# 6

# Financial statements

**Sunshine Coast Hospital and Health Service**

**30 June 2014**

**Contents**



**General information**

The financial report covers the Sunshine Coast Hospital and Health Service (SCHHS) as an individual entity. The financial report is presented in Australian dollars, which is the functional and presentation currency of SCHHS.

SCHHS was established on 1 July 2012 as a statutory body under the *Hospital and Health Boards Act 2011*.

SCHHS is controlled by the State of Queensland which is the ultimate parent.

The head office and principal place of business of SCHHS is:

Nambour General Hospital

Hospital Road Nambour

QLD 4560

A description of the nature of SCHHS operations and principal activities are included in the Notes to the financial statements.

For information in relation to the financial statements of SCHHS, please call 07 5470 6600,

email caroline_mcmahon@health.qld.gov.au or visit the SCHHS website at http://www.health.qld.gov.au/sunshinecoast

# Sunshine Coast Hospital and Health Service
## Statement of comprehensive income
## For the year ended 30 June 2014

| | Note | 2014 | 2013 |
|---|---|---|---|
| | | $'000 | $'000 |
| **Income** | | | |
| Health service funding | 5 | 601,605 | 605,434 |
| User charges | 6 | 44,567 | 29,293 |
| Grants and other contributions | 7 | 17,893 | 14,698 |
| Other revenue | 8 | 7,769 | 9,337 |
| Gains | 9 | 2 | 39 |
| **Total income** | | **671,836** | **658,801** |
| | | | |
| **Expenses** | | | |
| Employee expenses | 10 | (1,193) | (1,288) |
| Health service employee expenses | 11 | (435,846) | (420,412) |
| Supplies and services | 12 | (188,615) | (150,101) |
| Grants and subsidies | 13 | (8,729) | (50,130) |
| Depreciation and amortisation | 14 | (19,638) | (19,446) |
| Impairment losses | 15 | (623) | (88) |
| Other expenses | 16 | (8,513) | (6,799) |
| Revaluation loss on land assets | 22 | (2,702) | (2,476) |
| **Total expenses** | | **(665,859)** | **(650,740)** |
| | | | |
| **Operating result for the year** | | 5,977 | 8,061 |
| **Other comprehensive income** | | | |
| *Items that will not be reclassified subsequently to operating result* | | | |
| Gain on the revaluation of building assets | 22 | 1,416 | 425 |
| Other comprehensive income for the year | | 1,416 | 425 |
| **Total comprehensive income for the year** | | **7,393** | **8,486** |

*The above statement of comprehensive income should be read in conjunction with the accompanying notes*

# Sunshine Coast Hospital and Health Service
# Statement of financial position
# As at 30 June 2014

| | Note | 2014 | 2013 |
|---|---|---|---|
| | | $'000 | $'000 |
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 18 | 51,610 | 48,023 |
| Trade and other receivables | 19 | 9,293 | 6,801 |
| Inventories | 20 | 4,221 | 3,644 |
| Other | 21 | 4,072 | 2,398 |
| **Total current assets** | | **69,196** | **60,866** |
| **Non-current assets** | | | |
| Property, plant and equipment | 22 | 295,894 | 318,597 |
| Total non-current assets | | 295,894 | 318,597 |
| **Total assets** | | **365,090** | **379,463** |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 23 | 48,944 | 47,608 |
| Accrued employee benefits | 24 | 24 | 53 |
| Unearned revenue | 25 | 416 | - |
| Total current liabilities | | 49,384 | 47,661 |
| **Total liabilities** | | 49,384 | 47,661 |
| **Net assets** | | **315,706** | **331,802** |
| **Equity** | | | |
| Contributed equity | | 299,827 | 323,316 |
| Asset revaluation surplus | 26 | 1,841 | 425 |
| Accumulated surpluses | | 14,038 | 8,061 |
| **Total equity** | | **315,706** | **331,802** |

*The above statement of financial position should be read in conjunction with the accompanying notes*

# Sunshine Coast Hospital and Health Service
## Statement of changes in equity
## For the year ended 30 June 2014

| | Contributed equity | Asset revaluation surplus | Accumulated surpluses | Total equity |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| **Balance at 1 July 2012** | - | - | - | - |
| Operating result for the year | - | - | 8,061 | 8,061 |
| Other comprehensive income for the year | - | 425 | - | 425 |
| **Total comprehensive income for the year** | - | 425 | 8,061 | 8,486 |
| *Transactions with owners in their capacity as owners:* | | | | |
| Net assets received on 1 July 2012 | 316,681 | - | - | 316,681 |
| Equity injections | 25,641 | - | - | 25,641 |
| Equity withdrawals | (19,006) | - | - | (19,006) |
| **Balance at 30 June 2013** | **323,316** | **425** | **8,061** | **331,802** |

| | Note | Contributed equity | Asset revaluation surplus | Accumulated surpluses | Total equity |
|---|---|---|---|---|---|
| | | $'000 | $'000 | $'000 | $'000 |
| **Balance at 1 July 2013** | | 323,316 | 425 | 8,061 | 331,802 |
| Operating result for the year | | - | - | 5,977 | 5,977 |
| Other comprehensive income for the year | | - | 1,416 | - | 1,416 |
| Total comprehensive income for the year | | - | 1,416 | 5,977 | 7,393 |
| *Transactions with owners in their capacity as owners:* | | | | | |
| Equity injections | 27 | 7,644 | - | - | 7,644 |
| Equity withdrawals | 27 | (31,133) | - | - | (31,133) |
| **Balance at 30 June 2014** | | **299,827** | **1,841** | **14,038** | **315,706** |

*The above statement of changes in equity should be read in conjunction with the accompanying notes*

# Sunshine Coast Hospital and Health Service
# Statement of cash flows
# For the year ended 30 June 2014

| | Note | 2014 | 2013 |
|---|---|---|---|
| | | $'000 | $'000 |
| **Cash flows from operating activities** | | | |
| Health service funding | | 585,250 | 583,317 |
| User charges | | 37,907 | 28,467 |
| Grants and other contributions | | 17,893 | 14,698 |
| Interest received | | 133 | 130 |
| GST collected from customers | | 830 | 594 |
| GST input tax credits | | 11,913 | 11,666 |
| Other revenue | | 7,638 | 9,208 |
| Employee expenses | | (1,222) | (1,235) |
| Health service employee expenses | | (448,963) | (407,264) |
| Supplies and services | | (174,952) | (133,201) |
| Grants and subsidies | | (8,729) | (50,130) |
| GST paid to suppliers | | (12,670) | (12,892) |
| GST remitted | | (850) | (446) |
| Other expenses | | (8,472) | (6,799) |
| Net cash from operating activities | 39 | 5,706 | 36,113 |
| **Cash flows from investing activities** | | | |
| Payments for property, plant and equipment | | (5,091) | (7,658) |
| Proceeds from sale of property, plant and equipment | | 3 | 351 |
| Net cash used in investing activities | | (5,088) | (7,307) |
| **Cash flows from financing activities** | | | |
| Proceeds from equity injections | | 2,969 | 19,217 |
| Net cash from financing activities | | 2,969 | 19,217 |
| Net increase in cash and cash equivalents | | 3,587 | 48,023 |
| Cash and cash equivalents at the beginning of the financial year | | 48,023 | - |
| Cash and cash equivalents at the end of the financial year | 18 | 51,610 | 48,023 |

*The above statement of cash flows should be read in conjunction with the accompanying notes*

# Sunshine Coast Hospital and Health Service
# Notes to the financial statements
# 30 June 2014

## Note 1. Objectives and principal activities of the Sunshine Coast Hospital and Health Service

Sunshine Coast Hospital and Health Service (SCHHS) was established on 1 July 2012 as an independent statutory body under the Hospital and Health Boards Act 2011 as part of National Health Reform.

SCHHS is governed by a local Board with responsibility for providing public health services in South-East Queensland from Caloundra in the south, inland to west of Kilkavan and north to Rainbow Beach.

SCHHS serves a population of around 390,000 people.

This includes direct management of facilities within the geographical boundaries including:

- Caloundra Hospital
- Gympie Hospital
- Maleny Soldiers Memorial Hospital
- Nambour General Hospital

SCHHS provides services and outcomes as defined in a publicly available service agreement with the Department of Health (as manager of the public hospital system).

The key strategic objectives for 2013-17 are:

- Care is person centred and responsive
- Care is safe, accessible, appropriate and reliable
- Care through engagement and partnerships with our consumers and community
- Caring for people through sustainable, responsible and innovative use of resources
- Care is delivered by an engaged, competent and valued workforce

Funding is obtained predominately through the purchase of health services by the Department of Health (the Department) on behalf of the State and Australian Governments. In addition, health services are provided on a fee for service basis.

## Note 2. Significant accounting policies

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

**(a) Statement of compliance**

SCHHS has prepared these financial statements in compliance with section 62 (1) of the Financial Accountability Act 2009 and section 43 of the Financial and Performance Management Standard 2009.

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 and Trade's Minimum Reporting Requirements for the year ending 30 June 2014, and other authoritative pronouncements.

With respect to compliance with Australian Accounting Standards and Interpretations, as SCHHS is a not-for-profit statutory body it has applied those requirements applicable to not-for-profit entities. Except where stated, the historical cost convention is used.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

**(b) Reporting entity**

The financial statements include the value of all revenues, expenses, assets, liabilities and equity of the Sunshine Coast Hospital and Health Service.

## Note 2. Significant accounting policies (continued)

**(c) Trust transactions and balances**

SCHHS acts in a trust capacity in relation to patient trust accounts. These transactions and balances are not recognised in the financial statements. Although patient funds are not controlled by SCHHS, trust activities are included in the audit performed annually by the Auditor-General of Queensland. Note 35. Patient Trust transactions and balances provides additional information on the balances held in patient trust accounts.

SCHHS controls the General Trust. Refer to Note 40. General Trust. The General Trust receives contributions primarily from private practice clinicians. Refer to Note 38. Right of Private Practice arrangements. Contributions are also received by the general trust from external entities.

The purpose of the General Trust is to provide for education, study and research.

**(d) User charges**

User charges and fees are controlled by SCHHS when they can be deployed for the achievement of SCHHS objectives. User charges and fees are recognised as revenues when earned and can be measured reliably with a sufficient degree of certainty. This involves either invoicing for related goods/services and/or the recognition of accrued revenue. Revenue in this category primarily consists of hospital fees (private patients), reimbursements of pharmaceutical benefits and the sale of goods and services.

User charges and fees are controlled by SCHHS where they can be deployed for the achievement of the organisation's objectives.

**(e) Health service funding - change in policy**

Health service funding primarily comprises Department funding (State and Commonwealth streams). There has been a change in the recognition of Department funding from grants and other contributions in 2013-14 to Health service funding. Comparatives have been restated to reflect this change in policy. Refer to Note 5. Health service funding for details.

Health service funding controlled by SCHHS is recognised as revenue when the revenue has been earned and can be measured reliably with sufficient degree of certainty. Health service funding is controlled by SCHHS where they can be deployed for the achievement of the organisation's objectives.

Funding from the Department is provided predominantly for specific public health services purchased by the Department from SCHHS in accordance with a service agreement between the Department and SCHHS. The service agreement is reviewed periodically and updated for changes in activities and prices of services delivered by SCHHS.

The funding from the Department is received fortnightly in advance. At the end of the financial year, a financial adjustment may be required where the level of services provided is above or below the agreed level.

**(f) Depreciation offset**

SCHHS receives an offset from the Department to cover depreciation costs. However, as depreciation is a non-cash expenditure item, the Minister of Health has approved a withdrawal of equity by the State for the same amount, resulting in a non-cash revenue and non-cash equity withdrawal.

Refer to Note 27. Equity injections and equity withdrawals.

**(g) Minor capital works**

Purchases of clinical equipment, furniture and fittings associated with capital works projects are managed by SCHHS. These outlays are funded by the State, through the Department, as equity injections throughout the year.

**(h) Grants and contributions**

Grants, contributions, donations and gifts that are non-reciprocal in nature are recognised as revenue in the year in which SCHHS obtains control over them. Where grants are received that are reciprocal in nature, revenue is progressively recognised as it is earned, according to the terms of the funding arrangements.

Contributed assets are recognised at their fair value. SCHHS receives corporate services support from the Department

## Note 2. Significant accounting policies (continued)

for no cost. Corporate services received include payroll services, finance transactional services (including accounts payable), banking services, administrative services and taxation services. As the fair value of these services is unable to be estimated reliably, no associated revenue and expense is recognised in the Statement of comprehensive income.

**(i) Other revenue**

Other revenue primarily reflects recoveries of payments for contracted staff from third parties such as universities and other government agencies. Refer to Note 8. Other revenue.

**(j) Special payments**

Special payments include ex gratia expenditure and other expenditure that SCHHS is not contractually or legally obligated to make to other parties. In compliance with the Financial and Performance Management Standard 2009, SCHHS maintains a register setting out details of all special payments exceeding $5,000. The total of all special payments (including those of $5,000 or less) is disclosed separately within Note 16. Other expenses. However, descriptions of the nature of special payments are only provided for special payments greater than $5,000.

**(k) Revenue recognition**

Revenue is recognised when it is probable that the economic benefit will flow to SCHHS and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

**(l) Cash and cash equivalents**

Cash and cash equivalents includes cash on hand and deposits held at call with financial institutions.

*Debit Facility*

SCHHS has access to the Whole of Government debit facility with limits approved by Queensland Treasury and Trade. The current approved limit is $6 million. The drawdown balance as at 30 June 2014 is nil.

**(m) Trade and other receivables**

Trade debtors are recognised at their carrying value less any impairment. The recoverability of trade debtors is reviewed on an ongoing basis at an operating unit level.

Trade receivables are generally settled within 90 days while other receivables may take longer than twelve months.

Accommodation billing makes up the majority of aged receivables. It takes approximately 20 days from the date of discharge for billing to be sent for payment. There is then a four week turn around before receipt. If health funds require additional information (e.g. pre-existing forms, accident forms, acute care certificates) this can further extend the collection period.

Any allowance for impairment is based on loss events disclosed in Note 19. Current assets - trade and other receivables. All known bad debts are written off when identified, and, approved by senior management.

**(n) Inventories**

Inventories consist mainly of pharmaceutical and medical supplies held for distribution in hospitals and are provided to patients at a subsidised rate. Inventories are measured at weighted average cost, adjusted for any loss in service potential. Refer to Note 20. Current assets – inventories.

Unless material, inventories do not include supplies held for ready use in the wards throughout the hospital facilities. These items are expensed on issue from storage facilities.

*Consignment inventory*

Supplies may be held on site under arrangements with external suppliers. The terms for the consumption of these goods by SCHHS are outlined in the agreement with the relevant supplier. The goods do not form part of the inventory holding of SCHHS and are not valued within the financial statements.

SCHHS does not pay for the goods until they are consumed. The value of the goods is charged to, and expensed by, SCHHS in the period they are consumed.

## Note 2. Significant accounting policies (continued)

**(o) Transfer of land and buildings**

Legal title to land and buildings has not been transferred as at 30 June 2014. The Department retains legal ownership, however control of these assets was transferred to SCHHS, via a concurrent lease representing its right to use the assets. Under the Deed of Lease SCHHS has full exposure to the risks and rewards of asset ownership.

SCHHS has the full right of use, managerial control of land and building assets and is responsible for maintenance. The Department generates no economic benefits from these assets. In accordance with the definition of control under Australian Accounting Standards, each Hospital and Health Service (HHS) must recognise the value of these assets on their Statement of financial position.

Legislation to enable the transfer the ownership of land and buildings was passed by State Parliament on 20 June 2012. A sub committee with representatives from the HHSs and the Department has been established to develop protocols to enable this transfer to occur. A project is in place to facilitate this process with ownership transfer to all HHSs to be completed by mid 2015.

The transfer to SCHHS is expected to be completed by 31 December 2014. Refer to Note 37. Events after the reporting period.

**(p) Property, plant and equipment**

Sunshine Coast Hospital and Health Service holds property, plant and equipment in order to meet its core objective of providing quality healthcare.

Items of property, plant and equipment with a cost or other value equal to more than the following thresholds, and with a useful life of more than one year, are recognised at acquisition. Items below these values are expensed on acquisition.

| Class | Threshold |
|---|---|
| Buildings | $10,000 |
| Land | $1 |
| Plant and Equipment | $5,000 |

Dwellings (residential properties) are not separately identified as an asset class due to the immaterial value of the portfolio. They are incorporated within the Buildings asset class.

Land improvements undertaken by SCHHS are included in the Buildings class.

Actual cost is used for the initial recording of all non-current physical asset acquisitions. Cost is determined as the value given as consideration plus costs incidental to the acquisition, including all other costs incurred in getting the assets ready for use, such as architects' fees and engineering design fees. However, any training costs are expensed as incurred.

Where assets are received free of charge from another Queensland Government entity (whether as a result of a machinery-of-Government change or other involuntary transfer), 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 the date of acquisition in accordance with AASB 116 Property, Plant and Equipment.

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

In respect of these asset classes, the cost of items acquired during the financial year have been judged by management to materially reflect the fair value at the end of the reporting period.

Assets under construction are not revalued until they are ready for use.

## Note 2. Significant accounting policies (continued)

*Land and building revaluations*

For financial reporting purposes, the land and building revaluation process is overseen by the Board and coordinated by Senior Management and support staff.

The fair values reported by SCHHS are based on appropriate valuation techniques that maximise the use of available and relevant observable inputs and minimise the use of unobservable inputs. Refer to Note 29. Fair value measurement.

Where assets have not been specifically appraised in the reporting period, their previous valuations are materially kept up-to-date via the application of relevant indices.

The independent valuers/quantity surveyors provide assurance of their robustness, validity and appropriateness for application to the relevant assets.

Early in the reporting period, SCHHS reviewed all fair value methodologies in light of the new principles in AASB 13 Fair Value Measurement (AASB 13). Some minor adjustments were made to methodologies to take into account the more exit-oriented approach to fair value under AASB 13, as well as the availability of more observable data for certain assets ( e.g. land and residential buildings). Such adjustments in themselves did not result in a material impact on the values for the affected property, plant and equipment classes.

Land is measured at fair value using indexation or asset specific independent revaluations, both being provided by the State Valuation Service (SVS). Independent asset specific revaluations are performed with sufficient regularity to ensure land assets are carried at fair value. In accordance with Queensland Treasury and Trade Non Current Asset Policy the independent revaluations occur at least once every five years. In the off cycle years indexation is applied where there is no evidence of significant market fluctuations in land prices.

Land indices are based on actual market movements for the relevant locations and asset category and are applied to the fair value of land assets on hand.

Reflecting the specialised nature of health service buildings and on hospital-site residential facilities, fair value is determined by applying depreciated replacement cost methodology or an index which approximates movement in market prices for construction labour and other key resource inputs, as well as changes in design standards as at reporting date. Both methodologies are executed on behalf of SCHHS by the independent quantity surveyor Davis Langdon Australia Pty Ltd (Davis Langdon).

Depreciated replacement cost is determined as the replacement cost less the cost to bring an asset to current standards. In determining the depreciated replacement cost the independent quantity surveyors consider a number of factors such as age, gross floor area, number of floors, number of lifts and staircases, functionality and physical condition. In assessing the condition of a building the following ratings are applied by the quantity surveyors.

## Note 2. Significant accounting policies (continued)

| Category | Condition | Description |
|---|---|---|
| 1 | Very good condition | Only normal maintenance required |
| 2 | Minor defects only | Minor maintenance required |
| 3 | Maintenance required to bring to acceptable level of service | Significant maintenance required (up to 50% of capital replacement cost) |
| 4 | Requires renewel | Complete renewal of internal fitout and services (up to 70% of capital replacement cost) |
| 5 | Asset unserviceable | Complete asset replacement required |

The cost to bring to current standards is the estimated cost of refurbishing the asset to bring it to current design standards and in an as new condition. This estimated cost is linked to the condition factor of the building assessed by the quantity surveyor. It is also representative of the deemed remaining useful life of the building. The condition of the building is based on visual inspection, asset condition data, guidance from asset managers and previous reports.

For residential buildings held by SCHHS on separate land titles fair value is determined by reference to independent market revaluations. Davis Langdon subcontracts out this service to suitably qualified valuers.

Any revaluation increment arising on the revaluation of an asset is credited to the asset revaluation surplus of the appropriate 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.

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

Materiality concepts under AASB 1031 Materiality are considered in determining whether the difference between the carrying amount and the fair value of an asset is material.

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

*Consignment equipment*

Equipment is held on site under arrangements with external suppliers. The terms for the use by SCHHS are outlined in the agreement with the relevant supplier. The items do not form part of the asset base of SCHHS and are not valued within the financial statements.

*Depreciation*

For each class of depreciable assets the following depreciation methodologies are employed:

Property, plant and equipment are depreciated on a straight-line basis. Land is not depreciated as it has an unlimited useful life. Assets under construction (AUC) are not depreciated until ready for use.

## Note 2. Significant accounting policies (continued)

Any expenditure that increases the capacity or service potential of an asset is capitalised and depreciated over the remaining useful life of the asset. Major components purchased specifically for particular assets are capitalised and depreciated on the same basis as the asset to which they relate.

| Class | Depreciation Rates Used | Useful lives |
|---|---|---|
| Buildings | 1.1% - 4.6% | 22 - 90 years |
| Plant and equipment | 4.4% - 20% | 5 - 23 years |

*Leased property, plant and equipment*

Operating lease payments, being representative of benefits derived from the leased assets, are recognised as an expense of the period in which they are incurred. SCHHS had no assets under finance lease as at the reporting date.

**(q) Impairment of non-current assets**

A review is conducted annually in order to isolate indicators of impairment in accordance with AASB 136 Impairment of Assets. If an indicator of impairment exists, SCHHS determines the asset's recoverable amount (the higher of value in use or fair value less costs of disposal). Any amount by which the asset's carrying amount exceeds the recoverable amount is considered an impairment loss.

An impairment loss is recognised immediately in the Statement of comprehensive income, unless the asset is carried at a revalued amount, in which case the impairment loss is offset against the asset revaluation surplus of the relevant class to the extent available.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

**(r) Intangible assets**

SCHHS has not recognised any intangible assets.

The Health Service Information Agency managed by the Department provides a comprehensive network information and communication technology service on a fee-for-service basis. The service includes access to network infrastructure, software applications and business development intelligence and advisory services. The associated risks and rewards of ownership are held by the Department.

Payments for service are charged to the statement of comprehensive income of SCHHS.

**(s) Financial instruments**

A financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. SCHHS holds financial instruments in the form of cash, receivables and payables. SCHHS accounts for its financial instruments in accordance with AASB 139 Financial Instruments: Recognition and Measurement - For Not-For-Profit Entities, and, reports instruments under AASB 7 Financial Instruments: Disclosures - For Not-For-Profit Entities.

*Recognition*

Financial assets and financial liabilities are recognised in the Statement of Financial Position when SCHHS becomes party to the contractual provisions of the financial instrument.

*Classification*

Financial instruments are classified and measured as follows:

- Cash and cash equivalents -held at fair value through profit or loss
- Receivables - held at amortised cost
- Payables -held at amortised cost

## Note 2. Significant accounting policies (continued)

SCHHS does not enter into transactions for speculative purposes, nor for hedging. Apart from cash and cash equivalents, SCHHS holds no financial assets classified at fair value through profit or loss.

All other disclosures relating to the measurement and financial risk management of financial instruments held by SCHHS are included in Note 28. Financial instruments.

**(t) Trade and other payables**

These amounts represent liabilities for goods and services provided to SCHHS prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 - 60 days of recognition.

**(u) Employee benefits**

Under section 20 of the *Hospital and Health Boards Act 2011* (HHB Act) a HHS may employ health executives, and (where regulation has been passed for the HHS to become a prescribed service) a person employed previously in the Department, as a health service employee. Where a HHS has not received the status of a "prescribed service", non-executive staff working in a HHS legally remain employees of the Department.

*(i) Department employees engaged as contractors*

In 2013-14 the Sunshine Coast Hospital and Health Service was not a prescribed service and accordingly all non-executive staff were employed by the Department. Provisions in the HHB Act enable HHS to perform functions and exercise powers to ensure the delivery of its operational plan.

Under this arrangement:
- The Department provides employees to perform work for SCHHS, and the Department acknowledges and accepts its obligations as the employer of these departmental employees.
- SCHHS is responsible for the day to day management of these departmental employees.
- SCHHS reimburses the Department for the salaries and on-costs of these employees.

As a result of this arrangement, SCHHS treats the reimbursements to the Department for departmental employees in these financial statements as health service employee expenses which are detailed in Note 11. Health service employee expenses.

At the end of the reporting period where work is performed by the Department's health service staff, but not yet paid, SCHHS will recognise this obligation. Refer to Note 23. Current liabilities - trade and other payables.

In addition to the employees contracted from the Department, SCHHS has engaged employees directly. The information detailed below relates specifically to the directly engaged employees.

*(ii) SCHHS directly engaged employees*

SCHHS classifies salaries and wages, sick leave, annual leave and long service leave levies and employer superannuation contributions as employee benefits in accordance with AASB 119 Employee Benefits. Refer to Note 10. Employee expenses. Wages and salaries due but unpaid at reporting date are recognised in the Statement of Financial Position at current salary rates. As SCHHS expects such liabilities to be wholly settled within 12 months of reporting date, the liabilities are recognised at undiscounted amounts.

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

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

## Note 2. Significant accounting policies (continued)

*Annual Leave and Long Service Leave*

SCHHS participates in the Annual Leave Central Scheme and the Long Service Leave Scheme.

Under the Queensland Government's Annual Leave Central Scheme and the Long Service Leave Central Scheme, levies are payable by SCHHS to cover the cost of employees' annual leave (including leave loading and on-costs) and long service leave. These levies are expensed in the period in which they are payable. Amounts paid to employees for annual leave and long service leave are claimed from the schemes quarterly in arrears which is currently facilitated by the Department.

No provision for annual leave or long service leave is recognised in the financial statements of SCHHS, as the liability for these schemes is held on a whole-of-government basis and reported in those financial statements pursuant to AASB 1049 Whole of Government and General Government Sector Financial Reporting.

*Superannuation - directly engaged employees*

Employer superannuation contributions are paid to QSuper, the superannuation scheme for Queensland Government employees, at rates determined by the Treasurer on the advice of the State Actuary. Contributions are expensed in the period in which they are payable and the obligation of SCHHS is limited to its contribution to QSuper.

The QSuper scheme has defined benefit and defined contribution categories. The liability for defined benefits is held on a Whole-of-Government basis and reported in those financial statements pursuant to AASB 1049 Whole of Government and General Government Sector Financial Reporting.

Therefore no liability is recognised for accruing superannuation benefits in these financial statements.

*Key management personnel and remuneration*

Key management personnel and remuneration disclosures are made in accordance with Section 5 of the Financial Reporting Requirements for Queensland Government Agencies issued by Queensland Treasury and Trade. Refer to Note 30. Key management personnel disclosures for information key executive management personnel and remuneration.

**(v) Insurance**

The Insurance Arrangements for Public Health Entities Health Service Directive (Directive number QH-HSD-011:2012) enables Hospital and Health Services to be named insured parties under the Department's policy. For the 2013-14 policy year, the premium was allocated to each HHS according to the underlying risk of an individual insured party. The Hospital and Health Service premiums cover claims from 1 July 2012. Pre 1 July 2012 claims remain the responsibility of the Department.

The Department of Health pays premiums to Work Cover Queensland on behalf of all Hospital and Health Services in respect of its obligations for employee compensation. These costs are reimbursed on a monthly basis to the Department.

Property and general losses above a $10,000 threshold are insured through the Queensland Government Insurance Fund (QGIF). Health litigation payments above a $20,000 threshold and associated legal fees are also insured through QGIF. Premiums are calculated by QGIF on a risk assessed basis.

**(w) Fair value measurement**

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

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

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

## Note 2. Significant accounting policies (continued)

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. Pursuant to AASB 13 Fair Value (AASB 13) Measurement the current use of the asset is deemed to be its highest and best use.

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

Level 1 - represents fair value 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 in level 1) that are observable, either directly or indirectly
Level 3 - represents fair value measurements that are substantially derived from unobservable inputs.

None of SCHHS valuations of assets or liabilities are eligible for categorisation into level 1 of the fair value hierarchy. As 2013-14 is the first year of application of AASB 13 by SCHHS, there were no transfers of assets between fair value hierarchy levels during the period.

More specific fair value information about SCHHS property, plant and equipment is outlined in Note 29. Fair value measurement.

**(x) Contributed equity**

Non-reciprocal transfers of assets and liabilities between wholly-owned Queensland State Public Sector entities as a result of machinery-of-Government changes are adjusted to contributed equity in accordance with Interpretation 1038 'Contributions by Owners Made to Wholly-Owned Public Sector Entities'.

**(y) Goods and Services Tax ('GST') and other similar taxes**

The only federal taxes that SCHHS is assessed for are Fringe Benefit Tax (FBT) and Goods and Services Tax (GST).

All FBT and GST reporting to the Commonwealth is managed centrally by the Department, with payments/ receipts made on behalf of SCHHS reimbursed to/from the Department on a monthly basis. GST credits receivable from, and GST payable to the Australian Tax Office (ATO), are recognised on this basis. Refer to Note 19. Current assets - trade and other receivables.

Both SCHHS and the Department satisfy section 149-25(e) of the *A New Tax System (Goods and Services) Act 1999 (Cth)* (the GST Act). Consequently they were able, with other Hospital and Health Services, to form a "group" for GST purposes under Division 149 of the GST Act. Any transactions between the members of the "group" do not attract GST. However, all entities are responsible for the payment or receipt of any GST for their own transactions. As such, GST credits receivable from and payable to the ATO are recognised and accrued. Refer Note 19. Current assets - trade and other receivables.

**(z) Issuance of financial statements**

The financial statements are authorised for issue by the Chief Executive and the Chief Finance Officer of the Sunshine Coast Hospital and Health Service, and, the Chairman of the Sunshine Coast Hospital and Health Board as at the date of signing the Management Certificate.

**(aa) Rounding of amounts**

Amounts in this report have been rounded off to the nearest thousand dollars, or in certain cases, the nearest dollar.

**(ab) Comparatives**

Comparative information has been restated where necessary to be consistent with disclosures in the current reporting period. In particular, separate disclosure of government funding (Note 5. Health service funding), previously part of Note 7. Grant and other contributions, has resulted in comparative figures being restated.

## Note 2. Significant accounting policies (continued)

**(ac) New Accounting Standards and Interpretations not yet mandatory or early adopted**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by SCHHS for the annual reporting period ended 30 June 2014. The assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to SCHHS, are set out below.

*AASB 9 Financial Instruments and its consequential amendments*

AASB 9 Financial Instruments and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12,19 & 127] will become effective for reporting periods beginning on or after 1 January 2017.

The main impacts of these standards on SCHHS are that they will change the requirements for the classification, measurement and disclosures associated with the financial assets of SCHHS. Under the new requirements, financial assets will be more simply classified according to whether they are measured at amortised cost or fair value.

Pursuant to AASB 9, financial assets can only be measured at amortised cost if two conditions are met. One of these conditions is that the asset must be held within a business model whose objective is to hold assets in order to collect contractual cash flows. The other condition is that the contractual terms of the asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. The only financial asset currently disclosed at amortised cost is receivables and as they are short term in nature, the carrying amount is expected to be a reasonable approximation of fair value so the impact of this standard is minimal.

*AASB 10 Consolidated Financial Statements*

This compiled Standard does not apply mandatorily for Not-For-Profit entities. However, early application is permitted for annual reporting periods being on or after 1 January 2013 but before 1 January 2014.

AASB 10 redefines and clarifies the concept of control of another entity, and is the basis for determining which entities should be consolidated into an entity's financial statements. AASB 2013-8 applies the various principles in AASB 10 for determining whether a not-for-profit entity controls another entity. On the basis on those accounting standards, SCHHS has reviewed the nature of its relationships with entities that SCHHS is connected with to determine the impact of AASB 2013-8. Currently SCHHS does not have control over any other entities.

*AASB 11 Joint Arrangements*

This compiled Standard applies for NFP entities to annual reporting periods beginning on or after 1 January 2014. Early application is permitted for annual reporting periods beginning on or after 1 January 2013 but before 1 January 2014.

AASB 11 deals with the concept of joint control and sets out new principles for determining the type of joint arrangements that exist, which in turn dictate the accounting treatment. The new categories of joint arrangements under AASB 11 are more aligned to the actual rights and obligations of the parties to the arrangement. SCHHS has assessed its arrangements with other entities to determine whether a joint arrangement exists in terms of AASB 11. Based on present arrangements, no joint arrangements exist. However, if a joint arrangement does arise in the future, SCHHS will need to follow the relevant accounting treatment specified in either AASB 11 or the revised AASB 128 Investment in Associates and Joint Ventures, depending on the nature of the joint arrangement.

## Note 2. Significant accounting policies (continued)

*AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13*

AASB 13 Fair Value Measurement became effective from reporting periods beginning on or after 1 January 2013. AASB 13 sets out a new definition of 'fair value' as well as new principles to be applied when determining the fair value of assets and liabilities. The new requirements apply to all of SCHHS assets and liabilities (excluding leases) that are measured and/or disclosed at fair value or another measurement based on fair value. The impact of AASB 13 relates to the fair value measurement methodologies used and financial statement disclosures made in respect of such assets and liabilities.

SCHHS reviewed its fair value methodologies (including instructions to valuers, data used and assumptions made) for land and buildings measured at fair value to assess whether those methodologies comply with AASB 13. To the extent that the methodologies didn't comply, changes were made and applied to the valuations. None of the changes to valuation methodologies resulted in material differences from the previous methodologies.

AASB 13 has required an increased amount of information to be disclosed in relation to fair value measurements for both assets and liabilities. For those fair value measurements of assets or liabilities that substantially are based on data that is not 'observable' (i.e. not accessible outside SCHHS), the amount of information disclosed has significantly increased. Note 2 (w) - Fair value measurement explains some of the principles underpinning the additional fair value information disclosed.

*AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011).*

A revised version of AASB 119 Employee Benefits became effective for reporting periods beginning on or after 1 January 2013 with the majority of changes to be applied retrospectively. Given SCHHS circumstances, the only implication for SCHHS were the revised concept of 'termination benefits' and the revised recognition criteria for termination benefit liabilities. If termination benefits meet the timeframe criterion for 'short-term employee benefits' they will be measured according to the AASB 119 requirements for "short-term employee benefits'. Otherwise, termination benefits need to be measured according to the AASB 119 requirements for 'other long-term employee benefits'.

Under the revised standard, the recognition and measurement of employer obligations for 'other long-term employee benefits' will need to be accounted for according to most of the requirements for defined benefit plans.

The revised AASB 119 includes changed criteria for accounting for employee benefits as 'short-term employee benefits'. However, as SCHHS is a member of the Queensland Government central schemes for annual leave and long service leave this change in criteria has no impact on the HHS's financial statements as the employer liability is held by the central scheme.

The revised standard also includes changed requirements for the measurement of employer liabilities/assets arising from defined benefit plans, and the measurement and presentation of changes in such liabilities and assets. SCHHS makes employer superannuation contributions to the QSuper defined benefit plan and the corresponding QSuper employer benefit obligation is held by the State. Therefore, those changes to AASB 119 will have no impact on SCHHS.

*AASB 1053 Application of Tiers of Australia Accounting Standards*

AASB 1053 became effective for reporting periods beginning on or after 1 July 2013. AASB 1053 establishes a differential reporting framework for those entities that prepare general purpose financial statements, consisting of two Tiers of reporting requirements - Australian Accounting Standards (commonly referred to as 'Tier 1'), and Australian Accounting Standards - Reduced Disclosure Requirements (commonly referred to as 'Tier 2').

Tier 1 requirements comprise the full range of AASB recognition, measurement, presentation and disclosure requirements that are currently applicable to reporting entities in Australia. The only difference between the Tier 1 and Tier 2 requirements is that Tier 2 requires fewer disclosures than Tier 1.

Pursuant to AASB 1053, public sector entities such as SCHHS may adopt Tier 2 requirements for their general purpose financial statements. However, AASB 1053 acknowledges the power of a regulator to require application of the Tier 1 requirements. In the case of SCHHS, Queensland Treasury and Trade is the regulator.

Queensland Treasury and Trade has advised that it is its policy decision to require adoption of Tier 1 reporting by all Queensland Government departments and statutory bodies (including SCHHS) that are consolidated into the whole-of-Government financial statements. Therefore, the release of AASB 1053 and associated amending standards has had no impact on SCHHS.

## Note 2. Significant accounting policies (continued)

*AASB 1055 Budgetary Reporting*

AASB 1055 Budgetary Reporting applies to reporting periods beginning on or after 1 July 2014. SCHHS will need to include in its 2014-15 financial statements the original budgeted figures from the Income Statement, Balance Sheet, Statement of Changes in Equity, and Cash Flow Statement as published in the 2014-15 Queensland Government's Service Delivery Statements.

The budgeted figures will need to be presented consistently with the corresponding (actual) financial statements, and will be accompanied by explanations of major variances between the actual amounts and the corresponding original budgeted figures.

All other Australian accounting standards and interpretations with new or future commencement dates are either not applicable to SCHHS activities, or, have no material impact on SCHHS.

## Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses.Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

*Allowance for impairment of receivables*

The allowance for impairment of receivables assessment requires a degree of estimation and judgement. The level of allowance is assessed by taking into account the ageing of receivables, historical collection rates and specific knowledge of the individual debtor's financial position. Refer to Note 19. Current assets - trade and other receivables.

*Allowance for impairment of inventories*

The allowance for impairment of inventories assessment requires a degree of estimation and judgement. The level of the allowances is assessed by taking into account the ageing of inventories and other factors that affect inventory obsolescence. Refer to Note 20. Current assets - inventories.

*Fair value measurement*

SCHHS is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

Fair value measurement can be sensitive to the various valuation inputs selected. Refer to Note 29. Fair value measurement.

*Estimation of useful lives of assets*

SCHHS determines the estimated useful lives and related depreciation charges for its property, plant and equipment . The useful lives could change significantly as a result of technical innovations or some other event. The depreciation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

*Contingencies*

Contingent assets and liabilities require a degree of judgment as to the occurrence or non-occurrence, timing and magnitude of uncertain future events. Accordingly, contingent assets and liabilities are assessed continually to ensure that developments are appropriately reflected in the financial statements.

## Note 4. Major services, activities and other events

*Major activities of SCHHS*

- Clinical Services including Inpatient, Outpatient, Ambulatory, Outreach and Telehealth services
- Primary health and community services including (amongst others) Oral Health, Aboriginal and Torres Strait Islander Health
- Alcohol Tobacco and Other Drug Services, Child Health, Mental Health and Community Rehabilitation
- Communicable Disease Control and Immunisation Services
- Sexual Health and Viral Hepatitis Services
- Cancer Screening Services
- Preventative Health Services
- Management of Health Services Infrastructure and Processes
- Management of Residential and Aged Care Facilities
- Management of Mental Health Facilities and Services
- Teaching, Training and Research activities

*Payroll system*

Whilst employees are currently paid under a service arrangement using the Department's payroll system, the responsibility for the efficiency and effectiveness of this system remains with the Department.

SCHHS continues to monitor the inputs, processes and outputs associated with the payroll system as it impacts the financial records of SCHHS.

## Note 5. Health service funding

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| State Government - block funding | 18,616 | 40,637 |
| State Government - activity based funding | 306,130 | 261,829 |
| State Government - other funding | 101,554 | 150,275 |
| Australian Government - block funding | 10,888 | 17,675 |
| Australian Government - activity based funding | 164,417 | 135,018 |
| | **601,605** | **605,434** |

Health service funding has been reclassified from grants and other contributions. Refer to Note 2(e). This represents service procurement from the Department (State and Commonwealth streams). The comparatives have been restated with a total impact of $605.434m now being classified in the prior year as health service funding.

Prior year comparatives totalling $15.448m have been reclassified from Australian Government - activity based funding to State Government - activity based funding. This was necessary to more accurately reflect the nature of the transactions and counterparty involved.

As a result of the reclassifications and other revenue and expense restatements elsewhere, the prior period Statement of cash flows has been restated. There has been no change to the net cash movement or closing balance of cash and cash equivalents in the prior period.

## Note 6. User charges

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Sale of goods and services | 472 | 658 |
| Hospital fees | 25,477 | 18,814 |
| Pharmaceutical Benefits Scheme reimbursement | 18,618 | 9,821 |
| | **44,567** | **29,293** |

*Pharmaceutical Benefits Scheme (PBS) reimbursement*

Revenue formerly recognised in Sale of goods and services is now separately disclosed to reflect the nature of the underlying transactions.

*Prior year restatement of Sale of goods and services*

$4.272m of billing to the Department has been reclassed to Contract Staff Recoveries ($3.215m) and Other Recoveries ($1.057m). Refer to Note 8. Other Revenue.

A further $0.414m of billing to the Department has been reclassed to Other Grants. Refer to Note 7. Grants and other contributions.

These adjustments were necessary to reflect the nature of the underlying transactions.

## Note 7. Grants and other contributions

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Australian Government - nursing home grants | 1,328 | 1,451 |
| Australian Government - other grants | 8,254 | 8,279 |
| Other grants | 7,063 | 3,995 |
| Donations other | 1,230 | 961 |
| Donations non-current physical assets | 18 | 12 |
| | **17,893** | **14,698** |

*Restatement of prior year donations other*

The 2013 comparative figure for Donations other has been increased by $0.861m. The 2013 comparative figure for Other recoveries has been reduced by an equal and offsetting amount. Refer to Note 8. Other revenue.

## Note 8. Other revenue

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Interest | 133 | 130 |
| Rental income | 37 | 29 |
| Labour recoveries - other hospital and health services | 22 | 44 |
| Sale proceeds of non-capitalised assets | - | 1 |
| Contract staff recoveries | 4,547 | 5,962 |
| Workcover recoveries | 963 | 1,307 |
| Other recoveries | 1,704 | 1,196 |
| Other | 363 | 668 |
| | **7,769** | **9,337** |

*Contract staff recoveries*

There are arrangements where SCHHS staff are placed with external organisations. Fees are charged by SCHHS to recover staffing and other costs related to the arrangements.

*Other recoveries*

Other recoveries includes invoicing to external organisations for costs incurred on their behalf.

## Note 9. Gains

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Gain on sale of property, plant and equipment | 2 | 12 |
| Asset stocktake gain | - | 27 |
| | **2** | **39** |

## Note 10. Employee expenses

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Wages and salaries | 934 | 1,034 |
| Employer superannuation contributions | 107 | 107 |
| Annual leave levy | 98 | 99 |
| Long service leave levy | 19 | 20 |
| Workers' compensation premium | 19 | 14 |
| Payroll tax | 16 | 14 |
| | **1,193** | **1,288** |

The number of directly engaged employees as at 30 June 2014 is 4. (5 as at 30 June 2013)

## Note 11. Health service employee expenses

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Health service employee expenses | 435,846 | 420,412 |

SCHHS through service arrangements with the Department has engaged a further 3710 full time equivalent roles in a contracting capacity as at 30 June 2014 (3570 as at 30 June 2013). These personnel remain employees of the Department.

The number of health service employees reflects full-time and part-time health service employees measured on a full time equivalent basis.

Refer to Note 37 - Events after the reporting period, relating to SCHHS becoming a Prescribed Employer.

## Note 12. Supplies and services

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Other consultants and contractors | 7,234 | 3,695 |
| Ambulance service | 7,032 | 6,084 |
| Electricity and other energy | 3,583 | 3,034 |
| Services purchased from private hospitals | 51,234 | 24,337 |
| Patient travel | 2,134 | 1,294 |
| Other travel | 705 | 648 |
| Water | 369 | 453 |
| Building services | 780 | 720 |
| Computer services | 338 | 514 |
| Motor vehicles | 408 | 564 |
| Communications | 926 | 693 |
| Repairs and maintenance | 6,836 | 7,394 |
| Expenses relating to capital works | 1,037 | 2,286 |
| Operating lease rentals | 4,066 | 4,745 |
| Drugs | 26,419 | 23,836 |
| Clinical supplies and services | 40,545 | 37,012 |
| Catering and domestic supplies | 5,917 | 5,701 |
| Pathology, blood and parts | 16,230 | 17,141 |
| Other supplies and services | 12,822 | 9,950 |
| | **188,615** | **150,101** |

*Services purchased from private hospitals*

During the year $21.859m was expensed in relation to the agreement with Ramsay Healthcare for the provision of health services to public patients within The Noosa Private Hospital ($24.275m as at 30 June 2013).

A further $29.313m was expensed in relation to the agreement with Ramsay Healthcare for the provision of health services to public patients within the Sunshine Coast University Private Hospital. Refer to Note 36. Arrangements for the provision of public infrastructure by other entities.

## Note 13. Grants and subsidies

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| SCUPH Availability Fee | 8,730 | 50,070 |
| Home, community and rural health services | (33) | 69 |
| Medical research programs | 11 | (9) |
| Other | 21 | - |
| | **8,729** | **50,130** |

*SCUPH Availability Fee*

An amount of $8.730m was expensed in relation to the agreement with Ramsay Health Care for an Availability Fee ($50.070m as 30 June 2013). This fee was applied to the construction of the Sunshine Coast University Private Hospital. The amount represents part of the overall Availability Fee payable to Ramsay Health Care under the agreement. Refer to Note 36. Arrangements for the provision of public infrastructure by other entities.

## Note 14. Depreciation and amortisation

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Buildings | 12,323 | 12,786 |
| Plant and equipment | 7,315 | 6,660 |
| | **19,638** | **19,446** |

Queensland Treasury and Trade's Non-Current Asset Policies for the Qld Public Sector (NCAP 2) requires where significant components of a building are replaced at varying intervals due to differing useful lives, and the impact is material to depreciation expense, the significant components must be depreciated separately from the rest of the building.

An assessment of the replacement cycle for components within special purpose buildings (representing 94% of the Net Book Value) and the impact on depreciation expense was undertaken in 2013-14.

Special purpose buildings (complex assets) were deemed to be hospital facilities and nursing homes.

The assessment indicated that there was no material differences in depreciation expense when applying the componentised scenario. Accordingly the special purpose buildings will continue to be depreciated as single assets.

## Note 15. Impairment losses

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Impairment losses on receivables | 397 | (74) |
| Bad debts written off | 226 | 162 |
| | **623** | **88** |

Refer to Note 19. Current assets - trade and other receivables for details of the recognised impairment loss.

## Note 16. Other expenses

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Audit fees | 232 | 245 |
| Insurance | 7,285 | 5,681 |
| Inventory written off | 39 | 105 |
| Losses from the disposal of non-current assets | 44 | 311 |
| Special payments - donations/gifts | - | 1 |
| Special payments - ex-gratia payments | 40 | 17 |
| Other legal costs | 360 | 129 |
| Other | 513 | 310 |
| | **8,513** | **6,799** |

*Insurance*

Certain losses of public property and health litigation costs are insured with the Queensland Government Insurance Fund. The claims made in respect of these losses have yet to be assessed by QGIF and the amount recoverable cannot be estimated reliably at reporting date. Upon notification by QGIF of the acceptance of the claims, revenue will be recognised for the agreed settlement amount and disclosed as Other Revenues - Insurance compensation from loss of property.

*Special Payments*

During the year several ex gratia payments were made to employees and third parties. These included $36,598.19 paid to two separate patients for out of pocket medical expenses and private hospital fees.

*Audit Fees*

Refer to Note 31. Remuneration of auditors.

## Note 17. Revaluation decrements summary

In accordance with AASB 116 Property, Plant and Equipment a decrement incurred as a result of revaluation is charged as an expense, to the extent that it exceeds the balance of the revaluation surplus relating to that asset class.

The prior period decrement was recognised entirely in the statement of comprehensive income. Subsequent increments can be recognised in the statement of comprehensive income, to the extent that they reverse this prior period decrement.

The summary below outlines the history and current position of revaluation decrements.

| **Prior period revaluation decrements and current result** | |
|---|---|
| Land revaluation decrements carried forward from prior periods | 2,476 |
| Land revaluation decrement for the current period recognised in the statement of comprehensive income | 2,702 |
| Total decrements carried forward to the next period | **5,178** |

## Note 18. Current assets - cash and cash equivalents

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Cash at bank and on hand | 48,148 | 44,712 |
| 24 hour call deposits | 3,462 | 3,311 |
| | **51,610** | **48,023** |

A deposit is held with the Queensland Treasury Corporation reflecting the value of the Sunshine Coast Hospital and Health Service General Trust Fund. The value of this deposit as at 30 June 2014 was $3,462,339.18 ($3,310,595.40 as at 30 June 2013) and the Annual Effective Interest Rate was 3.43% (3.59% as at 30 June 2013).
For further information on the General Trust refer to Note 40. General Trust. The operating bank accounts do not earn interest.

## Note 19. Current assets - trade and other receivables

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Trade receivables | 7,836 | 2,832 |
| Less: Allowance for impairment of receivables | (649) | (251) |
| | 7,187 | 2,581 |
| GST input tax credits receivable | 1,983 | 1,226 |
| GST payable | (128) | (148) |
| | 1,855 | 1,078 |
| Health service funding in arrears | 249 | 3,111 |
| Other | 2 | 31 |
| | 9,293 | 6,801 |

*Impairment of receivables*

At the end of each reporting period SCHHS assesses whether there is objective evidence that a financial asset is impaired. Objective evidence includes financial difficulties of the debtor, the class of debtor, changes in debtor credit ratings and current outstanding accounts over 60 days. The allowance for impairment reflects the assessment of the credit risk associated with receivables balances.

Movements in the provision for impairment of receivables are as follows:

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Opening balance | 251 | - |
| Additional provisions recognised | 624 | 411 |
| Receivables written off during the year as uncollectable | (226) | (160) |
| Closing balance | **649** | **251** |

Ageing of past due but not impaired as well as impaired financial assets are disclosed in the following tables

### Financial assets not impaired 2014

| | $'000 | | | | | |
|---|---|---|---|---|---|---|
| | Not overdue | 1 -30 days overdue | 31-60 days overdue | 61 -90 days overdue | More than 90 days overdue | Total |
| Receivables | 2,398 | 3,145 | 1,292 | 104 | 248 | 7,187 |
| **Total** | **2,398** | **3,145** | **1,292** | **104** | **248** | **7,187** |

### Financial assets not impaired 2013

| | $'000 | | | | | |
|---|---|---|---|---|---|---|
| | Not overdue | 1 -30 days overdue | 31-60 days overdue | 61 -90 days overdue | More than 90 days overdue | Total |
| Receivables | 1,314 | 661 | 194 | 98 | 313 | 2,581 |
| **Total** | **1,314** | **661** | **194** | **98** | **313** | **2,581** |

### Individually impaired financial assets 2014

| | $'000 | | | | |
|---|---|---|---|---|---|
| | 1 -30 days overdue | 31-60 days overdue | 61 -90 days overdue | More than 90 days overdue | Total |
| Receivables (gross) | 10 | 21 | 7 | 611 | 649 |
| Allowance for impairment | (10) | (21) | (7) | (611) | (649) |
| **Carrying amount** | - | - | - | - | - |

### Individually impaired financial assets 2013

| | $'000 | | | | |
|---|---|---|---|---|---|
| | 1 -30 days overdue | 31-60 days overdue | 61 -90 days overdue | More than 90 days overdue | Total |
| Receivables (gross) | 0 | 2 | 14 | 235 | 251 |
| Allowance for impairment | 0 | (2) | (14) | (235) | (251) |
| **Carrying amount** | - | - | - | - | - |

## Note 20. Current assets - inventories

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Medical supplies and equipment | 4,204 | 3,643 |
| Catering and domestic | 39 | 50 |
| Less: Provision for impairment | (38) | (65) |
| Engineering | 2 | 2 |
| Other | 14 | 14 |
| | **4,221** | **3,644** |

## Note 21. Current assets - other

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Accrued revenue | 3,683 | 2,223 |
| Prepayments | 389 | 175 |
| | **4,072** | **2,398** |

Accrued revenue relates mainly to Pharmaceutical Benefits Scheme (PBS) claims revenue, Transition Care Programme (TCP) occupancy revenue from the Commonwealth Government and other miscellaneous revenue items.

## Note 22. Non-current assets - property, plant and equipment

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Land - at fair value | 57,227 | 71,430 |
| Buildings - at fair value | 393,856 | 388,705 |
| Less: Accumulated depreciation | (193,322) | (179,362) |
| | 200,534 | 209,343 |
| Plant and equpiment - at cost | 73,753 | 67,882 |
| Less: Accumulated depreciation | (36,778) | (30,336) |
| | 36, 975 | 37,546 |
| Capital works in progress - at cost | 1,158 | 278 |
| | **295,894** | **318,597** |

## Note 22. Non-current assets - property, plant and equipment (continued)

*Reconciliations*

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

| | Land $'000 | Buildings $'000 | Plant and equipment $'000 | Capital works in progress $'000 | Total $'000 |
|---|---|---|---|---|---|
| Balance at 1 July 2012 | - | - | - | - | - |
| Additions | - | 4,590 | 6,049 | 622 | 11,261 |
| Transfer from the Department of Health | 73,906 | 202,463 | 36,903 | 679 | 313,951 |
| Disposals | - | (38) | (274) | - | (312) |
| Revaluation increments | - | 425 | - | - | 425 |
| Revaluation decrements | (2,476) | - | - | - | (2,476) |
| Transfers in/(out) | - | 14,688 | 1,527 | (1,023) | 15,192 |
| Depreciation expense | - | (12,785) | (6,659) | - | (19,444) |
| Balance at 30 June 2013 | 71,430 | 209,343 | 37,546 | 278 | 318,597 |
| Additions | - | 905 | 4,444 | 1,851 | 7,200 |
| Disposals | - | - | (44) | - | (44) |
| Revaluation increments | - | 1,416 | - | - | 1,416 |
| Revaluation decrements | (2,702) | - | - | - | (2,702) |
| Transfers in * | - | 479 | 3,751 | - | 4,230 |
| Transfers out ** | (11,500) | - | (38) | - | (11,538) |
| Transfers between classes | - | 714 | 257 | (971) | - |
| Adjustment to accumulated depreciation on transfers in | - | - | (1,626) | - | (1,626) |
| Depreciation expense | - | (12,323) | (7,315) | - | (19,638) |
| Balance at 30 June 2014 | **57,227** | **200,534** | **36,975** | **1,158** | **295,894** |

* Transfers in during the current period included $18k of donated assets and $4.149m related to transfers from the Department.

** During the year the land parcel at 53 Dalton Drive, Maroochydore was transferred back to the Department. The asset was identified by the State as part of a project to divest certain assets no longer required. The value of the parcel at transfer was $11.5m.

## Note 22. Non-current assets - property, plant and equipment (continued)

*Land*

Land revaluations were measured at fair value using independent valuations, or, indexation by the State Valuation Service. Refer to Note 2 (p) Property, plant and equipment for further detailed information on the revaluation methodologies employed.

Land assets which had indexation applied, were last comprehensively revalued as at 30 June 2011, with one parcel being comprehensively revalued as at 30 June 2013. The result of the indexation assessment for the year ending 30 June 2014 was 0%, or, an immaterial impact to low value residential sites. Accordingly, no adjustment has been made to the carrying value of the indexed assets.

The land assets revalued by way of reference to independent valuations resulted in a decrement of $2.702m to the carrying amount of land. This is a decrement of 4.51% to the land portfolio as at 30 June 2014.

*Buildings*

Buildings were revalued at fair value using independent market valuations for residential properties, depreciated replacement cost methodology for some on-site building assets and indexation for the remaining asset base. Valuations were conducted or subcontracted and reviewed by Davis Langdon. Refer to Note 2 (p) Property, plant and equipment for further detailed information on the revaluation methodologies employed.

Of the buildings which had indexation applied, these were last comprehensively revalued as at 30 June 2012 or as at 30 June 2013. The result of the indexation assessment for the year ending 30 June 2014 was 0%. Accordingly, no adjustment has been made to the carrying value of the indexed assets.

Under the depreciated replacement cost method, the assets were valued on the basis that the value is the estimated replacement cost of the asset, or the likely cost of construction including fees and on costs if tendered on the valuation date. The assets were priced using Brisbane rates. Location factors have been applied where applicable (per industry benchmarks).

The estimate is based on the assumption that the asset to be replaced will be of the same function and area of the original asset. Davis Langdon physically inspected each asset to be revalued using depreciated replacement cost methodology. The observed Condition Assessment Rating was then applied to the asset in order to estimate 'Cost to Bring the Asset to Current Standards' (Refer Note 2 (p) Property, plant and equipment). The 'Depreciated Replacement Cost' is the result of the 'Replacement Cost' less the 'Cost to Bring the Asset to Current Standards'.

The differential between the Net Book Value and the Depreciated Replacement Cost (using the same useful lives) was then computed. The net differential for an asset is a Revaluation Decrement or Revaluation Increment.

The building revaluation program resulted in an increment of $1.416m to the carrying amount of buildings. This is an increment of 0.71% to the building portfolio as at 30 June 2014.

*Fair Value in relation to land and buildings*

For further detail on the categorisation of land and buildings under the fair value hierarchy and an assessment of Level 3 valuation inputs and relationship to fair value, refer to Note 29. Fair value measurement.

*Plant*

SCHHS has plant and equipment with an original cost of $0.190m and a written down value of zero still being used in the provision of services. Most of the items identified were medical equipment assets.

These medical equipment assets will be replaced under the Health Technology Equipment Replacement (HTER) programme, however the timing will be dependent on the age, condition and priority status of the assets.

Replacement of other fully depreciated plant and equipment assets will be dependent on age, condition and funding availability.

There are no plant and equipment assets identified as idle or restricted in use.

## Note 23. Current liabilities - trade and other payables

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Trade payables | 40,451 | 25,993 |
| Health service employee expenses | 8,492 | 21,609 |
| Other payables | 1 | 6 |
| | **48,944** | **47,608** |

Refer to Note 28. Financial instruments.

## Note 24. Current liabilities - accrued employee benefits

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Salaries and wages accrued | 22 | 47 |
| Other employee benefits payable | 2 | 6 |
| | **24** | **53** |

## Note 25. Current liabilities - unearned revenue

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Unearned health service funding | 415 | - |
| Unearned other revenue | 1 | - |
| | **416** | **-** |

## Note 26. Equity - asset revaluation surplus

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Asset revaluation surplus - buildings | 1,841 | 425 |

*Movement in asset revaluation surplus*

Movement in the asset revaluation surplus during the current year are set out below:

| | Revaluation surplus $'000 |
|---|---|
| Balance at 30 June 2013 | 425 |
| Balance at 1 July 2013 | 425 |
| Building revaluation - gross | 1,416 |
| Balance at 30 June 2014 | 1,841 |

## Note 27. Equity injections and equity withdrawals

During the year various equity injection and equity withdrawal transactions occurred.

$4.675m of capital assets including building upgrades and medical equipment were contributed to SCHHS by the Department, representing the State. These were non-cash transactions.

A further $2.969m was contributed in cash for capital works and capital acquisitions.

The total value of all equity injections for the period was $7.644m.

Depreciation expenses to the value of $19.633m were offset by non-cash adjustments through equity withdrawals. The transfer of the 53 Dalton Drive land asset back to the Department was recorded as an equity withdrawal. Refer to Note 22. Non-current assets - property, plant and equipment.

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| **Equity injections and equity withdrawals** | | |
| Cash injection for capital works and acquisitions | 2,969 | 6,845 |
| Non cash injection of capital assets | 4,675 | 18,795 |
| Non cash withdrawal for depreciation offset | (19,633) | (19,006) |
| Non cash withdrawal for asset transferred to the Department | (11,500) | - |
| Net equity injections and equity withdrawals for the period | **(23,489)** | **6,634** |

## Note 28. Financial instruments

*(a) Categorisation of financial instruments*

SCHHS has the following categories of financial assets and financial liabilities.

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Financial Assets | | |
| Cash and cash equivalents | 51,610 | 48,023 |
| Trade and other receivables | 9,293 | 6,801 |
| Total Financial Assets | **60,903** | **54,824** |

Refer Note 18. Current assets - cash and cash equivalents and Note 19. Current assets - trade and other

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Financial liabilities | | |
| Trade and other payables | 48,944 | 47,608 |

Refer to Note 23. Current liabilities - trade and other payables

No financial assets and financial liabilities have been offset and presented as net in the Statement of financial position.

## Note 28. Financial instruments (continued)

*(b) Financial risk management*

SCHHS is exposed to a variety of financial risks - credit risk, liquidity risk and market risk.

Financial risk management is implemented pursuant to Queensland Government and SCHHS policies. The policies provide principles for overall risk management and aim to minimise potential adverse effects of risk events on the financial performance of SCHHS. SCHHS measures risk exposure using a variety of methods as follows:

| Risk Exposure | Measurement method |
|---|---|
| Credit risk | Ageing analysis, cash inflows at risk |
| Liquidity risk | Monitoring of cash flows by management |
| Market risk | Interest rate sensitivity analysis |

*(c) 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 allowance for impairment reflects the occurrence of loss events. If no loss events have arisen in respect of a particular debtor, or group of debtors, no allowance for impairment is made in respect of that debtor / group of debtors. If SCHHS determines that an amount owing by such a debtor does become uncollectable (after deploying appropriate debt recovery actions), that amount is recognised as a bad debt expense and written-off directly against receivables. In other cases where a debt becomes uncollectable but the uncollectable amount exceeds the amount already allowed for impairment of that debt, the excess is recognised directly as a bad debt expense and written-off directly against receivables.

The carrying amount of trade receivables represents the maximum exposure to credit risk. Refer to Note 19. Current assets - trade and other receivables for further information.

Credit risk on cash deposits is considered minimal given all SCHHS deposits are held by the State through Queensland Treasury Corporation.

*(d) Liquidity risk*

Liquidity risk is the risk that SCHHS will not have the resources required at a particular time to meet its obligations to settle its financial liabilities. SCHHS is exposed to liquidity risk through its trading in the normal course of business. SCHHS 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 $6m under 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 2014.

The only financial liabilities which expose SCHHS to liquidity risk are trade and other payables. All financial liabilities are current in nature and will be due and payable within twelve months. As such no discounting of cashflows has been made to these liabilities in the Statement of Financial Position. Refer to Note 23. Current liabilities - trade and other payables.

*(e) Market risk*

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises foreign exchange risk, interest rate risk and other price risk.

SCHHS does not trade in foreign currency and is not materially exposed to commodity price changes.

*(f) Price risk*

SCHHS is not exposed to any significant price risk.

*(g) Interest rate risk*

Sensitivity analysis indicates that the impact on revenue due to interest rate swings is immaterial for SCHHS. SCHHS has minimal interest rate exposure on the 24 hour call deposits. There is no interest rate risk on the main operating accounts as these do not earn interest. Refer to Note 18. Current assets - cash and cash equivalents.

## Note 29. Fair value measurement

*Categorisation of fair values recognised as at 30 June 2014*

The following tables detail SCHHS assets, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the assets, either directly or indirectly

Level 3: Unobservable inputs for the assets

| 2014 | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | Total $'000 |
|---|---|---|---|---|
| *Assets* | | | | |
| Land | - | 57,227 | - | 57,227 |
| Buildings (residential) | - | 2,580 | - | 2,580 |
| Buildings (health service sites) | - | - | 197,954 | 197,954 |
| **Total assets** | **-** | **59,807** | **197,954** | **257,761** |

There were no transfers between levels during the financial year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

*Valuation techniques for fair value measurements categorised within level 2 and level 3*

Land has been valued based on similar assets, sales market data, location and market conditions.

Residential buildings have been valued based on similar assets, sales market data, location and market conditions.

Health service site buildings have been valued based on approximating prices and movements in prices for construction costs and other key resource inputs, as well as changes in design and current condition assessments.

*Level 3 assets*

Movements in level 3 assets during the current financial year are set out below:

| | Buildings (Health service sites) $'000 |
|---|---|
| Balance at 30 June 2013 | - |
| Adoption of fair value level 3 | 207,378 |
| Acquisitions | 1,620 |
| Transfers from the Department of Health | 479 |
| Depreciation for the year | (12,233) |
| Revaluation increment adjustment to acquisition value | 1,836 |
| Revaluation increment adjustment to accumulated depreciation | (1,126) |
| **Balance at 30 June 2014** | 197,954 |

## Note 29. Fair value measurement (continued)

*Level 3 significant valuation inputs and relationship to fair value*

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

| Description | Significant unobservable inputs | Unobservable inputs quantitative measures. Ranges used in valuations | Unobservable inputs - general effect on fair value measurement |
|---|---|---|---|
| Buildings – health service sites (fair value $197.954m) | Replacement cost estimates | Hospitals $9,200,000 to $86,200,000<br><br>Other buildings $27,000 to $13,300,000 | Replacement cost is based on tender pricing and historical building cost data. An increase in the estimated replacement cost would increase the fair value of the assets. A decrease in the estimated replacement cost would reduce the fair value of the assets. |
| | Remaining lives estimates | 5 years to 29 years | The remaining useful lives are based on industry benchmarks. An increase in the estimated remaining useful lives would increase the fair value of the assets. A decrease in the estimated remaining useful lives would reduce the fair value of the assets. |
| | Costs to bring to current standards | Hospitals $Nil to $38,132,000<br><br>Other buildings $14,000 to $3,381,000 | Costs to bring to current standards are based on tender pricing and historical building cost data. An increase in the estimated costs to bring to current standards would reduce the fair value of the assets. A decrease in the estimated costs to bring to current standards would increase the fair value of the assets. |
| | Condition rating | 1 to 4 | The condition rating is based on the physical state of the assets. An improvement in the condition rating (possible high of 1) would increase the fair value of the assets. A decline in the condition rating (possible low of 5) would reduce the fair value of the assets. |

For further information on Condition Ratings refer to Note 2(p) Property, plant and equipment.

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

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

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

## Note 30. Key management personnel disclosures

| Name and position of incumbents | Responsibilities | Contract classification and appointment authority | Appointment date |
|---|---|---|---|
| Chief Executive - Kevin Hegarty | Provide strategic leadership and direction, promote effective and efficient use of resources, develop health service plans, workforce plans and capital works for the delivery of public sector health services in the Sunshine Coast area. | S24/S70 Hospital and Health Boards Act 2011 Section 33 | 1 July 2012 |
| Chief Finance Officer and Acting Executive Director, People and Culture - Rodney Margetts | Provide strategic leadership and operational control of the finance and human resources functions. | HES3-1 Hospital and Health Boards Act 2011 Section 74 | 1 July 2012 |
| Chief Operating Officer - Jacheline Hanson | Provide strategic leadership and manage the operations of SCHHS including evaluating each of the Health Service Groups. | HES2-4 Hospital and Health Boards Act 2011 Section 74 | 1 July 2012 to 16 August 2013 |
| Chief Operating Officer - Karen Roach | Provide strategic leadership and manage the operations of SCHHS including evaluating each of the Health Service Groups. | HES3-5 Hospital and Health Boards Act 2011 Section 74 | 19 August 2013 to 2 May 2014 |
| Acting Chief Operating Officer - Dr. Piotr Swierkowski | Provide strategic leadership and manage the operations of SCHHS including evaluating each of the Health Service Groups. | MMOI2 District Health Services - Senior Medical Officers and Resident Medical Officers Award - State 2012 | 5 May 2014 |
| Executive Director, Medical Services - Dr. Piotr Swierkowski | Professional leader for all medical practitioners and control of the patient safety agenda, credentialing, education and research | MMOI2 District Health Services - Senior Medical Officers and Resident Medical Officers Award - State 2012 | 1 July 2012 |
| Acting Executive Director, Medical Services - Dr. Mauritius Du Toit | Professional leader for all medical practitioners and control of the patient safety agenda, credentialing, education and research. | MMOI2 District Health Services - Senior Medical Officers and Resident Medical Officers Award - State 2012 | 5 May 2014 |
| Executive Director, Nursing and Midwifery Services - Graham Wilkinson | Provides leadership and strategic direction, clinical governance and professional support for all nursing and midwifery services. | NRG11-4 Queensland Health Nurses and Midwives Award - State 2012 | 1 July 2012 |
| Executive Director, Planning and Capacity Development - Scott Lisle | Provide strategic leadership and direction for all service planning within SCHHS including Information Communications Technology and workforce planning | HES2-5 Hospital and Health Boards Act 2011 Section 74 | 1 July 2012 |
| Executive Director, Strategy and Performance - Tracey Warhurst | Provide strategic leadership, management and high level authoritative advice and support on all matters relating to the performance of SCHHS. | HES2-2 Hospital and Health Boards Act 2011 Section 74 | 1 July 2012 |
| Chair Clinical Leadership Group (CLG) - Dr. Jeremy Long | The CLG is a forum for the strategic engagement of clinicians. The Chair governs the activities of the CLG. Provides feedback link for the Chief Executive and Executive Leadership Team. | MMOI2 District Health Services - Senior Medical Officers and Resident Medical Officers Award - State 2012 | 1 July 2012 |

## Note 30. Key management personnel disclosures (continued)

| Name and position of incumbents | Responsibilities | Contract classification and appointment authority | Appointment date |
|---|---|---|---|
| Chairperson - Prof. Paul Thomas, AM | Provide strategic leadership and guidance and effective oversight of management, operations and financial performance. | Chairperson Hospital and Health Boards Act 2011 Section 25 (1) (a) | 1 July 2012 |
| Deputy Chairperson - Dr. Lorraine Ferguson, AM | Provide strategic leadership and guidance and effective oversight of management, operations and financial performance. | Deputy Chairperson Hospital and Health Boards Act 2011 Section 25 (1) (b) | 1 July 2012 |
| Board Member - Dr. Mason Stevenson | Provide strategic guidance and effective oversight of management, operations and financial performance. | Board Member Hospital and Health Boards Act 2011 Section 23 (1) | 1 July 2012 |
| Board Member - Mr Peter Sullivan | Provide strategic guidance and effective oversight of management, operations and financial performance. | Board Member Hospital and Health Boards Act 2011 Section 23 (1) | 6 Sept 2012 |
| Board Member - Dr. Edward Weaver | Provide strategic guidance and effective oversight of management, operations and financial performance. | Board Member Hospital and Health Boards Act 2011 Section 23 (1) | 6 Sept 2012 |
| Board Member - Dr. Karen Woolley | Provide strategic guidance and effective oversight of management, operations and financial performance. | Board Member Hospital and Health Boards Act 2011 Section 23 (1) | 18 May 2013 |
| Board Member - Mr Brian Anker | Provide strategic guidance and effective oversight of management, operations and financial performance. | Board Member Hospital and Health Boards Act 2011 Section 23 (1) | 18 May 2013 |
| Board Member - Mr Cosmo Schuh | Provide strategic guidance and effective oversight of management, operations and financial performance. | Board Member Hospital and Health Boards Act 2011 Section 23 (1) | 18 May 2013 |

*Key management personnel remuneration - Executive Leadership Team (ELT)*

Section 74 of the Hospital and Health Boards Act 2011 provides the contract of employment for health executive staff must state the term of employment, the person's functions and any performance criteria as well as the person's classification level and remuneration package.

Remuneration policy for key executive management personnel is set by direct engagement common law employment contracts and various award agreements. The remuneration and other terms of employment for the key executive management personnel are also addressed by these common law employment contracts and awards. The remuneration packages provide for the provision of some benefits including motor vehicles.

Remuneration packages for key management personnel comprise the following components:

- Short term employee base benefits which includes salary, allowances, salary sacrifice component and leave entitlements expensed for the entire year or for that part of the year during which the employee occupied the specified position.
- Short term non-monetary benefits consisting of provision of vehicle and other non-monetary benefits including FBT exemptions on benefits.
- Long term employee benefits include amounts expensed in respect of long service leave.
- Post-employment benefits include amounts expensed in respect of employer superannuation obligations.
- Redundancy payments are not provided for within individual contracts of employment. Contracts of employment provide only for notice periods or payment in lieu of notice on termination, regardless of the reason for termination.
- Performance bonuses are not paid under the contracts in place.
- Total fixed remuneration is calculated on a 'total cost' basis and includes the base and non-monetary benefits, long term employee benefits and post-employment benefits.

## Note 30. Key management personnel disclosures (continued)

*Key management personnel - Board*

The Sunshine Coast Hospital and Health Service is independently and locally controlled by the Hospital and Health Board (The Board). The Board appoints the health service chief executive and exercises significant responsibilities at a local level, including controlling the financial management of SCHHS and the management of SCHHS land and buildings (Section 7 Hospital and Health Boards Act 2011).

Board members are remunerated for their services. The value of remuneration received by Board Members in their capacity as Board Members, and, the ELT, are disclosed in the following sections.

| | Short-term benefits | | | | | |
|---|---|---|---|---|---|---|
| **2014 Name and position** | **Monetary $'000** | **Non-monetary $'000** | **Post-employment benefits $'000** | **Long-term benefits $'000** | **Termination benefits $'000** | **Total $'000** |
| Chief Executive - Kevin Hegarty | 301 | 19 | 36 | 6 | - | 362 |
| Chief Finance Officer and Acting Executive Director, People and Culture - Rod Margetts | 198 | - | 18 | 4 | - | 220 |
| Chief Operating Officer - Jacheline Hanson | 39 | 4 | 3 | 1 | - | 47 |
| Chief Operating Officer - Karen Roach | 140 | 13 | 17 | 3 | - | 173 |
| Executive Director, Medical Services and Acting Chief Operating Officer - Piotr Swierkowski | 457 | 16 | 33 | 5 | - | 511 |
| Acting Executive Director, Medical Services - Mauritius Du Toit | 68 | - | 5 | 1 | - | 74 |
| Executive Director, Nursing and Midwifery Services - Graham Wilkinson | 172 | 12 | 19 | 4 | - | 207 |
| Executive Director, Planning and Capacity Development - Scott Lisle | 191 | 3 | 21 | 4 | - | 219 |
| Executive Director, Strategy and Performance - Tracey Warhurst | 173 | - | 19 | 4 | - | 196 |
| Chair Clinical Leadership Group - Jeremy Long | 371 | 8 | 31 | 5 | - | 415 |

## Note 30. Key management personnel disclosures (continued)

| 2014 Name and position | Short-term benefits Monetary $'000 | Short-term benefits Non-monetary $'000 | Post-employment benefits $'000 | Long-term benefits $'000 | Termination benefits $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| Professor Paul Thomas - Chairperson | 70 | - | 6 | - | - | 76 |
| Dr. Lorraine Ferguson - Deputy Chairperson | 33 | - | 3 | - | - | 36 |
| Dr. Mason Stevenson - Board Member | 41 | - | 3 | - | - | 44 |
| Mr. Peter Sullivan - Board Member | 34 | - | 3 | - | - | 37 |
| Dr. Edward Weaver - Board Member | 33 | - | 3 | - | - | 36 |
| Dr. Karen Woolley - Board Member | 33 | - | 3 | - | - | 36 |
| Mr. Cosmo Schuh - Board Member | 34 | - | 3 | - | - | 37 |
| Mr Brian Anker - Board Member | 34 | - | 3 | - | - | 37 |

## Note 30. Key management personnel disclosures (continued)

| 2013 Name and position | Short-term benefits Monetary $'000 | Non-monetary $'000 | Post-employment benefits $'000 | Long-term benefits $'000 | Termination benefits $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| Chief Executive - Kevin Hegarty | 329 | 7 | 33 | (12) | - | 357 |
| Chief Finance Officer & Acting Executive Director, People and Culture - Rod Margetts | 184 | - | 17 | 3 | - | 204 |
| Chief Operating Officer - Jacheline Hanson | 160 | 16 | 19 | (5) | - | 190 |
| Executive Director, Medical Services - Piotr Swierkowski | 412 | 11 | 28 | 4 | - | 455 |
| Executive Director, Nursing and Midwifery Services - Graham Wilkinson | 157 | 8 | 17 | 3 | - | 185 |
| Executive Director, Planning and Capacity Development – Scott Lisle | 169 | 8 | 19 | 4 | - | 200 |
| Executive Director, Strategy and Performance - Tracey Warhurst | 127 | - | 16 | 3 | - | 146 |
| Chair Clinical Leadership Group - Jeremy Long | 346 | - | 26 | 4 | - | 376 |
| Executive Director, People and Culture (Position vacant) - formerly Annabelle Kirwan | 190 | - | 15 | (2) | 89 | 292 |
| Executive Director, Allied Health (Position abolished) - formerly Karen Hayes | 88 | - | 10 | 3 | 141 | 242 |

## Note 30. Key management personnel disclosures (continued)

| 2013 Name and position | Short-term benefits Monetary $'000 | Short-term benefits Non-monetary $'000 | Post-employment benefits $'000 | Long-term benefits $'000 | Termination benefits $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| Professor Paul Thomas - Chairperson | 67 | - | 5 | - | - | 72 |
| Dr. Lorraine Ferguson - Deputy Chairperson | 29 | - | 2 | - | - | 31 |
| Dr. Mason Stevenson - Board Member | 29 | - | 2 | - | - | 31 |
| Mr. Peter Sullivan - Board Member | 24 | - | 2 | - | - | 26 |
| Dr. Martine Pop – Board Member | 27 | - | 2 | | | 29 |
| Mr. Bradley Elms – Board Member | 27 | - | 2 | | | 29 |
| Dr. Karen Woolley - Board Member | 2 | - | - | - | - | 2 |
| Mr. Cosmo Schuh - Board Member | 2 | - | - | - | - | 2 |
| Dr. Edward Weaver - Board Member | 2 | - | - | - | - | 2 |
| Mr Brian Anker - Board Member | 0 | - | - | - | - | 0 |

## Note 31. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Queensland Audit Office, the auditor of SCHHS, and its network firms

| | 2014 $ | 2013 $ |
|---|---|---|
| *Audit services - Queensland Audit Office* | | |
| Audit of the financial statements | 235 | 235 |
| *Other services - unrelated firms* | | |
| Internal financial audit | - | 2 |
| Internal operational audit | - | 8 |
| | - | **10** |

## Note 32. Contingent assets

*Flood damage and consequent insurance claim*

In January 2013 the Gympie facility was impacted by a flood event in the region. As a result of the flood the facility incurred losses of approximately $0.5m related to business continuity and building related repairs. SCHHS has lodged a claim with supporting documentation with the Queensland Government Insurance Fund (QGIF).

As the claim has not been assessed the estimated claim receivable can not be estimated.

## Note 33. Contingent liabilities

*Litigation in progress*

As at 30 June 2014, the following cases were filed in the courts naming the State of Queensland acting through the Sunshine Coast Hospital and Health Service as defendant:

| | 2014 No. of cases | New cases | Completed cases | 2013 No. of cases |
|---|---|---|---|---|
| **Court** | - | - | (1) | 1 |
| District Court | 2 | 2 | - | - |
| Tribunals, commissions and boards | | | | |
| | **2** | **2** | **(1)** | **1** |

Health litigation is underwritten by the Queensland Government Insurance Fund (QGIF). SCHHS liability in this area is limited to an excess per insurance event of $20,000. Refer Note 2(v) Insurance. SCHHS is responsible for claims from 1 July 2012 with pre 1 July 2012 claims remaining the responsibility of the Department.

The maximum exposure of SCHHS under this policy is up to $20,000 for each insurable event. SCHHS legal advisers and management believe it would be misleading to estimate the final amounts payable (if any) in respect of the litigation before the courts at this time.

All SCHHS indemnified claims have been managed by QGIF. As at 30 June 2014 there were 34 claims managed by QGIF on behalf of SCHHS (19 claims as at 30 June 2013), some of which may never be litigated or result in payment of claims. Tribunals, commissions and board figures represent the matters that have been referred to QGIF for management.

*Restatement of prior period number of claims*

QGIF claims as at 30 June 2013 were erroneously disclosed as 14. The figure of 19 more accurately reflects QGIF claims in progress at that time.

*Native Title*

The Queensland Government Native Title Work Procedures were designed to ensure that native title issues are considered in all of the Department's land and natural resource management activities.

All business pertaining to land held by or on behalf of the Department must take native title into account before proceeding. Such activities include disposal, acquisition, development, redevelopment, clearing, fencing of real property including the granting of leases, licences or permits. Real property dealings may proceed on SCHHS owned land where native title continues to exist, provided native title holders or claimants receive the necessary procedural rights.

The Department undertakes native title assessments over real property when required and is currently negotiating a number of Indigenous Land Use Agreements (ILUA) with native title holders. These ILUAs will provide trustee leases to validate the tenure of current and future health facilities. The National Title Tribunal reported there are no title claims in relation to the real property holdings of SCHHS.

## Note 33. Contingent liabilities (continued)

*SCUPH Service Contract*

A claim may be made by Ramsay Health Care with respect to the contract for hospital services provided by the Sunshine Coast University Private Hospital. Refer to Note 36. Arrangements for the provision of public infrastructure by other entities. The legal enforceability, value and timing of any such claim can not be ascertained at this time.

## Note 34. Commitments

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| **Capital commitments** | | |
| Committed at the reporting date but not recognised as liabilities, payable: | | |
| Capital commitments | 695 | 225 |
| **Capital commitments** | | |
| Committed at the reporting date but not recognised as liabilities, payable: | | |
| Within one year | 695 | 225 |
| **Other commitments** | | |
| Committed at the reporting date but not recognised as liabilities, payable: | | |
| Services | 427,005 | 508,251 |
| Repairs and maintenance | 3,786 | 3,334 |
| | 430,791 | 511,585 |
| **Other commitments** | | |
| Committed at the reporting date but not recognised as liabilities, payable: | | |
| Within one year | 101,779 | 78,061 |
| One to five years | 303,329 | 380,782 |
| More than five years | 25,683 | 52,742 |
| | 430,791 | 511,585 |

*Leases*

Most operating leases are entered into by the Department, with the Department being the legal leasee. Accordingly, lease commitments relating to SCHHS premises and operations are disclosed within the accounts of the Department. SCHHS is party to an operating lease relating to land leased in Gympie. The land is used as a helipad site. The lease value per annum is at a 'peppercorn' rate of $100 plus CPI. The lease expires in 2020.

SCHHS is not party to any finance leases.

*Services*

These commitments partly relate to health services provided to public patients by the Noosa Private Hospital ($142.97m). There will also be commitments incurred ($284.04m) relating to health services provided to public patients by the Sunshine Coast University Private Hospital (SCUPH). Refer to Note 36. Arrangements for the provision of public infrastructure by other entities.

*Correction of prior period error*

The 2013 comparative amount for repairs and maintenance commitments has been restated to more accurately reflect estimated commitments as at 30 June 2013. The net result is a reduction in the estimated commitments for repairs and maintenance as at 30 June 2013 of $1.329m to $3.334m.

## Note 35. Patient Trust transactions and balances

SCHHS acts in a custodial role in respect of these transactions and balances. As such, they are not recognised in the financial statements but are disclosed for information purposes.

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| **Patient Trust receipts and payments** | | |
| *Receipts* | | |
| Amounts receipted on behalf of Patients | 684 | 680 |
| Total receipts | 684 | 680 |
| *Payments* | | |
| Amounts paid to or on behalf of Patients | (681) | (680) |
| Total payments | (681) | (680) |
| **Trust assets and liabilities** | | |
| *Assets* | | |
| Cash held and bank deposits | 65 | 62 |
| Total assets | 65 | 62 |

## Note 36. Arrangements for the provision of public infrastructure by other entities

SCHHS has entered into contractual arrangements with Ramsay Health Care for the construction and operation of public infrastructure facilities on SCHHS land. After an agreed period of time, ownership of the facilities will pass to SCHHS. Arrangements of this type are known as Public Private Partnerships ('PPP').

SCHHS does not control the building facilities associated with these arrangements, therefore these facilities are not recorded as assets. Consequently, SCHHS has not recognised any rights or obligations that may be attached to those arrangements, other than those recognised under Australian Accounting Standards.

| Facility | Hospital and Health Service | Counterparty | Agreement | Date |
|---|---|---|---|---|
| Noosa Hospital and Specialist Centre | SCHHS | Ramsay Health Care | 20 years | September 1999 |
| Sunshine Coast University Private Hospital | SCHHS | Ramsay Health Care | 5 years | December 2013 |

*Noosa Hospital and Specialist Centre*

The agreement has been structured to transfer substantially all the risks associated with the operation of a public hospital to Ramsay Health Care. The Noosa Hospital and Specialist Centre commenced operations in September 1999.

Under this arrangement, SCHHS funds the operators for the provision of services to public patients. The level of services and the amount paid is subject to annual review. A capital recovery charge is paid to the operator as part of the service agreement for the purpose of maintaining public infrastructure. An estimate of the value of assets to be transferred on completion of the agreement has not yet been determined. The operator is not permitted to charge any fees to public patients other than those normally charged for a service in a public hospital.

## Note 36. Arrangements for the provision of public infrastructure by other entities (continued)

*Sunshine Coast University Private Hospital (SCUPH)*

The agreement has been structured to ensure that service capacity is available for, and supplied to, public patients within the facility. The SCUPH operations commenced in December 2013.

The facility will provide health services to public patients over the next five years. The service capacity will transition to the Sunshine Coast Public University Hospital from 2016 - 2017.

The operator is not permitted to charge any fees to public patients other than those normally charged for a service in a public hospital. After the 5 year service term, Ramsay Health Care will continue to operate the entire facility as a private provider of health services for a further 45 years.

At the end of the 50 year period the building asset will be transferred to SCHHS. An estimate of the value of the asset to be transferred on completion of the agreement has not yet been determined.

The financial impacts of the contracts for the year ending 30 June 2014 are summarised in the table below. These values are incorporated within the main financial statements of SCHHS for the year ending 30 June 2014. Refer also to Note 33. Contingent liabilities.

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| **Revenue and expenses** | | |
| *Revenue* | | |
| Health service funding from the Department of Health | 59,902 | 74,345 |
| Total revenue | 59,902 | 74,345 |
| *Expenses* | | |
| Service fee to Ramsay Health Care | (51,172) | (24,275) |
| Grants paid SCUPH | (8,730) | (50,070) |
| Total expenses | (59,902) | (74,345) |
| **Assets and liabilities** | | |
| *Assets* | | |
| Land asset Noosa site | 6,400 | 6,602 |
| Land asset Kawana (SCUPH) site | 2,109 | 2,700 |
| Total assets | 8,509 | 9,302 |
| *Liabilities* | | |
| Service fee due to Ramsay Health Care | (9,004) | (2,055) |
| Grant due to Ramsay Healthcare (SCUPH) | - | (4,789) |
| Total liabilities | (9,004) | (6,844) |

The recognised fair value of the entire land asset at Kawana is $27.5m ($30m as at 30 June 2013). This is the site of the future Sunshine Coast Public University Hospital.

The portion of the site dedicated to the Sunshine Coast University Private Hospital (Ramsay Health Care facility) is 7.67% with an estimated value of $2.109m ($2.7m as at 30 June 2013).

As part of separately negotiated contracts, SCHHS places a small portion of its own medical staff within the Noosa and SCUPH facilities to ensure continuity of service and medical resourcing needs are met. SCHHS charges staff cost recoveries to Ramsay Health Care at rates pursuant to the underlying contracts.

## Note 36. Arrangements for the provision of public infrastructure by other entities (continued)

*Restatement of prior year funding from the Department and prior year expenses*

Labour and other costs totalling $0.330m as at 30 June 2013 have been omitted from the comparatives. Funding from the Department is quoted at $0.330m less as at 30 June 2013 also. This is necessary to more accurately disclose only those expenses and revenue directly attributable to the PPP arrangements with Ramsay Health Care.

| | 1 year or less $'000 | Between 1 and 5 years $'000 | Between 5 and 10 years $'000 | Over 10 years $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Indicative cash flows** | | | | | |
| *Inflows* | | | | | |
| Health service funding from the Department of Health | 99,361 | 301,961 | 25,683 | - | 427,005 |
| *Outflows* | | | | | |
| Service fees related to Noosa | (22,047) | (95,239) | (25,683) | - | (142,969) |
| Service fees related to SCUPH | (77,314) | (206,722) | - | - | (284,036) |
| Net indicative cash flows | - | - | - | - | - |

The indicative cashflows for Noosa are prepared by applying a CPI uplift factor to the current underlying budgeted cashflows.

The indicative cashflows for SCUPH are prepared in accordance with the contracted fee schedule over the five year term.

## Note 37. Events after the reporting period

*Hospital and Health Services to be prescribed as employers*

Currently, all staff, except Health Service Chief Executives and health executive service employees, are employed by the Director-General, Department of Health. In June 2012, amendments were made to the Hospital and Health Boards Act 2011, giving Hospital and Health Boards more autonomy by allowing them to become the employer of staff working for their HHS. HHSs will become prescribed employers by regulation.

Once an HHS becomes prescribed to be the employer, all existing and future staff working for the HHS become its employees. The HHS, not the Department, will recognise employee expenses in respect of these staff. The Director-General, Department of Health, will continue to be responsible for setting terms and conditions of employment, including remuneration and classification structures, and for negotiating enterprise agreements. SCHHS has demonstrated its readiness to become an employer and will be prescribed as an employer on 1 July 2014.

*Senior Medical Officer and Visiting Medical Officer Contracts*

Effective 4 August 2014, Senior Medical Officers (SMO) and Visiting Medical Officers (VMO) will transition to individual employment contracts.

Individual contracts means senior doctors will have a direct employment relationship with SCHHS and employment terms and conditions tailored to individual or medical specialty circumstances (within a consistent state-wide framework).

As a direct employment relationship will be established between contracted medical officers and SCHHS, employee-related costs for contracted SMOs and VMOs will be recognised by SCHHS (not the Department) from the date the contracts are effective.

Non-contracted SMOs and VMOs will remain employed under current award arrangements. As SCHHS is a prescribed employer from 1 July 2014, they will also be employed by SCHHS.

## Note 37. Events after the reporting period (continued)

*Transfer of legal ownership of health service land and buildings to SCHHS*

Commencing 1 July 2014 the legal title of health service land and buildings will progressively transfer from the Department to SCHHS. As SCHHS currently controls these assets, through a Deed of Lease arrangement, there will be no material impact to the accounts of the Department or SCHHS upon transfer.

Buildings which are currently used by the Department which reside on SCHHS land will be leased back to the Department by SCHHS.

Legal title transfer is currently expected to occur within three tranches, according to when both entities have mutual confidence that the respective HHS has the capacity and capability to be effective asset managers.

SCHHS is earmarked in tranche two with the transfer expected to be finalised by December 2014.

*Transfer of general purpose housing to the Department of Housing and Public Works*

As part of a whole-of-Government initiative, management of all non-operational housing transitioned to the Department of Housing and Public Works (DHPW) on 1 January 2014. Legal ownership of housing assets will transfer to the DHPW on 1 July 2014.

As at 30 June 2014, SCHHS held non-operational housing assets with a total net book value of $3.963m under a Deed of Lease arrangement with the Department of Health. Effective 1 July 2014, the Deed of Lease arrangement in respect of these assets will cease, and the assets will be transferred to the Department of Health at their net book value, prior to their transfer to the DHPW.

As this transfer will be designated as a Contribution by Owners, the transfer will be undertaken through the equity account of SCHHS. Therefore, this transaction will have no impact on the Statement of Comprehensive Income in the 2014-15 Financial Year.

SCHHS is currently assessing its longer term requirements for staff accommodation. It is anticipated that some of the properties transferred back to DHPW will subsequently be leased to SCHHS as tenant. In other instances, SCHHS will source lease accommodation on the open market.

*Non adjusting events*

SCHHS deems the identified events after the reporting period to be non-adjusting events. Accordingly, SCHHS will not adjust any amounts recognised in its financial statements relating to the non-adjusting events.

No other matter or circumstance has arisen since 30 June 2014 that has significantly affected, or may significantly affect SCHHS operations, the results of those operations, or SCHHS state of affairs in future financial years.

## Note 38. Right of Private Practice arrangement

SCHHS has a Right of Private Practice (ROPP) arrangement in place. This arrangement covers Option A and Option B Doctors.

*ROPP Option A*

The revenue from ROPP Option A is assigned to SCHHS and is recognised as revenue to SCHHS. The Option A doctors are employees of the Department contracted to SCHHS. Refer to Note 2(u) Employee Benefits.

## Note 38. Right of Private Practice arrangement (continued)

*ROPP Option B*

The revenue from ROPP Option B is partly payable to the private practice Option B doctors. Option B doctors receive a portion of the generated revenue up to an established annual cap. Amounts over the cap are split 1/3 to the doctor and 2/3 to the Private Practice Trust Fund.

The Private Practice Trust Fund has been established to fund various educational, study and research programmes for SCHHS staff. The Private Practice Trust Fund is a component of the overall General Trust. Refer to Note 18. Current assets - cash and cash equivalents and Note 40. General Trust.

Recoverables (administration costs etc) in respect of ROPP Option B, which SCHHS is entitled to, are recorded in the statement of comprehensive income of SCHHS.

Three doctors practice under agreements separately negotiated with SCHHS directly. The financial impacts of these arrangements are included in the Option B financial impacts highlighted below.

| | 2014 | 2013 |
|---|---|---|
| | $'000 | $'000 |
| **ROPP Revenues and Expenses** | | |
| Billing - Option A doctors | 8,087 | 5,226 |
| Billing - Option B doctors | 5,239 | 4,262 |
| Interest | 17 | 14 |
| Payments to SCHHS for Option A | (8,100) | (5,237) |
| Payments to Option B doctors | (2,565) | (2,021) |
| To SCHHS for recoverable costs related to Option B | (1,471) | (1,246) |
| To SCHHS for the Private Practice Trust Account | (1,207) | (998) |
| | - | - |

The only asset of the arrangement is cash, the balance of which is held in the Private Practice bank account. This account does not form part of the cash and cash equivalents of SCHHS. As at 30 June 2014 the balance was $1.443m ($0.678m as at 30 June 2013).

Payables due to SCHHS for Option A doctors, Option B doctors directly, SCHHS for recoverable costs and the Private Practice Trust Fund as at 30 June 2014 were $1.417m ($0.663m as at 30 June 2013).

The activity conducted through the ROPP arrangement is audited by the Queensland Audit Office (QAO) on an annual basis. The fee for this service is incorporated in the total fee charged by QAO for the full audit of the Annual Financial Report. Refer to Note 31. Remuneration of auditors.

## Note 39. Reconciliation of operating result to net cash from operating activities

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| **Operating result for the year** | 5,977 | 8,061 |
| Adjustments for: | | |
| Depreciation and amortisation | 19,638 | 19,444 |
| Net loss/(gain) on sale of non-current assets | 41 | (39) |
| Revaluation loss on land assets | 2,702 | 2,476 |
| Depreciation offset from the Department of Health | (19,633) | (19,006) |
| Impairment losses on receivables | 398 | 251 |
| Change in operating assets and liabilities: | | |
| Decrease/(increase) in trade and other receivables | (2,113) | (1,877) |
| Decrease/(increase) in GST receivables | (777) | (1,078) |
| Decrease/(increase) in inventories | (577) | 303 |
| Decrease/(increase) in accrued revenue | (1,460) | (2,223) |
| Decrease/(increase) in prepayments | (214) | 130 |
| Increase/(decrease) in trade and other payables | 1,336 | 29,618 |
| Increase/(decrease) in accrued employee benefits | (29) | 53 |
| Increase/(decrease) in unearned revenue | 416 | - |
| Net cash from operating activities | 5,706 | 36,113 |

*Restatement of prior year non-cash impairment losses on receivables*

Impairment losses on receivables of $0.251m, originally recorded within Increase in trade and other receivables, have now been separately disclosed.

Other receivables have been renamed to GST receivables to more accurately reflect the nature of the underlying movements.

## Note 40. General Trust

SCHHS receives cash contributions primarily from private practice clinicians (Refer Note 38. Right of Private Practice arrangement) and from external entities to provide for education, study and research in clinical areas. Contributions are also received from benefactors in the form of gifts, donations and bequests for stipulated purposes. Contributions are collected and held within the General Trust ("the Trust").

Payments are made from the General Trust for specific purposes in accordance with the General Trust Policy.

*Correction of prior period error*

The 2013 comparative amounts for "Revenue received during the year" and "Expenditure during the year" have been restated to more accurately reflect the flows through the Trust during the period. The closing position of the Trust and cash held by the Trust remains unchanged as at 30 June 2013.

## Note 40. General Trust (continued)

| | 2014 | 2013 |
|---|---|---|
| | $'000 | $'000 |
| **General trust** | | |
| Opening balance | 3,291 | 2,652 |
| Revenue received during the year | 2,518 | 2,006 |
| Expenditure during the year | (2,478) | (1,367) |
| Balance of the General Trust | 3,331 | 3,291 |

The closing cash balance of the General Trust is $3.500m ($3.311m as at 30 June 2013). This is held on deposit with the Queensland Treasury Corporation ($3.462m) and the Commonwealth Bank ($0.038m).

**Sunshine Coast Hospital and Health Service**
**Management certificate**
**30 June 2014**

These general purpose financial statements have been prepared pursuant to s.62(1) of the *Financial Accountability Act 2009* (the Act), section 43 the *Financial and Performance Management Standard 2009* and other prescribed requirements. In accordance with 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 Sunshine Coast Hospital and Health Service for the financial year ended 30 June 2014 and of the financial position of the Sunshine Coast Hospital and Health Service at the end of that year; and

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

Emeritus Professor
Paul Thomas AM
Chairperson
Sunshine Coast
Hospital and Health Board

19 / 8 / 14

Kevin Hegarty B Bus
Health Service Chief Executive
Sunshine Coast Hospital and
Health Service

19 / 8 / 2014

Rodney Margetts CA
Chief Finance Officer
Sunshine Coast Hospital and
Health Service

19 / 8 / 2014

## INDEPENDENT AUDITOR'S REPORT

To the Board of Sunshine Coast Hospital and Health Service

**Report on the Financial Report**

I have audited the accompanying financial report of Sunshine Coast Hospital and Health Service, which comprises the statement of financial position as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and certificates given by the Chairperson, Health Service Chief Executive and Chief Finance Officer.

*The Board's Responsibility for the Financial Report*

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

*Auditor's Responsibility*

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

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

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

*Independence*

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

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

*Opinion*

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

(a) I have received all the information and explanations which I have required; and

(b) in my opinion –

(i) the prescribed requirements in relation to the establishment and keeping of accounts have been complied with in all material respects; and

(ii) the financial report presents a true and fair view, in accordance with the prescribed accounting standards, of the transactions of the Sunshine Coast Hospital and Health Service for the financial year 1 July 2013 to 30 June 2014 and of the financial position as at the end of that year.

**Other Matters - Electronic Presentation of the Audited Financial Report**

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

QUEENSLAND
20 AUG 2014
AUDIT OFFICE

B R Steel CPA
(as Delegate of the Auditor-General of Queensland)

Queensland Audit Office
Brisbane