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Statement of Comprehensive Income

for the year ended 30 June 2019

		2019	2019	Budget	2018
	Notes	Actual	Budget	Variance	Actual
		\$'000	\$'000	\$'000	\$'000
Income					
User charges and fees	A1-1	262,066	261,423	643	240,725
Funding for the provision of public health services	A1-2	2,588,399	2,548,572	39,827	2,430,149
Grants and other contributions	A1-3	43,559	20,135	23,424	43,187
Other revenue	A1-4	57,827	7,977	49,850	50,850
Gain on disposal/re-measurement of assets		395	99	296	549
Total income		2,952,246	2,838,206	114,040	2,765,460
Expenses					
Employee expenses	A2-1	2,085,470	2,038,111	(47,359)	1,964,160
Supplies and services	A3-1	723,243	680,479	(42,764)	673,034
Grants and subsidies		1,128	2,178	1,050	1,403
Depreciation and amortisation	B4/ B5-1	117,270	109,109	(8,161)	103,554
Impairment losses		8,208	3,773	(4,435)	5,497
Other expenses		12,626	4,556	(8,070)	10,431
Total expenses		2,947,945	2,838,206	(109,739)	2,758,079
Operating result		4,301	-	4,301	7,381
Other comprehensive income					
Items that will not be reclassified subsequently to operating result					
Increase in asset revaluation surplus	B7-1	34,726	-	34,726	33,078
Total other comprehensive income		34,726	-	34,726	33,078
Total comprehensive income		39,027	-	39,027	40,459

Statement of Financial Position

as at 30 June 2019

	Notes	2019 Actual \$'000	2019 Budget \$'000	Budget Variance \$'000	2018 Actual \$'000
Current assets					
Cash and cash equivalents	B1	117,803	7,696	110,107	75,925
Receivables	B2-1	97,778	91,776	6,002	105,607
Inventories	B3	18,218	19,044	(826)	20,164
Other assets		11,534	8,963	2,571	9,142
Total current assets		245,333	127,479	117,854	210,838
Non-current assets					
Property, plant and equipment	B5-1	1,350,059	1,305,523	44,536	1,335,724
Intangible assets	B4	24,980	25,403	(423)	21,139
Other assets		801	243	558	445
Total non-current assets		1,375,840	1,331,169	44,671	1,357,308
Total assets		1,621,173	1,458,648	162,525	1,568,146
Current liabilities					
Payables	B6-1	134,838	79,280	(55,558)	88,695
Accrued employee benefits	A2-1	88,653	86,008	(2,645)	85,514
Provisions	B6-2	-	-	-	20,429
Unearned revenue		15,609	2,836	(12,773)	13,306
Total current liabilities		239,100	168,124	(70,976)	207,944
Total liabilities		239,100	168,124	(70,976)	207,944
Net assets		1,382,073	1,290,523	91,549	1,360,202
Equity					
Contributed equity		1,076,641	1,031,423	45,217	1,093,797
Accumulated surplus/(deficit)		95,712	84,177	11,535	91,411
Asset revaluation surplus	B7-1	209,720	174,923	34,797	174,994
Total equity		1,382,073	1,290,523	91,549	1,360,202

Statement of Changes in Equity

for the year ended 30 June 2019

	Accumulated surplus / (deficit) \$'000	Asset revaluation surplus \$'000	Contributed equity \$'000	Total equity \$'000
Balance as at 1 July 2017	84,030	141,916	1,121,764	1,347,710
Operating result for the year	7,381	-	-	7,381
Other comprehensive income				
Increase in asset revaluation surplus	-	33,078	-	33,078
Total comprehensive income for the year	7,381	33,078	-	40,459
Transactions with owners:				
Equity injections - minor capital funding	-	-	73,612	73,612
Equity withdrawals - depreciation and amortisation	-	-	(103,554)	(103,554)
Non-appropriated equity asset injections	-	-	1,975	1,975
Net transactions with owners	-	-	(27,967)	(27,967)
Balance at 30 June 2018	91,411	174,994	1,093,797	1,360,202
Balance as at 1 July 2018	91,411	174,994	1,093,797	1,360,202
Operating result for the year	4,301	-	-	4,301
Other comprehensive income				
Increase in asset revaluation surplus	-	34,726	-	34,726
Total comprehensive income for the year	4,301	34,726	-	39,027
Transactions with owners:				
Equity injections - minor capital funding	-	-	96,840	96,840
Equity withdrawals - depreciation and amortisation	-	-	(117,271)	(117,271)
Non-appropriated equity asset injections	-	-	3,275	3,275
Net transactions with owners	-	-	(17,156)	(17,156)
Balance at 30 June 2019	95,712	209,720	1,076,641	1,382,073

The accompanying notes form part of these statements.

Statement of Cash Flows

for the year ended 30 June 2019

	Notes	2019 Actual \$'000	2019 Budget \$'000	Budget Variance \$'000	2018 Actual \$'000
Cash flows from operating activities					
<i>Inflows</i>					
User charges and fees		274,206	254,326	19,880	232,586
Funding for the provision of public health services		2,467,013	2,548,572	(81,559)	2,315,177
Grants and other contributions		20,659	20,116	543	42,565
Interest received		776	635	141	716
Other revenue		47,798	7,342	40,456	20,936
GST received		42,301	39,723	2,578	49,588
<i>Outflows</i>					
Employee expenses		(2,082,330)	(2,032,393)	(49,937)	(1,953,459)
Supplies and services		(673,151)	(678,911)	5,760	(607,224)
Grants and subsidies		(1,828)	(2,178)	350	(2,021)
Other expenses		(11,209)	(4,556)	(6,653)	(8,714)
GST paid		(42,131)	(39,749)	(2,382)	(49,545)
Net cash from operating activities	CF-1	42,104	112,927	(70,823)	40,605
Cash flows from investing activities					
<i>Inflows</i>					
Sales of property, plant and equipment		419	99	320	536
<i>Outflows</i>					
Payments for property, plant and equipment		(91,310)	(58,969)	(32,341)	(109,647)
Payments for intangible assets		(6,175)	-	(6,175)	(8,096)
Net cash (used by) investing activities		(97,066)	(58,870)	(38,196)	(117,207)
Cash flows from financing activities					
<i>Inflows</i>					
Equity transferred		96,840	(78,603)	175,443	73,612
Net cash from/(used by) financing activities		96,840	(78,603)	175,443	73,612
Net increase/(decrease) in cash and cash equivalents		41,878	(24,546)	66,424	(2,990)
Cash and cash equivalents at the beginning of the financial year		75,925	32,242	43,683	78,915
Cash and cash equivalents at the end of the financial year	B1	117,803	7,696	110,107	75,925

Notes to the statement of cash flows

for the year ended 30 June 2019

CF-1 Reconciliation of surplus to net cash from operating activities

	2019	2018
	\$'000	\$'000
Surplus/(deficit) for the year	4,301	7,381
Adjustments for:		
Non-cash equity withdrawal - depreciation funding	(117,271)	(103,554)
Depreciation and amortisation expense	117,270	103,554
Impairment loss	7,171	5,345
Loss on sale of property, plant and equipment	695	1,094
Assets transferred - non-cash	(395)	(549)
Changes in assets and liabilities:		
(Increase)/decrease in trade receivables	(191)	(25,940)
(Increase)/decrease in GST receivables	170	43
(Increase)/decrease in inventories	1,946	(1,532)
(Increase)/decrease in recurrent prepayments	(2,748)	(953)
Increase/(decrease) in payables	46,143	14,117
Increase/(decrease) in accrued salaries and wages	1,836	10,892
Increase/(decrease) in unearned revenue	2,303	10,470
Increase/(decrease) in other employee benefits	1,303	(192)
Increase/(decrease) in provisions	(20,429)	20,429
Net cash from operating activities	42,104	40,605

Notes to the financial statements for the year ended 30 June 2019

BASIS OF FINANCIAL STATEMENT PREPARATION

General information

Metro North Hospital and Health Service was established on 1 July 2012, as a not-for-profit statutory body under the *Hospital and Health Boards Act 2011*. Metro North Hospital and Health Service is responsible for providing public sector health services in the area assigned under the *Hospital and Health Boards Regulation 2012*.

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 Metro North Hospital and Health Service is:
Level 14, Block 7
Royal Brisbane and Women's Hospital
Herston QLD 4029

For information in relation to the health service please call (07) 3646 8111, email metronorthfeedback@health.qld.gov.au or visit Metro North Hospital and Health Service's website at: <https://www.health.qld.gov.au/metronorth/about/contact-us>.

Statement of compliance

Metro North Hospital and Health Service has prepared these financial statements in compliance with section 62(1) of the *Financial Accountability Act 2009* (QLD) and 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 Financial Reporting Requirements* for the year ending 30 June 2019 and other authoritative pronouncements.

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

The reporting entity

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

Presentation matters

Currency and rounding

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

Current/Non-current classification

Assets and liabilities are classified as either 'current' or 'non-current' in the Statement of financial position and associated notes.

Assets are classified as 'current' where their carrying amount is expected to be realised within 12 months after the reporting date. Liabilities are classified as 'current' when they are due to be settled within 12 months after the reporting date, or Metro North Hospital and Health Service does not have an unconditional right to defer settlement to beyond 12 months after the reporting date.

All other assets and liabilities are classified as non-current.

Authorisation of financial statements for issue

The financial statements are authorised for issue by the Chair of Metro North Hospital and Health Board and the Health Service Chief Executive and the Chief Finance and Corporate Officer at the date of signing the Management Certificate.

SECTION A NOTES ABOUT OUR FINANCIAL PERFORMANCE

A1 REVENUE

	2019	2018
	\$'000	\$'000
A1-1: User charges and fees		
Hospital fees	139,171	137,813
Sales of goods and services	24,944	22,989
Pharmaceutical benefit scheme reimbursements	97,951	79,923
Total	262,066	240,725

Accounting policy – User charges and fees

User charges and fees are recognised as revenue when earned and can be measured reliably with a sufficient degree of certainty. This involves either invoicing for related goods/services once the goods have been delivered to the customer of the services completed and/or the recognition of accrued revenue for revenue earned but not yet invoiced.

Revenue in this category primarily consists of hospital fees (patients who elect to utilise their private health cover) and sales of goods and services which includes reimbursements of pharmaceutical benefits.

A1-2: Funding for the provision of public health services		
	2019	2018
	\$'000	\$'000
Activity based funding	2,091,656	1,977,857
Block funding	181,620	171,381
Depreciation funding	117,271	103,554
Other funding	197,852	177,357
Total	2,588,399	2,430,149

Accounting policy – Funding for the provision of public health services

Funding is provided predominantly from the Department of Health for specific public health services purchased by the Department in accordance with a service agreement. The Australian Government pays its share of National Health funding directly to the Department of Health, for on forwarding to the 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. Cash funding from the Department of Health is received fortnightly for State payments and monthly for Commonwealth payments and is recognised as revenue on receipt. At the end of the financial year, an agreed technical adjustment between the Department of Health and Metro North Hospital and Health Service may be required for the level of services performed above or below the agreed levels.

The service agreement between the Department of Health and Metro North Hospital and Health Service dictates that depreciation and amortisation charges that are incurred by Metro North Hospital and Health Service are funded by the Department of Health via non-cash revenue. This transaction is shown in the Statement of changes in equity as an equity withdrawal and is recognised in the Statement of comprehensive income as Other funding, \$117.3M in 2019 (2018: \$103.6M).

A1-3: Grants and other contributions		
	2019	2018
	\$'000	\$'000
Grants and other contributions	20,653	19,937
Services received below fair value	22,906	23,250
Total	43,559	43,187

Accounting policy – Services received below fair value

During 2018-19 Metro North Hospital and Health Service received services below fair value from the Department of Health in the form of payroll, accounts payable and banking services. AASB 1004 *Contributions* states that Metro North Hospital and Health Service shall recognise income and a matching expense for services received below fair value only if the services would have been purchased from an alternative provider if they had not been provided by the Department and the fair value of the services received can be reliably measured. Both criteria have been satisfied and therefore require Metro North Hospital and Health Service to recognise income and a corresponding expense for the fair value of these services received. The fair value of these services amounted to \$22.9M in 2019 (2018: \$23.3M) and were recognised in “Grants and other contributions” in the Statement of comprehensive income. Please see note A3-1 for disclosure of the corresponding expense recognised for services received below fair value.

A1-4: Other revenue		
	2019	2018
	\$'000	\$'000
Interest	776	716
Health service employee expense recoveries*	18,223	16,508
Rental Income	3,950	3,853
Other recoveries	24,278	21,171
Other revenue	10,600	8,602
Total	57,827	50,850

A2 EMPLOYEE EXPENSES

A2-1: Employee expenses		
	2019	2018
	\$'000	\$'000
Employee benefits		
Wages and salaries	1,644,645	1,560,956
Employer superannuation contributions	171,051	159,619
Annual leave levy	202,354	181,936
Long service leave levy	34,788	32,729
Termination benefits	1,291	1,094
Employee related expenses		
Workers compensation premium	16,571	15,130
Other employee related expenses	14,770	12,696
Total	2,085,470	1,964,160
	2019 No.	2018 No.
Full-Time Equivalent Employees	16,184	15,781

Accounting Policy – Employee Benefits

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

Payroll tax and workers' compensation insurance are a consequence of employing employees and are recognised separately as employee related expenses.

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.

Under the Queensland Government's Annual Leave Central Scheme and Long Service Leave Scheme, a levy is made on Metro North Hospital and Health Service to cover the cost of employees' annual leave (including leave loading and on-costs) and long service leave. 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. Non-vesting employee benefits, such as sick leave, are recognised as an expense when taken.

Employer superannuation contributions are paid to Queensland Government's QSuper fund, or an alternative employee-nominated choice of superannuation fund, for all employees and include superannuation contributions to self-managed superannuation funds. QSuper is the default superannuation scheme for Queensland Government employees. The QSuper scheme has defined contribution and defined benefit categories, where the rates for the latter are determined by the Treasurer on the advice of the State Actuary. Metro North's obligation is limited to its contributions to the respective superannuation funds. Contributions are expensed in the period in which they are paid or payable and Metro North Hospital and Health Service's obligation is limited to those contributions paid.

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

A2-2: Key Management Personnel Disclosures

Metro North Hospital and Health Service's responsible Minister is identified as part of its key management personnel. That minister is the Minister for Health and Minister for Ambulance Services, being Honorable Dr Steven Miles MP.

The following details for non-Ministerial key management personnel reflect those Metro North Hospital and Health Service positions that had authority and responsibility for planning, directing and controlling activities during the current financial year:

Position	Name	Contract classification / appointment authority	Initial appointment date	Resignation/ Cessation date
Non-executive Board Chair Provide strategic leadership, guidance and effective oversight of management, operations and financial performance.	Emeritus Professor Robert Stable AM MBBS, DUniv (QUT), MHP, FRACGP, FAICD, FCHSM (Hon)	Chairperson – <i>Hospital and Health Boards Act 2011 Section 25 (1) (a)</i> Tenure: 18/05/2016 to 17/05/2020	18/5/2016	–
Non-executive Deputy Board Chair Provide strategic leadership, guidance and effective oversight of management, operations and financial performance.	Dr Kim Forrester RN, BA, LLB, LLM (Advanced), PhD, MAICD, Barrister at Law, Associate Professor, Faculty of Health Science and Medicine Bond University	Board Member – <i>Hospital and Health Boards Act 2011 Section 23 (1)</i> Tenure: 18/05/2014 to 17/05/2018 Tenure: 18/05/2018 to 17/05/2021	18/5/2013	–

A2-2: Key management personnel disclosures (continued)

Position	Name	Contract classification / appointment authority	Initial appointment date	Resignation/ Cessation date
Non-executive Board Member Provide strategic leadership, guidance and effective oversight of management, operations and financial performance.	Associate Professor Cliff Pollard AM BD, MBBS (Qld), FRACS, FRCS Edin, FACS	Board Member – <i>Hospital and Health Boards Act 2011 Section 23 (1)</i> Tenure: 18/05/2016 to 17/05/2019	7/9/2012	17/05/2019
	Ms Bonny Barry RN BNsg MAICD	Board Member – <i>Hospital and Health Boards Act 2011 Section 23 (1)</i> Tenure: 18/05/2017 to 17/05/2020	18/5/2016	–
Non-executive Board Member Provide strategic leadership, guidance and effective oversight of management, operations and financial performance.	Professor Mary-Louise Fleming BEd (QUT), MA (Ohio), PhD (Qld), MAICD	Board Member – <i>Hospital and Health Boards Act 2011 Section 23 (1)</i> Tenure: 18/05/2014 to 17/05/2018	18/5/2016	-
	Mr Geoff Hardy B Bus (Econ), Dip HA, Grad Dip Commerce (Mkt), MAICD, AFCHSM	Board Member – <i>Hospital and Health Boards Act 2011 Section 23 (1)</i> Tenure: 18/05/2017 to 17/05/2020	18/5/2016	-
	Mr Adrian Carson GCertHServMgt	Board Member – <i>Hospital and Health Boards Act 2011 Section 23 (1)</i> Tenure: 18/05/2017 to 17/05/2020	18/5/2017	-
	Dr Paula Conroy BSc MBBS DCH FRACGP, GAICD	Board Member – <i>Hospital and Health Boards Act 2011 Section 23 (1)</i> Tenure: 18/05/2018 to 17/05/2019 Tenure: 18/05/2019 to 31/03/2022	18/05/2018	-

A2-2: Key management personnel disclosures (continued)

Position	Name	Contract classification / appointment authority	Initial appointment date	Resignation/ Cessation date
Non-executive Board Member Provide strategic leadership, guidance and effective oversight of management, operations and financial performance.	Mr Bernard Curran BBus (QUT), FCA, FAICD, FTIA	Board Member – <i>Hospital and Health Boards Act 2011 Section 23 (1)</i> Tenure: 18/05/2018 to 17/05/2019 Tenure: 18/05/2019 to 31/03/2022	18/05/2018	-
	Associate Professor Kim Johnston PhD, MBus, GradCertAcadPrac (QUT), BNurs (NTU), GCertNurs (RPAH), FHEA, MAICD	Board Member – <i>Hospital and Health Boards Act 2011 Section 23 (1)</i> Tenure: 18/05/2018 to 17/05/2019 Tenure: 18/05/2019 to 17/05/2021	18/05/2018	
	Dr Robert Franz MBBS, FRACS	Board Member – <i>Hospital and Health Boards Act 2011 Section 23 (1)</i> Tenure: 18/05/2019 to 17/05/2021	18/05/2018	-
	Mr Neil Roberts MBA, BBus, GradCertDisRes, GAICD, NMAS, FDRP	Board Member – <i>Hospital and Health Boards Act 2011 Section 23 (1)</i> Tenure: 18/05/2019 to 17/05/2021	18/05/2018	-
	Chief Executive Responsible for the strategic direction and the efficient, effective and economic administration of the Health Service.	Mr Shaun Drummond	10S24/S70 01, <i>Hospital and Health Boards Act 2011</i> Tenure: 29/09/2017 to 28/09/2022	29/09/2017
	Ms Jackie Hanson BNSc	Acting/Relieving in higher duties	01/05/2019	-
Executive Director, Operations Responsible for providing operational leadership, direction and day to day management, including infrastructure, of Metro North Hospital and Health Service to optimise quality health care and business outcomes.	Ms Jackie Hanson BNSc	HES4, <i>Hospital and Health Boards Act 2011</i> Tenure: 30/04/2018 to 25/04/2021	30/04/2018	30/04/2019

A2-2: Key management personnel disclosures (continued)

Position	Name	Contract classification / appointment authority	Initial appointment date	Resignation/ Cessation date
Chief Finance and Corporate Officer Responsible for development and execution of strategy and full accountability with respect to financial stewardship, management of the asset portfolio, legal, information technology, human resources, commercial matters and procurement.	Mr James Kelaher BA, MBA, FCPA, Member of RMIA, Assoc British Computing Society	HES3, <i>Hospital and Health Boards Act 2011</i> Tenure: 12/10/2015 to 11/10/2018	12/10/2015	25/08/2018
	Ms Melissa MacCabe CA, BBus (Accy/Legal)	HES3, <i>Hospital and Health Boards Act 2011</i> Tenure: 13/08/2018 to 12/08/2021	13/08/2018	-
Executive Director, Clinical Services Responsible for monitoring and strategically directing the budgetary and activity performance of 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 Metro North Hospital and Health Service as an entity.	Dr Elizabeth Whiting BA, MB BCH BAO, FRACP, FRANZSGM	MMOI4, Medical Officers' (Queensland Health) Certified Agreement (No.4) 2015 Tenure: 01/09/2015 to 30/09/2018 Tenure: 01/10/2018 to 30/09/2019	01/09/2014	-
Executive Director, Safety and Quality Provide strategic leadership, direction and day to day management of 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.	Ms. Noelle Cridland BN, MN, MAICD	HES3, <i>Hospital and Health Boards Act 2011</i> Tenure: 01/02/2018 to 31/01/2021	01/02/2018	-

A2-2: Key management personnel disclosures (continued)

Remuneration policy

Minister remuneration

Metro North Hospital and Health Service does not incur any expense in relation to the Minister. The majority of Ministerial entitlements are paid by the Legislative Assembly, with remaining entitlements being provided by Ministerial Services Branch within the Department of Premier and Cabinet. As all Ministers are reported as key management personnel of the Queensland Government, aggregate remuneration expenses for all Ministers are disclosed in the Queensland Government and Whole of Government Consolidated Financial Statement as from 2017-18, which are published as part of Queensland Treasury's Report on State Finances.

Board

The remuneration of members of the Board is approved by Governor-in-Council as part of the terms of appointment. Each member is entitled to receive a fee, with the exception of appointed public service employees unless otherwise approved by the Queensland Government. Members may also be eligible for superannuation payments.

Executive Management

Section 74(1) of the *Hospital and Health Boards Act 2011* provides that each person appointed as a health executive must enter into a contract of employment. The Health Service Chief Executive must enter into the contract of employment with the Chair of the Board for the Hospital and Health Service and a Health Executive employed by a Hospital and Health Service must enter into a contract of employment with the Health Service Chief Executive. The contract of employment must state the term of employment (no longer than 5 years per contract), the person's functions and any performance criteria as well as the person's classification level and remuneration entitlements.

Remuneration packages for key executive management personnel comprise the following components:

- Short-term employee benefits which include: **Monetary benefits** – consisting of base salary, allowances and leave entitlements paid and provided for the entire year or for that part of the year during which the employee occupied the specified position. Amounts disclosed equal the amount expensed in the Statement of comprehensive income. **Non-monetary benefits** – consisting of provision of vehicle and expense payments together with fringe benefits tax applicable to the benefit.
- Long-term employee benefits include long service leave accrued.
- Post-employment benefits include superannuation contributions.
- Redundancy payments are not provided for within individual contracts of employment. Contracts of employment provide only for notice periods or payment in lieu on termination, regardless of the reason for termination.
- There were no performance bonuses paid in the 2018-19 financial year (2018: \$nil).

A2-2: Key management personnel disclosures (continued)

Board Remuneration

Name	Short Term Employee Benefits		Post-employment benefits	Total remuneration
	Monetary benefits	Non-monetary benefits		
	\$'000	\$'000	\$'000	\$'000
2018–19				
Emeritus Professor Robert Stable AM	96	-	9	105
Dr Kim Forrester	60	-	6	65
Ms Bonny Barry	52	-	5	57
Mr Adrian Carson	52	-	5	57
Professor Mary-Louise Fleming	52	-	5	57
Mr Geoff Hardy	56	-	5	62
Associate Professor Cliff Pollard AM	46	-	4	51
Associate Professor Kim Johnston	52	-	5	57
Dr Paula Conroy	52	-	5	57
Mr Bernard Curran	53	-	5	58
Honourable Mr Neil Roberts	7	-	1	7
Total Remuneration	578	-	55	633

Metro North Hospital and Health Service has reimbursed board members a total of \$8,474.42 for out-of-pocket expenses incurred whilst travelling on approved board business including attendance at board meetings.

Name	Short Term Employee Benefits		Post-employment benefits	Total remuneration
	Monetary benefits	Non-monetary benefits		
	\$'000	\$'000	\$'000	\$'000
2017–18				
Emeritus Professor Robert Stable AM	92	-	9	101
Dr Kim Forrester	58	-	6	64
Ms Bonny Barry	50	-	5	55
Mr Adrian Carson	50	-	5	55
Professor Helen Edwards OAM	49	-	5	54
Professor Mary-Louise Fleming	50	-	5	55
Mr Mike Gilmour	50	-	5	55
Mr Geoff Hardy	54	-	5	59
Associate Professor Cliff Pollard AM	50	-	5	55
Dr Margaret Steinberg AM	46	-	4	50
Dr Kim Johnston	5	-	-	5
Dr Paula Conroy	4	-	-	4
Mr Bernard Curran	5	-	-	5
Total Remuneration	563	-	54	617

Metro North Hospital and Health Service has reimbursed board members a total of \$1,468.88 for out-of-pocket expenses incurred whilst travelling on approved board business including attendance at board meetings.

A2-2: Key management personnel disclosures (continued)

Other key management personnel remuneration

Position	Short-term employee benefits		Long-term benefits \$'000	Post-employment benefits \$'000	Termination benefits \$'000	Total remuneration \$'000
	Monetary benefits	Non-monetary benefits				
	\$'000	\$'000				
2018-19						
Chief Executive (to 30/04/2019)	393	-	8	33	-	433
Chief Executive (from 01/05/2019)	87	-	2	7	-	96
Executive Director, Operations (to 30/04/2019)	236	-	4	29	-	269
Chief Finance Officer (to 25/08/2018)	46	-	1	4	80	130
Chief Finance Officer (from 13/08/2018)	204	-	4	21	-	228
Executive Director, Clinical Services	589	1	12	43	-	645
Executive Director, Safety and Quality	234	-	5	24	-	263
Total	1,788	1	35	162	80	2,066
2017-18						
Chief Executive	467	-	8	39	-	514
Executive Director, Operations (to 29/04/2018)	496	-	10	31	-	537
Executive Director, Operations (from 30/04/2018)	40	-	1	4	-	45
Chief Finance Officer	249	-	5	24	-	278
Executive Director, Clinical Services	513	-	10	37	-	560
Executive Director, Clinical Governance, Safety, Quality and Risk (to 03/09/2017)	56	-	-	-	-	56
Executive Director, Clinical Governance, Safety, Quality and Risk (from 04/09/2017)	181	-	3	17	-	201
Total	2,002	-	37	152	-	2,191

A2-2: Key management personnel disclosures (continued)

Other senior management remuneration

Whilst not considered key management personnel in accordance with AASB 124 *Related Party Transactions*, Metro North Hospital and Health Service has also made the following payments to other senior management:

Position	Short-term employee benefits		Long-term benefits \$'000	Post-employment benefits \$'000	Termination benefits \$'000	Total remuneration \$'000
	Monetary benefits	Non-monetary benefits				
	\$'000	\$'000				
2018–19						
Deputy Executive Director, Operations	524	-	11	32	-	567
Executive Director, Chief Transformation Officer	148	-	3	15	-	166
Executive Director, Royal Brisbane and Women's Hospital	496	1	10	35	-	542
Executive Director, The Prince Charles Hospital	242	-	4	23	212	481
Executive Director, Redcliffe Hospital	228	-	4	23	-	255
Executive Director, Caboolture and Kilcoy Hospitals	469	2	9	33	-	513
Executive Director, Community, Indigenous and Subacute Services	218	-	4	19	-	241
Executive Director, Mental Health	575	1	11	49	-	636
Executive Director, Oral Health	186	-	3	17	37	243
Executive Director, Medical Imaging	183	-	4	13	-	200
Executive Director, Medical Services	494	-	10	35	-	539
Executive Director, Nursing and Midwifery Services	378	-	6	32	-	416
Executive Director, Allied Health	221	-	4	25	-	250
Total	4,362	4	83	351	249	5,049

A2-2: Key management personnel disclosures (continued)

Other senior management remuneration (continued)

Position	Short-term employee benefits		Long-term benefits	Post-employment benefits	Termination benefits	Total remuneration
	Monetary benefits	Non-monetary benefits				
	\$'000	\$'000				
2017–18						
Deputy Executive Director, Operations	111	-	2	8	-	121
Executive Director, Organisational Development, Strategy and Implementation	148	-	3	12	-	163
Executive Director, Royal Brisbane and Women's Hospital	418	1	8	32	-	459
Executive Director, The Prince Charles Hospital	242	-	4	23	-	269
Executive Director, Redcliffe Hospital	220	-	4	22	-	246
Executive Director, Caboolture and Kilcoy Hospitals	551	-	11	40	-	602
Executive Director, Community, Indigenous and Subacute Services	212	-	4	19	-	235
Executive Director, Mental Health	479	1	10	35	-	525
Executive Director, Oral Health	184	-	4	18	-	206
Executive Director, Medical Imaging	207	-	4	16	-	227
Executive Director, Medical Services	489	-	10	34	-	533
Executive Director, Nursing and Midwifery Services	432	-	7	36	-	475
Executive Director, Allied Health	208	2	4	23	-	237
Total	3,901	4	75	318	-	4,298

A3 OTHER EXPENSES

A3-1: Supplies and services

	2018 \$'000	2017 \$'000
Consultants and contractors - non-clinical	14,498	5,459
Consultants and contractors - clinical	4,684	6,550
Electricity and other energy	18,855	25,043
Patient travel	11,355	10,263
Other travel	3,728	4,457
Water	3,579	3,740
Building services	3,004	3,311
Computer services	15,592	16,229
Insurance	23,646	23,671
Motor vehicles	851	802
Communications	24,788	24,274
Repairs and maintenance	40,993	38,170
Minor works including plant and equipment	4,391	4,704
Operating lease rentals	12,041	11,176
Drugs	136,244	116,771
Clinical supplies and services	187,000	184,782
Catering and domestic supplies	45,466	43,486
Pathology, blood and parts	104,561	100,411
Services received below fair value	22,906	23,250
Other	45,061	26,485
Total	723,243	673,034

* These balances include a prior year reclassification of \$5.3M in lease expense amounts from Clinical supplies and services to Operating lease rentals, as required by AASB 117 and AASB 108.

Accounting policy – Goods and services received below fair value

During 2018-19 Metro North Hospital and Health Service received services below fair value from the Department of Health in the form of payroll, accounts payable and banking services. Under AASB 1004 Contributions, contributions of goods and services are recognised only if the goods or services would have been purchased if they had not been donated and their fair value can be measured reliably.

Metro North Hospital and Health Service satisfied both requirements and therefore the fair value of the services received is recognised as revenue with a corresponding expense in the financial statements.

Please see note A1-3 for disclosure of the corresponding income recognised for services received below fair value.

The Department of Health issued guidance outlining the methodology to determine the fair value of each service provided to HHS's below fair value. Using the detailed method as prescribed by the Department of Health, the fair value of the services received below fair value during the financial year ended 30 June 2019 amounted to \$22.9M (2018: \$23.3M) in total and were recognised in supplies and services expense in the Statement of comprehensive income.

Accounting policy – 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.

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.

Audit expenses

Total audit fees paid or payable to the Queensland Audit Office relating to the 2018-19 financial year are \$320,000 (2018: \$320,000). There are no non-audit services included in this amount.

Accounting Policy – Special payments

Special payments include ex-gratia expenditure and other expenditure that 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, 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 within the category of Other Expenses in the financial statements. In 2018-19, ex-gratia payments of \$91,595 (2018: \$72,234) were made, consisting of five reportable payments totalling \$50,968 (2018: \$33,999) and a number of smaller non-reportable payments. Five reportable payments ranging from \$5,000 to \$20,000 relate to patient medical claims.

SECTION B NOTES ABOUT OUR FINANCIAL POSITION

B1 CASH AND CASH EQUIVALENTS

	2019 \$'000	2018 \$'000
Cash at bank and on hand	93,346	51,965
Cash on deposit	24,457	23,960
Total	117,803	75,925

Cash on deposit represents cash contributions from external entities and other benefactors in the form of gifts, bequests, donations and legacies for specific purposes. These funds are deposited with Queensland Treasury Corporation and set aside for specific purposes underlying the contribution. Cash on deposit is at call and is subject to floating interest rates. The annual effective interest rate is 2.38% (2018: 2.41%)

Accounting policy – 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 receipted but not yet banked at reporting date as well as deposits at call with financial institutions. Metro North Hospital and Health Service's bank account is grouped within the whole-of-government set-off arrangement with the Queensland Treasury Corporation and, as a result, does not earn interest on surplus funds nor is it charged interest or fees for accessing its approved cash overdraft facility. Interest earned on the aggregate set-off arrangement balance accrues to the consolidated fund.

B2 RECEIVABLES

B2-1: Receivables

	2019	2018
	\$'000	\$'000
Trade receivables (net of allowance for impairment)	66,832	78,606
Other receivables	30,946	27,001
Total	97,778	105,607

Movements in the allowance for impairment loss		
Balance at beginning of the year	9,387	9,158
Amounts written off during the year	(7,171)	(5,345)
Increase/(decrease) in allowance recognised in operating result	8,131	5,574
Total	10,347	9,387

Accounting policy – Receivables

Trade and other receivables are initially recognised at the amount invoiced to customers. Trade and other receivables reflect the amount anticipated to be collected. The collectability of these balances is assessed on an ongoing basis. When there is evidence that an amount will not be collected it is provided for and then written off. If receivables are subsequently recovered the amounts are credited against other expenses in the Statement of comprehensive income when collected.

Trade receivables are due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than twelve months after the reporting date. Due to the short-term nature of current receivables, their carrying amount is assumed to approximate the amount invoiced. All credit and recovery risk associated with trade receivables has been provided for in the Statement of financial position.

Key judgements and estimates – Recoverability of

trade receivables: Judgement is required in determining the level of provisioning for customer debts.

The loss allowance for trade and other debtors reflects lifetime expected credit losses and incorporates reasonable and supportable forward-looking information. Economic changes impacting Metro North Hospital and

Health Service's debtors, and relevant industry data form part of the impairment assessment. Metro North Hospital and Health Service uses a provision matrix to measure the expected credit losses on trade and other debtors. Loss rates are calculated separately for groupings of customers with similar revenue profiles and historical loss patterns experienced on past revenue transactions. Consideration is given to reasonable and supportable forward-looking information and related business processes that may impact the future recovery of those receivables and may result in an adjustment to the historical loss rates for the affected customer groupings if the impact is expected to be material.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, default or delinquency in payments (more than 90 days overdue or more than 120 days in the case where the account is with a health fund), past experience, and management judgement are considered indicators that the trade receivable is impaired.

Where there is no reasonable expectation of recovering an amount owed by a debtor, the debt is written-off by directly reducing the receivable against the loss allowance. If the amount of debt written off exceeds the loss allowance, the excess is recognised as an impairment loss. The amount of impairment losses recognised for receivables is disclosed above.

B2-2: Impairment of receivables

At 30 June, the ageing of both impaired trade receivables and trade receivables past due but not impaired was as follows:

	Past due but not Impaired \$'000	Impaired \$'000
2019		
Trade Receivables		
Less than 30 days	6,467	483
30 to 60 days	6,013	441
60 to 90 days	4,760	300
Greater than 90 days	16,115	9,122
Total overdue	33,355	10,346

2018		
Trade Receivables		
Less than 30 days	7,327	258
30 to 60 days	7,674	276
60 to 90 days	5,755	163
Greater than 90 days	21,618	8,690
Total overdue	42,374	9,387

B3 INVENTORIES

	2019 \$'000	2018 \$'000
Medical supplies and equipment	17,766	19,682
Other	452	482
Total	18,218	20,164

Accounting policy – Inventories

Inventories consist mainly of clinical supplies and pharmaceuticals held for distribution to the hospital and health service facilities. Inventories are measured at weighted average cost, adjusted for obsolescence. Unless material, inventories do not include supplies held for ready for use in the wards throughout the hospital and health service facilities.

B5 PROPERTY, PLANT AND EQUIPMENT**B5-1: Property, plant and equipment - Balances and reconciliations of carrying amount**

	Land Level 2* \$'000	Buildings Level 3** \$'000	Buildings Level 2** \$'000	Plant and equipment *** \$'000	Capital works in progress \$'000	Total \$'000
2019						
Gross	373,916	2,361,673	1,091	391,429	93,312	3,221,421
Less: Accumulated depreciation	-	(1,643,410)	(581)	(227,371)	-	(1,871,362)
Carrying amount at 30 June 2019	373,916	718,263	510	164,058	93,312	1,350,059
Represented by movements in carrying amount:						
Carrying amount at 1 July 2018	366,635	743,126	460	164,411	61,092	1,335,724
Major infrastructure transfers						-
Transfers in from other Queensland Government entities	-	3,661	-	4,570	-	8,231
Acquisitions	-	3,521	-	30,757	57,032	91,310
Donated assets	-	-	-	342	-	342
Disposals	-	-	-	(626)	-	(626)
Transfers out to other Queensland Government entities	-	-	-	(4,618)	-	(4,618)
Transfers between classes#	-	19,086	-	5,801	(24,812)	75
Net revaluation increments	7,281	27,370	75	-	-	34,726
Depreciation expense	-	(78,501)	(25)	(36,579)	-	(115,105)
Carrying amount at 30 June 2019	373,916	718,263	510	164,058	93,312	1,350,059

B5-1: Property, plant and equipment - Balances and reconciliations of carrying amount (continued)

	Land Level 2*	Buildings Level 3**	Buildings Level 2**	Plant and equipment ***	Capital works in progress	Total
2018	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Gross	366,635	2,248,151	930	378,342	61,092	3,055,150
Less: Accumulated depreciation	-	(1,505,025)	(470)	(213,931)	-	(1,719,426)
Carrying amount at 30 June 2018	366,635	743,126	460	164,411	61,092	1,335,724
Represented by movements in carrying amount:						
Carrying amount at 1 July 2017	365,725	745,334	485	133,919	49,182	1,294,645
Transfers in from other Queensland Government entities	-	-	-	1,565	-	1,565
Acquisitions	-	10,054	-	58,761	40,832	109,647
Donated assets	-	-	-	54	-	54
Disposals	-	-	-	(1,081)	-	(1,081)
Transfers out to other Queensland Government entities	-	-	-	(209)	-	(209)
Transfers between classes	910	25,018	-	2,993	(28,922)	(1)
Net revaluation increments	-	33,078	-	-	-	33,078
Depreciation expense	-	(70,358)	(25)	(31,591)	-	(101,974)
Carrying amount at 30 June 2018	366,635	743,126	460	164,411	61,092	1,335,724

* Level 2 land assets comprise land with an active market.

** Level 3 building assets are special purpose built and have no active market. Level 2 building assets are buildings with an active market.

*** Plant and equipment is held at cost except for Heritage and Cultural assets which are held at fair value are valued at \$0.89M (2018: \$0.89M).

Transfers represent a reclassification from software work in progress to property, plant and equipment and capitalisation of commissioned assets during the year.

B5 PROPERTY PLANT AND EQUIPMENT

B5-2: Accounting Policies – Recognition

Capitalisation and Recognition Thresholds

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.

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

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

Items with a lesser value are expensed in the year of acquisition.

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

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.

Acquisition

Plant and equipment are initially recorded at consideration plus any other cost directly incurred in bringing the asset ready to use. Items or components that form an integral part of an asset are recognised as a single (functional) asset.

Where assets are received free of charge from another Queensland Government entity, the acquisition cost is recognised as the gross carrying amount in the books of the transferor immediately prior to the transfer together with any accumulated depreciation.

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*.

B5-3: Accounting Policies – Measurement

Measurement at Historical Cost

Plant and equipment is measured at cost net of accumulated depreciation and accumulated impairment losses in accordance with Queensland Treasury's *Non-Current Asset Policies for the Queensland Public Sector*.

Measurement of 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*.

The 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.

A fair value measurement of a non-financial asset 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. The current use of the asset is deemed to be the highest and best use.

Fair Value Inputs

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

Observable inputs are relevant publicly available data, for example, published sales data for land.

Unobservable inputs are data, assumptions and judgements that are not available publicly, but are relevant to the characteristics of the assets being valued. Unobservable inputs are used to the extent that sufficient relevant and reliable observable inputs are not available for similar assets and liabilities.

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 cost estimates; and
- Assessments of physical condition and remaining useful life.

Fair Value Measurement Hierarchy

This note explains the judgements and estimates made in determining the fair values of land and buildings that are recognised and measured at fair value in the financial statements. Metro North Hospital and Health Service classify inputs to fair value into three levels prescribed under AASB 13 *Fair Value Measurement*.

Level 1	represents fair value measurements that reflect unadjusted quoted market prices in active markets for identical assets and liabilities;
Level 2	represents fair value measurements that are substantially derived from inputs (other than quoted prices included within 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 valuations 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.

Asset category	Fair value hierarchy	Details
Land	Level 2	Fair value of land is based on publicly available data on recent sales of similar land in nearby localities. Adjustments were made to the sales data to take into account the location of the land, its size, street/road frontage and access and any significant restrictions. Land is measured at fair value utilising either independent revaluation or applying an interim revaluation methodology using an appropriate index.
Buildings – Non-health service delivery	Level 2	Non-health service delivery buildings are measured at the value that reflects the likely exit price in the principal market for an asset of this type, with valuations based on recent sales in the relevant areas.
Buildings – Health service delivery (special purpose)	Level 3	Reflecting the specialised nature of health service buildings and on-hospital-site residential facilities, for which there is no active market, fair value is determined using the current replacement cost methodology.

Valuation Methodology

Metro North Hospital and Health Service has a rolling three-year valuation program to determine the fair value of all building assets. The fair value of land and building assets is assessed annually with a comprehensive valuation being undertaken by an independent professional valuer at least once in every five and once in every three financial years for land and building assets respectively.

There were no changes in the valuation technique used during the financial year. The key assumption in using the current replacement cost is determining a replacement cost of a modern-day equivalent. The methodology makes a further adjustment to total estimated life taking into consideration physical and technical obsolescence impacting on the remaining useful life to arrive at a current replacement cost via straight-line depreciation.

Valuations have been prepared on a componentised basis using twenty-two core building elements. To estimate the replacement costs of each component, each element was quantified. The measurement of each element uses ‘key quantities’ including building footprint or Gross floor area (also used as the roof area), girth of the building, height of the building, number and height of staircases and number of lifts and number of ‘stops’.

These key quantities have been measured from drawings and verified via an onsite inspection to replace, upgrade or maintain these buildings. Furthermore, during the valuation process Metro North Hospital and Health Service agreed the useful lives with the valuer with reference to the current buildings condition and potential funding available in the future.

In the other financial years of the rolling program, assets are valued by the use of appropriate and relevant indices.

Use of Indices

Where assets have been valued using appropriate indices in the years when not comprehensively valued, the valuations are kept materially up to date using relevant indices for land and buildings. Indices used for land assets were supplied by the State Valuation Service with reference to land valuations undertaken for each local government area. The indices used by the independent valuer for buildings assets were based on local construction prices for the areas of Brisbane and the surrounding South East Queensland area.

Use of Comprehensive Valuations

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 assets may have changed significantly from one reporting period to the next), it is subject to such revaluations in the reporting period.

During 2018-19, Metro North Hospital and Health Service utilised both indexation and comprehensive valuation approaches in determining the fair value of land and buildings.

Metro North Hospital and Health Service last comprehensively valued its land assets in 2016. In 2018-19, land was again assessed using appropriate indices supplied by the State Valuation Service. The cumulative movement in land indices since the last comprehensive valuation has been recognised in 2019 totalling \$7.28M (2018: Nil).

For special purpose buildings (level 3), a total of 44% were comprehensively valued as at 30 June 2017, with a further 56% being comprehensively valued as at 30 June 2018. In 2019, special purpose buildings were considered via indexation resulting in a cumulative indexation movement of \$27.44M (2018: \$33.08M)

In 2019, comprehensive market valuations were completed for the non-health delivery buildings (level 2) which resulted in an increment of \$0.08M.

Accounting for Changes in Fair Value

Any revaluation increments arising from the revaluation of an asset are credited to the asset revaluation surplus of the appropriate asset class, except to the extent it reverses 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.

Metro North Hospital and Health Service has adopted the gross method of reporting assets. This method restates separately the gross amount and related accumulated depreciation of the assets comprising the class of revalued assets (current replacement cost). Accumulated depreciation is restated proportionally in accordance with the independent advice of the appointed valuer.

B5-4: Accounting policies - Depreciation

Land is not depreciated as it has an unlimited useful life.

Buildings are recognised and depreciated using a weighted average of the remaining useful lives of the building's components. This process does not materially change the depreciation recognised during the financial year.

Plant and Equipment is depreciated on a straight-line basis to allocate the net cost of revalued amount of each asset, less any estimated residual value, progressively over its estimated useful life.

Where plant and equipment assets have separately identifiable components that are subject to regular replacement, these components are assigned useful lives distinct from the asset to which they relate and are depreciated accordingly.

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.

Plant and Equipment is depreciated on a straight-line basis to reflect the consistent and even consumption of the service potential of these assets over their useful life to Metro North Hospital and Health Service.

Key judgement:

Management estimates the useful lives and residual values of buildings and plant and equipment based on the expected period of time over which economic benefits from the use of the asset will be derived. Management reviews useful life assumptions on an annual basis having considered variables including historical and forecast usage rates, technological advancements and changes in legal and economic conditions. All depreciable assets have a nil residual value.

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%

B5-5: Accounting policies - Impairment

Impairment Assessment

Metro North Hospital and Health Service's buildings are held at current replacement cost under AASB 136 *Impairment of Assets*. As such, the impairment requirements of AASB 136 do not apply to this asset class. For assets measured at cost, no impairment loss was recognised in 2018-19 (2017-18:\$0.33M).

B6 LIABILITIES**B6-1: Payables**

	2019 \$'000	2018 \$'000
Trade creditors	91,197	72,117
Other creditors	43,641	16,578
Total	134,838	88,695

Accounting policy – 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.

B6-2: Provisions

	2019 \$'000	2018 \$'000
Provisions	-	20,429
Total	-	20,429

Accounting Policy – Provisions

Provisions are recorded when Metro North Hospital and Health Service has a present obligation, either legal or constructive as a result of a past event. They are recognised at the amount expected at the reporting date for which the obligation will be settled in a future period.

In 2018, the revenue recognised by Metro North Hospital and Health Service included approximately 2.4% of total Commonwealth funding for coded clinical activity for 16/17 and 17/18 which was yet to be accepted by the Commonwealth. This provision was raised in relation to claims or classes of claims recorded as revenue but awaiting funding confirmation. There were no such claims pending confirmation in 2019.

B7 EQUITY**B7-1: Asset revaluation surplus**

	Land \$'000	Buildings \$'000	Heritage & Cultural Assets \$'000	Total \$'000
Balance 1 July 2018	46,169	128,308	517	174,994
Revaluation increments/(decrements)	7,281	27,445	-	34,726
Balance 30 June 2019	53,450	155,753	517	209,720

Accounting Policy – Revaluation Surplus

The asset revaluation surplus represents the net effect of revaluation movements in assets. Please see note B5 for full disclosure.

SECTION C NOTES ABOUT RISKS AND OTHER ACCOUNTING UNCERTAINTIES

C1 FINANCIAL RISK DISCLOSURES

C1-1: Financial instrument categories

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

Category	Notes	2019 \$'000	2018 \$'000
Financial assets			
Cash and cash equivalents	B1	117,803	75,925
Receivables	B2-1	97,778	105,607
Total		215,581	181,532
Financial liabilities			
Payables	B6-1	134,838	88,695
Provisions	B6-2	-	20,429
Total		134,838	109,124

Accounting policy – Financial instruments

Financial assets and financial liabilities are recognised in the Statement of financial position when Metro North Hospital and Health Service becomes a party to the contractual provisions of the financial instrument.

Metro North Hospital and Health Service holds financial instruments in the form of cash and cash equivalents and receivables (excluding prepayments) and payables.

C1-2: Financial risk management

Metro North Hospital and Health Services activities expose it to a variety of financial risks – credit risk, liquidity risk and interest rate risk.

(a) Credit Risk

Credit risk is the potential for financial loss arising from a counterparty defaulting on its 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 financial assets, which are disclosed in more detail in note B2, represents the maximum exposure to credit risk at the reporting date.

No financial assets and financial liabilities have been offset and presented net in the Statement of financial position, except for GST. No collateral is held as security and no credit enhancements relate to financial assets held by Metro North Hospital and Health Service.

There are no significant concentrations of credit risk.

(b) Liquidity Risk

Liquidity risk is the risk that Metro North Hospital and Health Service will not have the resources required at a particular time to meet its obligations to settle its financial liabilities.

Metro North Hospital and Health Service is exposed to liquidity risk through its trading in the normal course of business and aims to reduce the exposure to liquidity risk by ensuring that sufficient funds are available to meet employee and supplier obligations at all times. An approved debt facility of \$23M under the whole-of-government banking arrangements to manage any short-term cash shortfalls has been established. No funds had been withdrawn against this debt facility as at 30 June 2019.

All financial liabilities are current in nature and will be due and payable within twelve months. As such no discounting of cash flows has been made to these liabilities in the Statement of financial position.

(c) Interest Rate Risk

Metro North Hospital and Health Service has interest rate exposure on its 24-hour call deposits however there is no risk on its cash deposits.

Metro North Hospital and Health Service does not undertake any hedging in relation to interest rate risk.

Changes in interest rate have a minimal effect on the operating result of Metro North Hospital and Health Service.

C2 COMMITMENTS

(a) Non-cancellable operating lease commitments

Commitments under operating leases at the reporting date are exclusive of anticipated GST and are payable as follows:

	2019 \$'000	2018 \$'000
No later than 1 year	4,897	3,889
Later than 1 year but no later than 5 years	10,098	10,736
Later than 5 years	71	278
Total	15,066	14,902

Metro North Hospital and Health Service has non-cancellable operating leases relating predominantly to office and residential accommodation. Lease payments are generally fixed, but with escalation clauses on which contingent rentals are determined. No lease arrangements contain restrictions on financing or other leasing activities.

C2 COMMITMENTS (continued).**(b) Capital expenditure commitments**

Material classes of capital expenditure commitments exclusive of anticipated GST, contracted for at reporting date but not recognised in the accounts are payable as follows:

	2019 \$'000	2018 \$'000
No later than 1 year	7,447	9,501
Later than 1 year but no later than 5 years	-	-
Later than 5 years	-	-
Total	7,447	9,501

(c) Future lease commitments (Surgical, Treatment and Rehabilitation Service ("STARS") formerly known as Specialist Rehabilitation and Ambulatory Care Centre ("SRACC"))

Located at the former Royal Children's Hospital site at Herston, the Heston Quarter is being developed under a consortium led by Australian Unity.

Australian Unity's scope of work includes the construction of a new STARS, which is being delivered under a public-private partnership lease arrangement with Metro North Hospital and Health Service. The building will provide approximately a 35,000 sqm facility which includes 100 rehabilitation beds, special purpose rehabilitation support areas, and a surgical and endoscopic centre with a thirty-two-bed surgical inpatient room, seven operating theatres, three endoscopy rooms and recovery spaces. STARS is scheduled to open in late 2020.

The land on which STARS will be developed is owned by Metro North Hospital and Health Service and will be leased to Australian Unity for 99 years.

Metro North Hospital and Health Service is contractually obligated to occupy the STARS building and upon completion will enter into a lease for an initial 20-year period, with an option to extend this lease by two periods of 10 years (40 years in total).

Additional operating leases have been entered for equipment relating to the operation of STARS.

The total estimated future cash outflows relating to the cost of leasing the STARS building and related equipment items are shown below;

	2019 \$'000	2018 \$'000
Outflows		
No later than 1 year	-	-
Later than 1 year but not later than 5 years	94,018	64,511
Later than 5 years	579,385	548,849
Total estimated cash outflows	673,403	613,360

Other contractual expenditure commitments relating to the operation of STARS are as follows:

	2019 \$'000	2018 \$'000
Outflows		
No later than 1 year	-	5,000
Later than 1 year but not later than 5 years	27,722	23,210
Later than 5 years	154,715	117,862
Total estimated cash outflows	182,437	146,072

C3 CONTINGENCIES

As at 30 June 2019, the following cases were filed in the courts naming the State of Queensland acting through Metro North Hospital and Health Service as defendant:

	2019 Number of cases	2018 Number of cases
High Court	-	-
Supreme Court	8	6
District Court	4	5
Magistrates Court	-	-
Tribunals, commissions and boards	4	3
	16	14

(a) Litigation in Progress

It is not possible to make a reliable estimate of the final amount payable, if any, in respect of the litigation before the courts at this time. Health litigation is underwritten by the Queensland Government Insurance Fund (QGIF). Metro North Hospital and Health Service's maximum exposure is limited to an excess per insurance event up to \$20,000. Metro North Hospital and Health Service's net exposure is not material.

(b) Contractual Contingencies

Metro North Hospital and Health Service has entered and received various contractual contingencies through the year, primarily in the form of indemnities. Those indemnities have been given in accordance with the requirements of the *Statutory Bodies Financial Arrangements Act 1982 (Qld)* and recorded through the Contingency Management System.

C4 FUTURE IMPACT OF ACCOUNTING STANDARDS NOT YET EFFECTIVE

Several new standards, amendments and interpretations are effective for annual reporting periods beginning on or after 1 January 2019 and have not been applied in preparing these financial statements.

AASB 1058 Income of Not-for-Profit Entities and AASB 15 Revenue from Contracts with Customers

AASB 15 and AASB 1058 will first apply to Metro North Hospital and Health Service from 1 July 2019. Metro North Hospital and Health Service has reviewed the impact of AASB 15 and AASB 1058 and identified the following impacts (or estimated impact where indicated) of adoption of these new standards:

User charges and fees

Metro North Hospital and Health Service expects no change to revenue recognition from user charges and fees, as the provision of goods and services to the customer represents the sole performance obligation. The amount of any right of return asset or refund liability has been determined to be negligible and immaterial to record on transition.

Funding for the provision of public health services

Funding is provided by the Department of Health for specific public health services purchased by the Department in accordance with a service agreement, which comprises the following funding components:

Activity Based Funding: (excluding Clinical Education & Training (CET) and specific grants)

Metro North Hospital and Health Service expects no change to revenue recognition for Activity Based Funding, as the provision of the purchased services over time represents the specific performance obligations under AASB 15.

Activity Based Funding: Clinical Education & Training (CET) and specific grants; Block funding; and other funding (excluding depreciation and amortisation funding)

Revenue from these funding streams are expected to continue to be recognised on receipt under AASB 1058, as the provision of services under block and other funding is not sufficiently specific to qualify for recognition under AASB 15.

Other funding: Depreciation and Amortisation Funding

Depreciation and amortisation charges incurred by Metro North Hospital and Health Service are funded by the Department via non-cash revenue. There is no expected change to revenue recognition, with this revenue expected to be recognised on receipt under AASB 1058.

Grants and other contributions

Research and other specific grants: Are recognised upon receipt on a reimbursement basis which is broadly consistent with the requirements of AASB 1058. However, the applicable standard and required accounting treatment will depend on the varying nature and terms of these arrangements. Work continues in this area to assess and quantify the impact post-transition however, the impact is not expected to be material.

Grants and other contributions: Services received below fair value (including volunteer services and services and assets received/acquired free of charge or at nominal value).

Revenue recognition for this revenue stream is not expected to change on transition to AASB 1058. Revenue is only recognised in relation to services that would

have been purchased from an alternative provider had they not been provided and can be reliably measured. The services received from the Department meet these criteria, however, as the value of other volunteer services that meet these criteria are not material, no amounts have been recognised or disclosed for other volunteer services.

Capital Appropriation Funding: Amounts for capital works received by Metro North Hospital and Health Service via equity appropriation from Metro North Hospital and Health Service of Health will continue to be recognised on receipt of the appropriation. There is no impact on unearned revenue or revenue recognition for these amounts.

AASB 16 Leases

This standard will first apply to Metro North Hospital and Health Service in its financial statements for 2019-20 financial year and will supersede AASB 117 Leases, AASB Interpretation 4 *Determining whether an Arrangement contains a Lease* and AASB Interpretation 115 *Operating Leases – Incentives* and AASB Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

Impact for lessees

Under AASB 16, operating leases (as defined by the current AASB 117) will be reported on the statement of financial position as right-of-use assets and lease liabilities, unless a recognition exemption is available.

The right-of-use asset will be initially recognised at cost, consisting of the initial amount of the associated lease liability, plus any lease payments made to the lessor at or before the effective date, less any lease incentive received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. The right-of-use asset will give rise to a depreciation expense.

The lease liability will be initially recognised at an amount equal to the present value of the lease payments during the lease term that are not yet paid. Current operating lease rental payments will no longer be expensed in the statement of comprehensive income. They will be apportioned between a reduction in the recognised lease liability and the implicit finance charge (the effective rate of interest) in the lease. The finance cost will also be recognised as an expense.

AASB 16 allows a 'cumulative approach' rather than full retrospective application to recognising existing operating leases. In accordance with Queensland Treasury's policy, Metro North Hospital and Health Service will apply the 'cumulative approach', and will not need to restate comparative information. Instead, the cumulative effect of applying the standard is recognised as an adjustment to the opening balance of accumulated surplus (or other component of equity, as appropriate) at the date of initial application.

Outcome of review as lessee

Metro North Hospital and Health Service has completed its review of the impact of adoption of AASB 16 on the statement of financial position and statement of comprehensive income and has identified the following major impacts which are outlined below.

FINANCIAL STATEMENTS

During the 2018-19 financial year, Metro North Hospital and Health Service held operating leases under AASB 117 from the Department of Housing and Public Works (DHPW) for non-specialised, commercial office accommodation through the Queensland Government Accommodation Office (QGAO). Lease payments under these arrangements totalled \$3.7M in 2019 (29% of total operating lease rentals expense) (2018: \$4.2M in 2018 (38%)). These operating leases represent the majority of the operating lease commitments disclosed under AASB 117 at Note C2. Metro North Hospital and Health Service has been advised by Queensland Treasury and DHPW that, effective 1 July 2019, amendments to the framework agreements that govern QGAO will result in the above arrangements being exempt from lease accounting under AASB 16. This is due to DHPW having substantive substitution rights over the non-specialised, commercial office accommodation and residential premises assets used within these arrangements. From 2019-20 onwards, costs for these services will be expensed as supplies and services expense when incurred.

Metro North Hospital and Health Service has also been advised by Queensland Treasury that, effective 1 July 2019, motor vehicles provided under the QFleet program will be exempt from lease accounting under AASB 16. This is due to QFleet holding substantive substitution rights for vehicles provided under the scheme. Consistent with current practice, costs for these services will be expensed as supplies and services expense when incurred, rather than as operating lease rentals expense under AASB 117. Existing QFleet leases were not previously included as part of non-cancellable operating lease commitments.

The most significant impact identified is that Metro North Hospital and Health Service will recognise new assets and liabilities for its operating lease of the building for STARS once constructed. An external consultant has been engaged to provide the valuation of the new assets and liabilities. As at 30 June 2019, the future lease commitments commencing in 2019-20 amounted to \$673.4M (2018: \$759.4M), on an undiscounted basis. Refer to Note C2 above for further details.

Metro North Hospital and Health Service has quantified the transitional impact on the statement of financial position and statement of comprehensive income of all qualifying lease arrangements that will be recognised on-balance sheet under AASB 16, as follows.

Statement of financial position impact on 1 July 2019:	\$10.9M increase in lease liabilities
	\$10.9M increase in right-of-use assets
Statement of comprehensive income impact expected for the 2019-20 financial year, as compared to 2018-19:	\$5.2M increase in depreciation and amortisation expense
	\$122k increase in interest expense
	\$5.3M decrease in supplies and services expense
	This results in a net increase of \$41k in total expenses

Impact for lessors

Lessor accounting under AASB 16 remains largely

unchanged from AASB 117. For finance leases, the lessor recognises a receivable equal to the net investment in the lease. Lease receipts from operating leases are recognised as income either on a straight-line basis or another systematic basis where appropriate.

AASB 1059 Service Concession Arrangements: Grantors

Currently, AASB 1059 will first apply to Metro North Hospital and Health Service financial statements in 2020-21. This standard defines service concession arrangements and applies a new control concept to the recognition of service concession assets and related liabilities.

Metro North Hospital and Health Service has completed a review of its current contractual arrangements in preparation for this new standard. Subject to further guidance from Queensland Treasury, no impact is expected at the date of initial application.

In analysing the effects of this standard on Metro North Hospital and Health Service, the following contractual arrangements have been considered; Butterfield Street Car Park, The Prince Charles Hospital Car Park, The Prince Charles Hospital Early Education Centre and STARS; the Caboolture Private Hospital, Holy Spirit Northside Private Hospital, Herston Imaging Research Facility (HIRF).

Except for HIRF, these contractual arrangements have been assessed as falling under AASB 16 Leases which becomes effective from 1 July 2019. Refer above for further details on the impact of AASB 16. HIRF was assessed as being within scope of AASB 11 Joint Arrangements. Refer to note C5 for the relevant disclosures.

All other Australian accounting standards and interpretations with future effective dates are either not applicable or have no material impact on activities of Metro North Hospital and Health Service's.

C5 JOINT ARRANGEMENTS

Metro North Hospital and Health Service has joint control over two arrangements: Herston Imaging Research Facility (HIRF) and the Oral Health Centre (OHC). Both arrangements have been assessed as joint operations.

HIRF is located in Herston, Brisbane, on land that is recognised as an asset in the financial statements of Metro North Hospital and Health Service. This alliance agreement is with the University of Queensland (UQ), the Council of the Queensland Institute of Medical Research (QIMR) and Queensland University of Technology (QUT).

The OHC is located in Herston, Brisbane, on land owned by UQ, with whom it is has an alliance agreement.

The joint arrangements had no contingent liabilities or capital commitments as at 30 June 2018 and 2019.

Accounting policy – Joint Arrangements

A joint operation is a joint arrangement whereby the parties (joint operators) that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of

an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries. In relation to its interest in joint operations, Metro North Hospital and Health Service's recognises its:

- Assets, including its share of any assets held jointly;
- Liabilities, including its share of any liabilities incurred jointly;
- Revenue from the sale of its share of output arising from the joint operation;
- Share of revenue from the sale of output by the joint operation; and
- Expenses, including its share of any expenses incurred jointly.

C6 SUBSEQUENT EVENTS

There are no matters or circumstances that have arisen since 30 June 2019 that have significantly affected, or may significantly affect the options of Metro North Hospital and Health Service's operations, the results of those operations, of the HHS's state of affairs in future financial year.

SECTION D WHAT WE LOOK AFTER ON BEHALF OF THIRD PARTIES

D1 GRANTED PRIVATE PRACTICE

Granted Private Practice permits Senior Medical Officers (SMOs) and Visiting Medical Officers (VMOs) employed in the public health system to treat individuals who elect to be treated as private patients.

Granted Private Practice provides the option for SMOs and VMOs to either assign all of their private practice revenue to the HHS (assignment arrangement) and in return receive an allowance, or for SMOs and VMOs to share in the revenue generated from billing patients and to pay service fees to the HHS (retention arrangement).

All monies received for Granted Private Practice are deposited into separate bank accounts that are administered by Metro North Hospital and Health Service on behalf of the Granted Private Practice SMOs and VMOs. These accounts are not reported in Metro North Hospital and Health Service's 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 Metro North Hospital and Health Service on an accrual basis. The funds are then subsequently transferred from the Granted Private Practice bank accounts into Metro North Hospital and Health Service operating and general trust bank accounts (for the service retention fee portion).

	2019 \$'000	2018 \$'000
Receipts		
Billings - (SMOs and VMOs)	67,378	69,290
Interest	96	91
Total receipts	67,474	69,381

Payments		
Payments to medical practitioners	17,274	17,263
Hospital and Health Service recoverable administrative costs	47,045	48,445
Hospital and Health Service education/travel fund	3,808	3,260
Total payments	68,127	68,968

Closing balance of bank account under a trust fund arrangement not yet disbursed and not restricted cash	5,827	6,480
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D2 FIDUCIARY TRUST TRANSACTIONS AND BALANCES

Metro North Hospital and Health Service acts in a fiduciary capacity in relation to a number of patient trust bank accounts. Consequently, these transactions and balances are not recognised in the financial statements. Although patient funds are not controlled by the HHS, trust activities are included in the audit performed by the Auditor-General of Queensland.

	2019 \$'000	2018 \$'000
Opening balance	312	529
Patient trust receipts	5,626	5,490
Patient trust payments	(5,586)	(5,707)
Closing balance (represented by cash)	352	312

D3 RESTRICTED ASSETS

Metro North Hospital and Health Service receives cash contributions primarily from private practice clinicians and external entities for the provision of education, study and research in clinical areas. Contributions are also received from benefactors in the form of gifts, bequests, donations and legacies for specific purposes. At 30 June 2019, an amount of \$25.5M (2018: \$24.8M) in General Trust is set aside for specified purposes defined by the contribution.

SECTION E OTHER INFORMATION

E1 FIRST YEAR APPLICATION OF NEW STANDARDS OR CHANGE IN ACCOUNTING POLICY

Change in Accounting Policy

Metro North Hospital and Health Service did not voluntarily change any of its accounting policies in 2018-19.

Metro North Hospital and Health Service applied AASB 9 *Financial Instruments* for the first time in 2018-19. Comparative information for 2017-18 has not been restated and continues to be reported under AASB 139 *Financial Instruments: Recognition and Measurement*. The nature and effect of the changes as a result of adoption of this new accounting standard are described below.

Classification and measurement

Under AASB 9, debt instruments are categorised into one of three measurement bases – amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). The classification is based on two criteria:

- whether the financial asset's contractual cash flows represent 'solely payments of principal and interest', and
- the Metro North Hospital and Health Service business model for managing the assets.

Metro North Hospital and Health Service debt instruments comprise of receivables disclosed in Note B2. They were classified as Loans and Receivables as at 30 June 2018 (under AASB 139) and were measured at amortised cost. These receivables are held for collection of contractual cash flows that are solely payments of principal and interest. As such, they continue to be measured at amortised cost beginning 1 July 2018.

Impairment

AASB 9 requires the loss allowance to be measured using a forward-looking expected credit loss approach, replacing the AASB 139's incurred loss approach. AASB 9 also requires a loss allowance to be recognised for all debt instruments other than those held at fair value through profit or loss.

There was no adjustment required on adoption of the new AASB 9 impairment model.

Accounting Standards early adopted for 2018-19

Metro North Hospital and Health Service did not adopt any applicable Australian Accounting Standards early in the 2018-19 financial year.

E2 RELATED PARTY TRANSACTIONS

Transactions with Queensland Government controlled entities

Metro North Hospital and Health Service is controlled by its ultimate parent entity, the State of Queensland. All State of Queensland controlled entities meet the definition of a related party in AASB 124 *Related Party Disclosures*.

The following table summarises significant transactions with Queensland Government controlled entities:

E2-1: Related Party Transactions – Department of Health

	2019 \$'000	2018 \$'000
Revenue received	2,613,053	2,515,971
Expenditure incurred	302,367	255,078
Receivables	14,435	16,836
Payables	12,695	31,699

E2-2: Related Party Transactions- Queensland Treasury Corporation

	2019 \$'000	2018 \$'000
Revenue received	669	604
Expenditure incurred	2,978	37
Receivables	24,457	23,906
Payables	3	-

(a) Department of Health

Metro North Hospital and Health Service receives funding in accordance with a service agreement with the Department of Health. The Department of Health receives its revenue from the Queensland Government (majority of funding) and the Commonwealth. Metro North Hospital and Health Service is funded for eligible services through block funding; activity based funding or a combination of both. Activity based funding is based on an agreed number of activities per the service agreement and a state-wide price by which relevant activities are funded. Block funding is not based on levels of public care activity.

The funding from the Department of Health is provided predominantly for specific public health services purchased by the Department of Health 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 Hospital and Health Service.

The signed service agreement is published on the Queensland Government website and is publicly available.

The Department of Health provides a number of services including, ambulatory services, procurement, payroll, pharmacy, biomedical technology services, pathology, superannuation (QSuper) payments, information technology infrastructure and support as well as accounts payable services. Any expenses paid by the Department of Health on behalf of Metro North Hospital and Health Service for these services are recouped by the Department of Health.

(b) Queensland Treasury Corporation

Metro North Hospital and Health Service has bank accounts with the Queensland Treasury Corporation for general trust monies and receive interest and incur bank fees on these bank accounts.

Other

There are no other individually significant transactions with related parties.

Transactions with other related parties

All transactions in the year ended 30 June 2019 between Metro North Hospital and Health Service and key management personnel, including their related parties were on normal commercial terms and conditions and were immaterial in nature.

E3 TAXATION

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 Metro North Hospital and Health Service.

The Australian Taxation Office has recognised the Department of Health and sixteen Hospital and Health Services as a single taxation entity for reporting purposes. All FBT and GST reporting to the Commonwealth is managed centrally by the Department of Health, with payments/receipts made on behalf of Metro North Hospital and Health Service reimbursed to/from the Department of Health on a monthly basis. GST credits receivable from, and GST payable to the ATO, are recognised on this basis.

E4 PRIVATE INFRASTRUCTURE ARRANGEMENTS

The following contractual arrangements between Metro North Hospital and Health Service and the counterparty listed below relate to car parking services located on land that is recognised as an asset in the financial statements of Metro North Hospital and Health Service (subject to an operating lease):

Facility	Counter-party	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

Butterfield Street Car Park

A \$2.5M 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 \$0.3M plus CPI per annum to January 2019 increasing to \$0.6M 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 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 \$1M 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 \$0.05M per annum has also been assigned under the same Deed of Assignment to The Prince Charles Hospital Foundation.

The facility buildings are not recorded as assets by 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, which have been assigned to the respective Hospital Foundation under a Deed of Assignment.

E5 CO-LOCATED ARRANGEMENTS

The following contractual between Metro North Hospital and Health Service and the counterparties listed below relate to private hospital services located on land that is recognised as an asset in the financial statements of Metro North Hospital and Health Service (subject to an operating lease):

Facility	Counter-party	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		November 2000

* There are no inflows to Metro North Hospital and Health Service from the Caboolture Private Hospital.

** Under the terms of the colocation agreement with Holy Spirit Northside Private Hospital, Metro North Hospital and Health Service received a one-off payment of \$1.35M on 30 June 2016 under an extension and variation deed. From 1 July 2016, annual rental income of \$1.8M indexed for forecast CPI is payable until the expiration of the agreement in November 2065. The estimated rent income (inclusive of the CPI increment) is shown below:

FINANCIAL STATEMENTS

The following table summarises significant transactions with Queensland Government controlled entities:

E2-1: Related Party Transactions –Department of Health

	2019 \$'000	2018 \$'000
Estimated Cash Inflows – fixed		
Not later than 1 year	1,800	1,800
Later than 1 year but not later than 5 years	7,200	7,200
Later than 5 years but not later than 10 years	9,000	9,000
Later than 10 years	66,600	68,400
	84,600	86,400

	2019 \$'000	2018 \$'000
Estimated Cash Inflows – variable		
Not later than 1 year	47	31
Later than 1 year but not later than 5 years	660	439
Later than 5 years but not later than 10 years	1,982	1,302
Later than 10 years	74,600	45,998
	77,289	47,770
Total estimated lease income	161,889	134,170

SECTION F BUDGET v ACTUAL COMPARISON

NB: A budget versus actual comparison and explanation of major variances has not been included for the Statement of Changes in Equity, as major variances relating to that statement have been addressed in explanation of major variances in the other statements.

F1 BUDGET VS ACTUAL COMPARISON – STATEMENT OF COMPREHENSIVE INCOME

F1-1: Explanation of major variances – Statement of comprehensive income

Grants and Subsidies – The variance relates to income recognised for services received below fair value \$22.9M.

Other revenue - The variance relates to mapping differences between the budget and actuals for inter-entity recoveries \$20M and an increase in Own Source Revenue (OSR) compared to budget of \$20M mostly relating higher receipts for the cost of drugs through the PBS.

Supplies and services - The variance relates to expenses for services received below fair value \$22.9M and an increase in cost of pharmaceutical drugs \$20M.

F2 BUDGET VS ACTUAL COMPARISON – STATEMENT OF FINANCIAL POSITION

F2-1: Explanation of major variances – Statement of financial position

Cash and cash equivalents – The variance to budget is due to higher than planned receipts from the Department of Health for service delivery and capital projects \$49.5M and an operating cash surplus for the year not forecast of \$42.1M.

Payables – The increase in payables relates to timing differences in payment of actual invoices \$32.3M and a payable recognised in June for equity swaps and end of year technical adjustment \$24.1M.

F3 BUDGET VS ACTUAL COMPARISON – STATEMENT OF CASH FLOWS

F3-1: Explanation of major variances – Statement of cash flows

Other revenue – The variance relates to mapping differences between the budget and actuals for inter-entity recoveries \$20M and an increase in Own Source Revenue (OSR) compared to budget of \$20M mostly relating higher receipts for the cost of drugs through the PBS.

Payments for property, plant and equipment and intangible assets – The variance is primarily due to; additional investment made in the Priority Capital Program \$21.9M, Caboolture Hospital ED Expansion \$8.8M and Oral Health Centre \$3M.

Cash flow from equity transferred – The variance is primarily due to; additional funding received for capital projects \$33.7M and depreciation and amortisation funding being treated as a cash item (equity withdrawal) in the budget, however this has been accounted as a non-cash item in the statement of cash flow (\$117.27M).

MANAGEMENT CERTIFICATE

These general purpose financial statements have been prepared pursuant to section s.62(1) of the *Financial Accountability Act 2009* (the Act), section 42 of the *Financial and Performance Management Standard 2009* and other prescribed requirements. In accordance with section s.62(1)(b) of the Act, we certify that in our opinion:

- (a) the prescribed requirements for establishing and keeping the accounts have been complied with in all material respects; and
- (b) the financial statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of Metro North Hospital and Health Service for the financial year ended 30 June 2019 and of the financial position of the Metro North Hospital and Health Service at the end of that year; and

The Chief Finance and Corporate Officer, acknowledge(s) responsibility under s.8 and s.15 of the *Financial and Performance Management Standard 2009* for the establishment and maintenance, in all material respects, of an appropriate and effective system of internal controls and risk management processes with respect to financial reporting throughout the reporting period.



Professor Robert Stable AM
Board Chair
Date: 28 August 2019



Ms Jackie Hanson
Acting Chief Executive
Date: 28 August 2019



Ms Melissa MacCabe CA
Chief Finance and Corporate Officer
Date: 28 August 2019

INDEPENDENT AUDITOR'S REPORT



INDEPENDENT AUDITOR'S REPORT

To the Board of Metro North Hospital and Health Service

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of Metro North Hospital and Health Service.

In my opinion, the financial report:

- a) gives a true and fair view of the entity's financial position as at 30 June 2019, and its financial performance and cash flows for the year then ended
- b) complies with the *Financial Accountability Act 2009*, the Financial and Performance Management Standard 2009 and Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including summaries of significant accounting policies and other explanatory information, and the management certificate.

Basis for opinion

I conducted my audit in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report.

I am independent of the entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General of Queensland Auditing Standards*.

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

Key audit matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial report of the current period. I addressed these matters in the context of my audit of the financial report as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.



Valuation of specialised buildings (\$718.3 million)

Refer to Note B5 in the financial report.

Key audit matter	How my audit addressed the key audit matter
<p>Buildings were material to Metro North Hospital and Health Service at balance date and were measured at fair value using the current replacement cost method. The current replacement cost method comprises:</p> <ul style="list-style-type: none"> • Gross replacement cost, less • Accumulated depreciation <p>In the 2018-19 financial year, Metro North Hospital and Health Service performed a revaluation of building assets using a relevant indexation percentage, applied to existing unit rates.</p> <p>Metro North Hospital and Health Service derived the gross replacement cost of its buildings at balance date using unit prices that required significant judgements for:</p> <ul style="list-style-type: none"> • identifying the components of buildings with separately identifiable replacement costs • developing a unit rate for each of these components, including: <ul style="list-style-type: none"> ○ Estimating the current cost for a modern substitute (including locality factors and oncosts), expressed as a rate per unit (e.g. \$/square metre) ○ Identifying whether the existing building contains obsolescence or less utility compared to the modern substitute, and if so estimating the adjustment to the unit rate required to reflect this difference. • The measurement of accumulated depreciation involved significant judgements for forecasting the remaining useful lives of building components. <p>The values used for indexation purposes are based on estimates of labour and material cost inflation, adjusted for specific market conditions and as such also require judgement to appropriately determine.</p> <p>The significant judgements required for gross replacement cost and useful lives are also significant judgements for calculating annual depreciation expense.</p>	<p>My procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Assessing the adequacy of management's review of the valuation process. • Reviewing the scope and instructions provided to the valuer. • Assessing the competence, capabilities and objectivity of the experts used to perform the indexation. • Evaluating the relevance and appropriateness of the indices used for changes in costs inputs by benchmarking it to other Queensland hospitals and government buildings. • Recalculating the application of indices to the asset balances. • Evaluating useful life estimates for reasonableness by: <ul style="list-style-type: none"> ○ Reviewing management's annual assessment of useful lives. ○ At an aggregated level, reviewing asset management plans for consistency between renewal budgets and the gross replacement cost of assets. ○ Ensuring that no asset still in use has reached or exceeded its useful life. ○ Enquiring of management about their plans for assets that are nearing the end of their useful life. ○ Reviewing assets with an inconsistent relationship between condition and remaining useful life. <p>Where changes in useful lives were identified, evaluating whether the effective dates of the changes applied for depreciation expense were supported by appropriate evidence.</p>



Other information

Other information comprises the information included in the entity's annual report for the year ended 30 June 2019, but does not include the financial report and my auditor's report thereon.

Those charged with governance are responsible for the other information.

My opinion on the financial report does not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Responsibilities of the entity 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 the *Financial Accountability Act 2009*, the Financial and Performance Management Standard 2009 and Australian Accounting Standards, and for such internal control as the Board determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

The Board is also responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless it is intended to abolish the entity or to otherwise cease operations.

Auditor's responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the entity's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the entity.
- Conclude on the appropriateness of the entity's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

From the matters communicated with the Board, I determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2019:

- I received all the information and explanations I required.
- In my opinion, the prescribed requirements in relation to the establishment and keeping of accounts were complied with in all material respects.

C G Strickland
as delegate of the Auditor-General

29 August 2019

Queensland Audit Office
Brisbane

BOARD MEMBER MEETING ATTENDANCES 2018–19

Name	Board	Executive Committee	Safety & Quality Committee	Finance & Performance Committee	Risk & Audit Committee
	11 meetings	4 meetings	6 meetings	6 meetings	5 meetings
Board Chair – Emeritus Professor Robert Stable AM	11 of 11	4 of 4	5 of 6	NA	NA
Deputy Chair – Dr Kim Forrester	11 of 11	4 of 4	6 of 6	NA	5 of 5
Board Member – Mr Adrian Carson	9 of 11	2 of 4	NA	NA	4 of 5
Board Member – Mr Bernard Curran	10 of 11	3 of 4	NA	6 of 6	NA
Board Member – Ms Bonny Barry	11 of 11	4 of 4	NA	6 of 6	NA
Board Member – Mr Geoff Hardy	10 of 11	4 of 4	NA	6 of 6	5 of 5
Board Member – Dr Kim Johnston	9 of 11	4 of 4	NA	NA	5 of 5
Board Member – Professor Mary-Louise Fleming	10 of 11	3 of 4	5 of 6	NA	NA
Board Member – Dr Paula Conroy	10 of 11	3 of 4	NA	6 of 6	NA
Board Member – Mr Neil Roberts	2 of 2	1 of 1	NA	1 of 1	NA
Board Member – Dr Robert Franz	2 of 2	1 of 1	1 of 1	1 of 1*	NA
Board Member – Associate Professor Cliff Pollard AM	7 of 9	2 of 3	3 of 5	NA	NA

NA Not a member of Committee *Guest

GLOSSARY

ABF	Activity Based Funding	MOHRI	Minimum Obligatory Human Resource Information
ACHS	The Australian Council on Healthcare Standards	MRI	Magnetic resonance imaging
AHPRA	Australian Health Practitioner Regulation Agency	MRSA	Methicillin-resistant Staphylococcus aureus
CAC	Community Advisory Committee	NDIS	National Disability Insurance Scheme
CF	Cystic Fibrosis	QAO	Queensland Audit Office
CT	Computed tomography	QFMHS	Queensland Forensic Mental Health Service
ECT	Electroconvulsive Therapy	QIMR	Queensland Institute of Medical Research
ED	Emergency Department	Q-TRaCE	RBWH Radiopharmaceutical Centre for Excellence
eDRMS	Electronic document and records management system	QUT	Queensland University of Technology
ES	Elective Surgery	RACFs	Residential Aged Care Facilities
FTE	Full Time Equivalent	RADAR	Residential Aged Care District Assessment and Referral Service
GP	General Practitioner	RAP	Reconciliation Action Plan
GPLOs	General Practitioner Liaison Officers	RBWH	Royal Brisbane and Women's Hospital
GPwSI	GP with Special Interests	SAC 1	Severity Assessment Code (incident resulting in likely permanent harm or death)
HSCE	Health Service Chief Executive	SIBR	Structured Interdisciplinary Bedside Rounds
HHS	Hospital and Health Service	SMO	Senior Medical Officer
ICU	Intensive Care Unit	STARS	Surgical, Treatment and Rehabilitation Service
ieMR	Integrated Electronic Medical Record	TPCH	The Prince Charles Hospital
IMHIP	Indigenous Mental Health Intervention Program	VMO	Visiting Medical Officer
IPPF	International Professional Practices Framework	WAU	Weighted Activity Unit
Metro North	Metro North Hospital and Health Service		

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 7	p3
Accessibility	Table of contents	ARRs – section 9.1	p5
	Glossary	ARRs – section 9.1	p97
	Public availability	ARRs – section 9.2	p2
	Interpreter service statement	Queensland Government Language Services Policy ARRs – section 9.3	p2
	Copyright notice	Copyright Act 1968 ARRs – section 9.4	p2
	Information licensing	QGEA – Information licensing ARRs – section 9.5	p2
General information	Introductory information	ARRs – section 10.1	p10, 12
	Agency role and main functions	ARRs – section 10.2	p17
	Operating environment	ARRs – section 10.3	p17
Non-financial performance	Government’s objectives for the community	ARRs – section 11.1	p6
	Other whole-of-government plans / specific initiatives	ARRs – section 11.2	p19
	Agency objectives and performance indicators	ARRs – section 11.3	p46, 48
	Agency service areas and service standards	ARRs – section 11.4	p46, 48
Financial performance	Summary of financial performance	ARRs – section 12.1	p52
Governance – management and structure	Organisational structure	ARRs – section 13.1	p31
	Executive management	ARRs – section 13.2	p29
	Government bodies (statutory bodies and other entities)	ARRs – section 13.3	NA
	Public Sector Ethics Act 1994	Public Sector Ethics Act 1994 ARRs – section 13.4	p45
	Queensland public service values	ARRs – section 13.5	p45

Summary of requirement		Basis for requirement	Annual report reference
Governance – risk management and accountability	Risk management	ARRs – section 14.1	p43
	Audit committee	ARRs – section 14.2	p40
	Internal Audit	ARRs – section 14.3	p43
	External Scrutiny	ARRs – section 14.4	p45
	Information systems and record keeping	ARRs – section 14.5	p44
Governance – human resources	Workforce planning and performance	ARRs – section 15.1	p39
	Early retirement, redundancy and retrenchment	Directive No. 11/12 Early Retirement, Redundancy and Retrenchment Directive No. 16/16 Early Retirement, Redundancy and Retrenchment (from 20 May 2016) ARRs – section 15.2	p39
Open Data	Statement advising publication of information	ARRs – section 16	p45
	Consultancies	ARRs – section 33.1	p45
	Overseas travel	ARRs – section 33.2	p45
	Queensland Language Services Policy	ARRs – section 33.3	p45
Financial Statements	Certification of financial statements	FAA – section 62 FPMS – sections 42, 43 and 50 ARRs – section 17.1	p91
	Independent Auditor's Report	FAA – section 62 FPMA – section 50 ARRs – section 17.2	p92

FAA Financial Accountability Act 2009

FPMS Financial and Performance Management Standard 2009

ARRs Annual report requirements for Queensland Government agencies

