

2019–2020 ANNUAL REPORT



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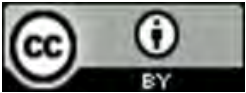
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Acknowledgement to Traditional Owners

Central West Hospital and Health Service wishes to acknowledge the Traditional Owners and Custodians of the land and waterways of the Countries across the Central West area of Queensland.

We wish to pay our respects to Elders past and present and thank them for their wisdom and guidance as we continue to work together to improve health outcomes for all.

Letter of Compliance

7 September 2020

The Honourable Steven Miles MP
Deputy Premier, Minister for Health and Minister for Ambulance Services
GPO Box 48, Brisbane QLD 4001

Dear Deputy Premier

I am pleased to submit for presentation to the Parliament the Annual Report 2019-2020 and financial statements for Central West 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 can be found on page 77 of this annual report.

Yours sincerely


Jane Williams
Chair
Central West Hospital and Health Service Board

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Statement on Queensland Government objectives for the community

The strategic plan for Central West Hospital and Health Service (Central West HHS) aligns with the Government's objectives for the community Our Future State: Advancing Queensland's Priorities to Keep Queenslanders healthy and Give all our children a good start.

Central West HHS recognises the role technology plays in responding to the regions changing demographic and empowers individuals to focus on prevention through improved communication and management of their own and others' health. Current priorities are reflective of Queensland Health's My Health, Queensland's future: Advancing health 2026 in that they actively work to promote integrity, safety, inclusivity, diversity and innovation.

In line with the priority to deliver high quality, consumer focussed health services as described in the Central West Hospital and Health Service Strategic Plan 2019-2023 Central West HHS partnered with Metro North HHS Strategy and Planning Unit to develop the Central West Hospital and Health Service Plan 2020-2025 (the Plan). The Plan was finalised in May 2020 and provides a roadmap for the future delivery of health services across the Central West region. The Plan has a priority focus on improving population health outcomes and building an integrated and sustainable approach to the delivery of remote and very remote healthcare. This context is reflective of the collective voice of community and staff translated into the following four future service directions:

- » promote healthy living
- » transforming our care pathways
- » align services to provide equitable access
- » enhancing our partnerships

These service directions are underpinned by clearly described and accountable actions which will be supported by key enabling plans to guide our future workforce, infrastructure and technology planning.

Infrastructure investment continues to support local economies across the Central West. The completion of the new Boulia Primary Health and Wellbeing Centre project early in 2020 provided an economic boost to that community during the preceding period.

The Blackall Hospital replacement project is progressing with the appointed contractors linking in with the local tradespeople and service industries providing an injection of economic activity to the community. The new Blackall Hospital is expected to achieve practical completion in late 2020 and be commissioned in 2021. The new facility will provide the community with access to a state of the art 10 bed inpatient facility with integrated triage and accident and emergency and primary care areas.

From the Chair and the Chief Executive

What a year it has been. We are both extremely pleased to report that currently in the COVID-19 pandemic we have no cases in any of the communities within the Central West. This is a significant achievement and is indicative of the strength of the planning and cooperation between Local and District Disaster Management Groups. We believe that this outcome has also been realised because of the relationships we actively nurture with local governments, local communities and businesses, partner organisations, the not for profit sector and other hospital and health services and agencies.

In the context of the pandemic, the continuing drought and, in some instances, the monsoon conditions that are affecting many of our communities, our relationships have not only been tested but also strengthened. Our strong local and state partnerships are a key enabler of the region providing a coordinated response to keeping our communities safe as the worldwide Pandemic unfolded.

We appreciate the dedication and commitment of our skilled and professional staff that have and will continue to maintain our level of preparedness for the pandemic whilst maintaining a focus on the provision of safe, quality health care services to our communities. This is a balancing act and we acknowledge that this has led to a layer of complexity and demands across different roles and functions that have helped to keep the people of Central West Queensland safe. Responding to the anxiety and uncertainty facing all of us required strong leadership and it was our experience that, collectively, we rose to the challenge.

Consultation with our communities has been the cornerstone of the review and the update of strategic documents that include the Central West Hospital and Health Service Strategic Plan 2020-2023 (2020 update), Central West Hospital and Health Service Consumer Engagement Strategy 2020-2023 and the Central West Hospital and Health Service Plan 2020-2025 (the Plan). All are critical documents which guide and inform a clear pathway for the delivery of responsive, value-based, safe and high-quality healthcare services to our communities. We believe it is essential to hear the voices of consumers in planning and designing services and we thank sincerely those individuals who took the time to participate in face to face and online planning activities and workshops across the latter part of 2019

and early 2020. We also thank the Consumer Advisory Networks and the consumers who participate in key committees and processes – your advocacy and advice has proved to be invaluable.

The Director-General, Queensland Health Dr John Wakefield together with the Traditional Owner and Elder of the Pitta Pitta Peoples, Jean Jacks, the Mayor of Boulia Shire Council, Rick Britton and Chief Executive Officer Lynn Moore opened the Boulia Primary Health Care and Wellbeing Centre on 20 November 2019. The new centre was constructed at a cost of \$7.387 million, including a \$572,900 Commonwealth contribution delivered through the Boulia Shire Council for the Wellbeing Centre component of the build. It is pleasing also to report that work has now commenced on the new Blackall Hospital which will be completed in 2020-2021.

The challenges in attracting a skilled and locally appropriate workforce, ageing infrastructure and the financial impacts of rural and remote service delivery require the need for an innovative and responsive utilisation of technology and a flexible approach to workforce models. We celebrated staff and team achievements in the Excellence Awards that was hosted in Blackall and we look forward to hosting another Staff Excellence Awards next year, if the public health environment permits.

Our services and care are front of mind and during 2020-2021 our safety and quality standards will be assessed for the first time against V2 National Quality and Safety Standards. Whilst we focus on safety and quality, we must however, also strive to be financially sustainable. In the last four years, there has been considerable investment in infrastructure and equipment which has been essential in maintaining a level of care expected by our community. Despite the fact we are in a challenging financial time be assured that our Board is committed to achieving a balanced budget after depreciation within the next twelve months.

During 2020-2021 Central West HHS will continue to be COVID-19 ready through the ongoing education, testing and careful monitoring of capacity and the appropriate streaming of patients whilst focussing on recovery of those services that were delayed during the intense COVID-19 preparation period.

We have much to be thankful for and we especially note the support received from the Board of Directors, the Executive Leadership Team, our staff and you, the people, who make up and lead the communities we serve. The completion and commissioning of new infrastructure projects that include the new Blackall Hospital give us much to look forward to in the year ahead. We sincerely thank you all.

About us

Central West HHS is a public sector health service established on 1 July 2012 under the Hospital and Health Boards Act 2011 to deliver hospital and other health services to the people of Central West Queensland.

Central West HHS is a resourceful and dedicated leader in quality, far-reaching healthcare, providing a high standard of accessible healthcare across a vast region equivalent to 23 per cent of Queensland. Reaching from Tambo in the south-east to Boulia in the north-west, the healthcare hubs based in the communities of Longreach, Barcaldine, Blackall, and Winton serve smaller communities as widespread as they are diverse.

Strategic direction

To deliver on its vision as a provider of far-reaching healthcare, Central West HHS identifies its strategic priorities across three key areas:

- » People – strengthen partnerships with staff, communities, residents, patients and consumers to improve health outcomes
- » Services – deliver high quality, consumer focussed health services
- » Systems – achieve long term organisational sustainability

The strategies recognise the strength and expertise of Central West HHS staff in remote service delivery. The staff build on their relationship with communities and other service providers to meet health challenges which include:

- » increasing the social and emotional wellbeing of communities
- » mental illness
- » chronic disease

Feedback from communities has emphasised that the Central West HHS service structure and partnerships need to be responsive, adaptable, inclusive and compassionate. Incorporating this feedback is critical to the development of sustainable models of healthcare delivery that can support Aboriginal and Torres Strait Islander people and non-Indigenous Australians across their life spans via provision of a mix of prevention, primary care, emergency and acute hospital-based services.

In May 2020 the Central West HHS Leadership Team conducted a review of its performance against its strategic priorities which in turn informed the finalisation of the Central West Hospital and Health Service Strategic Plan 2019-2023 (2020 update). The finalisation of the Central West HHS Health Service Plan 2020-2025 was a critical consideration as part of this performance review and the updated measures of success reference the progression of actions defined in the Plan in support of delivery of high quality, consumer focussed and far-reaching healthcare services.

The review and update of the Central West HHS consumer engagement strategy was undertaken during the period and the process followed a consumer led co-design approach. The Board joined with members of community to review performance against the current engagement strategy in November 2019. The 2020-2023 Consumer Engagement Strategy reflects the consumer and community priority focus to:

- » establish and maintain responsive, adaptable, inclusive, diverse and compassionate community involvement in service design and delivery
- » activate local champions to support and broaden community engagement
- » recognise the role technology plays in empowering consumers to be involved

Vision purpose and values

Central West HHS is a resourceful and dedicated leader in providing quality, far-reaching healthcare.

Drawing on the resilience and resourcefulness of our experienced and committed people, we work collaboratively to overcome distance. Working with our partners we go the distance to make a difference in the lives of the people in our care. We combine our knowledge and experience with an entrepreneurial spirit which is uniquely part of the Central West.

People-centred care

We support patients and consumers through their care journey, involve them in decisions about their care and learn from their experiences.

Quality and safety

We put safety first in the care of our patients and consumers and build quality into what we do each day.

Integrity and accountability

We have a culture of mutual respect, fair dealing, ethical behaviour and transparency while being accountable for our performance.

Investment in staff

We support ongoing learning, planned development and career advancement to attract and retain an empowered, satisfied and competent workforce.

Innovation and change

We encourage ideas, evaluate opportunities, consult with those affected, weight up the risks, implement with purpose and celebrate achievements and improvements.

Performance against the current four-year strategic priority areas as at the end of the period is summarised below:

People	
Embed a positive and proactive culture across the organisation and in partnerships	Feedback from partnership evaluations and organisation wide surveys – including Working for Queensland – are informing corrective action and progression of new initiatives.
Embed the unique voice of Aboriginal and Torres Strait Islander people and communities in the design and delivery of services	Recruitment to Executive Director Aboriginal and Torres Strait Islander Health early in the new period will support targeted work required. Legislative change will further support this though greater diversity at Board level.
Grow and strengthen the voice of consumers within the design, delivery and evaluation of services	Reinvigoration of the Consumer Advisory Network occurred during the period and future priority will focus on broader consumer engagement activities. The recent review of the Central West HHS Consumer Advisory Network Handbook and Consumer Feedback Policy and procedure documents has proved valuable and have identified opportunities for improvement in direct consultation with consumers representative of the diversity of Central West Queensland communities.
Services	
Develop and embed the mix of health services and models of care that will meet the current and future health needs of the Central West HHS communities	During the period Central West HHS achieved its measure to complete health service planning until 2023. This measure has now been revised to reflect the number of actions completed or on track in the 2020 update of the strategic plan.
Optimisation and application of health technology and infrastructure investments to deliver high quality consumer focussed services	Finalisation of the Rural and remote Digital health Strategy will inform targeted actions to optimise the partnership with eHealth to support success.
Use strategic partners to assist with improving consumer and staff health literacy	The Central West HHS Health Service Plan 2020-2025 informs targeted actions in this priority area based on direct feedback from staff, consumers and community.
Systems	
Embed value-based healthcare to ensure improved outcomes for patients	During the period Central West HHS achieved its measure to complete health service planning until 2023. This measure has now been revised to reflect the number of actions completed or on track in the 2020 update of the strategic plan.
Develop contract with cross sector partners to collaboratively improve healthcare service delivery and outcomes Continue to develop and implement clinical service delivery and strategic support partnerships with Metro North HHS and other organisations	The focus of the second year of the partnership arrangement with Metro North HHS will be two pronged with an aim to strengthen service delivery and support Central West HHSs sustainability and opportunity for improved health outcomes as defined by our patients and consumers: - <i>strengthening of staff professional skills development and education</i> - <i>demonstration of the partnership as a viable means to examine episodic delivery of services and how these can be managed more effectively across the care continuum</i>

Aboriginal and Torres Strait Islander Health

Community meetings were conducted across the Central West Region in celebration of NAIDOC during the week commencing the 8 July 2019. Staff joined with members of community in the spirit of the theme Voice, Treaty Truth – Let’s Work Together for a Shared Future at events held in the towns of Alpha, Barcaldine, Blackall, Longreach and Winton.

Aboriginal and Torres Strait Islander representation was pivotal in the co-design of the 2020-2023 Consumer Engagement Strategy as Central West HHS works to promote cultural diversity and awareness

in decision making throughout the organisation. The exploration of opportunity to establish an Aboriginal and Torres Strait Islander peoples consumer group with a membership which reflects all of the communities across the Central West region is a part of our engagement roadmap. Addition of an Executive Director Aboriginal and Torres Strait Islander Health as part of the leadership team in 2020-2021 will support the Aboriginal and Torres Strait Islander Health Team to grow and strengthen in support of improved health outcomes for the Aboriginal and Torres Strait Islander peoples living, and working in the Central West.

Our community based and hospital-based services

As a rural and remote hospital and health service, Central West HHS provides a range of community, primary and hospital-based services and has formed strong partnerships with other service providers to collectively support the provision of holistic care to the people of the Central West community.

Longreach Hospital is the largest facility operated by Central West HHS and provides inpatient and emergency services to the town of Longreach and surrounds. Additional inpatient and emergency care services are delivered locally in the communities of Barcaldine, Blackall, Alpha and Winton and these are further supported by several nurse-led primary healthcare centres. Barcaldine, Winton and Alpha inpatient facilities operate as multipurpose health services providing residential aged care services in those communities.

Central West HHS provides outreach allied health, oral health, mental health, pharmacy, maternal and child health and medical services to ensure residents of all of our communities receive safe, quality care as close to home as possible.

A mix of contracted and Central West HHS owned general practices are located in Longreach, Barcaldine, Blackall and Winton with outreach provided to smaller communities. Medical and oral health care services are provided by the Royal Flying Doctor Service to communities located in the far west of our region.

In many of our 17 communities, Central West HHS is the only community and primary care provider in the region. Many of these sites also operate a clinic-based ambulance service, providing the emergency response to the community. The primary corporate home of Central West HHS is located in Longreach which includes the Executive Leadership, Building Engineering and Maintenance Services, Clinical Governance, Finance, Board Operations and project teams. Other corporate functions are hosted at other sites across the health service as follows:

- » patient and staff travel – Blackall Hospital
- » human resource management – Barcaldine MPHS
- » vehicle fleet management – Winton MPHS

Central West HHS maintains close working relationships with organisations including Queensland Ambulance Service, Royal Flying Doctors Service, Western Queensland Primary Health Network, North West Remote Health, Metro North HHS and local government councils across the region to support timely and coordinated access to the right services.

Targets and challenges

Based on figures published by the Australian Bureau of Statistics in 2016 the population of Central West Queensland has decreased during the period 2011 to 2016 with an expectation that this trend will continue to decline over the next ten-year period. At the same time the number of residents aged 65 years and over is projected to increase and the population aged 0 – 14 years expected to decrease.

The remoteness of the region presents several challenges to the delivery of accessible, sustainable and safe healthcare including travel times, workforce attraction and retention, financial sustainability, demand management and connectivity with other service provides operating within our communities.

The Central West Hospital and Health Service Plan 2020-2025 (the Plan) considers the decreasing and ageing population as well as the socio-economic challenges exacerbated by the continuing drought as inputs into its agreed priority areas. The unfolding COVID-19 pandemic situation at the finalisation of the planning exercise informed a focus on opportunities and challenges arising from the preparation and response which are also reflected in the final agreed priorities.

In 2020-2021, Central West HHS will:

- » improve access to primary care by continuing to monitor, evaluate and report on the progress of implementation of the Chronic Disease Partnership Strategy for the Barcoo, Diamantina and Boulia Shires
- » implement the Plan's actions to:
 - ~ improve the health and social outcomes of our communities across the lifespan by prioritising health promotion and prevention align services to provide equitable access
 - ~ ensure the right mix of services are available across our communities and aligned equitably to improve our health outcomes enhance partnerships
 - ~ operate as a cohesive network of services and streamlined referral pathways to ensure a coordinated and consistent approach to service delivery and improved health outcomes by streamlining referral pathways to major centres to support access to higher levels of care
 - ~ continue to optimise service delivery for improved health outcomes, through strengthening engagement with our partners, utilising both local and external providers across the health and community sectors to support the future of healthcare for the Central West region
- » demonstrate an improvement in consumer reported outcomes in diabetes, cardiovascular disease, mental health and respiratory disease
- » maintain access to emergency care through the Primary Health Centres and Emergency Departments at the levels achieved in 2019-2020
- » maintain an appropriate level of planning and preparedness relative to the continuing COVID-19 situation recognising, at the time of writing, the pandemic period has been extended to 2 October 2020.

As work on the replacement of the existing Blackall Hospital comes to fruition in 2020-2021 a feasibility study on the reuse of the existing facility as an education and research centre for remote healthcare will be completed in partnership with community, Blackall Tambo Regional Council, Royal Flying Doctor Service Queensland Division and Central Queensland University. This project will determine the future of the existing hospital complex.

Central West HHS is working closely with the Barcoo Shire Council as work on the replacement of the Windorah Primary Health Centre commences. Funding of \$4.2 million has been identified for the design and construct project which will provide the community of Windorah and surrounds with access to a purpose-built primary healthcare centre modelled on the facility recently delivered in Boulia.

Governance

Our people

Board membership

The Hospital and Health Boards Act 2011 defines the functions of the Central West Hospital and Health Board (the Board) in control of the health service. The Board currently consists of seven members each of whom have been appointed by the Governor in Council.

The Board's combined skill and experience in the unique nature of service delivery in the rural and remote setting provides for stable leadership.

Board member appointment history:

Jane Williams

Original appointment - 1/7/2012
Current term - 18/5/2019 – 31/3/2022

David Arnold

Original appointment - 1/7/2012
Current term - 18/5/2019 – 17/5/2021

William Ringrose

Original appointment - 1/7/2012
Current term - 18/5/2019 – 17/5/2021

Elizabeth Fraser

Original appointment - 18/5/2016
Current term - 18/5/2017 – 17/5/2021

Dr Clare Walker

Original appointment - 18/5/2016
Current term - 18/5/2017 – 17/5/2021

Leisa Fraser

Original appointment - 18/5/2016
Current term - 18/5/2017 – 31/3/2021

Jonathan (Blake) Repine

Original appointment - 18/5/2018
Current term - 18/5/2019 – 31/3/2022

Central West Hospital and Health Board					
Act or instrument	Hospital and Health Boards Act 2011 (the Act)				
Financial reporting	Financial reporting for Central West HHS is prepared and published in accordance with Queensland Treasury’s Financial Reporting Requirements for Queensland Government Agencies as mandated under Section 43(1) of the Financial and Performance Management Standard 2019. The financial statements are appendices to this report.				
Remuneration					
Position	Name	Meeting attendance ¹	Approved annual fee	Approved sub-committee fee	Actual fees received
Chair	Jane Williams	11- Board 3- Executive Committee 2 – Safety and Quality Committee	\$66,243	\$2,500	\$80,000
Deputy Chair	David Arnold	10 – Board 3- Executive Committee 8 – Finance Committee 2 – Audit and Risk Committee	\$35,055	\$2,000	\$46,000
Member	William Ringrose	10 – Board 6 – Finance Committee 4 – Audit and Risk Committee	\$35,055	\$2,000	\$43,000
Member	Elizabeth Fraser	11- Board 3- Executive Committee 4 – Safety and Quality Committee	\$35,055	\$2,000	\$43,000
Member	Dr Clare Walker	9 – Board 4 – Audit and Risk Committee 3- Safety and Quality Committee	\$35,055	\$2,000	NIL
Member	Leisa Fraser	11- Board 8 – Finance Committee 4 – Audit and Risk Committee	\$35,055	\$2,000	\$43,000
Member	Jonathan (Blake) Repine	11- Board 6 – Finance Committee 4 – Safety and Quality Committee	\$35,055	\$2,000	\$42,000
Number of scheduled meetings	Board – 11 Executive Committee – 3 Audit and Risk Committee – 4 Safety and Quality Committee – 4 ¹ The Board and Board Committee meeting schedule was reviewed in March 2020 in response to the unfolding COVID-19 pandemic. The revised meeting schedule was approved at the April 2020 Board meeting and involved cancellation of all committee meetings and a revised forward workplan for monthly meetings of the Board. The amended forward workplan supported the Board to meet its function under the Act whilst recognising the impacts on human and financial resources by the COVID-19 response and recovery. The revised meeting and reporting structure were in place from 1 April 2020 to 30 June 2020 inclusive.				
Total out of pocket expenses	Out of pocket expenses totalling \$3173 were recorded during the period 1 July 2019 to 30 June 2020. This amount reflects payments made to members in accordance with the Remuneration Procedures for Part-Time Chairs and Members of Queensland Government Bodies.				

Our committees

The sub committees of the Board met regularly during the period 1 July 2019 to March 2020. At that time the Board decided to suspend committee meetings up to the 30 September 2020. This decision was made in response to the impact of COVID-19 on the capacity of the Central West HHS Executive Leadership and Management Teams to plan and respond to the unfolding emergency.

The revised forward work plan of monthly Board meetings reflected the inclusion of agenda items which supported them to meet responsibilities under the Hospital and Health Boards Act 2011 and Hospital and Health Boards Regulations 2012 whilst being flexible in response to the COVID-19 situation as required.

Each of the committees and the Board conduct an annual review of its terms of reference as part of the planning and review process which then informs the development of individual forward work plans which support the Board to meet its collective responsibilities. The committee members are joined by relevant members of the Executive Leadership Team in alignment with operational responsibilities at each of their meetings.

Executive

The Executive Committee (the Committee) is chaired by David Arnold and includes the Board Chair, Jane Williams and Chair of Safety and Quality Committee Elizabeth Fraser in its membership. The Committee met three times during the period and received reports which supported its function and purpose to provide:

- » support to the Health Service Chief Executive (HSCE) to progress strategic issues identified by the Board
- » strengthen the relationship between the Board and HSCE to ensure accountability in the delivery of services by the Service

The Committee membership joined with their colleagues, members of the Central West HHS Executive and Management Teams and community to review performance of the 2017-2020 Consumer engagement strategy – Your health, our community. During 2020-2021 and for the life of the 2020-2023 Consumer Engagement Strategy the Committee plans to receive regular performance and implementation status updates in support of our strategic priority to strengthen partnership with staff, communities, residents, patients and consumers to improve health outcomes.

Work Health and Safety compliance status and risks were provided to the Board on a monthly basis as part of the revised meeting schedule and reporting format – April to September 2020. This reporting has also included regular updates on the workforce critical vacancies, emerging risks, onboarding and sustainability.

Status updates on the implementation of the Central West Hospital and Health Service Plan 2020-2025 will be a critical component of the Committee's agenda in the new normal climate in recognition by Board of its critical support to achieving strategic priorities.

Safety and Quality

The Safety and Quality Committee (the Committee) is chaired by Elizabeth Fraser who is joined by her colleagues, Dr Clare Walker, Blake Repine and Jane Williams.

The Committee met three times in the period July to December 2019 and was pleased to receive reports which provided visibility on the work occurring to support the safety and quality accreditation process, the status of performance against established clinical governance key performance indicators and targeted service updates in the areas of Mental Health and Maternity Services.

Closure of several key outstanding actions was agreed to by the Committee following an update provided on skin surgery services, pathology testing, medication safety and implementation of state-wide recommendations arising from the Office of the Health Ombudsman relative to emergency presentations of dual diagnosis patients.

Revised monthly reporting to the Board occurred during the period January to June 2020 and included clinical risk, progression of work towards the next scheduled organisation wide survey, and identification and management of clinical risks to the safety and quality of services including those directly relative to the COVID19 pandemic.

Audit

The Audit and Risk Committee (the Committee) is chaired by William Ringrose with Dr Clare Walker, Leisa Fraser and David Arnold rounding out the membership.

The Committee met four times in the period 1 July 2019 to 5 March 2020 and was joined by representatives of contracted internal and external auditors and Queensland Audit Office on each occasion. The Committee's work is guided by the requirements of the Financial Accountability Act 2009 and other relevant legislation including the Financial and Performance Management Standard 2019.

Endorsement to the Board for approval of the internal and external audit plans and annual financial statements is the core focus of the Committee's work and status updates on the management of operational and strategic risk and follow up of open audit recommendations rounds out its work.

Each meeting of the Committee is attended by representatives of contracted internal and external audit and Queensland Audit Office in support of a continued open, transparent and informed approach to managing responsibilities in the context of compliance, audit and risk.

Finance

The Finance Committee (the Committee) is chaired by Blake Repine and includes David Arnold, William Ringrose and Leisa Fraser in its membership.

The Committee met eight times over the period 1 July 2019 to 27 March 2020 and received, in support of its core function, a comprehensive monthly financial management report. This report supports the Board to fulfil its obligation relevant to the efficient, effective and economical operation of Central West HHS.

Capital investment and asset management strategies and priorities are considered by the Committee as required and form an important input into strategic planning of services and models of care.

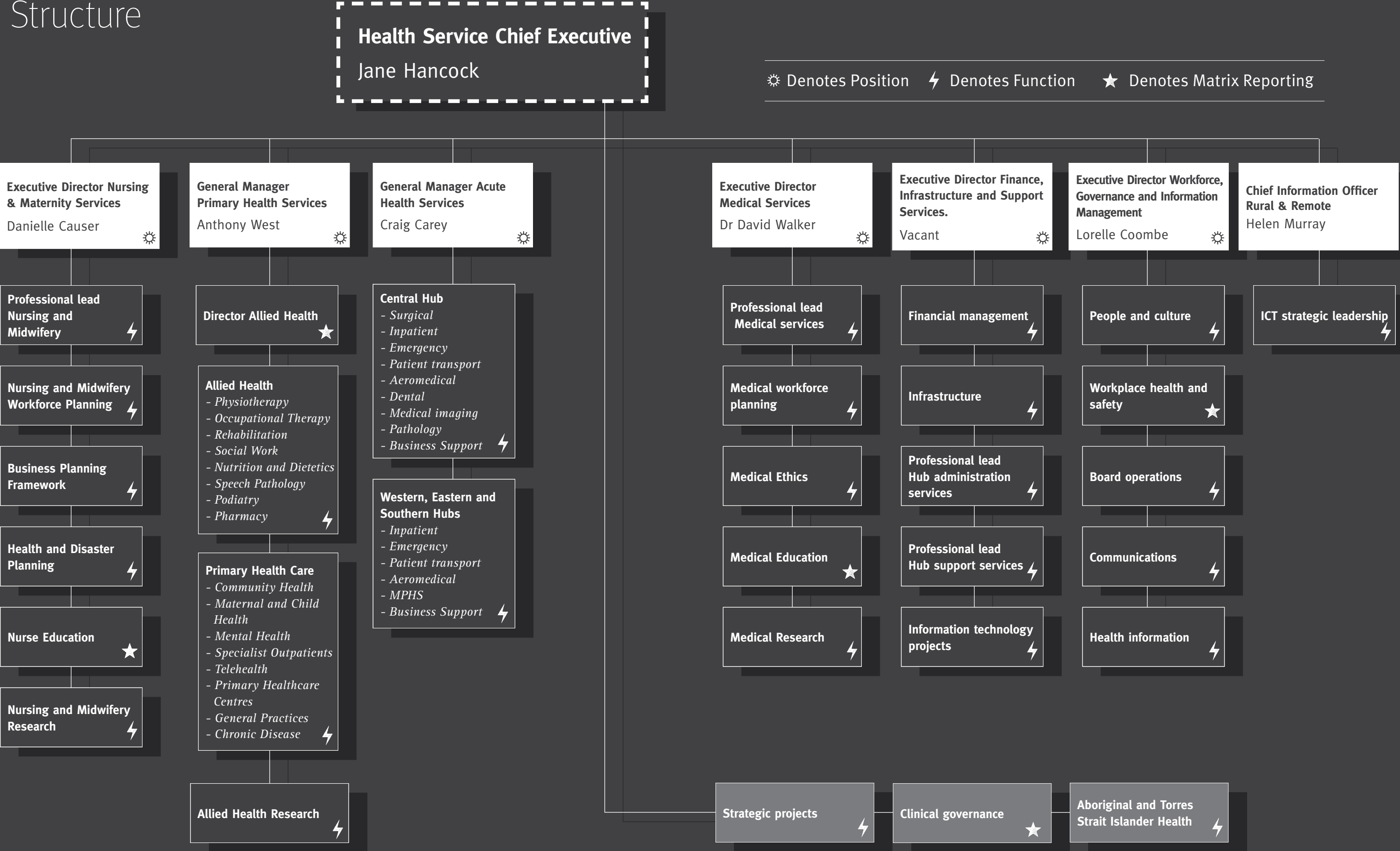
Executive management

Our Executive Leadership Team (the Team) works collaboratively to monitor performance against strategic priorities in support of the Central West HHS vision to be a leader in far-reaching healthcare.

The overview of the Team's structure is provided in the diagram below and its model is designed to meet the challenges of providing leadership in the rural and remote primary and acute health service delivery setting. All positions are full time except for the Chief Information Officer (Rural and Remote) which is a shared role across South West, North West and Central West Hospital and Health Services.

The continued vacancy in the Executive Director Finance and Infrastructure Support Services role is expected to be filled early in 2020–2021.

CWH Executive Structure



Organisational structure and workforce profile

The current Central West HHS organisational structure was implemented in early 2019 and is designed to support decision making and implementation of governance documents in alignment with the foundations of public sector governance:

Leadership

achieving an organisation wide commitment to good governance through leadership from the top

Accountability

being answerable for decisions and having meaningful mechanisms in place to ensure the organisation adheres to all applicable standards

Transparency/openness

having clear roles and responsibilities, and clear procedures for making decisions and exercising power

Integrity

acting impartially, ethically and in the interests of the organisation, and not misusing information acquired through a position of trust

Stewardship

using every opportunity to enhance the value of the public assets and institutions that have been entrusted to their care

Efficiency

ensuring the best use of resources to further the aims of the organisation, with a commitment to evidence-based strategies for improvement

	2015 -2016	2016 -2017	2017 -2018	2018 -2019	2019 -2020
Medical staff ^a	21	23	22	24	24
Nursing staff ^a	149	150	162	165	161
Allied Health staff ^a	19	25	27	25	27

Table 1: More doctors and nurses*

	2015 -2016	2016 -2017	2017 -2018	2018 -2019	2019 -2020
Persons identifying as being First Nations ^b	19	18	23	25	19

Table 2: Greater diversity in our workforce*

Note: * Workforce is measured in MOHRI – Full-Time Equivalent (FTE). Data presented reflects the most recent pay cycle at year’s end. Data presented is to Jun-20.

Source: ^a DSS Employee Analysis, ^b Queensland Health MOHRI, DSS Employee Analysis

Strategic workforce planning and performance

Central West HHS had a workforce profile including 381 full time equivalent staff at the end of the 2019-2020 period. Critical vacancies, including the Executive Director Finance and Infrastructure Support Services, Nurse Practitioner and Director of Medical Services positions have been the focus of targeted recruitment activities early in 2020. Recruitment to the critical vacancies remains a challenge for Central West HHS with added pressure brought to bear during this period by the increased clinical workforce demands and travel restrictions resulting from the worldwide COVID-19 pandemic.

The separation rate of permanent Central West HHS employees during the period was 18 per cent.

The recruitment challenges also present an opportunity for Central West HHS to deliver healthcare with innovation and flexibility to achieve improved health outcomes for our communities consistent with its own vision. The Central West HHS 2019-2021 Clinical Engagement Strategy and Staff Wellbeing Plan will continue to inform the focus of our work including the support of staff mental and physical health and wellbeing. The Central West HHS Health Service Plan 2020-2025 will inform a review of workforce planning and service delivery in response to community need and with a view to maximise recent infrastructure investments across our Central West communities.

Early retirement, redundancy and retrenchment

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

Our risk management

Central West HHS adopts a proactive approach to the identification and management of risk in accordance with AS/NZS ISO 31000:2018 Risk Management Standards with a view to:

- » achieve objectives
- » identify opportunities
- » comply with legal and regulatory requirements and standards
- » implement sound financial reporting and controls
- » improve stakeholder trust and confidence
- » effectively allocate and use resources
- » improve operational efficiency
- » ensure appropriate health and safety performance

A distributed management and advisory model is used to manage risks at Central West HHS. Accountable officers are assigned responsibility according to risk category and undertake to monitor, review and report on relevant risks.

The Corporate Audit Risk and Compliance Committee is a functional level committee established to support the above model for all risks relevant to the corporate functions of Central West HHS. Regular meetings of key stakeholders to conduct a review of the clinical operational risk register are held and report to the Executive Clinical Governance Committee. Each committee reports in alignment with the committee structure as defined in the Central West Health Governance Framework.

The Hospital and Health Boards Act 2011 requires annual reports to state each direction given by the Minister to the HHS during the final year and the action taken by the HHS as a result of the direction. During the period 2019-20 period no directions were given by the Minister to Central West HHS.



Internal audit

Central West HHS contracts its internal audit function to an external provider whose representatives work in partnership with Central West HHS staff and Board to plan and conduct audit activities in consideration of:

- » compliance with relevant legislation, regulations, standards and codes of practice
- » optimisation of resources
- » achievement of strategic priorities
- » effective risk management

The internal audit function provides Central West HHS with independent and objective assurance guided by a philosophy of value add and operational improvement. Internal audit reports are presented at each meeting of the Audit and Risk Committee (the Committee) following a process of management validation.

Internal audits conducted during the period 2019-2020 included:

- » recruitment and selection
- » financial management assurance
- » workforce establishment

Prior period internal audit recommendations are monitored and reported regularly at the request of the Committee to assure itself that the investment equals improvement. Representatives of the contracted internal audit function join with appointed external audit and Queensland Audit Office representatives in attendance at each meeting of the Committee.

External scrutiny, information systems and recordkeeping

Appointed external auditors, Ernst and Young, have provided regular reports to each meeting of the Audit and Risk Committee (the Committee) which provided a status update on all external audit activities. Each report is prepared in alignment with an approved external audit plan which includes reference to key audit risks, the planned audit response and financial reporting and audit deliverables developed in consideration of the following management responsibilities:

- » preparation of financial statements with the applicable reporting framework
- » development of internal controls to prepare financial statements free from material misstatement
- » compliance against prescribed legislation
- » provision of full and free access by auditors to all documents and property

The Queensland Audit Office provide regular updates to the Committee on its work at a state level with relevance to the health sector and the business environment.

External audit management notes consideration on emerging risks relevant to the COVID-19 pandemic, information technology and cyber security threats, valuation of property, plant and equipment, lease accounting and financial statement disclosure. No high-risk issues were identified in terms of local processing and reporting.

Continued investment is improving the management and archiving of clinical records in accordance with the Public Records Act 2002. Central West HHS has transitioned to the new state-wide finance and assets system – S4HANA. Implementation of the new system continues to be supported by a dedicated project team as the embedding of stock ordering, procurement, asset management and other financial management processes continues.

Queensland Pubic Service ethics

As a statutory body, Central West HHS is required to make ethical decisions, be accountable for its actions, and demonstrate integrity.

Central West HHS was pleased to welcome the Queensland Integrity Commissioner to Longreach in February 2020 to present to the Board and the Executive Leadership Team on the ethical disclosure and management of personal interests. The presentation provided an opportunity for the Central West HHS leadership to review and interrogate its current processes to assure itself that the public interest remains first and foremost in its decision making.

In support of this Central West HHS adopts the following processes to support the primacy of the public interest:

- » Board and Executive Leadership Team members complete annual pecuniary and non-pecuniary declarations, the contents of which are referenced at each strategic and operational level meeting
- » Board and Executive Leadership Team members complete annual related part declarations as per the Australian Auditing Standard ASA 550 Related Parties for scrutiny by external auditors in the audit process of annual financial statements
- » conflict of interest and lobbyist contact declarations is a standing agenda item on all strategic and operational level committees

Human Rights

During the 2019-20 period Central West HHS commenced a review of all currently published governance documents in alignment with the objectives of the Human Rights Act 2019 (the Act). This review was undertaken by an independent contractor in support of greater objectivity when making the assessment. This work will be a continued focus over the next 12 months and include new documents submitted for publication as part of a revised document management process.

Central West HHS has written to relevant public entities regarding the requirements of the Act and highlighted their responsibilities for implementation of its objectives.

Education training options have been explored for the Central West HHS workforce to raise awareness of the Act's objectives and the service's online learning platform, CWLearn, will support the facilitation of this requisite training module with roll out expected to occur in the 2020-21 period.

No human rights complaints have been received by Central West HHS during the period.

Confidential information

The Hospital and Health Boards Act 2011 requires annual reports to state the nature and purpose of any confidential information disclosed in the public interest during the financial year.

The Health Service Chief Executive did not authorise the disclosure of confidential information during the reporting period.

Performance

Service standards

Central West HHS continues to perform well meeting or exceeding its targets for emergency department presentations seen within recommended timeframes. Similarly, Central West HHS performed well above its targets for emergency attendance who departed within four hours of arrival. These results then reflect positively in the reported two-minute median wait time for treatment in the emergency department which collectively support the health service to deliver far-reaching healthcare that is accessible and responsive to community need.

As per Note 1 the percentages of elective surgery patients treated within clinically recommended times were impacted by the suspension of non-urgent elective surgery in support of the COVID-19 emergency response and planning. Changes in frequency of visiting specialists also impacted the reported outcomes of elective surgery patients treated within clinically recommended timeframes and Central West HHS continues to work with its partners to improve this result.

The impact of realignment of resources and community imposed restrictions as part of the COVID-19 response also impacted the ability of Central West HHS to meet its outpatient attendance targets however, there was little variation recorded against the inpatient target which indicates community confidence in their safety in attending facilities during the declared pandemic period.

Targeted recruitment to senior leadership and clinical roles and minor structural changes has resulted in an improved team culture and this has translated into improved performance and provision of increased access to safe, reliable, quality mental health services for patients across Central West Queensland.

Telehealth performance during the period has improved due to planned increased utilisation of telehealth to support delivery of safe, quality care closer to home. The conversion of face to face clinical appointments to telehealth to overcome restrictions associated with the COVID-19 pandemic also contributed to the 15 per cent increase on the target.

Service Standards	Target	Actual
Effectiveness measures		
Percentage of patients attending emergency departments seen within recommended timeframes: ^a		
Category 1 (within 2 minutes)	100%	100.0%
Category 2 (within 10 minutes)	80%	97.2%
Category 3 (within 30 minutes)	75%	97.0%
Category 4 (within 60 minutes)	70%	98.7%
Category 5 (within 120 minutes)	70%	99.4%
Percentage of emergency department attendances who depart within four hours of their arrival in the department ^a	≥80%	95.1%
Percentage of elective surgery patients treated within clinically recommended times: ^b		
Category 1 (30 days)	≥98%	93.5% ¹
Category 2 (90 days)	≥95%	84.2%
Category 3 (365 days)	≥95%	98.8%
Rate of healthcare associated Staphylococcus aureus (including MRSA) bloodstream (SAB) infections/10,000 acute public hospital patient days ^c	N/A	0.0 ²
Median wait time for treatment in emergency departments (minutes) ^a	..	2
Median wait time for elective surgery (days) ^b	..	84
Other Measures		
Number of elective surgery patients treated within clinically recommended times: ^b		
Category 1 (30 days)	41	29 ¹
Category 2 (90 days)	64	48
Category 3 (365 days)	163	82
Number of telehealth outpatient occasions of service events ^d	3,592	4,137
Total weighted activity units (WAU's) ^e		
Acute Inpatient	1,964	1,90 ³
Outpatients	1,943	1,106
Sub-acute	244	313
Emergency Department	962	985
Mental Health	90	104
Prevention and Primary Care	-	168
Ambulatory mental health service contact duration (hours) ^f	≥2,016	2,584
Staffing ^g	380	382

Financial summary

Central West HHS has posted a \$1.488 million operating deficit for the year ending 30 June 2020 reflective of increased cost pressures from the COVID-19 pandemic, and a decline in the value of land held during 2020.

In line with the Service Agreement with the Department of Health, Central West HHS received a mix of block and general-purpose funding to deliver agreed services. A share of Commonwealth funding is commissioned through the Department of Health to Central West HHS and this, together with state funding has provided the people of the Central West with access to a comprehensive mix of people centred safe and quality healthcare services.

During 2020 additional funding was provided under the National Partnership Agreement (NPA) to meet costs directly attributed to the treatment of COVID-19 patients (diagnosed or suspected), and additional costs of activities directed at preventing the spread of COVID-19. Restrictions on travel across the state and cancellation of non-urgent elective surgery, resulted in higher patient transportation costs which were not funded. Additional temporary medical staff were employed to backfill vacancies and relieve nurses, supporting the models of care and change in practice to manage COVID-19 safe services.

Total revenue received during the period remained relatively consistent with that received in 2018-19 (less than 0.4 per cent growth) with \$88.4 million being invested across people, services and systems aspects of our business to support the delivery of far-reaching healthcare to the people of Central West Queensland.

Revenue	
	\$'000
Funding public health service	75,875
User charges and fees	7,266
Grants and other contributions	3,265
Other revenue	553
TOTAL	86941
Expenses	
Labour costs	53107
Supplies and services	27,087
Depreciation	6,147
Other expenses	2,088
TOTAL	88,429

Table 4: Financial performance 2019-2020

Total expenses reported provide an average of \$242,000 a day to deliver health services across our 18 communities. Just over 61 per cent of revenue during the year has been invested in providing a resourceful, dedicated and adaptable workforce to meet the healthcare needs of the residents and visitors. The remaining 39 per cent covers the cost of supplies, services and depreciation charges.

Where the money goes	%
General hospital services	51%
General medical services	16%
Mental health including community services	6%
Nursing and convalescent home services	2%
Patient transport	3%
Community and public health services	17%
Health administration	5%

Table 5 above shows the allocations to services within Central West HHS.

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

Anticipated maintenance is defined as maintenance that is necessary to prevent the deterioration of an asset or its function, but which has not been carried out. Some anticipated maintenance activities can be postponed without immediately having a noticeable effect on the functionality of the building. All anticipated 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 3 June 2020, Central West HHS had reported anticipated maintenance of \$5.5 million.

Central West HHS has the following strategies in place to mitigate any risk associated with these items:

- » Priority Capital Program and other funding sources actively sought to support unfunded maintenance with applications submitted based on prioritisation of community needs at the forefront
- » maximisation of the service potential of existing and new assets by ensuring they are appropriate for purpose and properly maintained
- » reducing the demand for new assets through appropriate asset life cycle renewal and demand management techniques and consideration of alternate delivery options
- » ensuring capital expenditure decisions are based on rigorous economic appraisal of options that include financial and non-financial parameters

Financial Statements

Central West Hospital and Health Service Financial Statements

For the Year Ended 30 June 2020

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Central West Hospital and Health Service
Statement of Comprehensive Income

Year ended 30 June 2020

	Notes	2020 \$'000	2019 \$'000
Income			
User charges and fees	B1-1	7,266	7,660
Funding public health services	B1-2	75,857	75,576
Grants and other contributions	B1-3	3,265	2,792
Other revenue	B1-4	553	573
Total Income		86,941	86,601
Expenses			
Employee expenses	B2-1	9,328	9,464
Health service employee expenses	B2-2	43,779	40,577
Supplies and services	B2-3	27,087	28,630
Depreciation and amortisation	C5 & C9	6,147	7,293
Other expenses	B2-4	1,950	1,972
Revaluation decrement - land		138	-
Total Expenses		88,429	87,936
Operating surplus/(deficit)		(1,488)	(1,335)
Other comprehensive Income			
Items not reclassified to operating result			
Increase in asset revaluation surplus		1,381	1,112
Other comprehensive income for the year		1,381	1,112
Total comprehensive income		(107)	(223)

The accompanying notes form part of these statements

5-02

Central West Hospital and Health Service
Statement of Financial Position

as at 30 June 2020

	Notes	2020 \$'000	2019 \$'000
Current assets			
Cash and cash equivalents	C1	138	1,986
Receivables	C2	542	552
Inventories	C3	746	690
Other assets	C4	983	1,410
Total current assets		2,409	4,638
Non-current assets			
Property, plant and equipment	C5	96,539	85,528
Right-of-use assets	C9	1,764	-
Total non-current assets		98,303	85,528
Total assets		100,712	90,166
Current liabilities			
Payables	C6	3,761	4,226
Accrued employee expenses	C7	497	330
Other liabilities	C8	30	250
Lease liability	C9	623	-
Total current liabilities		4,911	4,806
Non-current liabilities			
Lease liability	C9	1,098	-
Total non-current liabilities		1,098	-
Total liabilities		6,009	4,806
Net assets		94,703	85,360
Equity			
Contributed equity		62,451	53,052
Accumulated surplus		(482)	955
Asset revaluation surplus	C10	32,734	31,353
Total equity		94,703	85,360

The accompanying notes form part of these statements

5-03

Central West Hospital and Health Service
Statement of Changes in Equity
for the year ended 30 June 2020

	Accumulated surplus \$'000	Asset revaluation surplus \$'000	Contributed equity \$'000	Total equity \$'000
Balance as at 1 July 2018	2,290	30,241	58,677	91,208
Operating result	(1,335)	-	-	(1,335)
Other Comprehensive Income				
Increase in asset revaluation surplus - buildings	-	1,112	-	1,112
Decrease in asset revaluation surplus - land	-	-	-	-
Total Comprehensive Income for the year	(1,335)	1,112	-	(223)
Transactions with Owners as Owners:				
Net assets received	-	-	266	266
Equity injections cash	-	-	1,402	1,402
Equity withdrawals - depreciation	-	-	(7,293)	(7,293)
Net transactions with Owners as Owners	-	-	(5,625)	(5,625)
Balance at 30 June 2019	955	31,353	53,052	85,360
	\$'000	\$'000	\$'000	\$'000
Balance as at 30 June 2019	955	31,353	53,052	85,360
Net effect of changes in accounting policies/prior year adjustments (Note E6)	51	-	-	51
Balance as at 1 July 2019	1,006	31,353	53,052	85,411
Operating result	(1,488)	-	-	(1,488)
Other Comprehensive Income				
Increase in asset revaluation surplus - buildings	-	1,538	-	1,538
Decrease in asset revaluation surplus - land	-	(157)	-	(157)
Total Comprehensive Income for the Year	(1,488)	1,381	-	(107)
Transactions with Owners as Owners:				
Net assets received	-	-	12,914	12,914
Equity injections cash	-	-	2,632	2,632
Equity withdrawals - depreciation	-	-	(6,147)	(6,147)
Net Transactions with Owners as Owners	-	-	9,399	9,399
Balance at 30 June 2020	(482)	32,734	62,451	94,703

Central West Hospital and Health Service
Statement of Cash Flows
Year ended 30 June 2020

	Notes	2020 \$'000	2019 \$'000
Cash flows from operating activities			
<i>Inflows:</i>			
User charges and fees		7,748	7,084
Funding public health services		69,317	69,301
Grants and other contributions		2,374	1,906
GST input tax credits from ATO		2,045	1,827
GST collected from customers		109	107
Other receipts		534	572
<i>Outflows:</i>			
Employee expenses		(9,162)	(9,416)
Health service employee expenses		(43,378)	(40,422)
Supplies and services		(28,025)	(27,888)
GST paid to suppliers		(1,988)	(1,860)
GST remitted to ATO		(107)	(92)
Other		(945)	(894)
Net cash from/(used by) operating activities	CF-1	(1,478)	225
Cash flows from investing activities	CF-2		
<i>Inflows:</i>			
Sales of property, plant and equipment		-	8
<i>Outflows:</i>			
Payments for property, plant and equipment		(2,399)	(1,538)
Net cash from/(used by) investing activities		(2,399)	(1,530)
Cash flows from financing activities	CF-2		
<i>Inflows:</i>			
Equity Injections		2,632	1,402
<i>Outflows:</i>			
Lease payments		(603)	-
Net cash from/(used by) financing activities		2,029	1,402
Net increase/(decreased) in cash and cash equivalents		(1,848)	97
Cash and cash equivalents at the beginning of the financial year	C1-1	1,986	1,889
Cash and cash equivalents at the end of the financial year		138	1,986

The accompanying notes form part of these statements

Central West Hospital and Health Service
Statement of Cash Flows

Year ended 30 June 2020

NOTES TO THE STATEMENT OF CASH FLOW

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

	2020 \$'000	2019 \$'000
Operating result	(1,488)	(1,335)
Non-cash items:		
Depreciation and amortisation expense	6,147	7,293
Non-cash equity withdrawal - depreciation and amortisation funding	(6,147)	(7,293)
Net losses on disposal of property, plant and equipment	9	5
Impairment losses	60	80
Revaluation (increment)/decrement	138	-
Change in assets and liabilities:		
(Increase)/decrease in receivables	7	285
(Increase)/decrease in contract assets and other assets	427	-
(Increase)/decrease in inventories	(113)	(93)
Increase/(decrease) in payables	(465)	1,445
Increase/(decrease) in contract liabilities and unearned revenue	(220)	(209)
Increase/(decrease) in accrued employee expenses	167	47
Net cash from operating activities	(1,478)	225

CF-2 Changes in liabilities arising from financing activities

	2020 \$'000
Lease liabilities	
Balance at 1 July 2019	-
Non-cash items:	
Net adjustments on adoption of new accounting standards	1,769
New leases acquired	560
Remeasurement	(5)
Cash flows:	
Lease payments	(603)
Balance at 30 June 2020	1,721

CF-3 Non-cash investing and financing activities

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

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

Central West Hospital and Health Service
Notes to the Financial Statements

for the year ended 30 June 2020

PREPARATION INFORMATION

Central West Health is a Queensland Government statutory body established under the *Hospital and Health Board Act 2011*. The Central West Hospital and Health Service operates under its registered trading name of Central West Health. Central West Health is controlled by the State of Queensland, which is the ultimate parent entity. The principal address of Central West Health is Glasson House, Eagle Street, Longreach QLD 4730.

For information in relation to the financial statements of Central West Health, please visit the website www.centralwest.health.qld.gov.au.

COMPLIANCE WITH PRESCRIBED REQUIREMENTS

These financial statements have been prepared 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 *Financial Reporting Requirements for Queensland Government Agencies for reporting periods beginning on or after 1 July 2019*, and other authoritative pronouncements.

Central West Health is a not-for-profit statutory body and these general purpose financial statements have been 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 E6.

THE REPORTING ENTITY

The financial statements include the value of all revenues, expenses, assets, liabilities and equity of Central West Hospital and Health Service. Central West Health does not have any controlled entities.

AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements are authorised for issue by the Chairperson of the Hospital and Health Board and the Chief Executive of Central West Health.

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

To improve the clarity of disclosures, a number of new line items have been included on the face of the financial statements and new notes created. These include separate line items for:

- Funding public health services (previously part of User charges and fees); and reclassification of income from contracts managed on behalf of the Department of Health for capital projects (Other revenue to Sales of goods and services) to closer reflect the nature of these transactions.
- Other assets and Other liabilities. Previously prepayments, accrued revenue and other assets were included in receivables while unearned revenue and other liabilities were included in payables.

Comparative information has been reclassified where required for consistency with the current year's presentation.

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 they are due to be settled 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 Central West Health 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.

BASIS OF MEASUREMENT

Land and buildings are measured at fair value. Inventories are measured at cost, adjusted when applicable for any loss in service potential.

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.

Central West Hospital and Health Service

Notes to the Financial Statements

for the year ended 30 June 2020

These accounts have been prepared on a going concern basis which assumes the entity realises its assets and discharges its liabilities as and when they fall due in the ordinary course of business. Central West Health has a current year deficit and a small accumulated loss as at 30 June 2020. In current and prior years, Central West Health has received support from the Department of Health, and on this basis the application of the going concern basis is appropriate.

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 Central West Health:

- 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, such as a business; 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.

Accounting estimates and judgements

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

Key judgements and estimates are disclosed in the relevant note to which they apply.

OBJECTIVES OF CENTRAL WEST HEALTH

The HHS is responsible for providing primary health, community and public health services to the communities of remote central west Queensland assigned under the *Hospital and Health Boards Regulation 2012*. This includes responsibility for the direct management of hospitals in Barcaldine, Blackall, Longreach and Winton, a multipurpose health service at Alpha, and satellite primary health clinics at Aramac, Bedourie, Birdsville, Boulia, Isisford, Jericho, Jundah, Muttahburra, Tambo and Windorah.

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

CONTROLLED ENTITIES

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

Disclosures about non wholly-owned entities

Western Queensland Primary Care Collaborative Limited (WQPCC), trading as Western Queensland Primary Health Network (WQPHN), was established as a public company limited by guarantee on 22 May 2015. Central West Hospital and Health Service is one of fifteen members with each member holding one voting right in the company.

The principal place of business of WQPCC is Mount Isa, Queensland. The company's principal purpose is to work with general practitioners, other Primary Health Care providers, community health services, and hospitals in western 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 (6.6%), it is considered that none of the individual members has power or significant influence over WQPCC (as defined by AASB 10 *Consolidated Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures*).

Each member's liability to WQPCC is limited to \$10. WQPCC's constitution legally prevents it from paying dividends to the members and prevents the income or property of the company being transferred directly or indirectly to the members.

As WQPCC is not controlled by Central West Health and is not considered a joint operation or an associate of Central West Health, financial results of WQPCC are not required to be disclosed in these statements. During 2020, Central West Health received funding from WQPCC, primarily under the Diamantina Primary Health Service Agreement, totalling \$670 thousand (2019: \$610 thousand). No payments were made to WQPCC during 2020 (2019: nil) by Central West Health.

Central West Hospital and Health Service

Notes to the Financial Statements

for the year ended 30 June 2020

SECTION B NOTES ABOUT OUR FINANCIAL PERFORMANCE

B1 REVENUE

B1-1 USER CHARGES AND FEES

	2020 \$'000	2019 \$'000	Accounting Policy - Revenue from contracts with customers (User charges)
Revenue - contracts with customers			
Medical practice receipts	3,829	3,857	Revenue from contracts with customers is recognised when Central West Health transfers control over a good or service to the customer. The following table provides information about the nature and timing of the satisfaction of performance obligations, significant payment terms, and revenue recognition for user charges rising from revenue from contracts with customers.
Sales of goods and services	2,176	2,501	
Hospital fees	947	921	
Pharmaceutical benefits scheme	314	381	
	7,266	7,660	

The adoption of AASB 15 *Revenue from Contracts with Customers* in 2019-20 did not change the timing of revenue recognition for user charges.

Type of good or service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Medical practice receipts - medical staff employed by Central West Health, deliver private patient medical services within a number of facilities owned and managed by the private sector.	The sole performance obligation is the delivery of private patient care which is recognised as services are provided. Practice revenue generated from bulk billing is retained by CWHHS, with claims lodged daily with Medicare.	Revenue is recognised on delivery of the services to the customer.
Sales of goods and services		
Home community support program - services provided to Commonwealth's clients under an agreement between the State and Commonwealth. 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.	CWHHS provides services to eligible clients for home support such as home maintenance, domestic assistance, nursing care etc. The sole performance obligation is the provision of services to eligible clients. Invoices are raised against individual customers on a monthly basis, based on the service type, frequency and rate (set by the Department of Health-(DoH)).	Revenue is recognised on delivery of the services to the customer.
Multi-purpose nursing home fees - long term nursing home and psychogeriatric patients are required to contribute towards their daily care, community care, medical and pharmacy services	The sole performance obligation is the provision of daily care to eligible Commonwealth Aged Care clients in CWHHS's multipurpose facilities. Specific fees are determined by DoH and are legislated under the Aged Care Act 1997. Invoices are raised monthly to residents based on the number of bed days of service provided.	Revenue is recognised on delivery of the services to the customer.
Management fees capital projects - DoH purchases services for approved capital projects as part of Queensland Health's delivery of the State capital program.	To satisfy performance obligations and recognise revenue, CWHHS must receive project approval from DoH prior to incurring costs, and purchases must fall within expected limits. Project costs are monitored monthly by DoH. Approval from DoH must be received before the invoice can be raised. Invoices are generally settled within 30 days and are based on cost recovery principals.	Revenue is recognised as the services are provided each month and accepted by DoH, a contract asset representing CWHHS's right to consideration for services delivered but not yet billed is raised where applicable.

Central West Hospital and Health Service
Notes to the Financial Statements
for the year ended 30 June 2020

B1-1 USER CHARGES AND FEES (continued)

Accounting Policy - Revenue from contracts with customers (User charges continued)

Type of good or service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
<i>Hospital fees</i>		
Diagnostic imaging and radiation oncology - Medicare benefits (MB) are received for diagnostic imaging and radiation oncology services provided by CWHHS to patients. These services account for approximately 60% of hospital fees.	Satisfaction of performance obligations include: - provision of the service within an accredited HHS facility; - medical imaging equipment used must be registered with the Department of Health; and - services must be performed by a radiology specialist with a Medicare provider number. Amounts claimed are dependent on the MB item schedule number and the age of the equipment used in the provision of the service. Claims are lodged electronically as services are provided.	Revenue is recognised on delivery of the services to the customer.
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 DoH. These services account for approximately 28% of hospital fees.	The sole performance obligation is the delivery of patient care which is recognised over time as provided. Health-funds are invoiced, once the patient is discharged and services are clinically coded. This can take 4-6 weeks. The amount paid by health funds may be adjusted when private health funds accept a claim. Where health fund payment rates for services rendered are lower than that established by DoH, discounts are recognised. Payment by health funds are typically made within 60 days.	Revenue is recognised over time as patient care provided by CWHHS is simultaneously received and consumed by our customers.
<i>Pharmaceutical benefits scheme (PBS)</i>		
Public hospital patients can access medicines listed on the PBS if they are being discharged or attending outpatient day clinics and admitted to receive chemotherapy treatment. Medicare Australia reimburses the cost of the pharmaceutical items at the agreed wholesale price. Patient generally pay a co-payment which is deducted from the Commonwealth reimbursement price	Performance obligation to receive the subsidy from the Commonwealth include: - each CWHHS dispensing facility must have a Medicare Australia provider number; and - have dispensed items on the PBS list using the approved PBS prescription forms. Reimbursements are claimed electronically via PBS Online (either fortnightly or monthly) and submitted to Medicare Australia. Payments from Medicare go directly to CWHHS.	Revenue is recognised as medication is distributed to patients, with payments from Medicare received on behalf of the customer (patient).

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Central West Hospital and Health Service
Notes to the Financial Statements
for the year ended 30 June 2020

B1-2 FUNDING PUBLIC HEALTH SERVICES

Accounting Policy - Public health services

	2020 \$'000	2019 \$'000	
Block funding	57,483	46,236	Revenue is recognised on receipt of funds under AASB 1058 <i>Income of Not-for-Profit Entities</i> where the Service Agreement (SA) does not include sufficiently specific performance obligation. This includes block, teacher, depreciation and the majority of other general-purpose funding. Where the SA contains sufficiently specific performance obligations, and CWHHS transfers goods or services, the transaction is accounted for under AASB 15 <i>Revenue from Contracts with Customers</i> , with revenue initially deferred and recognised as revenue as or when the performance obligations are satisfied.
Depreciation funding	6,147	7,293	
General purpose funding	12,227	22,046	
	75,857	75,575	

Disclosure about funding received to deliver public health services

Funding is provided by DoH for specific public health services. These services are purchased in accordance with an enforceable contract - the SA. This includes targeted activity service levels, outcomes to be met and how CWHHS's performance will be measured and is reviewed periodically for changes in activity levels, type of services and the prices of services delivered. Payments received under this agreement represent both the State and Commonwealth contribution to health services. The Commonwealth pays its share of national health funding directly to DoH, for on-forwarding to the Hospital and Health Service. During 2019-20 additional funding was provided under the *National Partnership Agreement on COVID-19 Response* to meet costs directly attributed to the treatment of COVID-19 patients (diagnosed or suspected), and additional costs of activities directed at preventing the spread of COVID-19. In 2019-20 \$1.023 million was received for this purpose. Cash funding from the department is received fortnightly for State payments, while Commonwealth payments are received on a monthly basis.

Block funding is provided to smaller public hospitals where the technical requirements for applying Activity Based Funding (based on a mix and volume of patients treated, with agreed number of activities and state-wide national efficient price) are not able to be satisfied; and there is an absence of economies of scale that means some services would not be financially viable. Block funding, although under an enforceable agreement, does not contain sufficient specific performance obligations and is recognised as revenue when received.

Depreciation and amortisation funding is provided to offset the depreciation/amortisation charges incurred by Central West Health. This is a non-cash revenue and is offset with an equity withdrawal for the same amount refer Statement of Changes in Equity. There is no transfer of goods and services to a third party, with depreciation revenue recognised as revenue as received under AASB 1058.

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. These are state-funded services and have specific conditions attached. Recognition of revenue for other 'general purpose' funding is dependent of the specific performance obligations attached to each funding sub-type. Where the obligations are not sufficiently specific, revenue is recognised as it is received. Funding with sufficiently specific obligations, are recognised over time as the services/goods are provided and obligations met with the price implicit in the SA. There are no material contracts with sufficiently specific obligations at 30 June 2020.

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Central West Hospital and Health Service
Notes to the Financial Statements

for the year ended 30 June 2020

B1-3 GRANTS AND OTHER CONTRIBUTIONS

Accounting Policy - Grants and contributions

	2020 \$'000	2019 \$'000	
Revenue from contracts with customers			Grants, contributions, donations arise from non-exchange transactions where CWHHS does not directly give approximately equal value to the grantor.
Home and community care	431	420	
Rural and remote primary care	468	392	
	899	812	Where the grant agreement is enforceable and contains sufficiently specific performance obligations for CWHHS to transfer goods or services to a third-party on the grantor's behalf, the transaction is accounted for under AASB 15 <i>Revenue from Contracts with Customers</i> .
Other grants			In this case, revenue is initially deferred (as a contract liability) and recognised as or when the performance obligations are satisfied.
Capital grants	286	286	
Other specific purpose	1,192	782	
	1,478	1,068	
	2,377	1,880	
Contributions			Otherwise the grant is accounted for under AASB 1058 <i>Income of Not-for-Profit Entities</i> , whereby revenue is recognised upon receipt of the grant funding, except for special purpose capital grants, received to construct non-financial assets controlled by CWHHS. Special purpose capital grants are recognised as unearned revenue when received, and subsequently recognised progressively as revenue as CWHHS satisfies its obligations under the grant.
Services received below fair value	887	886	
Donations other	1	26	
	888	912	
	3,265	2,792	

Accounting Policy - Services received below fair value

Contributions of services are recognised only if the services would have been purchased if they had not been donated and their fair value can be measured reliably. Where this is the case, an equal amount is recognised as revenue and an expense. CWHHS receives corporate services support from DoH at no cost. Corporate services received include payroll services, financial transactions services (including accounts payable and banking services), administrative services and information technology services.

Disclosure - Grants and other contributions

CWHHS has a number of grant arrangements with the Commonwealth that relate to funding of activity-based services. Two of these arrangements, outlined below, have been identified as having sufficiently specific performance obligations under enforceable grant agreements and comprise 38% of total grants received. The remaining grants, although under enforceable agreements, do not contain sufficiently specific performance obligations - these grants are recognised upon receipt.

Commonwealth grants - recognised as performance obligations are satisfied

Home and community care

CWHHS provides services to eligible Commonwealth clients under a two-year agreement between the State and Commonwealth. Purchased 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 plans.

The performance obligation is to provide care and services to approved clients that aligns with the package approved by the Commonwealth. Payments from the Commonwealth are made quarterly in advance. Funds received are recognised as contract liabilities until performance obligations are satisfied. Revenue is recognised as services are performed.

While the timing of revenue recognition throughout the year has changed under AASB 15, at 30 June 2019 all targets had been exceeded, resulting in an overall nil impact on transition.

Rural and remote primary care

Under a Memorandum of Understanding (MOU) between the State and Commonwealth, CWHHS receives payment through Medicare Australia for services provided to patients presenting to rural and remote health facilities. The use of funds generated under this arrangement are restricted and must be used for community maintenance programs.

The performance obligation is for medical staff within approved facilities under Schedule A of the MOU to provide treatment to public patients in the emergency department. 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. As the payment terms under this agreement ensure cash was provided at the same time as services were provided, there has been no impact on transition to AASB15.

Central West Hospital and Health Service
Notes to the Financial Statements

for the year ended 30 June 2020

B1-4 OTHER REVENUE

	2020 \$'000	2019 \$'000	Accounting Policy - Other revenue
Recoveries	516	569	Other revenue primarily reflects recovery of contracted medical staff costs from the private sector, and contributions from universities for student clinical placements. Other revenue is recognised based on either invoicing for related goods, services and/or the recognition of accrued revenue based on estimated volumes of good or services delivered.
Other	37	4	
	553	573	

B2 EXPENSES

B2-1 EMPLOYEE EXPENSES

	2020 \$'000	2019 \$'000	Accounting Policy - Employee benefits
Employee benefits			The <i>Hospital and Health Boards Act 2011</i> (the Act) outlines the employment arrangements for CWHHS. Board members, the Health Service Chief Executive and Senior Medical Officers are directly engaged by CWHHS while Health Service employees remain employed by the Department of Health.
Wages and salaries	8,057	8,155	Wages and salaries due but unpaid at reporting date are recognised as liabilities in the Statement of Financial Position at the salary rates applicable at the time the service was delivered. As Central West Health expects such liabilities to be wholly settled within 12 months of reporting date, the liabilities are recognised at undiscounted amounts. As sick leave is non-vesting, an expense is recognised for this leave as it is taken.
Annual leave levy	444	433	
Employer superannuation contributions	508	554	
Long service leave levy	168	164	
Employee related expenses			
Workers compensation premium	16	14	
Other employee related expenses	135	144	
	9,328	9,464	
No. of Central West Health employees	20	20	

The number of employees as at 30 June includes full-time and part-time employees measured on a full-time equivalent (FTE) basis (reflecting Minimum Obligatory Human Resource Information (MOHRI)). The number of employees does not include the chair, deputy chair and board members unless employed concurrently by Central West Health.

Annual Leave, Long Service Leave and Superannuation

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

Employer superannuation contributions are paid to QSuper, the superannuation scheme for Queensland Government employees, at rates determined by the Treasurer on the advice of the State Actuary. The QSuper scheme has defined benefit and defined contribution categories. Contributions are expensed in the period in which they are payable and the obligation of Central West Health's is limited to its contribution to QSuper.

Employee related expenses

Central West Health 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.

Key management personnel and remuneration expense disclosures are detailed in Note E2.

Central West Hospital and Health Service
Notes to the Financial Statements

for the year ended 30 June 2020

B2-2 HEALTH SERVICE EMPLOYEE EXPENSES

	2020 \$'000	2019 \$'000
Department of Health		
Health service employees	<u>43,779</u>	<u>40,577</u>

The Hospital and Health Service through service arrangements with the Department of Health has engaged 362 (2019: 357) full-time equivalent persons at 30 June 2020. As well as direct payments to the department, premium payments made to WorkCover Queensland representing compensation obligations are included in this category 2020: \$370 thousand (2019: \$270 thousand).

In accordance with the Act section 67, the employees of the Department of Health are referred to as Health Service Employees. Under this arrangement the department provides employees to perform work for Central West Health and acknowledges and accepts its obligations as the employer of these employees. Central West Health is responsible for the day to day management of these departmental employees and reimburses the department for the salaries and on-costs of these employees. This is disclosed as health service employee expenses.

B2-3 SUPPLIES AND SERVICES

	2020 \$'000	2019 \$'000	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.
Building services	1,252	1,095	
Computer and communication services	2,284	1,810	
Consultants and contractors			
Medical	5,527	5,698	
Non-medical	817	546	
Electricity and other energy	1,174	1,377	
Inventories consumed			
Drugs	680	708	
Clinical supplies	1,568	1,510	
Catering and domestic supplies	581	721	
Medical practice facility fees	1,146	1,190	
Lease expenses	162	1,397	
Other	1,834	2,029	
Other travel and vehicle costs	1,639	1,769	
Patient transport	4,321	5,091	
Pathology, blood and parts	1,180	1,178	
Repairs and maintenance	2,922	2,511	
	<u>27,087</u>	<u>28,630</u>	

Central West Hospital and Health Service
Notes to the Financial Statements

for the year ended 30 June 2020

B2-4 OTHER EXPENSES

	2020 \$'000	2019 \$'000	Accounting Policy - Insurance
Audit expenses*	164	265	Property and general losses above a \$10,000 threshold are insured through the Queensland Government Insurance Fund (QGIF) under the Department of Health's insurance policy. Health litigation payments above a \$20,000 threshold and associated legal fees are also insured through QGIF. Premiums are calculated by QGIF on a risk assessed basis.
Inventory written off	76	77	
Legal expenses	315	338	
Interest	41	-	
Net losses from disposal of property, plant and equipment	9	5	
Special payments	7	30	
Other expenses	190	105	
Services received free of charge	887	886	
QGIF Insurance	261	266	
	<u>1,950</u>	<u>1,972</u>	

*Total external audit fees payable to the Queensland Audit Office relating to the 2019-20 financial year are estimated to be \$166,000 (2019: \$157,000) including out of pocket expenses. Audit expenses includes both internal and external audit fees. Some of these services will be finalised in the 2020-21 financial year and as such are not included in the above audit fees.

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

Accounting Policy - Special payments
Special payments represent ex-gratia payments Central West Health is not contractually or legally obliged to make to other parties. During 2020, payment under a out-of-court settlement was made to a former employee as part of dispute resolution.

Central West Hospital and Health Service
Notes to the Financial Statements
for the year ended 30 June 2020

SECTION C
NOTES ABOUT OUR FINANCIAL POSITION

C1 CASH AND CASH EQUIVALENTS

Accounting Policy - Cash and cash equivalents

	2020 \$'000	2019 \$'000	
Cash on hand	4	4	For the purposes of the Statement of Financial Position and the Statement of Cash Flows, cash assets include all cash and cheques receipted but not banked at 30 June as well as deposits at call with financial institutions and cash debit facility.
Cash at bank	98	1,932	CWHHS's operational bank accounts form part of the Whole-of-Government banking arrangement with the Commonwealth Bank of Australia and no interest is earned on these accounts by Central West Health.
Restricted cash*	36	50	
	138	1,986	

*Central West Health receives cash contributions from benefactors in the form of gifts, donations and bequests for stipulated purposes. These monies are held in a general trust fund bank account held with the Commonwealth Bank of Australia and Queensland Treasury Corporation at call accounts. Cash held in these accounts earn interest at a rate of 1.87% (2019: 2.23%). The use of these funds is restricted, in accordance with the conditions established at the time of the donation.

Debt facility

Central West Health has access to a \$500,000 debt facility approved by Queensland Treasury which was nil at 30 June 2020 (2019: nil). In July 2020 the debt facility limit was increased to \$1.5 million

C2 RECEIVABLES

Accounting Policy - Receivables

	2020 \$'000	2019 \$'000	
Trade receivables	348	296	Receivables are measured at amortised cost which approximates their fair value at reporting date.
Less: Loss allowance	(3)	(1)	Trade receivables are recognised at the amount due at the time of sale or service delivery i.e. the agreed purchase/contract price. The recoverability of trade receivables is reviewed at the end of each month at an operating unit level. Trade receivables are generally settled within 60 days. No interest is charged and no security is obtained.
	345	295	
GST receivable	219	277	
GST payable	(22)	(20)	
	197	257	
	542	552	

Disclosure - Receivables

The closing balance of receivables arising from contracts with customers at 30 June 2020 is \$348 thousand (1 July 2019: \$296 thousand).

C2-1.1 Impairment of receivables

Accounting Policy - Impairment of receivables

The loss allowance for trade and other debtors reflects lifetime expected credit losses. No loss allowance is recorded for receivables owing by Queensland State or Federal Government agencies 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 (greater than 90 days overdue) and debt enforcement 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 receivables is disclosed as follows. If receivables are subsequently recovered, the amounts are credited against other expenses in the Statement of Comprehensive Income when collected.

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 CWHHS.

The HHS uses a provision matrix to measure expected credit losses based on observed historical default rates since 2013. No adjustment has been made changes for macroeconomic indicators as historically, these indicators have not impacted on the collectability of receivables.

Central West Hospital and Health Service
Notes to the Financial Statements
for the year ended 30 June 2020

C2-1.1 Impairment of receivables (continued)

Disclosure - Credit risk exposure of receivables (continued)

Loss rates are calculated for customer profiles with similar loss patterns, with four groups identified.

- Private patients ineligible for health assistance under Medicare arrangements with the Commonwealth;
- Third party patient treatment - pending legal cases;
- Other private patients and nursing age care fees; and
- Reimbursements of expenses incurred.

Set out below is the credit risk exposure on CWHHS's trade and other receivables broken down by customer groupings as at 30 June.

Impairment group - Receivables:

	2020			2019		
	Gross receivables	Loss rate	Expected credit losses*	Gross receivables	Loss rate	Expected credit losses*
		%	\$'000	\$'000	%	\$'000
Private patients - ineligible	7	25%	2	-	29%	-
Third party patients - legal court cases	1	4%	-	2	4%	-
Other private patients	106	1%	1	77	1%	1
Aged care fees	15	0%	-	17	0%	-
State and federal government agencies	173	0%	-	268	0%	-
Other debtors	243	0%	-	189	0%	-
	545		3	553		1

* - includes expected default based on historical patterns of objective evidence and impairment of specific debts where the general allowance is exceeded.

Disclosure - Movement in allowance for impairment of receivables

	2020 \$'000	2019 \$'000
Balance at 1 July	1	3
Amounts written off during the year	0	4
Increase/(decrease) in allowance recognised in operating result	2	(6)
Balance at 30 June	3	1

Disclosure - Ageing of past due but not impaired receivables as well as impaired receivables

	2020 \$'000	2019 \$'000
Past due and individually impaired		
Greater than 90 days	-	-
Past due but not impaired trade receivables		
Not overdue	250	456
Overdue		
Less than 30 days	224	58
30 to 60 days	14	26
60 to 90 days	20	3
Greater than 90 days	37	10
Total	545	553

C3 INVENTORIES

	2020 \$'000	2019 \$'000	Accounting Policy - Inventories held for distribution
Pharmaceutical drugs	254	233	Inventories consist mainly of pharmaceutical and medical supplies held for distribution in hospitals and are provided to patients free of charge except for pharmaceuticals which are provided at a subsidised rate. Inventories are valued at cost, adjusted where applicable, for any loss of service potential. Cost is assigned on a weighted average cost.
Clinical supplies	479	453	
Other	13	4	
	746	690	

Refer to Note B2-4 for information on inventory written off during the year.

Central West Hospital and Health Service
Notes to the Financial Statements

for the year ended 30 June 2020

C4 OTHER ASSETS

Accounting Policy - Other current assets

	2020 \$'000	2019 \$'000	
Current			CWHHS recognised its right to consideration for services/goods delivered to customers under a contract, but not yet billed, as a contract asset.
Prepayments	192	232	
Contract assets	329	-	Where a right to consideration exists under an agreement (not arising from contracts with customers), and funds
Other	462	1,178	have not been receipted or invoiced, accrued revenue is recognised, and disclosed as Other.
	983	1,410	

Disclosure - Contract assets

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

The Department of Health owed \$637 thousand (2019: \$1.022 million) at 30 June, including \$179 thousand (2019: \$710 thousand) for project management and purchases of additional health activity; and \$458 thousand (2019: \$312 thousand) for health funding, primarily to support additional costs as a result of COVID-19 (disclosed as other assets). For further details on the nature of these transactions refer to Note E3 Related Party Transactions.

C5 PROPERTY PLANT AND EQUIPMENT

Accounting Policy - Property plant and equipment

Central West Health holds property, plant and equipment to meet its core objective of providing quality healthcare that Queenslanders value. Items of property, plant and equipment with a cost or other value equal to or more than the following thresholds and with a useful life of more than one year are recognised at acquisition.

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

Items below these values are expensed on acquisition.

Central West Health 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. This is then depreciated over the remaining useful life of the asset. Maintenance expenditure that merely restores the original service potential (lost through ordinary wear and tear) is expensed.

Acquisition of assets

Historical cost is used for the initial recording of all non-current physical asset acquisitions. Historical cost is determined as the value given as consideration plus costs incidental to the acquisition, including all other costs incurred in getting the assets ready for use, including architects' fees and engineering design fees. However, any training costs are expensed as incurred. Items or components that form an integral part of an asset are recognised as a single (functional) asset.

Assets under construction are at cost until they are ready for use. The construction of major health infrastructure assets is managed by the Department of Health on behalf of Central West Health. These assets are assessed at fair value upon practical completion by an independent valuer. They are then transferred from the Department of Health to Central West Health via an equity adjustment.

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

Measurement using historical cost

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

Central West Hospital and Health Service
Notes to the Financial Statements

for the year ended 30 June 2020

C5 PROPERTY PLANT AND EQUIPMENT (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.

Depreciation

Property, plant and equipment are depreciated on a straight-line basis. Annual depreciation is based on fair values and Central West Health assessments of the useful remaining life of individual assets. Land and artwork is not depreciated as they have an unlimited useful life. Artworks is included in the class plant and equipment for disclosure purposes due to its immaterial value.

Key judgement: Straight line depreciation is used reflecting the progressive, and even, consumption of service potential of these assets over their useful life to Central West Health. The useful life could change significantly as a result of a change in use of the asset, technical obsolescence or some other economic event. The impact on depreciation can be significant and could also result in a write-off of the asset.

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. In accordance with Queensland Treasury's *Non-current Asset Policy Guideline 2*, Central West Health has determined material specialised health service buildings are complex in nature.

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

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

Class	Span of Useful Life
Buildings	6 to 116 Years
Plant and Equipment	5 to 36 Years
Artworks*	100 Years
Right-of-use assets	14 months to 7 Years

* Artworks is included in the Plant and Equipment class for disclosure as the value is immaterial.

Indicators of impairment and determining recoverable amount

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

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

Central West Hospital and Health Service
Notes to the Financial Statements

for the year ended 30 June 2020

C5 PROPERTY PLANT AND EQUIPMENT (continued)

Indicators of impairment and determining recoverable amount - continued

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

For all other remaining assets measured at cost, and assets held for the generation of cash flows, recoverable amount is equal to the higher of the fair value less costs of disposal and the asset's value in use. Value in use is equal to the present value of the future cash flows expected to be derived from the asset, or where Central West Health no longer uses an asset and has made a formal decision not to reuse or replace the asset, the value in use is the present value of net disposal proceeds.

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

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

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

Revaluation of property measured at fair value

Land and building classes measured at fair value, are revalued on an annual basis either by comprehensive valuations or by the use of appropriate and relevant indices undertaken by independent qualified valuers. Indices are either publicly available or are derived from market information available to the experts. For financial reporting purposes, the revaluation process for Central West Health is managed by the finance and infrastructure branch.

Comprehensive revaluations are undertaken with sufficient regularity to ensure the carrying value and fair value of the assets do not materially differ, with specific appraisals undertaken triennially for land and a rolling valuation program, spanning a maximum of five years, applied to buildings. However if a particular asset class experiences significant and volatile changes in fair value, that class is subject to specific appraisal in the reporting period, where practical, regardless of the timing of the last specific appraisal. Where assets have not been specifically appraised in the reporting period, their previous valuations are materially kept up-to-date via the application of relevant indices. Central West Health uses indices to provide a valid estimation of the assets' fair values at reporting date. Materiality is considered in determining whether the difference between the carrying amount and the fair value of an asset warrant revaluation.

The fair values reported by Central West Health are based on appropriate valuation techniques that maximises the use of available and relevant observable inputs and minimise the use of unobservable inputs.

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 the price that would be received for the asset, based on the estimated cost to a market participant buyer to acquire or construct a substitute asset of comparable utility, adjusted for functional and economic obsolescence. Buildings are measured at fair value by applying either, a revised estimate of individual asset's depreciated replacement cost, or an interim index which approximates movement in market prices for labour and other key resource inputs, as well as changes in design standards as at reporting date. These estimates are developed by independent valuers.

Indices used are also tested for reasonableness by applying the indices to a sample of assets, comparing the results to similar assets that have been valued by an independent qualified valuer, 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 Central West Health's own circumstances.

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Central West Hospital and Health Service
Notes to the Financial Statements

for the year ended 30 June 2020

C5 PROPERTY PLANT AND EQUIPMENT(continued)

Revaluation of property measured at fair value - continued

For assets revalued using a cost valuation method (e.g. current replacement cost) - accumulated depreciation is adjusted to equal the difference between the gross amount and the carrying amount, after taking into account accumulated impairment losses and changes in remaining useful life. This is generally referred to as the 'gross method'. For assets revalued using a market or income-based valuation approach - accumulated depreciation and accumulated impairment losses are eliminated against the gross amount of the asset prior to restating for the revaluation. This is generally referred to as the 'net method'. Central West Health has adopted the gross method of reporting revalued assets.

Fair value measurement

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

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

Significant unobservable inputs used by Central West Health include, but are not limited to, subjective adjustments made to observable data to take account of the specialised nature of health service land, buildings and on hospital-site residential facilities, including historical and current construction contracts (and/or estimates of such costs), and assessments of physical condition and remaining useful life. Unobservable inputs are used to the extent that sufficient relevant and reliable observable inputs are not available for similar assets/liabilities. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefit by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Fair value measurement hierarchy

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

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

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

Refer to the table in Note C5-1 *Balances and reconciliation of carrying amount* for disclosure of categories for assets measured at fair value. None of Central West Health's valuation of assets are eligible for categorisation into level 1 fair value hierarchy.

Significant valuation inputs and impact on fair value

Land and residential buildings

Effective date of last specific appraisal	30 June 2020 by APV Valuers & Asset Management
Valuation approach	Market based assessment
Fair value hierarchy	Level 2
Inputs	Publicly available data on sales of similar land and buildings in nearby localities obtained from PDSLIVE. Where market evidence was limited or new sales were yet to be processed in PDSLIVE, additional enquiries were made with local real estate agents. Adjustments were made to the sales data to take into account the location, size, street/road frontage and access, and any significant restrictions for each individual land parcel or building.

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Central West Hospital and Health Service
Notes to the Financial Statements

for the year ended 30 June 2020

C5 PROPERTY PLANT AND EQUIPMENT (continued)

Buildings –specialised for delivery of health services

Effective date of last specific appraisal 30 June 2020 by APV Valuers & Asset Management for buildings in Longreach and Boulia regions. 30 June 2018 by APV Valuers & Asset Management for all other buildings

Valuation approach Current replacement cost (CRC)

Fair value hierarchy Level 3

Inputs Replacement cost is estimated through the use of APV's construction cost database which uses local construction/or purchase prices paid, recent construction projects across the region, and construction cost guidelines such as Rawlinson's and Cordell. Key cost drivers include the asset type (Hospital, Multipurpose Health Service etc), the standard of the facility (basic, standard or superior), construction material type and the gross floor area (GFA) or building footprint.

The estimate has been compiled by measuring quantities using drawings obtained from Central West Health and verified on site or by completing a site measurement. Cost estimates are benchmarked against other valuations. Fair value has been determined by calculating for each major building component it's remaining service potential at valuation date, based on a consumption rating. Significant judgement is used to assess the remaining service potential of the facility, given local climatic and environmental conditions and records of the current condition of the facility. Physical site inspections by APV, combined with refurbishment history, local knowledge of asset performance, obsolescence and future planned asset replacement programs were used to inform these assumptions. Valuations assume a nil residual value.

C5-1 Property, Plant and Equipment - Balances and Reconciliations of Carrying Amount

	Land at fair value	Buildings at fair value	Plant and equipment	Capital works in progress	Total
	(Level 2) \$'000	(Level 3) \$'000	at cost \$'000	at cost \$'000	\$'000
2020					
Gross	1,073	158,743	11,891	476	172,183
Less: Accumulated depreciation	-	(68,659)	(6,985)	-	(75,644)
Carrying amount at 30 June 2020	1,073	90,084	4,906	476	96,539
<i>Represented by movements in carrying amount:</i>					
Carrying amount at 1 July 2019	1,368	78,938	4,613	609	85,528
Acquisitions	-	299	1,247	853	2,399
Disposals	-	(7)	(2)	-	(9)
Transfers in/(out) from other Queensland Government Entities	-	12,914	-	-	12,914
Transfers between classes of assets	-	986	-	(986)	-
Revaluation decrement in operating deficit	(138)	-	-	-	(138)
Revaluation increment to asset revaluation surplus	(157)	1,538	-	-	1,381
Depreciation/amortisation	-	(4,584)	(952)	-	(5,536)
Carrying amount at 30 June 2020	1,073	90,084	4,906	476	96,539

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Central West Hospital and Health Service
Notes to the Financial Statements

for the year ended 30 June 2020

C5 PROPERTY PLANT AND EQUIPMENT (continued)

C5-1 Property, Plant and Equipment - Balances and Reconciliations of Carrying Amount (continued)

	Land at fair value	Buildings at fair value	Plant and equipment	Capital works in progress	Total
	(Level 2) \$'000	(Level 3) \$'000	at cost \$'000	at cost \$'000	\$'000
2019					
Gross	1,368	148,073	11,537	609	161,587
Less: Accumulated depreciation	-	(69,135)	(6,924)	-	(76,059)
Carrying amount at 30 June 2019	1,368	78,938	4,613	609	85,528
<i>Represented by movements in carrying amount:</i>					
Carrying amount at 1 July 2018	1,368	83,548	4,707	294	89,917
Acquisitions	-	446	777	315	1,538
Disposals	-	-	(12)	-	(12)
Transfers in/(out) to other Queensland Government entities	-	203	63	-	266
Revaluation increment to asset revaluation surplus	-	1,112	-	-	1,112
Depreciation	-	(6,371)	(922)	-	(7,293)
Carrying amount at 30 June 2019	1,368	78,938	4,613	609	85,528

Impact from valuation program

All land holdings were comprehensively revalued at 30 June 2020 by independent valuers APV Valuers and Asset Management (APV). The revaluation resulted in a decrement of \$295 thousand or 21.6% (2019: nil) to the carrying value of land, reducing the asset revaluation reserve for land by \$157 thousand (to nil) and recording a land decrement expense of \$138 thousand.

APV was engaged in 2020 to comprehensively revalue all buildings with a replacement cost exceeding \$300 thousand, over the next four years as part of CWHHS's rolling valuation program and calculate an annual index for all other assets. To date APV has comprehensively revalued 31% of buildings (by value) at 30 June 2020. The revaluation program resulted in an increment of \$1.538 million or 2% (2019: increment \$1.112 million) to the carrying amount of buildings.

Depreciation expense for buildings and land improvements decreased \$365 thousand in 2019-20 as a result of the 30 June 2019 revaluation.

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Central West Hospital and Health Service
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for the year ended 30 June 2020

C6 PAYABLES

Accounting Policy - Payables

	2020 \$'000	2019 \$'000	
Trade creditors	1,925	2,791	Payables are recognised for amounts to be paid in the future for goods and services received. Trade creditors are measured at the purchase/contract price, net of applicable trade and other discounts. The amounts are unsecured and generally settled in 30 - 60 days.
Department of Health - accrued labour	1,836	1,435	
	3,761	4,226	

Payables of \$2.474 million (2019: \$2.298 million) were owing to the Department of Health at 30 June, including trade creditors \$638 thousand (2019: \$863 thousand), and accrued labour \$1.836 million (2019: \$1.435 million). For further details on the nature of these transactions refer to Note E3 Related Party Transactions.

C7 ACCRUED EMPLOYEE EXPENSES

Accounting policy - Accrued employee expenses

	2020 \$'000	2019 \$'000	
Current			Liabilities for annual leave, long service leave and the QSuper defined benefit scheme are held on a whole-of-government basis and reported in the Whole-of-Government financial statements pursuant to AASB 1049 <i>Whole of Government and General Government Sector Financial Reporting</i> .
Wages outstanding	476	304	
Superannuation contributions payable	21	26	
	497	330	

C8 OTHER LIABILITIES

Accounting policy - Unearned revenue and funding repayable

	2020 \$'000	2019 \$'000	
Current			
Funding repayable - Department of Health	30	250	Monies received in advance for services yet to be provided are represented as unearned revenue.
	30	250	

Central West Health had no contract liabilities at 30 June 2020. General purpose funding provided by the Department of Health is recognised as the specific conditions attached are met.

For further details on the nature of these transactions refer to Notes E3 and B1-2.

Contract liabilities arise from contracts with customers, while other unearned revenue arises from transactions that are not with customers.

C9 RIGHT OF USE ASSETS AND LEASE LIABILITIES

A new accounting standard AASB 16 *Leases* came into effect in 2019-20, resulting in significant changes to Central West Health's accounting for leases for which it is lessee. The transitional impacts of the new standard are disclosed in Note E6.

C9-1 LEASES AS LESSEE

Right-of-use assets

	Buildings \$'000	Plant and equipment \$'000	Total \$'000
2020			
Gross	1,585	790	2,375
Less: Accumulated depreciation	(479)	(132)	(611)
Carrying amount at 30 June 2020	1,106	658	1,764
<i>Represented by movements in carrying amount:</i>			
Opening balance at 1 July 2019	-	-	-
Net adjustments on adoption of new accounting standards	1,030	790	1,820
Additions	560	-	560
Disposals	-	-	-
Remeasurement - change in terms	(5)	-	(5)
Depreciation	(479)	(132)	(611)
Balance at 30 June 2020	1,106	658	1,764

Central West Hospital and Health Service
Notes to the Financial Statements

for the year ended 30 June 2020

C9-1 LEASES AS LESSEE (continued)

	2020 \$'000	Accounting policy - Leases as lessee
Lease liabilities		CWHHS measures right-of-use assets from concessionary leases at cost on initial recognition, and continues to measure right-of-use assets at cost.
Current	623	
Non-current	1,098	
	1,721	

CWHHS has elected to not recognise right-of-use assets and lease liabilities 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 utility costs, CWHHS allocates the contractual payments to each component on the basis of their stand-alone prices. However, for leases of plant and equipment, CWHHS has elected to not separate lease and non-lease components and instead accounts for them as a single lease component.

A right-of-use asset and a lease liability are recognised at the lease commencement date.

When measuring the lease liability, CWHHS 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 of CWHHS's leases. To determine the incremental borrowing rate, CWHHS uses loan rates provided by Queensland Treasury Corporation that correspond to the commencement date and term of the lease.

Disclosures - Leases as lessee

(i) Details of leasing arrangements as lessee

Central West Health leases clinical office space and residential employee housing in rural and remote areas. Leased clinical space typically run for a period of 5 years with an option to renew the lease for a further 5 year term. In comparison, residential property leases are typically for 12 months with an option to renew a further 2 years. Central West Health assesses at lease commencement whether it is reasonably certain to exercise the renewal options. Historically Central West Health 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; clinical office space lease payment are variable reflecting movements in the consumer price index relevant to healthcare facilities in Longreach annually on the anniversary of the contract commencement. 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. The HHS 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.

Central West Health leases medical equipment over lease term of 7 years. These payments are fixed over the duration of the contract. The option to buy the equipment at the end of the contract forms part of the lease. Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

The average lease term is 3.5 years and implicit interest rates range from 1.6% to 2.8%. Lease payments are allocated between the principal component of the lease liability and the interest expense.

(ii) Office accommodation, employee housing and motor vehicles

The Department of Housing and Public Works (DHPW) provides CWHHS with access to office accommodation, employee housing and motor vehicles under government-wide frameworks. These arrangements are categorised as procurement of services rather than as leases because DHPW has substantive substitution rights over the assets. The related service expenses are included in Note B2-3 as 'building services' and 'other travel and vehicle costs' respectively.

Central West Hospital and Health Service
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C10 ASSET REVALUATION SURPLUS BY CLASS

	2020 \$'000	2019 \$'000	Accounting policy - Asset revaluation surplus
Land			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.
Balance at 1 July	157	157	
Revaluation increment/(decrement)	(157)	-	
Balance at the end of the financial year	-	157	
Buildings			The asset revaluation surplus represents the net effect of revaluation movements in assets.
Balance at 1 July	31,196	30,084	
Revaluation increment/(decrement)	1,538	1,112	
Balance at the end of the financial year	32,734	31,196	
Total	32,734	31,353	

Central West Hospital and Health Service
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SECTION D
NOTES ABOUT RISK AND OTHER ACCOUNTING UNCERTAINTIES

D1 FINANCIAL RISK DISCLOSURE

D1-1 FINANCIAL INSTRUMENTS CATEGORIES

Central West Health has the following categories of financial assets and financial liabilities:

	Note	2020 \$'000	2019 \$'000
Financial assets			
Cash and cash equivalents (fair value)	C1	138	1,986
Receivables (amortised cost)	C2	542	552
		680	2,538
Financial liabilities			
Payables (amortised cost)	C6	3,761	4,226
Leased liabilities (amortised cost)	C9	1,721	-
		5,482	4,226

Accounting Policy - Financial Instruments

Financial assets and financial liabilities are recognised in the Statement of Financial Position when Central West Health becomes a party to the contractual provisions of the financial instrument. No financial assets and financial liabilities have been offset and presented net in the Statement of Financial Position.

D1-2 RISKS ARISING FROM FINANCIAL INSTRUMENTS

Central West Health's activities expose it to a variety of financial risks - credit risk and liquidity risk. Financial risk management is implemented pursuant to Government and Central West Health's policy. Central West Health's policies provide written principles for overall risk management and aim to minimise potential adverse effects of risk events on the financial performance of Central West Health.

Central West Health measures risk exposure using a variety of methods as follows:

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

Credit risk is further discussed in Note C2-1 Receivables.

Liquidity risk

Liquidity risk is the risk that Central West Health will not have the resources required at a particular time to meet its obligations to settle its financial liabilities.

Central West Health is exposed to liquidity risk through its trading in the normal course of business and aims to reduce the exposure to liquidity risk by ensuring that sufficient funds are available to meet employee and supplier obligations at all times. An approved debt facility of \$500 thousand (2019: \$500 thousand) under Whole-of-Government banking arrangements to manage any short term cash shortfalls has been established. This limit was increased to \$1.5 million in July 2020.

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

Interest risk

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

Central West Hospital and Health Service
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for the year ended 30 June 2020

D1-3 LIQUIDITY RISK - CONTRACTUAL MATURITY OF FINANCIAL LIABILITIES

The following tables sets out the liquidity risk of financial liabilities held by CWHHS. 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.

<i>Financial liabilities</i>	<i>2020 Contractual maturity</i>				<i>2019 Contractual maturity</i>			
	<i>Total</i>	<i>< 1 Yr</i>	<i>1-5 Yrs</i>	<i>> 5 Yrs</i>	<i>Total</i>	<i>< 1 Yr</i>	<i>1-5 Yrs</i>	
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Payables	3,761	3,761	-	-	4,226	4,226	-	-
Leased liabilities	1,795	653	1,108	34	-	-	-	-
	5,556	4,414	1,108	34	4,226	4,226	-	-

D2 CONTINGENCIES

As at 30 June 2020, there were no cases filed in the courts naming the State of Queensland acting through the Central West Hospital as defendant. Health litigation is underwritten by the Queensland Government Insurance Fund (QGIF). As of 30 June 2020, there is one open medical indemnity claim (no open general liability claims) managed by QGIF, which may never be litigated or result in payment of claims. Central West Health's maximum exposure is limited to an excess per insurance event up to \$20,000. Central West Health's net exposure is not material.

D3 COMMITMENTS

Capital expenditure commitments

Capital expenditure commitments inclusive of non-recoverable GST, contracted for at reporting date but not recognised in the accounts are payable as follows:

	<i>2020</i>	<i>2019</i>
	<i>\$'000</i>	<i>\$'000</i>
<i>Buildings</i>		
Not later than 1 year	2,977	-
<i>Plant and equipment</i>		
Not later than 1 year	542	538
	3,519	538

Central West Hospital and Health Service
Notes to the Financial Statements
for the year ended 30 June 2020

SECTION E
OTHER INFORMATION

E1 FIDUCIARY TRUST TRANSACTIONS AND BALANCES

Central West Health acts in a custodial role in relation to patient trust accounts. Although patient funds are not controlled, trust activities are included in the audit performed annually by the Auditor-General of Queensland and disclosed below for information purposes:

	<i>2020</i>	<i>2019</i>
	<i>\$'000</i>	<i>\$'000</i>
Patient Trust receipts		
Winton Patient Trust	74	83
Longreach Patient Trust	1	2
Barcaldine Patient Trust	29	30
Total receipts	104	115
Patient Trust related payments		
Winton Patient Trust	75	59
Longreach Patient Trust	-	2
Barcaldine Patient Trust	30	24
Total payments	105	85
Trust assets		
Current assets - cash	91	93
Patient Trust assets closing balance		
Represented by patient trust deposits		
Winton Patient Trust	74	75
Longreach Patient Trust	-	-
Barcaldine Patient Trust	17	18
Total current assets	91	93

Central West Hospital and Health Service
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E2 KEY MANAGEMENT PERSONNEL DISCLOSURES

In accordance with AASB 124 *Related Party Disclosures*, Central West Health'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 the health service during the year are identified as Central West Health's Key Management Personnel (KMP). This includes its Board members. 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.

The following details for non-Ministerial key management personnel include those positions that had authority and responsibility for planning, directing and controlling the activities of Central West Health during 2019-20. Further information on key management personnel positions can be found in the body of the Annual Report under the section relating to Executive Management.

Position	Responsibilities
Health Service Chief Executive	Responsible for the efficient and effective management of Central West Health and to support and implement the Board's strategic plans for the improved health care of Central West residents and visitors.
Executive Director, Medical Services	Responsible for safe and effective delivery of medical and allied health services, including recruitment, retention and development of workforce, and leads clinical governance within the Health Services.
Executive Director, Nursing and Midwifery Services	Oversees the safe and efficient operations of all hospitals and health centres, maternity and community health services and provides leadership to the nursing streams.
Executive Director, Workforce, Governance and Information Management	Responsible for all aspects of workforce, governance and information management within Central West Health.
Executive Director, Finance, Infrastructure and Support Services (EDFISS)	Responsible for budget planning and forecasting, financial control and performance, statutory compliance and supporting effective business decision making within Central West Health.
General Manager, Primary Health Services	Responsible for operational management of Primary Health Care facilities with oversight of community health, mental health, Aboriginal and Torres Strait Islander health funded programs, maternity and child health, allied health, telehealth and specialist outpatients.
General Manager, Acute Health Services	Responsible for operational management of facilities including Longreach, Winton, Barcaldine, Alpha and Blackall with oversight of site-specific in-patients, surgical and emergency care, medical imaging, oral health, aeromedical and patient transport programs.
Chief Information Officer, Rural and Remote	Responsible for operational and strategic leadership of the eHealth and Communication Technology portfolio within rural and remote hospital and health services. The role is hosted by eHealth Queensland and proportionally on-charged to each of the rural and remote hospital and health services.

Remuneration policies

The ministerial remuneration entitlements are outlined in the Legislative Assembly of *Queensland's Members' Remuneration Handbook*. Central West Health does not bear any costs of remuneration of the Minister for Health. The majority of Ministerial entitlements are paid by the Legislative Assembly, with remaining entitlements being provided by Ministerial Services Branch within the Department of Premier and Cabinet. As all Ministers are reported as key management personnel of the Queensland Government, aggregate remuneration expenses for all Ministers is disclosed in the Queensland 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* (the Act) 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.

Central West Hospital and Health Service
Notes to the Financial Statements
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E2 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

The remuneration policy for Central West Health Service Chief Executive is set by a direct engagement common law employment contract setting out the remuneration and other terms of employment including noon-salary benefits such as motor vehicle and remote area housing.

Remuneration of other key executive management personnel are determined by their awards and industrial agreements determined by the Department of Health. For 2019-20, remuneration packages of key management personnel increased by 2.5 per cent in accordance with government policy where employed under EB 10 or MOCA 5. Other executive packages did not increase.

Remuneration packages for key management personnel comprise the following components:

Short-term employee expenses include:

- salaries, allowances and leave entitlements paid and provided for the entire year or for that part of the year during which the employee occupied the specified position.
- non-monetary expenses – consisting of provision of remote area housing, motor vehicles and applicable fringe benefits tax benefits.

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 are not provided for within individual contracts of employment. Contracts of employment provide only for notice periods or payment in lieu on termination, regardless of the reason for termination.

There were no performance bonuses paid in the 2019-20 financial year (2019: nil).

1 July 2019 - 30 June 2020

Position	Short Term Employee Expenses		Long term expenses	Post employee expenses	Total expenses
	Monetary expenses \$'000	Non-monetary expenses	\$'000	\$'000	\$'000
Health Service Chief Executive	294	54	6	29	383
Executive Director, Medical Services (acting 01/07/2019 to 26/01/2020; appointed 27/01/2020)	607	-	14	43	664
Executive Director, Nursing and Midwifery Services (resigned 06/10/2019)	60	6	1	5	72
Executive Director, Nursing and Midwifery Services (appointed 27/01/2020)	120	11	3	10	144
Acting Executive Director, Nursing and Midwifery Services (23/9/2019 to 26/01/2020)	66	-	1	3	70
Acting Executive Director, Workforce, Governance and Information Management (01/07/2019 to 30/06/2020)	155	25	3	18	201
General Manager Primary Health Services	187	17	4	20	228
General Manager Acute Health Services	148	18	3	17	186
Acting General Manager Acute Health Services (31/01/2020 to 02/03/2020; 9/03/2020 to 22/03/2020)	24	-	-	2	26
Chief Information Officer, Rural and Remote	25	-	-	-	25

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for the year ended 30 June 2020

E2 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

1 July 2018 - 30 June 2019

Position	Short Term Employee Expenses		Long term expenses	Post employee expenses	Term. expenses	Total expenses
	Monetary expenses \$'000	Non-monetary expenses \$'000				
Health Service Chief Executive	285	57	6	28	-	376
Executive Director, Medical Services (resigned 30/4/2019)	403	21	8	25	-	457
Acting Executive Director, Medical Services (1/7/2018 to 10/8/2018)	58	5	-	-	-	63
Acting Executive Director, Medical Services (5/4/2019 to 30/6/2019)	84	-	2	7	-	93
Executive Director, Nursing and Midwifery Services	206	28	4	19	-	257
Acting Executive Director, Workforce, Governance and Information Management (1/7/2018 to 30/6/2019)	139	28	3	13	-	183
Executive Director, Finance, Infrastructure and Support Services (resigned 20/3/2019)	116	27	2	17	47	209
General Manager Primary Health Services	198	18	4	22	-	242
General Manager Acute Health Services	158	19	3	19	-	199
Chief Information Officer, Rural and Remote	29	-	-	-	-	29

Board remuneration

Central West Health is independently and locally controlled by the Hospital and Health Board (the Board). Board appointments are for one or three-year terms.

Remuneration arrangements for the Central West Health Board are approved by the Governor in Council and the chair, deputy chair and members are paid in annual fee calculated in accordance with the guidance statement issued by the Department of Premier and Cabinet, titled "Remuneration procedures for part-time chairs and member of Queensland Government bodies". Under the procedure, Hospital and Health Services are assessed as 'Governance' entities and grouped into different levels of a remuneration matrix based on a range of indicators including: revenue/budget, net and total assets, independence, risk and complexity.

Responsibility

The Board decides the objectives, strategies and policies to be followed by Central West Health and ensure it performs its functions in a proper, effective and efficient way. The Board appoints the Health Service Chief Executive and exercises significant responsibilities at a local level, including controlling the financial management of the Service and the management of the Service's land and buildings (Section 7 *Hospital and Health Boards Act 2011*).

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Central West Hospital and Health Service
Notes to the Financial Statements

for the year ended 30 June 2020

E2 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

Appointment authority

Appointments are under the provisions of the *Hospital and Health Boards Act 2011* by Governor in Council. Notice published in the Queensland Government Gazette.

Position and Name	Date of initial appointment
Board Chair, Jane Williams	Appointed 01/07/2012
Deputy Chairperson, David Arnold	Appointed 01/07/2012
Board member, William Ringrose	Appointed 01/07/2012
Board member, Elizabeth Fraser	Appointed 18/5/2016
Board member, Leisa Fraser	Appointed 18/5/2016
Board member, Dr Clare Walker*	Appointed 18/5/2016
Board member, Johnathan Repine	Appointed 18/5/2018

*Board members who are employed by either the HHS or the Department of Health are not paid board fees.

Remuneration paid or owing to board members during 2019-20 was as follows:

Board Member	Short Term Employee Benefits		Post employee expenses	Total Expenses
	Monetary expenses \$'000	Non-monetary expenses \$'000		
Jane Williams	73	-	7	80
David Arnold	42	-	4	46
William Ringrose	40	-	4	44
Elizabeth Fraser	39	-	4	43
Leisa Fraser	39	-	4	43
Johnathan Repine	40	-	4	44

Remuneration paid or owing to board members during 2018-19 was as follows:

Board Member	Short Term Employee Benefits		Post employee expenses	Total Expenses
	Monetary expenses \$'000	Non-monetary expenses \$'000		
Jane Williams	72	-	7	79
David Arnold	41	-	4	45
William Ringrose	39	-	4	43
Elizabeth Fraser	39	-	4	43
Leisa Fraser	39	-	4	43
Johnathan Repine	39	-	3	42

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for the year ended 30 June 2020

E3 RELATED PARTY TRANSACTIONS

Transactions with Queensland Government Controlled Entities

Central West Health 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.

Category	2020 \$'000	2019 \$'000
<i>Entity - Department of Health</i>		
Revenue	78,750	78,419
Expenditure	51,754	48,624
Asset	609	1,022
Liability	2,504	2,548
<i>Entity - Department of Housing and Public Works including Qfleet and Building and Asset Services</i>		
Expenditure	2,909	2,737
Liability	169	413

Department of Health

Central West Health'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 \$75.9 million for the year ended 30 June 2020 (2019: \$75.6 million). For further details on the purchase of health services by the Department refer to Note B1-2.

The Hospital and Health Service, through service arrangements with the Department of Health, has engaged 362 (2019: 357) 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 2020, \$43.4 million (2019: \$40.3 million) 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, telecommunications and technology services. These services are provided on a cost recovery basis. In 2020, these services totalled \$7.5 million (2019: \$7.4 million). In addition, Central West Health receives corporate services support from the Department at no cost. Corporate services received include payroll services, financial transactions services (including accounts payable and banking services), administrative services and information technology services. In 2020, the fair value of these services was \$887 thousand (2019: \$886 thousand).

Any associated receivables or payables owing to the Department of Health at 30 June 2020 are separately disclosed in Note C2, C4, C6 and Note C8. No impairment has been applied to these balances.

The Department of Health also provides funding from the State as equity injections to purchase property, plant and equipment. All construction of major health infrastructure is managed and funded by the Department of Health. Upon practical completion of a project, assets are transferred from the Department to Central West Health. Where capital projects are managed by the HHS on departmental funded capital projects, the HHS receives revenue from the Department of Health at the value of costs incurred. This revenue is recognised as sales of goods and services. In 2020, \$1.6 million (2019: \$1.9 million) in revenue was recognised for these services. Refer to Note B1-1 for more detail. Throughout the year, funding received to cover the cost of depreciation is offset by a withdrawal of equity by the State for the same amount. For further details on equity transactions with the Department refer to the Statement of Changes in Equity.

Department of Housing and Public Works (including Qfleet and Building and Asset Services)

Department of Housing and Public Works – Central West Health pays rent to the Department of Housing and Public Works for a number of properties. In addition, Central West Health pays the Department of Housing and Public Works for vehicle fleet management. Further details on these arrangements are outlined in E6. During 2020, Building and Asset Services (commercial business unit of the department) was engaged to undertake construction and repairs valued at \$1.5 million (2019: \$1.3 million).

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

Transactions with People/Entities Related to KMP

All transactions in the year ended 30 June 2020 between Central West Health key management personnel, including their related parties were on normal commercial terms and conditions and were immaterial in nature.

Central West Hospital and Health Service
Notes to the Financial Statements
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E4 TAXATION

Central West Health is a State body as defined under the *Income Tax Assessment Act 1936* and is exempt from Commonwealth taxation with the exception of Fringe Benefits Tax (FBT) and Goods and Services Tax (GST). The Australian Taxation Office has recognised the Department of Health and the sixteen Hospital and Health Services as a single taxation entity for reporting purposes. All FBT and GST reporting to the Commonwealth is managed centrally by the department, with payments/ receipts made on behalf of the Central West Health reimbursed on a monthly basis. GST credits receivable from, and GST payable to the ATO, are recognised on this basis. Refer to Note C2.

Revenues and expenses are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the ATO. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

E5 CLIMATE RISK DISCLOSURE

Climate Risk Assessment

CWHHS addresses the financial impacts of climate related risks by identifying and monitoring the accounting judgements and estimates that will potentially be affected, including asset useful lives, fair value of assets, provisions or contingent liabilities and changes to future expenses and revenue.

CWHHS has not identified any material climate related risks relevant to the financial report at the reporting date, however the emergence of such risks under the Queensland Government's Climate Transition Strategy will continue to be monitored.

No adjustments to the carrying value of recorded assets or other adjustments to the amounts recorded in the financial statements were recognised during the financial year.

E6 FIRST YEAR APPLICATION OF NEW STANDARDS OR CHANGE IN POLICY

Accounting standards applied for the first time

Three new accounting standards were applied for the first time in 2019-20:

- AASB 16 *Leases*
- AASB 15 *Revenue from Contracts with Customers*
- AASB 1058 *Income of Not-for-Profit Entities*

The effect of adopting these new standards are detailed in Notes E6-1 to E6-4. No other accounting standards or interpretations that apply to CWHHS for the first time in 2019-20 have any material impact on the financial statements.

Accounting standards early adopted

No Australian Accounting Standards have been early adopted for 2019-20.

E6-1 AASB 16 LEASES

CWHHS applied AASB 16 *Leases* for the first time in 2019-20. CWHHS applied the modified retrospective transition method and has not restated comparative information for 2018-19, which continue to be reported under AASB 117 *Leases* and related interpretations.

The nature and effect of changes resulting from the adoption of AASB 16 are described below.

1. Definition of a lease

AASB 16 introduced new guidance on the definition of a lease.

For leases and lease-like arrangements existing at 30 June 2019, CWHHS elected to apply the practical expedient to grandfather the assessments made under AASB 17 and Interpretation 4 *Determining whether an Arrangement contains a Lease* about whether those contracts contained leases. However, arrangements were reassessed under AASB 16 where no formal assessment had been done in the past or where lease agreements were modified on 1 July 2019.

Amendments to former operating leases for office accommodation and employee housing

In 2018-19, CWHHS held operating leases under AASB 117 from the Department of Housing and Public Works (DHPW) for non-specialised commercial office accommodation through the Queensland Government Accommodation Office (QGAO) and residential accommodation through the Government Employee Housing (GEH) program.

Central West Hospital and Health Service
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E6-1 AASB LEASES (continued)

Effective 1 July 2019, the framework agreements that govern QGAO and GEH were amended with the result that these arrangements would not meet the definition of a lease under AASB 16 and therefore are exempt from lease accounting. From 2019-20 onward, the costs for these services are expensed as supplies and services when incurred. The new accounting treatment is due to a change in the contractual arrangement rather than a change in accounting policy.

2. Changes to lessee accounting

Previously Central West Health classified its leases as operating or finance leases based on whether the lease transferred significantly all of the risks and rewards incidental to ownership of the asset to the lessee. This distinction between operating and finance leases no longer exists for lessee accounting under AASB 16. From 1 July 2019, all leases, other than short-term leases and leases of low value assets, are now recognised on balance sheet as lease liabilities and right-of-use assets.

Lease liabilities

Lease liabilities are initially recognised at the present value of the lease payments over the lease term that are not yet paid. The lease term includes any extension or renewal options that CWHHS is reasonable 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 incentive 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 a residual value guarantee;
- the exercise price under a purchase option that CWHHS is reasonably certain to exercise; and
- payments for termination penalties, if the lease term reflects the early termination.

The discount rate used is the interest rate implicit in the lease, or CWHHS's incremental borrowing rate if the implicit rate cannot be readily determined.

Subsequently, 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.

Right-of-use 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
- initial estimates of restoration costs.

Right-of-use assets will subsequently give rise to a depreciated expense and be subject to impairment. Right-of-use assets differ in substance from leased assets previously recognised under finance leases, in that the asset represents the intangible right to use the underlying asset rather than the underlying asset itself.

Short-term leases and leases of low value assets

CWHHS has elected to recognise lease payments for short-term leases and leases of low value assets as expenses on a straight-line basis over the lease term, rather than accounting for them on balance sheet. This accounting treatment is similar to that used for operating leases under AASB 117.

3. Changes to lessor accounting

Lessor accounting remains largely unchanged under AASB 16. Leases are still classified as either operating or finance leases. However, the classification of subleases now references the right-of-use asset arising from the head lease, instead of the underlying asset.

4. Transitional impact

Former operating leases as lessee

The majority of CWHHS's former operating leases, other than the exempt QGAO and GEH arrangements, are now recognised on-balance sheet as right-of-use assets and lease liabilities.

On transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at Central West Health's incremental borrowing rate. The incremental borrowing rate has been determined using applicable Queensland Treasury Corporation's Fixed Rate Loan borrowing rates applicable to the lease commencement month and term. The weighted average incremental borrowing rate applied at the date of initial adoption was 1.96%.

Central West Hospital and Health Service
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E6-1 AASB LEASES (continued)

4. Transitional impact (continued)

The right-of-use assets were measured at either:

- their carrying amount as if AASB 16 had always been applied since lease commencement date, discounted using CWHHS's incremental borrowing rate at the date of initial application - primarily applied to equipment leases; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments - this approach was used for all other leases.

New right-of-use assets were tested for impairment on transition and none were found to be impaired.

On transition, CWHHS used practical expedients available under AASB 16 to not recognise right-of-use assets and liabilities for leases that end within 12 months of the date of initial application and leases of low value assets; and used hindsight when determining the lease term.

The following table summarises on-transition adjustments to assets and liability balances at 1 July 2019 in relation to former operating leases.

	\$'000
Right-of-use assets - buildings	1,030
Right-of-use assets - plant and equipment	790
Lease liabilities	1,769
Accumulated surplus	51

No transitional adjustments were required for leases in which CWHHS is the lessor.

5. Reconciliation of operating lease commitments at 30 June 2019 to the lease liabilities at 1 July 2019

	1-Jul-19 \$'000
Operating lease commitment at 30 June 2019 as disclosed in the 2018-19 financial statements	3,056
Less leases with remaining lease term of less than 12 months	(72)
Less internal-to-government arrangements that are no longer leases	(1,842)
	<u>1,142</u>
Add adjustments due to reassessments of lease terms	732
Less discounting using the incremental borrowing rate	(105)
Lease liabilities at 1 July 2019	<u>1,769</u>

E6-2 AASB 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

CWHHS applied AASB 15 *Revenue from Contracts with Customers* for the first time in 2019-20. The nature and effect of changes resulting from the adoption of AASB15 are described below.

Step1 – identify the contract with the customer	Grant funding that CWHHS receives may contain a contract with a customer and thus fall within the scope of AASB 15. This is the case where the funding agreement requires CWHHS to transfer goods or services to third parties on behalf of the grantor, it is enforceable, and it contains sufficiently specific performance obligations.
Step 2 - identify the performance obligations in the contract	This step involves firstly identifying all the activities CWHHS is required to perform under the contract, and determining which activities transfer goods or services to the customer.
Step 3 – determine the transaction price	When the consideration in the contract includes a variable amount, CWHHS needs to estimate the variable consideration to which it is entitled and only recognise revenue to the extent that it is highly probable a significant reversal of the revenue will not occur. This includes sales with a right of return, where the amount expected to be refunded is estimated and recognised as a refund liability instead of revenue.
Step 4 – allocate the transaction price to the performance obligations	When there is more than one performance obligation in a contract, the transaction price must be allocated to each performance obligation, generally this needs to be done on a relative stand-alone selling price basis.
Step 5 – Recognise revenue when or as CWHHS satisfies performance obligations	Revenue is recognised when CWHHS transfers control of the goods or services to the customer. A key judgement is whether a performance obligation is satisfied over time or at a point in time. And where it is satisfied over time, CWHHS must also develop a method for measuring progress towards satisfying the obligation.

Central West Hospital and Health Service
Notes to the Financial Statements
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E6-2 AASB 15 REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

Other changes arising from AASB 15

AASB15 also specifies the accounting for incremental costs of obtaining a contract and costs directly related to fulfilling a contract.

The standard requires contract assets (accrued revenue) and contract liabilities (unearned revenue) to be shown separately and requires contract assets to be distinguished from receivables.

There are extensive new disclosures, which have been included in Notes B1-1, B1-2, B1-3, C4 and C8.

Transitional impact

AASB15 also specifies the accounting for incremental costs of obtaining a contract and costs directly related to fulfilling a contract.

Transitional policies adopted are as follows:

- CWHHS applied the modified retrospective transition method and has not restated comparative information for 2018-19, which continue to be reported under AASB 118 *Revenue*, AASB 111 *Construction Contracts*, and related interpretations.
- CWHHS elected to apply the standard retrospectively to all contracts, including completed contracts, at 1 July 2019. Completed contracts include contracts where CWHHS had recognised all of the revenue in prior periods under AASB 1004 *Contributions*.
- CWHHS applied a practical expedient to reflect, on transition, the aggregate effect of all contract modification that occurred before 1 July 2019.

Grants and contributions

While a number of grants from the Commonwealth, universities and other community organisations are now captured under AASB 15, the structure of the respective contracts and associated payment terms has not resulted in any change to the timing of revenue recognition for CWHHS. For further details on specific arrangements refer to Note B1-3.

Other than the disclosure changes identified above, there has been no other adjustments on transition to AASB 15 for CWHHS.

E6-3 AASB 1058 INCOME OF NOT-FOR-PROFIT ENTITIES

CWHHS applied AASB 1058 *Income of Not-for-Profit Entities* for the first time in 2019-20. The nature and effect of changes resulting from the adoption of AASB15 are described below.

1. Scope and revenue recognition under AASB 1058

AASB 1058 applies to transactions where CWHHS acquires an asset for significantly less than fair value principally to enable CWHHS to further its objective, and to the receipt of volunteer services.

CWHHS's revenue line items recognised under this standard from 1 July 2019 include Funding public health services, Grants and other contribution, and some Other revenue.

General revenue recognition framework

The revenue recognition framework for in scope transactions, other than specific-purpose capital grants, is as follows.

1. Recognise the asset – e.g. cash, receivables, PP&E, a right-of-use asset or an intangible asset.
2. Recognise related amounts – e.g. contributed equity, a financial liability, a lease liability, a contract liability or a provision; (grants and donations in many cases can have nil related amounts).
3. Recognise the difference as income upfront.

Specific-purpose capital grants

In contrast with previous standards such as AASB 1004, AASB 1058 allows deferral of income from capital grants where:

- the grant requires CWHHS to use the funds to acquire or construct a recognisable non-financial asset (such as a building) to identified specifications;
- the grant does not require CWHHS to transfer the asset to other parties; and
- the grant agreement is enforceable.

Central West Hospital and Health Service
Notes to the Financial Statements
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E6-3 AASB 1058 INCOME OF NOT-FOR-PROFIT ENTITIES (continued)

For these capital grants, the funding received is initially deferred in an unearned revenue liability and subsequently recognised as revenue as or when the department satisfies the obligations under the agreement.

Volunteer services

Under AASB 1058, CWHHS will continue to recognise volunteer services only when the services would have been purchased if they had not been donated, and the fair value of the services can be measured reliably. This treatment is the same as in prior years.

AASB 1058 optionally permits the recognition of a broader range of volunteer services, however CWHHS has elected not to do so.

2. Transitional impact

Transitional policies adopted are as follows:

- CWHHS applied the modified retrospective transition method and has not restated comparative information for 2018-19. They continue to be reported under relevant standards applicable in 2018-19, such as AASB 1004.
- CWHHS elected to apply the standard retrospectively to all contracts, including completed contracts, at 1 July 2019. Completed contracts are contracts where CWHHS had recognised all of the revenue in prior periods under AASB 1004.
- CWHHS applied a practical expedient to not remeasure at fair value assets previously acquired for significantly less than fair value and originally recorded at cost.

Revenue recognition for CWHHS Funding public health services and most grants and contributions will not change under AASB 1058, as compared to AASB 1004. Revenue will continue to be recognised when CWHHS gains control of the asset (e.g. cash or receivable) in most instances. CWHHS's grants from the Commonwealth, along with a number of smaller grants from universities will fall within the scope of AASB 15 *Revenue from Contracts with Customers*, the transitional impacts are disclosed in Note E6-2 above. As the timing of payments for grants was aligned with the delivery of services there has been no impact on transition.

E6-4 IMPACT OF ADOPTION OF AASB 15 AND AASB 1058 IN THE CURRENT PERIOD

Adoption of AASB 15 and AASB 1058 in 2019-20 has not materially impacted the current period's financial statements.

E7 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:

AASB 1059 Service Concession Arrangements: Grantors

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

Central West Health has completed a review of its current contractual arrangements in preparation for this new standard, no impact is expected at the date of initial application.

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

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E8 SIGNIFICANT FINANCIAL IMPACTS FROM COVID-19 PANDEMIC

The following significant transactions were recognised by Central West Health during the 2019-20 financial year in response to the COVID-19 pandemic.

Operating Statement	\$'000
<i>Significant expense items arising from COVID-19</i>	
Operation of the health emergency operating centre	530
Additional testing, diagnostics and essential equipment	276
Workforce management	89
	895
<i>Significant revenue items arising from COVID-19</i>	
Funding public health services - supplement costs of COVID-19	895
Temporary increase to Residential and Home Care Viability support for loss of revenue	128
	1,023

Balance Sheet

There were no significant changes to assets, liabilities and equity arising from COVID-19.

Market based valuations

All land holdings were comprehensively revalued at 30 June 2020 by independent valuers APV Valuers and Asset Management (APV). To assess the effect of the COVID-19 pandemic on the fair value of assets assessed at market, APV conducted research into the available sales evidence within areas covered by Central West Health's network. While areas covered by this network have recently experienced downturns in property values due to prolonged drought, there is no evidence available that there has been any effect on property prices or values from the COVID-19 pandemic.

Current replacement cost valuations

Similarly current replacement cost valuations of public infrastructure and specialised buildings, have not changed as a result of COVID-19. While a lot of construction work has paused, resulting in less data available to inform judgements - data available suggests no movement in construction costs due to COVID-19. For accumulated depreciation, the condition and useful life of these long-lived assets is unlikely to change due to the virus.

Central West Health's financial statements are expected to be impacted by the COVID-19 programs beyond 30 June 2020, although the actual impacts cannot be reliably estimated at the reporting date.

E9 OTHER MATTERS

On 1 August 2019, Central West HHS implemented a new state-wide enterprise resource program (ERP) S4/HANA which replaced the twenty year-old FAMMIS ERP. Extensive reconciliations were completed to ensure transition of data from the old system to the new.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect Central West Health's operations, the results of those operations, or Central West Health's state of affairs in future financial years.

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SECTION F
NOTES ON OUR PERFORMANCE TO BUDGET

This section discloses Central West Health's original published budgeted figures for 2019-20 compared to actual results, with explanations of major variances, in respect of Central West Health's Statement of Comprehensive Income, Statement of Financial Position and Statement of Cash Flows. Note original published budget from the Service Delivery Statement (SDS) has been reclassified to improve transparency and analysis by remapping particular budgeted transactions on the same basis as reported in actual financial statements.

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

F1 BUDGET TO ACTUAL COMPARISON - STATEMENT OF COMPREHENSIVE INCOME

	Variance Notes	Actual 2020 \$'000	Budget 2020 \$'000	Variance \$'000
Income				
User charges and fees	A1	7,266	5,923	1,343
Funding public health services		75,857	71,895	3,962
Grants and other contributions	A2	3,265	2,544	721
Other revenue		553	658	(105)
Total Income		86,941	81,020	5,921
Total Income		86,941	81,020	5,921
Expenses				
Employee expenses		9,328	9,310	18
Health service employee expenses	A3	43,779	40,783	2,996
Supplies and services	A4	27,087	23,678	3,409
Depreciation and amortisation	A5	6,147	5,271	876
Other expenses		1,950	1,978	(28)
Revaluation decrement - land		138	-	138
Total Expenses		88,429	81,020	7,409
Operating surplus/(deficit)		(1,488)	-	(1,488)
Other comprehensive income				
Items not reclassified to operating result				
Increase in asset revaluation surplus		1,381	53	1,328
Other comprehensive income for the year		1,381	53	1,328
Total comprehensive income		(107)	53	(160)

Materiality for notes commentary is based on the calculation of the line item's actual value percentage of the group total. If the percentage is greater than 5%, the line item variance from budget to actual is reviewed. A note is provided for where the variance percentage is 5% or greater for Employee expenses, Health service employee expenses, Supplies and services, and Property, plant and equipment and 10% or greater for others.

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F2 BUDGET TO ACTUAL COMPARISON - STATEMENT OF FINANCIAL POSITION

	Variance Notes	Actual 2020 \$'000	Budget 2020 \$'000	Variance \$'000
Current assets				
Cash and cash equivalents		138	83	55
Receivables	A6	542	1,204	(662)
Inventories		746	682	64
Other assets		983	1,078	(95)
Total current assets		2,409	3,047	(638)
Non-current assets				
Property, plant and equipment		96,539	94,524	2,015
Right-of-use assets	A7	1,764	-	1,764
Total non-current assets		98,303	94,524	3,779
Total assets		100,712	97,571	3,141
Current liabilities				
Payables	A8	3,761	3,239	522
Accrued employee expenses	A9	497	283	214
Other liabilities		30	-	30
Lease liability	A7	623	-	623
Total current liabilities		4,911	3,522	1,389
Non-current liabilities				
Lease liability	A7	1,098	-	1,098
Total non-current liabilities		1,098	-	1,098
Total liabilities		6,009	3,522	2,487
Net assets		94,703	94,049	654
Equity		94,703	94,049	654

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Central West Hospital and Health Service
Notes to the Financial Statements
for the year ended 30 June 2020

F3 BUDGET TO ACTUAL COMPARISON - STATEMENT OF CASH FLOWS

	Variance Notes	Actual 2020 \$'000	Budget 2020 \$'000	Variance \$'000
Cash flows from operating activities				
Inflows:				
User charges and fees	A1	7,748	5,913	1,835
Funding public health services		69,317	71,895	(2,578)
Grants and other contributions	A2	2,374	1,615	759
GST input tax credits from ATO		2,045	1,810	235
GST collected from customers		109	-	109
Other receipts		534	653	(119)
Outflows:				
Employee expenses		(9,162)	(9,582)	420
Health service employee expenses	A3	(43,378)	(40,511)	(2,867)
Supplies and services	A4	(28,025)	(23,710)	(4,315)
GST paid to suppliers		(1,988)	(1,812)	(176)
GST remitted to ATO		(107)	-	(107)
Other		(945)	(1,024)	79
Net cash from/(used by) operating activities		(1,478)	5,247	(6,725)
Cash flows from investing activities				
Inflows:				
Sales of property, plant and equipment		-	5	5
Outflows:				
Payments for property, plant and equipment	A10	(2,399)	(1,092)	(1,307)
Net cash from/(used by) investing activities		(2,399)	(1,087)	(1,312)
Cash flows from financing activities				
Inflows:				
Equity injections	A11	2,632	1,092	1,540
Outflows:				
Lease payments	A7	(603)	0	(603)
Net cash from/(used by) financing activities		2,029	1,092	937
Net increase/(decrease) in cash and cash equivalents		(1,848)	5,252	(7,100)
Cash and cash equivalents at the beginning of the financial year		1,986	102	1,884
Cash and cash equivalents at the end of the financial year		138	5,354	(5,216)

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Central West Hospital and Health Service
Notes to the Financial Statements

for the year ended 30 June 2020

BUDGET VS ACTUAL COMPARISON

For the purposes of these comparatives the "Original Budget" refers to the budget entered in May 2019 as part of the Service Delivery Statements (SDS) process which reflected the budget at that point in time. Since then there have been numerous adjustments to funding including, but not limited to enterprise bargaining agreements and new funding for programs and initiatives per the Service Agreement.

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

Explanation of major variances

Statement of Comprehensive Income

A1 User charges exceeded budget by \$1.343 million with additional revenue for managing capital projects of behalf of the Department of Health recognised totalling \$1.593 million. This has been partially offset by lower reimbursements under the Pharmaceutical Benefit Scheme and lower nursing home fees. All major construction of health infrastructure is managed and funded by the Department of Health. Where costs are borne by the Hospital and Health Service on departmental funded projects, the Department of Health reimburses those costs. These costs and associated revenue reimbursements were not captured at the time of budget.

Cash inflows for user charges and fees exceeded budget by \$1.835 million, largely consistent with the reasons set out above after adjustment for differences in the timing of cash receipts from the department.

A2 Grants and other contributions exceeded budget by \$721 thousand. The increase is attributed to additional mental health funding, received as part of a joint natural disaster project between the State and Commonwealth; and funding from local council as a contribution to the construction of the Boulia Wellness Centre. Improvements in bulk billing processes for services provided to patients further improved revenue. These funding sources were not included at the time of the budget.

Cash inflows for grants and other contributions exceeded the budget by \$759 thousand, largely consistent with the reasons set out above.

A3 Health service employee expenses were \$2.996 million higher than the budget reflecting an increase in full time equivalent staff during 2020 and higher average salaries (4.6%). Items not fully captured at the time of the budget included:

- the full cost of wages growth under enterprise bargaining agreements and additional leave as a result of COVID-19;
- purchase of additional services (\$1.654 million), to enhance health service delivery to the community - including mental health and community nurse disability support, continuation of the central west referral hub, nurse educators, and other minor projects for rural and remote facilities. These initiatives increased staff numbers and salaries through additional overtime.

Cash outflows for health service employee expenses exceeded budget by \$2.867 million, largely consistent with the reasons set out above adjusted for a variance in accrued contract labour not anticipated at the time of the budget.

A4 Supplies and services expenditure exceeded budget by \$3.409 million due to a number of factors not captured at the time of the budget:

- the employment of additional temporary medical staff to backfill vacancies, due to ongoing recruitment difficulties, and to relieve nurses on leave, added \$3.782 million to expenses. The COVID-19 pandemic has resulted in higher than estimated levels of leave and increased demand for nursing services;
- ongoing redevelopment of Longreach hospital and other refurbishment project costs incurred on behalf of the Department of Health. These costs were reimbursed by the department;
- a development fee, paid to the Department of Health for the construction of the new Boulia facilities refer A2.
- adoption of AASB16 Leases reduced operating lease expenditure refer A7 below for further details: and
- reductions in patient activity and health services, with travel restrictions and cancellation of the majority of elective surgery in response to COVID-19. This translated into cost savings, partially offsetting increases noted above.

Cash outflows for supplies and services exceeded budget by \$4.315 million. The key contributors to this are largely consistent with the reasons set out above adjusted for movements in estimates for trade payables.

Central West Hospital and Health Service
Notes to the Financial Statements

for the year ended 30 June 2020

BUDGET VS ACTUAL COMPARISON (continued)

A5 Depreciation expense exceeded budget by \$876 thousand reflecting depreciation on right-of-use assets and increased depreciation charges on buildings subject to capital works. The budget did not include the impact of changes arising from AASB 16 Leases. From 1 July, 2019 former operating leases with private organisations/ individuals, are recognised on-balance sheet as right-of-use assets and depreciated over the asset's useful life. Lease payments are recognised as reductions in liability and interest costs.

Statement of Financial Position

A6 Receivables decreased \$662 thousand from budget. At the time of the budget, receivables were forecast to be higher as estimates did not include reductions for one off funding from the Department of Health, rolled forward from prior years. This was partially offset by increased levels of community funding outstanding at 30 June 2020.

A7 Right-of-use assets and lease liabilities - as stated in A5 above, the budget did not forecast the impact of AASB16. On transition (1 July 2019) \$1.820 million of right-of-use assets and \$1.769 million of lease liabilities were recognised. Further details on this standard and its impact on the financial records are outlined in Note E6-1, Note C9-1 and CF-2.

A8 Payables were higher than budget by \$522 thousand reflecting the exclusion from budget, annual movements in amounts owing to the Department of Health for health service employee expenses. This is a combination of growth in full time equivalent staff employed from year to year, wages growth from enterprise bargain agreements and the timing of the last pay period in June.

A9 Accrued employee expenses was higher \$214 thousand, with budget excluding movements in accruals similar to A8. The increase reflects monies owing at 30 June for staff on secondment to Central West Health, and changes in accruals for wages at year end. Accruals for wages have increased reflecting growth in average wages and a change in timing of the last payroll payment with 16 days accrued at 2020 (time of the budget) compared to 14 days at 2019.

Statement of Cash Flows

A10 Payments for property, plant and equipment were \$1.307 million higher than budgeted. Post the budget, further funding for medical equipment purchases and infrastructure improvements at Longreach and Boulia health facilities was approved by the Department of Health. This included the carryover medical equipment funding unspent from previous years.

A11 Cash flows from equity injections increased \$1.540 million, a result of higher funding approvals by the Department of Health during the year for infrastructure projects, and purchases of equipment refer V10. This was not included at the time of budget estimates. Cash funding for purchases of Property Plant and Equipment (PPE) are made by the Department of Health one month in arrears. This timing difference represents the variation between purchases of PPE and equity injections at 30 June 2020.

Central West Hospital and Health Service
Management Certificate
for the year ended 30 June 2020



INDEPENDENT AUDITOR'S REPORT

To the Board of Central West Hospital and Health Service

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of Central West 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 2020, 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 2020, 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* (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.

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:

- the prescribed requirements for establishing and keeping the accounts have been complied with in all material respects; and
- the financial statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of Central West Hospital and Health Service for the financial year ended 30 June 2020 and of the financial position of the Hospital and Health Service at the end of that year; and
- 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.

Jane Williams

Jane Hancock

Board Chair

Health Service Chief Executive

Central West Health
24 / 08 / 2020

Central West Health
24 / 08 / 2020

Specialised buildings valuation (\$90.1 million)

Refer to Note C5 in the financial report.

Key audit matter	How my audit addressed the key audit matter
<p>Buildings were material to Central West Hospital and Health Service at balance date and were measured at fair value. Central West Hospital and Health Service performed a comprehensive revaluation of approximately one fifth of its buildings this year, with remaining assets being revalued using indexation.</p> <p>The current replacement cost method comprises:</p> <ul style="list-style-type: none"> gross replacement cost, less accumulated depreciation. <p>Central West Hospital and Health Service derived the gross replacement cost of its buildings at the balance date using unit prices that required significant judgements for:</p> <ul style="list-style-type: none"> identifying the components of buildings with separately identifiable replacement costs developing a unit rate for each of these components, including: <ul style="list-style-type: none"> estimating the current cost for a modern substitute (including locality factors and oncosts) 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. <p>The measurement of accumulated depreciation involved significant judgements for forecasting the remaining useful lives of building components.</p> <p>The significant judgements required for gross replacement cost and useful lives are also significant judgements for calculating annual depreciation expense.</p>	<p>My procedures included, but were not limited to:</p> <ul style="list-style-type: none"> Assessing the adequacy of management's review of the valuation process 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 associated with buildings that were comprehensively revalued this year, on a sample basis, evaluating the relevance, completeness and accuracy of source data used to derive the unit rate of the: <ul style="list-style-type: none"> Modern substitute (including locality factors and oncosts) 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: <ul style="list-style-type: none"> Reviewing management's annual assessment of useful lives At an aggregated level, reviewing asset management plans for consistency between renewal budgets and the gross replacement cost of assets Ensuring that no building asset still in use has reached or exceeded its useful life Enquiring of management about their plans for assets that are nearing the end of their useful life Reviewing assets with an inconsistent relationship between condition and remaining useful life. Where changes in useful lives were identified, evaluating whether the effective dates of the changes applied for depreciation expense were supported by appropriate evidence.

Reliance on shared service provider

Refer Note E9

Key audit matter	How my audit addressed the key audit matter
<ul style="list-style-type: none"> The Department of Health (the department) is the shared service provider to Central West Hospital and Health Service for the management of the financial management information system, and processing of accounts payable transactions in the system. The Department replaced its primary financial management information system on 1 August 2019. The financial management system is used to prepare the general-purpose financial statements. It is also the general ledger and it interfaces with other software that manages revenue, payroll, and certain expenditure streams. Its modules are used for inventory and accounts payable management. The replacement of the financial management system increased the risk of fraud and error in the control environment of the Department and Central West Hospital and Health Service. The implementation of the financial management system was a significant business and IT project for the Department and Central West Hospital and Health Service. It included: <ul style="list-style-type: none"> designing and implementing IT general controls and application controls cleansing and migrating of vendor and open purchase order master data ensuring accuracy and completeness of closing balances transferred from the old system to the new system establishing system interfaces with other key software programs establishing and implementing new workflow processes. 	<p>I have reported issues relating to internal control weaknesses identified during the course of my audit to those charged with governance.</p> <p>My procedures included, but were not limited to:</p> <ul style="list-style-type: none"> assessing the appropriateness of the IT general and application level controls including system configuration of the financial management system by: <ul style="list-style-type: none"> reviewing the access profiles of users with system wide access reviewing the delegations and segregation of duties reviewing the design, implementation, and effectiveness of the key general information technology controls validating account balances from the old system to the new system to verify the accuracy and completeness of data migrated documenting and understanding the change in process and controls for how material transactions are processed, and balances are recorded assessing and reviewing controls temporarily put in place due to changing system and procedural updates. Undertaking significant volume of sample testing to obtain sufficient appropriate audit evidence, including: <ul style="list-style-type: none"> verifying the validity of journals processed pre and post go-live verifying the accuracy and occurrence of changes to bank account details comparing vendor and payroll bank account details verifying the completeness and accuracy of vendor payments, including testing for potential duplicate payments. Assessing the reasonableness of: <ul style="list-style-type: none"> the inventory stocktakes for completeness and accuracy the mapping of the general ledger to the financial statement line items.

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.

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 2020:

- I received all the information and explanations I required.
- 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 transactions and account balances to enable the preparation of a true and fair financial report.



C G Strickland
as delegate of the Auditor-General

27 August 2020

Queensland Audit Office
Brisbane

Glossary

Hospital and Health Service (HHS)

A Hospital and Health Service is a separate legal entity established by the Queensland government to deliver public hospital health services and replaced the former health service districts.

Royal Flying Doctor Service

The Royal Flying Doctor Service of Australia is a not for profit organisation delivering extensive primary healthcare and 24 hour emergency service to those who live, work and travel throughout Australia

Western Queensland Primary Health Network

The Western Queensland Primary Health Network (WQPHN) was formed as an independent not for profit company by the three Western Queensland Hospital and Health Services – Central West, South West and North West. The WQPHN fosters partnerships with all founders and service providers with an aim to improve primary healthcare delivery.

Primary care

First level healthcare provided by a range of healthcare professionals in socially appropriate and accessible ways and supported by integrated referral systems. It includes health promotion, illness prevention, care of the sick, advocacy and community development.

Compliance checklist

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

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	2
Accessibility	• Table of contents	ARRs – section 9.1	3, 76
	• Glossary		
	Public availability	ARRs – section 9.2	Inside Front Cover
	Interpreter service statement	Queensland Government Language Services Policy ARRs – section 9.3	Inside Front Cover
	Copyright notice	Copyright Act 1968 ARRs – section 9.4	Inside Front Cover
General information	Information Licensing	QGEA – Information Licensing ARRs – section 9.5	Inside Front Cover
	Introductory Information	ARRs – section 10.1	
	Machinery of Government changes	ARRs – section 10.2, 31 and 32	N/A
	Agency role and main functions	ARRs – section 10.2	6-8
	Operating environment	ARRs – section 10.3	6,7,& 9
Non-financial performance	Government’s objectives for the community	ARRs – section 11.1	4
	Other whole-of-government plans / specific initiatives	ARRs – section 11.2	4
	Agency objectives and performance indicators	ARRs – section 11.3	6, 7
	Agency service areas and service standards	ARRs – section 11.4	8, 20-21
Financial performance	Summary of financial performance	ARRs – section 12.1	22, 23
Governance – management and structure	Organisational structure	ARRs – section 13.1	14, 15
	Executive management	ARRs – section 13.2	14-16
	Government bodies (statutory bodies and other entities)	ARRs – section 13.3	
	Public Sector Ethics	Public Sector Ethics Act 1994 ARRs – section 13.4	19
	Human Rights	Human Rights Act 2019 ARRs – section 13.5	19
	Queensland public service values	ARRs – section 13.6	16
Governance – risk management and accountability	Risk management	ARRs – section 14.1	17
	Audit committee	ARRs – section 14.2	13
	Internal audit	ARRs – section 14.3	18
	External scrutiny	ARRs – section 14.4	18
	Information systems and recordkeeping	ARRs – section 14.5	18
Governance – human resources	Strategic workforce planning and performance	ARRs – section 15.1	17
	Early retirement, redundancy and retrenchment	Directive No.04/18 Early Retirement, Redundancy and Retrenchment ARRs – section 15.2	17
Open Data	Statement advising publication of information	ARRs – section 16	19
	Consultancies	ARRs – section 33.1	https://data.qld.gov.au
	Overseas travel	ARRs – section 33.2	https://data.qld.gov.au
	Queensland Language Services Policy	ARRs – section 33.3	https://data.qld.gov.au
Financial statements	Certification of financial statements	FAA – section 62 FPMS – sections 38, 39 and 46 ARRs – section 17.1	70
	Independent Auditor’s Report	FAA – section 62 FPMS – section 46 ARRs – section 17.2	71-75

