existing location and condition and is adjusted for loss of service potential. These supplies are expensed on issue from the Metro North Hospital and Health Service's main storage facilities.

(i) Property, plant and equipment

Items of property, plant and equipment with a cost or other value equal to or in excess of the following thresholds and with a useful life of more than one year are recognised for financial reporting purposes in the year of acquisition. Items with a lesser value are expensed in the year of acquisition.

Class	Threshold
Buildings*	\$10,000
Land	\$1
Plant and Equipment	\$5,000

* Land improvements undertaken by the Metro North Hospital and Health Service are included with Buildings.

Initial measurement

Property, plant and equipment are initially recorded at consideration plus any other costs directly incurred in bringing the asset to the condition ready for use.

Assets acquired at no cost or for nominal consideration, other than from an involuntary transfer from another

Queensland Government entity, are recognised at their fair value at date of acquisition in accordance with AASB 116 Property, Plant and Equipment.

Subsequent costs

Subsequent expenditure is only capitalised when it is probable that future economic benefits associated with the expenditure will flow to the Metro North Hospital and Health Service. Ongoing repairs and maintenance are expensed as incurred.

Subsequent measurement

Plant and equipment is measured at cost in accordance with Queensland Treasury's *Non-Current Asset Policies for the Queensland Public Sector*. The carrying amounts for such plant and equipment at cost should not materially differ from their fair value.

Land and buildings are measured at fair value in accordance with AASB 116 *Property, Plant and Equipment*, AASB 13 *Fair Value Measurement* and Queensland Treasury's *Non-Current Asset Policies for the Queensland Public Sector*.

These assets are reported at their revalued amounts, being the fair value at the date of valuation, less any subsequent accumulated depreciation and impairment losses where applicable.

In respect of the abovementioned asset classes, the cost of items acquired during the financial year has been judged by management of the Metro North Hospital and Health Service to materially represent their fair value at the end of the reporting period.

To ensure the carrying amounts of the land and buildings asset classes reflect their fair value, land and buildings asset classes are revalued on an annual basis. The concept of materiality is considered in determining whether only those material assets within the class, rather than all assets of the class, are revalued. In applying the concept of materiality to asset revaluations, the Metro North Hospital and Health Service has an appropriately robust policy for identifying those assets to be included or excluded as part of the revaluation process.

The annual valuation process for a class of land or buildings carried at fair value may incorporate either one or both of the following revaluation methodologies:

- Appraisals undertaken by independent professional valuer or internal expert; or
- Use of appropriate and relevant indices.

Revaluations using independent professional valuers are undertaken with sufficient regularity to ensure assets are carried at fair value. However, if a class of asset experiences significant and volatile changes in fair value (i.e. where indicators such as property market

and construction cost movements suggest that the value of the class of asset may have changed significantly from one reporting period to the next), it is subject to such revaluations in the reporting period.

The fair values reported by the Metro North Hospital and Health Service are based on appropriate valuation techniques that maximise the use of available and relevant observable inputs and minimise the use of unobservable inputs.

Land

Land is measured at fair value utilising either independent revaluation or applying an interim revaluation methodology developed by the State Valuation Service.

The State Valuation Service provides an individual factor change per property derived from the review of market transactions (observable market data). These market movements are determined having regard to the review of land values undertaken for each local government area issued by the Valuer-General Department of Natural Resources and Mines.

Buildings

Buildings are measured at fair value utilising either independent revaluation or applying an interim revaluation methodology developed by external quantity surveyors Davis Langdon. The methodology used by Davis Langdon takes into account the specialised nature of health service buildings and the fair value is determined by using the depreciated replacement cost method. Depreciated replacement cost is determined as the replacement cost less the cost to bring to current standards.

In determining the replacement cost of each building, a cost model developed by Davis Langdon is used and provides an elemental cost plan (cost estimate) of the asset through the determination of key cost drivers such as;

- Asset type (clinical building, administration, clinic etc.)
- Gross floor area (where high-set residences have been inspected, only the main upper floor has been measured)
- Number of floors
- Girth of the building
- Height of the building
- Number of lifts
- Location.

The 'cost to bring to current standards' is the estimated cost of refurbishing the asset to bring it to current standards and a new condition. In order to calculate the cost to bring the buildings to current standard a condition rating is applied based upon;

- Visual inspection of the asset;
- Asset condition data and other information provided by Metro North Hospital and Health Service; and

- Previous reports and inspection photographs if available (to show the change in condition over time).

In assessing the condition of a building the following ratings are applied by the valuers:-

Category	Condition	Comments
1	Very good condition	Only normal maintenance required
2	Minor defects only	Minor maintenance required (up to 5% of capital replacement cost).
3	Maintenance required to return to accepted level of service	Significant maintenance required (up to 50% of capital replacement cost).
4	Requires renewal	Complete renewal of the internal fit out and engineering services required (up to 70% of capital replacement cost).
5	Assets unserviceable	Complete asset replacement required.

Where indices are used in the revaluation process, the application of such indices result in a valid estimation of the asset's fair value at reporting date. The Metro North Hospital and Health Service ensures there is sufficient evidence that the index used is robust, valid and appropriate to the assets to which it is being applied. This process includes, but is not limited to:

- obtaining a Metro North Hospital and Health Service specific index from a qualified property valuer, which includes key considerations such as construction cost escalation and changes to building design requirement specific to health care assets,
- assessing the reasonableness of the indices,
- questioning the underlying assumptions used to derive the indices; and
- analysing the trend of change in values over time.

Annually, management assess the relevance and suitability of indices used, based on the Metro North Hospital and Health Service's own particular circumstances.

Revaluation increments are credited to the asset revaluation surplus of the appropriate class, except to the extent they reverse a revaluation decrement for the class previously recognised as an expense. A decrease in the carrying amount on revaluation is charged as an expense, to the extent it exceeds the balance, if any, in the revaluation surplus relating to that asset class.

On revaluation, accumulated depreciation is restated proportionately with the change in the carrying amount of the asset and any significant change in the estimate of remaining useful lives.

Depreciation

Property, plant and equipment are depreciated on a straight-line basis so as to allocate the net cost or revalued amount of each asset, less its estimated residual value, progressively over its estimated useful life to the Metro North Hospital and Health Service. Annual depreciation is based on fair value and Metro North Hospital and Health Service's assessments of the remaining useful life of individual assets. Land is not depreciated as it has an unlimited useful life.

Assets under construction (work-in-progress) are not depreciated until they reach service delivery capacity.

Any expenditure that increases the originally assessed capacity or service potential of an asset is capitalised and the new depreciable amount is depreciated over the remaining useful life of the asset.

The estimated useful lives of the assets are reviewed annually and where necessary, are adjusted to better reflect the pattern of consumption of the asset. In reviewing the useful life of each asset, factors such as asset usage and the rate of technical obsolescence are considered.

For each class of depreciable assets, the following depreciation rates were used:

Class	Depreciation rates
Buildings	2.5% - 3.33%
Plant and Equipment	5.0% - 20.0%

The service agreement between the Department of Health and the Metro North Hospital and Health Service dictates that depreciation and amortisation charges that are incurred by the Metro North Hospital and Health Service are funded by the Department of Health via non-cash grant revenue. This transaction is shown in the Statement of Changes in Equity as a non-appropriated equity withdrawal.

Fair Value

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly derived from observable inputs or estimated using another valuation technique.

Observable inputs are publicly available data that are relevant to the characteristics of the assets being valued and include, but are not limited to, published sales data for land and residential dwellings.

Unobservable inputs are data, assumptions and judgements that are not available publicly, but are relevant to the characteristics of the assets being valued. Significant unobservable inputs used by Metro North Hospital and Health Service include, but are not limited to, subjective adjustments made to observable data to take account of the specialised nature of health service buildings and on hospital-site residential facilities, including historical and current construction contracts (and/or estimates of such costs), and assessments of physical condition and remaining

useful life. Unobservable inputs are used to the extent that sufficient relevant and reliable observable inputs are not available for similar assets.

A fair value measurement of non-financial assets takes into account a market participant's ability to generate economic benefit by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

All assets and liabilities of Metro North Hospital and Health Service for which fair value is measured or disclosed in the financial statements are categorised within the following fair value hierarchy, based on the data and assumptions used in the most recent specific appraisals:

- Level 1 – represents fair value measurement that reflect unadjusted quoted market prices in active markets for identical assets;
- Level 2 – represents fair value measurements that are substantially derived from inputs (other than quoted prices included in level 1) that are observable, either directly or indirectly; and
- Level 3 – represents fair value measurements that are substantially derived from unobservable inputs.

None of Metro North Hospital and Health Service's valuation of assets are eligible for categorisation into level 1 of the fair value hierarchy. There were no transfers of assets between fair value hierarchy levels during the period.

(j) Intangible assets

Intangible assets with a cost or other value equal to or greater than \$100,000 are recognised in the financial statements. Items with a lesser value are expensed. Each intangible asset, less any anticipated residual value, is amortised over its estimated useful life to the Metro North Hospital and Health Service. The residual value is zero for all the Metro North Hospital and Health Service's intangible assets.

It has been determined that there is not an active market for any of Metro North Hospital and Health Service's intangible assets. As such, the assets are recognised and carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation

Intangible assets are amortised on a straight-line basis over their estimated useful life with a residual value of zero. The estimated useful life and amortisation method are reviewed periodically, with the effect of any changes in estimate being accounted for on a prospective basis. The useful life for the HHS's software is 5 years.

(k) Impairment of non-current assets

All non-current physical and intangible assets are assessed for indicators of impairment on an annual basis. If an indicator of possible impairment exists, the Metro North Hospital and Health Service determines the asset's recoverable amount (higher of the asset's fair value less costs to sell and depreciated replacement cost). Any amount by which the asset's carrying amount

exceeds the recoverable amount is recorded as an impairment loss.

(l) Financial instruments

The HHS holds financial instruments in the form of cash, call deposits, fixed rate deposits, receivables and payables. The HHS does not enter into transactions for speculative purposes, or for hedging. Financial assets and financial liabilities are recognised in the Statement of Financial Position when the Metro North Hospital and Health Service becomes a party to the contractual provisions of the financial instrument.

The Metro North Hospital and Health Service holds financial instruments in the form of cash and cash equivalents and receivables and payables. Financial instruments are classified and measured as follows:

- cash and cash equivalents – held at fair value;
- receivables – held at amortised cost; and
- payables – held at amortised cost.

Other disclosures relating to the measurement and financial risk management of other financial instruments are included in Note 22.

(m) Payables

Payables are recognised upon receipt of the goods or services ordered and are measured at the agreed purchase/contract price, gross of applicable trade and other discounts. Amounts owing are unsecured and are generally settled within the creditor's normal payment terms.

(n) Prepayments

Prepayments are payments made to external parties for services to be received from them in the future. The nature of prepayments represents mainly prepaid expenses for future repair and maintenance service contracts. Prepayments are recognised as "Other Assets" on the Statement of Financial Position because they represent existing rights to receive services.

(o) Employee benefits

As of 1 July 2014, the Metro North Hospital and Health Service has become a prescribed employer by regulation and all existing and future staff working for the Metro North Hospital and Health Service become its employees.

The Director-General, Department of Health however will continue to be responsible for setting terms and conditions of employment, including remuneration and classification structures, and for negotiating enterprise agreements.

Employee expenses (refer Note 4) now includes all employees of the health service. Prior to 1 July 2014, the Metro North Hospital and Health Service classified the reimbursement to the Department of Health for departmental employees as Department of Health - Health Service Employees, within Supplies and Services (refer Note 5).

Employer superannuation contributions, annual leave levies and long service leave levies are regarded as employee benefits.

(o) Employee benefits (continued)

Payroll tax and workers' compensation insurance are a consequence of employing employees, but are not counted in an employee's total remuneration package. They are not employee benefits and are recognised separately as employee related expenses.

Wages, Salaries and Sick Leave

Wages and salaries due but unpaid at reporting date are recognised in the Statement of Financial Position at current salary rates.

As Metro North Hospital and Health Service expects such liabilities to be wholly settled within 12 months of reporting date, the liabilities are recognised at undiscounted amounts.

Prior history indicates that on average sick leave taken each reporting period is less than the entitlement accrued. This is expected to continue in future periods. Accordingly, it is unlikely that existing accumulated entitlements will be used by employees and no liability for unused sick leave entitlements is recognised.

As sick leave is non-vesting, an expense is recognised for this leave as it is taken.

Annual Leave

Under the Queensland Government's Annual Leave Central Scheme (ALCS), a levy is made on the Metro North Hospital and Health Service to cover the cost of employees' annual leave (including leave loading and on-costs). The levies are expensed in the period in which they are payable. Amounts paid to employees for annual leave are claimed from the scheme quarterly in arrears.

The provisions for annual leave, long service leave and superannuation are reported on a whole-of government basis pursuant to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

Long Service Leave

Under the Queensland Government's Long Service Leave Scheme, a levy is made on the Metro North Hospital and Health Service to cover the cost of employees' long service leave. The levies are expensed in the period in which they are payable. Amounts paid to employees for long service leave are claimed from the scheme quarterly in arrears.

Superannuation

Employer superannuation contributions are paid to QSuper for all employees and include superannuation contributions for the Metro North Hospital and Health Service executives and to a number of self-managed superannuation funds for Board members. QSuper is the superannuation scheme for Queensland Government employees, and the rates are determined by the Treasurer on the advice of the State Actuary.

Contributions are expensed in the period in which they are paid or payable and the Metro North Hospital and Health Service's obligation is limited to its contribution to QSuper and the self-managed superannuation funds.

Key Management Personnel and Remuneration

Key management personnel and remuneration disclosures are made in accordance with section 5 of the Financial Reporting Requirements for Queensland Government Agencies issued by Queensland Treasury. Refer to Note 23 for the disclosures on key management personnel and remuneration.

(p) Insurance

Metro North Hospital and Health Service is covered by the Department of Health's insurance policy with the Queensland Government Insurance Fund (QGIF) and pays a fee to the Department of Health as a fee for service arrangement. Refer to Note 5.

QGIF covers property and general losses above a \$10,000 threshold and health litigation payments above a \$20,000 threshold and associated legal fees. Premiums are calculated by QGIF on a risk assessment basis.

(q) Services Received Free of Charge or for Nominal Value

Contributions of services are recognised only if the services would have been purchased if they had not been donated and their fair value can be measured reliably. Where this is the case, an equal amount is recognised as revenue and an expense.

The Metro North Hospital and Health Service receives corporate services support from the Department of Health for no cost. Corporate services include accounts payable services, payroll services, taxation services, some supply services and information system support services. As the fair value of these services is unable to be estimated reliably, no associated revenue and expense is recognised in the Financial Statements of the Metro North Hospital and Health Service.

(r) Taxation

The Metro North Hospital and Health Service is a State body as defined under the *Income Tax Assessment Act 1936* and is exempt from Commonwealth taxation with the exception of Fringe Benefits Tax (FBT) and Goods and Services Tax (GST). FBT and GST are the only Commonwealth taxes recognised by the Metro North Hospital and Health Service.

Both the Metro North Hospital and Health Service and the Department of Health satisfy section 149-25(e) of the *A New Tax System (Goods and Services) Act 1999 (Cth)* (the GST Act) and were able, with other Hospital and Health Services, to form a "group" for GST purposes under Division 149 of the GST Act. This means that any transactions between the members of the "group" do not attract GST.

(s) Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements necessarily requires the determination and use of certain critical accounting estimates, assumptions and management judgements that have the potential to cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Such

estimates, judgements and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in future periods as relevant.

Estimates and assumptions with the most significant effect on the financial statements are outlined in the following notes:

- The measurement of receivables and the estimation of impairment – Note 22(c)
- Key assumptions used in the revaluation of property, plant and equipment – Note 1(i)
- Key assumptions used in performing estimates of useful life of property, plant and equipment and subsequent impact on depreciation – Notes 1(i) and 11.

(t) Rounding and comparatives

Amounts included in the financial statements are in Australian dollars and have been rounded to the nearest \$1,000 or, where the amount is \$500 or less, to zero unless the disclosure of the full amount is specifically required.

(u) New and revised accounting standards

Australian Accounting Standards and Interpretations that are not yet mandatory were not early adopted by Metro North Hospital and Health Service during 2014-15. The Health Service is not permitted to early adopt accounting standards unless approved by Queensland Treasury.

AASB 1055 *Budgetary Reporting* became effective from reporting periods beginning on or after 1 July 2014. In response to this new standard, Metro North Hospital and Health Service has included in these financial statements a comprehensive new note 'Budget vs actual comparison' (Note 25). This note discloses Metro North Hospital and Health Service original published budgeted figures for 2014-15 compared to actual results, with explanations of major variances, in respect of the Health Services Statement of Comprehensive income, Statement of Financial Position and Statement of Cash Flows.

From reporting periods beginning on or after 1 July 2016, the Health Service will need to comply with the requirements of AASB 124 *Related Party Disclosures*. This accounting standard requires a range of disclosures about the remuneration of key management personnel, transactions with related parties/entities, and relationships between parent and controlled entities. The Health Service already discloses information about the remuneration expenses for key management personnel (refer Note 23) in compliance with requirements from Queensland Treasury. Therefore, the most significant implications of AASB 124 for the Health Service's financial statements will be the disclosures to be made about transactions with related parties, including transactions with key management personnel or close members of their families.

AASB 15 *Revenue from Contracts with Customers* will become effective from reporting periods beginning on or after 1 January 2018. This standard contains much more detailed requirements for the accounting for certain types of revenue from customers. Depending on the specific contractual terms, the new requirements may potentially result in a change to the timing of revenue from sales of the Health Services goods and services, such that some revenue may need to be deferred to a later reporting period to the extent that the Health Service has received cash, but has not met its associated obligations (such amounts would be reported as a liability (unearned revenue) in the meantime). Metro North Hospital and Health Service is yet to complete its analysis of current arrangements for sale of its goods and services, but at this stage does not expect a significant impact on its present accounting practices.

AASB 9 *Financial Instruments* and AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)* will become effective from reporting periods beginning on or after 1 January 2018. The main impacts of these standards on the Health Service are that they will change the requirements for the classification, measurement, impairment and disclosures associated with the Health Services financial assets. AASB 9 will introduce different criteria for whether financial assets can be measured at amortised cost or fair value. The Health Service will be required to reassess the way its financial assets are classified. However, the impact from these standards has not been assessed at this time.

AASB 2015-7 *Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities* amends AASB 13 *Fair Value Measurement* effective from annual reporting periods beginning on or after 1 July 2016. The amendments provide relief from certain disclosures about fair values categorised as level 3 under the fair value hierarchy. Accordingly, the following disclosures for level 3 fair values will no longer be required:

- the disaggregation of certain gains/losses on assets reflected in the operating result;
- quantitative information about the significant unobservable inputs used in the fair value measurement; and
- a description of the sensitivity of the fair value measurement to changes in the unobservable inputs.

As the amending standard was released in early July 2015, Metro North Hospital and Health Service has not early adopted this relief in these financial statements, as per instructions from Queensland Treasury. However, Metro North Hospital and Health Service will be early adopting this disclosure relief as from the 2015-16 reporting period (also on instructions from Queensland Treasury).

There are no other standards effective for future reporting periods that are expected to have a material impact on the Metro North Hospital and Health Service.

(v) Trust transactions and balances

Patient Fiduciary Fund transactions

Metro North Hospital and Health Service undertakes patient fiduciary fund transactions as trustee. These funds are received and held on behalf of patients with the hospital having no discretion over these funds. As such they are not part of Metro North Hospital and Health Service assets recognised in the financial statements. Patient funds are not controlled by Metro North Hospital and Health Service but trust activities are included in the annual audit performed by the Auditor-General of Queensland and disclosed in Note 19(b).

Agency transactions- Granted Private Practice (GPP) scheme

Metro North Hospital and Health Service acts in an agency role in respect of the transactions and balances of the Private Practice bank accounts. As such, the granted private practice funds are not controlled by Metro North Hospital and Health Service but the activities are included in the annual audit performed by the Auditor-General of Queensland and disclosed in Note 19(a).

	2015	2014
	\$'000	\$'000

2 User charges and fees

Hospital fees	110,763	97,882
Sales of good and services	77,968	75,045
	188,731	172,927

3 Funding for the provision of public health services

Activity based funding	1,651,769	1,642,921
Block funding	136,434	65,802
Other*	162,565	207,009
	1,950,768	1,915,732

*Other consists of \$64,433,209 in State System Manager grant funding for items not covered by the National Health Reform Agreement including such items as: Primary Health Care, Prevention, Promotion and Protection (2014: \$128,832,548)

	2015	2014
	\$'000	\$'000

4 Employee expenses*

Employee benefits		
Wages and salaries	1,221,325	1,891
Employer superannuation contributions	125,640	215
Annual leave levy/expense	144,947	106
Long service leave levy/expense	25,663	–
Termination Payments	2,850	–
	1,520,425	2,212
Employee related expenses		
Workers compensation premium	11,357	21
Payroll tax	(45)	18
Other employee related expenses	11,153	–
	1,542,890	2,251
Number of employees**	30 June 15	30 June 14
Department of Health – Health services employees	–	12,671
Metro North Hospital and Health Services Employees	13,545	14
	13,545	12,685

*The employee expenses note prior year data refers only to Health Service Board Members, Health Service Chief Executive and Health Service Executive employees. Refer to note 1(o).

**The number of employees includes full-employees and part-time employees measured on a full-time equivalent (FTE) basis. It does not include Board Members.

	2015	2014
	\$'000	\$'000

5 Supplies and services

Department of Health – Health service employees*	–	1,475,222
Consultants and contractors	21,736	21,614
Electricity and other energy	17,809	20,072
Patient travel	9,732	9,570
Other travel	3,948	3,528
Water	3,696	3,202
Building services	2,731	3,605
Computer services	14,771	10,552
Insurance**	19,618	20,452
Motor vehicles	778	981
Communications	18,492	14,337
Repairs and maintenance	49,974	46,285
Expenses relating to capital works	2,644	2,788
Operating lease rentals	4,803	5,271
Drugs	91,569	89,189
Clinical supplies and services	160,233	154,444
Catering and domestic supplies	42,902	42,514
Pathology blood and parts	82,105	79,773
Other	14,523	9,117
	562,064	2,012,516

*refer to note 1(o)

**refer to note 1(p)

6 Other Expenses

Total audit fees paid to the Queensland Audit Office relating to the 2014-2015 financial year are \$330,000 (2014: \$355,000). There are no non-audit services included in this amount.

Insurance of \$115,000 (2014: \$35,000) includes motor vehicle insurance and directors and officers liability insurance.

Ex-gratia payments of \$80,000 (2014: \$67,000) consist of six reportable payments totalling \$62,558 (2014: \$42,296) and a number of smaller non reportable payments. These payments relate to specific medical claims, personal property damage/loss and minor claims.

	2015	2014
	\$'000	\$'000

7 Cash and cash equivalents

Cash at bank and on hand	111,581	150,430
24 hour call deposits	18,786	17,268
	130,367	167,698

Metro North Hospital and Health Service's bank accounts are grouped within the Whole-of-Government set-off arrangement with the Queensland Treasury Corporation. Metro North Hospital and Health Service does not earn interest on its operating accounts and is not charged interest or fees for accessing its approved cash overdraft facility as it is part of the Whole-of-Government banking arrangements. Metro North Hospital and Health Service only receives interest on its QTC and general trust bank accounts

Cash deposited at call with the Queensland Treasury Corporation earns interest at a rate of 2.84%

8 Receivables

Trade debtors	50,919	58,522
Less: Allowance for impairment*	(9,311)	(7,388)
Accrued Interest and Other	78	(23)
	41,686	51,111
GST input credits receivable	3,891	3,508
GST payable	(609)	(604)
Net receivable	3,282	2,904
Funding receivable	15,118	3,859
	15,118	3,859
	60,086	57,874

Refer to Note 22(c) Financial Instruments (Credit Risk Exposure) for an analysis of movements in the allowance impairment loss

9 Inventories

Medical supplies and equipment	15,352	14,125
Catering and domestic	294	274
	15,646	14,399
Less: Loss of service potential	(135)	(127)
	15,511	14,272
Other	71	57
	15,582	14,329

	2015 \$'000	2014 \$'000
10 Intangible assets		
Software purchased		
At cost	3,822	2,188
Less: Accumulated amortisation	(1,302)	(662)
	2,520	1,526
Software internally generated		
At cost	5,239	1,976
Less: Accumulated amortisation	(4,598)	(1,723)
	641	253
Software work in progress	–	34
Total Intangible assets	3,161	1,813

Intangible assets reconciliation

	Software purchased		Software internally generated		Software work in progress		Total	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Carrying amount at 1 July	1,526	43	253	76	34	249	1,813	368
Acquisitions	1,634	1,606	–	–	24	34	1,658	1,640
Transfers in from other Queensland Government entities	–	–	617	249	–	(249)	617	–
Disposals	–	–	–	–	(58)	–	(58)	–
Amortisation charge for the year*	(640)	(122)	(229)	(72)	–	–	(869)	(194)
Carrying amount at 30 June	2,520	1,526	641	253	–	34	3,161	1,813

*Amortisation of intangibles is included in the line item 'Depreciation and Amortisation' in the Statement of Comprehensive Income.

	2015 \$'000	2014 \$'000
11 Property, plant and equipment		
Land		
At fair value	318,079	318,079
Buildings		
At fair value	1,072,994	1,068,865
Less: Accumulated depreciation	(314,314)	(263,323)
	758,680	805,542
Plant and equipment		
At cost	318,826	309,758
Less: Accumulated depreciation	(196,756)	(176,372)
	122,070	133,386
Capital works in progress		
At cost	246	2,384
Total property, plant and equipment	1,199,075	1,259,391

Land

Land has been measured at fair value in the 2014-15 financial year by State Valuation Service (SVS) using the following methodologies:

- Herston Campus land parcel was subject to a desktop valuation by the State Valuation Service with an effective date of 30 June 2015
- Cumulative indexation of the remaining land parcels.

Both valuation methodologies take into consideration specific valuation indicators such as location, size, zoning regulations and recent market data.

The land valuation program for 2014-15 did not result in a valuation adjustment as the combined movement was less than 5% (2014: increment of \$41,328 which reversed a previous decrement).

Buildings

Buildings were subject to a revaluation based on indexation with an effective date of 30 June 2015. As the building indexation resulted in a movement of less than 5% (0.75%), no revaluation adjustments were posted. Buildings were last independently valued during 2013-14 (effective date 30th June 2014) which resulted in a net increment to the health services building portfolio of \$19.17 million.

Refer to Note 1(i) for further information relating to the land and building valuation methodology.

Property, Plant and Equipment Reconciliation

	Land	Buildings	Buildings	Plant and Equipment	Work in Progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	Level 2*	Level 3**	Level 2**			
Carrying amount at 1 July 2014	318,078	805,003	540	133,386	2,384	1,259,391
Acquisitions	–	–	–	18,415	526	18,941
Transfers in from other Queensland Government entities	–	1,853	–	65	–	1,918
Donations received	–	–	–	341	–	341
Disposals	–	–	–	(1,225)	(387)	(1,612)
Transfers between classes	–	2,276	–	–	(2,276)	–
Depreciation charge for the year	–	(50,969)	(22)	(28,912)	–	(79,903)
Carrying Amount at 30 June 2015	318,078	758,163	518	122,070	247	1,199,076

*Level 2 land assets is land with an active market

**Building level 3 assets are special purpose built buildings with no active market. Level 2 assets are buildings with an active market

*** Transfers in includes transfer of assets due to transfer of services from the Department of Health and commissioning of work in progress assets managed by Department of Health as part of Queensland Health's Capital Acquisition Plan.

Included in the valuation of buildings are 17 heritage buildings held at a carrying value of \$18,514,105

11 Property, Plant and Equipment (continued)

	Land	Buildings	Buildings	Plant and Equipment	Work in Progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	Level 2	Level 3	Level 2			
Carrying amount at 1 July 2013	319,962	807,339	506	125,747	6,301	1,259,855
Acquisitions	–	1,487	–	34,005	298	35,790
Transfers in from other Queensland Government entities	–	10,145	–	3,105	–	13,250
Donations received	800	12,234	–	–	–	13,034
Disposals	–	–	–	(1,446)	–	(1,446)
Transfers out from other Queensland Government entities	(2,725)	–	–	–	(4,215)	(6,940)
Revaluation increments	41	19,118	56	–	–	19,215
Donations made	–	–	–	(336)	–	(336)
Depreciation charge for the year	–	(45,320)	(22)	(27,689)	–	(73,031)
Carrying Amount at 30 June 2014	318,078	805,003	540	133,386	2,384	1,259,391

Level 3 significant valuation inputs and relationship to fair value

The fair value of health service site buildings is computed by quantity surveyors. The methodology is known as the Depreciated Replacement Cost valuation technique. The following table highlights the key unobservable (Level 3) inputs assessed during the valuation process and the relationship to the estimated fair value.

Description	Significant unobservable inputs	Unobservable inputs quantitative measures Ranges used in valuation	Unobservable inputs – general effect on fair value measurement
Buildings	Replacement cost estimates	Health assets \$222,000 to \$435,000,000 Other assets \$18,000 to \$72,000,000	Replacement cost is based on tender pricing and historical building cost data. An increase in the estimated replacement cost would increase the fair value of the assets. A decrease in the estimated replacement cost would reduce the fair value of the assets.
	Remaining lives estimates	Nil years to 34 years	The remaining useful lives are based on industry benchmarks. An increase in the estimated remaining useful lives would increase the fair value of the assets. A decrease in the estimated remaining useful lives would reduce the fair value of the assets.
	Costs to bring to current standards	Health assets \$ Nil to \$128,800,000 Other assets \$ Nil to \$25,370,000	Costs to bring to current standards are based on tender pricing and historical building cost data. An increase in the estimated costs to bring to current standards would reduce the fair value of the assets. A decrease in the estimated costs to bring to current standards would increase the fair value of the assets.
	Condition rating	1 to 5	The condition rating is based on the physical state of the assets. An improvement in the condition rating (possible high of 1) would increase the fair value of the assets. A decline in the condition rating (possible low of 5) would reduce the fair value of the assets.

For further information on Condition Ratings refer to Note 1(i).

Usage of alternative quantitative values (higher or lower) for each unobservable input that are reasonable in the circumstances as at the revaluation date would not result in material changes in the reported fair value.

The condition rating of an asset is used as a mechanism to determine the cost to bring to current standards and also to estimate the remaining life.

There are no other direct or significant relationships between the unobservable inputs which materially impact fair value.

	2015 \$'000	2014 \$'000
12 Payables		
Trade creditors	50,397	109,048
Health service employees – accrued labour expenses	-	29,186
Other creditors	5,438	13,152
	55,835	151,386
13 Accrued employee benefits		
Salaries wages accrued*	59,008	66
Other employee entitlements payable	5,457	8
	64,465	74

*Salaries and wages accrued for the prior year refers only to Health Service Board Members, Health Service Chief Executive and Health Service Executive employees. Refer to note 1(o).

14 Asset revaluation by class

The asset revaluation reserve relates to buildings only and there has been no movement in the current financial year (2014: \$17.401 million).

	2015 \$'000	2014 \$'000
15 Reconciliation of operating result to net cash flows from operating activities		
Operating result from continuing operations	(4,416)	55,846
<i>Non-cash items:</i>		
Non-cash equity withdrawal – depreciation funding	(80,752)	(72,848)
Depreciation and amortisation expense	80,772	73,226
Property, plant and equipment revaluation (increment)/decrement	-	(1,814)
Impairment loss	5,953	2,184
(Gain)/Loss on sale of property, plant and equipment	1,200	1,102
Assets transferred – non-cash	-	(19,057)
<i>Change in assets and liabilities</i>		
(Increase)/decrease in trade receivables	(7,789)	7,642
(Increase)/decrease in GST receivables	(378)	(992)
(Increase)/decrease in inventories	(1,252)	1,535
(Increase)/decrease in recurrent prepayments	(1,081)	478
Increase/(decrease) in unearned revenue	(657)	-
Increase/(decrease) in accrued salaries and wages	16,923	(51)
Increase/(decrease) in other employee benefits	(27,232)	(9)
Increase/(decrease) in payables	(20,851)	16,487
Increase/(decrease) in other payables	(82)	630
Net cash generated by operating activities	(39,642)	64,359

	2015	2014
	\$'000	\$'000
16 Commitments		
(a) Non-cancellable operating leases*		
Commitments under operating leases at reporting date are inclusive of anticipated GST and are payable as follows		
Not later than one year	1,140	1,456
Later than one year and not later than five years	1,968	2,383
Later than five years	354	546
	3,462	4,385

**Metro North Hospital and Health Service has non-cancellable operating leases relating predominately for office, car park and clinical services accommodation and medical equipment. Lease payments are generally fixed, but with escalation clauses on which contingent rentals are determined. No lease arrangements create restrictions on financing or other leasing activities.*

(b) Capital expenditure and other expenditure commitments*		
Material classes of capital and other expenditure commitments inclusive of anticipated GST, contracted at reporting date but not recognised in the accounts are payable as follows:		
Capital – Property, plant and equipment	6,517	–
Capital – software	–	4,847
Software(IT)	3,505	
Services	3,842	1,527
Repairs and Maintenance	18,763	–
Employment	1,585	2,732
	34,212	9,106
Not later than one year	19,061	7,264
Later than one year and not later than five years	15,151	1,842
Later than five years	–	–
	34,212	9,106

**Due to a change in methodology, cancellable contracts entered into by Metro North Hospital and Health Service that existed as at 30 June 2015, have been included in for the first time in 2015. The prior year comparatives have not been restated for this change in methodology.*

	2015	2014
	\$'000	\$'000
(c) Grants and other contributions		
Grants and contribution commitments inclusive of anticipated GST, committed to provide at reporting date, but not recognised in the accounts are payable as follows:		
Not later than one year	876	1,621
Later than one year and not later than five years	–	2,649
	876	4,270

17 Contingent Liabilities

Litigation in progress	2015 cases	2014 cases
Cases have been filed with the courts as follows:		
Supreme Court	3	5
District Court	–	1
Magistrates Court	2	–
Tribunals, commissions and boards*	14	8
	19	14

It is not possible to make a reliable estimate of the final amount payable, if any, in respect of litigation before the courts at this time.

Health litigation is underwritten by the Queensland Government Insurance Fund (QGIF). The Metro North Hospital and Health Service's liability is limited to a \$20,000 excess per insurance event. Refer Note 1(p). The Metro North Hospital and Health Services net exposure is not material.

All Metro North Hospital and Health Service indemnified claims are managed by QGIF. As of 30 June 2015, Metro North Hospital and Health Service has 58 claims (2014: 77 claims) currently managed by QGIF, some of which may never be litigated or result in payments to claims. *Tribunals, commissions and board figures represent the matters that have been referred to QGIF for management. The maximum exposure to the Metro North Hospital and Health Service under this policy is \$20,000 (2014: \$20,000) for each insurable event.

18 Restricted assets

The Metro North Hospital and Health Services receives cash contributions primarily from private practice clinicians (See Note 19) and from external entities providing for education, study and research in clinical areas. Contributions are also received from benefactors in the form of gifts, donations and bequests for stipulated purposes. At 30 June 2015, an amount of \$18.8 million (2014: \$17.39 million) in General Trust is set aside for specified purposes defined by the contribution.

19 Agency and fiduciary trust transactions and balances

The Metro North Hospital and Health Service acts in an agency role in respect of a number of Granted Private Practice bank accounts and in a fiduciary capacity in relation to a number of Patient Trust bank accounts

(a) Grant Private Practice Bank Accounts

Granted Private Practice provides the option for Doctors to both assign all their revenue to the HHS and in return receive an allowance, or for Doctors to share in the revenue generated from billing patients and to pay service fees to the HHS.

All monies received for Granted Private Practice are deposited into separate bank accounts that are administered by the Metro North Hospital and Health Service on behalf of the Granted Private Practice Senior Medical Officers. These accounts are not reported in the Metro North Hospital and Health Service Statement of Financial Position

All assignment option receipts, retention option services fees and service retention fees are included as revenue in the Statement of Comprehensive Income of the Metro North Hospital and Health Service on an accrual basis. The funds are then subsequently transferred from the Granted Private Practice bank accounts into the Metro North Hospital and Health Service operating account and general trust bank account (for the service retention fee portion).

	2015	2014
	\$'000	\$'000
Revenue		
Doctor's billing	59,736	55,965
Interest on trust funds	110	86
Other revenue	275	142
Total Revenue	60,121	56,193
Expenses		
Payments to doctors	16,828	19,472
Payments to Metro North Hospital and Health Service for recoverable costs	40,498	28,977
Payments to Study, Education and Research Trust Account	4,031	3,943
Other payments	344	136
Total Expenses	61,701	52,528
Granted Private Practice Assets and Liabilities		
Current assets		
Cash	5,068	6,647
Current Liabilities		
Payable to Doctors	622	1,447
Payable to Metro North Hospital and Health Service	3,551	4,051
Payable to Study, Education and Research Trust account	895	1,149

	2015	2014
	\$'000	\$'000
(b) Patient Trust Bank Account		
Fiduciary trust receipts and payments		
Receipts	–	–
Patient trust receipts	5,444	5,305
Total receipts	5,444	5,305
Payments		
Payment trust related payments	5,599	5,586
Total payments	5,599	5,586
Increase/ (decrease) in net patient trust assets	(155)	(281)
Fiduciary trust assets		
Current assets		
Cash	–	–
Patient trust deposits	186	340
Total current assets	186	340

20 Service Concession Arrangements

Public Private Partnership (PPP) arrangements are a contractual obligation between the Department of Health and the counterparty listed below. These arrangements are located on land that is recognised as an asset in the financial statements of the Metro North Hospital and Health Service (subject to an operating lease with the Department of Health). Public Private Partnership (PPP) arrangements operating for all or part of the financial year are as follows.

Note that all of the following are Build-Own-Operate-Transfer (BOOT) arrangements.

Facility	Counterparty	Term of Agreement	Commencement Date
Butterfield Street Car Park	International Parking Group Pty Limited	25 years	January 1998
The Prince Charles Hospital Car Park	International Parking Group Pty Limited	22 years	November 2000
The Prince Charles Hospital Early Education Centre	Queensland Child Care Services Pty Ltd	20 years	April 2007

Butterfield Street Car Park

A \$2.5 million up-front payment for rental of land on which the car park has been built was received at the commencement of car park operations in January 1998. This amount was transferred to the Royal Brisbane and Women's Hospital Foundation via a Deed of Assignment in June 1998. Rental income of \$0.3 million plus CPI per annum to January 2019 increasing to \$0.6 million plus CPI per annum for the remainder of the lease period, as well as other payments when gross car park receipts exceeds particular targets have also been assigned under the same Deed of Assignment to Royal Brisbane and Women's Hospital Foundation. Metro North Hospital and Health Service does not incur any revenue or expenses relating to this car park. Under the agreement, the Department of Health and the Metro North Hospital and Health Service's staff are entitled to concessional rates when using the car park.

The Prince Charles Hospital Car Park

A \$1.0 million up-front payment for rental of land on which the car park has been built was received at the commencement of car park operations in November 2000. This amount was transferred to The Prince Charles Hospital Foundation via a Deed of Assignment. Rental of \$0.05 million per annum has also been assigned under the same Deed of Assignment to The Prince Charles Hospital Foundation. Under the agreement, the Department of Health and the Metro North Hospital and Health Service's staff are entitled to concessional rates when using the car park.

The Prince Charles Hospital Early Education Centre

The developer constructed a 150 place early education centre in April 2007 on site at the hospital. The developer operates and maintains the facility at its sole cost and risk. Under the agreement, staff on site are given priority access to child care. Rental of \$0.1 million per annum is charged for the land and is adjusted for CPI annually. From the 1st July 2014, the rights to the inflows from this arrangement transfer from the Department of Health to the Metro North Hospital and Health Service due to the legal title transfer of land and buildings. The estimated future cashflows are shown below.

20 Service Concession Arrangements (continued)

	2015 \$'000
Inflows:	
Not later than 1 year	91
Later than 1 year but not later than 5 years	394
Later than 5 years but not later than 10 years	562
Later than 10 years	249
Outflows:	
Not later than 1 year	–
Later than 1 year but not later than 5 years	–
Later than 5 years but not later than 10 years	–
Later than 10 years	–
Estimated Net Cash Flow	1,296

These facilities are not recorded as assets by the Metro North Hospital and Health Service; however it does receive rights and incurs obligations under these arrangements, including:

- rights to receive the facility at the end of the contractual terms; and
- rights and obligations to receive cash flows in accordance with the respective contractual arrangements, other than those which are received by the respective Hospital Foundations under a Deed of Assignment.

21 Collocation arrangements

Collocation arrangements are a contractual obligation between the Department of Health and the counterparty listed below. These arrangements are located on land that is recognised as an asset in the financial statements of the Metro North Hospital and Health Service (subject to an operating lease with the Department of Health). Collocation arrangements operating for all or part of the financial year are as follows.

Facility	Counterparty	Term of Agreement	Commencement Date
Caboolture Private Hospital	Affinity Health Ltd	25 years	May 1998
Holy Spirit Northside Private Hospital	The Holy Spirit Northside Private Hospital Limited	40 years	September 1999

21 Collocation arrangements (continued)

Metro North Hospital and Health Service does not control these facilities and does not recognise the assets. Consequently, Metro North Hospital and Health Service has not recognised any rights or obligations that may attach to those agreements, other than those recognised under generally accepted accounting principles.

22 Financial Instruments

(a) Categorisation of financial instruments

Metro North Hospital and Health Service has the following categories of financial assets and financial liabilities:

	2015 \$'000	2014 \$'000
Financial assets		
Cash and cash equivalents	130,367	167,698
Receivables	60,086	57,874
	190,453	225,572
Financial liabilities		
Payables measured at cost	55,835	151,386

(b) Financial risk management

Metro North Hospital and Health Service's activities expose it to a variety of financial risks – credit risk, liquidity risk and market risk.

Financial risk is managed in accordance with Queensland Government and the Metro North Hospital and Health Service policies. The Metro North Hospital and Health Service's policies provide written principles for overall risk management and aim to minimise potential adverse effects of risk events on the financial performance of the health service.

Risk exposure	Measurement method
Credit risk	Ageing analysis, cash inflows at risk
Liquidity risk	Monitoring of cash flows by active management of accrual accounts
Market risk	Interest rate sensitivity analysis

(c) Credit risk exposure

Credit risk exposure refers to the situation where the Metro North Hospital and Health Service may incur financial loss as a result of another party to a financial instrument failing to discharge their obligations. The maximum exposure to credit risk at balance date is equal to the gross carrying amount of the financial asset, inclusive of any allowance for impairment. The carrying amount of receivables and cash held by the State through Queensland Treasury Corporation, represents Metro North Hospital and Health Service's maximum exposure to credit risk. Refer to Note 8 – Receivables and Note 7 – Cash and Cash Equivalents for further information.

Financial Assets

No collateral is held as security and no credit enhancements relate to financial assets held by Metro North Hospital and Health Service. No financial assets and financial liabilities have been offset and presented in the Statement of Financial Position.

Impairment of financial assets

At the end of each reporting period, the Metro North Hospital and Health Service assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes financial difficulties of the debtor, changes in debtor credit ratings and current outstanding accounts over 60 days.

The allowance for impairment reflects Metro North Hospital and Health Service's assessment of the credit risk associated with receivable balances and is determined

based on consideration of objective evidence of impairment, past experience and management judgement. The majority of the 'more than 90 days' impairment relates to Medicare ineligible patients who are treated in Metro North Hospital and Health Service facilities. Metro North Hospital and Health Service undertakes debt recovery in accordance with its policies and procedures and, where appropriate, external agencies, including an international debt collection firm, are engaged to assist in the recovery of debt.

Impairment loss expenses for the current year is \$5.953 million, including a net increase in the allowance for impairment of \$1.923 million

The ageing of past due but not impaired receivables as well as impaired financial assets are disclosed in the following tables:

Financial assets past due but not impaired 2014-15

	Overdue \$'000				Total
	Less than 30 days	30-60 days	61-90 days	More than 90 days	
Receivables	5,931	4,593	5,560	8,493	24,576

Individually impaired financial assets 2014-15

	Overdue \$'000				Total
	Less than 30 days	30-60 days	61-90 days	More than 90 days	
Receivables	358	336	195	8,422	9,311
Allowance for impairment	(358)	(336)	(195)	(8,422)	(9,311)
Carrying amount	0	0	0	0	0

Financial assets past due but not impaired 2013-14

	Overdue \$'000				Total
	Less than 30 days	30-60 days	61-90 days	More than 90 days	
Receivables	8,083	4,418	3,639	12,091	28,231

Individually impaired financial assets 2013-14

	Overdue \$'000				Total
	Less than 30 days	30-60 days	61-90 days	More than 90 days	
Receivables	206	240	155	6,787	7,388
Allowance for impairment	(206)	(240)	(155)	(6,787)	(7,388)
Carrying amount	0	0	0	0	0

22 Financial Instruments (continued)

	2015	2014
	\$'000	\$'000
Movements in the allowance for impairment loss		
Balance at 1 July	7,388	5,204
Increase in allowance recognised in operating result	5,953	3,807
Amounts written-off during the year	(4,030)	(1,623)
Balance at 30 June	9,311	7,388

(d) Liquidity risk

Metro North Hospital and Health Service has an approved overdraft of \$23 million under Whole-of-Government banking arrangements to manage any short term cash shortfalls. This facility has not been drawn down as at 30 June 2015.

The liquidity of financial liabilities held by Metro North Hospital and Health Service is limited to the Payables balance as shown in Note 12.

(e) Market risk

The Metro North Hospital and Health Service does not trade in foreign currency and is therefore not materially exposed to commodity price changes. The Metro North Hospital and Health Service is exposed to interest rate risk through its 24 hour call deposits with Queensland Treasury Corporation and its General Trust account which is held with the Commonwealth Bank of Australia Limited. There is no interest rate exposure on its operating cash accounts. The Metro North Hospital and Health Service does not undertake any hedging in relation to interest rate risk and manages its risk as per the Metro North Hospital and Health Service's Financial Management Practice Manual

(f) Fair Value

Apart from cash and cash equivalents, the Metro North Hospital and Health Service does not recognise any financial assets at fair value in the Statement of Financial Position

The fair value of trade receivables and payables is assumed to approximate the value of the original transaction, less any allowance for impairment.

23 Key Management Personnel and Remuneration Expense

(a) Board Members

The following details the Board Members of the Metro North Hospital and Health Service during 2014-15. Further information on the functions of the Board and Board Committees can be found in the body of the Annual Report under the section relating to the Board.

Metro North Hospital and Health Service Board Members

Position and Name	Responsibilities	Current Incumbents	
		Contract classification and appointment authority	Date appointed to position (Date resigned from position)
Board Chair Dr Paul Alexander AO	Board Chair of the Metro North Hospital and Health Service <i>Committee Memberships:</i> Chair of the Board Executive committee	Chairperson <i>Hospital and Health Boards Act 2011</i> Section 25 (1) (a)	1/7/2012
Deputy Board Chair Mr Vaughan Howell	Deputy Board Chair of the Metro North Hospital and Health Service <i>Committee Memberships:</i> Chair of the Board Finance committee Member of the Board Executive committee Member of the Board Risk and Audit committee	Deputy Chairperson <i>Hospital and Health Boards Act 2011</i> Section 25 (1) (b)	1/7/2012
Board Member Mr Leonard Scanlan	Board member of the Metro North Hospital and Health Service <i>Committee Memberships:</i> Chair of the Board Risk and Audit committee Member of the Board Executive committee Member of the Board Finance committee	Board Member <i>Hospital and Health Boards Act 2011</i> Section 23 (1)	7/9/2012
Board Member Associate Professor Clifford Pollard AM	Board member of the Metro North Hospital and Health Service <i>Committee Memberships:</i> Member of the Board Safety and Quality committee	Board Member <i>Hospital and Health Boards Act 2011</i> Section 23 (1)	7/9/2012
Board Member Dr Margaret Steinberg AM	Board member of the Metro North Hospital and Health Service <i>Committee Memberships:</i> Member of the Board Safety and Quality committee Member of the Board Risk and Audit committee Member of the Board Finance committee	Board Member <i>Hospital and Health Boards Act 2011</i> Section 23 (1)	1/7/2012
Board Member Professor Helen Edwards OAM	Board member of the Metro North Hospital and Health Service <i>Committee Memberships:</i> Member of the Board Safety and Quality committee	Board Member <i>Hospital and Health Boards Act 2011</i> Section 23 (1)	7/9/2012
Board Member Professor Nicholas Fisk	Board member of the Metro North Hospital and Health Service <i>Committee Memberships:</i> Member of the Board Safety and Quality committee	Board Member <i>Hospital and Health Boards Act 2011</i> Section 23 (1)	7/9/2012
Board Member Dr Kim Forrester	Board member of the Metro North Hospital and Health Service <i>Committee Memberships:</i> Chair of the Board Safety and Quality committee Member of the Board Executive committee	Board Member <i>Hospital and Health Boards Act 2011</i> Section 23 (1)	18/5/2013

23 Key Management Personnel and Remuneration Expense (continued)

(b) Key Management Personnel

The following details for key management personnel include those positions that had authority and responsibility for planning, directing and controlling the activities of the Metro North Hospital and Health Service during 2014-15. Further information on these positions can be found in the body of the Annual Report under the section relating to Executive Management.

Key Management Personnel

Position & Name	Responsibilities	Current Incumbents	
		Contract classification and appointment authority	Date appointed to position
Chief Executive Officer Mr Ken Whelan	The Health Service Chief Executive is responsible for the strategic direction and the efficient, effective and economic administration of the health service.	<i>Hospital and Health Boards Act 2011</i> 10S24/S70 01	11/5/2015
Acting Executive Director, Operations Mr Shaun Drummond	Provide operational leadership, direction and day to day management, including infrastructure, of the Metro North Hospital and Health Service to optimise quality health care and business outcomes.	<i>Hospital and Health Boards Act 2011</i> HES4	8/12/2014
Chief Finance Officer Mr Robert Dubery	Responsible for developing, implementing, managing and monitoring the financial framework, corporate financial systems, controls and budget administration of the health service.	<i>Hospital and Health Boards Act 2011</i> HES3	13/3/2013
Executive Director, Clinical Governance, Quality and Risk Ms Linda Hardy	Provide strategic leadership, direction and day to day management of the Metro North Hospital and Health Service's governance, quality and risk functions to optimise quality health care, statutory and policy compliance and continuously improving business outcomes.	<i>Hospital and Health Boards Act 2011</i> HES3	29/6/2015
Executive Director, Clinical Services Dr Elizabeth Whiting	Responsible for monitoring and strategically directing the budgetary and activity performance of the Metro North Hospital and Health Service's clinical streams and assist the Health Service Chief Executive and other Executive Directors in effective management of not only the Clinical Streams but also MNHHS as an entity.	Medical Officers' (Queensland Health) Certified Agreement (No.3) 2012 MMOI4	1/9/2014
Acting Executive Director, Royal Brisbane and Women's Hospital Adjunct Associate Professor Alanna Geary	Responsible for the management of the efficient, effective and economic administration of the operations of the Royal Brisbane and Women's Hospital.	Nurses and Midwives (Queensland Health) Certified Agreement (EB8) 2012 NRG12-1	2/6/2015
Acting Executive Director, The Prince Charles Hospital Mr Anthony Williams	Responsible for the management of the efficient, effective and economic administration of the operations of the Prince Charles Hospital.	<i>Hospital and Health Boards Act 2011</i> HES2	30/3/2015
Executive Director, Redcliffe Hospital Ms Lexie Spehr	Responsible for the management of the efficient, effective and economic administration of the operations of the Redcliffe Hospital.	Nurses and Midwives (Queensland Health) Certified Agreement (EB8) 2012 NRG12-1	1/3/2013

Key Management Personnel (continued)

Position & Name	Responsibilities	Current Incumbents	
		Contract classification and appointment authority	Date appointed to position
Acting Executive Director, Caboolture and Kilcoy Hospitals Dr Lance Le Ray	Responsible for the management of the efficient, effective and economic administration of the operations of the Caboolture and Kilcoy Hospitals.	Medical Officers' (Queensland Health) Certified Agreement (No.3) 2012 MMOI2	21/11/2014
Acting Executive Director, Oral Health Services Dr Katie Tran	Responsible for providing sustainable and appropriate oral health care across the health service through efficient, effective and economic administration.	District Health Service Employees Award – State 2012 DS 1	1/9/2014
Executive Director, Mental Health Services Associate Professor Brett Emmerson	Responsible for providing sustainable and appropriate mental health care across the health service through efficient, effective and economic administration.	Medical Officers' (Queensland Health) Certified Agreement (No.3) 2012 MMOI4	15/5/2013
Executive Manager and Director of Nursing, Community, Indigenous and Subacute Services Ms Mary Slattery	Responsible for the management of the efficient, effective and economic administration of the operations of Primary Health, Community Health and Aged Care within the Health Service.	<i>Hospital and Health Boards Act 2011</i> HES2	9/8/2013
Acting Executive Director, Medical Services Dr Judy Graves	Responsible for the strategic direction, professional development and quality of Medical Services within the Health Service	Medical Officers' (Queensland Health) Certified Agreement (No.3) 2012 MMOI3 01	3/4/2015
Acting Executive Director, Nursing Services Adjunct Associate Professor Robyn Fox	Responsible for the strategic direction, professional development and quality of Nursing Services within the Health Service	Nurses and Midwives (Queensland Health) Certified Agreement (EB8) 2012 NRG12-1	2/6/2015
Executive Director, Allied Health Services Mr Mark Butterworth	Responsible for the strategic direction, professional development and quality of Allied Health Services within the Health Service	Health Practitioners' (Queensland Health) Certified Agreement (No. 2) 2011 HP8-4	2/2/2013
Acting Executive Director, System Support Services Brian Howell	Responsible for developing, implementing, managing and monitoring corporate services which include food, cleaning, portage, retail, fleet management, building and engineering, procurement and asset management services. The position is also responsible for the human resource, legal and information technology functions.	<i>Hospital and Health Boards Act 2011</i> HES3	16/2/2015

23 Key Management Personnel and Remuneration Expense (continued)

(c) Remuneration Expenses

Remuneration policy for the Service's key management personnel is set by direct engagement common law employment contracts and various industrial Awards and Agreements. The remuneration and other terms of employment for the key management personnel are also addressed by these common law employment contracts and industrial Awards and Agreements. The contracts provide for the provision of some benefits including motor vehicles.

The following disclosures focus on the expenses incurred by the Metro North Hospital and Health Service during the respective reporting periods that are attributable to key management positions. Therefore, the amounts disclosed reflect expenses recognised in the Statement of Comprehensive Income.

Remuneration expenses for key management personnel comprises the following components:

- Short-term employee benefits which include:
 - o salaries, allowances and leave entitlements earned and expensed for the entire year or for that part of the year during which the employee occupied the specified position.
 - o Non-monetary benefits – consisting of provision of vehicle together with fringe benefits tax applicable to the benefit.
- Long term employee benefits include amounts expensed in respect of long service leave entitlements earned.
- Post-employment benefits include amounts expensed in respect of employer superannuation obligations.
- Termination payments are not provided for within individual contracts of employment. Contracts of employment provide only for notice periods or payment in lieu of notice on termination.
- Performance bonuses are not paid under the contracts in place.

The details of this remuneration is shown in the table below.

1 July 2014 – 30 June 2015

	Short term benefits		Long term benefits \$'000	Post-employment benefits \$'000	Termination payments \$'000	Total Remuneration \$'000
	Base Salary \$'000	Non-monetary benefits \$'000				
Board Members						
Board Chair – Dr Paul Alexander AO	93	–	–	9	–	102
Deputy Chair – Mr Vaughan Howell	57	–	–	6	–	63
Mr Leonard Scanlan	54	–	–	5	–	59
Dr Clifford Pollard AM	50	–	–	5	–	55
Dr Margaret Steinberg AM	53	–	–	5	–	58
Professor Helen Edwards OAM	47	–	–	5	–	52
Professor Nicholas Fisk	43	–	–	5	–	48
Dr Kim Forrester	49	–	–	5	–	54
Total Remuneration	446	–	–	45	–	491

	Short term benefits		Long term benefits \$'000	Post-employment benefits \$'000	Termination payments \$'000	Total Remuneration \$'000
	Base Salary \$'000	Non-monetary benefits \$'000				
Key Management Personnel						
Chief Executive* (from 11/5/2015 to current)	60	–	1	6	–	67
Chief Executive* (from 1/7/2014 to 17/1/2015)	227	13	4	19	210	473
Interim Chief Executives* (from 8/9/2014 to 9/5/2015)	280	–	5	25	–	310
Chief Operating Officer** (from 1/7/2014 to 24/7/14)	21	–	–	1	–	22
Acting Executive Directors, Operations** (from 10/11/2014 to current)	152	19	3	16	–	190
Chief Finance Officer	228	–	4	23	–	255
Executive Director, Clinical Governance, Quality and Risk (from 23/3/2015 to current)	64	–	1	7	–	72
Executive Director, Clinical Governance, Safety, Quality and Risk (from 24/7/2014 to 10/3/2015)	74	–	2	9	–	85
Executive Director, Clinical Services (from 1/9/2014 to current)	418	–	8	30	–	456
Acting Executive Directors, Royal Brisbane and Women's Hospital	409	–	7	32	39	487
Acting Executive Directors, The Prince Charles Hospital	204	–	4	17	–	225
Executive Director, Redcliffe Hospital	221	–	4	17	–	242
Acting Executive Directors, Caboolture and Kilcoy Hospitals	338	–	7	27	–	372
Executive Director, The Prince Charles, Caboolture and Kilcoy Hospitals (from 1/9/2014 to 23/11/2014)	89	–	2	5	–	96
Executive Director, Mental Health Services	425	1	8	32	–	466
Executive Manager and Director of Nursing, Community, Indigenous and Subacute Services	174	–	3	16	–	193

23 Key Management Personnel and Remuneration Expense (continued)

	Short term benefits		Long term benefits \$'000	Post-employment benefits \$'000	Termination payments \$'000	Total Remuneration \$'000
	Base Salary \$'000	Non-monetary benefits \$'000				
Key Management Personnel (continued)						
Acting Executive Directors, Oral Health Services	113	–	2	12	–	127
Executive Director, Nursing Services (from 1/7/2014 to 14/11/2014)	95	–	1	(5)	–	91
Acting Executive Director, Nursing Services (from 5/12/2014 to 30/6/2015)	141	–	3	11	–	155
Executive Director, Medical Services (from 1/7/2014 to 8/3/2015)	195	1	4	15	–	215
–Acting Executive Director, Medical Services (from 3/4/2015 to 30/06/2015)	177	–	3	13	–	193
Executive Director, Allied Health Services	172	–	3	19	–	194
Executive Director, Corporate Services and Performance*** (from 1/7/2014 to 19/3/2015)	151	1	2	6	185	345
Acting Executive Director, Systems Support Services*** (from 16/02/2015 to 30/6/2015)	78	–	1	8	–	87
Total Remuneration	4,506	35	82	361	434	5,418

*The former Chief Executive's remuneration continued until 17 January 2015, however interim Chief Executives were remunerated from 8 September 2014. The newly appointed Chief Executive commenced duties on 13 May 2015.

**The role of Chief Operating Officer was revised and reintroduced as Executive Director, Operations, from 10 November, 2014.

*** The former Executive Director, Corporate Services and Performance's remuneration continued until 19 March 2015. However, the duties of the Executive Director, Corporate Services and Performance were assumed by the Chief Finance Officer from 8/9/2014 until 15/2/2015. On 16/2/2015 the role was revised and renamed Executive Director, Systems Support Services. This role ceased to exist on 30 June 2015 and the responsibilities previously held by that position have been split and are now assumed by the Executive Director, Operations and Chief Finance Officer.

1 July 2013 – 30 June 2014

	Short term benefits^		Long term benefits \$'000	Post-employment benefits \$'000	Termination payments \$'000	Total Remuneration \$'000
	Base Salary \$'000	Non-monetary benefits^ \$'000				
Board Members						
Board Chair – Dr Paul Alexander AO	75	–	–	6	–	81
Deputy Chair – Mr Vaughan Howell	37	–	–	3	–	40
Mr Leonard Scanlan	37	–	–	3	–	40
Ms Melinda McGrath	30	–	–	3	–	33
Dr Clifford Pollard AM	37	–	–	2	–	39
Dr Margaret Steinberg AM	37	–	–	3	–	40
Professor Helen Edwards OAM	36	–	–	3	–	39
Professor Nicholas Fisk	36	–	–	3	–	39
Dr Kim Forrester	36	–	–	3	–	39
Total Remuneration	361	–	–	29	–	390
Key Management Personnel						
Chief Executive (from 8/7/2013 to 30/06/2014)	398	7	8	32	–	445
Chief Finance Officer	219	–	5	23	–	247
Chief Operating Officer (from 8/7/2013 to 30/6/2014)	190	–	4	27	–	221
Executive Director, Governance, Quality and Risk (from 8/7/2013 to 4/3/2014)	114	–	3	13	–	130
Executive Director, Workforce and Organisational Development * (from 1/7/2013 to 1/11/2013)	61	1	1	6	–	69
Acting Executive Directors, Royal Brisbane and Women’s Hospital	384	1	8	41	–	434
Acting Executive Director, The Prince Charles Hospital	412	–	5	41	–	458
Acting Executive Director, Redcliffe Hospital	175	–	4	18	–	197
Executive Director, Caboolture and Kilcoy Hospitals (from 1/7/2013 to 1/12/2013)	83	–	2	8	–	93

23 Key Management Personnel and Remuneration Expense (continued)

	Short term benefits		Long term benefits \$'000	Post-employment benefits \$'000	Termination payments \$'000	Total Remuneration \$'000
	Base Salary \$'000	Non-monetary benefits \$'000				
Key Management Personnel (continued)						
Acting Executive Directors, Caboolture and Kilcoy Hospitals (from 2/12/2014 to 30/6/2014)	184	–	2	15	–	201
Executive Director, Mental Health Services	433	2	5	33	–	473
Executive Director, Subacute and Ambulatory Services (from 1/7/2013 to 9/8/2013)	54	–	1	4	–	59
Acting Executive Manager and Director of Nursing, Subacute and Ambulatory Services (from 10/8/2013 to 30/6/2014)	155	–	3	16	–	174
Executive Director, Oral Health Services	168	–	4	18	–	190
Executive Director, Nursing Services (from 1/7/2013 to 6/12/2013 & 6/1/2014 to 30/6/2014)	209	1	4	21	–	235
Executive Director, Medical Services	428	1	5	34	–	468
Executive Director, Allied Health Services	166	3	4	20	–	193
Executive Director, Corporate Services and Performance	195	1	4	19	–	219
Total Remuneration	4,028	17	72	389	–	4,506

* The role of the Executive Director, Workforce and Organisational Development was not replaced in November 2013. The responsibilities previously held by that position were assumed by the Executive Director, Corporate Services and Performance.

^ The 2014 comparative amounts for short-term benefits and non-monetary benefits (as applicable) have been restated to better reflect the cost to Metro North Hospital and Health Service. The amounts disclosed had been incorrectly grossed up for the purposes of calculating FBT payable.

24 Events after the reporting period

There has been a number of events occur after the reporting period that may materially affect the operation of the Metro North Hospital and Health Service in future financial years, and/or the results of those operations in future financial years, and/or the state of affairs of the Metro North Hospital and Health Service in future financial years.

Royal Children's Hospital – Surrender of Lease

The new Lady Cilento Children's Hospital ("LCCH") resulted in Children's Health Queensland vacating the Royal Children's Hospital and other associated buildings at the Herston site (referred to as "RCH buildings") on 30 June 2015 (termination date of the Deed of Lease)

Children's Health Queensland controlled the RCH buildings under a Deed of Lease arrangement with the Metro North Hospital and Health Service. Metro North Hospital and Health Service was prescribed as the legal owner of the RCH land and buildings effective from 1 July 2014. Under the terms of the Deed of Lease, Metro North Hospital and Health Service was the lessor while Children's Health Queensland was the lessee of the RCH buildings. Children's Health Queensland was responsible for managing and maintaining the buildings during the Deed of Lease. At the time the lease was surrendered, control of the RCH buildings transferred at fair value to the Metro North Hospital and Health Service. The fair value of these buildings at 30 June 2015 was \$5.903 million

The restoration and redevelopment of the Herston Hospital Site

On the 10th July 2015, the State Government announced its plans to progress the redevelopment of the Herston Quarter with the announcement of three proponents for the development work. The successful master developer is scheduled to be announced in mid-2016.

The redevelopment of the Herston Quarter may result in the transfer, for nil consideration, to the successful master developer.

25 Budget vs actual comparison

Statement of Comprehensive Income

	Variance Notes	Published Budget 2015 \$'000	Actual 2014–15 \$'000	Change \$'000	Change %
Income from continuing operations					
User charges and fees		2,039,116	2,139,499	(100,383)	(5%)
Grants and other contributions		16,331	21,748	(5,417)	(33%)
Interest		700	682	18	3%
Over revenue		32,318	33,394	(1,076)	(3%)
Gains on disposal or re-measurement of assets		–	56	(56)	0%
Total income from continuing operations		2,088,465	2,195,379	(106,914)	(5%)
Expenses from continuing operations					
Employee Expenses	1	3,997	1,542,890	(1,538,893)	(38501%)
Supplies and services					
– Other supplies and services		541,268	562,064	(20,796)	(4%)
– Department of Health contract staff	1	1,457,430	–	1,457,430	100%
Grants and subsidies		2,109	1,422	687	33%
Depreciation and amortisation		75,424	80,772	(5,348)	(7%)
Other expenses		2,301	6,694	(4,393)	(191%)
Losses on sale/revaluation of assets		5,936	5,953	(17)	(0%)
Total expenses from continuing operations		2,088,465	2,199,795	(111,330)	(5%)
Operating result from continuing operations		–	(4,416)	4,416	0%

Statement of Financial Position

	Variance Notes	Published Budget 2015 \$'000	Actual 2014–15 \$'000	Change \$'000	Change %
Current Assets					
Cash and Cash equivalents	2	54,717	130,367	(75,650)	(138%)
Receivables	3	47,207	60,086	(12,879)	(27%)
Inventories		16,272	15,582	690	4%
Other assets		3,960	4,104	(144)	(4%)
Total current assets		122,156	210,139	(87,983)	72%
Non-current assets					
Property, plant and equipment	4	1,334,063	1,199,075	134,988	10%
Intangible assets		279	3,161	(2,882)	(1033%)
Other assets		204	172	32	16%
Total non-current assets		1,334,546	1,202,408	132,138	10%
Total assets		1,456,702	1,412,547	44,155	3%
Current liabilities					
Payables	1	75,553	55,835	19,718	26%
Accrued employee benefits	1, 5	152	64,465	(64,313)	(42311%)
Other		1,086	1,208	(122)	(11%)
Total current liabilities		76,791	121,508	(44,717)	(58%)
Non-current liabilities					
Other		150	–	150	100%
Total current liabilities		150	–	150	100%
Total liabilities		76,941	121,508	(44,717)	(58%)
Net assets		1,379,761	1,291,038	88,872	6%
Equity					
Contributed equity		1,213,348	1,200,006	13,342	1%
Accumulated surplus/(deficit)	6	22,201	73,631	(51,430)	(232%)
Asset revaluation surplus	4	144,212	17,401	126,811	88%
Total equity		1,379,761	1,291,038	88,723	6%

25 Budget vs actual comparison (continued)

Statement of Cash Flows

	Variance Notes	Published Budget 2015 \$'000	Actual 2014-15 \$'000	Change \$'000	Change %
Cash flows from operating activities					
<i>Inflows:</i>					
User charges and fees	3	2,033,113	2,050,376	(17,264)	(1%)
Grants and other contributions		16,331	21,748	(5,417)	(33%)
Interest received		700	682	18	3%
GST input tax credits from Australian Taxation Office		–	27,806	(27,806)	0%
GST collected from customers	7	39,515	5,878	33,637	85%
Other receipts		32,318	33,319	(1,001)	(3%)
<i>Outflows:</i>					
Employee expenses	1	(3,986)	(1,553,199)	1,549,213	(38866%)
Supplies and services	1	(1,995,577)	(585,330)	(1,410,247)	71%
Grants and subsidies		(2,109)	(1,422)	(687)	33%
GST paid to suppliers	7	(39,542)	(28,189)	(11,353)	29%
GST remitted to ATO		–	(5,873)	5,873	0%
Other		(2,301)	(5,437)	3,136	(136%)
Net cash provided by (used in) operating activities		78,462	(39,641)	118,103	151%
Cash flows from investing activities					
<i>Inflows:</i>					
Sales of property, plant and equipment		–	199	(199)	0%
<i>Outflows:</i>					
Payments for property, plant and equipment		(22,617)	(21,566)	(1,051)	5%
Payments for intangibles		–	(1,633)	1,633	0%
Net cash provided by (used in) investing activities		(22,617)	(23,001)	384	(2%)
Cash flows from financing activities					
<i>Inflows:</i>					
Equity Injections		22,617	25,311	(2,694)	(12%)
<i>Outflows:</i>					
Equity Withdrawals	8	(75,424)	–	(75,424)	100%
Net cash provided by (used in) financing activities		(52,807)	25,311	(78,118)	148%
Net increase/(decrease) in cash and cash equivalents		3,038	(37,331)	40,369	1329%
Cash and cash equivalents at the beginning of the financial year		51,679	167,698	(116,019)	(224%)
Cash and cash equivalents at the end of the financial year	2	54,717	130,367	(75,650)	(138%)

Variance Notes

1. Employee Expenses were budgeted as Department of Health contracted staff (Supplies and Services); however actual wages were costed to Employee Expenses. The combined employee expense variance to budget is \$81.463 million (5.6%) Refer also to note 1(o)
2. The variance is explained through the movement in the Statement of Cash Flows.
3. Actuals include an accrual of \$15M for activity funding as Metro North Hospital and Health Service provided more services than originally budgeted.
4. Metro North Hospital and Health Service undertook a revaluation of non-current assets in 2014-15. However, the revaluation was not material and therefore did not result in a change in asset values for 2014-15. Refer also to Note 11.
5. The timing of the actual pay run was not anticipated in the published budget.
6. The prior year surplus was not anticipated at time of budget finalisation.
7. GST input tax credits received and GST collected from customers was not separated for budget purposes. GST paid to suppliers and GST remitted to ATO was not separated for budget purposes
8. Equity withdrawals reflect non-cash depreciation and amortisation charges. Budgeted whole of government cash flows treats the equity withdrawal for depreciation as a cash outflow.

7.2 Certification of the Metro North Hospital and Health Service

These general purpose financial statements have been prepared pursuant to section 62(1) of the *Financial Accountability Act 2009* (the Act), section 43 of the *Financial and Performance Management Standard 2009* and other prescribed requirements. In accordance with section 62(1) (b) of the Act, we certify that in our opinion:

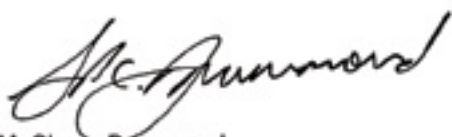
(a) the prescribed requirement for establishing and keeping the accounts have been complied with in all material respects; and

(b) the statements have been drawn up to present a true and fair view, in accordance with the prescribed accounting standards, of the transactions of Metro North Hospital and Health Service for the financial year ended 30 June 2015 and of the financial position of the Health Service at the end of the year; and

(c) these assertions are based on an appropriate system of internal controls and risk management processes being effective, in all material respects, with respect to financial reporting throughout the reporting period.



Dr Paul Alexander AO
MBBS, FRACMA, FACLM
Board Chair
Date: 28 August 2015



Mr Shaun Drummond
Acting Chief Executive
Date: 28 August 2015



Mr Robert Dubery
FCPA, FCMA, CGMA, GAICD
Chief Finance Officer
Date: 28 August 2015

7.3 Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT

To the Board of Metro North Hospital and Health Service

Report on the Financial Report

I have audited the accompanying financial report of Metro North Hospital and Health Service, which comprises the statement of financial position as at 30 June 2015, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and certificates given by the Board Chair, Acting Chief Executive and Chief Finance Officer.

The Board's Responsibility for the Financial Report

The Board is responsible for the preparation of the financial report that gives a true and fair view in accordance with prescribed accounting requirements identified in the *Financial Accountability Act 2009* and the *Financial and Performance Management Standard 2009*, including compliance with Australian Accounting Standards. The Board's responsibility also includes such internal control as the Board determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control, other than in expressing an opinion on compliance with prescribed requirements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board, as well as evaluating the overall presentation of the financial report including any mandatory financial reporting requirements approved by the Treasurer for application in Queensland.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

7.3 Independent Auditor's Report (continued)

Independence

The *Auditor-General Act 2009* promotes the independence of the Auditor-General and all authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can be removed only by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

Opinion

In accordance with s.40 of the *Auditor-General Act 2009* –

- (a) I have received all the information and explanations which I have required; and
- (b) in my opinion –
 - (i) the prescribed requirements in relation to the establishment and keeping of accounts have been complied with in all material respects; and
 - (ii) the financial report presents a true and fair view, in accordance with the prescribed accounting standards, of the transactions of the Metro North Hospital and Health Service for the financial year 1 July 2014 to 30 June 2015 and of the financial position as at the end of that year.

Other Matters - Electronic Presentation of the Audited Financial Report

Those viewing an electronic presentation of these financial statements should note that audit does not provide assurance on the integrity of the information presented electronically and does not provide an opinion on any information which may be hyperlinked to or from the financial statements. If users of the financial statements are concerned with the inherent risks arising from electronic presentation of information, they are advised to refer to the printed copy of the audited financial statements to confirm the accuracy of this electronically presented information.



D J OLIVE CPA
as Delegate of the Auditor-General of Queensland



Queensland Audit Office
Brisbane

Appendix 1: Open data

Consultancies

Not now required in annual reports, the information is published on the Queensland Government Open Data website at: <https://data.qld.gov.au/>

Overseas Travel

Not now required in annual reports, the information is published on the Queensland Government Open Data website at: <https://data.qld.gov.au/>

Appendix 2: Compliance checklist

Summary of requirement		Basis for requirement	Annual report reference
Letter of compliance	A letter of compliance from the accountable officer or statutory body to the relevant Minister/s	ARRs – section 8	3
Accessibility	Table of contents	ARRs – section 10.1	4
	Glossary	ARRs – section 10.1	NIL
	Public availability	ARRs – section 10.2	2
	Interpreter service statement	<i>Queensland Government Language Services Policy</i> ARRs – section 10.3	2
	Copyright notice	<i>Copyright Act 1968</i> ARRs – section 10.4	2
	Information licensing	<i>Queensland Government Enterprise Architecture – Information licensing</i> ARRs – section 10.5	2
General information	Introductory information	ARRs – section 11.1	10
	Agency role and main functions	ARRs – section 11.2	10
	Operating environment	ARRs – section 11.3	10
	Machinery of government changes	ARRs – section 11.4	NIL
Non-financial performance	Government's objectives for the community	ARRs – section 12.1	12
	Other whole-of-government plans / specific initiatives	ARRs – section 12.2	12
	Agency objectives and performance indicators	ARRs – section 12.3	12
	Agency service areas and service standards	ARRs – section 12.4	15
Financial performance	Summary of financial performance	ARRs – section 13.1	16
Governance – management and structure	Organisational structure	ARRs – section 14.1	20
	Executive management	ARRs – section 14.2	27
	Government bodies (statutory bodies and other entities)	ARRs – section 14.3	NIL
	<i>Public Sector Ethics Act 1994</i>	<i>Public Sector Ethics Act 1994</i> ARRs – section 14.4	29

Summary of requirement		Basis for requirement	Annual report reference
Governance – risk management and accountability	Risk management	ARRs – section 15.1	30
	External Scrutiny	ARRs – section 15.2	31
	Audit committee	ARRs – section 15.3	32
	Internal Audit	ARRs – section 15.4	32
	Information systems and record keeping	ARRs – section 15.5	33
Governance – human resources	Workforce planning and performance	ARRs – section 16.1	36
	Early retirement, redundancy and retrenchment	Directive No. 11/12 <i>Early Retirement, Redundancy and Retrenchment</i> ARRs – section 16.2	41
Open Data	Consultancies	ARRs – section 17 ARRs – section 34.1	83
	Overseas travel	ARRs – section 17 ARRs – section 34.2	83
	Queensland Language Services Policy	ARRs – section 17 ARRs – section 34.3	
	Government bodies	ARRs – section 17 ARRs – section 34.4	
Financial Statements	Certification of financial statements	FAA – section 62 FPMS – sections 42, 43 and 50 ARRs – section 18.1	80
	Independent Auditors Report	FAA – section 62 FPMA – section 50 ARRs – section 18.2	81
	Remuneration disclosures	<i>Financial Reporting Requirements for Queensland Government Agencies</i> ARRs – section 18.3	70

