

5 Financial statements

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General information

The Metro South Hospital and Health Service was established on 1 July 2012 as a Queensland Government statutory body under the *Hospital and Health Boards Act 2011*. The Metro South Hospital and Health Service operates under its registered trading name of Metro South Health.

Metro South Health is controlled by the State of Queensland which is the ultimate parent entity.

The head office and principal place of business of Metro South Health is:

Garden City Office Park—Building 5
2404 Logan Road
Eight Mile Plains Q 4113

For information in relation to Metro South Health’s financial statements visit the Metro South Health website:

www.metrosouth.health.qld.gov.au
or email: MD05-MetroSouthHSD@health.qld.gov.au

Metro South Health
Statement of Comprehensive Income
 For the year ended 30 June 2015

	Notes	2015 \$'000	2014 \$'000
Income from continuing operations			
User charges and fees	2	1,942,597	1,790,325
Grants and other contributions	3	40,256	40,207
Other revenue	4	7,093	15,483
Total revenue		1,989,946	1,846,015
Gains on disposal or re-measurement of assets		961	573
Total income from continuing operations		1,990,907	1,846,588
Expenses from continuing operations			
Employee expenses	5	1,335,613	2,122
Health service employee expenses	6	-	1,244,654
Supplies and services	7	564,469	495,999
Grants and subsidies	8	3,358	4,918
Depreciation and amortisation	14, 15	67,372	61,895
Impairment losses		152	2,802
Other expenses	9	9,717	8,404
Total expenses from continuing operations		1,980,681	1,820,794
Operating result for the year		10,226	25,794
Other comprehensive income			
<i>Items that will not be reclassified subsequently to operating result</i>			
Increase in asset revaluation surplus	19	9,247	4,347
Total other comprehensive income		9,247	4,347
Total comprehensive income		19,473	30,141

The accompanying notes form part of these statements

Metro South Health
Statement of Financial Position
As at 30 June 2015

	Notes	2015 \$'000	2014 \$'000
Current assets			
Cash and cash equivalents	10	132,301	170,710
Receivables	11	58,067	26,858
Inventories	12	15,175	13,773
Other assets	13	6,067	4,191
Total current assets		<u>211,610</u>	<u>215,532</u>
Non-current assets			
Intangible assets	14	587	477
Property, plant and equipment	15	1,192,652	1,081,818
Total non-current assets		<u>1,193,239</u>	<u>1,082,295</u>
Total assets		<u>1,404,849</u>	<u>1,297,827</u>
Current liabilities			
Payables	17	66,040	142,530
Accrued employee benefits	18	59,142	37
Unearned revenue		90	1,923
Total current liabilities		<u>125,272</u>	<u>144,490</u>
Total liabilities		<u>125,272</u>	<u>144,490</u>
Net assets		<u>1,279,577</u>	<u>1,153,337</u>
Equity			
Contributed equity		1,177,620	1,070,853
Accumulated surplus/(deficit)		56,009	45,783
Asset revaluation surplus	19	45,948	36,701
Total equity		<u>1,279,577</u>	<u>1,153,337</u>

The accompanying notes form part of these statements

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

Notes	Accumulated surplus/(deficit) \$'000	Asset revaluation surplus \$'000	Contributed equity \$'000	Total equity \$'000
Balance as at 1 July 2013	19,989	32,354	1,048,900	1,101,243
Operating Result from continuing operations	25,794	-	-	25,794
<i>Other Comprehensive Income</i>				
Increase in Asset Revaluation Surplus	19	4,347	-	4,347
Total comprehensive income for the year	25,794	4,347	-	30,141
<i>Transactions with owners as owners:</i>				
Equity asset transfers	20	-	46,944	46,944
Equity injections	20	-	36,844	36,844
Equity withdrawals	20	-	(61,835)	(61,835)
Net transactions with owners as owners	-	-	21,953	21,953
Balance as at 30 June 2014	45,783	36,701	1,070,853	1,153,337

Notes	Accumulated surplus/(deficit) \$'000	Asset revaluation surplus \$'000	Contributed equity \$'000	Total equity \$'000
Balance as at 1 July 2014	45,783	36,701	1,070,853	1,153,337
Correction of prior year error - asset not previously recognised	15,20	-	6,517	6,517
Revised balance as at 1 July 2014	45,783	36,701	1,077,370	1,159,854
Operating Result from continuing operations	10,226	-	-	10,226
<i>Other Comprehensive Income</i>				
Increase in Asset Revaluation Surplus	19	9,247	-	9,247
Total Comprehensive Income for the Year	10,226	9,247	-	19,473
<i>Transactions with Owners as Owners:</i>				
Equity asset transfers	15, 20	-	127,909	127,909
Equity injections	20	-	39,713	39,713
Equity withdrawals	20	-	(67,372)	(67,372)
Net transactions with owners as owners	-	-	100,250	100,250
Balance as at 30 June 2015	56,009	45,948	1,177,620	1,279,577

The accompanying notes form part of these statements

Metro South Health
Statement of Cash Flows
For the year ended 30 June 2015

	Notes	2015 \$'000	2014 \$'000
Cash flows from operating activities			
<i>Inflows:</i>			
User charges and fees		1,843,099	1,751,119
Grants and other contributions		39,336	40,177
Interest received		1,031	1,099
GST input tax credits		28,910	24,162
GST collected from customers		4,689	4,344
Other receipts		5,295	14,207
<i>Outflows:</i>			
Employee expenses		(1,276,509)	(2,085)
Health service employee expenses		-	(1,274,404)
Supplies and services		(642,983)	(431,193)
Grants and subsidies		(3,365)	(4,918)
GST paid		(29,663)	(25,273)
GST remitted to ATO		(4,696)	(4,394)
Other		(8,750)	(6,581)
Net cash provided by (used in) operating activities	21	(43,606)	86,260
Cash flows from investing activities			
<i>Inflows:</i>			
Sales of property, plant and equipment		407	1,370
<i>Outflows:</i>			
Payments for property, plant and equipment		(32,796)	(32,665)
Payments for intangibles		(337)	(175)
Prepayments for plant and equipment		(1,483)	(2,611)
Net cash provided by (used in) investing activities		(34,209)	(34,081)
Cash flows from financing activities			
<i>Inflows:</i>			
Equity Injections	20	39,406	36,844
Net cash provided by (used in) financing activities		39,406	36,844
Net increase/(decrease) in cash and cash equivalents		(38,409)	89,023
Cash and cash equivalents at the beginning of the financial year		170,710	81,687
Cash and cash equivalents at the end of the financial year	10	132,301	170,710

The accompanying notes form part of these statements

Metro South Health
Notes to the Financial Statements
For the year ended 30 June 2015

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Metro South Health
Notes to the Financial Statements
For the year ended 30 June 2015

1. Significant accounting policies

(a) Statement of compliance

Metro South Health has prepared these financial statements in compliance with 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 applicable to not-for-profit entities, as Metro South Health is a not-for-profit entity. The financial statements also comply with Queensland Treasury's reporting requirements and authoritative pronouncements. Amounts are recorded at their historical cost, except where stated otherwise.

(b) The reporting entity

The financial statements include the value of all revenues, expenses, assets, liabilities and equity of Metro South Health. Metro South Health does not have any controlled entities.

(c) Trust and agency transactions and balances

Metro South Health undertakes patient fiduciary fund transactions as trustee. These funds are received and held on behalf of patients with the hospital having no discretion over these funds. As such they are not part of Metro South Health assets recognised in the financial statements. Patient funds are not controlled by Metro South Health but trust activities are included in the annual audit performed by the Auditor-General of Queensland and disclosed in Note 25(a).

Metro South Health controls the general trust bank account and forms part of the cash and cash equivalent balance. General trust funds are restricted in nature as it can only be used for the specific purpose the funds are provided for. Refer Note 24.

Metro South Health acts as an agent in respect of the transactions and balances of the private practice bank accounts. The private practice funds are not controlled by Metro South Health but the activities are included in the annual audit performed by the Auditor-General of Queensland and disclosed in Note 25(b).

(d) User charges and fees

User charges and fees controlled by Metro South Health primarily comprises Department of Health funding, hospital fees (private patients), reimbursement of pharmaceutical benefits, sales of goods and services and rental income.

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

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

(e) Grants and other contributions

Grants, contributions, donations and gifts that are non-reciprocal in nature are recognised as revenue in the year in which Metro South Health obtains control over them. This includes amounts received from the Australian Government for programs that have not been fully completed at the end of the financial year. Contributed assets are recognised at their fair value.

(f) Special payments

Special payments include ex-gratia expenditure and other expenditure that Metro South Health is not contractually or legally obliged to make to other parties. In compliance with Financial and Performance Management Standard 2009, Metro South Health maintains a register setting out details of all special payments greater than \$5,000. The total of special payments (including those of \$5,000 or less) is disclosed separately within other expenses in Note 9. However, descriptions of the nature of special payments are only provided for special payments greater than \$5,000.

(g) Cash and cash equivalents

Cash assets include all cash receipted but not banked as at 30 June as well as deposits at call with financial institutions.

Metro South Health
Notes to the Financial Statements
 For the year ended 30 June 2015

(h) Receivables

Trade debtors are recognised at the amounts due at the time of sale or service delivery. Trade receivables are generally settled within 30-120 days, while other receivables may take longer than twelve months relating to workers compensation claims.

The collectability of receivables is assessed periodically with provision being made for impairment. All known bad debts are written off when identified.

(i) Inventories

Inventories consist mainly of pharmaceutical and medical supplies held for distribution in Metro South Health hospitals. Inventories are measured at weighted average cost adjusted for obsolescence. Unless material, inventories do not include supplies held ready for use in the wards and are expensed on issue from Metro South Health's main storage facilities.

(j) Property, plant and equipment

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

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

*Land improvements are included with buildings.

Property, plant and equipment are initially recorded at consideration plus any costs directly incurred bringing the asset to the condition ready for use. The cost of items acquired during the financial year has been judged by management to materially represent the fair value at the end of the reporting period. Land and buildings are subsequently measured at fair value.

Assets under construction are not revalued until they are ready for use. Construction of major health infrastructure is managed by the Department of Health. Upon practical completion of a project, assets under construction are assessed at fair value by the Department of Health through the engagement of an independent valuer prior to the transfer of those assets to Metro South Health via an equity adjustment.

Where assets are received from Queensland Government agencies free of charge, 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 are initially recognised at their fair value at the date of acquisition.

Revaluations of property, plant and equipment

Land and buildings are measured at fair value which are reviewed each year to ensure they are materially correct. Significant land and buildings are comprehensively revalued by independent, qualified valuers once every five years, or whenever volatility is detected, and their values are materially kept up-to-date via the application of relevant indices in the interim years .

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

Reflecting the specialised nature of health service buildings, fair value is determined using the depreciated replacement cost methodology. Depreciated replacement cost represents how much it would cost to replace the 'service potential' remaining in an existing asset. The cost of a replacement asset is determined by reference to a modern equivalent asset, built to current standards and with modern materials. This valuation uses observable and unobservable inputs to determine the full cost of the replacement asset as relevant to the valuation. Refer Note 1(l) and Note 16.

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

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

Metro South Health
Notes to the Financial Statements
For the year ended 30 June 2015

Depreciation

Property, plant and equipment are depreciated on a straight-line basis. Land is not depreciated. Assets under construction or work-in-progress are not depreciated until they reach service delivery capacity.

Any expenditure that increases the originally assessed service potential of an asset is capitalised and depreciated over the remaining useful life of the asset. The depreciable amount of improvements to or on leasehold property is allocated progressively over the shorter of the estimated useful lives of the improvements or the unexpired period of the lease, which is inclusive of any option period where exercise of the option is probable.

The estimated useful lives of the assets are reviewed annually and where necessary, are adjusted to better reflect the pattern of consumption of the asset. In reviewing the useful life of each asset factors such as asset usage and the rate of technical obsolescence are considered. Refer Note 15.

Metro South Health's buildings have a useful life ranging from 18 to 85 years and for plant and equipment the useful life is between 3 and 47 years.

Impairment of non-current assets

All non-current assets are assessed annually for impairment. If an indicator of impairment exists, Metro South Health determines the asset's recoverable amount and if this amount is less than the asset's carrying amount it is considered as an impairment loss.

(k) Intangible assets

An intangible asset is recognised only if its cost is equal to or greater than \$100,000. Intangible assets are recorded at cost, which is consideration plus costs incidental to the acquisition, less accumulated amortisation and impairment losses. Internally generated software cost includes all direct costs associated with the development of that software. All other costs are expensed as incurred.

Intangible assets are amortised on a straight-line basis over their estimated useful life with a residual value of zero. The estimated useful life and amortisation method are reviewed periodically, with the effect of any changes in estimate being accounted for on a prospective basis. The useful life of the intangible assets for Metro South Health ranges from 5 to 16 years.

(l) Fair value measurement

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

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

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

Significant unobservable inputs used by Metro South Health include, but are not limited to:

- subjective adjustments made to observable data to take account of the specialised nature of health service buildings
- assessments of physical condition and remaining useful life.

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. Refer Note 16.

(m) Arrangements for the provision of public infrastructure by other entities

The Department of Health, prior to the establishment of Metro South Health, entered into a contractual arrangement with a private sector entity for the construction and operation of a public infrastructure facility for a period of time on land now controlled by Metro South Health. After an agreed period of time, ownership of the facility will pass to Metro South Health. Arrangements of this type are known as Public Private Partnerships (PPP).

Metro South Health
Notes to the Financial Statements
For the year ended 30 June 2015

Although the land on which the facility has been constructed remains an asset of Metro South Health, Metro South Health does not control the facility associated with the arrangement. Therefore this facility is not recorded as an asset. Metro South Health may receive rights under the arrangement, including:

- rights to receive the facility at the end of the contractual terms; and
- rights to receive cash flows in accordance with the respective contractual arrangements.

The arrangement was structured to minimise risk exposure for the public health system. Refer Note 26.

(n) Collocation arrangements

There are contractual arrangements with private sector entities for the operation of a private health facility for a period of time on land controlled by Metro South Health. Metro South Health may receive rights to receive cash flows or rights to receive the facility at the end of the contractual term in accordance with the respective contractual arrangements. As a concession contract, Metro South Health does not recognise the facility as an asset. Refer Note 27.

(o) Payables

Payables are recognised for amounts to be paid in the future for goods and services received. Trade creditors are measured at agreed purchase/contract price, gross of applicable trade and other discounts. The amounts are unsecured and are generally settled in accordance with the vendors' terms and conditions typically within 30 days.

(p) Financial instruments

Recognition

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. Financial assets and financial liabilities are recognised in the Statement of Financial Position when Metro South Health 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. |

Metro South Health does not enter into transactions for speculative purposes, or hedging. Other disclosures relating to the measurement and financial risk management of other financial instruments are included in Note 28.

(q) Employee benefits

Metro South Health became a prescribed employer on 1 July 2014. The Department of Health continue to be responsible for setting state-wide terms and conditions of employment, including remuneration and classification structures and for negotiating enterprise agreements.

Wages and salaries due but unpaid at reporting date are recognised in the Statement of Financial Position at the current salary rates. As Metro South Health expects such liabilities to be wholly settled within 12 months of the reporting date, the liabilities are recognised at undiscounted amounts.

Under the Queensland Government's Annual Leave Central Scheme and Long Service Leave Scheme, levies are payable by Metro South Health 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 of Health. Non-vesting employee benefits such as sick leave are recognised as an expense when taken.

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

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. The QSuper scheme had defined benefit and defined contribution categories. Contributions are expensed in the period in which they are payable and Metro South Health's obligation is limited to its contribution to QSuper.

Metro South Health
Notes to the Financial Statements
For the year ended 30 June 2015

Workers compensation insurance are 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.

Key management personnel and remuneration expenses disclosures are made in accordance with section 5 of the *Financial Reporting Requirements for Queensland Government Agencies* issued by Queensland Treasury. Refer to Note 29.

(r) Insurance

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

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

Metro South Health pays premiums to WorkCover Queensland in respect of its obligations for employee compensation.

(s) Services received free of charge or for nominal value

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

Metro South Health receives corporate services support from the Department of Health for no direct cost. Corporate services received include payroll services, accounts payable 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 Metro South Health's Statement of Comprehensive Income.

(t) Taxation

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

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

(u) Issuance of financial statements

The financial statements are authorised for issue by the Chair, Metro South Hospital and Health Board, the Chief Executive, Metro South Health and the Chief Financial Officer, Metro South Health, at the date of signing the Management Certificate.

(v) Accounting estimates and judgements

The preparation of financial statements necessarily requires the determination and use of certain critical accounting estimates, assumptions and management judgements that have the potential to cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Such estimates, judgements and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and future periods as relevant.

Estimates and assumptions that have a potential material adjustment to the carrying amount of assets and liabilities within the next financial year are outlined below.

Allowance for impairment of receivables are assessed by taking into account the ageing of receivables, historical collection rates and review of specific debtor's to assess debt collectability. Refer Note 11.

Property, plant and equipment valuation in respect of fair value measurement can be sensitive to the various valuation inputs selected. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset is placed in can be subjective. Valuation standards are used to guide any required judgements. Refer Note 15 and 16.

The depreciation and amortisation rate is determined by application of appropriate useful life to relevant non-current asset classes. Refer Note 14 and 15. The useful lives could change significantly as a result of change in use of the asset, technical obsolescence or some other economic event. The impact on depreciation or amortisation can be significant and also could result as a write-off of the asset.

Further, the matters covered in each of these notes necessarily involve estimation uncertainty with the potential to materially impact on the carrying amount of Metro South Health's assets and liabilities in the next reporting period.

Metro South Health
Notes to the Financial Statements
For the year ended 30 June 2015

(w) Rounding and comparatives

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

The comparative information has been restated where necessary to be consistent with disclosures in the current reporting period and to improve transparency across the years.

(x) New and revised accounting standards

Metro South Health is not permitted to early adopt accounting standards unless approved by Queensland Treasury. Consequently, Metro South Health has not applied any Australian Accounting Standards and Interpretations that have been issued but not yet effective. Metro South Health applies standards and interpretations in accordance with their respective commencement dates.

- AASB 1055 *Budgetary Reporting* became effective from reporting periods beginning on or after 1 July 2014. Metro South Health has now included in its 2014-15 financial statements the original budgeted figures from the Statement of Comprehensive Income, Statement of Financial Position and Statement of Cash Flows as published in the 2014-15 Queensland Government's Service Delivery Statements. The budgeted figures are presented consistently with the corresponding (actuals) financial statements and will be accompanied by explanations of major variances between the actual amounts and the corresponding original budgeted figures.

Materiality is a consideration when determining major variances. Metro South Health applied materiality levels in accordance with Queensland Treasury's Financial Reporting Requirements. Metro South Health provides budget versus actual variance explanations for the following.

Variances that are larger than 5% of the budgeted figure for employee expenses, supplies and services in the Statement of Comprehensive Income and payments for property, plant and equipment in the Statement of Cash flows. Variances for all other material line items over 10% of the budgeted figure is also provided.

- AASB 124 *Related Party Disclosures* will become effective from reporting periods beginning on or after 1 July 2016. Metro South Health will need to comply with the requirements of the standard, which requires a range of disclosures about the remuneration of key management personnel, transactions with related parties/entities and relationships between parent and controlled entities. Metro South Health already discloses information about the remuneration expenses of key management personnel. Refer Note 29. Therefore, the most significant impact will be any additional disclosure for related parties including transactions with key management personnel or close members of their families.
- AASB 15 *Revenue from Contracts with Customers* will become effective from reporting periods beginning on or after 1 January 2017. This standard has more detailed requirements for certain type of revenue from customers which may result in a change of timing of the revenue recognition from current accounting treatment. The impact of this standard has not been assessed at this time.
- AASB 9 *Financial Instruments* and AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 14)* will become effective from reporting period on or after 1 July 2018. AASB 9 will introduce different measurement criteria for impairment and disclosure associated with financial assets. The impact of these standards has not been assessed at this time.
- AASB 2015-7 *Amendments to Australian Accounting Standards—Fair Value Disclosures of Not-for-Profit Public Sector Entities* amends AASB 13 Fair Value Measurement effective from annual reporting periods beginning on or after 1 July 2016. The amendments provide relief from certain disclosures about fair values categorised as level 3 under the fair value hierarchy. Accordingly, the following disclosures for level 3 fair values in note 16 will no longer be required:
 - the disaggregation of certain gains/losses on assets reflected in the operating result;
 - quantitative information about the significant unobservable inputs in the fair value measurement; and
 - a description of the sensitivity of the fair value measurement to changes in the unobservable inputs.As the amending standard was released in early July 2015, Metro South Health has not early adopted this relief in these financial statements, as per instructions from Queensland Treasury. However, Metro South Health will be early adopting this disclosure relief as from the 2015-16 reporting period (also on instructions from Queensland Treasury).

There are no other standards effective for future reporting periods that are expected to have a material impact on Metro South Health.

Metro South Health
Notes to the Financial Statements
For the year ended 30 June 2015

	2015	2014
	\$'000	\$'000
2. User charges and fees		
Funding for the provision of public health services		
Activity based funding	1,536,647	1,489,227
Block funding	176,660	100,846
Other	67,372	61,835
	<u>1,780,679</u>	<u>1,651,908</u>
Hospital fees	76,617	68,179
Sale of goods and services	32,663	27,706
Pharmaceutical benefit scheme reimbursements	51,167	41,040
Rental income	1,470	1,492
	<u>1,942,597</u>	<u>1,790,325</u>
3. Grants and other contributions		
Australian Government grants		
Nursing home grants*	5,970	6,602
Home and community care grant*	13,016	12,474
Transition care program*	8,689	7,447
Organ and tissue donation for transplant	2,489	-
Other specific purpose recurrent grants	1,155	1,241
Specific purpose capital grant - radiation oncology	2,622	3,198
	<u>33,941</u>	<u>30,962</u>
Other grants	4,411	8,846
Donation assets	920	30
Donations other	984	369
	<u>40,256</u>	<u>40,207</u>
<p>* Nursing home grant is provided under the Aged Care Financial Instrument to the Redland Residential Care Services based on the appraisal of each resident's care needs. The Home and Community Care and Transition Care Program grants fund community-based or residential setting patient care supporting basic maintenance, personal care and domestic assistance and care packages including low intensity or nursing support to patients respectively.</p>		
4. Other revenue		
Interest	1,031	1,099
Health service employee expense recoveries*	-	13,249
General recoveries	4,480	398
Other	1,582	737
	<u>7,093</u>	<u>15,483</u>
<p>*Health service employee expenses are recovered for services provided to external parties not including the Department of Health or other Hospital and Health Services. Due to Metro South Health becoming a prescribed employer effective 1 July 2014, employee expense recoveries of \$9.75m in 2014-15 are offset against wages and salaries in Note 5.</p>		
5. Employee expenses*		
Employee benefits		
Wages and salaries	1,062,575	1,807
Employer superannuation contributions	110,486	165
Annual leave levy/expense	125,726	130
Long service leave levy/expense	22,367	28
Termination benefits	1,550	-
	<u>1,322,704</u>	<u>2,130</u>
Employee related expenses		
Workers compensation premium	7,801	-
Other employee related expense**	5,108	(8)
	<u>1,335,613</u>	<u>2,122</u>

Metro South Health
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5. Employee expenses*(continued)

	30 June 2015	30 June 2014
Number of employees***	11,838	7

*Due to Metro South Health becoming a prescribed employer effective 1 July 2014, health service employee expenses are now classified as employee expenses. This resulted in an increase in employee expenses by \$1,336 million in 2014-15 and additional 11,831 in employee numbers.

**Other employee related expenses include \$0.114 million (2014:\$0.104 million) fringe benefit tax and payroll tax.

***The number of employees as at 30 June includes full-time and part-time employees measured on a full-time equivalent basis (reflecting Minimum Obligatory Human Resource Information (MOHRI)). The number of employees does not include the chair, deputy chair of the board or the board members.

6. Health service employee expenses*

	2015 \$'000	2014 \$'000
Health service employee expenses	-	1,228,095
Health service employee related expenses	-	12,656
Other health service employees related expenses	-	3,903
	<u>-</u>	<u>1,244,654</u>
	30 June 2015	30 June 2014
Number of health service employees	-	11,084

*As a result of Metro South Health becoming a prescribed employer effective 1 July 2014, health service employee expenses are now classified as employee expenses. All employees previously classified as employees of the department are now engaged directly by Metro South Health.

7. Supplies and services

Consultants and contractors	28,322	13,090
Electricity and other energy	12,065	12,986
Patient travel	1,905	1,344
Other travel	2,784	2,419
Water	2,493	2,320
Building services	1,585	1,676
Computer services	14,668	12,541
Motor vehicles	990	961
Communications	20,536	16,039
Repairs and maintenance	40,588	30,851
Minor works including plant and equipment	6,831	5,382
Operating lease rentals	13,044	13,562
Insurance payment to the Department of Health*	15,382	15,930
Drugs	76,813	69,554
Inter entity hospital and health service supplies and services	12,225	14,032
Clinical supplies and services	267,654	243,368
Catering and domestic supplies	31,879	30,469
Other	14,705	9,475
	<u>564,469</u>	<u>495,999</u>

*Includes Queensland Government Insurance Fund (QGIF) Ref Note 1(r).

8. Grants and subsidies

Home and community health services	2,209	1,367
Medical research programs	1,149	3,551
	<u>3,358</u>	<u>4,918</u>

Metro South Health
Notes to the Financial Statements
For the year ended 30 June 2015

	2015 \$'000	2014 \$'000
9. Other expenses		
External audit fees*	292	363
Other audit fees	126	321
Insurance	96	105
Inventory written off	257	210
Intangible asset written off	15	-
Losses from the disposal of non-current assets	716	1,691
Special payments - ex-gratia payments**	41	63
Other legal costs	1,076	1,213
Journals and subscriptions	240	320
Advertising	201	259
Interpreter fees	4,043	3,732
Grants returned	1,994	-
Other	620	127
	9,717	8,404

*Total audit fees relating to the Queensland Audit Office for the 2014-15 financial year are quoted to be \$0.296 million (2014: \$0.305 million). There are no non-audit services included in this amount.

** Metro South Health made 22 (2014: 23) ex-gratia payments for less than \$5,000 to patients for their lost property whilst in hospital care. In 2014-15 there were 3 payments in excess of \$5,000 to patients or employees. Payment of \$13,000 to assist repatriation of a patient back to New Zealand, payment of \$5,590 for the loss of a patient's hearing aid and \$8,401 for an employees economic loss.

10. Cash and cash equivalents

Cash at bank and on hand	104,199	140,575
24 hour call deposits	28,102	30,135
	132,301	170,710

Metro South Health's bank accounts are grouped within the whole-of-government set-off arrangement with Queensland Treasury Corporation. Metro South Health does not earn interest on surplus funds and is not charged interest or fees for accessing its approved cash debit facility as it is part of the whole-of-Government banking arrangements.

Metro South Health's General Trust funds are operating from Commonwealth Bank of Australia bank accounts. Cash held in these accounts earns interest at a rate of 2.50 per cent (2014:2.45 per cent). In addition, General Trust funds in excess of monthly operational requirements are deposited at call with Queensland Treasury Corporation and earn interest at a rate of 2.70 per cent (2014: 3.28 per cent). Refer to Note 24 and 28.

11. Receivables

Trade debtors	57,201	29,178
Less: Allowance for impairment*	(2,988)	(5,413)
	54,213	23,765
GST receivable	4,430	3,676
GST payable	(576)	(583)
Net receivable	58,067	26,858

**Impairment of receivables*

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

The allowance for impairment reflects Metro South Health's assessment of the credit risk associated with receivables balances and is determined based on consideration of objective evidence of impairment, past experience and management judgement.

Metro South Health
Notes to the Financial Statements
For the year ended 30 June 2015

11. Receivables (continued)

	2015	2014
	\$'000	\$'000
Movements in the allowance for impairment loss		
Balance at 1 July	5,413	4,604
Increase / (decrease) in allowance recognised in operating result	(591)	2,567
Amounts written off during the year	(1,834)	(1,758)
Balance as at 30 June	<u>2,988</u>	<u>5,413</u>

Financial assets

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

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

Financial assets past due but not impaired 2014-15

	Overdue \$'000				Total
	Less than 30 days	30-60 days	61-90 days	More than 90 days	
Receivables	<u>1,674</u>	<u>914</u>	<u>493</u>	<u>1,787</u>	<u>4,868</u>

Financial assets past due but not impaired 2013-14

	Overdue \$'000				Total
	Less than 30 days	30-60 days	61-90 days	More than 90 days	
Receivables	<u>5,956</u>	<u>1,362</u>	<u>178</u>	<u>37</u>	<u>7,533</u>

Individually impaired financial assets 2014-15

	Overdue \$'000				Total
	Less than 30 days	30-60 days	61-90 days	More than 90 days	
Receivables	4,202	2,238	797	5,373	12,610
Allowance for impairment	(23)	(51)	(185)	(2,729)	(2,988)
Carrying amount	<u>4,179</u>	<u>2,187</u>	<u>612</u>	<u>2,644</u>	<u>9,622</u>

Individually impaired financial assets 2013-14

	Overdue \$'000				Total
	Less than 30 days	30-60 days	61-90 days	More than 90 days	
Receivables	1,161	2,307	1,610	7,405	12,483
Allowance for impairment	(36)	(506)	(673)	(4,198)	(5,413)
Carrying amount	<u>1,125</u>	<u>1,801</u>	<u>937</u>	<u>3,207</u>	<u>7,070</u>

2015
\$'000

2014
\$'000

12. Inventories

Inventories held for distribution

Medical supplies	14,561	13,093
Catering and domestic	318	351
Engineering	267	262
Other	29	67
	<u>15,175</u>	<u>13,773</u>

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For the year ended 30 June 2015

	2015 \$'000	2014 \$'000
13. Other assets		
Prepayment for plant and equipment	4,094	2,611
Prepayments	1,973	1,580
	<u>6,067</u>	<u>4,191</u>

14. Intangible assets		
Software purchased		
At cost	5,538	5,782
Less: Accumulated amortisation	(5,243)	(5,620)
	<u>295</u>	<u>162</u>
Software internally generated		
At cost	2,226	1,997
Less: Accumulated amortisation	(1,934)	(1,857)
	<u>292</u>	<u>140</u>
Software work in progress	-	175
Total Intangible assets	<u>587</u>	<u>477</u>

	Software purchased \$'000	Software internally generated \$'000	Software work in progress \$'000	Total \$'000
Balance at 1 July 2013	265	305	-	570
Acquisitions	-	-	175	175
Amortisation charge for the year	(103)	(165)	-	(268)
Balance at 1 July 2014	<u>162</u>	<u>140</u>	<u>175</u>	<u>477</u>
Acquisitions	-	229	92	321
Transfers between asset classes	267	-	(267)	-
Amortisation charge for the year	(134)	(77)	-	(211)
Balance at 30 June 2015	<u>295</u>	<u>292</u>	<u>-</u>	<u>587</u>

	2015 \$'000	2014 \$'000
15. Property, plant and equipment		
Land		
At fair value	<u>231,209</u>	<u>223,340</u>
Buildings		
At fair value	1,441,065	1,322,147
Less: Accumulated depreciation	(616,094)	(603,662)
	<u>824,971</u>	<u>718,485</u>
Plant and equipment		
At cost	283,058	271,364
Less: Accumulated depreciation	(151,637)	(140,381)
	<u>131,421</u>	<u>130,983</u>
Capital works in progress		
At cost	<u>5,051</u>	<u>9,010</u>
Total property, plant and equipment	<u>1,192,652</u>	<u>1,081,818</u>

Metro South Health
Notes to the Financial Statements
For the year ended 30 June 2015

15. Property, plant and equipment (continued)

Property, Plant and Equipment reconciliation	Land*	Buildings**	Plant and equipment	Work in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
	Level 2	Level 3			
Balance at 1 July 2013	223,242	701,832	130,647	6,050	1,061,771
Acquisitions	-	588	26,604	5,474	32,666
Donations received	-	-	30	-	30
Disposals	-	-	(2,153)	-	(2,153)
Donation made	-	-	(32)	-	(32)
Transfers in from other Queensland Government	44	44,348	2,552	-	46,944
Transfers between asset classes	-	2,098	416	(2,514)	-
Transfer recognised in operating surplus/(deficit)	-	(408)	226	-	(182)
Revaluation increments to asset revaluation surplus	-	4,347	-	-	4,347
Revaluation decrements reversal to comprehensive	54	-	-	-	54
Depreciation charge	-	(34,320)	(27,307)	-	(61,627)
Balance at 1 July 2014	223,340	718,485	130,983	9,010	1,081,818
Correction of prior year error to contributed equity***	-	6,517	-	-	6,517
Acquisitions	-	30	25,259	7,508	32,797
Donations received	-	-	920	-	920
Disposals	-	-	(851)	-	(851)
Donation made	-	-	(16)	-	(16)
Transfer in/(out) from other Queensland Government entities****	(2,106)	128,227	1,788	-	127,909
Transfers between asset classes	-	10,674	793	(11,467)	-
Transfer recognised in operating surplus/(deficit)	-	-	744	-	744
Revaluation increments to asset revaluation surplus*****	9,247	-	-	-	9,247
Revaluation increments to comprehensive income	728	-	-	-	728
Depreciation charge	-	(38,962)	(28,199)	-	(67,161)
Balance at 30 June 2015	231,209	824,971	131,422	5,051	1,192,652

* Land level 2 assets are land with active market.

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

*** Refer Note 20.

**** Transfers in are from the Department of Health include the Logan Hospital Emergency Department commissioning to building (\$119.3 million) and other net transfer of assets between the Department and other Hospital and Health Services (\$8.6 million). The asset transfers are equity asset transfers. Refer Note 20.

***** Refer Note 19.

Land

Land is measured at fair value each year using independent market valuations or market indices provided by State Valuation Service (SVS) within the Department of Natural Resources and Mines.

In 2014-15, Metro South Health's land was valued via indexation and SVS were also commissioned to provide independent market valuation for one parcel of land (Redland Hospital). The effective date of the valuation is 30 June 2015. Management has assessed the indices provided by SVS as appropriate for Metro South Health and has endorsed the use of the indices and also endorsed the result of the independent valuation.

15. Property, plant and equipment (continued)

The fair value of land was based on publicly available data on sales of similar land in nearby localities. SVS surmised that application of their indices, which are market based, are observable inputs developed from publicly available sales evidence and market transactions data and therefore these inputs fall into level 2 within the fair value hierarchy. In determining the values, adjustments were made to the sales data to take into account the location of Metro South Health's land, its size, street/road frontage and access and any significant restrictions. Refer to the reconciliation table later in this note for information about the fair value classification of Metro South Health's land.

The independent land valuations for 2014-15 resulted in a net increment of \$3.289 million (2014: increment of \$0.012 million) to the carrying amount of land. The market indices provided by SVS applied to land valuations in 2014-15 resulted in a net increment of \$6.686 million (2014: increment of \$0.042 million) to the carrying value of land.

Buildings

An independent valuation was performed over two financial years (2012-13 and 2013-14) for 96 per cent or 86 buildings of Metro South Health's building portfolio. In 2014-15, Metro South Health engaged quantity surveyors Davis Langdon to perform an independent valuation of an additional 9 buildings not previously recognised which resulted in an increment of \$6.51 million to contributed equity. Davis Langdon were also engaged to determine an index relevant to Metro South Health building portfolio to maintain fair value. The indexation based on the movement in construction cost was less than 1 per cent and no adjustment was taken up.

The methodology for the independent valuation is using historical and current construction contracts, the replacement cost of each building at date of valuation is determined, taking into account Brisbane location factors and compared against current construction contracts. The valuation is provided for a replacement building of the same size, shape and functionality that meets current design standards using estimates of gross floor area, number of floors, building girth and height, including existing lifts and staircases.

The condition assessment of the buildings performed by quantity surveyors during site inspection using the following ratings:

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 per cent of capital replacement cost)
4	Requires renewal	Complete renewal of internal fitout and service (up to 70 per cent of capital replacement cost)
5	Asset unserviceable	Complete asset replacement required

Plant and equipment

Metro South Health has plant and equipment with an original cost of \$0.959 million (2014 \$0.677 million) or 0.34 per cent (2014: 0.25 per cent) of total plant and equipment gross value and a written down value of zero still being used in the provision of services. These assets are expected to be replaced in future financial years.

16. Fair value measurement

All assets of Metro South Health 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;
- level 2: represents fair value measurements that are substantially derived from inputs (other than quoted prices included in level 1) that are observable, either directly or indirectly; and
- level 3: represents fair value measurements that are substantially derived from unobservable inputs.

None of Metro South Health's valuations of assets are eligible for categorisation into level 1 of the fair value hierarchy. Metro South Health's land asset valuations are categorised under level 2 of the fair value hierarchy.

16. 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 Depreciation 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 services facilities. Fair value \$824.97 million (2014: \$718.485 million)	Replacement cost estimate	Buildings \$0.02 million to \$726.9 million (2014: \$0.7 million to \$726.9 million)	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 estimate	0 years to 38 years (2014: 7 years and 33 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.
	Cost to bring to current standards	Buildings \$Nil to \$217.913 million (2014: \$Nil to \$217.913 million)	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 3 (max 5 in the model)	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.

	2015 \$'000	2014 \$'000
17. Payables		
Trade creditors	24,864	25,087
Accrued expenses	31,342	34,480
Department of Health payables*	9,834	82,963
	66,040	142,530

*Department of Health payables are due to outstanding vendor payments and other fee for service charges.

18. Accrued employee benefits

Salaries and wages accrued	59,142	37
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*Due to Metro South Health becoming a prescribed employer effective 1 July 2014, accrued expenses for employees are now classified as accrued employee benefits.

Metro South Health
Notes to the Financial Statements
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	2015 \$'000	2014 \$'000
19. Asset revaluation surplus by class		
Land		
Balance at the beginning of the financial year*	-	-
Revaluation increment/(decrement)	9,247	-
Balance at the end of the financial year	9,247	-
Buildings		
Balance at the beginning of the financial year*	36,701	32,354
Revaluation increment/(decrement)	-	4,347
Balance at the end of the financial year	36,701	36,701
Balance at the end of the financial year	45,948	36,701

*The asset revaluation surplus represents the net effect of revaluation movements in assets. Refer to Note 15.

20. Equity injections and equity withdrawals

Balance at the beginning of the financial year	1,070,853	1,048,900
Correction of prior year error - asset not previously recognised*	6,517	-
Cash injection for asset acquisitions	39,406	36,844
Non cash injection for asset acquisitions	307	-
Equity asset transfers in/(out) from other Queensland Government entities**	127,909	46,944
Non cash withdrawal for depreciation***	(67,372)	(61,835)
Balance at the end of the financial year	1,177,620	1,070,853

* Correction of prior year error for 9 buildings not previously recognised. Refer Note 15.

** These transfers are in accordance with the Designation of Transfer Notice. Refer Note 15.

*** The non cash equity withdrawal is for offsetting non-cash revenue funding for depreciation expense.

21. Reconciliation of operating result to net cash flows from operating activities

Operating result from continuing operations	10,226	25,794
<i>Non-cash items:</i>		
Depreciation/amortisation expense	67,372	61,895
Depreciation revenue from the Department of Health	(67,372)	(61,835)
Assets written (on)/off	(1,648)	183
Net loss on sale of property, plant and equipment	459	783
Revaluation decrement reversal to comprehensive income	(728)	(54)
<i>Change in assets and liabilities:</i>		
(Increase)/decrease in trade and other receivables	(30,901)	22,922
(Increase)/decrease in inventories	(1,402)	(1,135)
(Increase)/decrease in prepayments	(393)	(208)
Increase/(decrease) in unearned revenue	(1,834)	1,346
Increase/(decrease) in accrued employees expenses	59,105	-
Increase/(decrease) in payables	(76,490)	36,569
Net cash generated by operating activities	(43,606)	86,260

22. Commitments

(a) Non-cancellable operating leases*

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

	2015 \$'000	2014 \$'000
Not later than one year	7,220	539
Later than one year and not later than five years	25,600	1,746
Later than five years	1,609	-
	34,429	2,285

*Metro South Health has non-cancellable operating leases relating predominantly to office, car park and clinical services accommodation and

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22. Commitments (continued)

medical equipment. In 2014-15 a number of leases managed by the Department of Housing and Public Works (DHPW) has also transferred to Metro South Health previously disclosed by the Department of Health. Lease payments are generally fixed, but with escalation clauses on which contingent rentals are determined. No lease arrangements contain restrictions on financing or other leasing activities.

(b) Capital expenditure and other expenditure commitments

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

	2015 \$'000	2014 \$'000
Capital Works	2,270	6,671
Supplies*	33,108	5,292
Repairs and maintenance	18,965	13,088
Employment	1,705	3,101
	<u>56,048</u>	<u>28,152</u>
Not later than one year	27,721	17,779
Later than one year and not later than five years	28,308	10,062
Later than five years	19	311
	<u>56,048</u>	<u>28,152</u>

* The increase in commitments for supplies predominantly due to new contracts for security services (\$25.6 million).

(c) Grants and other contributions

Grants and contribution commitments inclusive of anticipated GST, committed to provide at reporting date, but not recognised in the accounts are payable as follows:

	2015 \$'000	2014 \$'000
Not later than one year	4,436	6,257
Later than one year and not later than five years	84	5,349
	<u>4,520</u>	<u>11,606</u>

23. Contingencies

(a) Litigation in progress

At 30 June 2015, Metro South Health has 5 litigation cases before the courts (2014: 12 cases). All Metro South Health indemnified claims have been managed by the Queensland Government Insurance Fund (QGIF). There are 97 claims (2014: 60 claims) managed by QGIF, some of which may never be litigated or result in payment of claims. Metro South Health's legal advisors and management advisors and management believe it would be misleading to estimate the final amount payable (if any) in respect of litigation before the courts at this time.

24. Restricted assets

Metro South Health receives cash contributions primarily from private practice clinicians 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. This money is controlled by Metro South Health and forms part of the cash and cash equivalents balance, however it is restricted in nature as it can only be used for the specific purpose. Refer Note 10.

At 30 June 2015, amounts of \$28.689 million (2014:\$30.904 million) in general trust and \$1.582 million (2014:\$3.338 million including capital expenditure) for research projects are set aside for the specified purposes underlying the contribution.

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25. Agency and fiduciary trust transactions and balances

Metro South Health 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 below for information purposes.

(a) Fiduciary trust transactions

	2015	2014
	\$'000	\$'000
Fiduciary trust receipts and payments		
Receipts	2,687	2,898
Payments	<u>2,724</u>	<u>3,004</u>
Increase/(decrease) in net patient trust assets	<u>(37)</u>	<u>(106)</u>
Decrease in net refundable deposits	<u>(1)</u>	<u>(2)</u>
Fiduciary trust assets		
Current assets		
Cash		
Patient trust funds	395	432
Other refundable deposits	<u>9</u>	<u>10</u>
Total current assets	<u>404</u>	<u>442</u>

(b) Agency right of private practice transactions and balances

Metro South Health has a Right of Private Practice arrangement in place. Since August 2014 there are two arrangements in place for private practice as follows:

Assignment model - all revenue generated by the clinician is paid and recognised as revenue by Metro South Health. Doctors under this arrangement are employees of Metro South Health.

Retention model - the revenue generated is initially payable to the private practice doctors directly. Under this arrangement, doctors receive the generated revenue up to an established annual cap. Amounts over the cap are split one third to the doctor and two third to Metro South Health. The portion due to Metro South Health receipted into a general trust account for a study, education and research fund for all staff, which is referred to as SERTA funds. Recoverable costs (eg. administration costs etc) in respect of this arrangement, which Metro South Health is entitled to, are recorded as revenue in Metro South Health's statement of comprehensive income.

Prior to August 2014, the private practice arrangements were referred to as Option A and Option B arrangements. Option A was also referred to as 'assignment' model with same arrangement as outlined above. Option B which allowed clinicians to retain a portion of the private fees they earned with the balance being paid into the general trust SERTA account similar to the above described 'retention' model.

	2015	2014
	\$'000	\$'000
Right of private practice receipts and payments		
Receipts		
Private practice receipts	44,479	42,650
Interest	109	87
Other receipts*	<u>8,568</u>	<u>4,047</u>
Total receipts	<u>53,156</u>	<u>46,784</u>
Payments		
Payments to doctors	11,848	12,156
Payments to Metro South Health for recoverable costs	28,042	24,110
Payments to Metro South Health general trust for SERTA	3,832	6,865
Other payments**	<u>8,955</u>	<u>4,079</u>
Total payments	<u>52,677</u>	<u>47,210</u>
Increase/(decrease) in net right of private practice assets	<u>479</u>	<u>(426)</u>

* Other receipts relating to dietician, oral health, children's health, medical imaging and outstanding deposits not yet receipted.

** Payments relating to the receipts on behalf of other Queensland Health entities such as Pathology Services, Medical Imaging, Children Services, refund to Medicare and or Private Insurance. Refer to Note 1(c).

Metro South Health
Notes to the Financial Statements
For the year ended 30 June 2015

25. Agency and fiduciary trust transactions and balances (continued)

	2015 \$'000	2014 \$'000
Right of private practice assets		
Current assets		
Cash*	1,751	1,272
Total current assets	1,751	1,272

*Cash balance predominantly includes doctor payments and payments to other entities outstanding at balance data and other payments due to Metro South Health which have been accrued as revenue in Metro South Health's accounts.

26. Arrangements for the provision of public infrastructure by other entities

Public Private Partnership (PPP) arrangements operating for all or part of the financial year are as follows. Refer to Note 1(m). The PPP is a Build-Own-Operate-Transfer (BOOT) arrangement.

Facility	Counterparty	Term of Agreement	Commencement Date
The Princess Alexandra Hospital (PAH) Multi Storey Car Park	International Parking Group Pty Limited	25 years	February 2008

The Princess Alexandra Hospital Multi Storey Car Park

The developer has constructed a 1,403 space multi storey car park on site at the hospital. Rental of \$0.295 million per annum escalated for CPI annually will be received from the car park operator up to February 2033. The developer operates and maintains the facility at its sole cost and risk. Metro South Health staff is entitled to concessional rates when using the car park.

Assets

As at 30 June 2015, Metro South Health does not have legal title to properties under its control. Metro South Health does not control the facility and therefore it is not recognised as an asset of the agency. The land where the facility has been constructed is recognised as Metro South Health's land. The recognised value of the relevant land parcel at Princess Alexandra Hospital is \$22.1 million. The portion dedicated to the PAH Multi Storey Car Park is 33.4 per cent with an estimated value of \$7.4 million. Refer Note 1(m).

Metro South Health has not recognised any rights or obligations relating to these facilities other than those associated with land rental and the provision of services under the agreements. Metro South Health has the right to retain the rent in accordance with the Deed of Lease in the Transfer Notice.

	2015 \$'000	2014 \$'000
Revenues		
Revenues recognised in relation to these arrangements:		
User charges and fees*	352	343

*This represents the actual rental payments for the multi-story car park.

PPP arrangements of Metro South Health cash flows (indicative)*

The Princess Alexandra Hospital multi storey car park	2015 \$'000	2014 \$'000
Up to 1 year	374	363
More that 1 year but less than 5 years	1,614	1,567
More than 5 years but less than 10 years	2,305	2,238
Later than 10 years	4,218	4,707
Net indicative cash flow	8,511	8,875

*The indicative cash flow is the undiscounted annual rental payments of \$0.295 million for the term of the agreement escalated annually by CPI at a rate of 3 per cent.

Metro South Health
Notes to the Financial Statements
 For the year ended 30 June 2015

27. Collocation arrangements

Collocation arrangements operating for all or part of the financial year are as follows. Refer to Note 1(n).

Facility	Counterparty	Term of Agreement	Commencement Date
Redlands Private Hospital	Sister of Mercy	25 years + 30 years	August 1999
Translational Research Institute (TRI) Building	Translational Research Institute Pty Ltd	30 years + 20 years	May 2013

Collocation agreement with Redland Private Hospital

In accordance with the Collocation Agreement, in 2014-15 Metro South Health recognised \$0.222 million (2014:\$0.292 million) revenue. Metro South Health has not recognised any rights or obligations relating to these facilities other than those associated with land rental and the provision of services under the agreements. Metro South Health has the right to retain the rent in accordance with the Deed of Lease in the Transfer Notice.

Metro South Health does not control the facility and therefore it is not recognised as an asset of the agency. The land where the Redland Private Hospital was constructed is approximately 9 per cent of the Redland Hospital land recognised at a total value of \$12.065 million.

Collocation agreement with Translational Research Institute Pty Ltd

Metro South Health does not control the facility and therefore it is not recognised as an asset of the agency. The land where the Translational Research Institute was constructed is approximately 12 per cent of the relevant parcels of the Princess Alexandra Hospital land recognised at a total value \$12.388 million. The lease for the building is between the Department of Health and TRI Pty Ltd and Metro South Health has sublease for building areas but no revenue is recorded from this arrangement.

28. Financial Instruments

(a) Categorisation of financial instruments

Metro South Health has the following categories of financial assets and financial liabilities:

	2015 \$'000	2014 \$'000
Financial assets		
Cash and cash equivalents	132,301	170,710
Receivables	58,067	26,858
	190,368	197,568
Financial liabilities		
Payables	66,040	142,530

(b) Financial risk management

Metro South Health is exposed to a variety of financial risks – credit risk, liquidity risk, interest rate risk and market risk.

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

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

28. Financial Instruments (continued)

(c) Credit risk exposure

Credit risk is the potential for financial loss arising from Metro South Health's debtors defaulting on their obligations. The maximum exposure to credit risk at balance date is the carrying value of receivable balances adjusted for impairment. Refer Note 11. Credit risk is considered minimal given all Metro South Health deposits are held by the State through Queensland Treasury Corporation.

(d) Liquidity risk

Liquidity risk refers to the situation when Metro South Health may encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial assets. This risk is minimal, as Metro South Health has an approved overdraft facility of \$18 million under whole-of-government banking arrangements to manage any short term cash shortfalls.

(e) Market risk

Metro South Health has interest rate exposure on the Queensland Treasury Corporate deposits and there is no interest rate exposure on its cash and fixed rate deposits. Metro South Health does not undertake any hedging in relation to interest rate risk. Changes in interest rate have a minimal effect on the operating result of Metro South Health.

Metro South Health
Notes to the Financial Statements
For the year ended 30 June 2015

29. Key management personnel and remuneration expenses

(a) Key management personnel

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

Position and name	Responsibilities	Contract classification and appointment authority	Appointment date*
<i>Metro South Hospital and Health Board</i>	The Board decides the objectives, strategies and policies to be followed by Metro South Health and ensure it performs its functions in a proper, effective and efficient way.	Appointments are under the provisions of the Hospital and Health Boards Act 2011 by Governor in Council. Notice published in the Queensland Government Gazette.	
Chair Terry White AO			18/05/2012
Deputy Chair Peter Dowling AM			29/06/2012
Board Members Dr John Kastrissios			29/06/2012
Lorraine Martin AO			07/09/2012
Professor John Prins			29/06/2012
Dr Marion Tower			29/06/2012
Margo MacGillivray	14/06/2013		

Position	Responsibilities	Contract classification and appointment authority	Appointment date*
Health Service Chief Executive	Delegated the operational responsibility to fulfil the Board's objectives and strategies. The Health Service Chief Executive then sub-delegates certain functions to the Executive team.	Section 74 Contract, Hospital and Health Boards Act 2011	06/08/2012
Executive Director, PAH-QEII Health Network	Executive leadership and operational responsibility for the health network.	Section 51A , Hospital and Health Boards Act 2011, Health Employment Directive No. 7/14 Senior Medical Officers - Employment Framework	05/05/2014
Executive Director, Logan-Bayside Health Network	Executive leadership and operational responsibility for the health network.	Hospital Executive Service HES 3L	04/04/2011
Executive Director, Addiction and Mental Health Services	Executive leadership and operational responsibility for addiction and mental health services.	Section 51A , Hospital and Health Boards Act 2011, Health Employment Directive No. 7/14 Senior Medical Officers - Employment Framework	03/12/2007

Metro South Health
Notes to the Financial Statements
For the year ended 30 June 2015

(a) Key management personnel (continued)			
Position	Responsibilities	Contract classification and appointment authority	Appointment date*
Executive Director, Clinical Governance	This position provides leadership for Clinical Governance and Patient Safety in Metro South Health and ensures the appropriate performance and outcomes of the clinical governance systems across Metro South Health across the domains of compliance, performance and support.	Section 51A , Hospital and Health Boards Act 2011, Health Employment Directive No. 7/14 Senior Medical Officers - Employment Framework	29/12/2008
Chief Finance Officer	This position is responsible and accountable for the operation of the financial management system and control environment for Metro South Health. It provides strategic advice and leadership of the financial management functions for the Hospital and Health Service.	Hospital Executive Service HES3H	04/06/2013
Executive Director, Corporate Services Metro South Health	This position is the Executive lead for asset management, capital planning and development, procurement management, contracts management, human resource management, operational support services, building engineering and maintenance services and other ancillary corporate support functions.	Hospital Executive Service HES3L	23/10/2009
Chief Information Officer	This position provides strategic leadership, direction and management across Metro South Health for Clinical Informatics and Technology Services and responsible for a diverse range of Communications Technology (ICT)services.	Hospital Executive Service HES2H	13/12/2010
Executive Director, Planning, Engagement and Reform	This position provides strategic leadership and innovation in the development and delivery of the following critical functions across Metro South Health – health service planning, engagement, government relations, health reform, media and communications.	Hospital Executive Service HES2H	28/05/2012
Executive Director, Nursing and Midwifery Services	This position leads the nursing services of Metro South Health.	Nurses and Midwives Certified Agreement 2012 Nurse Grade 12	29/07/2007
Executive Director, Medical Services	This position is the principal medical officer for Metro South Health and is responsible for supporting the health service Chief Executive in the planning and management of the health service's clinical services. This position provides professional leadership to all medical officers within Metro South Health	Section 51A , Hospital and Health Boards Act 2011, Health Employment Directive No. 7/14 Senior Medical Officers - Employment Framework	12/11/2012
Executive Director of Allied Health Services	This position provides strategic leadership of Metro South Health allied health workforce and services.	Health Practitioners Certified Agreement 2011 HP8	05/12/2008

*Key managements' commencement dates reflect their original appointment to the position. Refer to Note 1(q).

29. Key management personnel and remuneration expenses (continued)

(b) Remuneration expenses

Key management personnel remuneration - Board

Metro South Health 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 Metro South Health and the management of Metro South Health land and buildings (section 7 Hospital and Health Board Act 2011).

Key management personnel remuneration - Executive Leadership Team (ELT)

Section 74 of the Hospital and Health Board 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 Metro South Health 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 expenses for key management personnel comprises the following components:

- Short-term employee expenses which include:
 - salaries, allowances and leave entitlements earned and expensed for the entire year or for that part of the year during which the employee occupied the specified position.
 - non-monetary benefits consisting of provision of vehicle together with fringe benefits tax applicable to the benefit.
- Long-term employee benefits include amounts expensed in respect of long service leave entitlements earned.
- Post-employment expenses include amounts expensed in respect of employer superannuation obligations.
- Termination benefits 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.

1 July 2014 to 30 June 2015						
Position and name	Short term employee expenses		Long term employee expenses \$'000	Post-employment expenses \$'000	Termination benefits \$'000	Total expenses \$'000
	Monetary expenses \$'000	Non-monetary benefits				
Chair Terry White AO	90	-	-	9	-	99
Deputy Chair Peter Dowling AM	55	-	-	5	-	60
Board Member Dr John Kastrissios	50	-	-	5	-	55
Board Member Lorraine Martin AO	51	-	-	5	-	56
Board Member Professor John Prins	58	-	-	5	-	63
Board Member Dr Marion Tower	51	-	-	5	-	56
Board Member Margo MacGillivray	53	-	-	5	-	58

Metro South Health
Notes to the Financial Statements
For the year ended 30 June 2015

29. Key management personnel and remuneration expenses (continued)

1 July 2014 to 30 June 2015						
Position and name	Short term employee expenses		Long term employee expenses \$'000	Post-employment expenses \$'000	Termination benefits \$'000	Total expenses* \$'000
	Monetary expenses \$'000	Non-monetary benefits				
Health Service Chief Executive	487	11	9	50	-	557
Executive Director, PAH-QEII Health Network	460	6	9	35	-	510
Executive Director, Logan-Bayside Health Network	215	-	4	22	-	241
Executive Director, Addiction and Mental Health Services	484	2	10	32	-	528
Executive Director, Clinical Governance	432	1	8	31	-	472
Chief Finance Officer	273	-	5	24	-	302
Executive Director, Corporate Services	232	-	4	24	-	260
Chief Information Officer	208	-	4	21	-	233
Executive Director, Planning, Engagement and Reform	214	-	4	22	-	240
Executive Director, Nursing and Midwifery Services	300	8	5	23	-	336
Executive Director, Medical Services	422	-	9	31	-	462
Executive Director of Allied Health Services	166	-	3	19	-	188

*Represents aggregate expenditure for each position including relieving arrangements.

There is no key management personnel with a remuneration package that includes potential performance payments. There are no related party transactions to report.

1 July 2013 to 30 June 2014						
Position and name	Short term employee expenses		Long term employee expenses \$'000	Post-employment expenses \$'000	Termination benefits \$'000	Total expenses \$'000
	Monetary expenses \$'000	Non-monetary benefits				
Chair Terry White AO	74	-	-	6	-	80
Deputy Chair Peter Dowling AM	38	-	-	3	-	41
Board Member Dr John Kastrissios	38	-	-	3	-	41
Board Member Lorraine Martin AO	38	-	-	3	-	41
Board Member Professor John Prins	37	-	-	3	-	40
Board Member Dr Marion Tower	38	-	-	3	-	41
Board Member Margo MacGillivray	39	-	-	3	-	42

29. Key management personnel and remuneration expenses (continued)

1 July 2013 to 30 June 2014						
Position and name	Short term employee expenses		Long term employee expenses	Post-employment expenses	Termination benefits	Total expenses
	Monetary expenses \$'000	Non-monetary benefits \$'000				
Health Service Chief Executive	482	10	10	51	-	553
Executive Director, PAH-QEII Health Network*	422	8	6	24	-	460
Executive Director, Logan-Bayside Health Network	198	-	4	17	-	219
Executive Director, Addiction and Mental Health Services	403	5	8	26	-	442
Executive Director, Clinical Governance	407	1	8	29	-	445
Chief Finance Officer	256	-	5	26	-	287
Executive Director, Corporate Services	238	-	4	21	-	263
Chief Information Officer	218	-	4	21	-	243
Executive Director, Planning, Engagement and Reform	186	-	3	18	-	207
Executive Director, Nursing and Midwifery Services	410	7	8	34	-	459
Executive Director, Medical Services	332	6	6	32	-	376
Executive Director of Allied Health Services	160	-	3	17	-	180

*The information in this table have been re-instated from the 2013-14 published table representing the aggregate expenditure for each position, including relieving arrangements, more accurately reflecting the cost to Metro South Health.

Metro South Health
Notes to the Financial Statements
For the year ended 30 June 2015

30. Budget vs actual comparison

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

Statement of Comprehensive Income

	Variance	Actual 2015	Original Budget 2015	Variance	Variance
	Notes	\$'000	\$'000	\$'000	% of Budget
Income					
User charges and fees	1	1,942,597	1,838,823	103,774	6%
Grants and other contributions	2	40,256	33,155	7,101	21%
Other revenue	3	7,093	17,714	(10,621)	-60%
Total revenue		1,989,946	1,889,692	100,254	5%
Gains on disposal or re-measurement of assets		961	805	156	19%
Total income		1,990,907	1,890,497	100,410	5%
Expenses					
Employee expenses	4	1,335,613	2,017	1,333,596	66118%
Health Service employee expenses	4	-	1,307,975	(1,307,975)	-100%
Supplies and services	5	564,469	497,875	66,594	13%
Grants and subsidies		3,358	3,063	295	10%
Depreciation and amortisation		67,372	67,379	(7)	0%
Impairment losses		152	4,090	(3,938)	-96%
Other expenses		9,717	8,098	1,619	20%
Total expenses		1,980,681	1,890,497	90,184	5%
Operating result for the year		10,226	-	10,226	n/a

Metro South Health
Notes to the Financial Statements
For the year ended 30 June 2015

30. Budget vs Actual Comparison (continued)

Statement of Financial Position

	Variance Notes	Actual 2015 \$'000	Original Budget 2015 \$'000	Variance \$'000	Variance % of Budget
Current assets					
Cash and cash equivalents	6	132,301	156,540	(24,239)	-15%
Receivables	7	58,067	18,016	40,051	222%
Inventories		15,175	12,928	2,247	17%
Other assets	8	6,067	1,652	4,415	267%
Total current assets		211,610	189,136	22,474	12%
Non-current assets					
Intangible assets		587	29	558	1924%
Property, plant and equipment		1,192,652	1,185,742	6,910	1%
Total non-current assets		1,193,239	1,185,771	7,468	1%
Total assets		1,404,849	1,374,907	29,942	2%
Current liabilities					
Payables	9	66,040	123,020	(56,980)	-46%
Accrued employee benefits	9	59,142	274	58,868	21485%
Unearned revenue		90	-	90	n/a
Total current liabilities		125,272	123,294	1,978	2%
Total liabilities		125,272	123,294	1,978	2%
Net assets		1,279,577	1,251,613	27,964	2%
Equity					
Contributed equity		1,177,620	1,120,984	56,636	5%
Accumulated surplus/(deficit)		56,009	49,244	6,765	14%
Asset revaluation surplus	10	45,948	81,385	(35,437)	-44%
Total equity		1,279,577	1,251,613	27,964	2%

Metro South Health
Notes to the Financial Statements
For the year ended 30 June 2015

30. Budget vs Actual Comparison (continued)

Statement of Cash Flows

	Variance Notes	Actual 2015 \$'000	Original Budget 2015 \$'000	Variance \$'000	Variance % of Budget
Cash flows from operating activities					
<i>Inflows:</i>					
User charges and fees	11	1,843,099	1,769,778	73,321	4%
Grants and other contributions	12	39,336	33,155	6,181	19%
Interest received		1,031	1,245	(214)	-17%
GST input tax credits		28,910	32,741	(3,831)	-12%
GST collected from customers		4,689	-	4,689	n/a
Other receipts	13	5,295	16,469	(11,174)	-68%
<i>Outflows:</i>					
Employee expenses	14	(1,276,509)	(1,905)	(1,274,604)	66908%
Health service employee expenses	14	-	(1,307,975)	1,307,975	-100%
Supplies and services	15	(642,983)	(486,367)	(156,616)	32%
Grants and subsidies		(3,365)	(3,063)	(302)	10%
GST paid		(29,663)	(32,762)	3,099	-9%
GST remitted to ATO		(4,696)	-	(4,696)	n/a
Other		(8,750)	(8,098)	(652)	8%
Net cash provided by (used in) operating activities		(43,605)	13,218	(56,824)	-430%
Cash flows from investing activities					
<i>Inflows:</i>					
Sales of property, plant and equipment		407	(551)	958	-174%
<i>Outflows:</i>					
Payments for property, plant and equipment	16	(32,796)	(17,800)	(14,996)	84%
Payments for intangibles		(337)	-	(337)	n/a
Prepayments for plant and equipment		(1,483)	-	(1,483)	n/a
Net cash provided by (used in) investing activities		(34,209)	(18,351)	(15,858)	86%
Cash flows from financing activities					
<i>Inflows:</i>					
Equity Injections	16	39,406	17,800	21,606	121%
Net cash provided by (used in) financing activities		39,406	17,800	21,606	121%
Net increase/(decrease) in cash and cash equivalents		(38,407)	12,667	(51,074)	-403%
Cash and cash equivalents at the beginning of the financial year		170,710	143,873	26,837	19%
Cash and cash equivalents at the end of the financial year		132,303	156,540	(24,237)	-15%

Notes to the Financial Statements

For the year ended 30 June 2015

30. Budget vs Actual Comparison (continued)

Explanation of Major Variances

Statement of Comprehensive Income

- 1 Increase of \$104 million is mainly due to additional funding for increased and new services. This includes additional inpatient activity, short stay ED beds, Medical Aids Community initiatives and sub acute services (total increase \$77 million). Patient related revenue has also increased due to higher than budgeted activity and higher claims relating to the Pharmaceutical Benefit Scheme (\$27 million).
- 2 Increase is mainly due to donate life organ and tissue service and specialist medical training programs (\$3 million) not included in budget, increase in transition care program (\$1 million) and donated cash and physical assets (\$2 million).
- 3 The decrease of \$10.6 million reflects the reclassification of salary recoveries reimbursement which is now recorded under employee expenses, due to Metro South Health becoming a prescribed employer from 1 July 2014.
- 4 The large change in category between employee expenses and health service employee expense is because Metro South Health has become a prescribed employer from 1 July 2014.
- 5 Increase of \$66.5 million is mainly due to additional non-labour expenditure associated with the new and expanded services outlined in variance note 1.

Statement of Financial Position

- 6 Decrease of \$24 million is mainly due to a timing difference of payments due to the Department of Health.
- 7 Increase of \$40 million is predominantly due to receivables from the Department of Health in relation to increased and new services as outlined in variance note 1.
- 8 Increase of \$4 million is due to increase in prepayments to secure discounts on significant medical equipment purchases.
- 9 Decrease in payables and increase in accrued employee benefits resulted in a combined variance of \$1.89 million which is attributable to timing differences of payables.
- 10 Difference of \$35 million is due to lower indexation rates applied to land and building values than was assumed in the budget.

Cash flows from operating activities

- 11 Increase of \$73 million is mainly due to additional funding for increased and new services as outlined in variance note 1.
- 12 Increase of \$6 million is mainly due to additional programs as outlined in variance note 2.
- 13 Decrease of other receipts by \$11 million from budget reflects the reclassification of salary recoveries reimbursement which is now recorded under employee expenses due to Metro South Health becoming a prescribed employer from 1 July 2014.
- 14 The large change in category between employee expenses and health service employee expense is because Metro South Health has become a prescribed employer from 1 July 2014.
- 15 Increase of \$105.8 million is mainly due to increased non-labour expenditure from the new and expanded services outlined in variance note 5.
- 16 Additional funding as equity injection resulted in increase in payments for property, plant and equipment .

Metro South Health

Notes to the Financial Statements

For the year ended 30 June 2015

31. Events after the reporting period

There have been no events that have arisen subsequent to the reporting date that may significantly affect the operation of Metro South Health.

Certificate of Metro South Health

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

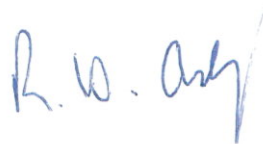
- a) the prescribed requirements for establishing and keeping the accounts have been complied with in all material respects; and
- b) the statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of Metro South Health for the financial year ended 30 June 2015 and of the financial position of Metro South Health 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.



Terry White AO
BA DipPharm FAIM

Chair
Metro South Hospital and Health Board

19, 8, 2015



Dr Richard Ashby AM
MBBS BHA FRACGP
FACEM FIFEM FRACMA
Chief Executive Officer
Metro South Health

19, 8, 2015



Robert Mackway-Jones
BCom MBA ACA

Chief Finance Officer
Metro South Health

19, 8, 2015

INDEPENDENT AUDITOR'S REPORT

To the Board of Metro South Hospital and Health Service

Report on the Financial Report

I have audited the accompanying financial report of Metro South Hospital and Health Service, which comprises the statement of financial position as at 30 June 2015, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and certificates given by the Chairperson, Chief Executive Officer 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 Metro South Hospital and Health Service for the financial year 1 July 2014 to 30 June 2015 and of the financial position as at the end of that year.

Other Matters - Electronic Presentation of the Audited Financial Report

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



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



Queensland Audit Office
Brisbane

Glossary of acronyms

ABF	Activity Based Funding
ACHS	Australian Council on Healthcare Standards
AM	Member of the Order of Australia
AO	Order of Australia
AVAC	Attendance Variation and Allowance Claim
Board	Metro South Hospital and Health Board
BPA	Best Practice Australia
CALD	Culturally and Linguistically Diverse
CARE-PACT	Comprehensive Aged Residential Emergency and Partners in Assessment, Care and Treatment
CEO	Chief Executive Officer
CHSP	Community Home Support Program
CIO	Chief Information Officer
CRF	Clinical Research Facility
EB	Enterprise Bargaining
ED	Emergency Department
EMR	Electronic Medical Record
ES	Elective Surgery
ETIC	Executive Transformation and Innovation Committee
FBT	Fringe Benefits Tax
FTE	Full Time Equivalent
GP	General practitioner
GST	Goods and Services Tax
HACC	Home and Community Care
HBCIS	Hospital-Based Corporation Information System
HHS	Hospital and Health Service
HREC	Metro South Health Human Research Ethics Committee
HSCE	Health Service Chief Executive
ICT	Information and Communication Technology
ieMR	integrated electronic Medical Record
ISO	International Organization for Standardisation
IT	Information Technology
KPI	Key Performance Indicator
LEAPOnline	Learning Education and Professional development Online
LMS	Learning Management System

Metro South Health	Metro South Hospital and Health Service
MOHRI	Minimum Obligatory Human Resources Information
MSAMHS	Metro South Addiction and Mental Health Services
MSH	Metro South Health
MSHCF	Metro South Health Consultative Forum
MSHHB	Metro South Hospital and Health Board
MRSA	Methicillin Resistant <i>Staphylococcus aureus</i>
NEAT	National Emergency Access Target
NEST	National Elective Surgery Target
NNLHD	Northern NSW Local Health District
NSQHS	National Safety and Quality Health Service (Standards)
OAM	Medal of the Order of Australia
PPP	Public Private Partnerships
PA Hospital	Princess Alexandra Hospital
PAH	
PAVE	People Actions Values Empowerment. <i>PAVE the way</i> is Metro South Health's workforce engagement strategy
PET-MRI	Positron Emission Tomography-Magnetic Resonance Imaging
QAO	Queensland Audit Office
QAS	Queensland Ambulance Service
QEII	Queen Elizabeth II Jubilee Hospital
Hospital QEII	
QIMR	Queensland Institute of Medical Research
QUT	Queensland University of Technology
RoPP	Right of Private Practice
SAC	Severity Assessment Code
SERTA	Study, Education and Research Trust Account
TAFE	Technical and Further Education
TB Clinic	Tuberculosis Clinic
TIC	Transformation and Innovation Collaborative
TRI	Translational Research Institute
UQ	University of Queensland
VLAD	Variable Life Adjustment Display
WAU	Weighted Activity Unit

Annual report compliance checklist

Summary of requirement		Basis for requirement	Annual report reference
Letter of compliance	<ul style="list-style-type: none"> A letter of compliance from the accountable officer or statutory body to the relevant Minister/s 	ARRs – section 8	p. 2
Accessibility	<ul style="list-style-type: none"> Table of contents 	ARRs – section 10.1	p. 3
	<ul style="list-style-type: none"> Glossary 		p. 123
	<ul style="list-style-type: none"> Public availability 	ARRs – section 10.2	inside cover
	<ul style="list-style-type: none"> Interpreter service statement 	<i>Queensland Government Language Services Policy</i> ARRs – section 10.3	inside cover
	<ul style="list-style-type: none"> Copyright notice 	<i>Copyright Act 1968</i> ARRs – section 10.4	inside cover
	<ul style="list-style-type: none"> Information licensing 	<i>Queensland Government Enterprise Architecture – Information Licensing</i> ARRs – section 10.5	inside cover
General information	<ul style="list-style-type: none"> Introductory information 	ARRs – section 11.1	pp. 8-12
	<ul style="list-style-type: none"> Agency role and main functions 	ARRs – section 11.2	pp. 13
	<ul style="list-style-type: none"> Operating environment 	ARRs – section 11.3	p. 13-16
	<ul style="list-style-type: none"> Machinery of government changes 	ARRs – section 11.4	n/a
Non-financial performance	<ul style="list-style-type: none"> Government's objectives for the community 	ARRs – section 12.1	p. 50
	<ul style="list-style-type: none"> Other whole-of-government plans/specific initiatives 	ARRS – section 12.2	n/a
	<ul style="list-style-type: none"> Agency objectives and performance indicators 	ARRs – section 12.3	pp. 51-75
	<ul style="list-style-type: none"> Agency service areas, service standards 	ARRs – section 12.4	pp. 74-75
Financial performance	<ul style="list-style-type: none"> Summary of financial performance 	ARRs – section 13.1	p. 76
Governance – management and structure	<ul style="list-style-type: none"> Organisational structure 	ARRs – section 14.1	p. 18
	<ul style="list-style-type: none"> Executive management 	ARRs – section 14.2	pp. 19-29
	<ul style="list-style-type: none"> Government bodies (statutory bodies and other entities) 	ARRs – section 14.3	n/a
	<ul style="list-style-type: none"> <i>Public Sector Ethics Act 1994</i> 	<i>Public Sector Ethics Act 1994</i> ARRs – section 14.4	p. 44
Governance – risk management and accountability	<ul style="list-style-type: none"> Risk management 	ARRs – section 15.1	p. 46
	<ul style="list-style-type: none"> External scrutiny 	ARRs – section 15.2	p. 45
	<ul style="list-style-type: none"> Audit committee 	ARRs – section 15.3	p. 31
	<ul style="list-style-type: none"> Internal audit 	ARRs – section 15.4	p. 46
	<ul style="list-style-type: none"> Information systems and recordkeeping 	ARRs – section 15.5	pp. 47-48

Governance – human resources	▪ Workforce planning and performance	ARRs – section 16.1	pp. 81-83
	▪ Early retirement, redundancy and retrenchment	Directive No.11/12 <i>Early Retirement, Redundancy and Retrenchment</i> ARRs – section 16.2	p. 83
Open Data	▪ Consultancies	ARRs – section 17 ARRs – section 34.1	p. 48
	▪ Overseas travel	ARRs – section 17 ARRs – section 34.2	p. 48
	▪ Queensland Language Services Policy	ARRs – section 17 ARRs – section 34.3	n/a
	▪ Government bodies	ARRs – section 17 ARRs – section 34.4	p. 48
Financial statements	▪ Certification of financial statements	FAA – section 62 FPMS – sections 42, 43 and 50 ARRs – section 18.1	p. 120
	▪ Independent Auditors Report	FAA – section 62 FPMS – section 50 ARRs – section 18.2	pp. 121-122
	▪ Remuneration disclosures	Financial Reporting Requirements for Queensland Government Agencies ARRs – section 18.3	pp. 112-114

FAA *Financial Accountability Act 2009*

FPMS *Financial and Performance Management Standard 2009*

ARRs *Annual Report requirements for Queensland Government agencies*

