

(aa) Issuance of financial statements

The financial statements are authorised for issue by the Director-General and the Deputy Director-General, Finance, Procurement and Legal at the date of signing the Management Certificate.

(bb) 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.

Estimates and assumptions that have a potential significant effect are outlined in the following financial statement notes:

User charges – Note 2 (g)

Valuation of Property, plant and equipment – Note 23

Contingencies – Note 32

(cc) Rounding and comparatives

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

Comparative information has been restated where necessary to be consistent with disclosures in the current reporting period.

(dd) New and revised accounting standards

Queensland Health did not voluntarily change any of its accounting policies during 2010-11. Only one amendment to an Australian Accounting Standard applicable for the first time for 2010-11 was relevant to Queensland Health as explained below.

AASB 2009 – 5 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project* included certain amendments to AASB 117 *Leases* that revised the criteria for classifying leases, involving land and buildings. Queensland Health has endeavoured to undertake an assessment of the classification of land elements of all unexpired leases the department has entered into as at 1 July 2010 on the basis of information existing at the inception of the relevant leases. An assessment has been undertaken, and is continuing, however it is highly unlikely that there will be a requirement for a reclassification of operating lease to finance lease or, if there is any, it is expected to be immaterial in nature.

Queensland Health is not permitted to early adopt a new or amended accounting standard ahead of the specified commencement date unless approval is obtained from Queensland Treasury. Consequently, Queensland Health has not applied any Australian Accounting Standards and Interpretations that have been issued but are not yet effective. The department applies standards and interpretations in accordance with their respective commencement dates.

At the date of authorisation of the financial report, significant impacts of new or amended Australian Accounting Standards with future commencement dates are as set out below.

AASB 2010-4 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* [AASB 1, AASB 7, AASB 101 and AASB 134 and *Interpretation 13*] became effective from reporting periods beginning on or after 1 January 2011. Queensland Health will then need to make changes to its disclosures about credit risk on financial instruments in Note 38 (c). No longer will Queensland Health need to disclose amounts that best represent an entity's maximum exposure to credit risk where the carrying amount of the instruments reflects this. If the department holds collateral or other credit enhancements in respect of any financial instrument, it will need to disclose – by class of instrument – the financial extent to which those arrangements mitigate the credit risk. There will be no need to disclose the carrying amount of financial assets for which the terms have been renegotiated, which would otherwise be past due or impaired.

Also, for those financial assets that are either past due but not impaired, or have been individually impaired, there will be no need to separately disclose details about any associated collateral or other credit enhancements held.

AASB 9 *Financial Instruments* (December 2010) and AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 and 1038 and *Interpretations 2, 5, 10, 12, 19 and 127*] become effective from reporting periods beginning on or after 1 January 2013. The main impacts of these standards on Queensland Health are that they will change the requirements for the classification, measurement and disclosures associated with financial assets. Under the new requirements, financial assets will be more simply classified according to whether they are measured at either amortised cost or fair value. Pursuant to AASB 9, financial assets can only be measured at amortised cost if two conditions are met.

One of these conditions is that the asset must be held within a business model whose objective is to hold assets in order to collect contractual cash flows. The other condition is that the contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial application of AASB 9, Queensland Health will need to reassess the measurement of its financial assets against the new classification and measurement requirements, based on the facts and circumstances that exist at that date. Assuming no change in the types of transactions the department enters into, it is not expected that any of Queensland Health's financial assets will meet the criteria in AASB 9 to be measured at amortised cost. Therefore, as from the 2013-14 financial statements, all of Queensland Health's financial assets will be required to be classified as "financial assets required to be measured at fair value through profit or loss" (instead of the measurement classifications presently used in Notes 2 (t) and 38. The same classification will be used for net gains/losses recognised in the Statement of Comprehensive Income in respect of those financial assets. In the case of the department's receivables, the carrying amount is considered to be a reasonable approximation of fair value.

The most significant impact on Queensland Health of the new measurement requirements is that the "held to maturity" investment described in Notes 2 (q), 2 (t), 19 and 38 will need to be measured at fair value as at 1 July 2013. In addition, that investment will no longer be classified as "held to maturity", as explained above. Queensland Health is not yet able to predict what the fair value of this investment will be at that date. The difference between the carrying amount of this investment and the fair value as at 1 July 2013 will be recognised as an adjustment to the balance of Accumulated Surplus as at 1 July 2013. In respect of this change, the 2013-14 financial statements will need to disclose a comparison between the previous measurement classification and carrying amount as at 30 June 2013 and the new classification and fair value amount as at 1 July 2013. Queensland Health plans to recognise subsequent changes in the fair value of that investment in the annual operating result.

AASB 1053 Application of *Tiers of Australian Accounting Standards* and AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements* [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 and 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129, and 1052] apply to reporting periods beginning on or after 1 July 2013.

AASB 1053 establishes a differential reporting framework for those entities that prepare general purpose financial statements, consisting of two tiers of reporting requirements;

- Australian Accounting Standards (commonly referred to as "tier 1") and
- Australian Accounting Standards – Reduced Disclosure Requirements (commonly referred to as "tier 2").

Tier 1 requirements comprise the full range of AASB recognition, measurement, presentation and disclosure requirements that are currently applicable to reporting entities in Australia. The only difference between the tier 1 and tier 2 requirements is that tier 2 requires fewer disclosures than tier 1. AASB 2010-2 sets out the details of which disclosures in standards and interpretations are not required under tier 2 reporting.

Pursuant to AASB 1053, public sector entities like Queensland Health may adopt tier 2 requirements for their general purpose financial statements. However, AASB 1053 acknowledges the power of a regulator to require application of the tier 1 requirements. In the case of the department, Queensland Treasury is the regulator. Queensland Treasury has advised that its policy decision is to require all departments to adopt tier 1 reporting requirements. In compliance with Treasury's policy which prohibits the early adoption of new or revised accounting standards unless Treasury approval is granted, Queensland Health has not early adopted AASB 1053.

All other Australian Accounting Standards and Interpretations with future commencement dates are either not applicable to Queensland Health activities, or have no material impact on the department.

3 Major departmental services and SSP, activities and other events

Major services

Queensland Health has six major departmental services and the Shared Service Partner. These reflect Queensland Health's planning priorities as articulated in the Queensland Statewide Health Services Plan 2007-2012 and supports investment decision-making based on the health continuum.

The identity and purpose of each major departmental service undertaken by Queensland Health during the reporting period is summarised as follows:

Prevention, Promotion, Protection

Aims to prevent illness or injury, promote and protect good health and well-being of the population and reduce the health status gap between the most and least advantaged in the community.

Primary Health Care

Address health problems or established risk factors of individuals and small targeted groups providing curative, promotive, preventative and rehabilitation services. The services include early detection and intervention services and risk factor management programs.

Ambulatory Care

Aims to provide equitable access to quality emergency and outpatient services provided by Queensland's public hospitals and incorporate activities of Queensland public hospitals outpatient department as well as emergency medical services provided in the public hospital emergency departments.

Acute Care

Aims to increase equity and access to high quality acute hospital services for patients on a Statewide basis and includes the provision of medical, surgical and obstetric service in Queensland hospitals.

Rehabilitation and Extended Care

Aims to improve the functional status of patients with an impairment or disability slow the progression of a person's health condition and assist them to maintain and better manage their health condition. This major departmental service predominantly targets the needs of people with long-term conditions that have chronic consequences.

Integrated Mental Health Services

This major departmental service spans the health continuum through the provision of mental health promotion, community based illness prevention activities, acute mental health services, outpatient treatment and mental health support services as well as the extended treatment services provided through designated mental health units.

Shared Service Partner

Queensland Health's Shared Service Partner provides a standard suite of corporate services to Queensland Health, linen services and some additional out of scope services.

Major activities

Assets received from DEEDI for Health and Food Sciences Precinct

Queensland Health owns research facilities at Coopers Plains. These facilities have been upgraded to create a Health and Food Sciences Precinct (the Precinct). The Department of Employment, Economic Development and Innovation (DEEDI) was previously the lead agency in developing the Precinct. Queensland Health has been nominated by Government to take over the role of lead agency. Subsequently, the Cabinet Budget Review Committee (CBRC) endorsed the transfer of the Precinct base buildings with a value of \$72.205 million and associated prepaid lease liability of \$14.739 million from DEEDI to Queensland Health. The prepaid lease liability forms part of a finance lease with the Commonwealth Scientific and Industrial Research Organisation (CSIRO). During the current financial year, the prepaid finance lease payments from CSIRO were extinguished against the lease liability.

Assets received from TMR for Cycle Centre

The Department of Transport and Main Roads (TMR) has agreed with Queensland Health to transfer the cycle centre and entrance works constructed as part of the Northern Busway as these were built on departmental property. Subsequently, TMR transferred \$8.084 million through non-appropriated equity transfer representing costs incurred in constructing these assets to Queensland Health.

New payroll system implementation

Queensland Health introduced a new payroll system that delivered its first pay on 24 March 2010.

The implementation resulted in significant disruptions to payroll activities, pay issues for employees and a backlog of unprocessed payroll forms.

Following the problems with the new payroll system implementation, Queensland Health undertook a number of key steps to address these issues including:

- employing additional payroll staff on a temporary basis
- ensuring access to emergency financial assistance for all employees, where required
- developing and rolling out a localised payroll operating model to re-establish working relationships between employees and payroll hubs
- resolving many of the critical system issues and implementing arrangements to address the remaining problems on a priority basis
- engaging Ernst and Young to independently review Queensland Health's current payroll and rostering systems. The Queensland Government also engaged PricewaterhouseCoopers to review the Queensland Government's shared services model.

The Auditor-General of Queensland issued two major reports since the previous year in regards to Queensland Health's payroll implementation as follows:

- the *Auditor-General of Queensland Report to Parliament No. 7 for 2010* Information systems governance and control, including the Queensland Health Implementation of Continuity Project
- the *Auditor-General of Queensland Report to Parliament No. 13 for 2010* Results of audits at 31 October 2010. This was a general financial statements audit which highlighted a number of findings relating to Queensland Health payroll.

Queensland Health accepted all of the Auditor-General's recommendations and developed a comprehensive plan for their implementation.

Furthermore, Queensland Health has committed to deliver the recommendations from Ernst and Young's review of the Queensland Health payroll system including immediately initiating the Queensland Health Optimisation Project which includes:

- development of a 'Program Management Plan' including consideration of the underlying technology platform and establishing the end state vision of a payroll solution
- establishing a robust payroll solution governance model based on establishing clear roles and responsibilities, defined key performance indicators and establishment of an optimisation project steering committee
- use the lessons learnt from the delivery of the project and any future planning activities and embed these learning activities into future planning roadmaps
- review and implement robust contractual arrangements for system development and support
- mobilise the project team for the Optimise Project Initiation Phase; this mobilisation needs to minimise impact on current stabilisation activities and resources
- conduct business requirement collection and confirmation and a detailed fit and gap analysis in future activities.

Queensland Health has undertaken a significant amount of work to stabilise the Queensland Health payroll and rostering systems to ensure employees receive their correct pay and entitlements.

Overpayments recovery moratorium

From 10 July 2011, Queensland Health temporarily suspended the recovery of overpayments to focus on dealing with outstanding underpayment claims.

Suspending the recovery of overpayments is one of the five initiatives in a proposed Heads of Agreement on payroll matters, negotiated with unions and the Queensland Industrial Relations Commission over recent weeks.

The five initiatives are:

1. A suspension on the recovery of overpayments
2. An increased focus on underpayments
3. Appointing an external Workplace Ombudsman
4. Providing more support for line managers and
5. New pay adjustment arrangements and trialling a new pay cycle.

The suspension of the recovery of overpayments will continue until such time as further strategies to address reported underpayments have been significantly progressed. The conclusion of the suspension of the recovery of overpayments will be part of the discussions to be held with the Queensland Industrial Relations Commission which is overseeing the progression of the Heads of Agreement implementation.

However, staff are able to voluntarily repay their salary overpayments and interim cash payments or request more information about these amounts.

As at 30 June 2011, Queensland Health is not aware of any significant level of outstanding underpayments.

As a government department, Queensland Health has a responsibility to taxpayers to recover overpaid monies to staff.

Overpayments waiver

An announcement was made on 14 July 2010 that employees overpaid between 8 March 2010 and 30 June 2010 by a cumulative amount up to and including \$200 would have their overpayment waived. This amount was selected as the cost of recovery was likely to outweigh the overpayment amount. This was of benefit to 11,322 employees at a cost of approximately \$1.3 million.

Queensland Health applied a similar waiver for overpayments made during 2010-11 (1 July 2010 to 30 June 2011) by a cumulative amount up to and including \$200. This was of benefit to approximately 23,155 employees at a cost of approximately \$1.7 million. Both waiver amounts are included in the 2010-11 financial statements. Refer Notes 14 and 17.

As at 30 June 2011, approximately \$11.3 million has been voluntarily repaid.

Included in receivables is an amount of \$59.449 million (2009-10: \$15.689 million) relating to salary overpayments and \$9.599 million (2009-10: \$5.852 million) relating to interim cash payments (for example, cheque, cash or EFT) made to staff who required immediate financial assistance. Refer Note 17.

Queensland Health remains committed to resolve staff payroll issues as soon as possible and will continue working towards delivering a payroll system which meets the needs of our staff.

Other events

Local Health and Hospitals Networks

On 20 April 2010 the Council of Australian Governance (COAG), excluding Western Australia, signed the National Health and Hospitals Network Agreement (NHHNA).

On 13 February 2011, COAG signed a Heads of Agreement on National Health Reform and a revised National Partnership Agreement on improving Public Hospital Services and committed to sign a full National Health Reform Agreement. The Agreement was finalised on 2 August 2011.

The Minister for Health introduced the Health and Hospitals Network Bill into Parliament on 16 June 2011. It is expected that the legislation will be passed later in 2011.

The draft Bill prescribes the establishment of Local Health and Hospitals Networks (LHHNs) that will be responsible for the delivery of public hospital services and other health services and the move of Queensland Health from its current role to one of overall health system manager for the State.

It is proposed that LHHNs will be separate legal entities controlled by a Governing Council and will be established as 17 separate Statutory Bodies by 1 July 2012.

As part of the transition planning, it has come to Queensland Health's attention that the current version of the department's financial management system is unable to support the requirement for each of the Local Health and Hospital Networks (LHHNs) to meet statutory reporting requirements from 1 July 2012. Indications are that this will not be able to be achieved until 1 July 2013. The system is supported externally by a Government service provider, Queensland Shared Services.

Natural disasters

During the 2010-11 Christmas and New Year period and further into February 2011, the State was exposed to flooding within Central and South West Queensland, Darling Downs-West Moreton and Metropolitan Brisbane. In addition Cyclones Anthony, Tasha and Yasi caused substantial damage to the Northern Regions of Cairns, Townsville, Mackay and Mt Isa. Many Health Service Districts within Queensland Health either experienced damage to property or deployed staff to areas of need. Queensland Health has assessed the impact of each natural disaster and despite the damage caused, no significant impairment of assets was identified.

Queensland Health maintained services throughout the disaster periods. Queensland Health staff who were unable to reach work or required to defend their property were granted flood leave.

To coordinate the relief effort, the Queensland Government established the *Queensland Reconstruction Authority* (the Authority) in February 2011. The Authority was established to provide, manage and coordinate a range of recovery and reconstruction programs on behalf of the State, including a range of State and Commonwealth funding and assistance programs.

The National Disaster Relief and Recovery Arrangements (NDRRA), a joint Commonwealth/State program, has provided funding to the Authority to assist with the natural disaster relief and recovery costs. The Authority coordinates the distribution of funding for NDRRA claims to enable Queensland Health to fund these activities.

As at 30 June 2011 Queensland Health has estimated eligible costs for the NDRAA claim to be in excess of \$19.19 million. To date, Queensland Health has received a cash advance of \$5.561 million from the Authority for eligible costs incurred during 2010-11.

	2011 \$'000	2010 \$'000
4 Reconciliation of payments from Consolidated Fund to departmental services revenue recognised in Statement of Comprehensive Income		
Budgeted departmental services appropriation*	9,092,426	8,326,338
Transfers from other headings	200,684	117,113
Unforeseen expenditure	177,787	111,090
Total departmental services receipts	<u>9,470,897</u>	<u>8,554,541</u>
Less: Opening balance of departmental services revenue receivable	30,213	-
Plus: Closing balance of departmental services revenue receivable	-	30,213
Departmental services revenue recognised in Statement of Comprehensive Income*	<u>9,440,684</u>	<u>8,584,754</u>

* Departmental services revenue includes Australian Government contributions of \$2,521.679 million (2009-10: \$2,353.928 million) appropriated through Queensland Treasury.

Reconciliation of payments from Consolidated Fund to equity adjustment recognised in Contributed Equity (Statement of Changes in Equity)

Budgeted equity adjustment appropriation	1,173,292	948,157
Transfers to other headings	(200,974)	(117,636)
Equity adjustment receipts	<u>972,318</u>	<u>830,521</u>
Plus: Opening balance of equity withdrawal payable	18,213	-
Less: Closing balance of equity withdrawal payable	-	18,213
Equity adjustment recognised in Contributed Equity	<u>990,531</u>	<u>812,308</u>

5 User charges

Hospital fees	485,221	412,538
Sale of goods and services	285,175	271,507
Rental income	<u>8,102</u>	<u>4,713</u>
	<u>778,498</u>	<u>688,758</u>

6 Grants and other contributions

Australian Government grants		
Nursing home grants	57,197	56,165
Other specific purpose recurrent grants	74,690	60,554
Other specific purpose capital grants	6,419	6,016
Total Australian Government grants	<u>138,306</u>	<u>122,735</u>
Other grants	129,317	95,868
Donations other	4,726	6,925
Donations inventory*	6,042	1,618
Donations non-current physical assets	17,082	7,996
Other	930	760
	<u>296,403</u>	<u>235,902</u>

* Inventory is donated by the Australian Government as part of the Australia wide vaccinations initiative.

	2011 \$'000	2010 \$'000
7 Other revenue		
Interest	5,189	4,029
Sale proceeds of non-capitalised assets	407	88
Licences and registration charges	2,448	2,049
Recoveries	12,955	12,671
Other	8,994	8,305
	29,993	27,142
8 Gains		
Gain on sale of property, plant and equipment	871	1,181
9 Other Income		
Share of profit from associates	26,236	14,687
10 Employee expenses		
Employee benefits		
Wages and salaries	5,289,028	4,705,269
Employer superannuation contributions	550,831	537,731
Annual leave expense	608,526	630,444
Long service leave levy	115,138	94,186
Other employee benefits	4,851	6,714
Employee related expenses		
Workers' compensation premium	63,293	50,861
Payroll tax	35,164	44,049
Other employee related expenses	70,355	69,461
	6,737,186	6,138,715
Number of employees	67,947	64,158

The number of employees includes full-time employees and part-time employees measured on a full-time equivalent basis.

Key executive management and personnel are reported in Note 39 with the new reporting requirements in accordance with Queensland Treasury requirements. Refer also Note 2 (u).

	2011 \$'000	2010 \$'000
11 Supplies and services		
Consultants and contractors	382,363	306,995
Electricity and other energy	65,340	66,748
Patient travel	46,922	45,535
Other travel	61,903	51,686
Water	9,420	8,879
Building services	15,386	13,626
Computer services	93,894	82,636
Motor vehicles	11,001	10,974
Communications	65,405	60,706
Repairs and maintenance	185,358	170,698
Expenses relating to capital works	26,177	24,805
Operating lease rentals	119,668	111,335
Drugs	403,291	372,500
Clinical supplies and services	689,577	653,669
Catering and domestic supplies	147,109	140,704
Other	112,087	116,247
	2,434,901	2,237,743
12 Grants and subsidies		
Public hospital support services	676,701	568,385
Home, community and rural health services	155,016	134,942
Mental health services	6,744	8,978
Medical research programs	63,350	24,819
Other	4,325	4,214
	906,136	741,338
13 Depreciation and amortisation		
Buildings and land improvements	190,421	186,076
Plant and equipment	133,325	123,626
Software purchased	2,771	1,870
Software developed	11,373	14,949
	337,890	326,521
14 Impairment losses		
Impairment losses on receivables*	12,519	5,089
Bad debts written off	23,502	9,483
	36,021	14,572

* Refer Notes 17 and 38 (c).

	2011 \$'000	2010 \$'000
15 Other expenses		
External audit fees*	1,596	1,254
Bank fees	480	392
Insurance**	62,906	50,022
Inventory written off	2,519	2,726
Losses from the disposal of non-current assets	5,855	5,735
Losses		
Public monies	18	3
Public property	38	16
Special payments		
Donations/gifts	68	159
Ex-gratia payments**	5,577	1,576
Other legal costs	8,121	6,142
Journals and subscriptions	8,940	7,103
Advertising	14,556	11,080
Interpreter fees***	4,765	3,910
Other	2,827	2,585
	118,266	92,703

*Total external audit fees relating to the 2010-11 financial year are estimated to be \$1.596 million (2009-10: \$1.254 million).

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

** Certain losses of public property and health litigation costs are insured with the Queensland Government Insurance Fund (QGIF).

Insurance premiums are paid to QGIF each year and prepayments are reported in Note 21. Litigation in progress is reported in Note 32 (b).

*** This amount is inclusive of Mater Health Services and staff interpreter.

16 Cash and cash equivalents

Cash at bank and on hand*	(100,654)	(30,464)
24 hour call deposits**	70,466	63,532
	(30,188)	33,068

*Queensland Health bank accounts are grouped within the Whole-of-Government set-off arrangement with the Queensland Treasury Corporation. Queensland Health does not earn interest on surplus funds and is not charged for accessing its approved debit facility as part of Whole-of-Government banking arrangements. Interest earned on the aggregate set-off arrangement balance accrues to the Consolidated Fund.

**Cash deposited at call with the Queensland Treasury Corporation earns interest at a rate of 5.34% (2009-10: 5.06%), refer Note 34.

	2011 \$'000	2010 \$'000
17 Loans and receivables		
<i>Current</i>		
Trade debtors*	293,863	221,645
Payroll receivables**	69,048	22,502
Less: Allowance for impairment***	33,527	21,008
	<u>329,384</u>	<u>223,139</u>
 GST input tax credits receivable	 63,799	 63,074
GST payable	(2,310)	(4,280)
Net receivable	<u>61,489</u>	<u>58,794</u>
 Annual leave reimbursements	 126,585	 106,146
Appropriation receivable	-	30,213
Long service leave reimbursements	18,848	16,588
Insurance claims	-	9
Advances	10,825	17,100
Other	201	305
	<u>547,332</u>	<u>452,294</u>
<i>Non-current</i>		
Loans to other entities****	10,715	-
	<u>10,715</u>	<u>-</u>
	<u>558,047</u>	<u>452,294</u>
 Movements in the allowance for impairment loss		
<i>Current</i>		
Balance at the beginning of the year	21,008	15,919
Increase in allowance recognised in operating result	12,519	5,089
Balance at the end of the year	<u>33,527</u>	<u>21,008</u>
<p>* Included in trade debtors are outstanding payments for the following:</p> <ul style="list-style-type: none"> - \$63.412 million (2009-10: \$59.7 million) from the Commonwealth Department of Veteran Affairs for patient revenue. - \$95.358 million (2009-10: \$27.464 million) from the NSW Government for treatment of interstate patients. <p>**Included in payroll receivables is \$9.599 million (2009-10: \$5.852 million) relating to interim cash payments and \$59.448 million (2009-10: \$15.689 million) for salary overpayments. Refer Note 3 and 42.</p> <p>*** Impairment for payroll receivables is \$17.372 million (2009-10: \$0.727 million). Refer Notes 2 (k), 3, 14 and 42.</p> <p>**** The loan receivable forms part of a confidential Transaction Agreement between Queensland Health and Telstra for the relocation of the South Brisbane Telephone Exchange.</p>		
18 Inventories		
<i>Inventories held for distribution – at cost:</i>		
Medical supplies and equipment	117,560	116,316
Catering and domestic	1,638	1,392
	<u>119,198</u>	<u>117,708</u>
Less: Loss of service potential	480	465
	<u>118,718</u>	<u>117,243</u>
 Engineering – at cost	 1,851	 1,692
Other – at cost	1,234	1,252
	<u>121,803</u>	<u>120,187</u>

	2011 \$'000	2010 \$'000
19 Other financial assets		
Fixed rate deposit*	20,000	20,000

*The Treasurer approved the investment of \$20 million with Queensland Treasury Corporation (QTC) with the interest earned being used for the funding of the Smart State Research Grants Program. Interest earned from this investment totalled \$0.990 million. (2009-10:\$ 0.799 million). Refer Note 7. As at 30 June 2011 there is one deposit with QTC worth \$20 million. Refer Note 38.

20 Investments in associates

(a) Movements in the carrying amount of the investment in associates

<i>Translational Research Institute Trust</i>	40,597	14,534
<i>Queensland Children's Medical Research Institute</i>	326	153
	40,923	14,687
<i>Translational Research Institute Trust</i>		
Balance at the beginning of the financial year	14,534	-
Share of profit/(loss) in associates after income tax	26,063	14,534
Balance at the end of the year	40,597	14,534
<i>Queensland Children's Medical Research Institute</i>		
Balance at the beginning of the financial year	153	-
Share of profit/(loss) in associates after income tax	173	153
Balance at the end of the year	326	153

(b) Summarised financial information

Translational Research Institute Trust

Extract from the Statement of Financial Position

Current assets	105,904	45,227
Non-current assets	63,110	20,237
	169,014	65,464
Current liabilities	105,871	2,331
Non-current liabilities	5,000	5,000
	110,871	7,331
Net assets	58,143	58,133
<i>Net asset percentage share</i>	25%	25%
Share of associates' net assets	14,536	14,534

	2011 \$'000	2010 \$'000
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20 Investments in associates (continued)

Extract from the Statement of Comprehensive Income

Revenue	105,142	58,780
Net profit	104,250	58,133

Queensland Children's Medical Research Institute

Extract from the Statement of Financial Position

Current assets	694	1,959
Non-current assets	189	228
	<u>883</u>	<u>2,187</u>
Current liabilities	121	1,830
Non-current liabilities	1	-
	<u>122</u>	<u>1,830</u>
Net assets	<u>761</u>	<u>357</u>
<i>Net asset percentage share</i>	43%	43%
Share of associates' net assets	<u>326</u>	<u>153</u>

Extract from the Statement of Comprehensive Income

Revenue	1,399	4,936
Net profit	355	357

(c) Share of associates' profit and net asset percentage

<i>Translational Research Institute Pty Ltd</i>	25%	25%
<i>Translational Research Institute Trust</i>	25%	25%
<i>Queensland's Children's Medical Research Institute</i>	43%	43%

21 Other assets

Current

Insurance premium prepayment*	75,167	62,485
Other prepayment	18,829	22,259
	<u>93,996</u>	<u>84,744</u>

Non-current

Prepayments	<u>3,066</u>	<u>8,022</u>
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* Insurance premiums are paid to the Queensland Government Insurance Fund (QGIF) and is paid 12 months in advance. The premium to cover the period 2011-12 is \$75.167 million and for 2010-11 was \$62.485 million. The increase in the insurance premium is attributed to actuarial assessment utilising information on the insurable exposure of Queensland Health. Litigation in progress is reported in Note 32 (b).

22 Intangibles

	2011 \$'000	2010 \$'000
Software purchased		
At cost	26,614	21,148
Less: Accumulated amortisation	14,041	10,825
	<u>12,573</u>	<u>10,323</u>
Software internally generated		
At cost	222,120	204,803
Less: Accumulated amortisation	167,454	160,255
	<u>54,666</u>	<u>44,548</u>
Software work in progress		
At cost	<u>54,356</u>	<u>41,982</u>
	<u>121,595</u>	<u>96,853</u>

Projects in the research phase of the software development program were expensed and were mainly classified as salaries and wages expense in 2010-11 is \$5.811 million (2009-10: \$9.167million).

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Intangibles reconciliation

	Software purchased		Software internally generated		Software work in progress		Total	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Carrying value at start of the year	10,323	3,328	44,548	39,734	41,982	40,562	96,853	83,624
Acquisitions	3,958	8,951	10,121	1,551	26,979	23,608	41,058	34,110
Disposals	-	-	-	-	-	-	-	-
Transfer between classes	1,063	(86)	11,370	18,212	(14,605)	(18,573)	(2,172)	(447)
Transfers in/(out)	-	-	-	-	-	(3,615)	-	(3,615)
Amortisation charge for the year	(2,771)	(1,870)	(11,373)	(14,949)	-	-	(14,144)	(16,819)
Carrying value at end of period	12,573	10,323	54,666	44,548	54,356	41,982	121,595	96,853

The department's Hospital Based Corporate Information System (HBCIS) has an original cost of \$0.952 million (2009-10 \$0.952 million) or 0.43% (2009-10: 0.43%) of the total gross value of the class of assets. HBCIS has been written down to zero and is still being used in the provision of services. As assessment of this software was conducted in 2010-11 and it is anticipated that this module will be replaced in the next five to seven years.

	2011 \$'000	2010 \$'000
23 Property, plant and equipment		
Land		
At fair value	1,112,805	1,074,121
	1,112,805	1,074,121
Buildings		
At fair value	6,398,158	5,814,143
Less: Accumulated depreciation	2,678,731	2,449,498
	3,719,427	3,364,645
Plant and equipment		
At cost	1,506,815	1,404,762
Less: Accumulated depreciation	745,395	676,914
	761,420	727,848
Capital works in progress		
At cost	1,584,912	1,023,656
Total property, plant and equipment	7,178,564	6,190,270

Land

An independent market revaluation was performed on all material land with a value greater than \$0.415 million (95% of the gross value) by the State Valuation Service within the Department of Environment and Resource Management, with an effective date of 30 June 2011. For all land under \$0.415 million, a desktop market valuation was performed, which takes into consideration valuation indicators such as location, size, zoning and recent market sale data. The State Valuation Service valuation team for 2010-11 comprised of the following registered valuers:

Ses Brimblecombe Regd Valuer	S Doyle AAPI	J Greenhill Regd Valuer
Caroline Kelsey Regd Valuer	B Krause AAPI	D Hobbs AAPI
Angela Ives AAPI	MC Farrington Regd Valuer	Ian Smith AAPI
Matt Woodbridge Regd Valuer	B Mahoney AAPI	Bill Hall AAPI
Simon Dawson AAPI	Graham Short AAPI	Noel Cronin AAPI
Dan Moran AAPI	Caroline Kelsey AAPI	Rob Chant Regd Valuer
D Routh AAPI	Paul Scheffe Regd Valuer	
Meg Dullaway AAPI	Glen Morris AAPI	
P Janke AAPI	Meg Redfern AAPI	

The revaluation at 30 June 2011 resulted in an increment of \$0.141 million to the carrying amount of land.

Buildings

An independent revaluation of 22% of the gross value of the building portfolio was performed as at 30 June 2011 by registered valuers of Davis Langdon using the "fair value" principles.

The Davis Langdon valuation team for 2010-11 comprised of:
Mr Damien Hirst – BSc (Hons) Quantity Surveying AAIQS
Mr Calvin Ling – B. App. Sc (Hons) Quantity Surveying AAIQS
Mr Shaun Young – BSc (Hons) Quantity Surveying
Mr William Lawler – AAPI CPV Reg No. QLD 3306

For buildings not subject to independent revaluations during 2010-11, the Department of Public Works Building Price Index (BPI) was assessed as nil for the year and a Health Design Factor of either 2% or 4% was applied on all buildings this year for the first time. Refer Note 2(m).

The buildings valuations for 2010-11 resulted in a net decrement to the Department's building portfolio of \$52.424 million. This is a decrease of 0.82% to the building portfolio as at 30 June 2011 (gross value of \$6.4 million).

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Property, plant and equipment reconciliation

	Land		Buildings		Plant and equipment		Work in progress		Total	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Carrying value at start of the year	1,074,121	1,097,738	3,364,645	3,649,630	727,848	644,682	1,023,656	720,424	6,190,270	6,112,474
Acquisitions	22,728	22,780	211,635	103,418	155,539	200,093	906,129	658,991	1,296,031	985,282
Donation received	16,529	-	60	7,045	492	939	-	-	17,081	7,984
Disposals	(707)	(1,814)	(996)	(201)	(6,163)	(5,830)	-	(1,338)	(7,866)	(9,183)
Donations made	-	-	-	-	(177)	(107)	-	-	(177)	(107)
Transfer between classes	8	7,442	339,060	341,576	16,061	8,850	(352,957)	(357,421)	2,172	447
Transfers in	72	-	57,610	3	1,144	2,847	8,084	3,000	66,910	5,850
Revaluation Increments/(decrements)	294	(47,325)	(56,135)	(548,504)	-	-	-	-	(55,841)	(595,829)
Impairment decrement	(240)	(4,700)	(6,030)	(2,246)	-	-	-	-	(6,270)	(6,946)
Depreciation charge for the year	-	-	(190,421)	(186,076)	(133,325)	(123,626)	-	-	(323,746)	(309,702)
Carrying value at end of period	1,112,805	1,074,121	3,719,427	3,364,645	761,420	727,848	1,584,912	1,023,656	7,178,564	6,190,270

The Department has plant and equipment with an original cost of \$15.242 million (2009-10: \$21.028 million) or 1.0 % (2009-10: 1.5%) of total plant and equipment gross value and a written down value of zero still being used in the provision of services. These assets will be replaced in future years based on Queensland Health priorities as identified through the Asset Strategic Planning process. Included in the valuation of buildings are 72 heritage buildings held at gross value of \$109.676 million (2009-10: 67 buildings at gross value of \$108.346 million). Refer Note 2 (m). for the valuation of heritage buildings.

	2011 \$'000	2010 \$'000
24 Payables		
Trade creditors	403,215	356,387
Equity withdrawal payable	-	18,213
Other creditors	3,818	6,834
	<u>407,033</u>	<u>381,434</u>

25 Accrued employee benefits

Wages outstanding	135,949	88,364
Other employee entitlements payable	10,140	8,776
Annual leave levy payable	151,457	184,600
Long service leave levy payable	32,984	25,246
	<u>330,530</u>	<u>306,986</u>

26 Other financial liabilities

<i>Non-current</i>		
Finance lease advanced*	<u>59,977</u>	<u>17,235</u>

*This is the advanced lease payments from the Translational Institute Research Trust. Refer Note 2 (s).

27 Other liabilities payable

<i>Current</i>		
Unearned other revenue	<u>463</u>	<u>878</u>
<i>Non-current</i>		
Unearned other revenue	<u>1,075</u>	<u>2,617</u>

	2011 \$'000	2010 \$'000
28 Asset revaluation surplus by class		
Land		
Balance at the beginning of the financial year	688,175	740,200
Revaluation increment/(decrement)	227	(47,325)
Asset revaluation prior year	67	-
Impairment losses through equity*	(240)	(4,700)
Balance at the end of the financial year	<u>688,229</u>	<u>688,175</u>
Buildings		
Balance at the beginning of the financial year	465,741	1,016,655
Revaluation increment/(decrement)	(52,241)	(548,504)
Asset revaluation prior year	(3,894)	(164)
Impairment losses through equity**	(6,030)	(2,246)
Balance at the end of the financial year	<u>403,576</u>	<u>465,741</u>
Balance at the end of the financial year	<u>1,091,805</u>	<u>1,153,916</u>

The asset revaluation surplus represents the net effect of revaluation movement of assets at fair value.

* The land impairment loss of \$0.2 million recognised in 2010-11 (2009-10: \$4.7 million) relates to 15 land parcels previously held at market value, that were identified as being held by traditional owners through a Deed of Grant in Trust (DOGIT). Therefore, the land's fair value has been impaired.

** The building impairment loss of \$6.030 million recognised in 2010-11 (2009-10: \$2.246 million) predominantly related to buildings with shorter than expected useful lives located on the site of health facility redevelopments. The majority of the buildings impaired, to which this write-off relates, have been demolished as at reporting date.

29 Reconciliation of operating surplus to net cash from operating activities

Operating result from continuing operations	2,285	832
<i>Non-cash items:</i>		
Depreciation expense	323,746	309,702
Amortisation expense	14,144	16,819
Assets written off/scrapped	520	156
Contributed assets and other non-cash donations	(25,982)	(10,374)
Loss on sale of property, plant and equipment	5,374	5,596
Gain on sale of property, plant and equipment	(871)	(1,182)
Share of profits in associates	(26,236)	(14,687)
Other non cash supplies	6,963	-
Other non cash items	1,733	2,134
<i>Changes in assets and liabilities:</i>		
Increase/(decrease) in departmental services revenue receivables	30,213	(30,213)
(Increase)/decrease in trade and payroll receivables	(106,131)	(79,649)
(Increase)/decrease in GST input tax credits receivable	(2,695)	(14,813)
(Increase)/decrease in LSL reimbursement receivable	(2,260)	(5,598)
(Increase)/decrease in annual leave reimbursement receivables	(20,439)	(32,400)
(Increase)/decrease in inventories	(1,616)	328
(Increase)/decrease in recurrent prepayments	(4,296)	(9,816)
Increase/(decrease) in unearned revenue	(1,957)	(7,353)
(Increase)/decrease in accrued salaries and wages	47,585	(253,896)
Increase/(decrease) in annual leave payable	1,364	(26,892)
Increase/(decrease) in payables	43,811	110,028
Increase/(decrease) in annual leave levy payable	(33,143)	68,567
Increase/(decrease) in LSL levy payable	7,738	2,656
Net cash provided by operating activities	<u>259,850</u>	<u>29,945</u>

30 Non cash financing and investing activities

Assets and liabilities received or transferred by the department are set out in the Statement of Changes in Equity. The activities for the financial year are explained in Note 3.

	2011 \$'000	2010 \$'000
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31 Commitments for expenditure

(a) Non-cancellable operating leases

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

Not later than one year	60,384	60,146
Later than one year and not later than five years	147,814	150,317
Later than five years	29,984	28,070
	<u>238,182</u>	<u>238,533</u>

Operating leases are entered into as a means of acquiring access to office and residential accommodation and office equipment. Lease payments are generally fixed, but with escalation clauses on which contingent rentals are determined. No lease arrangements contain restrictions on financing or other leasing activities.

(b) Expenditure and other commitments

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

Capital works*	2,484,331	2,984,848
Supplies	28,119	37,852
Repairs and maintenance	45,701	64,715
Employment	469	1,346
Other	54,361	37,787
	<u>2,612,981</u>	<u>3,126,548</u>
Not later than one year	1,233,278	463,044
Later than one year and not later than five years	1,373,469	2,654,142
Later than five years	6,234	9,362
	<u>2,612,981</u>	<u>3,126,548</u>

* Includes capital expenditure for the development of three new tertiary hospitals and continuing redevelopment and refurbishment of existing hospitals and health care facilities. Capital projects are delivered under a partnering agreement between Queensland Health and the Department of Public Works, Project Services Division. These projects have been approved by the Cabinet Budget Review Committee and have been included as commitments for the total project amounts. Each of these projects is currently at different stages of the contractual cycle. The contracted commitments for the approved projects are \$1.591 million. Comparative contracted commitments are not able to be determined.

(c) Grants and other contributions

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

Not later than one year*	186,831	152,930
Later than one year and not later than five years*	106,549	171,914
Later than five years	-	5,545
	<u>293,380</u>	<u>330,389</u>

*Grant and other contribution commitments include:

- Queensland Health's contribution to the Translational Research Institute Facility. Refer to Notes 2 (c) and Note 33.
- a payable to Noosa Hospital in the 'not later than one year' category as it is subject to annual review. For more detail refer Note 36.

32 Contingencies

2011
\$'000

2010
\$'000

(a) Guarantees and undertakings

As at 30 June 2011, the department held the following guarantees and undertakings from third parties. These amounts have not been recognised as assets in the financial statements.

Guarantees	2,192	-
Undertakings	10,912	13,283
	13,104	13,283

(b) Litigation in progress

	2010 cases	Increase cases	Decrease cases	2011 cases
Cases have been filed with the courts as follows:				
Federal Court	-	-	-	-
Supreme Court	3	18	-	21
District Court	1	4	-	5
Magistrates Court	1	-	-	1
Tribunals, commissions and boards	151	7	-	158
	156	29	-	185
	2009 cases	Increase cases	Decrease cases	2010 cases
Federal Court	-	-	-	-
Supreme Court	32	-	29	3
District Court	16	-	15	1
Magistrates Court	1	-	-	1
Tribunals, commissions and boards	109	42	-	151
	158	42	44	156

Health litigation is underwritten by the Queensland Government Insurance Fund (QGIF). Queensland Health's liability in this area is limited to an excess per insurance event. Refer Note 2 (w).

The department's legal advisers and management believe it would be misleading to estimate the final amounts payable (if any) in respect of the litigation before the courts at this time.

The introduction of the *Personal Injuries Proceedings Act 2002* has resulted in fewer cases appearing before the courts. These matters are usually resolved at the pre-proceedings stage.

From 1 July 2010, the management of all Queensland Health indemnified claims are managed by QGIF. As at 30 June 2011 there were 362 (2009-10: 298) claims managed by QGIF, some of which may never be litigated or result in payments to claims. The maximum exposure to Queensland Health under this policy is up to \$20,000 for each insurable event.

The special claims management process ("the special process") was established by Government in 2005 to expeditiously resolve claims as a result of healthcare treatment provided by Dr Patel has continued. The key features of the special process are an acceptance of liability by the State, payment for the cost of medical assessment, a contribution to the claimants' legal fees and payment of the cost of mediation (if needed). These features are a significant departure from the prevailing legislative scheme. As at 30 June 2011, 387 (2009-10: 387) special process claims had been received with three of these claims remaining unresolved. Claims which remain outstanding are included in the above table.

32 Contingencies (continued)

(c) Native Title

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

All dealings pertaining to land held by or on behalf of Queensland Health must take native title into account before proceeding. These dealings include disposal, acquisition, development, redevelopment, clearing, fencing and the granting of leases, licences or permits and so on. Dealings may proceed on department owned land where native title continues to exist, provided native title holders or claimants receive the necessary procedural rights.

In accordance with State Government Land Policies, generally once native title over a particular holding has been cleared, Queensland Health is required to convert the tenure to freehold ownership

Queensland Health has completed 55.01% of native title assessments of department land holdings and 83.44% have now been converted to freehold tenure.

With the assistance of Crown Law, Queensland Health is currently negotiating with a number of *Indigenous Land Use Agreements* (ILUA) with native title holders. These ILUAs will provide trustee leases to validate the tenure of current and future facilities.

The National Title Tribunal reported a total of 8 native title claims (2009-10: 5 claims).

33 Associated entities

Translational Research Institute Pty Ltd

The *Translational Research Institute Pty Ltd* (the Company) was registered as an Australian proprietary company, limited by shares, on 12 June 2009. Queensland Health is one of four founding shareholders, each holding 25 shares at \$1 per share in the Company. The Company does not trade and its sole purpose is to act as trustee of the *Translational Research Institute Trust (TRI Trust)*. There have been no transactions recorded in this entity for the period 1 July 2010 to 30 June 2011. As the Company is a non-trading entity, it has not prepared financial statements for the financial year ended 30 June 2011. Also refer Notes 2 (c), 20 and 31 (c).

Translational Research Institute Trust

The *Translational Research Institute Trust (TRI Trust)* was created as a Discretionary Unit Trust on 16 June 2009. Queensland Health is one of four founding members, each holding 25 units in the *TRI Trust* and equal voting rights. The objectives of the *TRI Trust* are to:

- (i) design, construct and maintain the Translational Research Institute Facility (TRI Facility); and
- (ii) operate and manage the TRI Facility to promote medical study, research and education.

The Trust's annual reporting period is on a calendar year basis. Audited financial statements were prepared for the financial year ending 31 December 2010. A set of Board endorsed Management Accounts were prepared for the period 1 January 2011 to 30 June 2011. Also refer Notes 2 (c), 20 and 31 (c).

Queensland Children's Medical Research Institute

Queensland Children's Medical Research Institute (QCMRI) is a child and adolescent health focused research institute, based at the Royal Children's Hospital, Brisbane. *QCMRI* was incorporated as an Australian public company limited by guarantee on 17 June 2009. The entity is a registered health promotion charity for Commonwealth Income Taxation purposes. Queensland Health is one of three founding members. The entity meets the criteria for significant influence by virtue of founding member status and associated significant board representation. Queensland Health employees hold three out of the seven positions on the Board of Directors and therefore record a 43% share of the entity's equity. *QCMRI* prepares financial statements as at 30 June. Also refer Notes 2 (c) and 20.

34 Restricted assets

The department receives cash contributions primarily from private practice clinicians under an agreement and from external entities to provide for education, study and research in clinical areas. Contributions are also received from benefactors in the form of gifts, donations and bequests for stipulated purposes.

At 30 June 2011, the amount of \$72.640 million (2009-10: \$66.894 million) in General Trust and \$8.846 million (2009-10: \$9.929 million) for Clinical Drug Trials is set aside for the specified purpose underlying the contribution.

35 Fiduciary trust transactions and balances

The department acts in a custodial role in respect of these transactions and balances and are therefore not recognised in the financial statements, but are disclosed here for information purposes.

	2011 \$'000	2010 \$'000
Fiduciary trust receipts and payments		
Receipts		
Patient trust receipts	32,920	30,481
Total receipts	32,920	30,481
Payments		
Patient trust related payments	32,916	30,671
Total payments	32,916	30,671
Increase/(decrease) in net patient trust assets	4	(190)
Increase in net refundable deposits	12	5
Fiduciary trust assets		
Current assets		
Cash		
Patient trust deposits	4,713	4,709
Other refundable deposits	123	111
Total current assets	4,836	4,820

36 Arrangements for the provision of public infrastructure by other entities

BOOT arrangements operating for all or part of the financial year are as follows.*

Facility	Health Service District	Counterparty	Term of Agreement	Commencement Date
Butterfield Street Car Park	Metro North	International Parking Group Pty Limited	25 years	January 1998
Bramston Terrace Car Park	Children's Health Services	International Parking Group Pty Limited	25 years	November 1998
The Prince Charles Hospital Car Park	Metro North	International Parking Group Pty Limited	22 years	November 2000
The Prince Charles Hospital Early Education Centre	Metro North	Queensland Child Care Services Pty Ltd	20 years	April 2007
Central Energy Facility**	Metro North	APT Facility Management Pty Ltd	15 years	February 1999
Noosa Hospital and Specialist Centre	Sunshine Coast Wide Bay	Ramsay Health Care	20 years	September 1999
Townsville Hospital Support Facilities Building and Walkway	Townsville	Trilogy Funds Management Ltd	25 years	April 2002
Childcare Centre	Townsville	Trilogy Funds Management Ltd	25 years	September 2004
The Princess Alexandra Hospital Multi Storey Car Park	Metro South	International Parking Group Pty Limited	25 years	February 2008

* Refer Note 2 (o).

** This BOOT arrangement was finalised on 10 January 2011 and the asset transferred to Queensland Health.

Assets and liabilities

The land where the facilities have been constructed is recognised as departmental land, subject to an operating lease. Pending the finalisation of a formal accounting standard for these types of arrangements, the Queensland Health has not recognised any rights or obligations relating to these facilities other than those associated with land rental and the provision of services under the agreements.

	2011 \$'000	2010 \$'000
<i>Accrued expenses</i>		
Current	2,050	2,112
<i>Unearned revenue</i>		
Current*	62	230
Non-current*	-	1,328
	62	1,558
<i>Revenues and expenses</i>		
Revenues and expenses recognised in relation to these arrangements:		
User charges	368	824
Grants and other contributions	24,475	25,257

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

Butterfield Street Car Park

A \$2.5 million up-front payment for rental of land on which the car park has been built was received at the commencement of car park operations in January 1998. This amount is being recognised over the term of the agreement. Rental of \$0.3 million per annum is also received from the car park operator up to January 2019 increasing to \$0.6 million for the remainder of the lease period. Queensland Health staff are entitled to concessional rates when using the car park.

Bramston Terrace Car Park

A \$1.32 million upfront payment for rent of land on which the car park has been built was received on commencement of car park operations in November 1998. This amount was fully recognised in the year of receipt. A peppercorn rental of \$1 is paid each year over the term of the agreement and Queensland Health staff are entitled to concessional rates when using the car park.

The Prince Charles Hospital Car Park

A \$1.0 million up-front payment for rental of land on which the car park has been built was received at the commencement of car park operations in November 2000. This amount is being recognised over the term of the agreement. Rental of \$0.05 million per annum is also received from the car park operator. Under the agreement, Queensland Health staff are entitled to concessional rates when using the car park.

The Prince Charles Hospital Early Education Centre

The developer constructed a 150 place early education centre in April 2007 on site at the hospital. The developer operates and maintains the facility at its sole cost and risk. Under the agreement staff on site are given priority access to child care. Rental of \$0.07 million per annum is charged for the land and is adjusted for CPI annually.

Central Energy Facility

Under this arrangement the Central Energy Facility has been constructed on site at the Redcliffe Hospital and has been operating since February 1999. Right, title and interest in the central energy facility plant and equipment will pass to Queensland Health on expiry of the agreement for an agreed consideration amount. This BOOT arrangement was finalised on 10 January 2011 and the asset transferred to Queensland Health.

Noosa Hospital and Specialist Centre

This agreement has been structured to transfer substantially all the risks associated with the operation of public hospital to a private sector entity. The Noosa Hospital and Specialist Centre commenced operations in September 1999. Under this arrangement, Queensland Health funds the operators for the provision of services to public patients. The level of services and the amount paid is subject to annual review.

A capital recovery charge is paid to the operator as part of the service agreements for the purpose of maintaining public infrastructure. An estimate of the value of the assets to be transferred on completion of the agreements has not yet been determined. The operator is not permitted to charge any fees to public patients other than those normally charged for a service in a public hospital.

Townsville Support Facilities Building, Walkway and Childcare Centre

Under this arrangement, a support facilities building and childcare centre have been constructed on the department's land with a walkway linking the support facilities building to the Townsville Hospital. This facility has been in operation since April 2002. Annual rental is charged for the land of \$0.035 million varying with tenant turnover figures and is adjusted for CPI annually.

The Princess Alexandra Hospital Multi Storey Car Park

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

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

BOOT arrangements with Queensland Health cashflows (indicative)

	The Prince Charles Hospital Early Education Centre	Noosa Hospital & specialist Centre	Townsville Support Facilities	The Princess Alexandra Hospital Multi Storey Carpark	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Inflows					
Not later than 1 year	79	-	47	324	450
Later than 1 year but not later than 5 years	342	-	200	1,398	1,940
Later than 5 years but not later than 10 years	489	-	286	1,997	2,772
Later than 10 years	691	-	346	6,810	7,847
Outflows					
Not later than 1 year	-	(25,090)	-	-	(25,090)
Later than 1 year but not later than 5 years	-	(113,287)	-	-	(113,287)
Later than 5 years but not later than 10 years	-	(165,392)	-	-	(165,392)
Net indicative cash flow	1,601	(303,769)	879	10,529	(290,760)

37 Collocation arrangements

Collocation arrangements operating for all or part of the financial year are as follows.*

Facility	Health Service District	Counterparty	Term of Agreement	Commencement Date
Caboolture Private Hospital	Metro North	Affinity Health Ltd	25 years	September 1997
Redlands Private Hospital	Metro South	Sister of Mercy	25 years	August 1999
Holy Spirit Northside Private Hospital	Metro North	The Holy Spirit Northside Private Hospital Limited	25 years	July 2001

* Refer Note 2 (p).

38 Financial instruments

(a) Categorisation of financial instruments

The department has the following categories of financial assets and financial liabilities:

Category	Note	2011 \$'000	2010 \$'000
Financial assets			
Cash and cash equivalents*	16	(30,188)	33,068
Loans and receivables	17	558,047	452,294
Fixed rate deposits	19	20,000	20,000
		547,859	505,362
Financial liabilities			
Payables	24	407,033	381,434
		407,033	381,434

Queensland Health has a business card facility (corporate card) with the Commonwealth Bank of Australia with an approved credit limit of \$10 million. The balance of this facility is cleared monthly, and remains un-drawn at 30 June 2011 and is available for use in the next reporting period. This facility is not subject to an interest rate.

* Refer to Note 38 (c).

(b) Financial risk management

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

Financial risk is managed in accordance with departmental policies. Queensland 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 the department.

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

Risk Exposure	Measurement method
Credit risk	Ageing analysis
Liquidity risk	Monitoring of cashflows by active management of accrual accounts

(c) Credit risk exposure

Credit risk exposure refers to the situation where the department may incur financial loss as a result of another party to a financial instrument failing to discharge its obligation.

The maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is the gross carrying amount of those assets inclusive of any allowances for impairment.

The following table represents Queensland Health's maximum exposure to credit risk based on contractual amounts net of any allowances as per AASB 139 *Financial Instruments: Recognition and Measurement*.

38 Financial instruments (continued)

(c) Credit risk exposure (continued)

Maximum exposure to credit risk

	2011 \$'000	2010 \$'000
Cash	(30,188)	33,068
Loans and receivables	558,047	452,294
Fixed rate deposits	20,000	20,000
	547,859	505,362

No collateral is held as security and no credit enhancements relate to financial assets held by the department.

Queensland Health manages the credit risk of the fixed rate deposits by ensuring that the department invests in secured assets and monitors all funds owed on a timely basis. Exposure to credit risk is monitored on a regular basis.

The method for calculating any allowances for impairment is based on past experience and review of current outstanding accounts over 60 days. The main factors affecting current calculation for allowances are disclosed below as loss events.

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

There are no amounts offset as per AASB 132 *Financial Instruments: Presentation*. The recognised impairment loss is \$36.021 million (2009-10: \$14.572 million) for the current year. This is an increase of \$21.449 million and is comprised of the current year loss events and increase in impairment loss on receivables. Refer Note 14.

The loss events of \$23.502 million (2009-10: \$9.484 million) are primarily comprised of the following:

- ineligible overseas patients treated in public hospitals where the cost was irrecoverable \$5.762 million (2009-10: \$5 million)
- under agreement with Papua New Guinea (PNG) irrecoverable patient fees were \$8.585 million (2009-10: \$0.484 million)
- householder's debts including general private patients and staff related irrecoverable debts \$8.459 million (2009-10: \$2.119 million)
- irrecoverable debts from private businesses \$0.057 million (2009-10: \$0.203 million)
- irrecoverable third party claim settlements from patients involved in motor vehicle accidents \$0.639 million (2009-10: \$1.072 million).

Impairment loss on receivables of \$12.519 million (2009-10: \$5.089 million) is comprised of:

- payroll receivables impairment of \$17.372 million (2009-10: \$0.727 million)
- offset by trade receivables impairment credit of \$4.853 million mainly due to ineligible PNG patient fees adjustment (2009-10: \$4.361 million).

Concentration of credit risk on trade and other debtors is summarised as General Public \$389.254 million (2009-10: \$283.650 million) and the Public Sector \$168.793 million (2009-10: \$168.644 million)

The department is undertaking a process of recovering its salary overpayments. Refer Notes 3, 17 and 42.

No financial assets have had their terms renegotiated so as to prevent them from being past due or impaired and are stated at the carrying amounts as indicated.

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

Financial assets past due but not impaired 2010-11

	Less than 30 days \$'000	30-60 days \$'000	Overdue 61-90 days \$'000	More than 90 days \$'000	Total financial assets \$'000
Loans and receivables	511,560	10,065	14,514	21,908	558,047

38 Financial instruments (continued)

(c) Credit risk exposure (continued)

Financial assets past due but not impaired 2009-10

	Less than 30 days	30-60 days	Overdue	More than 90 days	Total financial assets
	\$'000	\$'000	61-90 days \$'000	\$'000	\$'000
Loans and receivables	369,667	12,609	6,440	63,578	452,294

Individually impaired financial assets 2010-11

	Less than 30 days	30-60 days	Overdue	More than 90 days	Total financial assets
	\$'000	\$'000	61-90 days \$'000	\$'000	\$'000
Loans and receivables	18,043	767	1,427	13,290	33,527

Individually impaired financial assets 2009-10

	Less than 30 days	30-60 days	Overdue	More than 90 days	Total financial assets
	\$'000	\$'000	61-90 days \$'000	\$'000	\$'000
Loans and receivables	1,346	497	1,132	18,033	21,008

(d) Liquidity risk

Liquidity risk refers to the situation where the department may encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Queensland Health is exposed to liquidity risk through its trading in the normal course of business. The department aims to reduce the exposure to liquidity risk by ensuring that sufficient funds are available to meet employee and supplier obligations at all times. The department has an approved debt facility of \$500 million under Whole-of-Government banking arrangements to manage any short term cash shortfalls.

The department's exposure to liquidity and interest rate risks and effective interest rates of financial assets and liabilities are shown in the "liquidity and interest risk" table. All assets and liabilities are shown by maturity or contract repricing dates and at face value.

The following table sets out the liquidity risk of financial liabilities held by Queensland Health.

It represents the contractual maturity of financial liabilities, calculated based on cash flows relating to the liabilities at reporting date.

	Note	< 1 year \$'000	2011 Payable in 1-5 years \$'000	> 5 years \$'000	Total \$'000
Financial liabilities					
Payables	24	407,033	-	-	407,033
Total		407,033	-	-	407,033

		< 1 year \$'000	2010 Payable in 1-5 years \$'000	> 5 years \$'000	Total \$'000
Financial liabilities					
Payables	24	381,434	-	-	381,434
Total		381,434	-	-	381,434

38 Financial instruments (continued)

(e) Market risk

Queensland Health does not trade foreign currency and is not directly exposed to commodity price changes.

Queensland Health has minimal exposure to foreign exchange risk through its capital works program and purchase of supplies required as part of providing health services.

Queensland Health's Integrated Risk Management Policy Framework encompasses a process to identify and manage all risks. In regards to market risk, there have been no risks identified that required action by the department in the current and foreseeable future.

(f) Interest rate sensitivity analysis

Queensland Health has interest rate exposure on the 24 hour call deposits and there is no interest rate exposure on its cash and fixed rate deposits. The department does not undertake any hedging in relation to interest rate risk. Changes in interest rate have no material effect on the operating result of the department.

Liquidity and interest rate risk 2010-11

	Maturity date					
	1 year or less	1 to 5 years	More than 5 years	Non interest bearing	Total	Weighted average rate
	\$'000	\$'000	\$'000	\$'000	\$'000	%
Financial assets						
Cash				(100,654)	(100,654)	
24 hour call deposits	70,466	-	-	-	70,466	5.34
Loans and receivables	-	-	-	558,047	558,047	
Fixed rate deposits	-	20,000	-	-	20,000	5.03
	70,466	20,000	-	457,393	547,859	
Financial liabilities						
Payables	-	-	-	407,033	407,033	
	-	-	-	407,033	407,033	

Liquidity and interest rate risk 2009-10

	Maturity date					
	1 year or less	1 to 5 years	More than 5 years	Non interest bearing	Total	Weighted average rate
	\$'000	\$'000	\$'000	\$'000	\$'000	%
Financial assets						
Cash	-	-	-	(30,464)	(30,464)	
24 hour call deposits	63,532	-	-	-	63,532	5.06
Loans and receivables	-	-	-	452,294	452,294	
Fixed rate deposits	-	20,000	-	-	20,000	4.79
	63,532	20,000	-	421,830	505,362	
Financial liabilities						
Payables	-	-	-	381,434	381,434	

(g) Fair value

The fair value of financial assets and liabilities is determined as follows:

- The fair value of receivables and payables are assumed to approximate their nominal value less any allowance for impairment.
- Held-to-maturity financial assets are measured at cost as fair value cannot be reliably measured therefore no fair value is disclosed.

The carrying amount of all financial assets and liabilities equates to net fair value.

39 Key executive management personnel and remuneration

The following details for key executive management personnel include those positions that had authority and responsibility for planning, directing and controlling the activities of Queensland Health during 2010-11. Further information on these positions can be found in the body of the Annual Report under the section relating to Executive Management. The table below lists the most recent incumbents for each position. Refer Note 2 (u).

(a) Key executive management personnel

Position	Responsibilities	Current incumbents	
		Contract classification and appointment authority	Dates appointed to position
Director-General	Responsible for the overall management of Queensland Health through major functional areas to ensure the delivery of key government objectives in improving the health and well being of all Queenslanders.	s92 Contract/CEO Governor in Council/ <i>Public Service Act 2008</i>	23/6/2008 – 22/6/2011
Deputy Director-General, Corporate Services Division*	Lead and manage the strategic corporate services functions, including finance and human resource services, of Queensland Health.	Relieving/higher duties arrangement/CEO 5	31/7/2010 – 28/1/2011
Deputy Director-General, Policy Strategy and Resourcing Division	Lead the development of policy, strategy and clinical workforce development to meet current and future health challenges.	s24 and s28E Contract/ HES 4 Chief Executive/ <i>Health Services Act 1991</i>	10/05/2010
Deputy Director-General, Health Planning and Infrastructure Division	Provide strategic leadership and advice in the management of health infrastructure and assets throughout their lifecycle.	s24 and s28E Contract/ HES 4 Chief Executive/ <i>Health Services Act 1991</i>	24/1/2011
Deputy Director-General, Performance and Accountability Division	Lead and manage the functions relating to accountability and governance across Queensland Health. Responsible for developing governance, strategic planning and performance management frameworks.	s24 and s28E Contract/ HES 4 Chief Executive/ <i>Health Services Act 1991</i>	19/11/2008
Deputy Director-General, Human Resource Services Division*	Responsible for providing strategic leadership in relation to all human resource functions, including industrial relations, across Queensland Health.	s24 and s28E Contract/ HES 3 Chief Executive/ <i>Health Services Act 1991</i>	17/01/2011
Deputy Director-General, Finance Procurement and Legal Services*	Strategic responsibility for developing, implementing, managing and monitoring the financial framework, corporate financial systems and budget administration of Queensland Health.	s24 and s28E Contract/ HES 4 Chief Executive/ <i>Health Services Act 1991</i>	24/01/2011
Chief Executive Officer, Centre for Healthcare Improvement	Lead and manage the implementation of Queensland Health's reform agenda in the areas of clinical governance, information transparency, patient access and organisational culture, ensuring optimal levels of health service delivery and patient safety.	s24 and s28E Contract/ HES 4 Chief Executive/ <i>Health Services Act 1991</i>	17/08/2009

39 Key executive management personnel and remuneration (continued)

Position	Responsibilities	Current incumbents	
		Contract classification and appointment authority	Dates appointed to position
Chief Health Officer	Lead and manage the development of strategic policy, regulation, legislative frameworks and programs for public health function, including, mental health, population health and health service regulation as well as the provision of advice to the Minister and government relating to emergencies such as pandemics, epidemics, or major disasters.	s24 and s28E Contract/ HES 4 Chief Executive/ <i>Health Services Act 1991</i>	14/8/2005
Chief Information Officer	Provide leadership and strategic direction for the provision of information management and information communication technology services to Queensland Health.	s24 and s28E Contract/ HES 4 Chief Executive/ <i>Health Services Act 1991</i>	2/06/2008
Chief Executive Officer, Clinical and Statewide Services	Responsible for managing the strategic functions relating to the Clinical and Statewide Service provided by Queensland Health, including Pathology, Medication Services, Radiology, Forensic and Scientific Services, Biomedical Technology Services and Queensland Blood Management.	s24 and s28E Contract/ HES 4 Chief Executive/ <i>Health Services Act 1991</i>	2/06/2009

* The position of Deputy Director-General, Corporate Services Division has not had anyone in the position since 28 January 2011. Following a restructure, two new positions were created including:

- the position of Deputy Director-General, Human Resource Services Division created on 8 October 2010; and
- the position of Deputy Director-General, Finance Procurement and Legal Services created on 8 October 2010.

(b) Remuneration

Remuneration policy for Queensland Health's key executive management personnel is set by the Queensland Public Service Commission as provided for under the *Public Service Act 2008*. The remuneration and other terms of employment for the key executive management personnel are specified in employment contracts.

For the 2010-11 year, the remuneration of key executive management personnel increased by 2.5% in accordance with government policy.

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

- Short-term employee benefits which include:
 - Base – consisting of base salary, 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. Amounts disclosed equal the amount expensed in the Statement of Comprehensive Income.
 - Non-monetary benefits – consisting of provision of vehicle together with fringe benefits tax applicable to the benefit.
- Long term employee benefits include long service leave accrued.
- Post employment benefits include superannuation contributions.
- Redundancy payments 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 2010-11 financial year.
- Total fixed remuneration is calculated on a 'total cost' basis and includes the base and non-monetary benefits, long term employee benefits and post employment benefits.

39 Key executive management personnel and remuneration (continued)

(b) Remuneration (continued)

Total fixed remuneration is calculated on a 'total cost' basis and includes the base and non-monetary benefits, long term employment benefits and post employment benefits.

1 July 2010 – 30 June 2011

Position	Short term employee benefits		Long term employee benefits	Post employment benefits	Termination benefits	Total remuneration
	Base	Non-monetary benefits				
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Director-General	453	13	-	52	128	646
Deputy Director-General, Corporate Services Division	202	9	3	19	375	608
Deputy Director-General, Policy Strategy and Resourcing Division	410	14	12	32	-	468
Deputy Director-General, Health Planning and Infrastructure Division	336	5	3	26	-	370
Deputy Director-General, Performance and Accountability Division	352	12	10	37	-	411
Deputy Director-General, Human Resource Services Division	118	1	2	13	-	134
Deputy Director-General, Finance Procurement and Legal Services	149	1	3	13	-	166
Chief Executive Officer, Centre for Healthcare Improvement	344	8	8	37	-	397
Chief Health Officer	482	13	19	52	-	565
Chief Information Officer	273	3	19	32	-	327
Chief Executive Officer, Clinical and Statewide Services	275	3	-	31	-	309

39 Key executive management personnel and remuneration (continued)

(b) Remuneration (continued)

1 July 2009 – 30 June 2010

Position	Short term employee benefits		Long term employee benefits	Post employment benefits	Termination benefits	Total remuneration
	Base	Non-monetary benefits				
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Director-General	408	16	-	43	-	527
Deputy Director-General, Corporate Services Division	239	10	7	29	-	285
Deputy Director-General, Policy Strategy and Resourcing Division	216	15	4	23	5	263
Deputy Director-General, Health Planning and Infrastructure Division	203	9	10	32	-	254
Deputy Director-General, Performance and Accountability Division	337	12	10	36	-	395
Chief Executive Officer, Centre for Healthcare Improvement	260	9	6	29	-	304
Chief Health Officer	467	14	16	52	-	549
Chief Information Officer	230	5	54	32	-	321
Chief Executive Officer, Clinical and Statewide Services	214	3	-	31	-	248

40 Administered transactions and balances

The administered transactions and balances are comprised primarily of Health Quality and Complaints Commission (HQCC) and Mater Hospital related transactions.

The HQCC provides assurance to the community that health care services providers in Queensland provide the highest possible standard in the quality of care.

The Mater Public Hospital redevelopment was completed in June 2008 with funding provided from Government borrowings managed as administered transactions. Further details on this arrangement are outlined below.

The Administered transactions and balances for 2010-11 are as follows.

	2011 \$'000	2010 \$'000
Administered revenues		
Administered item appropriation	25,288	24,592
Taxes, fees and fines	201	260
Total	25,489	24,852
Administered expenses		
Grants	18,212	17,000
Borrowing costs	7,076	7,591
Other expenses	201	261
Total	25,489	24,852
Administered assets		
<i>Current</i>		
Cash	11	12
Receivables	8,869	8,329
<i>Non-current</i>		
Receivables	95,462	104,309
Total	104,342	112,650
Administered liabilities		
<i>Current</i>		
Payables	32	42
Other financial liabilities	8,848	8,299
<i>Non-current</i>		
Other financial liabilities	95,462	104,309
Total	104,342	112,650

40 Administered transactions and balances (continued)

Receivables

Receivables reflect the passing on of funds to the Mater Hospital for the redevelopment of the public hospital component. The receivable for this will be extinguished once the redevelopment is completed with the repayment of the underlying borrowings by Government over a ten year term.

Payables

Borrowings are provided by Queensland Treasury Corporation. The interest rate on borrowings is fixed at 6.46%. The repayment term is ten years. Borrowings are all in Australian dollar denominated amounts.

The market value of the debt as notified by Queensland Treasury Corporation at 30 June 2011 was \$108.927 million (2009-10: \$117.965 million). The market value of debt represents the value of the debt if the department repaid the debt at 30 June 2011.

An amount of \$7.076 million (2009-10: \$7.591 million) comprising interest on funds and administration fees from Queensland Treasury Corporation has been recognised as an expense in the reporting period.

	2011 \$'000	2010 \$'000
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41 Reconciliation of payments from Consolidated Fund to administered revenue

Budgeted appropriation	24,998	24,069
Transfers from other headings	290	523
Administered revenue recognised in Note 40	25,288	24,592

42 Events after the reporting period

Overpayments recovery moratorium

From 10 July 2011, Queensland Health temporarily suspended the recovery of overpayments to focus on dealing with outstanding underpayment claims.

Queensland Health had commenced a process to recover overpayments by working with the individually affected employees to ensure there was timely resolution of the recovery process.

The salary recovery process will not resume until a package of changes are fully implemented. Refer Note 3.