Mackay Hospital and Health Service

ANNUAL REPORT

2017–2018

Queensland Government

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Acknowledgement to Traditional Owners

Mackay Hospital and Health Service (Mackay HHS) acknowledges the Traditional Owners of the land and waters of all areas within our geographical boundaries. We pay respect to the Aboriginal and Torres Strait Islander Elders past, present and those yet to come on whose land we provide health services as we make tracks towards closing the gap.

Mackay HHS is committed to Closing the Gap Initiative targets:

- to close the gap in life expectancy within a generation (by 2031); and
- to halve the gap in mortality rates for Indigenous children under five by 2018.

Recognition of Australian South Sea Islanders

Mackay HHS formally recognises the Australian South Sea Islanders as a distinct cultural group within our geographical boundaries. Mackay HHS is committed to fulfilling the *Queensland Government Recognition Statement for Australian South Sea Islander Community* to ensure "that present and future generations of Australian South Sea Islanders have equality of opportunity to participate in and contribute to the economic, social, political and cultural life of the State".



Letter of compliance

5 September 2018

The Honourable Steven Miles MP
Minister for Health and Minister for Ambulance Services
GPO Box 48
BRISBANE QLD 4001

Dear Minister,

I am pleased to submit for presentation to the Parliament the Annual Report 2017–2018 and financial statements for Mackay Hospital and Health Service.

I certify that this Annual Report complies with:

- the prescribed requirements of the *Financial Accountability Act 2009* and the *Financial and Performance Management Standard 2009*, and
- the detailed requirements set out in the Annual report requirements for Queensland Government agencies.

A checklist outlining the annual reporting requirements can be found on pages 32–33 of this annual report.

Yours sincerely

The Honourable Timothy Mulherin
Board Chair
Mackay Hospital and Health Board

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Board Chair and Chief Executive Message

It is our privilege to look back on the 2017–18 year and reflect on another extraordinary effort by Mackay HHS to deliver a record amount of public healthcare to our communities. We have experienced the busiest year ever and our staff have gone above and beyond to meet this need, caring for more people than ever before in our hospitals, emergency and specialist outpatient departments, dental clinics and community-based services.

We have never wavered from our vision to deliver Queensland's best rural and regional healthcare. Mackay HHS has delivered strong performances in the timely provision of care that is close to home. We are particularly proud of providing more services within the boundaries of Mackay HHS with an impressive 91% of care provided locally.

Our key challenge is to meet the ever-increasing demand for healthcare. In 2017–18 we stepped out of the box knowing we can either keep investing more and more money in medical solutions or we do something to reduce demand for expensive hospital care. The Mackay Institute of Research and Innovation's (MIRI) Let's Shape Up initiative encourages and supports people to make healthier life choices in the hope we will turn around the health of Mackay HHS community and reduce the burden chronic diseases place on people's lives and on our hospitals.

Working smarter and embracing technology is an on-going focus. Mackay Base Hospital's digital transformation continued and in October we became the first fully digital regional hospital with medication management. We were supported by staff from across Queensland Health and from other HHSs for our Go Live and we thank them for pitching in to help.

Mental health has been a priority for expansion and we are proud to have brought new services on line. The interim Step Up Step Down facility is providing intermediary care for people needing support between community living and acute hospital care. Increased support for people suffering psychological stress related to Cyclone Debbie continues to benefit many in the Whitsunday region who are still recovering from this severe weather event.

A highlight of the year has been implementing the Nurse Navigator roles. We know good care is co-ordinated care and our approach is no longer confined to episodes of hospital admission. The Nurse Navigators co-ordinate care for complex patients through General Practice, hospital and other support services to ensure patients get the best possible outcome.

In 2017–18 we became one of the first hospital and health services in Queensland to develop our own Statement of Commitment to Reconciliation with Aboriginal and Torres Strait Islander people. The statement is our commitment to definite actions across the health system and was developed in consultation with 10 traditional custodians. As a Hospital and Health Service we are in a powerful position to bring about change and do meaningful work to improve life expectancy and infant mortality rates as we work to Close The Gap. We also began work on our formal recognition statement for Australian South Seas Islanders.

The provision of high quality physical infrastructure is also a vital component of delivering healthcare. In Clermont the consolidation of aged care project is almost complete which will offer seniors accommodation in a brand new, purpose built facility. Redevelopment work at Proserpine and Bowen hospitals nears completion while Moranbah, Dysart and Clermont all have new kitchens. The new and expanded Bowen dental clinic treated its first patients in February. Planning for Sarina Hospital's redevelopment is also progressing with a funding allocation of $16 million from the Department of Health. In Mackay construction of a residential Step Up Step Down service has started to support consumers as they transition from hospital care to community living.

The Mackay Hospital and Health Board (MHHB) and the Executive Leadership Team continue to work together to set our strategic direction. Our MHHB's stability has continued and in May 2018 welcomed the re-appointment of Board Member Dr Helen Archibald for an additional term.

Looking ahead we have undertaken clinical health services planning to understand what services the community will need in the future and to prioritise these. We met with community leaders and groups to discuss the needs for each area and our Clinical Health Service Plan for 2018–2028 will map out areas for future investment.

Our commitment to partnering with our communities expanded with the creation of new consumer reference groups in Sarina, Proserpine, Dysart, Moranbah, Middlemount and Glenden. Existing groups in Clermont and Collinsville were revitalised in recognition of the bigger role community now plays in advising how we deliver hospital and health services. We thank these community members for volunteering their time.

We thank our staff for their commitment, expertise and passion to delivering safe and sustainable health services. In March we took time to celebrate individuals and teams whose work practices reflect our values of Collaboration, Trust, Respect and Teamwork. We also celebrated long-standing staff and recognised a combined 3,840 years of service across Mackay HHS. More than 30 of our staff have volunteered to become Peer Support Officers to lend a friendly ear to colleagues either after a workplace incident or to cope with the demands of life.

Mackay HHS continues to be supported by the Mackay Hospital Foundation and their volunteers. Our long-standing auxiliaries in Mackay, Collinsville, Bowen and Proserpine also lend their support to their respective communities. The Mackay Hospital Foundation works closely with the auxiliaries who do so much to improve the experience of our patients, whether it is purchasing medical equipment, offering a friendly hello or financing comforts that make a hospital stay more enjoyable. Your work is noticed and valued.

Tackling healthcare issues with an innovative approach is something we strive to do and is perhaps best illustrated by the Care Support Model which our security services have rolled out. Diversionary activities and relationship building is helping reduce challenging behaviours in Mackay Base Hospital's Emergency Department and on the wards as we adopt a de-escalation approach to conflict.

Looking ahead we start the new year with a strong focus on performance and value for money. We will continue our wide-ranging partnerships to improve the health of our communities.

Working more closely with hospitals and health services in Townsville, Cairns, the North West and Torres and Cape will give us the opportunity to look at healthcare for the north and see what can be done to reduce the need for people to travel to the south-east corner for care. Collaboration with the Northern Queensland Primary Health Network is helping steer people in the right direction to receive the most appropriate care.

We are committed to placing our patients at the centre of everything we do and will continue our drive to deliver Queensland's best rural and regional healthcare.

The Honourable Timothy Mulherin
Board Chair
Mackay Hospital and Health Board

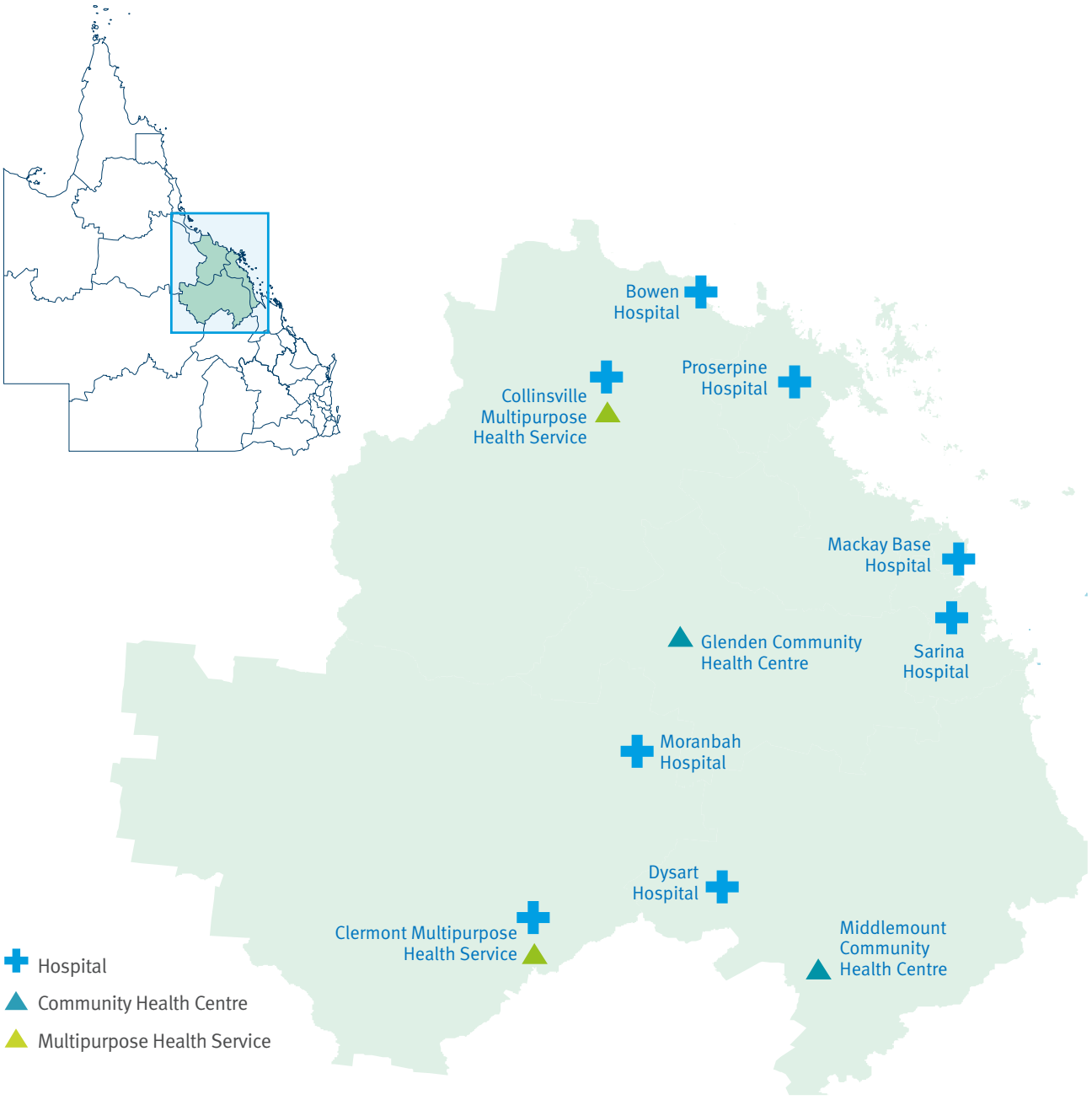
Jo Whitehead
Chief Executive
Mackay Hospital and Health Service

Our organisation

Our Role and Function

Mackay HHS is an independent statutory body overseen by an appointed Hospital and Health Board, established on 1 July 2012. Our responsibilities are set out in the *Hospital and Health Boards Act 2011* (Qld) (HHBA) and the *Financial Accountability Act 2009* (Qld) and subordinate legislation.

Our purpose is to deliver outstanding health care services to our communities through our people and partners. We operate according to the service agreement with the Department of Health which outlines the services to be provided, the funding arrangements and our performance indicators and targets.



About Mackay Hospital and Health Service

Mackay HHS is responsible for the delivery of public hospital and health services including medical, surgical, emergency, obstetrics, paediatrics, specialist outpatient clinics, mental health, critical care and clinical support services to an estimated resident population of 182,000. The geographical catchment of Mackay HHS spans 90,364 square kilometres, extending from Bowen in the north to St Lawrence in the south, west to Clermont and northwest to Collinsville and includes Proserpine and the Whitsundays.

The Aboriginal and Torres Strait Islander population in Mackay HHS region is 4.9% of the overall population, higher than the 4.0% Queensland average. There is also a significant Australian South Sea Islander community in the region.

Mackay HHS provides an integrated approach to service delivery across acute, primary health and other community based services including aged care assessment and Aboriginal and Torres Strait Islander programs. Primary health services include Mental Health, Oral Health, Home and Community Care, Mobile Women's Health, Alcohol and Other Drugs Service, Sexual Health, Aged Care Assessment Team and BreastScreen.

The health service has 354 approved beds and bed alternatives plus 29 aged care beds. Facilities include:

- Mackay Base Hospital and Mackay Community Health
- Whitsunday Health Service comprising Proserpine Hospital and Primary Health Centre and Cannonvale Primary Health Centre
- Bowen Hospital and Primary Health Centre
- Sarina Health Service comprising Sarina Hospital and Primary Health Centre
- Dysart Health Service comprising Dysart Hospital, Primary Health Centre and Middlemount Primary Health Centre
- Moranbah Health Service comprising Moranbah Hospital, Primary Health Centre and Glenden Primary Health Centre
- Clermont Multi-Purpose Health Service (MPHS) comprising Montcler Nursing Home, Monash Lodge and the Clermont Hospital
- Collinsville MPHS.

Mackay HHS can treat most people locally. Those who require more specialist care or treatment are transferred to the Townsville Hospital or Brisbane hospitals.

Strategic Risks, Challenges and Opportunities

There are many challenges facing Mackay HHS as we deliver and plan future health services in a complex and dynamic environment. These include continued high growth in demand for public services, economic and population demographic changes, burden of complex and chronic disease; shifts in private market share, workforce challenges; and community expectations of service access and delivery. These challenges bring us many opportunities to harness new technologies and embrace new ways of doing things through our service improvement and transformation agenda as well as building on our partnerships to ensure safe and sustainable services for our community.

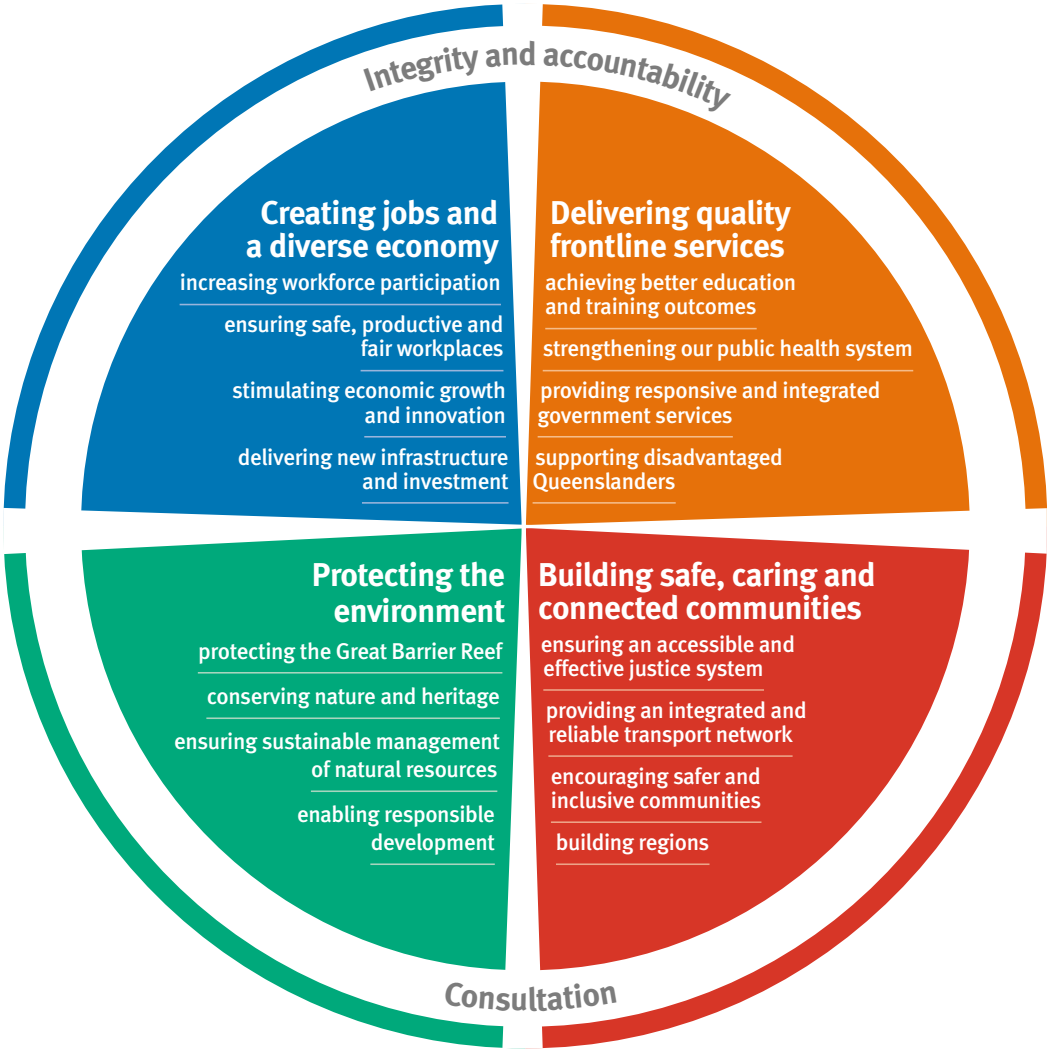
More broadly, these challenges represent an important opportunity for our communities to have shared responsibility in shaping their future health and wellness outcomes. There is significant potential to achieve successes in reducing our health risk factors, through empowering patients to own their individual health and through collaboration and partnerships, such as the strong partnership forged with Northern Queensland Primary Health Network. Our outlook sees the health service continue to work across government; with the non-government sector; business and industry to make significant gains in improving the health of our community through continuing initiatives like *Let's Shape Up*, 'Inspire Your Tribe'.

Looking ahead, we expect to see a continued increase in demand for public health services. We will focus on working with our partners including the Northern Queensland Primary Health Network to respond to the community's health priorities, such as mental health and chronic disease. We continue our commitment to closing the gap for Aboriginal and Torres Strait Islander people through implementation of *Making Tracks towards closing the gap in health outcomes for Indigenous Queenslanders by 2033*.

We aim to optimise our digital hospital and realise the benefits of new technology to achieve enhanced patient care and will work across all facilities in our health service together with our public and private partners to ensure individuals receive access to care, as close to home as possible. We remain resolute in our service improvement work to improve our patient flow, theatre productivity and to achieve shorter stays in emergency departments. To respond to the demand, attracting and retaining a skilled workforce and progressing a transformation agenda including virtual health will be a strong focus for the health service.

From a whole of health system perspective, we will deliver local responses to Department of Health and whole of Government priorities and initiatives. These include supporting the realisation of Queensland Health's *My health, Queensland's future: Advancing health 2026*; working with the National Disability Insurance Agency and supporting staff and community members who are affected by family and domestic violence.

Our performance



The Queensland Government's Objectives for the Community

Our Strategic Direction

Mackay HHS is committed to providing services that are efficient, diverse and flexible to changing community and government needs.

Our strategic plan reflects the Queensland Government's priorities regarding frontline services; creating jobs and a diverse economy and building safe, caring and connected communities. More specifically, we have focussed on the following key areas specific to the health context – strengthening our public health system; supporting disadvantaged people; ensuring safe, productive and fair workplaces and achieving better health-related education and training outcomes.

The MHHB sets the organisation's strategic agenda and monitors performance against its delivery. Mackay HHS's Strategic Plan 2016–2020 sets out four inter-related objectives each with their own strategies, to achieve Mackay HHS's vision. These strategic objectives are – Inspired People; Exceptional Patient Experiences; Excellence in Integrated Care; and Sustainable Service Delivery. In 2017–18 a range of services, programs and initiatives were implemented to deliver on our strategic objectives, including those highlighted on the following pages.

Inspired People

Valued and empowered staff

The annual Reward and Recognition and Length of Service Awards program was held in April 2018 to acknowledge the hard work and service provided by our staff. A total of 61 nominations were received for six Service Excellence Awards, an increase from 42 in 2017. This year we recognised 318 staff members who have worked for Queensland Health for between five and 40 years.

Diverse and highly skilled workforce

Mackay Base Hospital is growing its own midwifery workforce with an innovative Postgraduate Midwifery Group Practice program. Mackay is the only Queensland hospital to operate a Midwifery Group Practice staffed by graduates. They are supervised and supported by a senior facilitator and in 2017–18 four midwives worked in two teams to birth 179 babies. The model was introduced in response to an increasing number of job applications from graduate midwives. The new model of care has resulted in a 100% retention of postgraduate midwives due to their job satisfaction and a 100% client satisfaction rate.

Healthy staff

Our staff are supported to become healthier through the Let's Shape Up program and have been able to have workplace testing to measure blood pressure, blood sugar levels and weight. Mackay HHS has established a community-wide network of leaders to drive behaviour change and reduce growing rates of obesity and associated chronic disease. Leaders and influencers have joined the HealthFull Alliance, a research-based initiative funded through the Department of Health's Integrated Care Innovation Fund. The project aims to reduce the weight of our community by 2020 and connect community members with at risk of type 2 diabetes to activities. More than 145 stakeholders representing industry, family, workplace, all levels of government, schools, health, community organisations are involved.

Staff know what's going on and feel listened to

Mackay HHS staff have continued to 'walk the talk' by embedding our values of Collaboration, Trust, Respect and Teamwork. These values were chosen by staff in 2016 and this year we consulted widely at 42 listening sessions in order to better define each value and to give examples of behaviour that demonstrate each value. The 2017 Working for Queensland survey results showed that Mackay HHS's focus on our values, leadership development, staff development, supporting staff and allowing them to innovate, staff recognition and rewards and engaging staff has resulted in solid improvements in our workplace culture.

Through partnerships and co-operation we drive innovation

- We exercise our curiosity to advance new ways of thinking and working
- We connect, collaborate and build partnerships to be progressive and to achieve our goals
- We involve employees and stakeholders in planning and decision making

Having confidence, and belief in each other to be able to rely and depend on our actions

- We are open to ideas and alternative points of view
- We keep our word and do what we say
- We empower each other and have confidence in people to do the right thing

We show respect and compassion for the people we care for and work with

- We listen to patients, carers and their families and respect their concerns
- We believe that how we interact with each other is as important as the work we do
- We value every voice and consider all feedback and opinions as a positive contribution

We depend on and support one another individually and as a team

- We are one HHS and act as one team across all functions and geographies
- We share knowledge and skills to deliver the best patient care
- Mackay HHS is a family energised by our diversity of skills, knowledge and life experiences

Exceptional Patient Experiences

Better access to services

A collaboration between Mackay HHS, Northern Queensland Primary Health Network, General Practitioners (GP), residential aged care facilities, pharmacies and Queensland Ambulance Service is providing better emergency department care for nursing home patients. The Senior Early Assessment Team model involves assessing aged care residents via videoconference instead of presenting to the emergency department. An evaluation has found 66% of the cases assessed by Senior Early Assessment Team did not need transport to the emergency department. Upskilling aged care nurses has been an important part of the project to increase their confidence level. If medication is needed a prescription is sent through the secure portal for the facility to print and send to the pharmacist. If the patient needs to come to the emergency department they are taken straight to Senior Early Assessment Team by the ambulance.

Treat our patients as individuals

Our Hospital Liaison Service connects with Aboriginal and Torres Strait Islander patients while they are in the hospital and supports staff to understand the cultural needs of patients. The working hours of this team have been extended until 9pm on weeknights to help improve the patient journey. The team also focuses on reducing the number of patients who leave hospital against medical advice and reducing the amount of potentially preventable hospitalisations. There is an emphasis on ensuring Aboriginal and Torres Strait Islander patients are linked with community services after a hospital stay. The Liaison Officers also do community follow-up to strengthen relationships and to remove barriers to accessing care.

Listen to our community and consumers

As a response to feedback from patients, families and carers, flexible visiting hours are now in place at Mackay HHS hospitals to allow families and carers of patients to be more involved in their care. Visitors are now welcome between 8am and 8pm following a successful three-month trial of the new hours. An evaluation of the trial found flexible visiting hours were comforting for patients and reassuring for visitors. Staff also identified that visitors are an important source of support to both the patient and healthcare teams and that flexible visiting hours give them more opportunities to give families and carers crucial care instructions to follow after their loved one is discharged. Some wards also have set rest times when the lights are dimmed and visitors are asked to keep noise to a minimum.

Safe and excellent care – continually improving

Patients who needed additional care and support are now aided by Care Support Officers. The Care Support Officers work with patients who are cognitively impaired and spend time with them doing diversionary activities such as art and craft. The same model is being trialled in the emergency department with Care Support Officers used to de-escalate and appropriately manage patients who have the potential to become aggressive. As part of this approach, Mackay Base Hospital's Security Services Unit has changed its focus from a custodial model to one that is more therapeutic.

Excellence in Integrated Care

Seamless health care system

Mackay HHS continues to invest in supporting our clinicians and GPs to better navigate the local health system for assessment, management and referral of patients. HealthPathways is a web-based information portal supporting primary care clinicians to plan patient care through primary, community and secondary health care. It acts as a 'care map', so that all members of a health care team – whether they work in a hospital or the community – can be on the same page when looking after a patient. In 2017–18 an additional 15 pathways were localised, with the year ending with 526 'live' pathways available for use and 152 pathways in progress.

Help patients to navigate the health system

The transition from child to adult health services is being made easier thanks to our nurse navigators for adolescents and young adults. Mackay HHS has welcomed additional specialties to provide more support for people in rural areas. Nurse navigators are highly skilled and experienced nurses who act as a central point of communication and coordination for patients who need a high level of care. These nurses help patients navigate an increasingly complex health system by focusing on the patient's entire healthcare journey.

Smart use of technology

In October 2017 Mackay Base Hospital became the first fully digital public hospital with medications management in a Queensland regional area. The latest technology provides integrated and safer care for the community. Electronic medical records give clinicians access to real-time information to allow the best decisions to be made. Patient safety is a big focus of the digital roll out and allows greater visibility for clinicians. The introduction of dynamic dashboards provides a visual representation of information relevant to a patient and prompts accurate decision making. For example, the diabetes dashboard allows specialist nurses to have oversight of every patient with diabetes and to see when their insulin doses have been delivered and their corresponding blood sugar levels. This allows faster intervention if their condition is unstable.

Collaboration and productive partnerships

Staff in rural communities have had access to more innovative virtual trauma training and support systems thanks to a new partnership between Mackay HHS and Glencore. Glencore has invested $100,000 in the Enhancing Rural Trauma Project to support skill development. Dysart, Moranbah, Bowen, Clermont, Collinsville and Proserpine staff have been provided with theoretical and hands on experience in the early recognition and stabilisation of a trauma patient. It is hoped that upskilling staff will improve outcomes for patients and in some cases remove the need to transfer patients to bigger centres.

Sustainable Service Delivery

Services matched to community health needs

In 2017–18 Mackay HHS delivered $6.2 million in capital projects. Moranbah mental health has had an upgrade to provide additional space and kitchens at Sarina, Proserpine, Bowen, Moranbah, Dysart and Clermont have all been upgraded. The $3 million Proserpine Hospital Emergency Department expansion was completed and includes new consultation rooms, nurses' station, reception and waiting areas. Bowen's new $1.1 million Community Health Dental Clinic was completed and refurbishment of Bowen Hospital continued. Construction of the 10-bed Step Up Step Down residential accommodation in Mackay commenced.

Aged care accommodation in Clermont is getting a boost with construction of new aged care beds underway at the MPHS. The $8.1 million project will improve the quality of the living environment for residents and will put all aged care beds in a single location. Currently there are 16 residents at Monash Lodge in Monash Street and another six residents at the Mont Cler facility already part of the MPHS. The consolidation of aged care project includes building 18 new rooms with en suites and renovating four existing rooms at Clermont MPHS.

The right service, in the right place

Whitsunday residents have better access to colorectal and general surgery thanks to an expansion of this service. The recruitment of an additional doctor and support staff has reduced waiting times for patients who need colonoscopies and other procedures. This new service means more people can have their procedures done locally instead of travelling to Mackay for care. The new service includes an additional weekly surgical outpatient clinic and an additional weekly scope list and pre-anaesthetic clinic. The recruitment of the surgeon has been made possible thanks to a training pathway headed by Mackay Base Hospital. Proserpine Hospital has recruited additional staff to support the service including nursing, anaesthetic, administration and operational staff.

Leader in health service research

MIRI promotes research and supports the translation of that research into better care for our patients. In MIRI's first year the number of research studies has increased from the average 20 per year to 53 in 2017–18. The first Mackay HHS Clinical Trials Unit has secured five clinical trials in chronic pancreatitis, wound pain, chronic post-surgical pain, fractures and melanoma. MIRI has also launched five projects to implement changes in clinical practice to align with the latest evidence. This includes the trial of a new pre-inflated boot to reduce the risk of foot and heel pressure injuries in patients. Staff were supported to undertake research and in 2017–18 $40,000 was allocated through the MIRI grants program.

Mackay Base Hospital's emergency department has been awarded a research grant to help guide doctors' decision making when ordering x-rays. The Emergency Medicine Foundation grant is allowing our emergency and medical imaging departments to research imaging referral guidelines. The study aims to prevent any unnecessary x-ray examinations and support clinicians when they are making decisions about the need for medical imaging. This will benefit patients by preventing unnecessary exposure to radiation and will improve access for patients with a genuine need for this imaging.

Closing the Gap on Aboriginal and Torres Strait Islander Health

Mackay HHS is committed to working closely with community members, Aboriginal and Torres Strait Islander Community Health Service, the Northern Queensland Primary Health Network and all government and non-government agencies and health service providers to improve the health status of our local Aboriginal and Torres Strait Islander communities. *Making Tracks toward closing the gap in health outcomes for Indigenous Queenslanders by 2033* is the commitment and work of all staff and volunteers of Mackay HHS.

The Aboriginal and Torres Strait Islander Health Unit continues to implement the Closing the Gap initiatives to improve better health outcomes for Aboriginal and Torres Strait Islander people in Mackay HHS. These initiatives have been supported by the State through funding of approximately $1.5 million in 2017–18.

The Hospital Liaison service provides cultural support to patients as well as education and resources to staff to improve engagement and outcomes within the acute hospital services, and contributes to Aboriginal and Torres Strait Islander people accessing outpatient appointments with a reduction in the patients who fail to attend outpatient appointments.

Aboriginal and Torres Strait Islander health workers are embedded across Mackay HHS to support access, engagement and outcomes including sexual health, chronic disease, mental health and maternity services. In 2017–18, Mackay HHS employed 40 FTE who identified as Aboriginal and/or Torres Strait Islander, which equates to 1.7% of the workforce.

Some of the key achievements in 2017–18 towards Closing the Gap included:

- Launching of Mackay HHS's Statement of Commitment to Reconciliation across all facilities.
- Delivering more than 20 Cultural Capability Program workshops across Mackay HHS with approximately 500 staff trained throughout the financial year.
- Increasing identification of Aboriginal and Torres Strait Islander patients in an effort to close the gap on health outcomes.
- Securing funding to establish a chronic disease care coordination and specialist services to Aboriginal and Torres Strait Islander people living in Sarina.
- Continuing to roll out Deadly Choices programs across local high schools and primary schools.
- Emphasising the importance of Aboriginal and Torres Strait Islander culture by promoting internal events such as Reconciliation week and NAIDOC week.

Service Delivery Statement: 2017–18 Performance Statement

Mackay HHS – Service Standards	Notes	2017–18 Target/Est.	2017–18 Actual
Effectiveness Measures			
Percentage of patients attending emergency departments seen within recommended timeframes:			
• Category 1 (within 2 minutes)		100%	98.7%
• Category 2 (within 10 minutes)		80%	88.0%
• Category 3 (within 30 minutes)	1	75%	71.4%
• Category 4 (within 60 minutes)		70%	85.0%
• Category 5 (within 120 minutes)		70%	98.4%
Percentage of emergency department attendances who depart within 4 hours of their arrival in the department		› 80%	78.3%
Percentage of elective surgery patients treated within clinically recommended times:			
• Category 1 (30 days)		› 98%	93.5%
• Category 2 (90 days)		› 95%	92.6%
• Category 3 (365 days)		› 95%	95.8%
Rate of healthcare associated Staphylococcus aureus (including MRSA) bloodstream (SAB) infections / 10,000 acute public hospital patient days		‹ 2	0.73
Rate of community follow-up within 1–7 days following discharge from an acute mental health inpatient unit		› 65%	68.4%
Proportion of readmissions to an acute mental health inpatient unit within 28 days of discharge	2	‹ 12%	13%
Percentage of specialist outpatients waiting within clinically recommended times:			
• Category 1 (30 days)	3	70%	61.0%
• Category 2 (90 days)		70%	69.8%
• Category 3 (365 days)		90%	90.6%
Percentage of specialist outpatients seen within clinically recommended times:			
• Category 1 (30 days)		75%	77.6%
• Category 2 (90 days)		70%	71.1%
• Category 3 (365 days)		92%	94.8%
Median wait time for treatment in emergency departments (minutes)		20	11
Median wait time for elective surgery (days)	4	25	54.5

Mackay HHS – Service Standards	Notes	2017–18 Target/Est.	2017–18 Actual
Efficiency Measure			
Average cost per weighted activity unit for Activity Based Funding facilities	5	$4,625	$4,900
Other measures			
Number of elective surgery patients treated within clinically recommended times:			
• Category 1 (30 days)	4	1,069	1,005
• Category 2 (90 days)		1,154	1,060
• Category 3 (365 days)		361	323
Number of Telehealth outpatients occasions of service events	6	7,805	7,379
Total weighted activity units:			
• Acute inpatient		37,560	38,509
• Outpatients		10,374	9,142
• Sub-acute		1,991	1,927
• Emergency Department		9,352	9,239
• Mental Health		3,645	3,572
• Prevention and Primary Care		1,715	1,904
Ambulatory mental health service contact duration (hours)	7	› 27,854	34,936

Notes:

1. In 2017–18, Mackay HHS's emergency departments saw more than 82,300 patients which is an increase of 8% compared to the previous financial year. For category 3 patients, Mackay HHS saw more than 34,350 patients in 2017–18, that is an 11% increase on the previous financial year. Despite this increased volume of patients, Mackay HHS recorded only a marginally lower result for seen within recommended timeframes and continue to improve on the previous financial year's result of 68%.
2. Final data for 2017–18 not available. As such the measure only includes data available to April 2018.
3. Waiting times to see a specialist will vary for different reasons, including the volume of patients referred for a particular speciality or whether the service is provided by a local or visiting medical officer. For these services there may be longer waits (such as ENT, ophthalmology, neurology, neurosurgery and rheumatology) because it limits how many clinics can be held and the frequency may vary.
4. In 2017–18, Mackay HHS treated more than 2,500 patients off the waiting list with more than 2,300 patients (93%) receiving their elective surgery within the recommended timeframes. The ability to treat elective surgery patients within clinically recommended times is dependent on the number of emergency surgery cases. In 2017–18, Mackay HHS saw an increase in the number of emergency patients requiring surgery from the previous financial year. Mackay HHS must prioritise the most urgent, life threatening surgical cases which means that in some instances elective surgical cases are delayed.
5. The variance in the cost per WAU in 2017–18 is largely the result of investment of prior year surpluses in initiatives such as integrated electronic Medical Record (ieMR), Patient Flow, Health Pathways and Transformation programmes.
6. In 2017–18, Mackay HHS facilitated 7,379 telehealth outpatient appointments representing an increase of 7.4% on the previous financial year's results, placing Mackay HHS in the top four of the 16 HHSs for telehealth utilisation.
7. Improvements in data quality have impacted on this measure, with recent data more accurately reflecting the way in which services are delivered.

Financial Performance

Strong financial stewardship in previous years has led to funds being built up by Mackay HHS in Retained Earnings.

The MHHB resolved in the 2017–18 financial year that it would invest a significant amount of the retained earnings in initiatives to improve health services delivery to its community. These included the following:

- enhanced clinical information technology systems – the Digital Hospital;
- assistance with Research and Innovation;
- Patient Flow and Capacity project;
- supporting clinicians and GPs by way of Health Pathways to better navigate the local health system for assessment, management and referral of patients; and
- more beds to cope with emergency demand.

Therefore, Mackay HHS has incurred a financial deficit, after adjusting for asset revaluation impacts, of $15.6 million for the year ending 30 June 2018.

There will be continuing focus on robust financial stewardship as we seek to ensure the best value for the State's investment.

Income

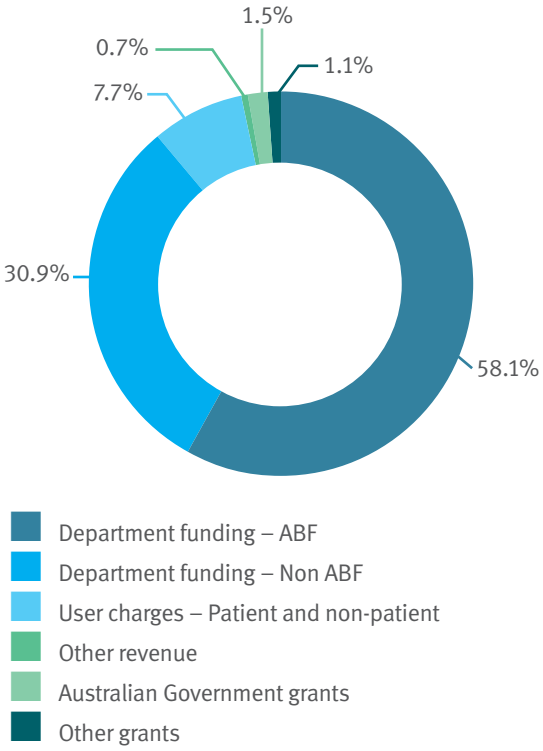
Mackay HHS's income is sourced from three major areas:

- Public health services funding
- Own source revenue including user charges
- Australian Government funding.

Figure 1 details the extent of these funding sources for 2017–18. Mackay HHS total income was $419.2 million which includes:

- Activity Based Funding (ABF) for hospital services was 58.1% or $243.7 million
- Non-ABF funding was 30.9% or $129.4 million
- User charges comprising patient and non-patient funding was 7.7% or $32.3 million
- Australian Government grant funding was 1.5% or $6.5 million
- Other revenue was 0.7% or $2.8 million
- Other grant was 1.1% or $4.6 million.

Figure 1. Revenue by funding type



Expenses

The total expenses were $435.3 million, an average of $1.2 million a day for providing health services.

Labour costs within Mackay HHS make up approximately 68% of expenditure with the remaining 32% being non-labour costs such as supplies, services, and depreciation charges.

These services include clinical supplies, electricity, pathology services, prosthetics, repairs and maintenance, communications, patient travel costs and medication.

Figure 2 shows the allocations to services within Mackay HHS.

Figure 2. Allocations to services within Mackay HHS

Where the money goes	%
Admitted patient services in acute care institutions	48.8%
Non-admitted patient services in acute care institutions	14.5%
Mental health include community services	6.3%
Nursing homes for the aged	2.3%
Patient transport	2.7%
Public health services	2.8%
Other community health services	16.7%
Health administration	5.9%

2017–2018

Snapshot and Highlights

More than
9,400
*Operations performed**

268,481
*Outpatient appointments provided**

82,331
People presented to emergency departments

9,477
Number of breast screens

7,379
Telehealth consultations

1,590
Babies born

54,152
Patients cared for on our wards

38,585
Dental treatments

303
Number of staff recognised for 5 to 50 years' service

** Total numbers for Mackay Base Hospital and Proserpine Hospital*

Our people

Providing high quality health care in rural and regional Queensland is a unique and privileged challenge. Mackay HHS is one organisation across eight hospitals and five community health centres. Mackay HHS's capacity to deliver excellent regional health care is supported by an exceptional workforce.

Enabling our workforce to provide the highest level of care to the community we serve requires a proactive approach to workforce planning, development and engagement to create the right capability mix to meet current and future demands.

Workforce

Mackay HHS employs health professionals and support service staff. Medical, nursing, clinical and non-clinical support staff and volunteers work together to deliver quality care and service to the community.

As at 30 June 2018, Mackay HHS had the full-time equivalent of 1,680.29 permanent staff, 535.37 temporary staff and 68.60 casual staff.

Mackay HHS permanent FTE separation rate for 2017–18 was 12.61% compared to a permanent FTE separation rate for 2016–17 of 13.4%. Sick leave (paid and unpaid) hours versus occupied FTE for the 2017–18 year was 4.56%.

Interns

Mackay HHS welcomed 40 medical interns to start their careers in 2018. Six intern places were funded by the Commonwealth Medical Intern Program through our joint venture with Mercy Health and Mackay Mater Hospital. These interns complete core medical and surgical terms at Mackay Mater Hospital and the remainder of their terms at Mackay Base, Bowen or Proserpine Hospitals. Another intern, funded by the Medical Internship Program run through the Greenslopes Private Hospital, visits Mackay HHS to complete a rotation at Mackay Base Hospital.

Graduate Nurses

Mackay HHS welcomed 53 graduate nurses to Mackay Base Hospital and in rural facilities, an increase from 51 in 2017. The program design supports 50% of the 2018 graduates to experience nursing within a rural hospital. The new nurses were mostly graduates from Central Queensland University (CQU) and JCU.

Workforce Optimisation

Recruitment – improve recruitment processes to ensure timely action to minimise vacancies

During 2017–18, the Attraction and Talent Team developed extensive resources to support line managers who are planning to or are currently undertaking recruitment processes. These resources have been designed to help line managers streamline their recruitment processes.

Workforce development, support and engagement

Mackay HHS developed and adopted the Our People Plan 2016–18. The strategy provides a roadmap of workforce interventions to enable Mackay HHS to deliver the best rural and regional health care. Staff learning was supported through improvements to the learning management system My Learn.

Staff communication

Mackay HHS's Health Chat newsletter is now produced fortnightly, providing detailed information and updates to staff. A new online portal, Speak Easy, has been launched through the intranet to give staff the opportunity to offer suggestions, compliments and complaints. Digital noticeboards have been installed at the Mackay Base Hospital to improve communications and messaging to staff.

Employee Health and Wellbeing Program

The Employee Health and Wellbeing Program supports staff to be healthy and active within the workplace and beyond. The program ensures that a holistic framework is adopted each fiscal year with the consideration of workforce health needs in mind. Providing a platform around healthy lifestyle ensures employees are provided with opportunities to engage in various programs that address their physical, emotional, financial and social health and wellbeing.

Mackay HHS was the pilot site within Queensland Health for the Peer Support Program. Through the program, 30 staff volunteers have become trained responders regularly reaching out to their peers and engaging in psychological first aid. This pilot has moved to business as usual with more than 587 occasions of usage from staff engaging in psychological first aid conversations reinforcing the importance of help seeking behaviours as a healthy choice.

Flexible Working Arrangements

Mackay HHS is committed to the provision of flexible work arrangements such as part time work. At 30 June 2018, 38.85% of staff had part-time working arrangements. Tools to support both line managers and employees to understand the options and processes around flexible working arrangements are available.

Performance Development

The Performance and Development plan process assists employees to have meaningful and productive career discussions.

Work Health and Safety

Mackay HHS strives to achieve best practice in the management and performance of our health and safety systems. Key activities included:

- The Occupational Health and Safety Legislative Compliance Checklist was completed for 2017–18 and is routinely completed on an annual basis for Mackay HHS. This process included the completion of 40 internal audits to assess compliance with the obligations and duties imposed by legislation pertaining to health and safety in the workplace.
- An external audit was conducted in May 2018 to assess implementation of the Queensland Health Safety Management System in accordance with the criteria in AS/NZS4801:2001 and the prescribed Queensland Health "whole of government" elements. An action plan has been implemented based on recommendations for improvement and will be reviewed on a quarterly basis to ensure that all recommendations are implemented.
- Health and Safety Representatives who have been elected for their specific work groups of Mackay HHS have attended the five-day registered training. The trained Health and Safety Representatives complete environmental audits and aid in safety related matters in their elected work groups.

Mackay HHS WorkCover premium rate continued to remain favourable due to the implementation of preventative strategies to manage workplace injuries and return to work programs. Mackay HHS continues to achieve positive outcomes against key WorkCover Indicators including WorkCover hours lost compared with FTE which at 0.05% remains below this target of 0.30%.

Occupational Violence Prevention

Mackay HHS is committed to the reduction and impact of violence in the workplace. The Occupational Violence Prevention Sub-Committee has been restructured as a Working Party. This Working Party meets monthly focusing on smaller projects such as Animal Assist and Occupational Violence Prevention Training Matrix. In 2017–18, 452 staff were trained in occupational violence prevention and 92.5% compliance of Occupational Violence Prevention Orientation was reached.

Release of Confidential Information in the Public Interest

In accordance with section 160 of the HHBA, Mackay HHS is required to include a statement in its Annual Report detailing the disclosure of confidential information in the public interest. There were no disclosures under this provision during 2017–18.

Industrial and Employee Relations Framework

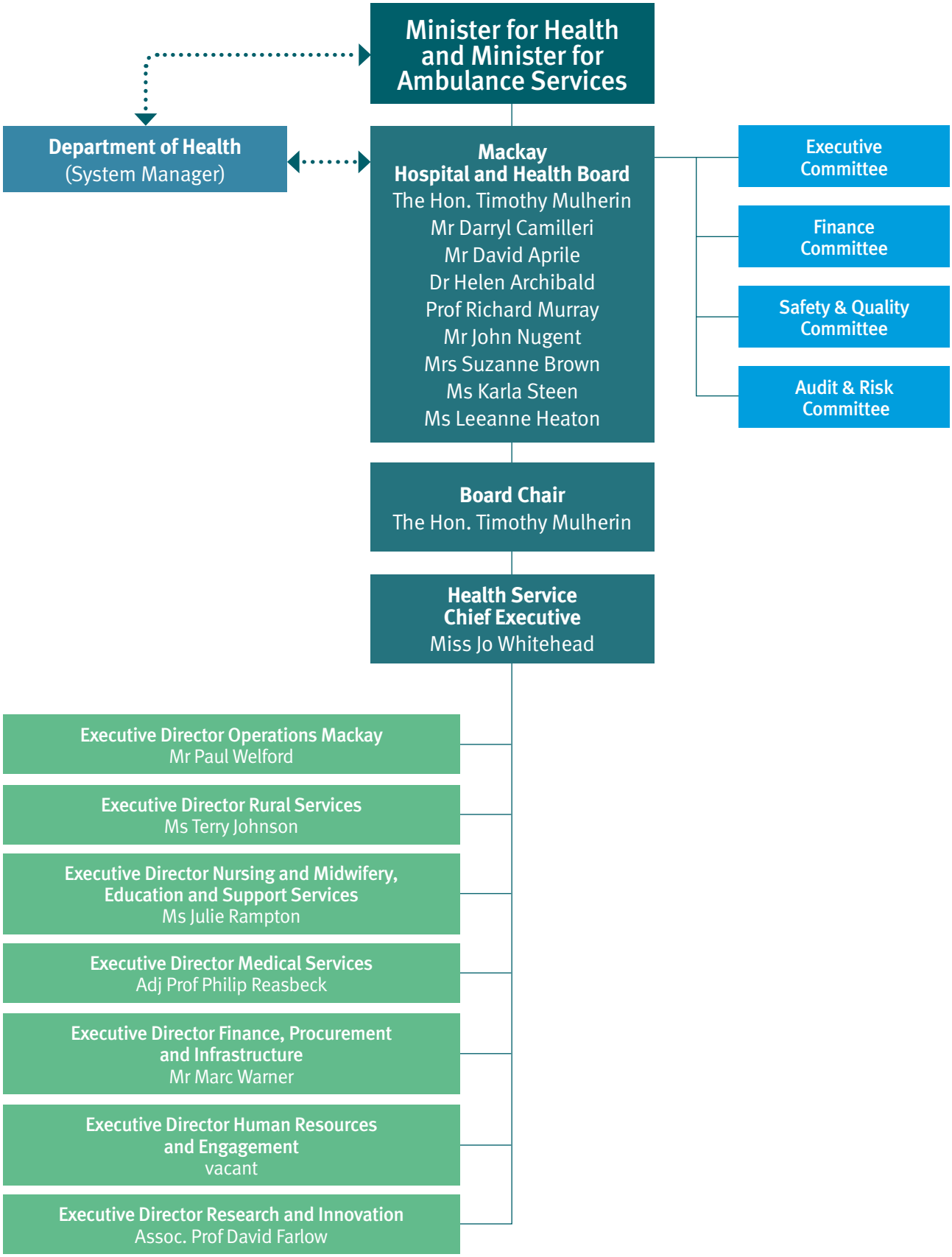
Mackay HHS respects and values its relationships with local unions. A series of regular consultative forums are held to facilitate productive partnerships with industrial representatives. These include the Health and Hospital Service Consultative Forum, local consultative forums and Nursing and Midwifery Consultative Forum.

Early Retirement, Redundancy and Retrenchment

No redundancy/early retirement/retrenchment packages were paid during the period.

Our governance

Organisation Structure as at 30 June 2018



Mackay Hospital and Health Board

The MHHB is appointed by the Governor of the State of Queensland acting by and with the advice of the Executive Council on the recommendation of the Minister for Health and Minister for Ambulance Services. The MHHB derives its authority from the HHBA and the *Hospital and Health Boards Regulation 2012* (Qld) (HHBR). Board Members act in accordance with their duties and abide by the Code of Conduct and Values for the Queensland Public Service in accordance with the *Public Sector Ethics Act 1994* (Qld).

The MHHB's functions include:

- Develop strategic direction and priorities for Mackay HHS. The MHHB uses local decision-making to develop plans, strategies and budgets to ensure accountable provision of health services to meet the needs of the community.
- Monitor compliance and performance of Mackay HHS. It oversees the operation of systems for compliance and risk management, and audit reporting to meet legislative requirements and national standards.
- Focus on patient experience and quality outcomes. Meeting the challenges of distance and diversity is essential to providing patient care across Mackay HHS.
- Ensure evidence-based practice education and research. The MHHB encourages partnering with universities and training providers to boost clinical capability.

Key achievements in 2017–18:

- Advancing the foundational work of the MIRI
- Delivering and optimising clinical information technology solutions – Digital Hospital releases
- Taking steps to address key population health risk factors by establishing a community-wide network of leaders to reduce the weight of our community and risk of type 2 diabetes
- Expansion of the Mackay Base Hospital cardiac catheter laboratory to a five day service
- Leading the development of the 10 year Clinical Health Services Plan for Mackay HHS including engagement with key stakeholders
- Taking action to improve the health outcomes of our Aboriginal and Torres Strait Islander people, and Australian South Sea Islander people by working with senior leaders to build sustainable cultural capacity and confidence across Mackay HHS.

The MHHB meets monthly or as directed by the Board Chair. The 2017–18 MHHB Committees structure was:

- Executive Committee
- Audit and Risk Committee
- Finance Committee
- Safety and Quality Committee

The Honourable Timothy Mulherin
Board Chair

The Honourable Mulherin was elected to the Queensland Parliament as the Labor member for Mackay in 1995 until his retirement in 2015. During this time as a cabinet member, he held Ministerial responsibilities for Agriculture, Biosecurity, Fisheries, Forestry Industry Development, Primary Industries Research, Development and Extension, Regional and Rural Communities and Regional Economic Development amongst others. He is also a member of the Australian Institute of Company Directors.

Originally appointed on 18 May 2016, The Hon. Mulherin's current term of office is 18 May 2017 to 17 May 2021.

Mr Darryl Camilleri
Deputy Board Chair

Mr Camilleri is the former Deputy Mayor of the Mackay Regional Council and has served as Chair for a number of community organisations. He is also a Chartered Accountant and has extensive experience in tax planning, finance and audits. He is also a graduate of the Australian Institute of Company Directors.

Originally appointed on 29 June 2012, Mr Camilleri's current term of office is 18 May 2017 to 17 May 2020.

Mr David Aprile
Board Member

Mr Aprile is a Pharmacist and a CPA and is a founding partner of Mackay Day and Night Pharmacy Group. He has served on community and government based boards in Mackay including the CQU Advisory Board and Mackay Chamber of Commerce.

Originally appointed on 29 June 2012, Mr Aprile's current term of office is 18 May 2017 to 17 May 2020.

Our governance

Dr Helen Archibald
Board Member

Dr Archibald is a general practitioner at Plaza Medical Mackay as well as an Associate Senior Lecturer at JCU's School of Medicine. She is also the Clinical Director for BreastScreen Queensland Mackay Service. She is also a member of the Australian Institute of Company Directors.

Originally appointed on 7 September 2012, Dr Archibald's current term of office is 18 May 2018 to 17 May 2020.

Professor Richard Murray
Board Member

Professor Murray has over 30 years' experience in medicine, specialising in general practice and with a career focus on Aboriginal health, rural and remote medicine, public health, tropical medicine, health professional education and the needs of underserved populations. He is the Dean of the College of Medicine and Dentistry at JCU, the President of Medical Deans Australia and New Zealand and a past President of the Australian College of Rural and Remote Medicine. He is also a member of the Australian Institute of Company Directors.

Originally appointed on 29 June 2012, Prof Murray's current term of office is 18 May 2016 to 17 May 2019.

Mr John Nugent
Board Member

Mr Nugent has a strong and extensive background in hospital and healthcare management with more than 35 years' experience in that field, including 16 years as the Executive Officer of Mater Misericordiae Hospital, Mackay. He is a director of the Northern Queensland Primary Health Network. He is also a graduate of the Australian Institute of Company Directors.

Originally appointed on 23 August 2013, Mr Nugent's current term of office is 18 May 2016 to 17 May 2019.

Mrs Suzanne Brown
Board Member

Mrs Brown is a Director and leading commercial solicitor at McKays Solicitors (Mackay). She is a Queensland Law Society Business Law Accredited Specialist and has served as a former director of North Queensland Bulk Ports Corporation Limited (and its subsidiaries).

Originally appointed on 18 May 2016, Mrs Brown's current term of office is 18 May 2017 to 17 May 2021.

Ms Karla Steen
Board Member

Ms Steen is a communications and media strategist with more than 17 years' experience in radio and television journalism, corporate communications and marketing. She currently owns a communication and media consultancy and co-launched The Life Approach Pty Ltd. She is also a member of the Australian Institute of Company Directors.

Originally appointed on 18 May 2016, Ms Steen's current term of office is 18 May 2017 to 17 May 2021.

Ms Leeanne Heaton
Board Member

Ms Heaton has a diverse range of experience working in healthcare as a registered nurse, registered midwife, paramedic and flight nurse with the Royal Flying Doctor Service. She is Head of Course for the Bachelor of Nursing at CQU. Ms Heaton is an academic panel member on the Australian Nursing and Midwifery Accreditation Council and a member of the Australian College of Nursing.

Originally appointed on 18 May 2016, Ms Heaton's current term of office is 18 May 2017 to 17 May 2021.

Mackay Hospital and Health Board Committees

The following committees support the functions of the MHHB. Each operates with terms of reference describing the purpose, duties and responsibilities, composition and membership.

Executive Committee

The Executive Committee provides support to the MHHB in its role of controlling Mackay HHS by:

a. working with Mackay HHS's Chief Executive to progress strategic issues identified by the MHHB;
b. monitoring strategic human resources and work health and safety matters; and
c. strengthening the relationship between the MHHB and the Chief Executive to ensure accountability in the delivery of services by Mackay HHS.

The Executive Committee was established under section 32A of the HHBA. The Executive Committee functions under the authority of the MHHB in accordance with section 32B of the HHBA.

Committee membership:

- Timothy Mulherin (Chair)
- Darryl Camilleri
- Helen Archibald
- David Aprile
- Karla Steen

Meetings are held quarterly or as directed by the Chair.

Audit and Risk Committee

The Audit and Risk Committee provides supports the MHHB in its responsibility for audit and risk oversight and management. The Audit and Risk Committee was established under section 31 of the HHBR. The Audit and Risk Committee functions under the authority of the MHHB in accordance with section 34 of the HHBR.

Committee membership:

- Darryl Camilleri (Chair)
- John Nugent
- Helen Archibald
- Suzanne Brown

Meetings are held quarterly or as directed by the Chair.

Finance Committee

The Finance Committee provides advice to the MHHB on matters relating to the financial and operational performance of Mackay HHS. The Finance Committee was established under section 31 of the HHBR. The Finance Committee functions under the authority of the MHHB in accordance with section 33 of the HHBR.

Committee membership:

- David Aprile (Chair)
- Darryl Camilleri
- Timothy Mulherin
- John Nugent

Meetings are held monthly or as directed by the Chair.

Safety and Quality Committee

The Safety and Quality Committee provides strategic advice and recommendations to the MHHB regarding patient safety and quality assurance. The Safety and Quality Committee was established under section 31 of the HHBR. The Safety and Quality Committee functions under authority of the MHHB in accordance with section 32 of the HHBR.

Committee membership:

- Helen Archibald (Chair)
- Richard Murray
- Leeanne Heaton
- Karla Steen

Meetings are held quarterly or as directed by the Chair.

Board Members	MHHB	Executive Committee	Audit and Risk Committee	Finance Committee	Safety and Quality Committee
Total Meetings	**12**	**4**	**4**	**11**	**4**
Timothy Mulherin	9	3		10	
Darryl Camilleri	10	3	4	10	
David Aprile*	10	4		9	
Helen Archibald*	11	4	3		4
Richard Murray*	10				2
John Nugent	12		4	11	
Suzanne Brown	12		3		
Karla Steen	11	4			4
Leeanne Heaton	12				4

1. ** Board Members who satisfy the Clinical Expertise requirement under section 23(4) of the HHB.*
2. *Total out of pocket expenses claimed during the reporting period totalled $1,384.33.*

Mackay HHS Executive Leadership Team

Miss Jo Whitehead
Health Service Chief Executive

Miss Whitehead is a long-term health professional with more than 30 years of experience in healthcare in the UK and Australia. She has held senior positions working in hospitals of all sizes and for the Department of Health in the UK and is passionate about providing more services for people in their own community. She has a BA (Hons) in History, Post Graduate Diploma in Health Service Management and Post Graduate Certificate in Health Service Economics. She is also a member of the Australian Institute of Company Directors.

Mr Marc Warner
Executive Director Finance, Procurement and Infrastructure

Mr Warner has held senior and executive roles across the New Zealand public sector over the past 30 years across New Zealand's Ministry of Social Development and Ministry of Health. He has been accountable for a broad range of corporate service functions; including finance, ICT, procurement, support services, people and capability, and resource management. Mr Warner has led significant reform and change agendas to drive new approaches to service delivery; specifically, through the design and implementation of innovative public value business and operating models.

Associate Professor David Farlow
Executive Director Research and Innovation

Associate Professor Farlow first arrived in Mackay HHS in 1984. Prior to his current role, he provided a broad range clinical services (rural generalist) and Executive leadership roles within the Whitsunday Health Service and Mackay HHS. His expertise and experience includes undertaking a range of investigations, service reviews and consultancies for Queensland Health. He is currently building the MIRI. He is also the Clinical Dean of JCU's School of Medicine and Dentistry (Mackay campus).

Ms Terry Johnson
Executive Director Rural Services

Ms Johnson has extensive executive management and leadership experience within Queensland Health across a diverse range of service settings including large tertiary facilities, community services, mental health, aged care and rural health services. Her health career began in Brisbane where she spent many years within the former Prince Charles and Royal Brisbane Hospital Districts. She accepted a secondment to Central Queensland in early 2000 where she developed a passion for rural health and has been working in rural settings ever since.

Adjunct Professor Philip Reasbeck
Executive Director Medical Services

Adjunct Professor Reasbeck has a medical degree and a research doctorate from Cambridge University, and specialist qualifications in internal medicine, general and vascular surgery, and medical administration. He has worked as a consultant surgeon in the United Kingdom, New Zealand, Hong Kong and Australia, as medical director of an NHS trust in the UK, and as Executive Director of Medical Services at Ballarat Health Services in Victoria. He is an adjunct professor in the Faculty of Health at Federation University Australia and in the College of Medicine and Dentistry at JCU.

Mr Paul Welford
Executive Director Operations Mackay

Mr Welford has more than 20 years' experience in managing healthcare services. Before moving to Mackay, he worked in Qatar's national healthcare system for five years and was accountable for the performance management of health services across four tertiary hospital sites, associated clinical support services and the national ambulance service. He has also worked as the Executive of Major Incident Planning to meet international standards. Mr Welford has worked in healthcare across the North of Scotland region and in London.

Ms Julie Rampton
Executive Director Nursing and Midwifery, Education and Support Services

Ms Rampton has worked for Queensland Health for 39 years, over 20 of those in senior nursing roles. She was the Director of Nursing at the Maryborough Base Hospital before moving to Mackay. She trained in midwifery at the Royal Women's Hospital in Brisbane. Ms Rampton is a member of the Queensland Nursing and Midwifery Executive Council, and the Nursing and Midwifery Implementation Group for EB9. She is an adjunct professor at CQU.

Health Service Committees

Mackay HHS committee structure is comprised of several tiers, partnerships and forums to ensure good governance, including:

Executive Leadership Team

This is the primary leadership and management committee of Mackay HHS, with the capacity to delegate functions to specific committees, when appropriate. Meetings are held on a weekly basis.

Clinical Governance Committee

The Committee meets on a monthly basis and is responsible for the implementation of the clinical governance framework and Mackay HHS Safety and Quality Plan in order to ensure the efficient, safe and effective delivery of clinical services by:

- Promoting an open, transparent safety and quality culture encouraging clinicians and managers to continuously improve the quality of their services and safeguard high standards of care by creating an environment in which excellence in clinical care will flourish.
- Minimising preventable harm to patients and clients.
- Working to achieve best practice health outcomes.
- Providing the governance structure to ensure the 10 National Standards from the Australian Commission on Safety and Quality in Health Care are met together with the additional mandatory requirements of the accrediting agency and the National Standards for Mental Health Services.

Credentialing and Scope of Clinical Practice (SOCP) Committee

The Committee is responsible for considering an applicant's credentials and requested SOCP and providing recommendations for defining a SOCP to Mackay HHS's delegated decision-maker. The Committee reviews the credentials and granted defined SOCP for clinical staff providing services with Mackay HHS facilities.
The Committee evaluates application for new clinical interventions and procedures and considers the SOCP for relevant medical practitioners who will be performing the new clinical intervention or procedure. Meetings are held on a monthly basis.

Clinical Council

The Clinical Council is the peak clinician led group that provides leadership and input regarding the organisation's imperatives to Mackay HHS Executive. The Clinical Council provides an opportunity for clinicians and members to engage in planning, priority setting and service improvements. Meetings are held on a bi-monthly basis.

Education Advisory Council

The Committee is responsible for implementing the strategic agenda and providing support for education and training across Mackay HHS. Meetings are held on a bi-monthly basis.

Consumer Advisory Partners

Mackay HHS's Consumer Advisory Partners are responsible for ensuring that Mackay HHS engages with, and involves consumers, carers and community members in decisions about its service operations, planning and policy development. Meetings are held on a monthly basis.

Emergency and Business Continuity Planning Committee

The Committee governs emergency planning and business continuity systems and processes for Mackay HHS to ensure facilities are prepared to respond to events in line with relevant legislation and Health Service Directives. Meetings are held on a quarterly basis.

Safe Practice and Environment Committee

The Committee governs systems and procedures to ensure compliance with Australian Standard 4801 Occupational Health and Safety Management Systems and relevant EQuIPNational Standards to ensure the safety of all Mackay HHS employees, consumers and visitors. Meetings are held on a monthly basis.

Ethics and Code of Conduct

The *Public Sector Ethics Regulation 2010 (Qld)* defines Mackay HHS as a public service agency. Therefore, the Code of Conduct for the Queensland Public Service is applicable to employees.

Mackay HHS is committed to upholding the values and standards of conduct outlined in the Code of Conduct for the Queensland Public Service, which came into effect on 1 January 2011. The code of conduct consists of four core aspirational principles:

- integrity and impartiality
- promoting the public good
- commitment to the system of government
- accountability and transparency.

Each principle is strengthened by a set of values and standards of conduct describing the behaviour that will demonstrate that principle. All Mackay HHS employees are required to undertake training in the Code of Conduct for the Queensland Public Service during their induction and in orientation sessions. Staff are required to refresh their understanding of the Code of Conduct annually and following any change to the document through intranet based modules.

Public Service values

Mackay HHS is committed to upholding the Queensland Public Service Values. Queensland's public sector has five organisational values to support this goal. The values are the building blocks for our workplace culture and our own HHS specific values and related behaviours.

Customers first

- Know your customers
- Deliver what matters
- Make decisions with empathy

Ideas into action

- Challenge the norm and suggest solutions
- Encourage and embrace new ideas
- Work across boundaries

Unleash potential

- Expect greatness
- Lead and set clear expectations
- Seek, provide and act on feedback

Be courageous

- Own your actions, successes and mistakes
- Take calculated risks
- Act with transparency

Empower people

- Lead, empower and trust
- Play to everyone's strengths
- Develop yourself and those around you

Risk Management and Accountability

Mackay HHS is committed to managing risk in a proactive, integrated and accountable manner. Mackay HHS's risk management practices recognise and manage risks and opportunities in a balanced manner. Risk is an inherent part of Mackay HHS's operating environment. Risk management activities are incorporated into strategic planning, governance reporting and operational processes.

Mackay HHS has a risk management policy and integrated Risk Management Framework (RMF) based on the Australian/New Zealand ISO Standard 31000:2009 for risk management. The policy and framework outline Mackay HHS's intent, roles, responsibilities and implementation requirements. Mackay HHS's RMF defines the processes for risk identification, recording, rating, key controls identification, determination of risk treatment required and regular monitoring and reporting of risks.

Risks are controlled within the financial and management accountabilities of each position. Significant risks are reported to the MHHB and the Audit and Risk Committee on a regular basis. Activities for 2017–18 include:

- Risk workshops with the Executive Leadership Team and MHHB;
- Ongoing monitoring of risk registers to ensure timely response to risks; and
- Assessing and contributing to the audit planning process relating to the risks to the health service.

External Scrutiny

Mackay HHS's operations are subject to regular scrutiny from external oversight bodies. These include Queensland Audit Office (QAO), National Association of Testing Authorities, National Quality Management Committee, Specialist Advisory Committee in General and Acute Care Medicine, Australasian College of Emergency Medicine and Emergo Training Disaster Exercise.

Patient feedback

Mackay HHS received 3,197 pieces of feedback from consumers with 1,497 compliments and 736 complaints, and 963 general feedback. The top issues were access and timing, treatment, and communication. Of these 736 complaints, 660 required further responses and 76 were resolved at frontline at the health service level. Feedback from consumers helped shape service delivery and changed the hospital environment and equipment used.

Queensland Health Patient Experience Surveys

The following patient experience surveys were conducted by the Queensland Government Statistician's Office on behalf of Queensland Health. It was conducted using computer assisted telephone interviewing.

Maternity Outpatient Clinical Patient Experience Survey

A total of 386 telephone interviews were completed of mothers who attended Mackay HHS maternity specialist outpatient clinics between July and September 2017. These interviews were undertaken from October to late November 2017. Mackay HHS has reviewed all of the results and will implement actions to address areas identified for improvement.

General Surgery Outpatient Clinic Patient Experience Survey

Telephone interviews were completed by patients who attended Mackay HHS general specialist outpatient clinics between October 2017 and January 2018. These interviews were undertaken in mid-April 2018 with the results to be available in August 2018. Mackay HHS will review all of the results and, if necessary, develop an action plan to implement recommendations from this survey.

QAO Report – 2016–17 Results of Financial Audits

As a public sector entity, Mackay HHS is subject to an annual audit by the QAO. The QAO Final Management Report provided to Mackay HHS for 2016–17 financial year contained no high risks. Lower risk items are being managed through appropriate action plans or additional investigation.

Internal Audit

Internal Audit is an integrated component of corporate governance, promoting efficient management and assisting in risk management.

The function operates under the Internal Audit Charter, consistent with the internal auditors' standards and Audit Committee Guidelines. Internal Audit is an independent and objective assurance activity designed to improve the governance of Mackay HHS providing reports to the Audit and Risk Committee for the effective, efficient and economical operation of the health service. The Internal Audit function operates with due regard to Queensland Treasury Audit Committee Guidelines.

The Internal Audit unit has a central role in improving operational processes and financial practices by:

- assessing the effectiveness and efficiency of Mackay HHS's financial and operating systems, reporting processes and activities
- identifying operational deficiencies and non-compliance with legislation or prescribed requirements
- assisting in risk management and identifying deficiencies in risk management
- bringing a broad range of issues to management's attention, including performance, efficiency and economy
- monitoring whether agreed remedial actions have been undertaken.

The annual audit plan, endorsed by the Audit and Risk Committee and approved by the MHHB, directs the unit's activities and provides a framework for its effective operation. A risk-based planning approach is used to develop audit plans, including considering risk registers and consulting with internal stakeholders and the QAO. Audit reports include recommendations to address deficiencies in risk treatment and all audit reports are reviewed by the Audit and Risk Committee.

Information Systems and Recordkeeping

Management of health records and clinical information is the responsibility of the Health Information Service. Patient clinical records are managed through strict procedures including health records documentation standards, health records management and tracking, health record transportation, security and procedures for accessing health records for research and clinical audits. Health record documentation standard audits are conducted regularly with the criteria based on the standards procedure.

All employees are made aware of their responsibilities regarding security and confidentiality to ensure that management of clinical and non-clinical documentation is undertaken appropriately. Continual improvement to processes ensures that all staff meet record management requirements.

There are procedures in place to ensure that all medical records are archived, retained and destroyed appropriately meeting all legislative requirements pertaining to the Queensland State Archives – Health Sector Retention and Disposal Schedule (Clinical) and the General Retention and Disposal Schedule for Administrative Records (Non-Clinical).

Mackay Base Hospital has successfully transitioned to a fully ieMR site with direct entry into patient records. Key performance indicators are met routinely for the scanning of paper documentation into records (i.e. documentation is available for viewing in the ieMR within 72 hours). A Quality Assurance process is being maintained which will enable the authorised destruction of the Mackay Base Hospital original (source) paper medical records after digitisation in accordance with the Digitisation and Disposal Plan of Scanned Medical Records.

Business Classification Scheme

The Business Classification Scheme (BCS) is a records management tool used to categorise information resources in a consistent and organised manner. It is comprised of a hierarchy of terms that describe the broad business functions of the department and the activities and transactions that enable those functions to be delivered. This assists with creating, accessing, and transferring files.

According to the Records Governance Policy Requirement 5, public authorities must 'ensure complete and reliable records are discoverable, accessible and are able to be used and re-used for their entire life'. Under section 47 of the HHBA, the Chief Executive of the Department of Health has issued a Health Service Directive to classify records in accordance with the BCS and subsequent versions.

Mackay HHS adheres to the BCS and the General Retention and Disposal Schedule for Administrative Records.

Open Data

Additional annual report disclosures – relating to expenditure on consultancy, overseas travel and implementation of the Queensland Language Services Policy – are published on the Queensland government's open data website, available via: **www.data.gov.au**.

Health Information Service

Health Information Statistics	
Clinical Information Access – Requests for patient information (releasing patient information through multiple legislative mechanism)	1,522
Clinical Information Access – Secure Web Transfer System – Patient information release with encryption	23,232
Clinical Information Access – GP Requests	6,363
Right to Information/Information Privacy (RTI/IP) Applications received (annual)	165
RTI/IP Applications released in full	91
RTI/IP Applications partially released	29
RTI/IP Applications denied in full	3
RTI/IP Applications withdrawn	7
Number of charts coded (Mackay and Sarina) (annual)	44,925
Number of chart/current encounter chart movements (annual)	20,844
Daily Average chart/current encounter chart movements	57
Number of batches processed onto ieMR	20,844
Number of documents scanned into ieMR	852,462
Number of letters transcribed	24,416
Number answered incoming operator calls	508,703

Glossary of terms

Activity based funding A management tool with the potential to enhance public accountability and drive technical efficiency in the delivery of health services by:

- capturing consistent and detailed information on hospital sector activity and accurately measuring the costs of delivery
- creating an explicit relationship between funds allocated and services provided
- strengthening management's focus on outputs, outcomes and quality
- encouraging clinicians and managers to identify variations in costs and practices so they can be managed at a local level in the context of improving efficiency and effectiveness
- providing mechanisms to reward good practice and support quality initiatives.

Acute care Care in which the clinical intent or treatment goal is to:

- manage labour (obstetric)
- cure illness or provide definitive treatment of injury
- perform surgery
- relieve symptoms of illness or injury (excluding palliative care)
- reduce severity of an illness or injury
- protect against exacerbation and/or complication of an illness and/or injury that could threaten life or normal function.

Benchmarking Involves collecting performance information to undertake comparisons of performance with similar organisations.

Best practice Cooperative way in which organisations and their employees undertake business activities in all key processes, and use benchmarking that can be expected to lead to sustainable world class positive outcomes.

Chronic A long-term or persistent condition.

Clinical governance A framework by which health organisations are accountable for continuously improving the quality of their services and safeguarding high standards of care by creating an environment in which excellence in clinical care will flourish.

Clinical practice Professional activity undertaken by health professionals to investigate patient symptoms and prevent and/or manage illness, together with associated professional activities for patient care.

Full-Time Equivalent Refers to full-time equivalent staff currently working in a position.

Health outcome Change in the health of an individual, group of people or population attributable to an intervention or series of interventions.

Hospital Healthcare facility established under Commonwealth, state or territory legislation as a hospital or a free-standing day-procedure unit and authorised to provide treatment and/or care to patients.

Hospital and Health Boards The Hospital and Health Boards are made up of a mix of members with expert skills and knowledge relevant to managing a complex health care organisation.

Hospital and Health Service HHS is a separate legal entity established by Queensland Government to deliver public hospital services.

Medical practitioner A person who is registered with the Medical Board of Australia to practice medicine in Australia, including general and specialist practitioners.

Non-admitted patient A patient who does not undergo a hospital's formal admission process.

Non-admitted patient services An examination, consultation, treatment or other service provided to a non-admitted patient in a functional unit of a health service facility.

Nurse practitioner A registered nurse educated and authorised to function autonomously and collaboratively in an advanced and extended clinical role. The nurse practitioner role includes assessing and managing clients using nursing knowledge and skills and may include, but is not limited to, direct referral of clients to other healthcare professionals, prescribing medications, and ordering diagnostic investigations.

Outpatient Non-admitted health service provided or accessed by an individual at a hospital or health service facility.

Patient flow Optimal patient flow means the patient's journey through the hospital system, be it planned or unplanned, happens in the safest, most streamlined and timely way to deliver good patient care.

Performance indicator A measure that provides an 'indication' of progress towards achieving the organisation's objectives usually has targets that define the level of performance expected against the performance indicator.

Private hospital A private hospital or free standing day hospital and either a hospital owned by a for-profit company or a non-profit organisation and privately funded through payment for medical services by patients or insurers patients admitted to private hospitals are treated by a doctor of their choice.

Public hospital Public hospitals offer free diagnostic services, treatment, care and accommodation to eligible patients.

Registered nurse An individual registered under national law to practice in the nursing profession as a nurse, other than as a student.

Statutory bodies A non-department government body, established under an Act of Parliament. Statutory bodies can include corporations, regulatory authorities and advisory committees/councils.

Glossary of acronyms

Sustainable A health system that provides infrastructure, such as workforce, facilities and equipment and is innovative and responsive to emerging needs, for example, research and monitoring within available resources.

Sub-Acute Somewhat acute; between acute and chronic.

Telehealth Delivery of health-related services and information via telecommunication technologies, including:

- Live, audio and/or video interactive links for clinical consultations and educational purposes
- Store and forward Telehealth, including digital images, video, audio and clinical (stored) on a client computer, then transmitted securely (forwarded) to a clinic at another location where they are studied by relevant specialists
- Teleradiology for remote reporting and clinical advice for diagnostic images
- Telehealth services and equipment to monitor people's health in their home.

ABF	Activity based funding
BCS	Business Classification Scheme
CQU	Central Queensland University
FTE	Full-Time Equivalent
GP	General Practitioner
HHS	Hospital and Health Service
HHBA	*Hospital and Health Boards Act 2011 (Qld)*
HHBR	*Hospital and Health Boards Regulation 2012 (Qld)*
ieMR	Integrated Electronic Medical Record
JCU	James Cook University
Mackay HHS	Mackay Hospital and Health Service
MHHB	Mackay Hospital and Health Board
MIRI	Mackay Institute of Research and Innovation
MPHS	Multi-Purpose Health Service
QAO	Queensland Audit Office
RMF	Risk Management Framework
RTI/IP	Right to Information/Information Privacy
SOCP	Scope of Clinical Practice

Compliance checklist

Summary of requirement	Basis for requirement	Annual report reference
Letter of compliance		
A letter of compliance from the accountable officer or statutory body to the relevant Minister/s	ARRs – section 7	page 2
Accessibility		
Table of contents	ARRs – section 9.1	page 3
Glossary		pages 30–31
Public availability	ARRs – section 9.2	page i
Interpreter service statement	*Queensland Government Language Services Policy* ARRs – section 9.3	page i
Copyright notice	*Copyright Act 1968* ARRs – section 9.4	page i
Information Licensing	*QGEA – Information Licensing* ARRs – section 9.5	page i
General information		
Introductory Information	ARRs – section 10.1	pages 4–5
Machinery of Government changes	ARRs – section 31 and 32	N/A
Agency role and main functions	ARRs – section 10.2	page 6
Operating environment	ARRs – section 10.3	pages 6–7
Non-financial performance		
Government's objectives for the community	ARRs – section 11.1	page 8
Other whole-of-government plans / specific initiatives	ARRs – section 11.2	page 7
Agency objectives and performance indicators	ARRs – section 11.3	pages 9–13
Agency service areas and service standards	ARRs – section 11.4	pages 14–15
Financial performance		
Summary of financial performance	ARRs – section 12.1	page 16
Governance – management and structure		
Organisational structure	ARRs – section 13.1	page 20
Executive management	ARRs – section 13.2	page 24
Government bodies (statutory bodies and other entities)	ARRs – section 13.3	N/A
Public Sector Ethics Act 1994	*Public Sector Ethics Act 1994* ARRs – section 13.4	page 26
Queensland public service values	ARRs – section 13.5	page 26

Summary of requirement	Basis for requirement	Annual report reference
Governance – risk management and accountability		
Risk management	ARRs – section 14.1	page 26
Audit committee	ARRs – section 14.2	page 23
Internal audit	ARRs – section 14.3	page 27
External scrutiny	ARRs – section 14.4	page 27
Information systems and recordkeeping	ARRs – section 14.5	page 28
Governance – human resources		
Strategic workforce planning and performance	ARRs – section 15.1	pages 18–19
Early retirement, redundancy and retrenchment	*Directive No. 16/16 Early Retirement, Redundancy and Retrenchment* *Directive No. 04/18 Early Retirement, Redundancy and Retrenchment* ARRs – section 15.2	page 19
Open Data		
Statement advising publication of information	ARRs – section 16	page 28 https://data.qld.gov.au
Consultancies	ARRs – section 33.1	
Overseas travel	ARRs – section 33.2	
Queensland Language Services Policy	ARRs – section 33.3	
Financial statements		
Certification of financial statements	FAA – section 62 FPMS – sections 42, 43 and 50 ARRs – section 17.1	page 74
Independent Auditor's Report	FAA – section 62 FPMS – section 50 ARRs – section 17.2	page 75–78

FAA *Financial Accountability Act 2009*

FPMS *Financial and Performance Management Standard 2009*

ARRs Annual report requirements for Queensland Government agencies


RACQ CQ RESCUE

Mackay Hospital and Health Service

ABN 8742 789 6923

Annual Financial Statements

For the year ended 30 June 2018

Mackay Hospital and Health Service

Statement of Comprehensive Income

For the year ended 30 June 2018

OPERATING RESULT	Notes	2018 $'000	2017 $'000
Income from Continuing Operations			
User charges and fees	B1-1	29,848	27,732
Funding public health services	B1-2	371,208	355,329
Grants and other contributions	B1-3	11,096	7,147
Other revenue	B1-4	7,092	9,860
Revaluation increment	B1-5	522	-
Total Revenue		419,766	400,068
Total Income from Continuing Operations		**419,766**	**400,068**
Expenses from Continuing Operations			
Employee expenses	B2-1	41,950	36,242
Health service employee expenses	B2-2	238,713	216,123
Supplies and services	B2-3	123,081	116,812
Depreciation and amortisation	C4-2	26,253	29,917
Revaluation decrement	B2-4	-	1,397
Other expenses	B2-5	5,849	5,660
Total Expenses from Continuing Operations		**435,846**	**406,151**
Operating Surplus/(Deficit) from Continuing Operations		**(16,080)**	**(6,083)**
Other Comprehensive Income			
Items Not Reclassified to Operating Result			
Increase/(decrease) in Asset Revaluation Surplus		529	5,745
Total Items Not Reclassified to Operating Result		529	5,745
Other Comprehensive Income		**529**	**5,745**
Total Comprehensive Income		**(15,551)**	**(338)**

The accompanying notes form part of these statements

Mackay Hospital and Health Service

Statement of Financial Position

As at 30 June 2018

	Note	2018 $'000	2017 $'000
Current Assets			
Cash and cash equivalents	C1	39,873	54,497
Receivables	C2	10,935	15,642
Inventories	C3	3,892	3,953
Total Current Assets		**54,700**	**74,092**
Non-Current Assets			
Property, plant and equipment	C4-2	388,077	399,305
Total Non-Current Assets		**388,077**	**399,305**
Total Assets		**442,777**	**473,397**
Current Liabilities			
Payables	C5	21,033	22,440
Total Current Liabilities		**21,033**	**22,440**
Total Liabilities		**21,033**	**22,440**
Net Assets		**421,744**	**450,957**
Equity			
Contributed equity	C6-1	366,690	380,352
Accumulated surplus		34,415	50,495
Asset revaluation surplus	C6-2	20,639	20,110
Total Equity		**421,744**	**450,957**

The accompanying notes form part of these statements

Mackay Hospital and Health Service

Statement of Changes in Equity

For the year ended 30 June 2018

	Contributed equity Note C6-1 $'000	Accumulated surplus $'000	Asset revaluation surplus Note C6-2 $'000	Total equity $'000
Balance as at 1 July 2016	397,806	56,578	14,365	468,749
Operating Result from Continuing Operations	-	(6,083)	-	(6,083)
Other Comprehensive Income				
Increase/(decrease) in asset revaluation surplus	-	-	5,745	5,745
Total Comprehensive Income for the Year	-	(6,083)	5,745	(338)
Transactions with Owners as Owners:				
Net assets transferred	2,926	-	-	2,926
Equity injections - minor capital works	9,537		-	9,537
Equity withdrawals - Depreciation funding	(29,917)	-	-	(29,917)
Net Transactions with Owners as Owners	(17,454)	-	-	(17,454)
Balance at 30 June 2017	**380,352**	**50,495**	**20,110**	**450,957**
Balance as at 1 July 2017	380,352	50,495	20,110	450,957
Operating Result from Continuing Operations	-	(16,080)	-	(16,080)
Other Comprehensive Income				
Increase/(decrease) in asset revaluation surplus	-	-	529	529
Total Comprehensive Income for the Year	-	(16,080)	529	(15,551)
Transactions with Owners as Owners:				
Net assets transferred	1,251	-	-	1,251
Equity injections - minor capital works	11,340		-	11,340
Equity withdrawals - Depreciation funding	(26,253)	-	-	(26,253)
Net Transactions with Owners as Owners	(13,662)	-	-	(13,662)
Balance at 30 June 2018	**366,690**	**34,415**	**20,639**	**421,744**

The accompanying notes form part of these statements

Mackay Hospital and Health Service

Statement of Cash Flows

For the year ended 30 June 2018

	Note	2018 $'000	2017 $'000
Cash flows from operating activities			
Inflows			
User charges and fees		30,794	27,266
Funding public health services		349,017	323,887
Grants and other contributions		11,005	6,480
GST input tax credits from ATO		8,708	7,758
GST collected from customers		571	439
Other receipts		6,929	8,695
		407,024	**374,525**
Outflows			
Employee expenses		(41,782)	(36,045)
Health service employee expenses		(238,127)	(214,920)
Supplies and services		(126,486)	(114,887)
GST paid to suppliers		(8,264)	(7,743)
GST remitted to ATO		(603)	(413)
Other payments		(4,825)	(4,461)
		(420,087)	**(378,469)**
Net cash from/(used by) operating activities	CF-1	**(13,063)**	**(3,944)**
Cash flows from investing activities	CF-2		
Inflows			
Sales of property, plant and equipment		194	128
Outflows			
Payments for property, plant and equipment		(13,095)	(12,009)
Net cash from/(used by) investing activities		**(12,901)**	**(11,881)**
Cash flows from financing activities			
Inflows			
Equity injections		11,340	9,537
Net cash from/(used by) financing activities		**11,340**	**9,537**
Net increase/(decrease) in cash and cash equivalents		**(14,624)**	**(6,288)**
Cash and cash equivalents at the beginning of the financial year		54,497	60,785
Cash and cash equivalents at the end of the financial year	C1	**39,873**	**54,497**

The accompanying notes form part of these statements

NOTES TO THE STATEMENT OF CASH FLOWS

CF-1 RECONCILIATION OF OPERATING RESULT TO NET CASH FROM OPERATING ACTIVITIES

	2018	*2017*
	$'000	*$'000*
Operating Result	(16,080)	(6,083)
Non-cash movements:		
Depreciation and amortisation	26,253	29,917
Depreciation funding	(26,253)	(29,917)
Revaluation decrement	-	1,397
Revaluation increment	(522)	-
Net (gain)/loss on disposal/revaluation of non-current assets	(127)	767
Loss on disposal - (netted off account)	396	-
Reversal impairment loss on plant and equipment	-	(32)
Impairment losses	624	107
Donated assets	(91)	(667)
Changes in assets and liabilities:		
(Increase)/decrease in receivables	309	(1,455)
(Increase)/decrease in funding receivables	3,307	(1,761)
(Increase)/decrease in GST receivables	444	15
(Increase)/decrease in inventories	(92)	51
(Increase)/decrease in other receivables	208	(76)
Increase/(decrease) in accounts payable	(1,993)	2,564
Increase/(decrease) in accrued contract labour	586	1,203
Increase/(decrease) in GST payable	(32)	26
Net cash from/(used by) operating activities	**(13,063)**	**(3,944)**

CF-2 NON-CASH INVESTING AND FINANCING ACTIVITIES

Assets received or liabilities donated/transferred by the Hospital and Health Service to agencies outside of the State Health portfolio agencies are recognised as revenues (refer Note B1-3) or expenses (refer Note B2-5) as applicable.

Assets received or liabilities transferred by the Hospital and Health Service as a result of machinery-of-Government or administrative arrangements are set out in the Statement of Changes in Equity and Note C6-1.

PREPARATION INFORMATION

GENERAL INFORMATION

The Mackay Hospital and Health Service (MHHS) was established on 1st July 2012 as a statutory body under the *Hospital and Health Boards Act 2011* and is controlled by the State of Queensland which is the ultimate parent.

The head office and principal place of business of MHHS is Mackay Base Hospital, 475 Bridge Road, MACKAY QLD 4740.

For information in relation to the Hospital and Health Service's financial statements, please visit the website www.health.qld.gov.au/mackay.

COMPLIANCE WITH PRESCRIBED REQUIREMENTS

The Hospital and Health Service has prepared these financial statements in compliance with section 62 (1) of the *Financial Accountability Act 2009* and section 43 of the *Financial and Performance Management Standard 2009.* The financial statements comply with Queensland Treasury's Minimum Reporting Requirements for reporting periods beginning on or after 1 July 2017.

The Hospital and Health Service is a not-for-profit statutory body and these general purpose financial statements are prepared on an accrual basis (except for the Statement of Cash Flow which is prepared on a cash basis) in accordance with Australian Accounting Standards and Interpretations applicable to not-for-profit entities.

New accounting standards early adopted and/or applied for the first time in these financial statements are outlined in Note G3.

PRESENTATION

Currency and Rounding

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

Comparatives

Comparative information reflects the audited 2016-17 financial statements.

Current/Non-Current Classification

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

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

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

AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

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

BASIS OF MEASUREMENT

Historical cost is used as the measurement basis in this financial report except for the following:

- Land and buildings which are measured at fair value; and
- Inventories which are measured at the lower of cost and net realisable value.

Historical Cost

Under historical cost, assets are recorded at the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire assets at the time of their acquisition. Liabilities are recorded at the amount of proceeds received in exchange for the obligation or at the amounts of cash or cash equivalents expected to be paid to satisfy the liability in the normal course of business.

Fair Value

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

- The market approach uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities, or
- The cost approach reflects the amount that would be required currently to replace the service capacity of an asset. This method includes the current replacement cost methodology.

Where fair value is used, the fair value approach is disclosed.

Present Value

Present value represents the present discounted value of the future net cash inflows that the item is expected to generate (in respect of assets) or the present discounted value of the future net cash outflows expected to settle (in respect of liabilities) in the normal course of business.

Net Realisable Value

Net realisable value represents the amount of cash or cash equivalents that could be obtained by selling an asset in an orderly disposal.

THE REPORTING ENTITY

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

SECTION A
HOW WE OPERATE – OUR OBJECTIVES AND ACTIVITIES

A1 OBJECTIVES OF MHHS

The HHS is responsible for providing primary health, community and public health services in the area assigned under the *Hospital and Health Boards Regulation 2012*. This includes responsibility for the direct management of hospitals in Mackay, Proserpine, Bowen, Moranbah, Dysart, Collinsville, Clermont and Sarina including outpatient and primary care clinics.

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

A2 CONTROLLED ENTITIES

The Hospital and Health Service has no wholly-owned controlled entities nor indirectly controlled entities.

A2-1 DISCLOSURES ABOUT NON WHOLLY-OWNED CONTROLLED ENTITIES

North Queensland Primary Health Network Limited (NQPHNL) was established as a public company limited by guarantee on 21 May 2015. Mackay Hospital and Health Service is one of nine members along with Cairns and Hinterland Hospital and Health Service, Townsville Hospital and Health Service, Torres and Cape Hospital and Health Service, the Pharmacy Guild of Australia (Queensland Branch), the Australian College of Rural and Remote Medicine, Northern Aboriginal and Torres Strait Islander Health Alliance, Australian Primary Healthcare Nurses Association and the Council on the Ageing, with each member holding one voting right in the company.

The principal place of business of NQPHNL is Cairns, Queensland. The Company's principal purpose is to work with general practitioners, other Primary Health Care providers, community health services, pharmacists and hospitals in North Queensland to improve and coordinate Primary Health Care across the local health system for patients requiring care from multiple providers.

As each member has the same voting entitlement (11.1%), it is considered that none of the individual members has power or significant influence over NQPHNL (as defined by AASB 10 *Consolidated Financial Statements and AASB 128 Investments in Associates and Joint Ventures*). Each member's liability to NQPHNL is limited to $10. NQPHNL is legally prevented from paying dividends to its members and its constitution also prevents any income or property of the Company being transferred directly or indirectly to or amongst the Members.

As NQPNHL is not controlled by Mackay HHS and is not considered a joint operation or an associate of Mackay HHS, financial results of NQPHNL are not required to be disclosed in these statements.

SECTION B
NOTES ABOUT OUR FINANCIAL PERFORMANCE

B1 REVENUE

B1-1 USER CHARGES AND FEES

	2018 $'000	2017 $'000
Pharmaceutical Benefit Scheme	8,790	7,746
Sales of goods and services	2,130	1,974
Hospital fees	18,928	18,012
	29,848	**27,732**

Accounting Policy – User charges and fees

User charges and fees are recognised as revenues when earned and can be measured reliably with sufficient degree of certainty. This occurs upon delivery of the goods to the customer or completion of the requested services at which time the invoice is raised. Accrued revenue is recognised if the revenue has been earned but not yet invoiced. Revenue in this category primarily consists of hospital fees (private patients), reimbursements of pharmaceutical benefits, and sales of goods and services.

B1-2 FUNDING PUBLIC HEALTH SERVICES

	2018 $'000	2017 $'000
Activity based funding	241,775	232,331
Block funding	49,418	43,380
Teacher training funding	10,474	8,289
Depreciation funding	26,253	29,917
General purpose funding	43,288	41,412
	371,208	**355,329**

Disclosure about funding received to deliver public health services

The National Health Reform Funding (NHRF) comprises of Activity Based Funding (ABF), Block Funding (Non-ABF), Teaching, Training and Research (TTR) and Public Health Funding (PHF). All Commonwealth Funding for NHRF is deposited in the State Pool Account along with the State's contribution to activity base hospital funding. The service agreement is an annual formal agreement between the Department of Health and the MHHS. It defines the health services, teaching, research and other services that are to be provided by the MHHS and the funding to be provided to the MHHS for the delivery of these services (both ABF and Non-ABF). It also sets out the outcomes that are to be met by MHHS and how its performance will be measured.
The Department's purchasing model determines the volume of services that the Department agrees to purchase from HHSs and nay efficiency adjustments applied to the ABF determination. The Funding model determines the price at which the Department purchase services from the MHHS under ABF.
Cash funding from the Department is received fortnightly for State payments and monthly for Commonwealth payments and is recognised as revenue on receipt. At the end of the financial year, an agreed technical adjustment between Department of Health and MHHS may be required for the level of services performed above or below the agreed levels.

The service agreement between the Department of Health and MHHS dictates that depreciation charges incurred by MHHS are funded by the Department via non-cash revenue. This is achieved through a withdrawal of funds from equity refer Note C6-1.

B1-3 GRANTS AND OTHER CONTRIBUTIONS

	2018 $'000	2017 $'000
Australian Government grants		
Home and community care grants	3,673	3,626
Specific purpose payments	2,803	2,684
Total Australian Government grants	6,476	6,310
Other grants		
Other grants	4,620	837
	11,096	**7,147**

Accounting Policy – Grants, contributions, donations and gifts

Grants, contributions, donations and gifts that are non-reciprocal in nature (do not require any goods or services to be provided in return) are recognised in the year in which the Hospital and Health Service obtains control over the funds.

Contributed assets are recognised at their fair value.

Accounting Policy – Services received below fair value

Under AASB 1044, Contributions of service are recognised only if the services would have been purchased if they had not been donated and their fair value can be measured reliably. Where this is the case, an equal amount is recognised as revenue and an expense.

MHHS receives corporate services support from the Department at no cost. Corporate services received include payroll services, financial transactions services (including accounts payable and banking services), administrative services and information technology services. Previously this was not able to be determined. This year, MHHS accounting treatment recognises $3.757 million revenue and expense within the general ledger under Other grants* and Other supplies and services.

B1-4 OTHER REVENUE

	2018 $'000	2017 $'000
Sales proceeds for assets	127	59
Recoveries	6,092	8,649
Other	873	1,152
	7,092	**9,860**

Accounting Policy – Other revenue

Other revenue primarily reflects recoveries of payments for contracted staff from third parties such as universities and other government agencies. Other revenue is recognised based on either invoicing for related goods, services and/or the recognition of accrued revenue based on estimated volumes of goods or services delivered.

B1-5 LAND REVALUATION INCREMENT

	2018 $'000	2017 $'000
Revaluation increments - land	522	-
	522	-

Accounting Policy - Revaluations

Land is measured at fair value using independent revaluations, desktop market revaluations or indexation by the State Valuation Service (SVS) within the Department of Natural Resources and Mines

Any revaluation increment arising on the revaluation of an asset is credited to the asset revaluation surplus of the appropriate class, except to the extent it reverses a revaluation decrement for the class previously recognised as an expense. A decrease in the carrying amount on revaluation is charged as an expense, to the extent it exceeds the balance, if any, in the revaluation surplus relating to that asset class. Refer B2-4 Revaluation Decrement.

As decrements to land values in previous years were reflected as an expense in the operating statement, this year's return to positive growth will be a revenue in the current year's operating results. This will leave accumulated losses from previous year's land valuation at $5.802 million as at 30 June 2018 (2017: $6.325 million).

B2 EXPENSES

B2-1 EMPLOYEE BENEFIT EXPENSE

	2018 $'000	2017 $'000
Employee benefits		
Wages and salaries	35,863	30,959
Annual leave levy	2,317	1,989
Employer superannuation contributions	2,610	2,212
Long service leave levy	735	638
Employee related expenses		
Workers compensation premium	76	59
Other employee related expenses	349	385
	41,950	**36,242**
	No.	No.
Full-Time Equivalent Employees*	92	88

*reflecting Minimum Obligatory Human Resource Information (MOHRI)

Accounting Policy – Superannuation

Post-employment benefits for superannuation are provided through defined contribution (accumulation) plans or the Queensland Government's QSuper defined benefit plan as determined by employee's conditions of employment.

Defined Contributions Plans – Contributions are made to eligible complying superannuation funds based on the rates specified in the relevant EBA or other conditions of employment. Contributions are expensed when they are paid or become payable following completion of the employee's service each pay period.

Defined Benefit Plan – The liability for defined benefits is held on a whole-of-government basis and reported in those financial statements pursuant to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*. The amount of contributions for defined benefit plan obligations is based upon the rates determined by the Treasurer on the advice of the State Actuary. Contributions are paid by MHHS at the specified rate following completion of the employee's service each pay period. MHHS's obligations are limited to those contributions paid.

Key management personnel and remuneration disclosures are detailed in Note G1.

Accounting Policy – Employee benefits

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

Accounting Policy – Workers' Compensation Premiums

Mackay Hospital and Health Service pays premiums to WorkCover Queensland in respect of its obligations for employee compensation. Workers' compensation insurance is a consequence of employing employees, but it is not counted in an employee's total remuneration package. It is not an employee benefit and is recognised separately as employee related expense.

Accounting Policy – Sick leave

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

Accounting Policy – Annual leave and long service leave

Under the Queensland Government's Central Schemes for Annual Leave (ALCS) and Long Service Leave (LSLS), levies are made throughout the year by MHHS to cover the cost of employee's accruing annual leave and long service leave entitlements (including leave loading and on-costs).

The levies are expensed in the period in which they are payable.

Amounts paid to employees for annual leave and long service leave are claimed from the scheme quarterly in arrears.

B2-2 HEALTH SERVICE EMPLOYEE EXPENSES

	2018 $'000	2017 $'000
Department of Health	238,713	216,123
	238,713	**216,123**

The Hospital and Health Service through service arrangements with the Department of Health has engaged 2,192 (2017: 2,078) full time equivalent persons at 30 June 2018. As well as direct payments to the department, premium payments made to WorkCover Queensland representing compensation obligations are included in this category 2018: $1.958 million (2017: $1.828 million).

Accounting Policy – Health service employee expense

In accordance with the *Hospital and Health Boards Act 2011*, the employees of the Department of Health are referred to as Health service employees. Under this arrangement:

- The department provides employees to perform work for MHHS, acknowledges and accepts its obligations as the employer of these employees.
- MHHS is responsible for the day to day management of these departmental employees.
- MHHS reimburses the department for the salaries and on-costs of these employees. This is disclosed as Health service employee expense.

B2-3 SUPPLIES AND SERVICES

	2018 $'000	2017 $'000
Consultants and contractors	16,362	13,113
Electricity and other energy	5,297	4,993
Patient travel	10,481	10,991
Other travel	2,189	1,773
Building services	1,800	1,950
Computer services	2,683	2,399
Communications	4,269	3,563
Repairs and maintenance	11,367	14,431
Operating lease rentals	1,163	1,102
Outsourced supplies and services	12,773	13,532
Inventories consumed		
Drugs	13,162	12,120
Clinical supplies and services	16,599	16,403
Catering and domestic supplies	2,026	1,876
Pathology, blood and parts	10,357	10,416
Other	12,553	8,150
	123,081	**116,812**

Accounting Policy – Inventories consumed

All inventories held for distribution in hospital and health facilities are expensed at the time of issue. Stock held and available for use in the wards and other facilities, at 30 June is recorded as inventory in the Statement of Financial Position where material.

B2-4 REVALUATION DECREMENTS

	2018 $'000	2017 $'000
Revaluation decrement*	-	1,397
	-	**1,397**

* Accumulated decrements, recognised as an expense in the current and previous years, totalled $5.802 million at 30 June 2018 (2017: $6.325 million).

Accounting Policy - Revaluations

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

Accounting Policy – Insurance

The Department of Health insures property and general losses above a $10,000 threshold through the Queensland Government Insurance Fund (QGIF). Health litigation payments above a $20,000 threshold and associated legal fees are also insured through QGIF. QGIF collects from insured agencies an annual premium intended to cover the cost of claims occurring in the premium year.

The Insurance Arrangements for Public Health Entities Health Service enables Hospital and Health Services to be named insured parties under the department's policy. For the 2017-18 policy year, the premium was allocated to each HHS according to the underlying risk of an individual insured party.

Special payments represent ex gratia expenditure and other expenditure that the HHS is not contractually or legally obligated to make to other parties. MHHS maintains a register of all special payments greater than $5,000.

MHHS receives corporate services support from the Department at no cost. Further information on services provided and their treatment is available at Note B1-3.

B2-5 OTHER EXPENSES

	2018 $'000	2017 $'000
Insurance premiums - QGIF	3,856	3,519
Insurance premiums - Other	97	25
Losses from the disposal of non-current assets	396	826
Special payments		
Ex-gratia payments	4	4
Other legal costs	87	64
Other	1,409	1,222
	5,849	**5,660**

B2-6 AUDITOR REMUNERATION

	2018 $	2017 $
Audit services - Queensland Audit Office		
Audit of financial statements	**163,000**	**160,000**

There are no non-audit services included in this amount.

SECTION C
NOTES ABOUT OUR FINANCIAL POSITION

C1 CASH AND CASH EQUIVALENTS

	2018 *$'000*	*2017* *$'000*
Imprest accounts	7	6
Cash at bank*	38,481	53,138
QTC cash funds*	1,385	1,353
	39,873	**54,497**

Cash deposited with Queensland Treasury Corporation earns interest, calculated on a daily basis reflecting market movements in cash funds. The annual effective interest rate was rate was 2.41% (2017: 2.49%).

Accounting Policy – Cash and Cash Equivalents

For the purposes of the Statement of Financial Position and the Statement of Cash Flows, cash assets include all cash and cheques receipted but not banked at 30 June as well as deposits at call with financial institutions and cash debit facility. MHHS operational bank accounts form part of the Whole-of-Government banking arrangement with the Commonwealth Bank of Australia and does not earn interest on surplus funds nor is it charged interest or fees for accessing its approved cash debit facility. Any interest earned on the WoG fund accrues to the Consolidated Fund.

General trust bank and term deposits do not form part of the WoG banking arrangement and incur fees as well as earn interest.

*MHHS receives cash contributions primarily from private practice clinicians and 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. At 30 June 2018, amounts of $1.785 million (2017: $1.526 million) in General Trust, including $1.086 million (2017: $873 thousand) for excess earnings under Granted Private Practice, were set aside for the specified purposes underlying the contribution.

C2 RECEIVABLES

	2018 *$'000*	*2017* *$'000*
Trade debtors	6,103	6,763
Payroll receivables	1	2
Less: Allowance for impairment	(502)	(383)
	5,602	6,382
GST receivable	660	1,104
GST payable	(52)	(84)
	608	1,020
Funding public health services	4,226	7,533
Other	499	707
	10,935	**15,642**

Trade debtors includes receivables of $3.257 million (2017: $3.047 million) from health funds (reimbursement of patient fees), $1.677 million (2017: $1.305 million) from Department of Health (recovery of costs), $281 thousand from Universities (2017: $711 thousand), $70 thousand from NQPHN (2017: $88 thousand) and $820 thousand (2017: $1.612 million) external debtors.

All known bad debts were written-off as at 30 June 2018. In 2018, $352 thousand (2017: $263 thousand) was written-off. All receivables within terms and expected to be fully collectible are considered of good credit quality based on recent collection history. Credit risk management strategies are detailed in Note D2.

Accounting Policy – Receivables

Receivables are measured at amortised cost which approximates their fair value at reporting date. Trade debtors are recognised at the amounts due at the time of sale or service delivery i.e. the agreed purchase/contract price. The recoverability of trade debtors is reviewed on an ongoing basis at an operating unit level. Trade receivables are generally settled within 120 days. No interest is charged and no security is obtained.

Disclosure – Credit Risk Exposure of Receivables

Credit risk is the potential for financial loss arising from a counterparty defaulting on its obligations. The maximum exposure to credit risk at balance date for receivables is the gross carrying amount of those assets inclusive of any allowance for impairment.

No collateral is held as security and no credit enhancements relate to receivables held by the MHHS. In terms of collectability, receivables will fall into one of the following categories:

- within terms and expected to be fully collectible
- within terms but impaired
- past due but not impaired
- past due and impaired

The collectability of receivables is assessed periodically with provision being made where receivables are impaired. Note C2-1 details the accounting policies for impairment of receivables, including the loss events giving rise to impairment and the movements in the provision for impairment.

C2-1 IMPAIRMENT OF RECEIVABLES

Throughout the year, MHHS assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes financial difficulties of the debtor, changes in debtor credit ratings and current outstanding accounts over 120 days. The allowance for impairment reflects MHHS's assessment of the credit risk associated with receivable balances and is determined based on historical rates of bad debts (by category) over the past three years and management judgement. The allowance for impairment reflects the occurrence of loss events. If no loss events have arisen in respect of a particular debtor or group of debtors, no allowance for impairment is made in respect of that debt/group of debtors. If MHHS determines that an amount owing by such a debtor does become uncollectible (after appropriate range of debt recovery actions), that amount is recognised as a bad debt expense and written-off directly against receivables. In other cases where a debt becomes uncollectible but the uncollectible amount exceeds the amount already allowed for impairment of that debt, the excess is recognised directly as a bad debt expense and written-off directly against receivables. Impairment loss expense for the current year regarding receivables is $502 thousand (2017: $383 thousand).

C2 RECEIVABLES (continued)

Disclosure - Movement in allowance for impairment for receivables

	2018 *$'000*	*2017* *$'000*
Balance at beginning of the year	383	390
Amounts written off during the year	(352)	(263)
Increase/(decrease) in allowance recognised in operating result	471	256
Balance at the end of the year	**502**	**383**

Disclosure - Ageing of past due but not impaired trade receivables

	2018 *$'000*	*2017* *$'000*
Not overdue	7,034	10,482
Overdue		
Less than 30 days	1,685	3,255
30 to 60 days	893	902
60 to 90 days	463	371
Greater than 90 days	859	632
Total	**10,935**	**15,642**

C3 INVENTORIES

	2018 *$'000*	*2017* *$'000*
Inventories held for distribution - at cost		
Pharmaceutical drugs	1,665	1,824
Clinical supplies	2,219	2,123
Catering and domestic	8	6
	3,892	**3,953**

Accounting Policy – Inventories

Inventories consist mainly of clinical supplies and pharmaceuticals held for use and distribution in MHHS facilities and are provided to public admitted patients free of charge except for pharmaceuticals which are provided at a subsidised rate. Inventories are valued at the lower of cost and net realisable value. Cost is assigned on a weighted average cost, adjusted where applicable, for any loss of service potential.

C4 PROPERTY, PLANT AND EQUIPMENT AND RELATED DEPRECIATION

C4-1 ACCOUNTING POLICIES

Property, Plant and Equipment

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

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

Items below these values are expensed. Land improvements undertaken by MHHS are included in the building class.

MHHS has an annual maintenance program for its buildings. Expenditure is only added to an asset's carrying amount if it increases the service potential or useful life of the existing asset. Maintenance expenditure that merely restores the original service potential (lost through ordinary wear and tear) is expensed.

Componentisation of Complex Assets

Complex assets comprise separately identifiable components (or groups of components) of significant value, that require replacement at regular intervals and at different times to other components comprising the complex asset. On initial recognition, the asset recognition thresholds outlined above apply to the complex asset as a single item. Specialised health service buildings with a gross replacement value of $3 million or more are complex in nature and componentised. Components are separately recorded and valued on the same basis as the asset class to which they relate.

Acquisition of Assets

Historical cost is used for the initial recording of all property, plant and equipment acquisitions. Historical cost is determined as the value given as consideration plus costs incidental to the acquisition (such as architects' fees and engineering design fees), plus all other costs incurred in getting the assets ready for use.

Where assets are received free of charge from another Queensland Government entity (whether as a result of a machinery-of-Government change or other involuntary transfer), the acquisition cost is recognised as the carrying amount in the books of the other agency immediately prior to the transfer. Assets acquired at no cost or for nominal consideration, other than from another Queensland Government entity, are recognised at their fair value at the date of acquisition.

Measurement using historical cost

Plant and equipment, is measured at historical cost net of accumulated depreciation and accumulated impairment losses in accordance with Queensland Treasury's *Non-Current Asset Policies for the Queensland Public Sector* (NCAP). The carrying amounts for plant and equipment at cost are not materially different from their fair value.

C4 PROPERTY, PLANT AND EQUIPMENT AND RELATED DEPRECIATION (continued)

Measurement using fair value

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

These assets are reported at their revalued amounts, being the fair value at the date of valuation, less any subsequent accumulated depreciation and accumulated impairment losses where applicable. Separately identified components of assets are measured on the same basis as the assets to which they relate. In respect of the abovementioned asset classes, the cost of items acquired during the financial year has been judged by management to materially represent their fair value at the end of the reporting period.

Revaluation of property measured at fair value

Land and building classes measured at fair value, are assessed on an annual basis either by comprehensive valuations or by the use of appropriate and relevant indices undertaken by independent professional valuers/quantity surveyors. For financial reporting purposes, the revaluation process for MHHS is managed by the finance unit with input from the infrastructure branch and Chief Finance Officer. The appointment of the independent valuer was undertaken as part of a market tender process.

Comprehensive revaluations are undertaken as part of a rolling valuation spanning a maximum of four years. However, if a particular asset class experiences significant and volatile changes in fair value, that class is subject to specific appraisal in the reporting period, where practical, regardless of the timing of the last specific appraisal. Where assets have not been specifically appraised in the reporting period, their previous valuations are materially kept up-to-date via the application of relevant indices. MHHS uses indices to provide a valid estimation of the assets' fair values at reporting date.

Materiality is considered in determining whether the differences between the carrying amount and the fair value of an asset warrant revaluation.

The fair values reported by MHHS are based on appropriate valuation techniques that maximises the use of available and relevant observable inputs and minimise the use of unobservable inputs (refer to Note D1-1).

Reflecting the specialised nature of health service buildings for which there is not an active market, fair value is determined using current replacement cost. Current replacement cost is determined as the replacement cost of a modern equivalent asset adjusted for functional and economic obsolescence. Buildings are measured at fair value by applying either, a revised estimate of individual asset's depreciated replacement cost, or an interim index which approximates movement in market prices for labour and other key resource inputs, as well as changes in design standards as at reporting date. These estimates are developed by independent quantity surveyors.

Indices used are also tested for reasonableness by applying the indices to a sample of assets, comparing the results to similar assets that have been valued by an independent professional valuer or quantity surveyor, and analysing the trend of changes in values over time. Through this process, which is undertaken annually, management assesses and confirms the relevance and suitability of indices provided based on MHHS's own particular circumstances.

On revaluation, buildings are revalued using a cost valuation method (e.g. current replacement cost). Accumulated depreciation is adjusted to equal the difference between the gross amount and the carrying amount, after taking into account accumulated impairment losses and changes in remaining useful life. This is generally referred to as the 'gross method'.

Depreciation

Property, plant and equipment are depreciated on a straight-line basis. Annual depreciation is based on fair values and MHHS's assessments of the useful remaining life of individual assets. Land is not depreciated as it has an unlimited useful life.

Key judgement: Straight line depreciation is used reflecting the progressive, and even, consumption of service potential of these assets over their useful life to MHHS.

Assets under construction (work-in-progress) are not depreciated until they reach service delivery capacity. Service delivery capacity relates to when construction is complete and the asset is first put to use or is installed ready for use in accordance with its intended application. These assets are then reclassified to the relevant classes within property plant and equipment.

Where assets have separately identifiable components, subject to regular replacement, components are assigned useful lives distinct from the asset to which they relate and depreciated accordingly, as doing so results in a material impact on the depreciation expense reported.

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

The depreciable amount of improvements to or on leasehold land is allocated progressively over the shorter of the estimated useful lives of the improvements or the unexpired period of the lease. The unexpired period of leases includes any option period where exercise of the option is probable.

C4 PROPERTY, PLANT AND EQUIPMENT AND RELATED DEPRECIATION (continued)

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

Class	Depreciation rates
Buildings and Improvements	
- Structural fabric of building	0.9 to 16.7%
- External fabric	0.5 to 16.7%
- Internal fabric	1.6 to 10.0%
- Internal finishes	2.4 to 11.1%
- Fittings	2.0 to 9.1%
- Building services	1.7 to 16.7%
- Land improvements	1.5 to 3.3%
- Other buildings including residential	0.9 to 10.0%
Plant and equipment including artworks	1.0 - 20.0%

Indicators of impairment and determining recoverable amount

Key judgement and estimate: All property, plant and equipment are assessed for indicators of impairment on an annual basis or, where the asset is measured at fair value, for indicators of a change in fair value/service potential since the last valuation was completed. Where indicators of a material change in fair value or service potential since the last valuation arise, the asset is revalued at the reporting date under AASB *13 Fair Value Measurement*. If an indicator of possible impairment exists, management determines the asset's recoverable amount under AASB 136 *Impairment of Assets*. Recoverable amount is equal to the higher of the fair value less costs of disposal and the asset's value in use subject to the following:

- As a not-for profit entity, certain property, plant and equipment of MHHS is held for the continuing use of its service capacity and not for the generation of cashflows. Such assets are typically specialised in nature. In accordance with AASB 136, where such assets measured at fair value under AASB 13, that fair value (with no adjustment for disposal costs) is effectively deemed to be the recoverable amount. As a consequence, AASB136 does not apply to such assets unless they are measured at cost;

- For other non-specialised property, plant and equipment measured at fair value, where indicators of impairment exist, the only difference between the asset's fair value and its fair value less costs of disposal, is the incremental costs attributable to the disposal of the asset. Consequently, the fair value of the asset determined under AASB 13 will materially approximate its recoverable amount where the disposal costs attributable to the asset are negligible. After the revaluation requirements of AASB 13 are first applied to these assets, applicable disposal costs are assessed and, in the circumstances where such costs are not negligible, further adjustments to the recoverable amount are made in accordance with AASB 136.

For all other remaining assets measured at cost, and assets held for the generation of cash flows, recoverable amount is equal to the higher of the fair value less costs of disposal and the asset's value in use.

Value in use is equal to the present value of the future cash flows expected to be derived from the asset, or where MHHS no longer uses an asset and has made a formal decision not to reuse or replace the asset, the value in use is the present value of net disposal proceeds.

Any amount by which the asset's carrying amount exceeds the recoverable amount is considered an impairment loss. An impairment loss is recognised immediately in the Statement of Comprehensive Income, unless the asset is carried at a revalued amount, in which case the impairment loss is offset against the asset revaluation surplus of the relevant class to the extent available. Where no asset revaluation surplus is available in respect of the class of asset, the loss is expensed in the Statements of Comprehensive Income as a revaluation decrement.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

For assets measured at cost, impairment losses are reversed through income. For assets measured at fair value, to the extent the original decrease was expensed through the Statement of Comprehensive Income, the reversal is recognised as income; otherwise the reversal is treated as a revaluation increase for the class of asset through asset revaluation surplus. When an asset is revalued using a market valuation approach, any accumulated impairment losses at that date are eliminated against the gross amount of the asset prior to restating for the revaluation.

C4 PROPERTY, PLANT AND EQUIPMENT AND RELATED DEPRECIATION (continued)

C4-2 PROPERTY, PLANT AND EQUIPMENT - BALANCES AND RECONCILIATIONS OF CARRYING AMOUNT

2018	Land (Level 2) $'000	Buildings (Level 3) $'000	Plant and equipment (at cost) $'000	Capital works in progress (at cost) $'000	Total $'000
Gross	13,681	527,263	50,518	8,864	600,326
Less: Accumulated depreciation	-	(185,485)	(26,764)	-	(212,249)
Carrying amount at 30 June 2018	**13,681**	**341,778**	**23,754**	**8,864**	**388,077**
Represented by movements in carrying amount:					
Carrying amount at 1 July 2017	13,159	358,289	24,008	3,849	399,305
Transfers in - practical completion projects from the Department	-	-	-	-	-
Transfers in from other Queensland Government entities	-	1,221	30	-	1,251
Acquisitions	-	180	3,783	9,132	13,095
Donated assets	-	-	91	-	91
Disposals	-	(124)	(339)	-	(463)
Transfers out to other Queensland Government entities	-	-	-	-	-
Transfers between classes	-	4,079	38	(4,117)	-
Reversal impairment losses recognised in operating surplus/(deficit)	-	-	-	-	-
Net revaluation increments/(decrements)	522	529	-	-	1,051
Depreciation expense	-	(22,396)	(3,857)	-	(26,253)
Carrying amount at 30 June 2018	**13,681**	**341,778**	**23,754**	**8,864**	**388,077**

C4-2 PROPERTY, PLANT AND EQUIPMENT - BALANCES AND RECONCILIATIONS OF CARRYING AMOUNT (continued)

2017	Land (Level 2) $'000	Buildings (Level 3) $'000	Plant and equipment (at cost) $'000	Capital works in progress (at cost) $'000	Total $'000
Gross	13,159	525,550	50,687	3,849	593,245
Less: Accumulated depreciation	-	(167,261)	(26,679)	-	(193,940)
Carrying amount at 30 June 2017	**13,159**	**358,289**	**24,008**	**3,849**	**399,305**
Represented by movements in carrying amount:					
Carrying amount at 1 July 2016	14,105	371,597	23,478	955	410,135
Transfers in - practical completion projects from the Department	451	2,480	-	-	2,931
Transfers in from other Queensland Government entities	-	-	4	-	4
Acquisitions	-	992	4,770	6,247	12,009
Donated assets	-	419	248	-	667
Disposals	-	(393)	(502)	-	(895)
Transfers out to other Queensland Government entities	-	-	(9)	-	(9)
Transfers between classes	-	3,254	99	(3,353)	-
Reversal impairment losses recognised in operating surplus/(deficit)	-	-	32	-	32
Net revaluation increments/(decrements)	(1,397)	5,745	-	-	4,348
Depreciation expense	-	(25,805)	(4,112)	-	(29,917)
Carrying amount at 30 June 2017	**13,159**	**358,289**	**24,008**	**3,849**	**399,305**

C4 PROPERTY, PLANT AND EQUIPMENT AND RELATED DEPRECIATION (continued)

C4-3 VALUATION OF PROPERTY, PLANT AND EQUIPMENT INCLUDING KEY ESTIMATES AND JUDGEMENTS

Land

Land is measured at fair value using independent revaluations, desktop market revaluations or indexation by the State Valuation Service (SVS) within the Department of Natural Resources and Mines.

In 2017, MHHS engaged State Valuation Service to undertake a comprehensive revaluation program over three years (with indices applied in the intervening periods) for all land holdings. 2018 is the second year in the current rolling valuation cycle. SVS was also engaged to provide indices for land and desktop valuations for two parcels of land. The net impact in movement on desktop valuations and indices in 2018 was $101 thousand, less than 1% of the fair value of all land holdings at 30 June 2018. As the valuations are not comprehensive in nature MHHS has not recorded these adjustments. The State Valuation Service provided appropriate indices derived from data on land sales in the respective areas during the previous year.

In one current year, SVS has comprehensively revalued five parcels of land. A total of 12 parcels of land (83% of the total land value) have been completed over two years of the three year rolling cycle.

The fair value of land was based on publicly available data on sales of similar land in nearby localities in the twelve months prior to the date of the valuation. In determining the values, adjustments were made to the sales data to take into account the location of MHHS's land, its size, street/road frontage and access, and any significant restrictions. The extent of the adjustments made varies in significance for each parcel of land. Subjective adjustments are made to observable data for land classified as reserve (by the Minister for a community purpose). Reserve land parcels are not sold and therefore there are no directly observable inputs. This land can only be sold when un-gazetted and converted to freehold by the State.

The revaluation program resulted in an increment of $522 thousand (2017: decrement $1.397 million) to the carrying amount of land.

Buildings

MHHS engaged independent quantity surveyors, AECOM Pty Ltd in 2017 to comprehensively revalue all buildings with a replacement cost exceeding $3 million and calculate relevant indices for all other assets. A four year, rolling valuation program commenced in 2017. To date AECOM has comprehensively revalued 90% of buildings (by value) as at 30 June 2018 under the current rolling valuation program. Refer to Note D1-2 for further details on the revaluation methodology applied.

The revaluation program resulted in an increment of $529 thousand (2017: increment $5.745 million) to the carrying amount of buildings.

C5 PAYABLES

	2018 *$'000*	*2017* *$'000*
Trade creditors	10,891	13,588
Accrued labour - Department of Health	7,859	7,273
Other	2,283	1,579
	21,033	**22,440**

Payables of $11.803 million (2017: $11.217 million) were owing to the Department of Health at 30 June including trade creditors $3.114 million (2017: $3.709 million), accrued labour $7,859 million (2017: $7.273 million) and $830 thousand (2017: $235 thousand) in repayable or unearned funding.

Accounting Policy – Payables

Payables are recognised for amounts to be paid in the future for goods and services received. Trade creditors are measured at the agreed purchase/contract price, net of applicable trade and other discounts. The amounts are unsecured and normally settled within 30 - 60 days.

C6 EQUITY

C6-1 CONTRIBUTED EQUITY

Interpretation *1038 Contributions by Owners Made to Wholly-Owned Public Sector Entities* specifies the principles for recognising contributed equity by MHHS. The following items are recognised as contributed equity by MHHS during the reporting and comparative years:

- Cash equity contributions fund purchases of equipment, furniture and fittings associated with capital work projects managed by MHHS. In 2018 MHHS received $11.3 million (2017 $9.5 million) funding from the State as equity injections throughout the year. These outlays are paid by the Department of Health on behalf of the State;
- Non-reciprocal transfers of assets between Hospital and Health Services. In 2014, the Minister for Health signed an enduring designation of transfer for property, plant and equipment between Hospital & Health Services (HHS) and the Department of Health. This transfer is recognised through equity when the Chief Finance Officers of both entities agree in writing to the transfer;
- Equity withdrawal of funds by the Department of Health on behalf of the State, MHHS recognised $26.3 million funding in 2018 (2017 $29.9 million) from the Department of Health to account for the cost of depreciation. However, as depreciation is a non-cash expenditure item, the Health Minister has approved a withdrawal of equity by the State for the same amount, resulting in a non-cash revenue and non-cash equity withdrawal.

During this year a number of assets have been transferred under this arrangement.	*2018* *$'000*	*2017* *$'000*
Transfer in - practical completion of projects from the Department*	-	2,931
Net transfer of property, plant and equipment "from/to" the Department	-	4
Net transfers equipment between HHS	1,251	(9)
	1,251	**2,926**

*Construction of major health infrastructure is managed and funded by the Department of Health. Upon practical completion of a project, assets are transferred from the Department to MHHS.

C6-2 ASSET REVALUATION SURPLUS BY ASSET CLASS

	2018 *$'000*	*2017* *$'000*
Land		
Balance at the beginning of the financial year	-	-
Revaluation increments/(decrements)	**-**	-
Balance at the end of the financial year	**-**	**-**
Buildings		
Balance at the beginning of the financial year	20,110	14,365
Revaluation increments/(decrements)	529	5,745
Balance at the end of the financial year	**20,639**	**20,110**
Total	**20,639**	**20,110**

Accounting Policy - Asset revaluation surplus

The asset revaluation surplus represents the net effect of upward and downward revaluations of assets to fair value.

SECTION D
NOTES ABOUT RISKS AND OTHER ACCOUNTING UNCERTAINTIES

D1 FAIR VALUE MEASUREMENT

D1-1 ACCOUNTING POLICIES AND BASIS FOR FAIR VALUE MEASUREMENT

What is fair value?

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

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

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

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.

Fair value measurement hierarchy

MHHS does not recognise any financial assets or financial liabilities at fair value (except at initial recognition).

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

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

None of MHHS's valuations of assets or liabilities are eligible for categorisation into level 1 of the fair value hierarchy. There were no transfers of assets between fair value hierarchy levels during the period.

Refer to Note **C4-2** for disclosure of categories for assets and liabilities measured at fair value.

D1 FAIR VALUE MEASUREMENT (continued)

D1-2 LEVEL 3 FAIR VALUE MEASUREMENT - SIGNIFICANT VALUATION INPUTS AND IMPACT ON FAIR VALUE

The fair value of health service buildings is computed by quantity surveyors, AECOM. The methodology is known as the Current Replacement Cost (CRC) valuation technique. CRC is the price that would be received for the asset, based on the estimated cost to a market participant buyer to acquire or construct a substitute asset of comparable utility, adjusted for obsolescence.

AECOM determines the replacement cost of an asset by utilising a cost model which has been developed, providing a twenty-two element cost plan (cost estimate) of the asset through the determination of key cost drivers such as;

- Asset type (clinical building, administration, clinic etc.)
- Gross floor area (GFA) or building footprint
- Number and height of staircases
- Girth of the building
- Height of the building
- Number of lifts and number of 'stops'
- Location

The estimate has been compiled by measuring quantities using drawings obtained from Mackay Hospital and Health Service and verified on site or by completing a site measurement. This is done using CAD measurement software (CostX) and compared against previous valuations.

In determining the replacement cost of each building, the estimated replacement cost of the asset, or the likely cost of construction including fees and on costs if tendered on the valuation date is assessed. This is based on internal records of the original cost, adjusted for more contemporary design/construction approaches and current construction contracts. Assets are priced using Brisbane rates with published industry benchmark location indices applied. Revaluations are then compared and assessed against current construction contracts for reasonableness.

AECOM adjusts the replacement cost for both functional and economic obsolescence. This is assessed through determining whether the asset contains the same functionality or utility of a modern equivalent asset in terms of its components (e.g. does the current building have air conditioning expected in a modern equivalent asset); and does the asset contain materially significant components required under the National Construction Code (NCC).

Significant judgement was used to assess the remaining service potential of a facility, given local climatic and environmental conditions. Physical site inspections by AECOM, combined with refurbishment history, local knowledge of asset performance and future planned asset replacement programs were used to inform these assumptions.

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

Valuations assume a nil residual value. Significant capital works, such as a refurbishment across multiple floors of a building, will result in an improved condition assessment, however the cost of refurbishing a building includes a premium, especially in functioning facilities. For example, it can include costs related to demolition and dismantling of the old building, asbestos removal, additional Health and Safety costs, impacts from continuing to provide services during construction and slower construction timeframes. The valuation removes these "premium" costs and calculates values based on efficient construction practices. The removal of 'premium costs' will typically result in a decline in building values.

D2 FINANCIAL RISK DISCLOSURES

D2-1 FINANCIAL INSTRUMENT CATEGORIES

Financial assets and financial liabilities are recognised in the Statement of Financial Position when MHHS becomes party to the contractual provisions of the financial instrument. The MHHS has the following categories of financial assets and financial liabilities:

Category	Note	*2018* *$'000*	*2017* *$'000*
Financial assets			
Cash and cash equivalents	C1	39,873	54,497
Receivables at amortised cost	C2	10,935	15,642
Total		**50,808**	**70,139**
Financial liabilities			
Financial liabilities at amortised cost - comprising:			
Payables	C5	21,033	22,440
Total		**21,033**	**22,440**

No financial assets and financial liabilities have been offset and presented net in the Statement of Financial Position.

D2-2 FINANCIAL RISK MANAGEMENT

MHHS's activities expose it to a variety of financial risks - credit risk, liquidity risk and interest rate risk. Financial risk management is implemented pursuant to Government and MHHS's policy. These policies focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the financial performance of MHHS.

MHHS measures risk exposure using a variety of methods as follows:

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

Credit risk is further discussed in Note C2 Receivables.

Liquidity risk

Liquidity risk is the risk that MHHS will not have the resources required at a particular time to meet its obligations to settle its financial liabilities. MHHS is exposed to liquidity risk through its trading in the normal course of business and aims to reduce the exposure to liquidity risk by ensuring that sufficient funds are available to meet employee and supplier obligations at all times. An approved debt facility of $3 million (2017: $3 million) under whole-of-Government banking arrangements to manage any short-term cash shortfalls has been established. No funds have been withdrawn against this debt facility as at 30 June 2018 (2017: Nil).

All financial liabilities are current in nature and will be due and payable within twelve months. As such no discounting has been applied.

Interest risk

MHHS is exposed to interest rate risk on its 24 hour call deposits, however there is no significant interest risk on its cash deposits. The HHS does not undertake any hedging in relation to interest rate risk. Changes in interest rate have a minimal effect on the operating result of MHHS.

Fair value

Cash and cash equivalents are measured at fair value. The fair value of trade receivables and payables is assumed to approximate the value of the original transaction, less any allowance for impairment on trade receivables.

D3 CONTINGENCIES

(a) Litigation in progress

As at 30 June 2018, the following cases were filed in the courts naming the State of Queensland acting through the Mackay Hospital and Health Service as defendant:

	2018 Number of cases	2017 Number of cases
Supreme Court	3	1
District Court	2	2
Tribunals, commissions and boards	-	1
	5	**4**

Health litigation is underwritten by the Queensland Government Insurance Fund (QGIF). MHHS's liability in this area is limited to an excess per insurance event of $20,000 - refer Note B2-5. As at 30 June 2018, MHHS has 5 claims currently managed by QGIF, some of which may never be litigated or result in payments to claims (excluding initial notices under Personal Injuries Proceedings Act).

Tribunals, commissions and board figures represent the matters that have been referred to QGIF for management. MHHS's legal advisers and management believe it would be misleading to estimate the final amounts payable (if any) in respect of the litigation before the courts at this time.

D4 COMMITMENTS

(a) Non-cancellable operating lease commitments

	2018 $'000	*2017 $'000*
Commitments under operating leases at reporting date (inclusive of non-recoverable GST input tax credits) are payable:		
No later than 1 year	134	99
Later than 1 year but no later than 5 years	-	57
Total	**134**	**156**

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

(b) Capital expenditure commitments

	2018 $'000	*2017 $'000*
Commitments for capital expenditure at reporting date (inclusive of non-recoverable GST input tax credits) are payable:		
Building		
No later than 1 year	3,228	2,697
Total	**3,228**	**2,697**
Plant and Equipment		
No later than 1 year	-	-
Total	**-**	**-**

D5 EVENTS AFTER THE BALANCE DATE

No matters or circumstances has arisen since 30 June 2018 that has significantly affected, or may significantly affect MHHS's operations, the results of those operations, or MHHS's state of affairs in future financial years.

D6 FUTURE IMPACT OF ACCOUNTING STANDARDS NOT YET EFFECTIVE

At the date of authorisation of the financial report, the expected impacts of new or amended Australian Accounting Standards issued but with future commencement dates are set out below:

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

These standards will first apply to MHHS's financial statements in 2019-20, requirements are:

- Grants presently recognised as revenue upfront may be eligible to be recognised as revenue progressively as the associated performance obligations are satisfied, but only if the associated performance obligations are enforceable and sufficiently specific.
- Grants that are not enforceable and/or not sufficiently specific will not qualify for deferral and continue to be recognised as revenue as soon as they are controlled. MHHS receives several grants for which there are no sufficiently specific performance obligations, so these grants will continue to be recognised as revenue upfront.
- Depending on the specific contractual terms, the new requirements may potentially result in a change to the timing of revenue from sales of MHHS's goods and services, such that some revenue may need to be deferred to a later reporting period to the extent that MHHS has received cash but has not met its associated performance obligations (such amounts would be reported as a liability in the meantime).
- A range of new disclosures will also be required by the new standards in respect of MHHS's revenue. Comparative information will not be restated on transition in accordance with Queensland Treasury policy for government agencies, however AASB 15 and AASB 1058 will be applied retrospectively to all contracts, including completed contracts, ensuring all deferred revenue can be recognised on transition. Where assets have been acquired for significantly less than value prior to 1 July 2019, these assets are not required to be remeasured on transition to the new standards.

AASB 9 Financial Instruments

These standards will first apply to MHHS's financial statements for 2018-19. The main impacts of these standards on MHHS are that they will change the requirements for the classification, measurement, impairment and disclosures associated with MHHS's financial assets. AASB 9 will introduce different criteria for whether financial assets can be measured at amortised cost or fair value.

MHHS has reviewed the impact of AASB 9 classification and measurement requirement of its financial assets and determined:

- There will be no change to either the classification or valuation of cash and cash equivalent item
- Trade receivables will be classified and measured at amortised cost, with provision for impairment being applied to all receivables and not only those that are credit impaired. MHHS will consider adopting the simplified approach under AASB 9 using a provision matrix approach as a practical expedient to measure the impairment provision or continue with a review of each receivable on a line by line basis.
- MHHS will not raise an additional impairment for trade receivables owing from other government agencies due to the low credit risk
- Trade payables will be measured at amortised cost, which is consistent with the current MHHS treatment of creditors.

On initial adoption of AASB 9, MHHS determined the expected credit losses for its receivables by comparing the credit risk at that time to the credit risk that existed when those receivables were initially recognised. These changed amounts will form the opening balance of those items on the date AASB 9 is adopted, however comparative figures for financial instruments will not be restated

Some one-off disclosures will be required in the 2018-19 financial statements to explain the impact of adopting AASB 9. Assuming no change in the types of financial instruments that MHHS enters into, the most likely ongoing disclosure impacts are expected to relate to the credit risk of financial assets subject to impairment.

AASB 16 Leases

This standard will first apply to MHHS's financial statements for 2019-20. When applied, the standard supersedes AASB 117 *Leases*, AASB Interpretation 4 *Determining whether an Arrangement contains a Lease,* AASB Interpretation 115 *Operating Leases – Incentives* and AASB Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

Unlike AASB 117 Leases, AASB 16 introduces a single lease accounting model for lessees. Lessees will be required to recognise a right-of-use asset (representing rights to use the underlying leased asset) and a liability (representing the obligation to make lease payments) for all leases with a term of more than 12 months, unless the underlying assets are of low value.

In effect, the majority of operating leases (as defined by the current AASB 117) will be reported on the Statement of Financial Position under AASB 16. There will be significant increase in assets and liabilities for agencies that lease assets. The impact on the reported assets and liabilities would be largely in proportion to the scale of the agency's leasing activities. The right-of-use asset will be initially recognised at cost, consisting of the initial amount of the associated lease liability, plus any lease payments made to the lessor at or before the effective date, less any lease incentive received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. The right-of-use asset will give rise to a depreciation expense. The lease liability will be initially recognised at an amount equal to the present value of the lease payments during the lease term that are not yet paid. Current operating lease rental payments will no longer be expensed in the Statement of Comprehensive Income. They will be apportioned between a reduction in the recognised lease liability and the implicit finance charge (the effect rate of interest) in the lease. The finance cost will also be recognised as an expense.

D6 FUTURE IMPACT OF ACCOUNTING STANDARDS NOT YET EFFECTIVE (continued)

AASB 16 allows a 'cumulative approach' rather than full retrospective application to recognising existing operating leases. Comparative information will not be restated on transition in accordance with Queensland Treasury policy for government agencies. All adjustments arising from the recognition and measurement of right-of-use assets and lease liability balances will be processed through equity on 1 July 2019. Contracts not previously identified as containing a lease, and entered into prior to 1 July 2019, will not be subject to this standard.

Currently MHHS has identified all current operating leases and completed analysis based on the AASB 16 Leases Contract Review checklist and Data Collection worksheet. MHHS has minimal non-cancellable leases with a term exceeding 12 months and as such it is not anticipated that the impact of changes to the accounting standards for leases will have a material impact. MHHS will progress to further calculate right to use asset and lease liability.

Internal-to-Government Leases

Mackay HHS leases with internal-to-Government lessors are primarily for office accommodation through the Queensland Government Accommodation Office and employee housing under the Government Employment Housing program. At 30 June 2018, the MHHS had nil commitments for office accommodation. Cancellable leases for employee housing with internal-to-Government lessors (under the Government Employee Housing program) have not been included in the Note D3 Commitments.

Considering their operation and impact across the whole-of-Government, MHHS is currently awaiting formal guidance from Queensland Treasury as to whether these arrangements should be accounted for on-balance sheet under AASB 16. In the event these arrangements are to be accounted for on-balance sheet, MHHS does not expect the impact to be material, with remaining terms on existing agreements twelve months or less at the date of transition.

MHHS also has a number of cancellable motor vehicle leases with QFleet that are not presently included as part of the operating lease commitments note as they do not constitute a lease under AASB 117 and Accounting Interpretation 4. The HHS is also awaiting confirmation from Queensland Treasury that QFleet arrangements will continue to fall outside the requirements of AASB 16 for on-balance sheet accounting.

External-to-Government leases

For leases with external lessors, these comprise arrangements for leasing of employee housing in rural and remote regions, and right of use equipment to facilitate the delivery of community services. All current housing rental agreements will expire before the implementation of AASB16. At 1 July 2019, leases for right of use equipment will need to be reviewed.

MHHS estimates, based on the current operating lease commitments, a right-of-use asset (and corresponding lease liability) would be recognised in the balance sheet on transition of approximately $134 thousand. However this estimate is still subject to further analysis by MHHS implementation project prior to implementation on 1 July 2019.

All other Australian Accounting Standards and interpretations with future commencement dates are either not applicable to Mackay HHS activities, or not expected to have a material impact on the financial statements.

SECTION E
NOTES ON OUR PERFORMANCE COMPARED TO BUDGET

E1 BUDGETARY REPORTING DISCLOSURES

This section discloses MHHS's original published budgeted figures for 2017-18 compared to actual results, with explanations of major variances, in respect of MHHS's Statement of Comprehensive Income, Statement of Financial Position and Statement of Cash Flows. Note original published budget from the Service Delivery Statement (SDS) has been reclassified to improve transparency and analysis by remapping particular budgeted transactions on the same basis as reported in actual financial statements.

A budget to 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.

E2 BUDGET TO ACTUAL COMPARISON – STATEMENT OF COMPREHENSIVE INCOME

E2-1 BUDGET TO ACTUAL COMPARISON - STATEMENT OF COMPREHENSIVE INCOME

	Variance Notes	Original SDS Budget 2018 $'000	Actual 2018 $'000	SDS Budget V Actual Variance $'000
OPERATING RESULT				
Income from Continuing Operations				
User charges and fees		31,142	**29,848**	1,294
Funding public health services	V1.	363,672	**371,208**	(7,536)
Grants and other contributions	V2.	5,746	**11,096**	(5,350)
Other revenue		6,194	**7,092**	(898)
Revaluation increment		-	**522**	(522)
Total Revenue		**406,754**	**419,766**	**(13,012)**
Total Income from Continuing Operations		**406,754**	**419,766**	**(13,012)**
Expenses from Continuing Operations				
Employee expenses*	V3.	38,469	**41,950**	(3,481)
Health service employee expenses**	V4.	221,573	**238,713**	(17,140)
Supplies and services		122,735	**123,081**	(346)
Depreciation and amortisation		26,917	**26,253**	664
Revaluation decrement		-	**-**	-
Other expenses		5,380	**5,849**	(469)
Total Expenses from Continuing Operations		**415,074**	**435,846**	**(20,772)**
Operating Results from Continuing Operations		**(8,320)**	**(16,080)**	**7,760**
Other Comprehensive Income				
Items Not Reclassified to Operating Result				
Increase/(decrease) in Asset Revaluation Surplus		-	**529**	(529)
Total Items Not Reclassified to Operating Result		**-**	**529**	**(529)**
Total Comprehensive Income		**(8,320)**	**(15,551)**	**7,231**

* Persons directly employed by Mackay Hospital and Health Service.
** Persons employed directly by the Department of Health working in MHHS facilities see Note B2-2 for further details.

E2 BUDGET TO ACTUAL COMPARISON – STATEMENT OF COMPREHENSIVE INCOME (continued)

E2-2 EXPLANATION OF MAJOR VARIANCES - STATEMENT OF COMPREHENSIVE INCOME

In analysing the financial statements, it should be noted that while the Statement of Comprehensive Income and the Statement of Financial Position are prepared based on accrual concepts, the Statement of Cash Flows discloses cash inflows and outflows of MHHS. This will cause some differences in amounts recorded under each line on the different statements.

V1. Funding public health services

The increase relates to the additional funding provided through amendments to the Service Agreement between Mackay Hospital and Health Service and the Department of Health. Opening budget for Window 1 was $406.8 million, Window 2 in January 2018 was $410.7 million, Window 3 was $413.5 million and Technical adjustment for June was $414.0 million. Funding was adjusted for patient activity $11.22 million, enterprise bargaining agreements $6.01 million, new initiatives $4.94 million to expand service delivery and reduce patient waiting lists.

V2. Grants and other contributions

The increase was due to the recognition of "Services supplied below Fair Value". The Amount is $3.76 million which will be recognised in revenue as well as expenditure. The amount of $3.76 million was based on the calculations by Department of Health for Services provided below Fair Value (see Note B1-3). This was brought into the later part of the financial year 2017-18 and as such the comparison to the SDS budget which was recognised in late 2016-17.

V3. Employee expenses*

The Employee Expenses consists of staff employed by Mackay HHS. It comprises of contracted Medical Staff, members of the Board and members of the Executive. The FTE for the financial year 2017-18 is 92 (as per B2-1). The expenditure will include the Enterprise Bargaining increase of approximately 2.5%. For the Financial year 2017-18 there was an increase from 2016-17 of which the biggest movements were medical staff in Mental Health increase by 3.8 FTE, medical staff in A&E by 2.03 FTE and Operating Theatre by 3.95 FTE. The cost per FTE in the Contracted FTE went from $473 thousand in financial year 2016-17 to $492 thousand in 2017-18. The overall increase between 2016-17 and 2017-18 is 4.2 FTE. The increase in staff specialists is consistent with the activity increase.

V4. Health service employee expenses**

Alternative to the Employee expenses the remaining 2,192 FTE staff of the Mackay HHS fall under the Payment to QH for contracted staff. This represents the remainder of the staff working for the Mackay Hospital and Health Service. Increase accrued labour expenses and higher than anticipated FTE's reflect the increase demand for hospital services. The increase of 118 FTEs in comparison to last year reflected the 73 FTE funded by MHHS prior year surplus, majority of the FTE was to implement Digital Hospital project.

Increased labour expenses reflected Enterprise Bargaining wages growth on average 2.5% and an increase in locum costs covering vacancies, extended sick leave and maternity leave and providing relief for permanent staff to lead innovative projects. The cost of outsourcing services was to address the fragmentation in services and the MHHS commitment to reduce waiting lists. The accrued contract labour expenditure from Department of Health (17/18 $7.859M) represented the timing of the last pay in 2018 compared to 2017 with one additional day accrual at 30 June 2017.

E3 BUDGET TO ACTUAL COMPARISON – STATEMENT OF FINANCIAL POSITION

E3-1 BUDGET TO ACTUAL COMPARISON - STATEMENT OF FINANCIAL POSITION

	Variance Notes	Original SDS Budget 2018 $'000	Actual 2018 $'000	SDS Budget V Actual Variance $'000
Current Assets				
Cash and cash equivalents		38,951	**39,873**	(922)
Receivables	V5.	9,158	**10,935**	(1,777)
Inventories		3,811	**3,892**	(81)
Total Current Assets		**51,920**	**54,700**	**(2,780)**
Non-Current Assets				
Property, plant and equipment	V6.	411,851	**388,077**	23,774
Total Non-Current Assets		**411,851**	**388,077**	**23,774**
Total Assets		**463,771**	**442,777**	**20,994**
Current Liabilities				
Payables	V7.	18,018	**21,033**	(3,015)
Total Current Liabilities		**18,018**	**21,033**	**(3,015)**
Total Liabilities		**18,018**	**21,033**	**(3,015)**
Net Assets		**445,753**	**421,744**	**24,009**
Equity		**445,753**	**421,744**	**(24,009)**

E3-2 EXPLANATION OF MAJOR VARIANCES - STATEMENT OF FINANCIAL POSITION

V5. Receivables

Receivables increased by $1.777 million from $9.158 million per the SDS budget to $10.935 million for the year ended 30 June 2018. This increase was primarily because of Other Debtors Non Finance and Materials Management Information System (FAMMIS) at $2.588 million reviewing Hospital Based Client Information System (HBCIS) & Right of Private Practice (ROPP), Accrued -Revenue $2.278 million and Accrued Funding Revenue of $4.226 million.

V6. Property, plant and equipment

At the time of the budget, property plant and equipment was forecast to be $23.773 million higher, at the beginning of the year, than realised (budget estimated actuals 2017: $411.851 million compared to actuals $388.078 million). This has impacted the balance at 30 June 2018.

Original SDS budget assumed a nil market growth in land values and escalation in replacements costs for buildings. The primary reason for the decline in property plant and equipment during 2018 was lower fair values for buildings, with values $23.773 million lower than forecast. AECOM in their 2018 building valuation report noted 3% growth in tender price construction contracts. Partially offsetting this, land values demonstrated minor increases in values, with market appraisals by the State Valuation Service resulting in an increase in land values of $522 thousand or 4% in 2018. Downward revisions to remaining useful life for hospital buildings, reflecting current physical asset condition, future service potential and planned asset replacement strategies, further contributed to lower property values $2.820 million. This was not forecast at the time of the budget.

Partially offsetting these declines were additional building construction and purchases of equipment, up $2.205 million on budget estimates. This was funded jointly, by Department of Health and from prior year surpluses. These purchases were approved post the original budget and included additional equipment ($460 thousand and redevelopment projects in rural hospital sites ($1.746 million).

E3 BUDGET TO ACTUAL COMPARISON – STATEMENT OF FINANCIAL POSITION (continued)

E3-2 EXPLANATION OF MAJOR VARIANCES - STATEMENT OF FINANCIAL POSITION (continued)

V7. Payables

Payables increased $3.014 million from $18.018 million at the time of the budget to $21.032 million. For further information see C5-1-2

At the time of the budget, payables were forecast to be $18.018 million (budget) which is lower than actuals in 2016-17 ($22.440 million). This was a reduction of $4.42 million.

Increased accrued labour expenses and outsourcing of services in line with higher than anticipated FTEs and demand for hospital services. The accrued Contract Labour expenses from Department of Health in financial year 2017-18 the amount was $7,859 million. Essentially represents the timing of the last pay in 2018 compared to 2017 - with one additional day's accrual at 30 June 2017, Enterprise Bargaining wages growth on average 2.5% and an increase in the number of FTEs up 118 on last year. A part of the increase in labour was 73 FTE which were funded via surpluses from prior years. This was mainly due to the projects around Digital Hospital.

E4 BUDGET TO ACTUAL COMPARISON – STATEMENT OF CASH FLOWS

E4-1 BUDGET TO ACTUAL COMPARISON - STATEMENT OF CASH FLOWS

	Variance Notes	Original SDS Budget 2018 $'000	Actual 2018 $'000	SDS Budget V Actual Variance $'000
Cash flows from operating activities				
Inflows				
User charges and fees		31,787	**30,794**	993
Funding public health services	V8.	336,755	**349,017**	(12,262)
Grants and other contributions	V9.	5,746	**11,005**	(5,259)
GST input tax credits from ATO		8,342	**8,708**	(366)
GST collected from customers		579	**571**	8
Other receipts		6,194	**6,929**	(735)
		389,403	**407,024**	**(17,621)**
Outflows				
Employee expenses		**(38,346)**	**(41,782)**	3,436
Health service employee expenses	V10.	**(221,573)**	**(238,127)**	16,554
Supplies and services		**(121,766)**	**(126,486)**	4,720
GST paid to suppliers		**(8,662)**	**(8,264)**	(398)
GST remitted to ATO		**(540)**	**(603)**	63
Other payments		**(4,484)**	**(4,825)**	341
		(395,371)	**(420,087)**	**24,716**
Net cash from/(used by) operating activities		**(5,968)**	**(13,063)**	**7,095**
Cash flows from investing activities				
Inflows				
Sales of property, plant and equipment		(26)	**194**	(220)
Outflows				
Payments for property, plant and equipment	V11.	(7,353)	**(13,095)**	5,742
Net cash from/(used by) investing activities		**(7,379)**	**(12,901)**	**5,522**
Cash flows from financing activities				
Inflows				
Equity injections	V12.	3,901	**11,340**	(7,439)
Net cash from/(used by) financing activities		**3,901**	**11,340**	**(7,439)**
Net increase/(decrease) in cash and cash equivalents		**(9,446)**	**(14,624)**	**5,178**
Cash and cash equivalents at the beginning of the financial year		48,397	**54,497**	(6,100)
Cash and cash equivalents at the end of the financial year		**38,951**	**39,873**	**(922)**

E4-2 EXPLANATION OF MAJOR VARIANCES - STATEMENT OF CASH FLOWS

V8. Funding public health services

The increase relates to the additional funding provided through amendments to the Service Agreement between Mackay Hospital and Health Service and the Department of Health. Opening budget for Window 1 was $410.7 million, Window 2 in January 2018 was $410.7 million and Window 3 was $413.5 million. Funding was adjusted for patient activity $11.22 million, enterprise bargaining agreements $6.01 million, new initiatives $4.94 million to expand service delivery and reduce patient waiting lists.

V9. Grants and other contributions

The increase was due to the recognition of "Services supplied below Fair Value". MHHS accounting treatment recognises $3.757 million revenue and expense within the general ledger under Other grants* and Other supplies and services. This was brought into the later part of the financial year 2017-18 and as such the comparison to the SDS budget which was recognised in late 2016-17.

V10. Health service employee expenses

Alternative to the Employee Expenses the remaining staff of the Mackay HHS of 2,192 FTE fall under the Payment to QH for contracted staff. This represents the remainder of the staff working for the Mackay Hospital and Health Service. Even though this represents employees contracted to the Department of Health they will also be impacted by enterprise bargaining increases of 2.5%.

E4 BUDGET TO ACTUAL COMPARISON – STATEMENT OF CASH FLOWS (continued)

E4-2 BUDGET TO ACTUAL COMPARISON - STATEMENT OF CASH FLOWS (continued)

V11. Cash flows - Payments for property, plant and equipment

Payments for property, plant and equipment in 2018 were higher by $5.742 million than budgeted figure. The budget was $ 7.4 million and the actual spend was $13.095 million. This was made up of $180 thousand for buildings, $3.783 million for Plant and Equipment and $9.13 for Capital works in progress.

In 2018 $ 13.095 million of additional infrastructure and construction was approved, with joint funding from the Department of Health and prior year surpluses. This includes completed redevelopment projects (Proserpine, $1.6 million) and capitalisation of works undertaken in facilities at Bowen, $2.27 million. In addition, purchases of health technology equipment in 2018 were higher than forecast in the Budget, amounting to $2.56 million.

V12. Cash flows – Equity injections

Cash flows from equity injections increased $7.438 million, from $3.901 million per the SDS budget, to $11.339 million for the year ended 30 June 2018. Post budget estimates, the Department approved in additional cash funding for infrastructure projects $9.8 million, and purchases of medical equipment ($2.56 million).

SECTION F
WHAT WE LOOK AFTER ON BEHALF OF THIRD PARTIES

F1 TRUST TRANSACTIONS AND BALANCES

The Hospital and Health Service acts in a fiduciary trust capacity in relation to patient trust accounts. Consequently, these transactions are not recognised in the financial statements. Trust activities are included in the audit performed annually by the Auditor-General of Queensland.

	2018 $'000	2017 $'000
Patient Trust receipts and payments		
Receipts		
Patient trust receipts	-	-
Total receipts	-	-
Payments		
Patient trust payments	-	-
Total payments	-	-
Increase/decrease in net patient trust assets	-	-
Patient trust assets opening balance	-	-
Patient trust assets closing balance	-	-
Patient trust assets		
Current assets		
Cash at bank and on hand	-	-
Patient trust and refundable deposits	-	-
Total	-	-

*Balances in Patient Fiduciary Trust Accounts are less than $1,000.

F2 GRANTED PRIVATE PRACTICE

Granted Private Practice permits Senior Medical Officers (SMOs) employed in the public health system to treat individuals who elect to be treated as private patients. SMOs receive a private practice allowance and assign practice revenue generated to the Hospital (Assignment arrangement). Alternatively, SMOs pay a facility charge and administration fee to the Hospital and retain an agreed proportion of the private practice revenue (Retention arrangement) with the balance of revenue deposited into a trust account to fund research and education of medical staff. In addition, all SMOs engaged in private practice receive an incentive on top of their regular remuneration. The private practice fund activities are included in the annual audit performed by the Auditor-General of Queensland. Receipts and payments relating to both the granted private practice arrangements and right of private practice system during the financial year are as follows:

	2018 $'000	2017 $'000
Receipts		
Billings - (Doctors and Visiting Medical Officers)	7,082	7,496
Interest	11	11
Total receipts	**7,093**	**7,507**
Payments		
Payments	5,923	6,874
Hospital and Health Service recoverable administrative costs	1,228	647
Hospital and Health Service - Education/travel/research fund	26	15
Total payments	**7,177**	**7,536**
Closing balance of bank account under a trust fund arrangement not yet disbursed and not restricted cash	**644**	**728**

SECTION G
OTHER INFORMATION

G1 KEY MANAGEMENT PERSONNEL DISCLOSURES

Details of Key Management Personnel

In accordance with *AASB 124 Related Party Disclosures,* MHHS's responsible Minister (Minister of Health and Minister for Ambulance Services) and persons in positions with authority and responsibility for planning, directing and controlling the activities of MHHS during the year are identified as MHHS's Key Management Personnel (KMP). This includes Board members of MHHS. Details on non-ministerial KMP positions, responsibilities and KMP remuneration policies are detailed below. Further information on these positions can be found in the body of the Annual Report under the section relating to Executive Management and the Board.

Position	Responsibilities
Health Service Chief Executive	Responsible for the overall leadership and management of the Mackay Hospital and Health Service to ensure that MHHS meets its strategic and operational objectives. This position is the single point of accountability for ensuring patient safety through the effective executive leadership and management of all hospital and health services. This position is accountable to the Hospital and Health Board for ensuring that the HHS achieves a balance between efficient service delivery and high quality health outcomes
Executive Director, Operations Mackay	Responsible to the Chief Executive for the strategic and operational management of the service divisions within Mackay, and corporate services functions of the MHHS
Executive Officer, Finance, Procurement & Infrastructure	Responsible to the Chief Executive to ensure the financial and fiscal responsibilities of the HHS are met. Provides governance arrangements to meet financial performance targets and imperatives. Provides strategic and financial advice in all aspects of finance management and activity performance.
Executive Director, Rural Services	Responsible to the Chief Executive for the leadership and operational management of the rural facilitates within the MHHS.
Executive Director, HR & Engagement	Responsible to the Chief Executive for the management of people and cultural issues within the MHHS. Provides strategic development and strategies to achieve maximum employee engagement, safety and productivity and to ensure the HHS's capacity to attract and retain the skilled resources required.
Executive Director, Medical Services & Chief Medical Officer	Responsible to the Chief Executive for clinical governance and leadership and direction of clinical services across the HHS. Provides executive leadership, strategic focus, authoritative counsel and expert advice on a wide range of professional and policy issues that meet safe clinical practice standards.
Executive Director, Research & Innovation & Clinical Dean	Responsible to the Chief Executive for leadership of a sustainable medical workforce, including staff optimisation, expertise and service delivery. Provides postgraduate medical specialty training and research, and executive leadership, strategic focus, authoritative counsel in relation to research and innovation.
Executive Director, Nursing & Midwifery, Education & Support Services.	Responsible to the Chief Executive for strategic and professional leadership of nursing workforce across MHHS.

G1 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

Remuneration Policies

Ministerial remuneration entitlements are outlined in the Legislative Assembly of Queensland's Members' Remuneration Handbook. MHHS does not bear any cost of remuneration of Ministers. The majority of Ministerial entitlements are paid by the Legislative Assembly, with the remaining entitlements being provided by Ministerial Services Branch within the Department of the Premier and Cabinet. As all Ministers are reported as KMP of the Queensland Government, aggregate remuneration expenses for all Ministers is disclosed in the Queensland General Government and Whole of Government Consolidated Financial Statements, which are published as part of Queensland Treasury's Report on State Finances.

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. Section 76 of the Act provides the Chief Executive authority to fix the remuneration packages for health executives, classification levels and terms and conditions having regard to remuneration packages for public sector employees in Queensland or other States and remuneration arrangements for employees employed privately in Queensland.

Remuneration policy for the Service's key executive management personnel is set by direct engagement common law employment contracts. The remuneration and other terms of employment for the key executive management personnel are also addressed by these common law employment contracts. The contracts provide for other benefits including motor vehicles and expense payments such as rental or loan repayments.

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

Short-term employee expenses which include:

- salary, allowances and leave entitlements earned and expensed for the entire year or for that part of the year during which the employee was a key management person.
- non-monetary benefits – consisting of provision of vehicle and expense payments together with fringe benefits tax applicable to the benefit.

Long term employee expenses 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 include payments in lieu of notice on termination and other lump sum separation entitlements (excluding annual and long service leave entitlements) payable of termination of employment or acceptance of an offer of termination of employment.

Performance bonuses are not paid under the contracts in place.

Board remuneration

The Mackay Hospital and Health Service is independently and locally controlled by the Hospital and Health Board (Board). The Board appoints the health service chief executive and exercises significant responsibilities at a local level, including controlling (a) the financial management of the Service and the management of the Service's land and buildings (section 7 *Hospital and Health Board Act 2011*).

In accordance with the *Hospital and Health Boards Act 2011*, the Governor in Council appoints Board members, on the recommendation of the Minister, for a period not exceeding 4 years. Board members are paid an annual salary based on their position as well as fees for membership on sub-committees. Remuneration is calculated in accordance with the guidance statement issued by the Department of Premier and Cabinet, titled *"Remuneration procedures for part-time chairs and member of Queensland Government bodies*". Under the procedure, Hospital and Health Services are assessed as 'Governance' entities and grouped into different levels of a remuneration matrix based on a range of indicators including: revenue/budget, net and total assets, independence, risk and complexity.

Board Position	Date of appointment
Deputy Chair	29 June 2012
Board member	29 June 2012
Board member	29 June 2012
Board member	10 September 2012
Board member	23 August 2013
Chairperson	18 May 2016
Board member	18 May 2016
Board member	18 May 2016
Board member	18 May 2016

G1 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

KMP Remuneration Expense

The following disclosures focus on the expenses incurred by MHHS attributable to non-Ministerial KMP during the respective reporting periods. Therefore, the amounts disclosed reflect expenses recognised in the Statement of Comprehensive Income.

2018

Position (date resigned if applicable)	*Short Term Employee Expenses*		*Long term Employee Expenses*	*Post Employment Expenses*	*Total Expenses*
	Monetary Expenses	*Non-monetary Benefits*			
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Health Service Chief Executive	284	10	6	25	325
Executive Director Operations Mackay	201	-	4	20	225
Executive Officer, Finance, Procurement & Infrastructure (1 July 2017 to 28 February 2018)	116	-	2	10	127
Executive Officer, Finance, Procurement & Infrastructure (16 April 2018-30 June 2018)	41	9	1	4	55
A/Executive Officer, Finance, Procurement & Infrastructure (15 January 2018 -25 May 2018)	68	-	1	7	76
Executive Director, Rural Services	205	-	4	20	229
A/Executive Director, Rural Services	53	-	1	4	58
Executive Director, HR & Engagement (1 July 2017 to 7 May 2018)	162	-	3	16	182
Executive Director, HR & Engagement - Vacant					
Executive Director, Medical Services & Chief Medical Officer	463	-	9	35	508
Executive Director, Research & Innovation & Clinical Dean	488	-	10	36	534
Executive Director Nursing & Midwifery, Education & Support Services	187	-	4	18	209

G1 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

2017

Position (date resigned if applicable)	*Short Term Employee Expenses*		*Long term Employee Expenses*	*Post Employment Expenses*	*Total Expenses*
	Monetary Expenses	*Non-monetary Benefits*			
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Health Service Chief Executive (27 February -30 June 2017)	97	12	2	9	120
A/Health Service Chief Executive (1 July 2016- February 2017)	213	12	4	18	247
Executive Director Operations Mackay	201	2	4	20	227
Executive Officer, Finance, Procurement & Infrastructure (8 August 2016- 30 June 2017)	165	-	3	17	185
Executive Director, Rural Services	194	1	4	18	216
Executive Director, HR & Engagement	198	-	4	20	221
Executive Director, Medical Services & Chief Medical Officer	450	-	9	35	494
Executive Director, Research & Innovation & Clinical Dean	477	-	10	36	523
Executive Director Nursing & Midwifery, Education & Support Services	201	-	4	19	224

G1 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

Remuneration paid or owing to board members during 2017-18 was as follows:

Board Member	*Short Term Employee Expenses*		*Post Employment Expenses*	*Total Expenses*
	Monetary Expenses	*Non-monetary Benefits*		
	$'000	*$'000*	*$'000*	*$'000*
Chairperson	83	-	8	91
Deputy Chair	50	-	5	55
Board Member	44	-	4	48
Board Member	43	-	4	47
Board Member*	50	-	5	55
Board Member	46	-	4	50
Board Member	43	-	4	47
Board Member	46	-	4	50
Board Member	43	-	4	47

Remuneration paid or owing to board members during 2016-17 was as follows:

Board Member	*Short Term Employee Expenses*		*Post Employment Expenses*	*Total Expenses*
	Monetary Expenses	*Non-monetary Benefits*		
	$'000	*$'000*	*$'000*	*$'000*
Chairperson	80	-	8	88
Deputy Chair	53	-	5	58
Board Member	46	-	5	51
Board Member	43	-	4	47
Board Member*	51	-	5	56
Board Member	47	-	4	51
Board Member	42	-	5	47
Board Member	46	-	5	51
Board Member	42	-	5	47

*Occupant is employed as a Visiting Medical Officer (VMO) in addition to their role as a Board member by MHHS. These duties are not aligned in any way with Board activities. Remuneration paid does not include wages received as a VMO.

G2 RELATED PARTY TRANSACTIONS

Transactions with other Queensland Government-controlled entities

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

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

Entity – Department of Health	2018 $"000	2017 $'000
Revenue	378,487	360,699
Expenditure	271,022	247,576
Asset	5,903	8,838
Liability	11,761	11,217

Department of Health

MHHS's primary source of funding is provided by the Department of Health, with payments made in accordance with a service agreement. The signed service agreements are published on the Queensland Government website and are publicly available. Revenue under the service arrangement was $373.1 million for the year ended 30 June 2018 (2017: $355.3 million). For further details on the purchase of health services by the Department refer to Note B1-2.

The Hospital and Health Service, through service arrangements with the Department of Health, has engaged 2,192 (2017: 2,078) full time equivalent persons. In accordance with the Hospital and Health Boards Act 2011, the employees of the Department of Health are referred to as health service employees. In 2018, $236.8 million (2017: $214.3 million) was paid to the department for health service employees. The terms of this arrangement are fully explained in Note B2-2.

In addition to the provision of corporate services support (refer Note B2-3), the Department of Health centrally manages, on behalf of Hospital and Health Services, a range of services including pathology testing, pharmaceutical drugs, clinical supplies, patient transport, telecommunications and technology services. These services are provided on a cost recovery basis. In 2018, these services totalled $34.2 million (2017: $33.3 million).

Any associated receivables or payables owing to the Department of Health at 30 June 2018 are separately disclosed in Note C2 and Note C5. No impairment has been applied to these balances.

The Department of Health also provides funding from the State as equity injections to purchase property, plant and equipment. All construction of major health infrastructure is managed and funded by the Department of Health. Upon practical completion of a project, assets are transferred from the Department to MHHS. Throughout the year, funding recognised to cover the cost of depreciation is offset by a withdrawal of equity by the State for the same amount. For further details on equity transactions with the Department refer to Note C6-1.

There are no other material transactions with other Queensland Government controlled entities.

Transactions with other related parties

All transactions in the year ended 30 June 2018 between Mackay Hospital and Health Service and key management personnel, including their related parties were on normal commercial terms and conditions and were immaterial in nature and dollar.

G3 FIRST YEAR APPLICATION OF NEW ACCOUNTING STANDARDS OR CHANGES IN POLICY

Changes in Accounting Policy

Mackay Hospital and Health Service did not voluntarily change any of its accounting policies during 2017-18.

Accounting standards early adopted

No Australian Accounting Standards have been early adopted for 2017-18.

Accounting Standards Applied for the First Time in 2017-18

AASB 2016-4 *Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash Generating Specialised Assets for not-for-Profit Entities* simplified and clarified the impairment testing requirements under AASB 136 for non-cash generating assets held by NFP entities. This amendment has not changed any reported amounts. No other accounting standards applied for the first time in 2017-18 had any effect on MHHS.

G4 TAXATION

MHHS 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). The Australian Taxation Office has recognised the Department of Health and the sixteen Hospital and Health Services as a single taxation entity for reporting purposes.

All FBT and GST reporting to the Commonwealth is managed centrally by the department, with payments/ receipts made on behalf of the MHHS reimbursed to/from the department on a monthly basis. GST credits receivable from, and GST payable to the ATO, are recognised on this basis. Refer to Note C2.

Mackay Hospital and Health Service

Management Certificate

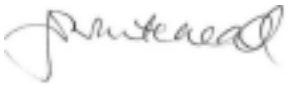
For the year ended 30 June 2017

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 financial statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of Mackay Hospital and Health Service for the financial year ended 30 June 2018 and of the financial position of the Hospital and Health Service at the end of that year; and

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

Mr Timothy Mulherin	Ms Jo Whitehead	Mr Marc Warner
		
Chair, MHH Board 28/8/2018	Chief Executive Officer 28/8/2018	Chief Finance Officer 28/8/2018

Mackay Hospital and Health Service

Independent Auditor's Report

To the Board of Mackay Hospital and Health Service

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of Mackay Hospital and Health Service. The financial report comprises the statement of financial position as at 30 June 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including summaries of significant accounting policies and other explanatory information, and the management certificate.

In my opinion, the financial report:

a) gives a true and fair view of the entity's financial position as at 30 June 2018, and its financial performance and cash flows for the year then ended

b) complies with the *Financial Accountability Act 2009*, the *Financial and Performance Management Standard 2009* and Australian Accounting Standards.

Basis for opinion

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

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

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

Key audit matters

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

Specialised buildings valuation ($341.8 million)

Refer to Note C4 in the financial report.

Key audit matter	How my audit addressed the key audit matter

Buildings were material to Mackay Hospital and Health Service at balance date, and were measured at fair value using the current replacement cost method. Mackay Hospital and Health Service performed a comprehensive revaluation of 78% of the written down value of buildings this year, with the remaining assets being subject to desktop revaluation or indexation.
 	
The current replacement cost method comprises:
• Gross replacement cost, less
• Accumulated depreciation.
 	
Mackay Hospital and Health Service derived the gross replacement cost of its buildings at balance date using unit prices that required significant judgements for:
• identifying the components of buildings with separately identifiable replacement costs
• developing a unit rate for each of these components, including:
  ○ estimating the current cost for a modern substitute (including locality factors and oncosts), expressed as a rate per unit (e.g. $/square metre)
  ○ identifying whether the existing building contains obsolescence or less utility compared to the modern substitute, and if so estimating the adjustment to the unit rate required to reflect this difference.
The measurement of accumulated depreciation involved significant judgements for forecasting the remaining useful lives of building components.
The values used for indexation purposes are based on estimates of labour and material cost inflation adjusted for specific market conditions and as such also require judgement to appropriately determine.
The significant judgements required for gross replacement cost and useful lives are also significant for calculating annual depreciation expense.
	My procedures included, but were not limited to:
	• Assessing the adequacy of management's review of the valuation process.
	• Assessing the appropriateness of the components of buildings used for measuring gross replacement cost with reference to common industry practices.
	• Assessing the competence, capabilities and objectivity of the experts used to develop the models.
	• Reviewing the scope and instructions provided to the valuer, and obtaining an understanding of the methodology used and assessing its appropriateness with reference to common industry practices.
	• For unit rates associated with buildings that were comprehensively and desktop revalued this year:
	  ○ On a sample basis, evaluating the relevance, completeness and accuracy of source data used to derive the unit rate of the:
	  ▪ modern substitute (including locality factors and oncosts)
	  ▪ adjustment for excess quality or obsolescence.
	• For unit rates associated with the remaining buildings:
	  ○ Evaluating the relevance and appropriateness of the indices used for changes in cost inputs by comparing to other relevant external indices
	  ○ Recalculate the application of the indices to asset balances.
	• Evaluating useful life estimates for reasonableness by:
	  ○ Reviewing management's annual assessment of useful lives.
	  ○ For specific assets, we analysed the asset management plans for consistency between renewal budgets and the gross replacement cost of those assets.
	  ○ Tested that no asset still in use has reached or exceeded its useful life.
	  ○ Enquiring of management about their plans for assets that are nearing the end of their useful life.
	  ○ Reviewing assets with an inconsistent relationship between condition and remaining useful life.
	• Where changes in useful lives were identified, evaluating whether the effective dates of the changes applied for depreciation expense were supported by appropriate evidence.

Responsibilities of the Board for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the entity.
- Conclude on the appropriateness of the entity's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

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

Report on other legal and regulatory requirements

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2018:

a) I received all the information and explanations I required.

b) In my opinion, the prescribed requirements in relation to the establishment and keeping of accounts were complied with in all material respects.

30 August 2018

C G Strickland
as delegate of the Auditor-General

Queensland Audit Office
Brisbane

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Mackay Hospital and Health Service
www.mackay.health.qld.gov.au