Mackay Hospital and Health Service

Queensland Good jobs Better services Great lifestyle

ANNUAL REPORT 2022–23

Queensland Government

Accessibility

Open Data

Information about consultancies, overseas travel, and the Queensland language services policy is available at the Queensland Government Open Data website (https://data.qld.gov.au/).

Public availability statement

An electronic copy of this report is available at http://www.mackay.health.qld.gov.au. Hard copies of the annual report are available by phoning the Media and Communications Manager on 07 4885 5984. Alternatively, you can request a copy by emailing mhhs-comms@health.qld.gov.au.

Interpreter Service statement

The Queensland Government is committed to providing accessible services to Queenslanders from all culturally and linguistically diverse backgrounds. If you have difficulty in understanding the annual report, you can contact us on telephone 07 4885 5984 and we will arrange an interpreter to effectively communicate the report to you.

Licence

Attribution

Content from this annual report should be attributed as: State of Queensland (Mackay Hospital and Health Service) Annual Report 2022-2023.

ISSN 2202-9702 (print) ISSN 2202-9834 (online)

Acknowledgment

Acknowledgement to Traditional Owners

Mackay Hospital and Health Service (HHS) respectfully acknowledges the Traditional Custodians of the land and sea on which we serve our communities, and pay our respect to Elders past, present and emerging. We also declare our commitment to reducing inequalities in health outcomes for Aboriginal and Torres Strait Islander peoples as we move to a place of equity, justice and partnership together.

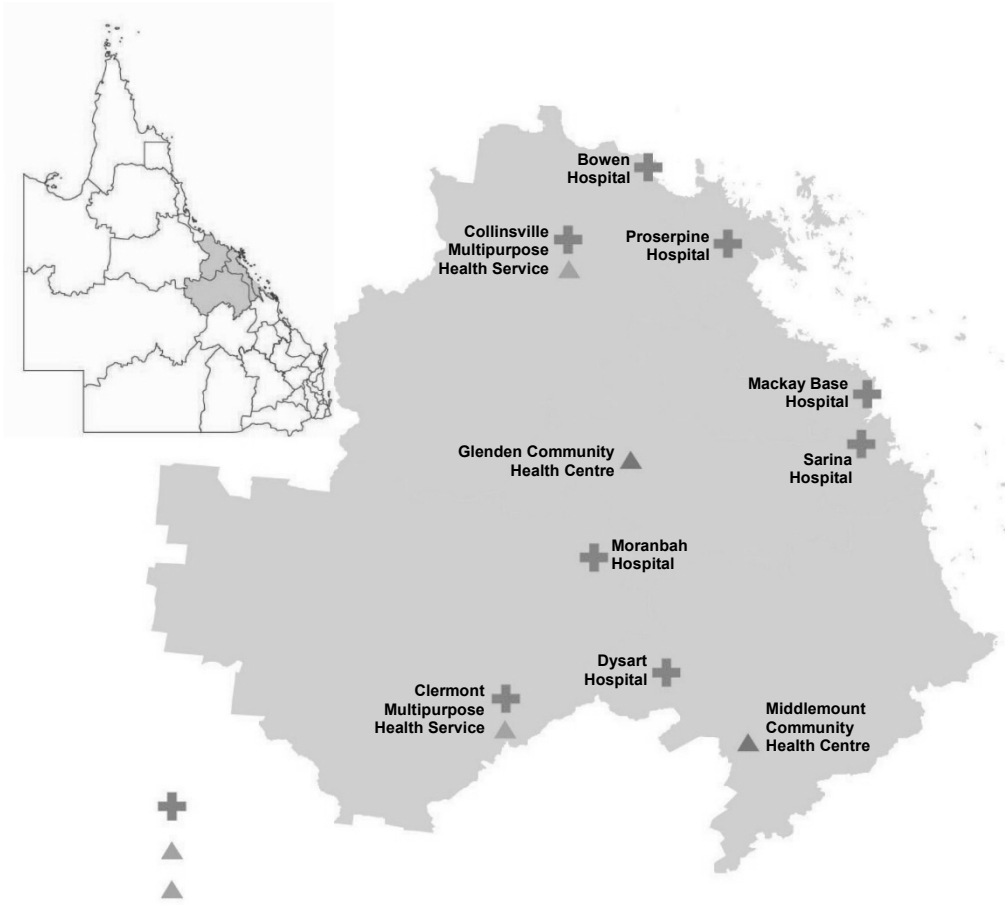
Mackay – Yuwi people
Sarina – Yuwi people
Moranbah – Barada Barna people
Dysart – Barada Barna people
Clermont – Wangan Jagalingou people
Glenden – Wiri people
Middlemount – Barada Barna people
Proserpine – Gia people
Cannonvale – Ngaro people
Bowen – Juru people
Collinsville – Birriah people

Aboriginal and Torres Strait Islander peoples terminology

Throughout the Annual Report, the terms 'Aboriginal and Torres Strait Islander peoples', 'First Nations peoples' and 'Aboriginal peoples and Torres Strait Islander peoples' are used interchangeably rather than 'Indigenous'. Whilst 'Indigenous' is commonly used in many national and international contexts, Queensland Health's preferred terminology is 'Aboriginal and Torres Strait Islander peoples', 'Aboriginal peoples and Torres Strait Islander peoples' or 'First Nations peoples'.

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

4 September 2023

The Honourable Shannon Fentiman MP
Minister for Health, Mental Health and Ambulance Services and Minister for Women
GPO Box 48
Brisbane QLD 4001

Dear Minister

I am pleased to submit for presentation to the Parliament the Annual Report 2022-2023 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 2019;* and
- the detailed requirements set out in the *Annual Report Requirements for Queensland Government agencies*.

A checklist outlining the annual reporting requirements is provided at page 73 of this annual report.

Yours sincerely

Helen Darch OAM
Chair
Mackay Hospital and Health Board

Contents

Statement on Queensland Government objectives for the community

Mackay HHS contributes to the priorities of -
- *Good Jobs: Good, secure jobs in our traditional and emerging industries*
- *Better Services: Deliver even better services across Queensland*
- *Great lifestyle: Protect and enhance our Queensland lifestyle as we grow*

through delivery of the strategic objectives and strategies under Mackay HHS's strategic plan.

Mackay HHS's *Strategic Plan 2020-2024* contributes to the Queensland Government's objectives for the community by supporting all three Government's objectives; *Good Jobs, Better Services* and *Great Lifestyle* and eight of 12 sub-objectives through the strategic objectives below*:*

Strategic Objectives & Outcomes	Alignment with Queensland Government's objectives
Inspired People • Valued, empowered and accountable staff • Diverse, capable and agile workforce • Safe, caring and supportive culture • Healthy staff who inspire others • Engaged staff embracing opportunities for change and improvement	• Supporting jobs: Good, secure jobs in more industries to diversify the Queensland economy and build on existing strengths in agriculture, resources and tourism. • Growing our regions: Help Queensland's regions grow by attracting people, talent and investment, and driving sustainable economic prosperity. • Investing in skills: Ensure Queenslanders have the skills they need to find meaningful jobs and set up pathways for the future.
Exceptional Patient Experience • Informed and empowered people • Better access to services • Treat our patients as individuals • Care is co-designed with our patients, families, carers and communities • Safe and excellent care – continually improving	• Keeping Queenslanders safe: Continue to keep Queenslanders safe as we learn to live with COVID-19 and ensure all Queenslanders can access world-class healthcare no matter where they live. • Backing our frontline services: Deliver world-class frontline services in key areas such as health, education and community safety.
Excellence in Integrated Care • Seamless health and social care system • Navigable health system • Smart and responsible use of technology • Innovative, collaborative and productive partnerships	• Keeping Queenslanders safe: Continue to keep Queenslanders safe as we learn to live with COVID-19 and ensure all Queenslanders can access world-class healthcare no matter where they live. • Backing our frontline services: Deliver world-class frontline services in key areas such as health, education and community safety. • Connecting Queensland: Drive the economic benefits, improve social outcomes and create greater social inclusion through digital technology and services. • Honouring and embracing our rich and ancient cultural history: Create opportunities for First Nations Queenslanders to thrive in a modern Queensland.
Sustainable Service Delivery • Services matched to community health needs • The right service in the right place by the right people at the right time – delivered as close to home as possible • Recognised teaching hospital • Research outcomes translated into action • Smart use of resources to deliver value	• Supporting jobs: Good, secure jobs in more industries to diversify the Queensland economy and build on existing strengths in agriculture, resources and tourism. • Building Queensland: Drive investment in the infrastructure that supports the State's economy and jobs, builds resilience and underpins future prosperity. • Growing our regions: Help Queensland's regions grow by attracting people, talent and investment, and driving sustainable economic prosperity.

From the Board Administrator and Chief Executive

The 2022-2023 annual report provides an overview of another busy year for Mackay Hospital and Health Service as we work to meet the growing needs of our community. As we reflect on the accomplishments and challenges of the year, we are grateful for the support and dedication of our valued staff who work across eight hospitals and four community health centres. Thank you for your expertise and hard work.

Mackay HHS has provided a record amount of planned and emergency care in a challenging environment. Our doctors and nurses working in emergency departments report they are seeing more acutely unwell people who have not seen a GP in some time. This in turn impacts on the severity of their condition and increases the likelihood they will require admission to hospital, for longer. Demand for hospital beds is high and we look forward to the Mackay Base Hospital expansion that will deliver an additional 128 beds in 2026.

At Mackay Base Hospital we have worked to improve patient flow and emergency department access. A new Transfer Initiative Nurse is helping to improve patient off stretcher times for ambulance arrivals and a new Rapid Access Clinic for known and/or lower acuity paediatric patients is helping them to avoid the emergency department or receive a follow-up review.

The health service continues to implement the COVID-19 Transition to Recovery to improve access to elective surgery, gastrointestinal endoscopy, and specialist outpatient appointments. The Mackay HHS Planned Care Recovery Plan aims to reduce long waits across a range of specialities including orthopaedics, general surgery, ophthalmology, ear nose and throat, paediatric, cardiology and vascular surgery. This plan is being delivered by the hardworking staff of the health service by providing additional theatre lists, through partnerships with private providers and via virtual health. This work will continue in 2023-2024 with the allocation of $5 million of non-recurrent funding.

We conducted a Local Area Needs Assessment to help us understand the health priorities in the community we service. This process involved an extensive data analysis, clinician consultation and community engagement process. The endorsed prioritised health needs for the people of the Mackay HHS catchment are GP Services, mental health, enhanced palliative care, child and youth health, alcohol, other drug and addiction services, Aboriginal and Torres Strait Islander health, allied health services, older persons care, chronic health needs, specialist services, health education and prevention needs, disability diagnosis and treatment, community health and diagnostic access, women's and maternity services, and infectious diseases.

The launch of the inaugural Health Equity Strategy in September 2022 was a proud moment for Mackay HHS. The Strategy details activities to improve Aboriginal and Torres Strait Islander peoples' health outcomes, lived experiences and access to healthcare. The associated implementation plan contains the actions to help us achieve these goals. These activities include the start of the Connected Community Pathways First Nations Type 2 Diabetes project with the employment of two community liaison officer roles for Bowen and Moranbah hospitals and communities. We have also strengthened First Nations maternity and women's health support including Kem Kem Yanga midwifery group practice and established a Culturally Safe Models of Care committee as we know many of our First Nations people are still reluctant to enter a hospital.

Bowen Hospital's new $7 million Medical Imaging Wing and Renal Unit was officially opened in September 2022. The new Renal Unit has six renal chairs and operates six days a week. This is a life-changing service allowing many more residents to receive treatment closer to their home. We are incredibly grateful to the estate of Cyril Isbell for their generous bequest, and it was fitting that the Renal Unit is named after this wonderful benefactor. The addition of a CT scanner has also been welcomed and is allowing for faster diagnosis of patients and eliminated the need for patients to travel to Proserpine or Mackay by ambulance for imaging.

In October 2022 we received the findings of the independent external report into obstetrics and gynaecology services and accepted all 122 recommendations to improve the care we provide. The health service is on track to have all but four of the 122 recommendations implemented by October 2023. The remaining four relate to the new maternity services which will be offered in the P Block expansion of Mackay Base Hospital. The Mackay Obstetrics and Gynaecology Implementation Working Group was established to oversee this work and includes representatives from maternity consumers to ensure their voice is heard during decision making.

In parallel to this implementation, we established the Maternity Co-Design Project, one of the most extensive consultation processes Mackay HHS has undertaken. This demonstrates our commitment to enhancing maternity care in partnership with women, staff, and community partners. The consultation process has helped identify the key concerns, needs and solutions for enhancing Mackay HHS maternity care across the Mackay, Whitsunday and Isaac communities. This feedback assisted us to better understand the needs, desires, and aspirations of the community we serve.

We look forward to the completion of some major capital projects and the commencement of others. The new $31.5 million Sarina Hospital and staff accommodation is due for completion this year and we know staff and community are looking forward to working in a new, expanded 19-bed hospital.

The Mackay Base Hospital Expansion Project will deliver a new clinical services building with 128 beds spanning acute/sub-acute, maternity, paediatric and neonatal care and birth suites. The $250 million project is due for completion by mid-2026. It will also include construction of a multi-deck carpark which is much needed.

The new $36.36 million 12 bed Moranbah Hospital will also take shape with the tender awarded in April 2023, construction to start late 2023 and completion expected in late 2024. The new hospital will provide the community with a purpose-built facility with suitable clinical and non-clinical spaces as well as an on-site helipad.

We will also fund initiatives to improve mental health services. 2023-2024 funding has been provided for increased workforce to support mental health services under the *Better Care Together: A plan for Queensland's state-funded mental health, alcohol and other drug services to 2027*.

Our thanks also go to the Mackay Hospital Foundation volunteers and hospital auxiliaries in Mackay, Proserpine, and Bowen; your invaluable service to your communities is appreciated. Your work ensures our patients have a better experience which is invaluable. Thank you also Ronald McDonald Charities North Queensland for opening the family room at Mackay Base Hospital. This is a much-welcomed support for families of sick children.

Note from the Board Administrator

We were delighted to have Susan Gannon commence as the Chief Executive of Mackay HHS in June 2023 after many months of searching. I know she is up to the task of handling the many challenges that come with being the Chief Executive of such a diverse and geographically challenging health service. When seeking a new Chief Executive, the Board looked for someone who can lead with compassion and humility, take constructive feedback and be able to reflect on their own practice. I know Susan will lead Mackay with a strong heart, clean hands and a very clear head.

Thank you to Chief Medical Officer Dr Charles Pain who led the health service over several months while recruitment took place. His calm and thoughtful leadership has been a very stabilising influence on the HHS, and we sincerely thank him for his efforts.

Karen Roach
Administrator
Mackay Hospital and Health Board

Susan Gannon
Chief Executive
Mackay Hospital and Health Service

About us

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* (HHBA) and the *Financial Accountability Act 2009* and subordinate legislation. 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.

Mackay HHS is responsible to the Mackay Hospital and Health Board (MHHB) for the provision of public hospital and health services including medical, surgical, emergency, obstetrics, paediatrics, specialist outpatient clinics, mental health, critical care, community health and clinical support services to a population of approximately 183,269 people (as at June 2021). In 2021, there were 10,807 First Nations people living across the Mackay HHS catchment. This represents 5.9 per cent of the population and is higher than the Queensland average of 4.6 per cent. There is also a significant Australian South Sea Islander community in the region.

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.

Mackay HHS is an organisation with approximately 3387 staff, providing extensive health services in a range of regional, community and rural settings. Mackay HHS consists of eight hospitals and four community health centres. Services are delivered on site in our facilities as well as in other settings such as people's homes.

Strategic direction

Mackay HHS is committed to providing services that are efficient, diverse and flexible to changing community and government needs. The health service has focused on the following key areas specific to the health context – building our health workforce capacity and capability; delivering excellence in care for all patients; working collaboratively with our partners to support streamlined care, particularly for vulnerable people; and working in smart and efficient ways to grow and expand our services for the future.

The MHHB sets the organisation's strategic agenda and monitors outcomes achieved against the Mackay HHS Strategic Plan and its performance against the service delivery statement. Mackay HHS's *Strategic Plan 2020-2024* sets out four inter-related objectives of Inspired People; Exceptional Patient Experiences; Excellence in Integrated Care and Sustainable Service Delivery each with their own strategies, to achieve Mackay HHS's vision.

Vision, Purpose, Values

Our Vision

Delivering Queensland's Best Rural and Regional Health Care

Our Purpose

To deliver outstanding health care services to our communities through our people and partners

Our Values

Collaboration | Trust | Respect | Teamwork

Priorities

In alignment with the Service Delivery Statement and our *Strategic Plan 2020-2024*, we continued to focus on achieving outcomes and progress towards realising the strategic objectives in 2022-2023 which were:

Inspired People

Creating a diverse and highly skilled workforce

Exceptional Patient Experiences

Improving patient flow and striving for patients to have better access to surgical and outpatient services

Excellence in Integrated Care

Continuing to respond to community health priorities, such as care of the elderly and chronic disease

Sustainable Service Delivery

Further developing contemporary models of care to help patients to spend less time in hospital

Aboriginal and Torres Strait Islander Health

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 burden of disease and injury in Queensland's Aboriginal and Torres Strait Islander people 2017 HHS profiles report states that within Mackay HHS boundaries, First Nations people experience 2.1 times the burden of disease and injury compared to non-Indigenous Queenslanders. Additionally, the gap of Health Adjusted Life Expectancy for Mackay HHS's First Nations people is 61.7 years compared to 73.7 years for the rest of Queensland.

There are seven *Making Tracks towards Closing the Gap* Queensland Government funded programs, amounting to approximately $2.1 million. These are the health service's key drivers for improving access to outpatient appointments and acute hospital services, chronic disease management coordination, cultural support to patients, development and delivery of cultural practice education and resources to our workforce.

The 'Budyubari Bidyiri Kebi Stapal' (Big Dream, Small Steps) has commenced its second student intake in 2023. The initiative is designed for young First Nations people and seeks to inspire, educate, engage and motivate through structured health employment pathways. There are 15 School Based Traineeship positions available in this program and these positions are spread across all participating high schools in Mackay, Sarina, Mirani and Calen.

In 2022, Mackay HHS was successful in receiving two funding submissions via the Connected Community Pathways. From this funding the Better Cardiac Care program was replicated from the Metro North HHS pilot to support First Nations people with heart disease to navigate the health system and transition between acute and community settings. Additionally, the Together Strong Connected Care program was established to provide First Nations people who are at risk, newly diagnosed and living with Type 2 Diabetes culturally safe care and services in or as close as possible to their own communities.

Mackay HHS is committed to improving health and wellbeing outcomes for First Nations people and capture First Nations voices in the Health Equity Strategy. Mackay HHS has set up two governance structures to meet the commitments of informing, consulting and co-designing as stated in the *Consumer and Community Engagement Strategy 2020-2024*. These governance structures have been involved in the development of this strategy and will be ongoing to ensure that there is a collaborative environment for health providers in the region.

Our community based and hospital based services

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.

Mackay HHS facilities include:

- Mackay Base Hospital | Mackay Community Health Centre
- Proserpine Hospital | Cannonvale Community Health Centre
- Bowen Hospital
- Sarina Hospital
- Dysart Hospital | Middlemount Community Health Centre
- Moranbah Hospital | Glenden Community Health Centre
- Clermont Multi-Purpose Health Service (acute and aged care beds)
- Collinsville Multi-Purpose Health Service (acute and aged care beds)

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

Mackay HHS provides free car parking for patients, families, visitors and staff. Consequently, there was no requirement to issue car parking concessions throughout 2022-2023.

Targets and challenges

There are many challenges facing Mackay HHS as we deliver and plan future health services for a community that is dynamic and constantly changing. This includes sustained growth in demand of public health care, economic and population demographic changes, the burden of complex and chronic disease, sustainability of private partners, workforce recruitment and retention challenges and community expectations of service access and delivery. In addition, Mackay HHS residents demonstrate high rates of unhealthy behaviours including smoking, lower rates of physical activity and alcohol consumption. The population has experienced significant growth within the last two years with the fastest growing age groups in the 70+ age groups and projected increase over the coming years.

These challenges represent an important opportunity for our communities to share in the responsibility of shaping future health and wellness outcomes. New technology and new ways of doing things are being embraced as part of our service optimisation and transformation agenda. Mackay HHS continues to build on our partnerships to ensure safe and sustainable services for our community. Empowering patients to own and manage their individual health remains a high priority and there is significant potential to achieve successes in reducing health risk factors in the Mackay HHS by adopting a whole-of-community approach.

Collaboration and partnerships are crucial as we respond to the community's health priorities, such as mental health and chronic disease. By working across government and non-government sectors, business and industry, we can make significant gains in improving the health of our community and supporting initiatives that provide better integrated health care, support patient flow and enabling the right workforce to deliver services in the right place.

Looking ahead, we expect to see a continued increase in demand for public health services and continuing challenges in skilled workforce attraction and retention. Recruiting and retaining highly qualified staff in rural and regional areas is an ongoing challenge that Mackay HHS continues to manage through a variety of strategies including a 'Grow Our Own' approach by working collaboratively with local secondary and tertiary education providers.

Moving forward, our priorities are to deliver on key strategies through collaborative and productive partnerships with our private, public and non-government organisation partners and to plan for growth to improve access to health services as close to home as possible and deliver financially viable service models, including virtual care. This will, in part be addressed by continuing to progress works under the $31.5 million Sarina Hospital Redevelopment as well as progressing $250 million Mackay Base Hospital Capital Expansion Program and the $36.36 million Moranbah Hospital Redevelopment, key to delivering additional overnight beds and enabling access to care closer to home, growth of a range of services and providing expanded inpatient bed capacity, particularly at Mackay Base Hospital.

From a whole of health system perspective, we will deliver local responses to the Department of Health and whole of Government priorities and initiatives. These include supporting all three Queensland Government's objectives; *Good Jobs, Better Services* and *Great Lifestyle*; the delivery of a health equity strategy and the realisation of Queensland Health's *HEALTHQ32; A vision for Queensland's health system*.

Governance

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 four 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.

Board membership

The Governor in Council appoints Board Members based upon the recommendation of the Minister and approves the remuneration arrangements (consistent with the *Remuneration Procedures for Part-Time Chairs and Members of Queensland Government Bodies*). 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*.

The following committees support the functions of the MHHB. Each operates with terms of reference describing the purpose, duties and responsibilities, composition and membership. MHHB committees also undertake deep dives into service areas as required.

Executive Committee

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

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

Meetings are held quarterly 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. Meetings are held quarterly or as directed by the Chair.

Audit and Risk Committee

The Audit and Risk Committee provides support to the MHHB in its responsibility for audit and risk oversight and management and operates in accordance with Queensland Treasury's Audit Committee Guidelines. Meetings are six times per year 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. Meetings are six times per year or as directed by the Chair.

Ms Karen Roach | Board Administrator
Term of Appointment: 21/11/2022 to 20/08/2023

Ms Roach trained as a nurse and midwife, and is a graduate from the Business School, Central Queensland University.

During her time as Chief Executive of Northland District Health Board in New Zealand, Ms Roach took on the national roles of lead Chief Executive of the Employee Relations Portfolio, leading the industrial relations strategy on behalf of the 20 District Health Boards, and Chair of the Memorandum of Understanding which was the sector relationship committee working with the Resident Doctors Association (union representing the resident medical officer workforce). Ms Roach was a foundation member of the Board of Health Workforce New Zealand, reporting to the Minister for Health on workforce development in the sector.

Previous to her role in New Zealand, Ms Roach held the senior leadership roles of Southern Zone in Queensland Health, Rockhampton and Toowoomba health services. As well as leading health services, Ms Roach was also required to work with her intersectoral colleagues across government to ensure safe and effective government services to local communities.

Ms Roach has consulted to the Department of Health, provided locum services to Townsville HHS, Sunshine Coast HHS, Metro North HHS and Metro South HHS and consulted to the Ministry of Health in New South Wales. Currently Ms Roach is a consultant working across the sector in Queensland.

Dr Robert Herkes | Board Adviser
Term of Appointment: 28/09/2022 to 27/09/2023

Dr Herkes is a highly respected senior clinician and leader in intensive care medicine, with extensive operating and leadership experience in the development, evolution and provision of critical care services at both state and national levels. He currently serves as the Chief Medical Officer for Ramsay Health Care Australia.

Prior to commencing in this role, Dr Herkes was the Chief Medical Officer at the Australian Commission on Safety and Quality in Health Care, providing expert clinical advice to the wide range of programs managed by the Commission. Dr Herkes has also held positions as the Director of Intensive Care at both the Royal Prince Alfred Hospital and Strathfield Private Hospital.

Having worked clinically in both public and private hospitals, as well as contributing to national committees in jurisdictional and Commonwealth roles, Dr Herkes has a broad understanding of the Australian health care sector. He is committed to the improvement of health care from an organisational level to individual patient treatment and safety.

Dr Herkes, who completed his Bachelor of Medicine and Bachelor of Surgery at the University of Sydney, is driven to improve the delivery of health care to ensure it is evidence-based, effective and efficient.

Table 1: Government bodies reporting

<table>
<tr><td>Name of Government body</td><td>Mackay Hospital and Health Board</td></tr>
<tr><td>Act or instrument</td><td>The MHHB derives its authority from the HHBA and the Hospital and Health Boards Regulation 2012.</td></tr>
<tr><td>Functions</td><td>The MHHB’s functions include:
•Develop strategic direction and priorities for the 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 the 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 the Mackay HHS.
•Ensure evidence-based practice education and research. The MHHB encourages partnering with universities and training providers to boost clinical capability.</td></tr>
<tr><td>Achievements</td><td>Some of the key achievements of the MHHB in 2022-2023:
•opening of the Bowen Hospital Medical Imaging Wing and Renal Unit
•launch of the inaugural Health Equity Strategy
•development of the Local Area Needs Assessment Summary Report 2022
•recruitment of the Health Service Chief Executive.</td></tr>
<tr><td>Financial reporting</td><td>Mackay HHS is not exempted from audit by the Auditor-General and transactions of the entity are accounted for in the financial statements.</td></tr>
<tr><td>Remuneration</td><td>As reported on page 64, G1 Key Management Personnel Disclosures.</td></tr>
<tr><td>No. scheduled meetings / sessions</td><td>
<table>
<tr><th rowspan="2">Board Members</th><th rowspan="2">MHHB</th><th colspan="4">Committees</th></tr>
<tr><th>Executive</th><th>Audit & Risk</th><th>Finance</th><th>Safety & Quality</th></tr>
<tr><td>Darryl Camilleri [2]</td><td>5 out of 5</td><td>1 out of 1</td><td>2 out of 2</td><td>4 out of 4</td><td></td></tr>
<tr><td>David Aprile [1, 2]</td><td>4 out of 5</td><td>1 out of 1</td><td></td><td>4 out of 4</td><td></td></tr>
<tr><td>Richard Murray [1, 2]</td><td>4 out of 5</td><td>1 out of 1</td><td></td><td></td><td>2 out of 2</td></tr>
<tr><td>Suzanne Brown [2]</td><td>5 out of 5</td><td>1 out of 1</td><td>2 out of 2</td><td></td><td></td></tr>
<tr><td>Adrienne Barnett [2]</td><td>4 out of 5</td><td>1 out of 1</td><td></td><td></td><td>2 out of 2</td></tr>
<tr><td>Elissa Hatherly [1, 2]</td><td>5 out of 5</td><td></td><td>1 out of 1</td><td></td><td>2 out of 2</td></tr>
<tr><td>Helen Caruso [2]</td><td>5 out of 5</td><td></td><td>2 out of 2</td><td>4 out of 4</td><td></td></tr>
<tr><td>Annabel Dolphin [2]</td><td>5 out of 5</td><td></td><td></td><td>4 out of 4</td><td></td></tr>
<tr><td>Tom McMillan [1, 2]</td><td>5 out of 5</td><td></td><td>1 out of 1</td><td></td><td>2 out of 2</td></tr>
<tr><td colspan="6"></td></tr>
<tr><td>Karen Roach [3]</td><td>5 out of 5</td><td>2 out of 2</td><td>4 out of 4</td><td>6 out of 6</td><td>7 out of 7</td></tr>
<tr><td>Robert Herkes [4]</td><td>7 out of 7</td><td></td><td></td><td></td><td>6 out of 8</td></tr>
</table>
[1] Board Members who satisfy the Clinical Expertise requirement under section 23(4) of the HHBA.
[2] Board Members were dismissed by the Minister for Health and Ambulance Services on 21 November 2022 under section 275(1) of the HHBA.
[3] Board Administrator appointed by the Minister for Health and Ambulance Services on 22 November 2022 under section 276 of the HHBA.
[4] Board Adviser appointed by the Minister for Health and Ambulance Services from 28 September 2022 to 27 September 2022 under section 44A of the HHBA.
</td></tr>
<tr><td>Total out of pocket expenses</td><td>$682.55</td></tr>
</table>

Executive management

Ms Susan Gannon | Health Service Chief Executive

Ms Gannon commenced as Mackay HHS's Chief Executive in June 2023. She was previously Chief Executive Hospitals at Tasmanian Health Services for three years and the Executive Director Operations for three years. Prior to this she was the statewide Executive Director Nursing and Midwifery. Ms Gannon has been on the Board of Directors for Women's Health Care Australia since 2014 and has worked in policy, quality and education in both the public and private sector. Her previous roles include several senior management positions, including medicine, emergency, cancer, surgical and women's and children's services.

Ms Sharon Walsh | Chief Operating Officer

Ms Walsh started her career in healthcare nursing in South Africa. She has broad ranging experience that includes operational management, project management, and clinical governance. Her passion lies in ensuring the delivery of safe and high-quality care to every patient. While her career has predominantly been in quaternary healthcare, Ms Walsh also has experience with regional healthcare, having sat on the board of a regional health service in Victoria.

Ms Terry Johnson | ED Public Health and 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.

Ms Karen Wade | ED Nursing and Midwifery

Ms Wade is an experienced Healthcare Professional who has worked in Leadership and Executive roles for more than 35 years. Her previous leadership roles include: Acting Executive Officer, Executive Director of Nursing and Executive Director of Service Development for the Mercy Health and Aged Care Central Qld Group and District Director of Nursing and Executive Director of Quality and Safety Queensland Health CQHHS, Northern Regional Services Manager for Bolton Clarke, Executive General Manger Encore Care (Aged Care).

Dr David Farlow | ED Research and Innovation

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

Dr Charles Pain | ED Medical Services and Chief Medical Officer

Dr Pain is a Fellow of the UK Faculty of Public Health, a Fellow of the Australasian Faculty of Public Health Medicine, a Fellow of the Australasian College of Health Service Management, and a Fellow of the International Society for Quality in Health Care, and an Associate Professor at the Flinders University College of Medicine and Public Health. He has had a 39-year career in medicine as a clinician, public health physician, medical administrator, director of clinical governance, and health systems improvement program director.

Mr Martin Heads | ED Corporate Services and Chief Financial Officer

Mr Head has over 20 years of experience in the health sector having worked at all levels of the health system including within hospitals, health services and at departmental levels. He is a former Chief Financial Officer for Metro North HHS and acted as Chief Financial Officer for Wide Bay HHS for the duration of 2021.He is a Chartered Accountant and holds degrees in Laws and Business.

Mr Darryl Turner | ED People Services

Mr Turner has an extensive career in healthcare services and human resource management. He has worked in executive and senior leadership roles within Government and the private sector. He has experience in the Industrial Relations Commission, as well as being chief negotiator for many government and private sector certified agreements. Mr Turner has managed high-profile disputes with Trade Unions and employee advocates and has led large teams covering the portfolios of staff training, health and safety, recruitment and retention, talent management, workplace investigations, change management and restructures.

Ms Janet Geisler | ED Strategy, Governance and Engagement

Ms Geisler has held senior and executive roles within public sector management, with extensive experience in leading strategy development and execution in complex environments with a proven record of adding value through the public health and community sectors. She is committed to driving strategies to enhance organisational performance, engagement and governance. She has extensive experience in partnering across government, industry, community with a strong commitment to improve the delivery of health and social care services for regional, rural and remote communities.

Mr Simon Costello | ED Aboriginal and Torres Strait Islander Health

Mr Costello is a Goori (Aboriginal man) from Minjerribah (North Stradbroke Island) and is a Traditional Owner from the Quandamooka Nation, which takes in the Moreton Bay area of south-east Queensland. For the past 20 years he has worked in Queensland Health and State Government Aboriginal and Torres Strait Islander Housing across 16 Aboriginal and Torres Strait Local Government Areas throughout Queensland.

Organisational structure and workforce profile

Minister for Health, Mental Health and Ambulance Services and Minister for Women

Department of Health
System Manager

Mackay Hospital and Health Board

Administrator
Ms Karen Roach

Board Adviser
Dr Robert Herkes

Executive Committee

Finance Committee

Safety and Quality Committee

Audit and Risk Committee

Health Service Chief Executive Ms Susan Gannon
Chief Operating Officer Ms Sharon Walsh
Executive Director **Public Health and Rural Services** Ms Terry Johnson
Executive Director **Nursing and Midwifery** Ms Karen Wade
Executive Director **Medical Services | Chief Medical Officer** Dr Charles Pain
Executive Director **Research and Innovation** Dr David Farlow
Executive Director **Corporate Services | Chief Financial Officer** Mr Martin Heads
Executive Director **People Services** Mr Darryl Turner
Executive Director **Strategy, Governance and Engagement** Ms Janet Geisler
Executive Director **Aboriginal and Torres Strait Islander Health** Mr Simon Costello

Strategic workforce planning and performance

Workforce Profile
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 the last quarter in June 2023, Mackay HHS had:

Table 2: Total staffing

Total Staffing	
Headcount	3,386
Paid FTE	2,732.66

Table 3: Occupation types

Occupation Types	FTE	%
Corporate	163.28	5.98%
Frontline	1,856.30	67.93%
Frontline Support	713.08	26.09%

Table 4: Appointment type

Appointment Type	FTE	%
Permanent	1,943.50	71.12%
Temporary	681.46	24.94%
Casual	102.37	3.75%
Contract	5.33	0.20%

Table 5: Employment status

Employment Status	Headcount	%
Full-time	1,619	47.81%
Part-time	1,520	44.89%
Casual	247	7.29%

Table 6: Gender

Gender	Headcount	%
Woman	2787	82.31%
Man	527	15.56%
Non-binary	72	2.13%

Table 7: Diversity target group data

Diversity Groups	Headcount	%
Women	2787	82.31%
Aboriginal and/or Torres Strait Islander	96	2.84%
People with disability	47	1.39%
Culturally and Linguistically Diverse – Speak a language at home other than English^	394	11.64%

^ This includes Aboriginal and Torres Strait Islander languages or Australian South Sea Islander languages spoken at home.

Table 8: Target group data for Women in Leaderships Roles

Women	*Headcount*	*%*
Senior Officers *(Classified and s122 equivalent combined)*	8	88.89%
Senior Executive Service and Chief Executives *(Classified and s122 equivalent combined)*	3	60.00%

Attract, recruit and retain
During 2022-2023, Mackay HHS developed the following initiatives to attract, recruit and retain staff:
- streamlining workforce recruitment teams to achieve efficiencies in staff recruitment
- commence implementation of the Mackay HHS Workforce Plan 2022-2024
- reintroduce entry and exit interview surveys to determine overall experience working for Mackay HHS
- acquire new branding, attraction and recruitment tools with LinkedIn
- engage staff in the annual Working for Queensland Survey to determine attraction and retention strategies.

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 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.

Initiatives include:
- launch and promotion of inaugural R U OK health promotion campaign in September 2022
- staff Wellbeing Expo held in October 2022 raising wellbeing awareness
- a total of 38 wellbeing awareness sessions were facilitated to teams/departments
- successful introduction of “Stretch it Out” exercise trial program with the aim to minimise workplace injuries
- 1,563 staff and their family members are members of Fitness Passport
- financial wellbeing information is provided to all new staff at the Orientation Program.

A revamped Peer Support Program will be launched in 2023-2024 to enable responders to reach out to peers and support staff with psychological first aid.

Flexible Working Arrangements
Mackay HHS is committed to the provision of flexible work arrangements such as part time work. At 30 June 2023, 46 per cent of staff had part-time working arrangements. Mackay HHS regularly promotes flexible working arrangements and supports both line managers and employees to understand what options are available.

Performance Management and Development
The Professional Performance and Development plan process assists employees to have meaningful and productive career discussions. Mackay HHS continued to partner with Queensland Health’s Clinical Planning and Service Strategy Department to focus on leadership training for clinical and non-clinical staff.

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 Hospital and Health 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.

Open Data

Mackay HHS has Open Data to report on Overseas Travel, Consultancies and Queensland Language Services Policy and the data can be found on the Queensland Government Open Data Portal (https://www.data.qld.gov.au/).

Our risk management

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 procedure and integrated Risk Management Framework based on the Australian/New Zealand ISO Standard 31000:2018 Risk Management - guidelines. The procedure and framework outline Mackay HHS's intent, roles, responsibilities and implementation requirements. Mackay HHS's Risk Management Framework 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.

The HHBA requires annual reports to state each direction given by the Minister to Mackay HHS during the financial year and the action taken by Mackay HHS as a result of the direction. During the 2022-2023 period, no directions were given by the Minister to Mackay HHS.

Internal audit

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

Audit reports include recommendations to address deficiencies in risk treatment and all audit reports are reviewed by the Audit and Risk Committee.

External scrutiny, Information systems and recordkeeping

External scrutiny

Mackay HHS's operations are subject to regular scrutiny from external oversight bodies. These include, but are not limited to, Australian Council on Healthcare Standards, Australian Health Practitioner Regulation Authority, Coroner, Crime and Corruption Commission, Office of the Health Ombudsman and Queensland Audit Office (QAO).

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 the 2021-2022 financial year contained no high risks.

Information systems and recordkeeping

Mackay HHS is committed to maintaining public trust in how we handle, protect and disclose personal and sensitive information.

Mackay Base Hospital utilises the integrated electronic Medical Record (ieMR) while the rural and remote facilities have paper-based records, with view-only access to ieMR. This enables simultaneous access to information by multiple users and assists in the coordinated care of patients. All system access is controlled and logged, and audit trails are regularly monitored.

Mackay HHS aims to protect the privacy and confidentiality of both patient and staff information. All access to and disclosure of clinical and corporate records is in accordance with the *Information Privacy Act 2009, Right to Information Act 2009* and HHBA. Regular privacy awareness communications and in-service training is available to all staff, including the online privacy training provided by the Office of the Information Commissioner.

Mackay HHS is responsible for the management and safe custody of administrative records in accordance with the Records Governance Policy and *Public Records Act 2002*. Systems are in place to ensure clinical source documentation and paper records are appropriately stored, easily located and accessible when required and secured from unauthorised access.

Health Information Services provides guidance for retention and destruction of records in accordance with the *Health Sector (Clinical Records) Retention and Disposal Schedule*, *Health Sector (Corporate Records) Retention and Disposal Schedule* and *General Retention and Disposal Schedule for Administrative Records.*

CEO Attestation of IS18:2018 information security risks

During the 2022-2023 financial year, the Mackay HHS have an informed opinion that information security risks were actively managed and assessed against the Mackay HHS's risk appetite with appropriate assurance activities undertaken in line with the requirements of the Queensland Government Enterprise Architecture (QGEA) Information security policy (IS18:2018).

Queensland Public Service ethics and values

The *Public Sector Ethics Act 1994* 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, consisting 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 changes (via on-line training).

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.

Human Rights

In 2022-2023, Mackay HHS has assessed six complaints where *Human Rights Act 2019* provisions were considered. These complaints were assessed, and there were no complaints considered to breach human rights.

Mackay HHS continues to work towards achieving human rights culture across the health service in the seven indicators identified by the Human Rights Commissioner:

- staff awareness, education and development
- community consultation and engagement about human rights
- awareness raising and supporting for related entities
- reviews and development of legislation or subordinate legislation
- review of policies and procedures
- internal complaint management for human rights complaints
- future plans.

Some of the initiatives undertaken by Mackay HHS include:

- continue to review and improve communication, onboarding and training of staff
- take steps to include community consultation and engagement with stakeholders, clients, or consumers about human rights through the appropriate forums
- raise awareness of human rights with entities engaged by the health service
- review of the Consumer Feedback: Complaint, compliment and suggestion procedure to include steps on identifying, considering and responding to Human Rights complaints.

Confidential information

The *HHBA* requires annual reports to state the nature and purpose of any confidential information disclosed in the public interest during the financial year. The Chief Executive did not authorise the disclosure of confidential information during the reporting period.

Performance

Non-financial Performance

The following table below provides a snapshot of how Mackay HHS is tracking against the strategic priorities and key performance indicators outlined in the 2020-2024 strategic plan.

Strategic Objectives	Key Performance Indicators	Results/Achievements
Inspired People	• Progress on staff engagement survey results • Decreased time to recruit • Increased retention (reduced turnover) • Decreased lost time injury frequency rate • Reduced percentage of agency nurse and medical locum annual spend	• The Working for Queensland staff survey conducted in September 2022 saw an overall response rate of 37% for Mackay HHS. These results remain above the Queensland Health response rate of 26%. • The average time to recruit staff has decreased slightly for nursing (3.5%), and other staff (1.4%). It is recognised that attraction and retention of staff is more challenging in regional and rural areas and the health service is actively working to grow a pipeline of clinical staff through a 'Grow Our Own' skilled workforce as well as actively pursuing international recruitment drives to increase our skilled workforce. • Lost time injury frequency rate decreased during 2022-2023 to 8.25 per million hours worked. This is primarily attributable to an increase in education and awareness for safe work practices which remains a focus to decrease the lost time injury frequency rate. • An increase in agency nurse and medical locum annual spend is in response to ensuring we continue to provide the community with the care it needs. This is largely attributable to factors associated with attraction, recruitment and retention challenges as seen across the healthcare industry globally. This has been compounded by challenges with the COVID-19 pandemic, vaccination requirements and our regional and rural locality.
Exceptional Patient Experience	• Maintained and improved National Safety and Quality health service indicators • Improved patient experience survey satisfaction rates including cultural appropriateness • Reduced wait times for elective surgery, emergency admissions and specialist outpatient clinics • Increased uptake rates of alternatives to hospital care	• Mackay HHS received full accreditation in December 2022 from the Australian Council on Healthcare Standards which provided independent validation of the quality and safety of our services. • Patient Reported Experience Measures surveys completed across Mackay HHS has equalled or surpassed previous year consumer satisfaction ratings with 88% of consumers reporting their Overall Rating of Care as Very Good or Good in 2022-2023. 93% of patients reported that culturally appropriate resources were available to them (an increase from 75% in previous year) and 59% of identified patients reported being offered support from an Aboriginal and Torres Strait Islander health worker. • There was an overall increase of 7.5 per cent of elective surgeries performed (total of 2,979, increase of 207 elective surgeries) in 2022-2023 compared to the previous year. We continued to prioritise the delivery of urgent care with a 16.7 per cent increase in Category 1 elective surgeries (an additional 215 appointments) compared with 2021-2022. There are 178 patients who are ready for surgery waiting longer than clinically recommended. However, there were no Category 1 patients included in the 178 patients. • In 2022-2023, Mackay HHS saw over 100,000 emergency presentations with a 12.5 per cent increase in the most urgent patients – Categories 1 and 2 (1,937 more presentations). 91% of all emergency presentations seen in time (a 2.4% increase from 2021-2022). • Wait times for patients attending emergency departments which were seen within recommended timeframes had an increase to 100% for Category 1; 96% for Category 2; 87% for Category 3; 92% for Category 4 and 98% for Category 5. All categories achieved target or above. • In 2022-2023, our doctors, nurses and allied health professionals helped Mackay HHS see more than 20,000 patients for their first Specialist Outpatients appointment. This was a slight overall increase on the previous year's performance with a 5.0 per cent increase in Category 1 appointments (an additional 469 appointments compared with 2021-2022).

Strategic Objectives	Key Performance Indicators	Results/Achievements
		• Mackay HHS was able to treat a total of 3,216 gastrointestinal endoscopy patients in 2022-2023. Overall, this was a slight decrease on the total gastrointestinal endoscopies performed in comparison to 2021-2022 performance (73 or 2.2 per cent). However, for Category 4 (most urgent), Mackay HHS performed 78 more gastrointestinal endoscopies to the previous year (increase of 3.6 percent). • Uptake rates of alternatives to hospital care continues to increase through the expansion of the Hospital in the Home model of care with an increase of over 147 discharges from the service in 2022-2023.
Excellence in Integrated Care	• Improved results in our Aboriginal and Torres Strait Islander Closing the Gap targets • Reduced number of potentially preventable hospitalisations • Increased telehealth and other digital health solutions	• Mackay HHS proudly launched their inaugural 'Our Mob Together Strong Health Equity Strategy' in September 2022 outlining six key priority areas underpinned by 42 initiatives working together with First Nations people throughout the Mackay HHS to achieve health equity for First Nations people. Implementation of several identified initiatives is underway in 2022-2023 in conjunction with ongoing Closing the Gap initiatives. • The Strategy details the activities to support a renewed and shared agenda to improve First Nations peoples' health outcomes, lived experiences, and access to care across the system. These activities include: o commencement of First Nations Type 2 Diabetes project with the employment of two Community Liaison Officer roles for Bowen and Moranbah hospitals and communities; o strengthening of the First Nations maternity and women's health support including Kem Kem Yanga (midwifery practice group model); o establishment of the Culturally Safe Models of Care Committee; and o continuing services such as Sarina Chronic Disease Service, Hospital Liaison Service and Deadly Choices (preventative health program in schools). • Telehealth usage increased by 8.8% in 2022-2023, to 16,660 outpatient occasion of service events.
Sustainable Service Delivery	• Reduced health service average cost per weighted activity unit • Increased staff engagement in research and evaluation collaborations • Increased retention of junior clinical staff • Positive financial operating results achieved	• The estimated cost per weighted activity unit increased to $5,911 in line with increased inflation nationally. • Mackay Institute of Research and Innovation is a research, implementation, and innovation centre within the Mackay HHS. Mackay Institute of Research and Innovation approved a total of 28 grants for staff in 2022-2023 (an increase from 7 in 2021-2022) with a total of 279 staff members receiving academic support in 2022-2023 (increased from 208 in 2021-2022). • Mackay HHS achieved a 54% retention rate of junior medical officers, an increase of 17% from 2021-2022. • Reportable operating position deficit of $6.4 million.

Service standards

The variance between the 2022-2023 target and the 2022-2023 actual results can be attributed to the ongoing impact of the COVID-19 response and transition to recovery. Delivery of specialist outpatient and elective surgery within recommended times has been impacted by the prioritisation of treating the patients waiting the longest, according to the most clinically urgent categories. Workforce shortages in the wake of the COVID-19 response have additionally impacted wait times for planned care and mental health services. Unplanned care has been impacted with increased demand from patients awaiting admission to inpatient beds.

Table 6: Service Delivery Statement

Service Standards	2022-2023 Target	2022-2023 Actual
Effectiveness measures		
Percentage of emergency department patients seen within recommended timeframes		
• Category 1 (within 2 minutes)	100%	100%
• Category 2 (within 10 minutes)	80%	96%
• Category 3 (within 30 minutes)	75%	87%
• Category 4 (within 60 minutes)	70%	92%
• Category 5 (within 120 minutes)	70%	98%
Percentage of emergency department attendances who depart within four hours of their arrival in the department	>80%	71%
Percentage of elective surgery patients treated within the clinically recommended times [1]		
• Category 1 (30 days)	>98%	79%
• Category 2 (90 days) [2]	..	38%
• Category 3 (365 days) [2]	..	24%
Rate of healthcare associated Staphylococcus aureus (including MRSA) bloodstream (SAB) infections/10,000 acute public hospital patient days [3]	<2	0.5
Rate of community mental health follow up within 1-7 days following discharge from an acute mental health inpatient unit [4]	>65%	51.5%
Proportion of re-admissions to acute psychiatric care within 28 days of discharge [5]	<12%	21.3%
Percentage of specialist outpatients waiting within clinically recommended times		
• Category 1 (30 days)	70%	60%
• Category 2 (90 days) [6]	..	27%
• Category 3 (365 days) [6]	..	63%
Percentage of specialist outpatients seen within clinically recommended times[7]		
• Category 1 (30 days)	81%	64%
• Category 2 (90 days) [6]	..	32%
• Category 3 (365 days) [6]	..	84%
Median wait time for treatment in emergency departments (minutes)	..	10
Median wait time for elective surgery treatment (days) [1]	..	48
Efficiency measures		
Average cost per weighted activity unit for Activity Based Funding facilities [7]	$4,954	$5,911
Other measures		
Number of elective surgery patients treated within clinically recommended times [1]		
• Category 1 (30 days)	1,179	1,181
• Category 2 (90 days) [2]	..	418
• Category 3 (365 days) [2]	..	92
Number of Telehealth outpatients service events [8]	16,874	16,660
Total weighted activity units (WAU) [9]		
• Acute Inpatients	46,087	47,212
• Outpatients	12,070	11,612
• Sub-acute	4,035	5,324
• Emergency Department	15,601	14,230
• Mental Health	4,176	3,493
• Prevention and Primary Care	1,600	1,624
Ambulatory mental health service contact duration (hours) [10]	>27,854	25,762
Staffing [11]	2,669	2,733

1. In response to the COVID-19 pandemic, the delivery of planned care services has been impacted. This has resulted from a period of temporary suspension of routine planned care services during 2021-2022 and subsequent increased cancellations resulting from patient illness and staff furloughing due to illness and isolation policies.

2. Given the System's focus on reducing the volume of patients waiting longer than clinically recommended for elective surgery and the continual impacts to services as a result of responding to COVID-19, treated in time performance targets for category 2 and 3 patients are not applicable for 2022-2023.
3. Staphylococcus aureus (including MRSA) bloodstream (SAB) infections 2022-2023 Actual rate is as at 7 August 2023.
4. Mental Health rate of community follow up 2022-2023 Actual is as at 14 August 2023.
5. Mental Health readmissions 2022-2023 Actual is for the period 1 July 2022 to 31 May 2023 as at 14 August 2023.
6. Given the System's focus on reducing the volume of patients waiting longer than clinically recommended for specialist outpatients, and the continual service impacts as a result of responding to COVID-19, seen in time targets for category 2 and 3 patients are not applicable for 2022-2023.
7. All measures are reported in QWAU (Queensland Weighted Activity Unit) Phase Q25. The variation in difference of Cost per WAU to target is a result of the additional costs of the COVID-19 pandemic.
8. Telehealth 2022-2023 Actual is as at 21 August 2023.
9. The 2022-2023 target varies from the published 2022-2023 Service Delivery Statement due to a change in the WAU phase. All measures are reported in QWAU Phase Q25. 2022-2023 Actuals are as at 14 August 2023.
10. Ambulatory Mental Health service contact duration 2022-2023 Actual is as at 14 August 2023.
11. Corporate FTEs are allocated across the service to which they relate. The department participates in a partnership arrangement in the delivery of its services, whereby corporate FTEs are hosted by the department to work across multiple departments. 2022-2023 Actual is for pay period ending 25 June 2023.

Financial summary

Mackay HHS has recorded a financial deficit of $6.4 million for the year ending 30 June 2023. This is compared to the financial deficit in 2021-2022 of $4 million incurred by Mackay HHS.

Mackay HHS will continue to focus on robust financial stewardship 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.

Mackay HHS total income was $626.2 million which includes:

- Activity Based Funding for hospital services was 60 per cent or $375.7 million
- Block Funding was 11 per cent or $68.8 million
- User charges comprising patient and non-patient funding was 7 per cent or $44.3 million
- Australian Government grant funding was 18 per cent or $111.5 million
- Other revenue was 1 per cent or $6.4 million
- Other grant funding was 3 per cent or $18.2 million
- Land revaluation was $1.3 million

Expenses

The total expenses were $633 million, an average of $1.7 million a day for providing health services.

Labour costs within Mackay HHS make up approximately 65 per cent of expenditure with the remaining 35 per cent being non-labour costs such as supplies, services, and depreciation charges.

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

Table 7: Mackay HHS service allocations

Where the money goes	%
Admitted patient services in acute care institutions	50.2%
Non-admitted patient services in acute care institutions	16.9%
Mental health includes community services	6.6%
Nursing homes for the aged	2.3%
Patient transport	1.8%
Public health services	2.3%
Other community health services	15.3%
Health administration	4.4%

Deferred maintenance

Deferred maintenance is a common building maintenance strategy utilised by public and private sector industries. All Queensland Health entities comply with the Queensland Government Maintenance Management Framework which requires the reporting of deferred maintenance.

The Maintenance Management Framework defines deferred maintenance as maintenance work that is postponed to a future budget cycle or until funds become available. Some maintenance activities can be postponed without immediately having a noticeable effect on the functionality of the building. All deferred maintenance items are risk assessed to identify any potential impact on users and services and are closely managed to ensure all facilities are safe.

As of 30 June 2023, the Mackay HHS had reported deferred maintenance of $14.14 million.

The Mackay HHS has the following strategies in place to mitigate any risks associated with these items:

- progressing funding applications from Queensland Health's Sustaining Capital Budget for prioritised work packages
- progressively increasing the operational maintenance budget in the annual budget build
- Moranbah Facility New Build expected to eliminate deferred maintenance on old Facility
- Sarina Facility New Build expected to eliminate deferred maintenance on old Facility
- identify current and forecast issues in the Strategic Asset Management Plan
- continue to address emergent issues within existing funding constraints.

Mackay Hospital and Health Service

ABN 87 427 896 923

Financial Statements

For the year ended 30 June 2023

Mackay Hospital and Health Service
Statement of Comprehensive Income
For the year ended 30 June 2023

OPERATING RESULT	Notes	2023 $'000	2022 $'000
Income			
User charges and fees	B1-1	44,301	37,741
Funding public health services	B1-2	556,000	506,094
Grants and other contributions	B1-3	18,206	17,613
Other revenue	B1-4	6,448	5,452
Total revenue		**624,955**	**566,900**
Revaluation increment	B1-5	1,313	70
Total Income		**626,268**	**566,970**
Expenses			
Employee expenses	B2-1	60,194	57,974
Health service employee expenses	B2-2	352,732	314,514
Supplies and services	B2-3	164,888	149,109
Depreciation and amortisation	C5 & C9	38,909	31,080
Other expenses	B2-4	15,987	18,329
Total Expenses		**632,710**	**571,006**
Operating (Deficit)		**(6,442)**	**(4,036)**
Other Comprehensive Income			
Items Not Reclassified to Operating Result			
Increase in Asset Revaluation Surplus	C5-2	60,060	25,325
Other Comprehensive Income		**60,060**	**25,325**
Total Comprehensive Income		**53,618**	**21,289**

The accompanying notes form part of these financial statements.

Mackay Hospital and Health Service
Statement of Financial Position
As at 30 June 2023

	Note	2023 $'000	2022 $'000
Current Assets			
Cash and cash equivalents	C1	19,856	20,194
Receivables	C2	5,068	4,131
Inventories	C3	4,642	3,935
Other assets	C4	16,796	11,292
Total Current Assets		**46,362**	**39,552**
Non-Current Assets			
Property, plant and equipment	C5	431,198	384,799
Right-of-use assets	C9	937	306
Total Non-Current Assets		**432,135**	**385,105**
Total Assets		**478,497**	**424,657**
Current Liabilities			
Payables	C6	40,291	34,105
Accrued employee benefits	C7	12,602	777
Lease liabilities	C9	695	274
Other liabilities	C8	5,291	5,216
Total Current Liabilities		**58,879**	**40,372**
Non-Current Liabilities			
Lease liabilities	C9	249	34
Total Non-Current Liabilities		**249**	**34**
Total Liabilities		**59,128**	**40,406**
Net Assets		**419,369**	**384,251**
Equity			
Contributed equity		266,087	284,587
Accumulated surplus		14,312	20,754
Asset revaluation surplus	C10-2	138,970	78,910
Total Equity		**419,369**	**384,251**

The accompanying notes form part of these financial statements.

Mackay Hospital and Health Service
Statement of Changes in Equity
For the year ended 30 June 2023

	Note	Contributed equity Note C10-1 $'000	Accumulated surplus $'000	Asset revaluation surplus Note C10-2 $'000	Total equity $'000
Balance as at 1 July 2021		307,534	24,790	53,585	385,909
Operating Result		-	(4,036)	-	(4,036)
Other Comprehensive Income					
Increase in asset revaluation surplus		-	-	25,325	25,325
Total Comprehensive Income for the Year		-	(4,036)	25,325	21,289
Transactions with Owners as Owners:					
Net assets transferred in/(out)	C5-2	781	-	-	781
Equity injections		17,352	-	-	17,352
Equity withdrawals - Other		(10,000)	-	-	(10,000)
Equity withdrawals - Depreciation Funding		(31,080)	-	-	(31,080)
Net Transactions with Owners as Owners		(22,947)	-	-	(22,947)
Balance at 30 June 2022		**284,587**	**20,754**	**78,910**	**384,251**
Balance as at 30 June 2022		284,587	20,754	78,910	384,251
Balance as at 1 July 2022		284,587	20,754	78,910	384,251
Operating Result		-	(6,442)	-	(6,442)
Other Comprehensive Income					
Increase in asset revaluation surplus		-	-	60,060	60,060
Total Comprehensive Income for the Year		-	(6,442)	60,060	53,618
Transactions with Owners as Owners:					
Net assets transferred in/(out)	C5-2	445		-	445
Equity injections	E4-1	19,964	-	-	19,964
Equity withdrawals - Depreciation Funding		(38,909)	-	-	(38,909)
Net Transactions with Owners as Owners		(18,500)	-	-	(18,500)
Balance at 30 June 2023		**266,087**	**14,312**	**138,970**	**419,369**

The accompanying notes form part of these financial statements.

Mackay Hospital and Health Service
Statement of Cash Flows
For the year ended 30 June 2023

	Note	2023 $'000	2022 $'000
Cash flows from operating activities			
Inflows			
User charges and fees		46,235	37,135
Funding public health services		507,431	474,801
Grants and other contributions		12,560	13,586
GST input tax credits from ATO		11,182	2,728
GST collected from customers		827	259
Other receipts		6,048	5,425
		584,283	**533,934**
Outflows			
Employee expenses		(48,369)	(58,189)
Health service employee expenses		(351,201)	(313,429)
Supplies and services		(160,311)	(144,111)
GST paid to suppliers		(11,244)	(2,719)
GST remitted to ATO		(853)	(193)
Other payments		(10,225)	(11,980)
		(582,203)	**(530,621)**
Net cash from/(used by) operating activities	CF-1	**2,080**	**3,313**
Cash flows from investing activities			
Inflows			
Sales of property, plant and equipment		417	608
Outflows			
Payments for property, plant and equipment		(22,156)	(15,746)
Net cash from/(used by) investing activities		**(21,739)**	**(15,138)**
Cash flows from financing activities			
Inflows			
Equity injections	E4-1	19,964	17,352
Outflows			
Lease payments	CF-2	(643)	(568)
Equity Withdrawal - Other	E4-1	-	(10,000)
Net cash from/(used by) financing activities		**19,321**	**6,784**
Net increase/(decrease) in cash and cash equivalents		**(338)**	**(5,041)**
Cash and cash equivalents at the beginning of the financial year		20,194	25,235
Cash and cash equivalents at the end of the financial year	C1	**19,856**	**20,194**

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

	Note	2023 $'000	2022 $'000
Operating Result		(6,442)	(4,036)
Non-cash movements:			
Depreciation and amortisation		38,909	31,080
Depreciation funding	B1-2	(38,909)	(31,080)
Services Received Free of Charge	B1-3	4,462	4,373
Services Provided Below Fair Value		(4,462)	(4,373)
Revaluation increment	B1-5	(1,313)	(70)
Net (gain)/loss on disposal		74	(190)
Impairment (gains)/losses		(485)	65
Donated assets		(1,176)	(100)
Changes in assets and liabilities:			
(Increase)/decrease in receivables		(499)	753
(Increase)/decrease in GST receivables		(62)	9
(Increase)/decrease in inventories		(573)	(451)
(Increase)/decrease in contract assets and other assets		(5,964)	(1,033)
(Increase)/decrease in prepayments		460	561
Increase/(decrease) in accounts payable		4,655	4,899
Increase/(decrease) in accrued contract labour		1,531	1,085
Increase/(decrease) in contract and other liabilities		75	1,970
Increase/(decrease) in accrued employee benefits		11,825	(215)
Increase/(decrease) in GST payable		(26)	66
Net cash from/(used by) operating activities		**2,080**	**3,313**

CF-2 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Note	2023 $'000	2022 $'000
Lease liabilities			
Balance at 1 July	C9	308	773
Non-cash movements:			
New leases during the year		1,283	305
Remeasurement		(4)	(202)
Cashflows:			
Lease repayments		(643)	(568)
Balance at 30 June		**944**	**308**

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

Assets received or liabilities transferred by Hospital and Health Service because of Machinery-of-Government or administrative arrangements are set out in the Statement of Changes in Equity and Note C10-1.

PREPARATION INFORMATION

GENERAL INFORMATION

The Mackay Hospital and Health Service (referred to as MHHS or Hospital and Health Service or Mackay HHS) 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 MHHS' financial statements, please visit the website www.health.qld.gov.au/mackay.

COMPLIANCE WITH PRESCRIBED REQUIREMENTS

The Mackay Hospital and Health Service has prepared these financial statements in compliance with section 62 (1) of the *Financial Accountability Act 2009* and section 39 of the *Financial and Performance Management Standard 2019*. The financial statements comply with Queensland Treasury's Minimum Reporting Requirements for reporting periods beginning on or after 1 July 2022.

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 2021-22 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 Chair of the Hospital and Health Service, the Chief Executive and the Executive Director, Corporate Services at the date of signing the Management Certificate. Currently there is no Chair of the Mackay Hospital and Health Service.

There were changes to the governance of the health service after an Administrator was appointed on 5 December 2022 to oversee the health service. The Administrator is taken to constitute the board instead of members under the Hospital and Health Boards Act 2011.

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.
- Inventories which are measured at cost, adjusted when applicable for any loss in service potential; and
- Lease liabilities which are measured at net present value of lease payments over the lease term.

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.

BASIS OF MEASUREMENT (continued)

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 currently 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 Mackay 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 predominantly through the purchase of health services by the Department of Health 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 Mackay Hospital and Health Service has no wholly owned controlled entities nor indirectly controlled entities.

A2-1 DISCLOSURES ABOUT NON WHOLLY-OWNED RELATED ENTITIES

North Queensland Primary Healthcare Network Limited

North Queensland Primary Healthcare Network Limited (NQPHNL) was established as a public company limited by guarantee on 21 May 2015. Mackay Hospital and Health Service is one of fourteen members along with Cairns and Hinterland Hospital and Health Service, Townsville Hospital and Health Service, Townsville Aboriginal and Islander Health Service (TAIHS), Torres and Cape Hospital and Health Service, The Pharmacy Guild of Australia (Queensland Branch), the Australian College of Rural and Remote Medicine (ACRRM), Northern Aboriginal and Torres Strait Islander Health Alliance (NATSIHA), Queensland Alliance for Mental Health, CheckUP, Australian Primary Healthcare Nurses Association(APNA), selectability, The Royal Australian College of General Practitioners (RACGP) and the Health Workforce Queensland, 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 collaborate 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 (7%), 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 million. 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 NQPHNL 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.

Tropical Australia Academic Health Centre Limited

Tropical Australia Academic Health Centre Limited (TAAHCL) was established as a public company limited by guarantee on 3 June 2019. Mackay Hospital and Health Service is one of eight members along with Cairns and Hinterland Hospital and Health Service, James Cook University including Australian Institute of Tropical Health and Medicine, North Queensland Primary Healthcare Network Limited, North West Hospital and Health Service, Torres and Cape Hospital and Health Service, Townsville Hospital and Health Service and Queensland Aboriginal and Islander Health Council, with each member holding two voting rights in the company.

The principal place of business of TAAHCL is James Cook University, Queensland. The Company's principal purpose is the advancement of health through the promotion of the study and research of health topics of special importance to people living in the tropics.

As each member has the same voting entitlement (12.5%), it is considered that none of the individual members has power or significant influence over TAAHCL (as defined by AASB 10 *Consolidated Financial Statements and AASB 128 Investments in Associates and Joint Ventures*). Each member's liability to TAAHCL is limited to $10 million. TAAHCL 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 TAAHCL is not controlled by Mackay HHS and is not considered a joint operation or an associate of Mackay HHS, financial results of TAAHCL are not required to be disclosed in these statements.

SECTION B

NOTES ABOUT OUR FINANCIAL PERFORMANCE

B1 REVENUE

B1-1 USER CHARGES AND FEES

	2023 $'000	2022 $'000
Revenue from contracts with customers		
Pharmaceutical Benefit Scheme	19,087	16,107
Sales of goods and services	1,381	1,417
Capital & Research Projects	1,618	1,207
Hospital fees	22,215	19,010
	44,301	**37,741**

Accounting Policy – Revenue from contracts with customers (User Charges)
Revenue from contracts with customers is recognised when MHHS transfers control over a good or service to the customer, when performance obligations are satisfied and measured at the amount of the transaction price allocated to the performance obligation. Where consideration is received for performance obligations to be satisfied in the following year, revenue is deferred with a contract liability being recognised.

The table below provides information about the nature and timing of the satisfaction of performance obligations, significant payment terms and revenue recognition for MHHS's user charges revenue from contracts with customers.

Type of good or service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Pharmaceutical Benefits Scheme		
Pharmaceutical benefits scheme (PBS) - public hospital patients can access medicines listed on the PBS if they are being discharged or attending outpatient day clinics and admitted receiving chemotherapy treatment. Medicare Australia reimburses the cost of the pharmaceutical items at the agreed wholesale price. Patients generally pay a co-payment which is deducted from the Commonwealth reimbursement price.	MHHS's obligation under the arrangement is the distribution of medication to patients at the reduced PBS rate. Reimbursements are claimed electronically via PBS Online (either fortnightly or monthly) and submitted to Medicare Australia. Payments from Medicare go directly to MHHS.	Revenue is recognised at a point in time when service obligations are met. Where MHHS has satisfied the performance obligations for drugs provided but not yet claimed through the PBS arrangement a contract asset is raised.
Sales of goods and services		
Multi-purpose nursing home fees - long term nursing home and psychogeriatric patients are required to contribute towards their daily care, community care, medical services, and pharmacy services. Specific fees are determined by the Department of Health and are legislated under the *Aged Care Act 1997*.	MHHS's obligation under the contract is the provision of daily care to eligible Commonwealth aged care clients in MHHS's multipurpose facilities. Invoices are raised monthly to residents based on the number of bed days service provided.	Revenue is recognised over time as the patient care is provided.
Home community aged care packages - services to eligible Commonwealth clients for home support such as home maintenance, domestic assistance, nursing care etc. Eligible clients are required to make a co-contribution for services provided. The Commonwealth's contribution to these services is outlined in Note B1-3 Grants and other contributions.	MHHS's obligation under the arrangement is the provision of personal services to eligible clients. Invoices against individual customers are raised monthly based on the service type, frequency, and rate (set by the Department of Health, DOH or the Department).	Revenue is recognised over time as the personal services are provided.
Capital and Research Projects		
Revenue management of capital projects – the Department of Health purchases services for approved capital projects as part of Queensland Health's capital delivery program.	MHHS's obligation is to manage the procurement and payment of invoices approved by the Department of Health for capital works. Approval from the Department on costs incurred must be received before the invoices and revenue can be raised. Invoices raised against the Department of Health are generally settled within 30 days.	Revenue is recognised as the services are provided each month and a contract asset representing MHHS's right to consideration for services delivered but not yet billed raised where applicable.
Provision of other goods and services - MHHS provides a range of clinical research and other services to private companies and individuals.	MHHS's obligation is to provide agreed research/other services usually over a 12-month period. Invoices are raised as services are provided. Clinical trials are invoiced in accordance with milestones included in contractual agreements.	Revenue is recognised over time with customers simultaneously receiving and consuming benefits provided. A contract asset representing MHHS's right to consideration for services delivered but not yet billed is raised where applicable.

B1 REVENUE (continued)

B1-1 USER CHARGES AND FEES (continued)

Accounting Policy (continued)

Hospital fees		
Private patients - public hospital patients have the option to elect to be treated as a private patient when admitted with rates for each service set annually by the Department of Health.	MHHS's obligation is the delivery of patient care. Health funds are invoiced once a patient is discharged, and services are clinically coded. This can take 4-6 weeks. The amount paid by health funds may be adjusted when a private health funds accepts a claim. Payment by health funds is typically made within 60 days.	Revenue is recognised over time as patient care is simultaneously received and consumed by our customers. Where health fund payment rates for services rendered are lower than that established by the Department, discounts are recognised.
Private practice arrangements - senior and visiting medical officers employed by MHHS can elect to treat private patients in MHHS facilities under current employment contracts. Doctors can either assign 100% of private patient billings to MHHS (compensated by additional wage allowances) or alternatively retain professional service revenue after deduction of a service fee to MHHS based on a set % of total medical billings deposited into the private practice trust account during the month.	Assigned revenue - MHHS's obligation is provision of medical services to private patients. Retained revenue – MHHS's obligation is to provide administrative services. Medical treatment provided to private patients is bulk billed to Medicare Australia, with same day electronic lodgement of claims. Cash payments are received approximately 2 days after lodgement of claim.	Assignment revenue is recognised at a point in time as services are provided to private patients. Service fee revenue from retention doctors is recognised at the end of the month, once all administrative duties associated with the operation of the trust account are completed.
Compensable patients - public hospital patients who have received hospital services for an injury, illness or disease and have an entitlement to receive a compensation payment (e.g., workers' compensation, motor vehicle accidents) are charged for services with claims raised directly against the insurer.	MHHS obligation is the delivery of patient care to approved WorkCover recipients. Rates for each service is set annually by the Department of Health in consultation with relevant insurers. Patients must meet relevant claim criteria established under the respective schemes and be approved by the insurers for treatment. Workcover claims are submitted online daily along with required supporting documents. Cash payments are received approximately 2 days after lodgement of claim.	Revenue is recognised once a patient has been approved for treatment, and services are provided.

B1 REVENUE (continued)

B1-2 FUNDING PUBLIC HEALTH SERVICES

	2023 $'000	2022 $'000
Revenue from contracts with customers		
Activity based funding	375,657	332,272
General purpose funding	3,713	18,702
Other grants and contributions		
Block funding	68,796	70,772
Teacher training funding	15,337	14,406
Depreciation funding	38,909	31,080
General purpose funding	53,588	38,862
	556,000	**506,094**

Disclosure about funding received to deliver public health services

Funding is provided predominantly from the Department of Health for specific public health services purchased by the Department in accordance with a Service Agreement (SA). The Australian Government pays its share of National Health funding directly to the Department of Health, for on forwarding to the Hospital and Health Service.

The service agreement is reviewed periodically and updated for changes in activities and prices of services delivered by MHHS. Cash funding from the Department of Health is received fortnightly for State payments and monthly and quarterly for Commonwealth payments and is recognised as revenue as the performance obligations under the service agreement are discharged. Commonwealth funding in 2022-23 was $181.157 mil (2022: $175.268 mil).

At the end of financial year, an agreed technical adjustment between the Department of Health and MHHS maybe required for the level of services performed above or below the agreed levels, which may result in a receivable or unearned revenue/contract liability. This technical adjustment process is undertaken annually according to the provisions of the service agreement and ensures that the revenue recognised in each financial year correctly reflects MHHS's delivery of health services. Mackay HHS Technical adjustment 2022-23 revenue recognised under AASB 1058 $9.576 mil and AASB 15 $1.739 mil.

There was no COVID expenditure captured in relation to the Mackay HHS response to COVID-19 as this expenditure is no longer able to be offset under the COVID-19 National Partnership Agreement (NPA) between the Commonwealth and the State, and with the NPA ceased on 31 December 2022. Any ongoing expenditure associated with COVID-19 activities will be at the cost of Mackay HHS.

Smaller hospitals are supported through block funding where the technical requirements of applying ABF are not able to be satisfied, and there is an absence of economies of scale, which means some services would not be financially viable. Teacher training grants are provided to support the MHHS and are calculated based on the numbers of doctors, clinical graduates, and research positions.

Other general-purpose funding supports the provision of a wide range of services for primary and community healthcare and includes other services that fall outside the scope of the National funding model.

Depreciation funding is provided to offset depreciation charges incurred by MHHS. This is a non-cash revenue and is offset with an equity withdrawal for the same amount refer Statement of Changes in Equity refer Note C10-1.

Accounting Policy – Public health services

Activity Based Funding

Activity based funding (ABF) is provided according to the type and number of services purchased by the Department of Health, multiplied by the Queensland Efficiency Price (QEP) or other prices in the SA.

ABF funding is received for inpatients, critical care, sub and non-acute, emergency department, mental health, and outpatients.

This will reflect the agreed position between the parties following the conclusion of the end of year technical adjustment process. The purchase of any additionally activity will push the system above its Commonwealth capped target.

The Department is exploring the possibility of entering a bilateral agreement with the Commonwealth around additional activity to non-recurrently complete "restoring planned care" initiative and managing the bed impact of COVID.

Other public health service revenue

Non-ABF funding is received for other services MHHS has agreed to provide under the Service Agreement. This includes block, teacher, depreciation, and most of the other general-purpose funding.

This funding has specific conditions attached that are not related to activity covered by ABF. The funding is received in cash fortnightly in advance.

Block and teacher training funding, although under an enforceable agreement, do not contain sufficiently specific performance obligations and are recognised as revenue when received.

Recognition of revenue for other "general purpose" funding is determined by whether any specific performance obligations are attached to each funding sub-type. Where the obligations are not sufficiently specific, revenue is recognised as it is received (AASB1058). Funding with sufficiently specific obligations is recognised over time as the services/goods are provided and obligations met with the price implicit in the SA (AASB15).

General purpose funding under AASB15 is predominantly COVID related in 2022 while growth and extraordinary funding were the predominant drivers of the increase in AASB1058 funding for 2023.

B1 REVENUE (continued)

B1-3 GRANTS AND OTHER CONTRIBUTIONS

	2023 $'000	2022 $'000
Revenue from contracts with customers		
Home and community care grants	4,192	4,065
Specific purpose payments	7,663	7,289
Other grants and contributions		
Other grants	1,889	1,886
Services received below fair value	4,462	4,373
	18,206	**17,613**

Accounting Policy – Services received below fair value

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 of Health at no cost. Corporate services received include payroll services, financial transactions services (including accounts payable and banking services), administrative services and information technology services.

Accounting Policy – Grants, contributions, donations, and gifts

Grants, contributions, donations arise from non-exchange transactions where MHHS does not directly give approximately equal value to the grantor.

Where the grant agreement is enforceable and contains sufficiently specific performance obligations for MHHS to transfer goods or services to a third-party on the grantor's behalf, the transaction is accounted for under AASB 15 *Revenue from Contracts with Customers*. In this case, revenue is initially deferred (as a contract liability) and recognised, as or when, the performance obligations are satisfied.

Otherwise, the grant is accounted for under AASB 1058 *Income of Not-for-Profit Entities*, whereby revenue is recognised upon receipt of the grant funding, except for special purpose capital grants received to construct non-financial assets controlled by MHHS.

Special purpose capital grants are recognised as unearned revenue when received, and recognised progressively as revenue, as MHHS satisfies its performance obligations under the grant through construction of the asset.

Contributed assets are recognised at their fair value.

Disclosure – Grants and contributions

MHHS has several grant arrangements that relate to funding of activity-based services, primarily related to aged care clients and the provisions of specialist medical training. The arrangements outlined below have been identified as having sufficiently specific performance obligations under enforceable grant agreements. The remaining grants, although under enforceable agreements, do not contain sufficiently specific performance obligations, and are recognised upon receipt.

Grants – Recognised as performance obligations are satisfied

The following table provides information about the nature and timing of the satisfaction of performance obligations, significant payment terms, and revenue recognition for MHHS's grants and other contributions that are contracts with customers.

Type of good or service	Nature and timing of satisfaction of performance obligations, including significant payment terms.	Revenue recognition policies
Commonwealth Home and Community Care - MHHS provides services to eligible Commonwealth clients for home support services under a two-year agreement between the State and Commonwealth. Services include a range of activities performed at client's homes including personal and wellness care, patient care and home maintenance. The number of hours/trips per annum and applicable rates are included in agreed work activity plan.	MHHS's obligation is to provide agreed personal services and patient care to approved recipients. Payments from the Commonwealth government are made quarterly in advance.	Amounts received are recognised as contract liabilities until performance obligations are satisfied. Revenue is recognised as services are performed. Where activity levels contracted are not fully delivered at year end, and exceed the level allowed for carryover into the next year, a revenue contract liability is raised.
Improving Access to Primary Care in Rural and Remote Areas - COAG s19(2) Exemptions Initiative - under a Memorandum of Understanding between the State and Commonwealth governments, MHHS receives payment through Medicare Australia for medical services provided to public patients presenting to the emergency department of approved rural and remote health facilities.	MHHS's obligation is the provision of medical services to eligible public patients. Claims for services performed are lodged electronically, with amounts received based on Medicare item numbers and rates set by the Commonwealth.	Revenue is recognised as services are provided to patients. The use of funds generated under this arrangement are restricted and must be used for community maintenance programs.
Specialist Training Program - training to eligible medical specialists under contract agreements with multiple medical colleges. The trainee must be a member of the medical college and is the recipient of the service. Approved training placement must be within the specified area of interest, in a specified regional location; and exceed a minimum service period (3 months).	MHHS's obligation is to provide eligible trainees appropriate training placement within the specific area of speciality. Payments from the colleges are made in arrears on a bi-annual basis upon receipt and acceptance of performance reports, financial acquittals, and trainee details.	Once the minimum training period specified in the contract has been satisfied, revenue is recognised over time as services are simultaneously received and consumed by the trainee. A contract asset representing MHHS's right to consideration for services delivered but not yet billed is raised where applicable.

B1 REVENUE (continued)

B1-3 GRANTS AND OTHER CONTRIBUTIONS (continued)

Type of good or service	Nature and timing of satisfaction of performance obligations, including significant payment terms.	Revenue recognition policies
Commonwealth transition care supports eligible Commonwealth aged care clients for care after a hospital stay. Care packages provided are in accordance with an approved plan, with a defined schedule of daily rates for services stipulated under the agreement with the Commonwealth.	MHHS's obligation is to provide eligible patients with care packages in accordance with approved care plans. Payments from the Commonwealth are advanced at the beginning of the month. At the end of the month, claims are lodged with the department including details on persons visited and duration of visit. A subsequent adjustment either up or down is made by the department	Amounts received are recognised as contract liabilities until performance obligations are satisfied. Revenue is recognised over time as patient care is provided in accordance with scheduled daily rates. A contract asset representing MHHS's right to consideration for services delivered but not yet billed raised where applicable.
Aged care packages – provides personal care services and other personal assistance to person over 65 years in the home under an agreement between the State and Commonwealth. Rates for services are dependent on the approved level of the home care package assessed by Commonwealth to approved recipients.	MHHS's obligations under the arrangement is to provide personal care services to approved Commonwealth recipients based on agreed level of care. Payments from the Commonwealth are advanced at the beginning of the month. At the end of the month, claims are lodged with the department including details by care recipient id, level of care and number of days provided. A subsequent adjustment to revenue either up or down is made by the Department of Human Services.	Amounts received are recognised as contract liabilities until performance obligations are satisfied. Revenue is recognised as services are provided to aged care customers. A contract asset representing MHHS's right to consideration for services delivered but not yet billed raised where applicable.

B1-4 OTHER REVENUE

	2023 *$'000*	*2022* *$'000*
Recoveries	5,920	5,387
Other	528	65
	6,448	**5,452**

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 REVALUATION INCREMENT

	2023 *$'000*	*2022* *$'000*
Revaluation increments - land	1,313	70
	1,313	**70**

Accounting Policy - Revaluations

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

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.

Land revaluations for FY23 yielded a total increase of $1.695 mil across the portfolio. $1.313 mil of this was reflected as income in the operating result which absorbed all remaining accumulated losses carried forward from prior years decrements in land values (which were reflected as an expense in the operating result).

The remaining $0.382 mil ($2022: nil) was credited to the asset revaluation surplus within Equity on the Statement of Financial Position. Refer note C10-2.

B2 EXPENSES

B2-1 EMPLOYEE EXPENSES

	2023 $'000	2022 $'000
Employee benefits		
Wages and salaries	49,278	49,307
Annual leave levy	5,476	3,379
Employer superannuation contributions	3,776	3,777
Long service leave levy	1,173	1,190
Employee related expenses		
Workers' compensation premium	132	104
Other employee related expenses	359	217
	60,194	**57,974**
	No.	No.
Full-time Equivalent employees*	**105**	**108**

*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 – Wages and salaries

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

MHHS 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 paid 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.

Accounting Policy – COVID response leave

Queensland Government announced in November 2020 that an additional two-day leave was granted to all non-executive employees of the Department of Health and Hospital and Health Services based on set eligibility criteria for recognition of the efforts of health workers, and those supporting health workers, in response to COVID-19. The leave must be taken within two years or eligibility is lost.

The entire value of the leave was paid by MHHS to Department of Health in 2022. The leave is expensed in the period in which it is rostered in, and the remaining balance treated as a prepayment from the Department of Health (for DOH contracted employees) and a liability on our balance sheet for MHHS staff of nil (2022: $0.516 mil).

Accounting Policy – Recoveries of Employee Expenses

Payments received for MHHS employees working for other agencies or on secondment are offset against wages and salaries expenses to ensure the reported expenses reflect the actual wages and salaries incurred for employees working for the agency in that financial year.

B2 EXPENSES (continued)

B2-2 HEALTH SERVICE EMPLOYEE EXPENSES

	2023 $'000	2022 $'000
Department of Health	352,732	314,514
	352,732	**314,514**
	No.	No.
Full-time Equivalent employees*	**2,629**	**2,568**

*Reflecting Minimum Obligatory Human Resource Information (MOHRI)

The Hospital and Health Service through service arrangements with the Department of Health has engaged 2,629 (2022: 2,568) full time equivalent persons at 30 June 2023. As well as direct payments to the department, premium payments made to Workcover Queensland representing compensation obligations are included in this category 2023: $2.942 mil (2022: $2.306 mil).

Payroll includes a 3% increase for Nurses and Midwives cost of living COLA payment that occurred in May 2023. A backpay relating to Enterprise Bargaining (EB) agreement for HHS employees of 4% was accrued in June and paid in July 2023.

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 of Health 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 of Health for the salaries and on-costs of these employees. This is disclosed as Health service employee expense.

Accounting Policy – Recoveries of Health Service Employee Expenses

Payments received for health services employees working for other agencies or on secondment are recorded as part of other revenue (See Note B1-4).

Accounting Policy – Consultants and contractors

Temporary staff employed through employment agencies and consultants engaged for professional services are expensed as services are provided. Payments are categorised as either medical or non-medical based on services provided.

B2-3 SUPPLIES AND SERVICES

	2023 $'000	2022 $'000
Inventories consumed		
Clinical supplies and services	24,896	24,389
Drugs	24,014	21,669
Contractors and consultants		-
Medical	28,344	18,464
Other	2,340	1,243
Pathology, blood and parts	15,264	15,606
Outsourced medical services	14,781	17,513
Repairs and maintenance	11,435	10,124
Patient travel	11,292	10,081
Other travel	1,921	1,489
Communications	7,425	6,352
Other	4,655	4,886
Electricity and other energy	4,441	4,313
Computer services	4,049	3,645
Building services	2,822	2,659
Professional services	2,332	1,794
Catering and domestic supplies	1,994	1,595
Freight	957	953
Inter-entity other supplies	944	671
Minor Plant and Equipment	789	768
Lease expenses	193	895
	164,888	**149,109**

Accounting Policy – Distinction between grants and procurement

For a transaction to be classified as supplies and services, the value of goods or services received by the department must be of approximately equal value to the value of the consideration exchanged for those goods or services. Where this is not the substance of the arrangement, the transaction is classified as a grant.

Accounting Policy – Outsourced medical services

Outsourced medical services are health related services provided by third parties to complement or extend HHS capability or capacity and are expensed as services are consumed. This includes services which HHS does not have inhouse expertise for and emergent services for specific community needs such as COVID-19 vaccination clinics.

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.

Accounting Policy - Lease expenses

Lease expenses include lease rentals for short-term leases, leases of low-value assets and variable lease payments. Refer to Note C9-1 for other lease disclosures.

B2 EXPENSES (continued)

B2-4 OTHER EXPENSES

	2023	2022
	$'000	$'000
Insurance premiums - QGIF	5,628	5,296
Services received free of charge	4,462	4,373
Other legal costs	2,958	3,452
Funding expense	678	3,415
Impairment trade receivables	350	131
Insurance premiums - Other	77	145
Ex-gratia payments	-	9
Other	1,834	1,508
	15,987	**18,329**

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 per case 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.

Legal costs include 2023: $2.216 mil (2022: $2.667 mil) relating to the formal obstetrics and gynaecology review.

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 2022-23 policy year, the premium was allocated to each HHS according to the underlying risk of an individual insured party.

Disclosure – Special payments and services received free of charge

Special payments represent ex-gratia expenditure and other expenditure that MHHS 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 of Health at no cost. Further information on services provided and their treatment is available at Note B1-3.

B2-5 AUDITOR REMUNERATION

	2023	2022
	$'000	$'000
Audit services - Queensland Audit Office		
Audit of financial statements	**174**	**172**

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

SECTION C
NOTES ABOUT OUR FINANCIAL POSITION

C1 CASH AND CASH EQUIVALENTS

	2023	2022
	$'000	$'000
Cash at bank	16,890	17,398
Imprest accounts	1	5
	16,891	17,403
General Trust*	1,461	1,335
General Trust – Investment funds*	1,504	1,456
	2,965	2,791
	19,856	**20,194**

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 debt facility. Cash at bank includes all bank accounts except Patient Fiduciary (Trust) Bank Account is reported separately in Note F1.

Operational bank accounts form part of the Whole-of-Government (WOG) 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 debt facility. Any interest earned on the aggregate set-off arrangement balance accrues to the Consolidated Fund, except General trust funds and deposits with Queensland Treasury Corporation (QTC) which do not form part of the WoG banking arrangement and as such incur fees and earn interest.

*General Trust incorporates cash contributions under Granted Private Practice arrangements of $2.013 mil (2022: $1.884 mil) set aside for education, study, and research in clinical areas. General Trust also include benefactor gifts, donations, and bequests for stipulated purposes. Investment funds are General Trust funds invested with QTC that earn interest daily in line with market movements in cash funds. The annual effective interest rate was 4.23% (2022: 0.76%).

C2 RECEIVABLES

	2023	2022
	$'000	$'000
Trade debtors	5,079	4,160
Less: Loss allowance	(1,029)	(959)
	4,050	3,201
GST receivable	1,117	1,055
GST payable	(99)	(125)
	1,018	930
	5,068	**4,131**

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 settled within 30 days from invoice date. No interest is charged, and no security is obtained.

Disclosure – Receivables

The closing balance of receivables arising from contracts with customers as at 30 June 2023 is $5.079 mil (2022: $4.160 mil)

C2-1 IMPAIRMENT OF RECEIVABLES

Accounting Policy – Impairment of receivables

The loss allowance for trade debtors reflect lifetime expected credit losses, incorporating reasonable and supportable forward-looking information. This includes economic changes that impact MHHS's debtors and relevant industry data, to form part of the impairment assessment.

Other categories of receivables represent monies owing by Queensland or federal government agencies. No loss allowance is recorded for these receivables due to low credit risk exposure i.e., high credit rating.

Where there is no reasonable expectation of recovery of monies owing by a debtor, the debt is written-off by directly reducing the receivable against the loss allowance. This occurs when a third default notice has been issued (normally after 120 days) and debt collection activity has ceased. If the amount of debt written off exceeds the loss allowance, the excess is recognised as an impairment loss. The amount of impairment losses recognised for trade debtors is disclosed below.

C2 RECEIVABLES (continued)

C2-1 IMPAIRMENT OF RECEIVABLES (continued)

Disclosure – Credit risk exposure of receivables

The maximum exposure to credit risk for receivables at balance date is the gross carrying amount of those assets. No collateral is held as security and no credit enhancements relate to receivables held by MHHS.

The HHS uses a provision matrix to measure expected credit losses based on observed historical default rates over the past five years, adjusted for changes in macroeconomic indicators (used to assess the impact on the future collectability of receivables). Loss rates are calculated for customer profiles with similar loss patterns with the following two major groups identified:

- Private patient's ineligible for health assistance under Medicare arrangements with the federal government; and
- Other trade receivables.

MHHS's patient activity is heavily influenced by movements in regional population. Depending on the status of the tourism, agricultural and mining sectors the region experiences significant fluctuations in population, with a large proportion of the workforce transient in nature and includes overseas/interstate visitors requiring treatment. Economic growth has been determined as the most relevant forward-looking indicator for both groups of receivables. Where economic growth is strong, historical default rates are adjusted upwards to reflect the change in the population base i.e., higher proportion of visitors/transient workforce. Set out below is the credit risk exposure on MHHS's trade debtors broken down by aging band.

Although loss rates have improved since 2022 in the lower age categories due to improved debt collection processes. The higher loss rate in >90 days represents a higher proportion of ineligible patient receivables (since COVID restrictions have eased) which on average suffer from lower rates of successful collection.

Impairment group - Trade debtors:

	2023			2022		
	Gross receivables	*Loss rate*	*Expected credit losses*	*Gross receivables*	*Loss rate*	*Expected credit losses*
Ageing	*$'000*	*%*	*$'000*	*$'000*	*%*	*$'000*
Current	2,314	1.1%	25	2,109	7.5%	158
31 to 60 days	1,057	5.2%	55	870	12.2%	106
61 to 90 days	526	10.1%	53	367	22.9%	84
> 90 days	1,182	75.8%	896	814	75.1%	611
Total	**5,079**		**1,029**	**4,160**		**959**

Disclosure - Movement in loss allowance for trade debtors

	2023	*2022*
	$'000	*$'000*
Balance at beginning of the year	959	1,066
Amounts written off during the year	(280)	(231)
Increase in allowance recognised in operating result	350	124
Balance at the end of the year	**1,029**	**959**

C3 INVENTORIES

	2023	*2022*
	$'000	*$'000*
Inventories held for distribution - at cost		
Pharmaceutical drugs	1,841	1,491
Clinical supplies	2,793	2,431
Catering and domestic	8	13
	4,642	**3,935**

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 cost, adjusted where applicable, for any loss of service potential. Cost is assigned on a weighted average cost.

C4 OTHER ASSETS

	2023 $'000	2022 $'000
Current		
Prepayments	1,263	1,723
Contract assets	5,023	6,603
Other assets	10,510	2,966
	16,796	**11,292**

Accounting Policy – Other assets

MHHS recognises it's right to consideration for services provided or goods delivered to customers under a contract but not yet billed, as a contract asset.

Where a right to consideration exists under an agreement (not arising from contracts with customers), and funds have not been receipted or invoiced, accrued revenue is recognised and disclosed as part of Other in accordance with AASB1058. It includes $10.253 mil for Department of Health technical adjustment (refer Note B1-2) relating to additional funding of $5.0 mil for obstetrics and gynaecology, $2.183 mil for Better Care and $1.911 mil for EB.

Prepayments for COVID Response Leave were nil (2022: $0.515 mil).

Disclosure – Contract assets

Contract assets arise from contracts with customers and are transferred to receivables when MHHS's right to payment becomes unconditional, this usually occurs when the invoice is issued to the customer.

All contract assets are assessed for indicators of impairment on a monthly basis. If an indicator of impairment exists, the HHS determines the asset recoverable amount. Any amount by which the asset's carrying amount exceeds the recoverable amount is recognised as an impairment loss from an entity's contracts with customers. Contract Assets are assessed for impairment by reference to events such as breach of contract, performance failure or a past due event that is assessed to have a detrimental impact on the recoverability of that asset.

Contract assets reflects revenues accrued in accordance with AASB15 for $1.739 mil (2022: $0.010 mil).additional funding from Department of Health under the technical adjustment (refer to Note B1-2) and $3.284 mil (2022: $6.503 mil). for numerous minor contracts and user charges not yet billed. No loss allowance is recorded for contract assets relating to either the minor contracts or Department of Health due to low credit risk exposure or high credit rating.

C5 PROPERTY, PLANT AND EQUIPMENT AND RELATED DEPRECIATION

C5-1 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	$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, which 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 mil 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 are 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.

C5 PROPERTY, PLANT AND EQUIPMENT AND RELATED DEPRECIATION (continued)

C5-1 ACCOUNTING POLICIES (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 using 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 Executive Director of Corporate Services.

Comprehensive revaluations are undertaken as part of a rolling valuation spanning a maximum of five 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 maintained 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 current 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 valued 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. 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 considering accumulated impairment losses and changes in remaining useful life. This is 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 used 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.

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

Class	Depreciation rates
Buildings and Improvements	
- Structural fabric of building	1.37% to 4.35%
- External fabric	1.37% to 9.09%
- Internal fabric	1.39% to 10.00%
- Internal finishes	1.39% to 14.29%
- Fittings	1.39% to 14.29%
- Building services	1.39% to 14.29%
- Land improvements	1.22% to 3.33%
- Other buildings including residential	0.91% to 11.11%
- Plant and equipment inc artworks	1.00% to 25.00%

C5 PROPERTY, PLANT AND EQUIPMENT AND RELATED DEPRECIATION (continued)

C5-2 PROPERTY, PLANT AND EQUIPMENT - BALANCES AND RECONCILIATIONS OF CARRYING AMOUNT

2023	Land (Level 2 and 3)	Buildings (Level 3)	Plant and equipment (at cost)	Capital works in progress (at cost)	Total
	$'000	$'000	$'000	$'000	$'000
Gross	19,532	714,286	69,715	10,029	813,562
Less: Accumulated depreciation	-	(348,777)	(33,587)	-	(382,364)
Carrying amount at 30 June 2023	**19,532**	**365,509**	**36,128**	**10,029**	**431,198**
Represented by movements in carrying amount:					
Carrying amount at 1 July 2022	18,170	330,383	28,888	7,358	384,799
Transfers in - practical completion projects from the Department of Health	-	2,807		(2,807)	-
Transfers in -from other Queensland Government entities	132	283	539	-	954
Acquisitions	-	1,057	15,622	5,478	22,157
Donated assets	-	1,037	139	-	1,176
Disposals	-	(446)	(45)	-	(491)
Transfers out - to other Queensland Government entities	(465)	-	(44)	-	(509)
Net revaluation increments/(decrements)	1,695	59,678	-	-	61,373
Depreciation expense*	-	(29,290)	(8,971)	-	(38,261)
Carrying amount at 30 June 2023	**19,532**	**365,509**	**36,128**	**10,029**	**431,198**

2022	Land (Level 2)	Buildings (Level 3)	Plant and equipment (at cost)	Capital works in progress (at cost)	Total
	$'000	$'000	$'000	$'000	$'000
Gross	18,170	633,603	61,558	7,358	720,689
Less: Accumulated depreciation	-	(303,220)	(32,670)	-	(335,890)
Carrying amount at 30 June 2022	**18,170**	**330,383**	**28,888**	**7,358**	**384,799**
Represented by movements in carrying amount:					
Carrying amount at 1 July 2021	18,100	327,712	25,885	2,016	373,713
Transfers in - from other Queensland Government entities	-	-	781	-	781
Acquisitions	-	659	8,256	6,832	15,747
Donated assets	-	-	98	-	98
Disposals	-	(336)	(81)	(1)	(418)
Transfers between classes	-	891	598	(1,489)	-
Net revaluation increments/(decrements)	70	25,325	-	-	25,395
Depreciation expense*	-	(23,868)	(6,649)	-	(30,517)
Carrying amount at 30 June 2022	**18,170**	**330,383**	**28,888**	**7,358**	**384,799**

*excludes right-of-use assets' depreciation

C5 PROPERTY, PLANT AND EQUIPMENT AND RELATED DEPRECIATION (continued)

C5-3 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, Mines and Energy.

MHHS commenced its second year of rolling comprehensive revaluation program for land holdings and engaged Herron Todd White (HTW) engaged in the current year to comprehensively revalue subject parcels of land. Indexation is to be applied to the remaining parcels of land with SVS engaged to provide same.

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 consider 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 a total 9.6% increment to the carrying amount of land of $1.695 mil (2022: $0.070 mil). This consisted of comprehensive valuations yielding an increment of $1.645mil (12.9%) and the remainder of the portfolio revaluation (using desktop or indexation) yielding a total increment of $0.050 mil (1.4%).

Buildings

MHHS engaged independent quantity surveyors, AECOM Pty Ltd to comprehensively revalue all buildings with a replacement cost exceeding $500 thousand and calculate an annual index for all other assets. FY23 was the third year of MHHS's five year rolling valuation program with thirteen buildings and one site improvement being valued and with the annual index being calculated for all other assets.

Refer to Note D1-2 for further details on the revaluation methodology applied.

The revaluation program resulted in a net increment of $59.680 mil or 19.5% increase (2022: increment $25.325 mil) to the carrying amount of all buildings. Fourteen (14) buildings were comprehensively valued resulting in an increment of $39.106 mil (29%). The remainder of the portfolio was subject to 12% indexation which resulted in a total increment of $20.575 mil.

C6 PAYABLES

	2023	*2022*
	$'000	*$'000*
Trade creditors	35,170	30,515
Accrued labour - Department of Health	5,121	3,590
	40,291	**34,105**

Trade creditors include $24.458 mil (2022: $24.091 mil) owing to the Department of Health at 30 June.

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 1-30 days.

C7 ACCRUED EMPLOYEE BENEFITS

	2023	*2022*
	$'000	*$'000*
Wages outstanding	12,499	732
Superannuation accrued	103	45
	12,602	**777**

Accounting Policy – Accrued employee benefits

No provision for annual leave or long service leave is recognised in MHHS's financial statements as the liability 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.*

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.

Wages outstanding represent five days of payroll accrual to the end of June, along with accruals for various EB adjustments as per advice from Department of Health.

C8 OTHER LIABILITIES

	2023	2022
	$'000	$'000
Current		
Contract liabilities	402	965
Sundry Payables	4,176	3,338
Other	713	913
	5,291	**5,216**

Accounting policy – Other liabilities

Funding for health services from the DoH is recognised as a contract liability on receipt. Revenue is recognised when the service agreement performance obligations are met.

Disclosure – Contract liabilities

Contract liabilities arise from contracts with customers and most represent unearned revenue for patient fees and goods and services from Commonwealth 2023: $0.402 mil (2022: $0.490 mil). The reduction since prior year is relates mainly to $0.248 mil unspent funds in 2022 for Home Care Package recipients because the Commonwealth now holds these balances instead of the providers.

Of the amount included in the contract liability balance at 1 July 2022, $5.216 mil has been recognised as revenue in 2022-23. Revenue recognised in 2022-23 from performance obligations satisfied or partially satisfied in previous periods is nil.

Sundry payables include $3.498 mil (2022: nil) of public health funding activity shortfalls and $0.678 mil (2022: $3.338 mil COVID related) for various program clawbacks payable to Department of Health as per the technical adjustment to the Service Level Agreement (refer to Note B1-2).

C9 RIGHT OF USE ASSETS AND LEASE LIABILITIES

	2023	*2022*
	$'000	*$'000*
Right-of-use assets		
Gross value	1,524	1,140
Less Accumulated depreciation	(587)	(834)
Carrying amount at 30 June	**937**	**306**
Represented by movements in carrying amount:		
Balance at 1 July	308	767
Additions	1,283	306
Remeasurement	(4)	(202)
Depreciation	(643)	(563)
Balance at 30 June	**944**	**308**
Lease liabilities		
Current	695	274
Non-Current	249	34
Total	**944**	**308**

Disclosures - Leases as lessee

Details of leasing arrangements as lessee

MHHS enters residential property leases to provide short-term employee housing. Some of these leases are short-term leases, however residential property leases are typically for 12 months and may include an option to renew a further 1 year. MHHS assesses at lease commencement whether it is reasonably certain to exercise the renewal options. Historically MHHS exercises renewal options, with lease terms recognised inclusive of extension options. This is reassessed if there is a significant event or significant change in circumstances within its control.

Residential property lease payments are fixed. MHHS has no option to purchase the leased premises at the conclusion of the lease, although the lease provides for a right of renewal at which time lease terms are renegotiated based on market review or CPI. As the future rent increases are variable, they are not captured in the right-of-use asset or lease liability until the increases take effect.

Motor vehicles

The Department of Energy and Public Works (DEPW) provides MHHS with access to motor vehicles under government-wide frameworks. These arrangements are categorised as procurement of services rather than as leases because DHPW has substantive substitution rights of the assets. The related service expense is included in Note B2-3.

Accounting policy – Measurement of ROU Assets

Right-of-use assets are initially recognised at cost comprising the following:

- the amount of the initial measurement of the lease liability.
- lease payments made at or before the commencement date, less any lease incentive received.
- initial direct costs incurred; and
- the initial estimate of restoration costs.

Right-of-use assets are subsequently depreciated over the lease term and are subject to impairment testing on an annual basis.

The carrying amount of right-of-use assets are adjusted for any measurement of the lease liability in the financial year following a change in discount rate, a reduction in lease payments payable or changes in variable lease payments that depend upon variable indexes/rates of a change in lease term.

MHHS measures right-of-use assets from concessionary leases at cost on initial recognition, and after initial recognition.

MHHS has elected to not recognise right-of-use assets and lease liabilities arising for short-term leases and leases of low value assets. The lease payments are recognised as expenses on a straight-line basis over the lease term. An asset is considered low value where it is expected to cost less than $10,000 when new.

When a contract contains both a lease and non-lease component such as asset maintenance services, MHHS allocates the contractual payments to each component based on their stand-alone prices. However, for leases of plant and equipment, MHHS has elected to not separate lease and non-lease components and instead accounts for them as a single lease component.

Lease liabilities are initially recognised at the present value of lease payments over the lease term that are not yet paid. The lease term includes any extension or renewal options that MHHS is reasonably certain to exercise. The future lease payments included in the calculation of the lease liability comprise the following:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable.
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date.
- amounts expected to be payable under residual value guarantees.
- the exercise price of a purchase option and/or lease payments in an optional renewal period that MHHS is reasonably certain to exercise; and
- payments for termination penalties if the lease term reflects the early termination.

When measuring the lease liability, MHHS uses its incremental borrowing rate as the discount rate where the interest rate implicit in the lease cannot be readily determined, which is the case for all MHHS's leases. To determine the incremental borrowing rate. MHHS uses loan rates provided by Queensland Treasury Corporation that correspond to the commencement date and term of the lease.

After initial recognition, the lease liabilities are increased by the interest charge and reduced by the amount of lease payments. Lease liabilities are also remeasured in certain situations such as a change in variable lease payments that depend on an index or rate (e.g., a market rent review), or a change in the lease term.

C10 EQUITY

C10-1 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:

- 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.

	2023	*2022*
	$'000	*$'000*
Assets transferred under this arrangement:		
Net transfer of property, plant and equipment from/(to) the Department of Health	445	781
	445	**781**

- Cash equity contributions fund purchases of equipment, furniture and fittings associated with capital work projects managed by MHHS. In 2023 MHHS received $19.964 mil (2022 $17.352 mil) funding from the State as equity injections throughout the year.
- Equity withdrawal in cash funds for the construction of Sarina Hospital nil (2022: $10.000mil). 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 of Health back to MHHS.
- Equity withdrawal of funds by the Department of Health on behalf of the State, MHHS received $38.909 mil funding in 2023 (2022 $31.080 mil) 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.

C10-2 ASSET REVALUATION SURPLUS BY ASSET CLASS

	2023	*2022*
	$'000	*$'000*
Buildings		
Balance at the beginning of the year	78,910	53,585
Revaluation increments	59,678	25,325
	138,588	78,910
Land		
Balance at the beginning of the year	-	-
Revaluation increments	382	-
Total	**138,970**	**78,910**

Accounting Policy - Asset revaluation surplus

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

See Note B1-5 for Land Revaluation in the Statement of Comprehensive Income.

SECTION D

NOTES ABOUT RISKS AND OTHER ACCOUNTING UNCERTAINTIES

D1 FAIR VALUE MEASUREMENT

D1-1 ACCOUNTING POLICIES AND INPUTS FOR FAIR VALUE

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 enough relevant and reliable observable inputs are not available for similar assets/liabilities.

A fair value measurement of a non-financial asset considers 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 C5-2 for disclosure of categories for assets measured at fair value.

D1 FAIR VALUE MEASUREMENT (continued)

D1-2 BASIS FOR FAIR VALUE OF ASSETS AND LIABILITIES

Land

Effective date of last specific appraisal:	30 June 2023 by Herron Todd White (HTS) and State Valuation Service (SVS)
Valuation Approach	Market approach
Inputs	Fair value of land is based on publicly available data on sales of similar land in nearby localities. In determining values, adjustments are made to 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.
Subsequent valuation activity:	Land values are comprehensively revalued over a 3-year cycle. This is due to past volatility in fair value, with desktop valuations done annually for significant properties. FY23 represented the first year of the rolling land valuation.

Buildings and Site Improvements

Effective date of last specific appraisal:	30 June 2023 by AECOM
Valuation Approach	Current Replacement Cost (CRC) or Interim Index
Inputs	The fair value of health service buildings is computed by quantity surveyors, AECOM. The methodology is known as the Current Replacement Cost valuation technique. CRC is the price that would be received for the asset, based on the estimated cost to 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 (i.e. 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
Subsequent valuation activity:	Buildings and site improvements are revalued over a 5-year cycle. FY23 was the third year in the rolling valuation cycle with the remaining buildings and site improvements to be revalued in FY24 and FY25.

D1 FAIR VALUE MEASUREMENT (continued)

D1-3 CATEGORISATION OF ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

	Level 2		Level 3		Total	
	$'000		$'000		$'000	
	2023	2022	2023	2022	2023	2022
Land	19,112	17,285	420	885	19,532	18,170
Buildings	-	-	365,509	330,383	365,509	330,383
	19,112	**17,285**	**365,929**	**331,268**	**385,041**	**348,553**

D1-4 LEVEL 3 FAIR VALUE MEASUREMENT - RECONCILIATION

	2023	2022
Buildings	$'000	$'000
Carrying amount at 1 July	330,383	327,712
Transfers in - practical completion projects from the Department	2,807	-
Transfers in from other Queensland Government entities	283	-
Acquisitions	1,057	659
Donated assets	1,037	-
Transfer between asset classes	-	891
Disposals	(446)	(336)
Net revaluation increments/(decrements)	59,678	25,325
Depreciation charge	(29,290)	(23,868)
Carrying amount at 30 June	**365,509**	**330,383**

D1-5 LEVEL 3 FAIR VALUE MEASUREMENT - SIGNIFICANT VALUATION INPUTS AND IMPACTS

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	2023 $'000	2022 $'000
Financial assets at amortised cost			
Cash and cash equivalents	C1	19,856	20,194
Receivables	C2	5,068	4,131
Total		**24,924**	**24,325**
Financial liabilities at amortised cost			
Payables	C6	40,291	34,105
Lease liabilities	C9	944	308
Total		**41,235**	**34,413**

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 employee and supplier obligations as they fall due
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 enough funds are always available to meet employee and supplier obligations. An approved debt facility of $6.00 mil (2022: $6.00 mil) under WOG banking arrangements to manage any short-term cash shortfalls has been established. Nil funds have been withdrawn against this debt facility as at 30 June 2023 (2022: Nil).

Notwithstanding the working capital deficiency and accounting losses, the Administrator considers the hospital a going concern due to ongoing support from the Department of Health as evidenced by future funding commitments under the 2023-2024 Service Agreement and recent extraordinary funding injections to assist with the costs of unfunded obligations such as implementation of the Obstetrics and Gynaecology investigation's recommendations.

Performance improvement plans are being developed by each division and will be the subject of monthly divisional performance reviews to ensure organisational focus and alignment is maintained to deliver FY24 performance targets and enduring financial sustainability. Potential initiatives are being identified and scoped for impact assessment, complexity, time to implement and resourcing requirements. Once initiatives are defined and agreed, an overall sustainability status report will be submitted to, and endorsed by, the Executive and Board, and will form the basis for communicating status updates to DOH during the monthly performance meetings.

All financial liabilities (except lease liabilities) at amortised cost are current in nature and will be due and payable within twelve months. As such no discounting has been applied. Lease liabilities are both current and non-current and have been discounted accordingly.

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.

D2 FINANCIAL RISK DISCLOSURES (continued)

D2-3 LIQUIDITY RISK – CONTRACTUAL MATURITY OF FINANCIAL LIABILITIES

The following tables sets out the liquidity risk of financial liabilities held by MHHS. They represent the contractual maturity of financial liabilities, calculated based on undiscounted cash flows relating to the liabilities at reporting date. The undiscounted cash flows in these tables differ from the amounts included in the Statement of Financial Position that are based on discounted cash flows.

	2023	Contractual maturity		2022	Contractual maturity	
	Total	*< 1 Yr*	*1-5 Yrs*	Total	*< 1 Yr*	*1-5 Yrs*
	$'000	*$'000*	*$'000*	$'000	*$'000*	*$'000*
Payables	**40,291**	40,291	-	**34,105**	34,105	-
Leased liabilities	**969**	695	274	**309**	277	32
	41,260	**40,986**	**274**	**34,414**	**34,382**	**32**

D3 CONTINGENCIES

(a) Litigation in progress

As at 30 June the following cases were filed in the courts naming the State of Queensland acting through the MHHS as defendant:

	2023 Number of cases	2022 Number of cases
Supreme Court	4	3
Federal Court	-	1
District Court	4	3
	8	**7**

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 per claim- refer Note B2-4. As at 30 June 2023, MHHS has seventy-five 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) Capital expenditure commitments

	2023 *$'000*	*2022* *$'000*
Commitments for capital expenditure at reporting date (inclusive of non-recoverable GST input tax credits) are payable:		
Building		
No later than 1 year	3,240	3,489
Total	**3,240**	**3,489**
Plant and Equipment		
No later than 1 year	2,653	5,689
Total	**2,653**	**5,689**

D5 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 effective dates are set out below:

All other Australian accounting standards and interpretations with future effective dates are either not applicable to MHHS's activities or have no material impact on the department.

D6 EVENTS AFTER BALANCE SHEET DATE

There are no matters or circumstances that have arisen since 30 June 2023 that have significantly affected or may significantly affect MHHS' operations, the results of those operations, or the HHS's state of affairs in future financial years.

D7 SIGNIFICANT FINANCIAL IMPACTS

D7-1 SIGNIFICANT FINANCIAL IMPACTS FROM COVID-19 PANDEMIC

The COVID-19 National Partnership Agreement (NPA) between the Commonwealth and the State ceased as at 31 December 2022. As such, in line with Queensland Treasury's Financial Reporting Requirements for Queensland Government Agencies, the disclosures relating to financial impacts from COVID-19 have been removed as they are no longer required in 2022-23.

D7-2 SIGNIFICANT FINANCIAL IMPACTS – Obstetrics & Gynaecology Surgical Review

A Health Service Investigation under Part 9 of the Hospital and Health Boards Act 2011 was commissioned in relation to the delivery of public sector health services related to obstetrics and gynaecology services.

The cost of the investigation year to date was $3.34 mil (2022: $4.15 mil). At the time of reporting, the investigation was ongoing, with further costs expected in 2023-24 to finalise and implement the response to the findings and/or recommendations.

Mackay HHS has been granted an additional revenue injection of $5.0 mil in recognition of these increased costs.

SECTION E
NOTES ON OUR PERFORMANCE COMPARED TO BUDGET

E1 BUDGETARY REPORTING DISCLOSURES

This section discloses MHHS's original published budgeted figures for 2022-23 compared to actual results, with explanations of major variances, in respect of MHHS's Statement of Comprehensive Income.

Note the original published budget from the Service Delivery Statement (SDS) has been reclassified to improve transparency and analysis by remapping budgeted transactions on the same basis as reported in actual financial statements.

E2 BUDGET TO ACTUAL COMPARISON – STATEMENT OF COMPREHENSIVE INCOME

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

	Variance Notes	Actual 2023 $'000	Original SDS Budget 2023 $'000	SDS Budget V Actual Variance $'000
OPERATING RESULT				
Income				
User charges and fees	V1.	44,301	33,951	10,350
Funding public health services	V2.	556,000	507,833	48,167
Grants and other contributions	V3.	18,206	15,113	3,093
Other revenue		6,448	5,270	1,178
Revaluation increment		1,313	1	1,312
Total Income		**626,268**	**562,168**	**64,100**
Expenses				
Employee expenses*	V4.	60,194	57,493	2,701
Health service employee expenses**	V5.	352,732	315,555	37,177
Supplies and services	V6.	164,888	146,271	18,617
Depreciation and amortisation	V7.	38,909	31,599	7,310
Other expenses	V8.	15,987	11,250	4,737
Total Expenses		**632,710**	**562,168**	**70,542**
Operating Results		**(6,442)**	**-**	**(6,442)**
Other Comprehensive Income				
Items Not Reclassified to Operating Result				
Increase/(decrease) in Asset Revaluation Surplus	V9.	60,060	-	60,060
Total Comprehensive Income		**53,618**	**-**	**53,618**

* 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.

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

V1. User charges and fees

User charges exceeded budget by $10.35 mil for the year ended 30 June 2023 primarily reflecting higher Pharmaceutical Benefit Scheme Reimbursements (PBS) $4.69 mil and revenue from managing capital projects of behalf of the Department of Health $1.30 mil. Variations to PBS income reflected a combination of increased patient activity and changes to drugs prescribed with different treatments applied to allow better outcomes for patients and additional drugs included in the rebate list. These costs and associated revenue reimbursements are not captured at the time of budget.

Cash inflows for user charges and fees exceeded the SDS budget by $12.55 mil. The key contributors to this are consistent with the reasons set out above.

V2. Funding public health services

Services exceeded budget by $48.17 mil for the year ended 30 June 2023 primarily reflecting COVID reimbursement (July-December) through the National Partnership Agreement along with additional funding received throughout the year to increase health services for the community and the region, including $5.0 mil to address recommendations from the Obstetrics and Gynaecology investigation.

V3. Grants and other contributions

Grants and other contributions exceeded SDS original budget by $3.09 mil at 30 June 2023. During 2023, there was an increase in patient activity in home support programs and aged care services which has resulted in increased federal grant funding of $2.12 mil above budget and donations of $1.18 mil received, predominately from Ronald McDonald House Charity (RMHC).

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

E2-2 EXPLANATION OF MAJOR VARIANCES - STATEMENT OF COMPREHENSIVE INCOME (continued)

V4. Employee expenses

Employee expenses were $2.70 mil over budget due to higher costs for senior medical officer's wages including overtime ($1.43 mil over budget) and annual leave including a revaluation of the annual leave levies during the year.

V5. Health service employee expenses

These expenses were $37.18 mil over budget due to higher costs for additional positions to deliver COVID response (July-December) plus additional service funded throughout the year to increase health services for the community and the region and backpay of most occupational streams due to new Enterprise Bargaining agreements being signed off during the year. Overall, there was an increase of 61 FTE from the prior year.

Cash inflows for health service employees and fees exceeded the SDS budget by $35.65 mil due to reasons set out above.

V6. Supplies and services

This increase relates primarily to higher cost drug expenditure ($5.31 mil), due to a combination of increased patient activity and changes to drugs prescribed with different treatments applied to allow better outcomes for patients, partially offset by the increase in PBS revenue in note 1 above. Other items include pathology (over budget by $3.00 mil), clinical supplies ($2.81 mil) and repairs & maintenance (2.61 mil), and expenditure related to additional funding from amendment windows provided to address ongoing demand within the region.

V7. Depreciation and amortisation

The variance to budget relates to the timeframes or commissioning of completed capital work in progress, valuation increments, new asset acquisitions and depreciation charges for right-of-use assets.

V8. Other expenses
This variance relates primarily to legal fees (over budget $2.87 mil) and a further $0.68 mil relating to return and/or deferral of departmental funds as outlined in the Service Agreement (SA).

Cash inflows for other exceeded the SDS budget by $3.56 mil largely due to the reasons set out above.

V9. Asset revaluation surplus

This variance of $60.06 mil relates to the results of the annual valuation program which involved 13 buildings and 1 site improvement being comprehensively revalued this financial year and indices applied to remaining building portfolio. The significant increment is largely driven by significantly higher inflation rates than in previous years, labour market capacity limitations and overall rising construction costs globally.

Statement of Financial Position exceeded the SDS budget by $24.72 mil primarily due to the reason set out above, along with additional capital and clinical equipment purchases.

E3 BUDGET TO ACTUAL COMPARISON – STATEMENT OF FINANCIAL POSITION

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

	Variance Notes	Actual 2023 $'000	Original SDS Budget 2023 $'000	SDS Budget V Actual Variance $'000
Current Assets				
Cash and cash equivalents	V10.	19,856	13,276	6,580
Receivables		5,068	5,251	(183)
Inventories	V11.	4,642	3,876	766
Other assets	V12.	16,796	12,572	4,224
Total Current Assets		**46,362**	**34,975**	**11,387**
Non-Current Assets				
Property, plant and equipment	V9.	431,198	406,483	24,715
Right of use assets		937	957	(20)
Total Non-Current Assets		**432,135**	**407,440**	**24,695**
Total Assets		**478,497**	**442,415**	**36,082**
Current Liabilities				
Payables	V13.	40,291	31,970	8,321
Accrued employee benefits		12,602	1,274	11,328
Lease liabilities		695	758	(63)
Other liabilities	V14.	5,291	1,715	3,578
Total Current Liabilities		**58,879**	**35,717**	**23,164**
Non-Current Liabilities				
Lease liabilities		249	-	249
Total Non-Current Liabilities		**249**	**-**	**249**
Total Liabilities		**59,128**	**35,717**	**23,413**
Net Assets		**419,369**	**406,698**	**12,669**
Equity		**419,369**	**406,698**	**12,669**

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

V10. Cash and cash equivalents

This variance is driven primarily by injection of Department of Health funding extraordinary window payment for enterprise bargaining increases (including Cost of Living Allowances COLA, EB11, Day Workers and base wages increases and annual leave revaluation).

Cash inflows for Equity Withdrawals exceeded SDS budget for the reasons set out above.

V11. Inventories

Variance is largely due to higher cost of inventory due to economic factors.

V12. Other assets

Other assets were $4.22 mil over budget primarily due to accrued revenue for additional funding of $5.0 mil to address recommendations from the Obstetrics and Gynaecology investigation.

V13. Payables

Payables were $8.32 mil over budget due to timing differences in relation to the payment of invoices related to new projects and reviews.

V14. Other liabilities

Other liabilities were $3.58 mil over budget primarily due to lower-than-expected delivery of funded programs due to various factors including COVID and resourcing related delays, resulting in higher than budgeted returns and/or deferrals of Departmental funds.

E4 BUDGET TO ACTUAL COMPARISON – STATEMENT OF CASH FLOWS

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

	Variance Notes	Actual 2023 $'000	Original SDS Budget 2023 $'000	SDS Budget V Actual Variance $'000
Cash flows from operating activities				
Inflows				
User charges and fees	V1.	46,235	33,684	12,551
Funding public health services	V2.	507,431	507,833	(402)
Grants and other contributions	V3.	12,560	10,843	1,717
GST input tax credits from ATO		11,182	8,398	2,784
GST collected from customers		827	622	205
Other receipts		6,048	5,270	778
		584,283	**566,650**	**17,633**
Outflows				
Employee expenses	V4.	(48,369)	(57,352)	8,983
Health service employee expenses	V5.	(351,201)	(315,555)	(35,646)
Supplies and services	V6.	(160,311)	(145,779)	(14,528)
GST paid to suppliers		(11,244)	(9,367)	(1,877)
GST remitted to ATO		(853)	(580)	(273)
Other payments	V8.	(10,225)	(6,666)	(3,557)
		(582,203)	**(535,299)**	**(46,898)**
Net cash from/(used by) operating activities		**2,080**	**31,351**	**(29,265)**
Cash flows from investing activities				
Inflows				
Sales of property, plant and equipment		417	309	108
Outflows				
Payments for property, plant and equipment	V15.	(22,156)	(2,000)	(20,156)
Net cash from/(used by) investing activities		**(21,739)**	**(1,691)**	**(20,048)**
Cash flows from financing activities				
Inflows				
Equity injections	V16.	19,964	706	19,258
Outflows				
Payment of lease liabilities		(643)	(706)	57
Equity Withdrawal - Other	V10.	-	(31,599)	31,599
Net cash from/(used by) financing activities		**19,321**	**(31,599)**	**50,914**
Net increase/(decrease) in cash and cash equivalents		**(338)**	**(1,939)**	**1,601**
Cash and cash equivalents at the beginning of the financial year		20,194	15,215	4,979
Cash and cash equivalents at the end of the financial year		**19,856**	**13,276**	**6,580**

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

V15. Cash flows - Payments for property, plant, and equipment

Payments for property, plant, and equipment in 2023 were higher by $20.156 mil than budgeted primarily due to increased spend on clinical and capital projects partially due to COVID response and increases in capacity to meet growing service delivery requirements.

V16. Cash flows – Equity injections

Cash flows from equity injections relates to capital project costs paid for by the HHS and reimbursed by the Department which were not included in the original budget (included in the Department of Health's consolidated budget) consisting of $5.2 mil capital maintenance and asset renewal, $10.9mil Health Technology Equipment Replacement, $2.8mil for COVID works and $0.337 mil for capital projects.

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. The cumulative value of transactions and balances in patient fiduciary trust accounts were equal to or less than $1,000 in 2023 and 2022.

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:

	2023	*2022*
	$'000	*$'000*
Receipts		
Billings - (Doctors and Visiting Medical Officers)	7,640	8,286
Interest	17	18
Total receipts	**7,657**	**8,304**
Payments		
Payments	6,314	6,852
Hospital and Health Service recoverable administrative costs	1,493	1,472
Hospital and Health Service - Education/travel/research fund	37	35
Total payments	**7,844**	**8,359**
Closing balance of bank account under a trust fund arrangement not yet disbursed and not restricted cash	**549**	**736**

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). On the 5 December 2022, the Minister for Health and for Ambulance Services appointed an Administrator in place of the Board of Mackay HHS. The HHS does not bear any cost of renumeration of the Administrator the Department of Health pay the entitlements.

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
Chief Operating Officer	Responsible to the Chief Executive for the strategic and operational management of the service divisions within Mackay
Executive Officer, Corporate Services	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, Public Health & Rural Services	Responsible to the Chief Executive for delivering effective and efficient services of all clinical and non-clinical services and resources within the portfolio of Mental Health, Public Health and Rural Services within the Mackay Hospital and Health Service.
Executive Director, People Services	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 & CMO	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 the delivery of a sustainable medical workforce for Mackay Hospital and Health Service by developing the organisation as a preferred training location and employer of choice. There are two parts to the role: The Clinical Dean role is to support the development of MHHS (together with Townsville and Cairns HHSs) as a provider of postgraduate medical specialty training and research and the Northern Clinical Training Network (NCTN) with James Cook University as the hub. The position holder is the specialist advisor to the Executive Director, Medical Services, Chief Executive and Board on medical workforce matters, particularly in relation to the innovation and research elements of clinical practices at Mackay Hospital and Health Service.
Executive Director, COVID TMP	Responsible to the Chief Executive to ensure Mackay Hospital and Health Service is prepared for the response required for COVID in the community, including COVID-19 testing, vaccination and planning for outbreaks and positive COVID patients in the community. The role works closely with the Emergency Management Team and acts as Health Incident Controller for the COVID Response for the Mackay Hospital and Health Service.
Executive Director, Nursing & Midwifery	Responsible to the Chief Executive for strategic and professional leadership of nursing workforce across MHHS.
Executive Director, Strategy, Governance & Engagement	Responsible to the Chief Executive for leadership and development of frameworks and systems for integrated planning, strategy management, governance, risk, audit and performance monitoring within the Mackay Hospital and Health Service.
Executive Director, Aboriginal & Torres Strait Islander Health	Responsible to the Chief Executive for leadership and direction of Aboriginal and Torres Strait Islander Hospital and Health services across the HHS. The role provides executive leadership, strategic focus, authoritative counsel, and expert advice on a wide range of professional and policy issues in all aspects of ATSI health related matters.

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. Most 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 are 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 74 of the Act also 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 The 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.

There were changes to the governance of the health service after an Administrator was appointed on 5 December 2022 to oversee the health service. The Administrator is taken to constitute the board instead of members under the Hospital and Health Boards Act 2011.

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.

2023

Position (dates as applicable)	*Name*	*Short Term Employee Expenses*		*Long term Employee Expenses*	*Post-Employment Expenses*	*Termination Benefits*	*Total Expenses*
		Monetary Expenses	*Non-monetary Benefits*				
		$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
A/Health Service Chief Executive (18 March 2023-30 June 2023)	Dr Charles Pain	139	-	3	14	-	156
A/Health Service Chief Executive (12 September 2022-15 January 2023)	Ms Paula Foley	98	24	2	8	-	132
Health Service Chief Executive (2 November 2020-9 September 2022)	Ms Lisa Davies-Jones	246	12	1	3	-	262
A/Health Service Chief Executive (16 January 2023-19 March 2023)	Ms Melissa Carter	67	-	2	8	-	77
Executive Director, Corporate Services (28 March 2022-31 March 2023)	Ms Tanya Feekings	160	-	3	15	81	259
A/Executive Director, Corporate Services (20 March 2023 - 9 June 2023)**	Mr Martin Heads	157	-	-	-	-	157
Chief Operating Officer (appointed 27 June 2022)	Ms Sharon Walsh	222	-	5	24		251
Executive Director, Public Health & Rural Services	Ms Terry Johnson	216	-	5	20	-	241
Executive Director, People Services (appointed 28 February 2022)	Mr Darryl Turner	203	-	5	18	-	226
Executive Director, Medical Services (Appointed 10 October 2022)	Dr Charles Pain	240	-	6	17	-	263
A/Executive Director, Medical Services (20 March 2023-30 June 2023)	Dr Stephen Lambert	108	2	2	9	-	121
Executive Director, Research & Innovation	Mr David Farlow	624	3	(2)	31	-	656
Executive Director, Nursing & Midwifery (Appointed 11 December 2022)	Ms Karen Wade	327	-	7	30	-	364
Executive Director, Nursing & Midwifery	Ms Julie Rampton	73	-	1	4	-	78
Executive Director, Strategy, Governance and Engagement	Ms Janet Geisler	185	-	4	21	-	210
Executive Director, Aboriginal & Torres Strait Islander Health (appointed 1 July 2021)	Mr Simon Costello	170	-	4	19	-	193
A/Executive Director, Aboriginal & Torres Strait Islander Health (13 March 2023 - 23 July 2023)	Ms Kerry Maley	55	-	1	6	-	62

*Ms Susan Gannon was appointed Health Service Chief Executive on 12 June 2023

**Mr Ben Wearmouth acted as Executive Director Corporate Services between 10th and 30th June 2023

G1 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

KMP Remuneration Expense (continued)

2022

Position (dates as applicable)	*Name*	*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 (2 November 2020)	Ms Lisa Davies-Jones	320	-	7	29	356
A/Executive Director, Corporate Services (1 July 2021 - May 2022)	Mr Ben Wearmouth	154	-	3	14	171
Executive Director, Corporate Services (28 March 2022 -30 June 2022)	Ms Tanya Feekings	50	-	1	4	55
A/Executive Director Operations Mackay (1 July 2021 - 26 Sept 2022)	Mr Ivan Franettovich	42	-	1	3	46
A/Chief Operating Officer (1 July 2022- May 2022)	Ms Belinda Berg	170	-	4	17	191
A/Executive Director, Public Health & Rural Services	Ms Julie Minogue	64	-	1	5	70
Executive Director, Public Health & Rural Services	Ms Terry Johnson	187	-	4	17	208
A/Executive Director, People (1 July -1 March 2022)	Mr Terence Seymour	126	22	3	12	163
Executive Director, People (appointed 28 February 2022)	Mr Darryl Turner	89	-	2	8	99
Executive Director, Medical Services & CMO (1 July 2021 - 10 Dec 2021)	Mr Philip Reasbeck	1,052	-	12	31	1,095
Executive Director, Research & Innovation & Clinical Dean	Mr David Farlow	531	2	12	43	588
Executive Director, Nursing & Midwifery	Ms Julie Rampton	177	-	4	18	199
A/Executive Director, Nursing & Midwifery	Ms Karen Wade	224	-	5	17	246
Executive Director, Strategy, Governance and Engagement	Ms Janet Geisler	178	-	4	21	203
Executive Director, Aboriginal & Torres Strait Islander Health (appointed 1 July 2021)	Mr Simon Costello	163	-	4	18	185
Executive Director, COVID (Temp until 30 June 2022)	Ms Julie Rampton	76	-	2	9	87

G1 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

Remuneration paid or owing to board members during 2022-23 was as follows:

Board Member	*Name*	*Short Term Employee Expenses*		*Post-Employment Expenses*	*Total Expenses*
		Monetary Expenses	*Non-monetary Benefits*		
		$'000	*$'000*	*$'000*	*$'000*
Chairperson (appointed 18 May 2021 - 21 November 2022)	Mr Darryl Camilleri	36	-	4	40
Board Member (- 21 November 2022)	Mr David Aprile	20	-	2	22
Board Member (- 21 November 2022)	Professor Richard Murray	19	-	2	21
Board Member (- 21 November 2022)	Ms Helen Caruso	19	-	2	21
Board Member (10 June 2021 - 21 November 2022)	Ms Suzanne Brown	20	-	2	22
Board Member (- 21 November 2022)	Ms Adrienne Barnett	19	-	2	21
Board Member (- 21 November 2022)	Dr Elissa Hatherly	19	-	2	21
Board Member (- 21 November 2022)	Ms Annabel Dolphin	18	-	2	20
Board Member (- 21 November 2022)	Mr Tom McMillan	19	-	2	21

Remuneration paid or owing to board members during 2021-22 was as follows:

Board Member	*Name*	*Short Term Employee Expenses*		*Post-Employment Expenses*	*Total Expenses*
		Monetary Expenses	*Non-monetary Benefits*		
		$'000	*$'000*	*$'000*	*$'000*
Chairperson (appointed 18 May 2021)	Mr Darryl Camilleri	85	-	8	93
Board Member	Mr David Aprile	47	-	5	52
Board Member	Professor Richard Murray	47	-	5	52
Board Member	Ms Helen Caruso	46	-	5	51
Board Member (term ceased 17 May 2021 and new term started 10 June 2021)	Ms Suzanne Brown	47	-	5	52
Board Member	Ms Adrienne Barnett	46	-	5	51
Board Member	Dr Elissa Hatherly	46	-	5	51
Board Member (appointed 18 May 2021)	Ms Annabel Dolphin	43	-	4	47
Board Member (appointed 10 June 2021)	Mr Tom McMillan	43	-	4	47

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	*2023 $'000*	*2022 $'000*
Revenue	562,010	511,811
Expenditure	402,216	362,769
Asset	12,970	7,317
Liability	33,755	28,095

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 $556.0 mil for the year ended 30 June 2023 (2022: $506.1 mil). For further details on the purchase of health services by the Department of Health refer to Note B1-2.

MHHS, through service arrangements with the Department of Health, has engaged 2,629 (2022: 2,568) 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 2023, $349.8 mil (2022: $312.5 mil) was paid to the Department for Health service employees. The terms of this arrangement are fully explained in Note B2-2.

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 2023, these services totalled $48.0 mil (2022: $45.9 mil). In addition, MHHS receives corporate services support from the Department at no cost refer to Note B1-3. Corporate services received include payroll services, financial transactions services (including accounts payable and banking services), administrative services and information technology services. In 2023, the fair value of these services was $4.5 mil (2022: $4.4 mil).

Any associated receivables or payables owing to the Department of Health at 30 June 2023 are separately disclosed in Note C2 and Note C6. No impairment has been applied to these balances.

The Department of Health also provides funding from the State as equity contributions 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 of Health to MHHS. Where costs are borne by MHHS on departmental funded projects, the Department of Health reimburses MHHS for those costs. In 2023, $1.3 mil (2022: $1.1 mil) in recoveries was recognised.

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 of Health refer to Note C10-1.

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

Transactions with people/entities related to Key Management Personnel

All transactions in the year ended 30 June 2023 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

Accounting standards applied for the first time

No accounting standards or interpretations that apply to MHHS for the first time in 2022-23 have any material impact on the financial statements.

Accounting standards early adopted

No Australian Accounting Standards have been early adopted for 2022-23.

G4 TAXATION

MHHS is a state body as defined under the Income *Tax Assessment Act 1936* and is exempt from federal government taxation except for 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 federal government is managed centrally by the Department of Health, with payments/ receipts made on behalf of the MHHS reimbursed monthly. GST credits receivable from, and GST payable to the ATO, are recognised on this basis. Refer to Note C2.

G5 CLIMATE RISK DISCLOSURE

Whole-of-Government climate-related reporting

The State of Queensland, as the ultimate parent of the MHHS, has published a wide range of information and resources on climate change risks, strategies and actions (https://www.qld.gov.au/environment/climate/climate-change) including the following key whole-of-Government publications:

- Climate Action Plan 2020-30 (https://www.des.qld.gov.au/climateaction)
- Queensland Energy and Jobs Plan (https://www.epw.qld.gov.au/energyandjobsplan)
- Climate Adaptation Strategy (https://www.qld.gov.au/environment/climate/climate-change/adapting/strategy)
- Queensland Sustainability Report (https://www.treasury.qld.gov.au/programs-and-policies/esg/)

Departmental accounting estimates and judgements – climate-related risks

No adjustments to the carrying value of assets were recognised during the financial year as a result of climate-related risks impacting current accounting estimates and judgements. No other transactions have been recognised during the financial year specifically due to climate-related risks impacting the department.

The department continues to monitor the emergence of material climate-related risks that may impact the financial statements of the department, including those arising under the Queensland Government Climate Action Plan 2020-2030 and other Government publications or directives.

Mackay Hospital and Health Service

Management Certificate

For the year ended 30 June 2023

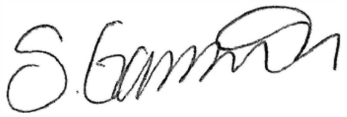
These general-purpose financial statements have been prepared pursuant to section 62(1) of the *Financial Accountability Act 2009* (the Act), section 39 of the *Financial and Performance Management Standard 2019* and other prescribed requirements. In accordance with section 62(1)(b) of the Act we certify 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 2023 and of the financial position of Mackay Hospital and Health Service at the end of that year, and

We acknowledge responsibility under sections 7 and 11 of the *Financial and Performance Management Standard 2019* for the establishment and maintenance, in all material respects, of an appropriate and effective system of internal controls and risk management processes with respect to financial reporting through-out the reporting period.

Ms Karen Roach
Board Administrator,
Mackay Hospital and
Health Board
17/8/2023



Ms Susan Gannon
Chief Executive Officer
17/8/2023

Mr Martin Heads
A/Executive Director,
Corporate Services
17/8/2023

Queensland Audit Office
Better public services

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.

In my opinion, the financial report:

a) gives a true and fair view of the entity's financial position as at 30 June 2023, 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 2019 and Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 2023, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including summaries of significant accounting policies and other explanatory information, and the management certificate.

Basis for opinion

I conducted my audit in accordance with the *Auditor-General 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 (including Independence Standards)* (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 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.

Queensland Audit Office
Better public services

Specialised buildings valuation ($365.5 million)

Refer to Note C-5 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. In 2023 Mackay Hospital and Health Service performed a comprehensive revaluation of 14 material buildings / site improvements with the remainder subject to 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 the 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: o estimating the current cost for a modern substitute (including locality factors and oncosts o 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 significant judgements required for gross replacement cost and useful lives are also significant judgements for calculating annual depreciation expense. Using indexation required: • significant judgement in determining changes in cost and design factors for each asset type since the previous revaluation • reviewing previous assumptions and judgements used in the last comprehensive valuation to ensure ongoing validity of assumptions and judgements used.	My procedures included, but were not limited to: • assessing the adequacy of management's review of the valuation process and results • reviewing the scope and instructions provided to the valuer • assessing the appropriateness of the valuation methodology and the underlying assumptions with reference to common industry practices • 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 • for unit rates, on a sample basis, evaluating the relevance, completeness and accuracy of source data used to derive the unit rate of the: o modern substitute (including locality factors and oncosts) o adjustment for excess quality or obsolescence • evaluating the relevance and appropriateness of the indices used for changes in cost inputs by comparing to other relevant external indices • Evaluating useful life estimates for reasonableness by: o reviewing management's annual assessment of useful lives o at an aggregated level, reviewing asset management plans for consistency between renewal budgets and the gross replacement cost of assets o testing that no building asset still in use has reached or exceeded its useful life o enquiring of management about their plans for assets that are nearing the end of their useful life o 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 entity for the financial report

The Board is responsible for the preparation of the financial report that gives a true and fair view in accordance with the *Financial Accountability Act 2009*, the Financial and Performance Management Standard 2019 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. This is not done for the purpose of expressing an opinion on the effectiveness of the entity's internal controls, but allows me to express an opinion on compliance with prescribed requirements.
- 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.

Queensland Audit Office
Better public services

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

Statement

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2023:

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

b) I consider that, the prescribed requirements in relation to the establishment and keeping of accounts were complied with in all material respects.

Prescribed requirements scope

The prescribed requirements for the establishment and keeping of accounts are contained in the *Financial Accountability Act 2009*, any other Act and the Financial and Performance Management Standard 2019. The applicable requirements include those for keeping financial records that correctly record and explain the entity's transaction and account balances to enable the preparation of a true and fair financial report.

18 August 2023

David Adams
as delegate of the Auditor-General

Queensland Audit Office
Brisbane

Glossary

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.

Chronic A long-term or persistent condition.

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.

Non-admitted patient services An examination, consultation, treatment or other service provided to a non-admitted patient (does not undergo a hospital's formal admission process) in a functional unit of a health service facility.

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.

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

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.

Acronyms

FTE Full-Time Equivalent
HHS Hospital and Health Service
HHBA *Hospital and Health Boards Act 2011*
iEMR integrated electronic Medical Record
MHHB Mackay Hospital and Health Board
QAO Queensland Audit Office
QGEA Queensland Government Enterprise Architecture
WAU Weighted Activity Unit

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	3
Accessibility	Table of contents Glossary	ARRs – section 9.1	4 72
	Public availability	ARRs – section 9.2	1
	Interpreter service statement	*Queensland Government Language Services Policy* ARRs – section 9.3	1
	Copyright notice	*Copyright Act 1968* ARRs – section 9.4	1
	Information Licensing	*QGEA – Information Licensing* ARRs – section 9.5	1
General information	Introductory Information	ARRs – section 10	6-7
Non-financial performance	Government's objectives for the community and whole-of-government plans/specific initiatives	ARRs – section 11.1	5
	Agency objectives and performance indicators	ARRs – section 11.2	8-10 18-19
	Agency service areas and service standards	ARRs – section 11.3	20
Financial performance	Summary of financial performance	ARRs – section 12.1	22
Governance – management and structure	Organisational structure	ARRs – section 13.1	14
	Executive management	ARRs – section 13.2	13
	Government bodies (statutory bodies and other entities)	ARRs – section 13.3	11
	Public Sector Ethics	*Public Sector Ethics Act 1994* ARRs – section 13.4	17
	Human Rights	*Human Rights Act 2019* ARRs – section 13.5	17
	Queensland public service values	ARRs – section 13.6	17
Governance – risk management and accountability	Risk management	ARRs – section 14.1	16
	Audit committee	ARRs – section 14.2	11
	Internal audit	ARRs – section 14.3	16
	External scrutiny	ARRs – section 14.4	16
	Information systems and recordkeeping	ARRs – section 14.5	16
	Information Security attestation	ARRs – section 14.6	17
Governance – human resources	Strategic workforce planning and performance	ARRs – section 15.1	15
	Early retirement, redundancy and retrenchment	Directive No.04/18 *Early Retirement, Redundancy and Retrenchment* ARRs – section 15.2	15
Open Data	Statement advising publication of information	ARRs – section 16	1
	Consultancies	ARRs – section 31.1	https://data.qld.gov.au
	Overseas travel	ARRs – section 31.2	https://data.qld.gov.au
	Queensland Language Services Policy	ARRs – section 31.3	https://data.qld.gov.au
Financial statements	Certification of financial statements	FAA – section 62 FPMS – sections 38, 39 and 46 ARRs – section 17.1	54-67
	Independent Auditor's Report	FAA – section 62 FPMS – section 46 ARRs – section 17.2	68-71

FAA: *Financial Accountability Act 2009*
FPMS: *Financial and Performance Management Standard 2019*
ARRs: *Annual report requirements for Queensland Government agencies*

ANNUAL REPORT 2022–23
Mackay Hospital and Health Service
www.mackay.health.qld.gov.au