Townsville Hospital and Health Service

Queensland Good jobs Better services Great lifestyle

ANNUAL REPORT 2022–23

Queensland Government

Information about consultancies, overseas travel, and the Queensland Language Services Policy is available at the Queensland Government Open Data website https://www.data.qld.gov.au. Townsville Hospital and Health Service had no expenditure on overseas travel to report on during 2022-2023.

An electronic copy of this report is available at www.townsville.health.qld.gov.au and www.health.qld.gov.au/townsville/about/annual-report. Hard copies of the annual report are available by phoning the Public Affairs Manager on (07) 4433 1111. Alternatively, you can request a copy by emailing tsv-public-affairs@health.qld.gov.au.

The Queensland Government is committed to providing accessible services to Queenslanders from all culturally and linguistically diverse backgrounds. If you have difficulty in understanding the annual report, you can contact us on telephone (07) 4433 1111 and we will arrange an interpreter to effectively communicate the report to you.

ISSN 2202-4972 (print) ISSN 2206-6330 (online)

Aboriginal and Torres Strait Islander people are advised that this publication may contain words, names, images and descriptions of people who have passed away.

Acknowledgement to Traditional Owners

The Townsville Hospital and Health Service respectfully acknowledges the traditional owners and custodians both past and present of the land and sea which we service and declares the Townsville Hospital and Health Service's commitment to reducing inequalities between Indigenous and non-Indigenous health outcomes in line with the Australian Government's Closing the Gap initiative.

Recognition of Australian South Sea Islanders

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

Letter of Compliance

6 September 2023

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

Dear Minister

I am pleased to submit for presentation to the Parliament the Annual Report 2022-2023 and financial statements for Townsville 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 89 of this annual report.

Yours sincerely

Tony Mooney AM
Chair
Townsville Hospital and Health Board

CONTENTS

Queensland Government objectives for the community

The Townsville Hospital and *Health Service Strategic Plan 2022-2026* contributes, and is continuing to contribute, to the Queensland Government objectives for the community - Good jobs, Better services and Great lifestyle. Specifically, supporting jobs, backing our frontline services and keeping queenslanders safe.

Initiatives include:

- putting patients first in all that we do
- delivering care closer to home
- making wise investment decisions
- building and retaining high performing teams
- focusing on prevention and early intervention
- continuously improving safety and quality

Message from the Board Chair

I am proud to present the Townsville Hospital and Health Service (HHS) Annual Report 2022-2023.

After the World Health Organisation declared the COVID-19 pandemic at an end, we returned to a more 'normal' way of life. The legacy of the past three years, however, has left an indelible mark on all of us, no one more than the healthcare workers who worked so tirelessly to keep our communities safe. A sincere, final, thank you to them all.

During 2022-2023, we continued to deliver on an extensive infrastructure program with support from the Queensland and Commonwealth Governments. The $13 million, 33-bed acute admission unit at Townsville University Hospital (TUH) was officially opened in April 2023. This unit is helping to improve the flow of acute medical patients, ease the pressure on the hospital during peak demand, and free up beds in the emergency department.

The $530 million expansion of Townsville University Hospital, funded by the Queensland Government, is on track to deliver 143 patient beds over the next three years in a new clinical building. Services will include acute care, rehabilitation, medical imaging, telehealth services, and planned care.

The contractor for the $40 million expansion of the Kirwan Health Campus was approved to deliver a two-storey building enhancing the facility's delivery of pre-natal and post-natal care, oral health services, older persons community services, infant management parenting, genetic counselling, and First Nations healthcare.

A $8.64 million medical imaging service, including CT, was announced for the Charters Towers Health Service. The delivery of this service, which includes a significant on-site electrical upgrade, is testament to the power of advocacy with a local action group fiercely and successfully lobbying for this service.

We also completed a detailed business case for the North Queensland Kidney Transplant Service. North Queensland and other regional and remote northern communities have higher rates of dialysis but lower rates of transplantation because of the geographic burden of travel. We expect the commencement of this critical tertiary service in the near future.

Engaging with our consumers and community is a major priority for our health service and I thank our consumer councils – Consumer Advisory Council and Aboriginal and Torres Strait Islander Community Advisory Council – for driving initiatives from renal chairs in rural communities to culturally inclusive care. I also thank the many consumers who engage with us across our catchment in Yarning Circles, service co-design, patient information, and the arts to improve the patient experience.

I also thank Health Service Chief Executive (HSCE) Kieran Keyes for his stewardship and leadership of the organisation and the 7,000 staff who come to work every day to care for their communities. I would also like to acknowledge and thank my fellow Board members for their strong support and commitment to local and regional healthcare over the past year.

Lastly, and most importantly, thank you to our patients, consumers, and families. Everything we do, and every decision we make, has you at its core. Thank you for your trust and I look forward to working with you to continue to deliver great care into the future.

Tony Mooney AM

Chair, Townsville Hospital and Health Board

Message from the Health Service Chief Executive

The past 12 months have been a time for cementing our strategic vision of providing world-class healthcare for northern Queensland. As we navigated our way back after three years focussed on our response to COVID-19, we embraced clinical innovation, undertook ground-breaking tropical research, and renewed our focus on workforce and Closing the Gap. We also started to take our first, tangible steps toward our multi-million-dollar capital upgrades at Townsville University Hospital and the Kirwan Health Campus.

The launch of our Health Equity Strategy 2022-2025 was a seminal moment in our journey to equity in health outcomes for First Nations peoples. The strategy is a roadmap to the future focussing on a reform agenda, cultural respect, and human rights. To achieve equity, we must eliminate institutional racism and strengthen decision-making and power-sharing with Aboriginal and Torres Strait Islander communities.

The health service published the *Aboriginal and Torres Strait Islander Workforce Strategy 2022-2031*. The strategy aims to strengthen and innovate recruitment and retention strategies, provide opportunities for training and development, and create and nurture career pathways. We have an ambitious, yet I firmly believe achievable, target of increasing our First Nations workforce representation to six per cent in less than 10 years.

We had much to celebrate in 2022-2023 including becoming the first health service in Queensland to be named a centre for excellence for high-risk foot care. We also opened the Wadda Mooli welcome space at Townsville University Hospital for community members seeking a place of solace and support in times of emotional distress. The space was co-designed with people with lived experience of emotional distress and crisis successfully providing a diversion area from the emergency department. We celebrated staff achievements and partnered with key stakeholders to ensure we responded to community needs.

We continue to engage with our consumers and community building our brand recognition through conference sponsorships including a neonatal conference focussing on the long-term effects on babies exposed to opioids during pregnancy and the Australian Medical Association Queensland Junior Doctors Conference helping newly minted doctors understand and appreciate the value of living in our city and working at the region's largest tertiary health facility.

I would like to thank Board Chair Tony Mooney and his Board for their support over the past year. I would also like to thank my executive colleagues for their commitment to our agenda to deliver excellence in patient care and for their dedication to staff welfare and wellness.

My greatest thanks are reserved for the 7,000 staff in this health service who work tirelessly to ensure our patients, consumers, and their families are treated with care, skill, compassion, and humanity. They know nothing is more important.

Professor Kieran Keyes

Health Service Chief Executive,
Townsville Hospital and Health Service

ABOUT US

Townsville HHS is the public healthcare provider for more than 250,000 people living in northern Queensland. The catchment extends north from Townsville to Cardwell, west to Richmond, south to Home Hill, and east to Magnetic and Palm Islands.

The HHS operates 21 facilities, and provides a comprehensive range of healthcare services, from primary care in remote locations, to highly specialised services at Townsville University Hospital. TUH is the tertiary referral hospital for the whole of north Queensland, which has the added role of providing specialist care to more than 700,000 people in a broader catchment extending from Mackay in the south, north to the Torres Strait Islands, and west to the Northern Territory border.

The HHS is an independent statutory body established under the *Hospital and Health Boards Act 2011*.

Strategic direction

The *Townsville Hospital and Health Service Strategic Plan 2022-2026* outlines the strategic direction of the organisation, including its vision, purpose, values, strategic priorities, and success measures.

Vision, purpose and values

Vision

World-class healthcare for northern Queensland.

Purpose

Great care every day.

Values

The Townsville HHS's values underpin, and are consistent with, the Queensland Public Service values of customers first, ideas into action, unleash potential, be courageous and empower people.

- Integrity
- Compassion
- Accountability
- Respect
- Engagement

Priorities

The strategic plan's priorities are based on the quadruple aim of healthcare:

- Improve patient experience
- Enhance patient outcomes
- Better value care
- Improve staff experience

Aboriginal and Torres Strait Islander Health

The Townsville HHS is committed to Closing the Gap in health outcomes for Aboriginal peoples and Torres Strait Islander peoples and working collaboratively to achieve equity through co-design, representation, leadership, and shared decision-making.

In 2022-2023, the HHS published the *Health Equity Strategy 2022-2025*. Underpinned by social justice, cultural respect and human rights, the strategy is a roadmap to reform empowering First Nations patients, consumers, and families to partner in their own care, engage in local decision-making, and raise up their voices through their stories, truths, and experiences.

Developed with extensive consultation including Yarning Circles, the strategy identifies five priority areas to reform healthcare for First Nations peoples - actively eliminating racial discrimination and institutional racism; working with Aboriginal and Torres Strait Islander communities and organisations to design, deliver, monitor and review services; delivering sustainable, culturally safe and responsive healthcare services; increasing access to healthcare services; and influencing the social, cultural and economic determinants of health. These key areas of focus will support and realise the HHS's commitment to betterment and change for First Nations peoples.

Key achievements for 2022 – 2023

Key acheivements in the area of Aboriginal and Torres Strait Islander health include:

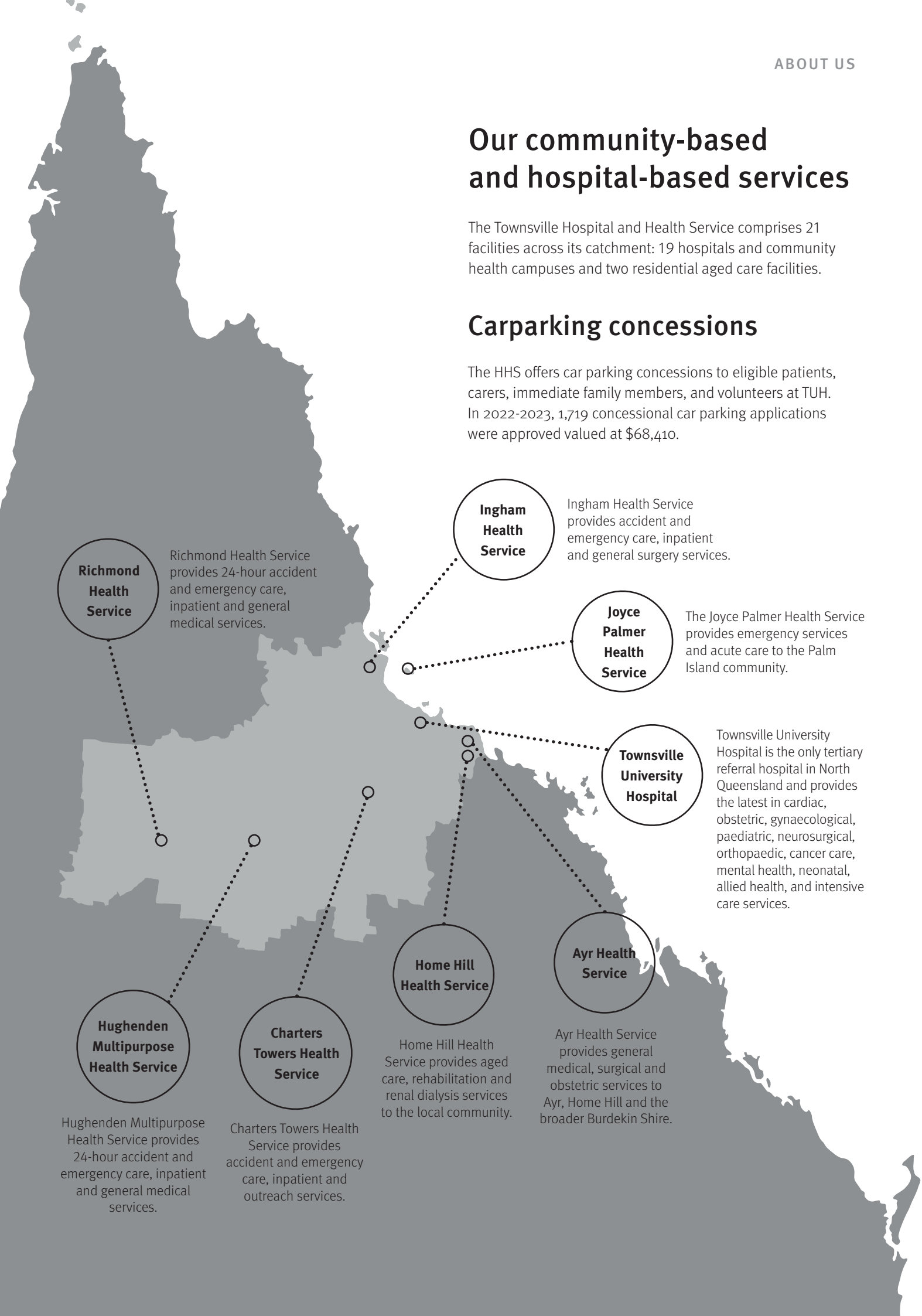
- finalised the business case to establish a kidney transplant service at Townsville University Hospital to treat local patients as well as those from communities across North Queensland including Cairns, Mackay, Cape York, Torres Strait Islands and Mount Isa
- screened almost 1,000 children from Thursday Island, Bamaga, Injinoo, Mornington Island and Doomadgee for rheumatic heart disease as part of a Deadly Heart Trek
- funded research that showed paediatric outreach programs are improving compliance rates for monthly penicillin injections for First Nations children with acute rheumatic fever preventing more serious illness
- launched the Pregnancy on Palm app which allows local women to track their pregnancies and connect directly with midwives and with details including key medical appointments and tests, information about pregnancy, birth, pre-natal and-post-natal care, care of newborns, and smoking cessation
- mandated cultural practice training for HHS staff to enhance their understanding of First Nations peoples' history and culture and help engender an improved understanding and practice of culturally appropriate behaviour
- celebrated Reconciliation Week with a 'Sea of Hands' symbolising a commitment to reconciliation
- celebrated National Aborigines and Islanders Day Observance Committee Week with awards for staff in key categories including individual and team staff awards , and community appreciation, relationship, and respect awards.

Our community-based and hospital-based services

The Townsville Hospital and Health Service comprises 21 facilities across its catchment: 19 hospitals and community health campuses and two residential aged care facilities.

Carparking concessions

The HHS offers car parking concessions to eligible patients, carers, immediate family members, and volunteers at TUH. In 2022-2023, 1,719 concessional car parking applications were approved valued at $68,410.



Challenges and opportunities

Key challenges experienced by the HHS include:

- Increasing demand for services. Like health service providers around the globe, Townsville HHS is experiencing significant increases in demand each year, which is expected to continue for years to come. This is being driven by multiple factors outside the control of the HHS, including the growing and ageing population, rising prevalence of chronic disease, deficiencies in other sectors such as primary care, and declining private health insurance.
- Rising complexity of patient care. The increasing age and disease burden of patients, coupled with the increasing number of treatment options available, is making patient care more complex than ever before.
- Workforce attraction and retention in regional Queensland. The delivery of quality health services is dependent upon the attraction and retention of a skilled workforce. In recent years, it has become increasingly challenging to grow the workforce at the rate needed to meet increasing demand.
- Coordination with other providers within a fragmented system. The health system within Australia comprises multiple levels of government, private providers, and other non-government organisations. Each has a critical role to play but it can be challenging to ensure the integration.

Major opportunities include:

- Transforming models of care. Moving forward the HHS will transform its service delivery to better meet increasing demand, including earlier intervention, providing more care outside the hospital, virtual care, and a greater emphasis on multidisciplinary care models with the patient at the centre.
- Being a great place to work. The HHS must position itself as an employer of choice if it is to attract and retain the workforce needed to meet its strategic objectives. Opportunities include targeted workforce planning, pipeline development, top of scope practice, being a great place to work, and external branding.
- Leading efforts to achieve health equity for First Nations people. In the Townsville HHS, 9.3% of people are Aboriginal and/or Torres Strait Islander, which is more than double the Queensland average. The HHS, therefore, has a major opportunity to make meaningful improvements in closing the gap targets.
- Improving our partnership arrangements. There is significant opportunity to be gained from leveraging existing partnerships to provide better, more integrated, culturally appropriate care that is closer to home. This includes our partnerships with Brighter Lives, Tropical Australian Academic Health Centre, Mater Private Hospital, TropiQ Tropical Intelligence and Health Precinct, Northern Queensland Primary Health Network, and Better Health North Queensland.

GOVERNANCE

Our People

Board membership

Tony Mooney AM
Chair

Appointed: May 2016

Tony Mooney is the Chair of the Townsville Hospital and Health Board (commencing in May 2016) and Board Executive Committee. Tony is a member of the Board Audit and Risk Committee, Board Finance Committee, Board Safety and Quality Committee, and Board Stakeholder Engagement Committee.

Tony was the Chair of Queensland Government's Resources Community Infrastructure Fund Advisory Committee until 2022 and holds Director positions at Tropical Australian Academic Health Centre, North Queensland Bulk Ports and NQ Spark Pty Ltd. He was also Chair of the Upper Burdekin Irrigation Project Reference Panel until 2022.

Previously, Tony was a Councillor and Deputy Mayor of the Townsville City Council, and was elected Mayor in 1989, a position he held until 2008. In 2008, Tony was made a Fellow of the Australian Institute of Company Directors. In 2011, Tony was awarded an Order of Australia (AM) for services to local government and the community.

Tony previously served on the boards of numerous government and community entities, including Ergon Energy, LG Super, Townsville Entertainment Centre Board of Management, and Willows Stadium Joint Board. In 2011, Tony was appointed by the Commonwealth Government to the Board of the Great Barrier Reef Marine Park Authority where he served until 2016.

Michelle Morton
Deputy Chair

Appointed: June 2012

Michelle Morton is Deputy Chair, Chair of the Board Finance Committee, Deputy Chair of the Board Executive Committee and member of the Board Audit and Risk Committee. Michelle has held the position of Queensland Hospital and Health Board Finance and Audit Committee Chair since 2018.

Michelle has extensive experience in the administration of hospital services, financial management and organisation as well as risk management, regulatory compliance, corporate and public-sector governance.

Michelle is a Managing Partner of a law firm and holds several Board positions including Member of the Racing Queensland Thoroughbred Advisory Committee. Michelle is a Fellow of the Australian Institute of Company Directors and a Queensland Law Society Accredited Specialist in Workplace Relations and Personal Injuries.

Debra Burden
Board member

Appointed: May 2016

Debra Burden, a degree-qualified accountant, is the Chief Executive Officer of selectability and selectability Training. Debra has previously held CEO and executive management positions with Queensland Country Credit Union and Health Fund, Australian Securities Exchange-listed dental services company 1300SMILES and Canegrowers Burdekin. Debra has previously been recognised by Queensland Business Review and Queensland Telstra Businesswomen's Industry Awards.

Debra, a Fellow of both the Australian Institute of Company Directors (AICD) and the Institute of Leaders and Managers, has extensive board-level experience having successfully completed the AICD course twice and held board positions in numerous companies as Chair, Deputy Chair, Treasurer, Chair of Audit and Risk Committee and Company Secretary. Recent previous Board positions include Deputy Chair of North and West Remote Health, North Queensland Primary Health Network and Tooth Booth Ltd.

Debra is the current Chair of the Board Audit and Risk Committee and a member of the Board Executive Committee and Board Finance Committee.

Luke Guazzo
Board member

Appointed: April 2022

Luke Guazzo was appointed to the Board in April 2022. He served on the Board's Audit and Risk Committee from 2018 to 2021, prior to his appointment to the Board. Luke brings with him broad business and governance experience accrued in his near 20-year career in North Queensland, spanning health, property, and hospitality sectors.

Luke graduated with a Bachelor of Commerce Accounting from James Cook University (JCU) and completed his Certified Practising Accountant qualifications through Deakin University. Numerous industry awards have acknowledged his professional authority in the fields of business strategy and leadership.

Luke is currently the owner and Managing Director of Coffee Presto Pty Ltd, a North Queensland coffee roastery and Luke Guazzo Pty Ltd through which he conducts business coaching. He holds committee level positions on various not-for-profit and commercial sector boards. Born in Ingham and raising a young family in Townsville, Luke remains a strong advocate for ensuring health equity across our region.

Nicole Hayes
Board member

Appointed: May 2019

Nicole Hayes is currently the Chief Executive Officer of Northern Queensland Legacy. She is a member of the Queensland Veterans' Council and Co-Chair of the Queensland Veterans' Reference Group.

Nicole's previous health-related roles include managing Education Queensland's Hospital School, based in the TUH Children's Ward. Nicole also managed Ronald McDonald House Charities' education program in northern Queensland.

Nicole has successfully project managed initiatives to support at-risk and disadvantaged youth, with a focus on Indigenous engagement including a major youth suicide prevention pilot project for Queensland Health and Education Queensland. She previously led the Federal Government-funded Higher Education Participation and Partnership Program for JCU, boosting university participation for young people from disadvantaged backgrounds, and was the Marketing and Business Development leader for AECOM across northern Queensland and the Northern Territory.

Nicole is a Graduate of the Australian Institute of Company Directors, holds a Bachelor of Education, Master of Business Administration, and has completed the International Association for Public Participation (IAP2) Certificate of Engagement.

Nicole is the Deputy Chair of the Board Stakeholder Engagement Committee and a member of the Safety and Quality and Board Audit and Risk Committees.

Danette (Danni) Hocking
Board member

Appointed: May 2019

Danni Hocking currently works with the Queensland Government in enhancing the culture, wellbeing and psychological health of staff across north Queensland. Danni is a senior occupational therapist with more than 20 years' experience in aged/disability care, mining, education, corporate health, and public/community health.

Danni has extensive knowledge of the disability sector working within the National Disability Insurance Scheme (NDIS). She has broad experience in managing Aboriginal and Torres Strait Islander health programs and people-risk issues including the development of award-winning corporate safety and wellness programs. An experienced provider of strategic safety/risk consulting and training services to industry for more than 15 years, Danni is considered a thought leader on health, safety, risk and wellness and is a well-regarded speaker at national and international safety and wellbeing forums.

Danni holds a Bachelor of Science in Occupational Therapy and has post-graduate qualifications in positive psychology, wellness, safety and risk management and business administration. Danni is a graduate of the Australian Institute of Company Directors.

Danni joined the Townsville Hospital and Health Board in 2019 and is the Deputy Chair of the Audit and Risk Committee and a member of the Board Stakeholder Engagement Committee.

Professor Ajay Rane OAM PSM
Board member

Appointed: May 2017
Resigned: May 2023

Professor Ajay Rane is the Director of Mater Pelvic Health and Research and Head of Obstetrics and Gynaecology at JCU.

Ajay holds a Bachelor of Medicine and Bachelor of Surgery from the University of Poona and a PhD from JCU.

Ajay was a finalist for Australian of the Year in 2012 and was awarded the Order of Australia (OAM) in 2013. In 2021, he was named a Queensland Great for his work, both locally and across the developing world, as a champion for women's reproductive rights and for the care of women with urinary incontinence and pelvic dysfunction. He received the Public Service Medal in 2022.

Ajay has spent two decades treating and operating on women with catastrophic childbirth injuries in some of the world's poorest countries. In 2016, he received the Mahatma Gandhi Pravasi Award for Humanitarian Work in Women's Health.

Ajay is the former Chair of the Fistula Committee for the International Federation of Obstetricians and Gynaecologists and is leading the charge for fistula education and prevention in the developing world. He has previously received an honorary fellowship from the American College of Obstetricians and Gynaecologists for his work in advancing women's health.

Robert (Donald) Whaleboat
Board member

Appointed: July 2012

Donald Whaleboat is a Senior Lecturer and Associate Dean Indigenous Health at the College of Medicine and Dentistry, JCU currently serving over 10 years.

Donald is experienced in Aboriginal and Torres Strait Islander primary healthcare, health promotion, community engagement, strategy planning and workforce development. This experience was gained over three decades in positions with Queensland Health's Community Health Services, Tropical Public Health Unit Network, and Northern Area Health Service. His interest and experience in corporate governance developed from earlier roles in Indigenous community controlled health service and community associations.

Donald has served as a member of the Townsville Hospital and Health Board since 2012 and is the Chair of the Board Stakeholder Engagement Committee, Deputy Chair of the Safety and Quality Committee, and a member of the Board Executive Committee.

Donald served as a previous board member role with Townsville Aboriginal and Islander Health Service for seven years, with five years as chairperson. He led development of strong corporate governance, quality improvement and consumer engagement for the organisation. Donald's commitment to health saw his appointment to the Board of Northern Australia Primary Health Limited from 2018 to 2022. Donald is a graduate of Australian Institute of Company Directors and graduate of Master of Public Health, JCU.

Georgina Whelan
Board member

Appointed: May 2020

Georgina Whelan is Site Manager at Townsville's Icon Cancer Centre. A registered nurse with 30 years' experience across both public and private health sectors, having completed a Bachelor of Nursing at the University of South Australia and starting her nursing career at the Royal Adelaide Hospital. Georgina has practised across a range of fields with a clear passion and commitment to the specialty of oncology where she has dedicated the last two decades of her career.

Georgina is a strong advocate for equitable access to exceptional care for regional, rural, and remote patients. She has commissioned and established cancer day hospitals in both Townsville and Mackay.

Georgina moved into the role of Site Manager at Icon in 2013, where she developed exceptional leadership, governance and business management attributes. Georgina holds a Master of Business Administration and is a Graduate of the Australian Institute of Company Directors. She is an Advisory Member for Townsville's Local Disaster Management Group and was recognised in 2021 as Townsville's Corporate Businesswoman of the Year.

Georgina is a member of the Board Finance and Board Executive Committees and, in May 2023, was proposed as Chair of the Board Safety and Quality Committee.

Non-Board members of committees

During 2022-2023, the Board was expertly assisted by non-Board Members:

- Board Audit and Risk Committee: Dr Luke Lawton, and Mrs Alison Scott
- Board Safety and Quality Committee: Dr Kunwarjit Sangla, Mr Adriel Burley, Dr Sarah Wilkinson, Ms Virginia Bendall Harris, and Mrs Kandy McAuliffe.
- Board Finance Committee: Ms Patricia Brand and Mrs Julie Hilder

The Board would like to acknowledge the contribution of Dr Sarah Wilkinson, a valuable member of the Board Safety and Quality Committee from February 2020 to February 2023.

During the reporting period, the Board held 12 ordinary meetings, two extraordinary meetings and one joint Board, Board Audit and Risk Committee and Board Finance Committee meeting. The table below shows the attendance record of the number of meetings Board members were eligible to attend. The Finance, Audit and Risk, Executive, and Safety and Quality committees are prescribed committees.

The Board also attended a full-day strategic workshop with the Senior Leadership Team and key stakeholders on 21 November 2022.

Further details on Board remuneration is provided in Appendix 1.

For period 1 July 2022 to 30 June 2023			**Board Meeting**	**Finance Committee**	**Audit and Risk Committee**	**Executive Committee**	**Safety and Quality Committee**	**Stakeholder Engagement Committee**
Number of meetings held			14	12	7	8	6	5
Name	**Position and Original Appointment Date**	**Current Term**	**Attendance**					
Tony Mooney AM	Chair and member (18/05/2016)	18/05/2020 to 31/03/2024	11 of 14*	10 of 12	5 of 7	7 of 8	6 of 6	5 of 5
Michelle Morton	Deputy Chair and member (29/06/2012)	10/06/2021 to 31/03/2024	13 of 14	12 of 12*	7 of 7	7 of 8	N/A	N/A
Debra Burden	Member (18/05/2016)	18/05/2020 to 31/03/2024	13 of 14	11 of 12	7 of 7*	7 of 8	N/A	N/A
Luke Guazzo	Member (01/04/2022)	01/04/2022 to 31/03/2026	13 of 14	12 of 12	N/A	N/A	5 of 6	N/A
Nicole Hayes	Member (18/05/2019)	18/05/2020 to 31/03/2024	14 of 14	N/A	N/A	N/A	5 of 6	4 of 5
Danette Hocking	Member (18/05/2019)	1/04/2022 to 31/03/2026	13 of 14	N/A	7 of 7	N/A	N/A	5 of 6
Professor Ajay Rane OAM PSM	Member (18/05/2017)	18/05/2020 to 14/05/2023 (resignation)	9 of 13	N/A	N/A	4 of 8	5 of 5*	3 of 6
Robert 'Donald' Whaleboat	Member (27/07/2012)	01/04/2022 to 31/03/2024	14 of 14	N/A	N/A	6 of 8	4 of 6	5 of 6*
Georgina Whelan	Member (18/05/2020)	18/05/2020 to 31/03/2024	14 of 14	11 of 12	7 of 7	N/A	1 of 1*	4 of 5

** indicates Chair roles*

Board committees

Five of the Board committees are prescribed, while the Board Stakeholder Engagement Committee is a non-prescribed committee.

Executive

The Executive Committee works with the HSCE to oversee the development and implementation of the Strategic Plan and progression of strategic issues, including those identified by the Board.

The Committee strengthens the Board's relationship with the HSCE, promoting accountability in the delivery of services by the Townsville HHS and supporting their response to all critical and emergent issues.

The Committee has oversight of the Townsville HHS integrated planning cycle.

Safety and Quality

The Safety and Quality Committee provides strategic clinical governance leadership by advising the Board on matters relating to delivery of safe, quality care across the Townsville HHS.

The Committee oversees Townsville HHS safety and quality healthcare governance arrangements; compliance with relevant plans and strategies; and monitors the safety and quality of care provided. The Committee also collaborates with other safety and quality committees to promote improvement and innovation within Townsville HHS.

The Committee provided vital oversight of a series of clinical reviews following internally- and externally - identified opportunities for improving the safety and quality of care.

Finance

The role of the Finance Committee is to oversee the financial performance, systems, risk and requirements of Townsville HHS.

The Committee advises the Board on matters relating to financial performance and the monitoring of financial systems, financial strategy and policies, capital expenditure, cash flow, revenue, and budgeting, to ensure alignment with key strategic priorities and performance objectives.

The Committee provides valuable oversight on the Capital Works Program including the progression of election commitment projects.

Audit and Risk

The Audit and Risk Committee provides independent oversight of the internal and external audit function, providing the Board with advice and recommendations on matters relating to risk and compliance for financial, accounting, and legislative requirements.

The Committee delivers its function in alignment with internal risk and compliance frameworks and external responsibilities as prescribed in the *Financial Accountability Act 2009*, *Auditor-General Act 2009*, *Financial Accountability Regulation 2009* and *Financial and Performance Management Standard 2019*. The Committee considers all performance reporting and insights released by the Queensland Audit Office to enhance its effectiveness.

The Committee progressed the HHS's enterprise risk management framework designed to guide and support business intelligent risk-based decision making.

The Committee oversaw a number of internal audits over 12 months, focusing on our risk profile. Audit topics focused on assurance (value protection), and an increasing provision for advisory topics (value enhancement).

Stakeholder Engagement

The Stakeholder Engagement Committee is a non-prescribed Committee established in 2016 to monitor and promote the service's reputation by ensuring there is clear and meaningful communication and engagement with staff, community, and other stakeholders.

The Committee oversees the implementation activities relating to two key engagement strategies: Clinician Engagement Strategy and the Consumer and Community Engagement Strategy. The Committee also acts as the pathway committee for three advisory councils - Aboriginal and Torres Strait Islander Community Advisory Council, Clinical Council and Consumer Advisory Council - to the Board.

The Committee oversaw the development of the inaugural *Health Equity Strategy 2022–2025*.

Executive management

The Townsville HHS executive was led in 2022-2023 by Health Service Chief Executive Kieran Keyes. The HSCE is responsible and accountable for the day-to-day management of the HHS and for operationalising the Board's strategic vision and direction. The HSCE is appointed by, and reports to, the Board.

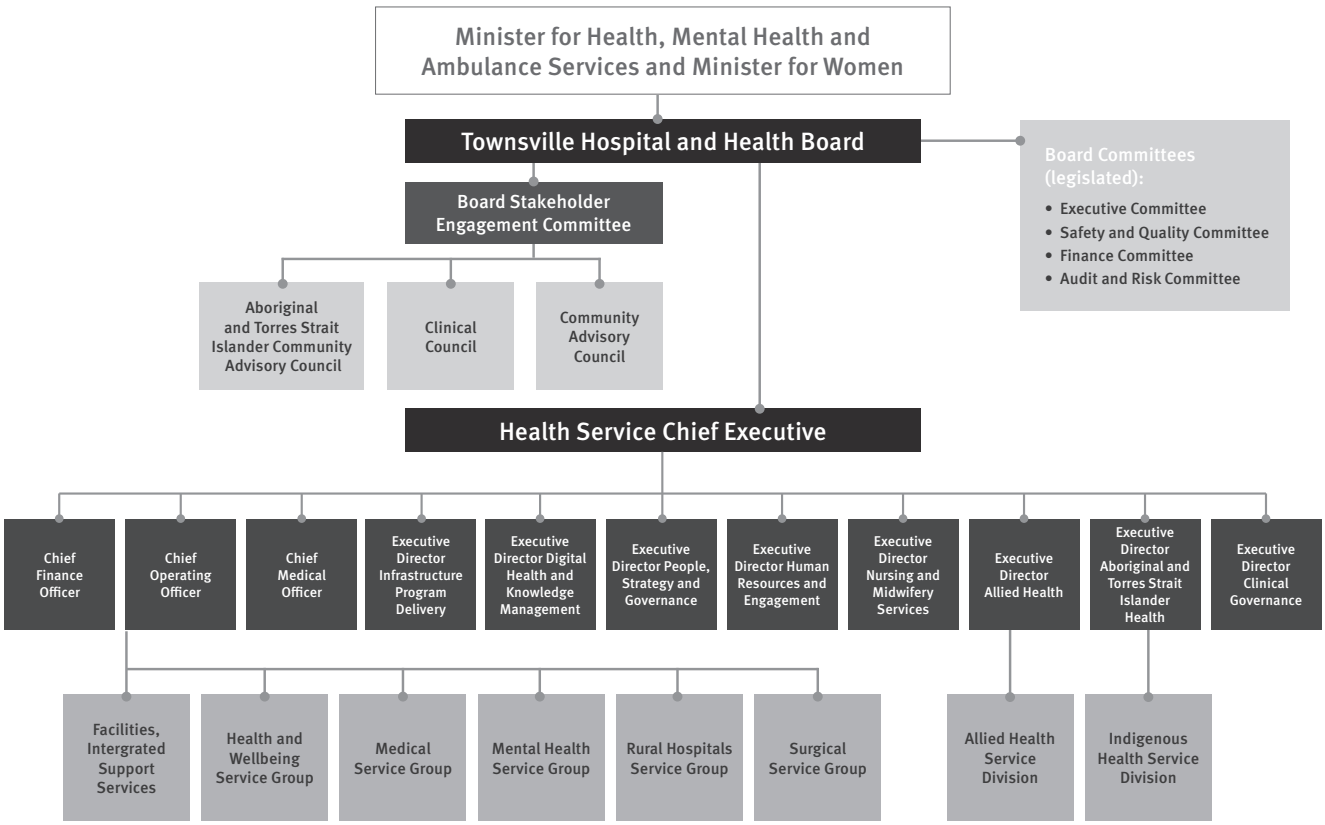
The HSCE was supported by an executive team comprised of:

- Chief Operating Officer Stephen Eaton
- Chief Medical Officer Dr Niall Small
- Chief Finance Officer Mr Anthony Mathas
- Executive Director Nursing and Midwifery Services Ms Judy Morton and Ms Katrina Roberts (Acting)
- Executive Director Clinical Governance Ms Marina Daly
- Executive Director People, Strategy and Governance Ms Sharon Kelly
- Executive Director Aboriginal and Torres Strait Islander Health Ms Wendy Ah Chin and Ms Amanda Cooms (Acting)
- Executive Director Digital Health and Knowledge Management Ms Louise Hayes
- Executive Director Allied Health Ms Danielle Hornsby
- Executive Director Infrastructure Program Delivery Mr Stuart Garantziotis

The business of the HHS is operationalised through five clinical service groups: Health and Wellbeing, Medical, Mental Health, Rural Hospitals, and Surgical, two clinical services divisions, Allied Health Service Division and Indigenous Health Service Division, and one non-clinical directorate, Facilities and Intergrated Support Services. The service groups, directorates and divisions are supported by a corporate services function.

The Townsville Public Health Unit is responsible for population health, disease prevention and health promotion.

Organisational structure and workforce profile



Minimum Obligatory Human Resource Information (MOHRI) Data
June Quarter 2023 - Townsville
Active/Paid Employees only

Total Staffing*	
Headcount	7,037
Paid FTE	5,805.43

Appointment Type by FTE	FTE	%
Permanent	4,527.71	77.99%
Temporary	1,023.10	17.62%
Casual	232.07	4.00%
Contract	22.55	0.39%

Occupation Types by FTE	FTE	%
Corporate	396.13	6.82%
Frontline	4,189.77	72.17%
Frontline Support	1,219.53	21.01%

Employment Status by Headcount	FTE	%
Full-time	3,534	50.22%
Part-time	3,004	42.69%
Casual	499	7.09%

Figure 1: Gender	Headcount	%
Gender		
Woman	5,391	76.61%
Man	1,633	23.21%
Non-binary	13	0.18%

Figure 2: Diversity target group data*	Headcount	%
Diversity Groups		
Women	5,391	76.61%
Aboriginal Peoples and Torres Strait Islander Peoples	262	3.72%
People with disability	161	2.29%
Culturally and Linguistically Diverse – Speak a language at home other than English ^	860	12.22%

* To ensure privacy, in tables where there are less than 5 respondents in a category, specific numbers should be replaced by < 5

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

Figure 3: Target group data for Women in Leadership Roles	Headcount	%
Group		
Senior Officers (classified and s122 equivalent combined)	4	50.00%
Senior Executive Service and Chief Executives (classified and s122 equivalent combined)	9	72.00%

* MOHRI Data has been provided by the Public Sector Commission.

Strategic workforce planning and performance

In 2022-2023, Townsville Hospital and Health Service continued to work on improving workplace culture with a major initiative commenced in late 2022 to apply an evidence-based methodology to diagnose current workplace culture and identify causal factors. At this stage, the diagnosis has occurred and is being debriefed across the organisation with actions to address the identified causal factors executed in 2023-2024.

The redesigned performance and development (PAD) system has been well embedded and accepted by colleagues with more than 80 per cent of PAD conversations using the new system. Qualitative evaluation has also been implemented and over 80 per cent of colleagues agree or strongly agree that their PAD conversation with their manager was valuable.

Diverse workforce

In 2022-2023, the HHS published the *Aboriginal and Torres Strait Islander Workforce Strategy 2022-2031*. The document presents a strategic approach for identifying and building a system that enables a First Nations workforce capable of supporting, strengthening, and enabling the delivery of culturally safe, sustainable and person-centred healthcare now and into the future. The strategy aims to achieve a six per cent Aboriginal and Torres Strait Islander workforce employment target by 2031. The implementation of the strategy will include developing innovative recruitment and retention strategies, education and training, career pathways, culturally safe workplaces, and data quality to support workforce planning and continuous improvement.

The HHS also launched *Deadly Start*, an initiative that provides opportunities for Aboriginal and Torres Strait Islander Year 11 students to commence and complete a Certificate III in Health Service Assistance or Allied Health Assistance.

A further initiative supporting our First Nations workforce was *Integrating Two Worlds*, a leadership program providing future leaders with the tools they need to build rewarding careers in health and supporting First Nations staff to identify and grow their leadership potential.

The HHS continues to have a strong focus on supporting women in the workforce with more than 50 per cent of women in leadership roles and the provision of bespoke women's health programs a focus for our staff wellness framework.

Leadership skills

In 2022-2023, to further embed Townsville HHS's 'Values In Action,' an extensive development curriculum aimed to improve the capability of Leaders of Self and Leaders of Leaders, was successfully delivered. This will be further expanded in 2023-2024, focussing on building the capability of line managers and aligned to the outcomes of the workplace culture action plan.

Health, Safety and Wellness

Throughout 2022-2023, Townsville HHS continued its commitment to promote and strengthen the health, safety and resilience of its workforce.

The Townsville HHS Work Health and Safety Governance Committee reviewed it's terms of reference and reaffirmed the Executive's commitment to provide visible leadership to support and embed a culture of health, safety and wellbeing that enables safe and healthy workplaces.

In 2022-2023, a key focus was to review and update the existing work health and safety framework to align with the organisation's strategic priority to improve staff experience.

Initiatives undertaken in 2022-2023 to support the framework and strengthen the local Health Safety and Wellbeing Management System included:

- implementation of a Fatigue Risk Management System
- recruiting an Occupational Violence Prevention Advisor
- development of an Occupational Violence Prevention Strategy
- trialling the Ambassador Program in the Emergency Department, a new program aimed at reducing voilence and abuse
- recruiting a Staff Wellbeing Psychologist
- conduct of a Psychosocial Risk Assessment
- development of a Staff Wellbeing Strategy
- actively recruiting and training more Staff Welfare Initial Support (SWIS) peers
- establishing the RUOK peer support program
- establishing an Injury Management Advisor role
- completing an annual assessment of compliance with work health safety legislation
- improving communication and consultation with health and safety representatives
- strengthening officers' knowledge of obligations to exercise due diligence by improving reporting and establishing an online training program.

Union engagement

The Townsville HHS supports and encourages union engagement in order to advocate and support the resolution of workplace issues to achieve desired objectives for employees and their members.

The requirements of Human Resources Policy F4 - Union encouragement are supported by the Townsville HHS and this is highlighted with all employees including line managers, initially in the Townsville HHS Orientation, which also includes times for Unions to meet with new employees.

The Townsville HHS actively participates and supports Consultative Forums as part of joint union - employer engagement.

Early retirement, redundancy and retrenchment

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

Our risk management

The *Hospital and Health Boards Act 2011* requires annual reports to state each direction given by the Minister to the HHS during the financial year and the action taken by the HHS because of the direction. During the 2022-2023 period, no directions were given by the Minister to Townsville HHS.

Internal Audit

Internal audit is a fundamental tenet in the governance and assurance environment of the Townsville HHS and is a valuable tool to manage risk effectively.

The HHS's internal audit function was established by the Townsville Hospital and Health Board in accordance with the *Finance and Performance Management Standard 2019*.

The key objective of the internal audit function is to support the health service achieve its strategic objectives through the provision of objective assurance and advice on systems of governance, risk management, and internal control.

The Townsville HHS's internal audit services are provided through a co-source service delivery model, led and managed by the Director Internal Audit. The Director Internal Audit is responsible for the effective, efficient, and economical operation of the internal audit function and reports key audit results and program deliverables to the Board Audit and Risk Committee bi-monthly. Overall strategy, performance and effectiveness of the function is reviewed in consultation with the Board Audit and Risk Committee and reported annually to the Board.

The purpose and accountabilities of the internal audit function are underpinned by an operational plan which describes the design and scope of future work to be undertaken by the internal audit team. The plan is developed through a robust planning and consultation process and remains flexible and adaptive to respond to emerging needs and the changing risk profile of the organisation.

Nine reviews were performed in 2022-2023 resulting in significant business improvement opportunities and internal control enhancements across key aspects of the health service including:

- credentialing and scope of clinical practice
- occupational violence and aggression
- discharge planning
- Ayr Health Service
- shadow IT
- failure to attend - outpatient clinics
- clinical governance
- restrictive interventions
- recruitment and selection.

External scrutiny

External Scrutiny

Internal and external reviews are often commissioned by government agencies and/or state bodies to provide independent assurance regarding the operations and performance of the business. Therefore, the health service's activities and operations are subject to regular scrutiny from external oversight agencies.

Aged Care Standards

There are two residential aged care facilities (RACF) within the Townsville Hospital and Health Service, Eventide RACF located in Charters Towers and Parklands RACF located in Townsville. Both facilities were assessed respectively in March and April 2023 by the Australian Aged Care Quality Agency for compliance with the *National Aged Care Quality Standards*. All standards were assessed as fully met in both facilities. Parklands RACF and Eventide RACF were re-accredited by the Aged Care Quality and Safety Commission for a further three years.

National Safety and Quality Health Service Standards

Townsville HHS was assessed in October 2021 by the Australian Council on Healthcare Standards for compliance against the requirements of the *National Safety and Quality Health Service Standards Second Edition* and was re-accredited for three years until 26 March 2026.

Coroner and Health Ombudsman

During the reporting period the health service's engagement with the Office of the Health Ombudsman and Coroner has not resulted in any significant findings of deficiency, nor involved any significant remedial measures.

Crime and Corruption Commission

Townsville HHS was not under scrutiny by the Commission during the reporting period.

Parliamentary Reporting

In the 2022-2023 financial year, Parliamentary reports tabled by the Auditor-General which considered or evaluated the performance of Townsville HHS included:

- Health outcomes for First Nations people Report 14: 2022-23
- Health 2022 Report 10: 2022-23

The HHS considered the findings and recommendations contained in these reports and, where required, has taken action to implement the recommendations or address issues raised.

Information systems and recordkeeping

Townsville HHS has continued to mature in accordance with *Queensland Government Enterprise Architecture Information Security Policy* (IS18:2018). In recognition of information as strategic assets, information assets were classified against the Queensland Government Information Security Classification Framework. Information assets that are essential for core operational functions were identified as critical assets and Information Security Risk and Threat Assessments were completed for these critical information assets.

Security and privacy of personal information in accordance with the *Hospital and Health Boards Act 2011* and *Information Privacy Act 2009* was strengthened during 2022-2023 with the implementation of a comprehensive cyber security training module for all staff and updates to the *Privacy and Confidentiality of Personal Information Policy*, and *Privacy and Confidentiality Monitoring and Breach Management Procedure*.

Privacy Awareness Week continued to be a valuable opportunity to promote the privacy of personal information to staff via internal communication mechanisms, and to our community via social media.

Recordkeeping is compliant with the *Public Records Act 2002* and retention and disposal practices align with the Health Sector (Clinical Records) Retention and Disposal Schedule, Health Sector (Corporate Records) Retention and Disposal Schedule and General Retention and Disposal Schedule.

Information security attestation

During the mandatory annual Information Security reporting process, the Chief Executive Officer attested to the appropriateness of the information security risk management within Townsville HHS to the Queensland Government Chief Information Security Officer, noting that appropriate assurance activities have been undertaken to inform this opinion and the Townsville HHS information security risk position.

Queensland Public Service ethics and values

All Townsville HHS staff are provided with the Code of Conduct of the Queensland Public Service Code of Conduct as part of their orientation program.

Human Rights

As a public entity, the Townsville Hospital and Health Service must act in accordance with the 23 human rights protected under the *Human Rights Act 2019 (Qld)* (the Act). When reviewing existing or creating new policies and procedures, the document custodian completes a two-page Human Rights Assessment Checklist, showing the considerations made when assessing the policy or procedure against the Act. A governance officer peer reviews and confirms these considerations. Should a human right be relevant to a policy or procedure, information will be added along with links to where further information can be located.

The Townsville HHS displays posters around both the waiting and ward areas advising of the rights of individuals under the Act with further information available on the organisation's website. In addition to consumers, the Townsville HHS Orientation Guide provides information for new and existing staff about human rights.

Consumer feedback, including human rights complaints, are continuously monitored by the Townsville HHS Patient Feedback Service through a well-embedded internal complaints management process.

During 2022-2023, the health service received 16 human rights complaints. Each complaint was thoroughly investigated and resolved, with three still under review. When necessary, the HHS will adapt and improve practices to ensure the actions and decisions of staff are compatible with human rights.

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 HSCE did not authorise the disclosure of confidential information during the reporting period.

PERFORMANCE

HHS performance is monitored and reported against several key foundations; performance against strategic plan measures, performance against service standards reflected in the service delivery statements, and financial performance.

Non-financial performance

The HHS monitors progress against its strategic plan priorities and objectives each year.

Improve patient experience

Objectives	Measures
Put patients first in all that we do and partner with patients in their care	• Patient reported experience surveys have been introduced in multiple service areas. The proportion of inpatients who rated the overall quality of their care as "Very Good" or "Good" was 90%.
Optimise the patient journey to be seamless	• The proportion of patients treated within the HHS catchment without needing to travel to Brisbane was 96.4 per cent in 2020-2021. • Data for 2021-2022 and 2022-2023 is not available.
Deliver care closer to and in the home	• The proportion of non-admitted service events delivered via telehealth has increased from 2.27 per cent in 2021-2022 to 2.67 per cent in 2022-2023. • The proportion of admitted service events delivered via Hospital in the Home has remained at approximately one per cent, the same as in 2022-2023.
Ensure our services are culturally appropriate	• The proportion of First Nations patients who accessed care without missing an appointment or leaving before their care was finished has remained consistent at 87 per cent in 2022-2023 compared to 88 per cent in 2021-2022.

Enhance patient outcomes

Objectives	Measures
Do all we can to achieve health equity	• The proportion of First Nations hospitalisations that were potentially preventable increased from 13.9 per cent in 2021-2022 to 15.3 per cent for the period up to 31 March 2023.
Continuously improve safety and quality	• The hospital standardised mortality ratio was less and within nationally benchmarked performance in 2022-2023.
Focus on prevention and early intervention	• The proportion of hospitalisations that were potentially preventable was 8.3 per cent for the period up to 31 March 2023, which is comparable to 7.7 per cent in 2021-2022.
Transform our services to be as timely as possible	• The proportion of emergency presentations, outpatient appointments, elective surgeries, and gastrointestinal endoscopies delivered in time was 83 per cent, 72 per cent, 62 per cent and 91 per cent, respectively, in 2022-2023. The HHS has plans in place to improve these proportions in 2023-2024.
Research and translate findings into practice	• The number of research publications by HHS staff, which is measured in calendar years, increased from 247 in 2021 to 275 in 2022.

Better value care

Objectives	Measures
Eliminate low-value care	• The number of avoidable hospital readmissions reduced from 921 in 2021-2022 to 827 in 2022-2023.
Maintain and optimise our assets	• The HHS spent 105 per cent of its annual capital budget, versus 64 per cent in 2021-2022, indicating more timely delivery of capital projects.
Review and improve our productivity	• The cost per weighted activity unit in 2022-2023 was $5,836 compared to a target of $5,341. This variation is due to a range of factors and is consistent with previous years.
Collaborate with other providers	• The value of clinical services delivered in partnership with other providers was $46 million in 2022-2023. This is a new measure without a previous baseline
Make wise investment decisions	• The end-of-year budget position is a $0.975 million surplus, which be reinvested into improved services.

Improve staff experience

Objectives	Measures
Provide psychologically and physically safe workplaces	• The Workcover premium rate, which reflects the number and size of previous claims, was 0.796 in 2021-2022, compared to 0.854 in 2022-2023.
Cut red tape to make it easy to do the right thing and involve our people in decisions that matter to them	• The HHS has embarked on a new culture improvement program in 2022-2023 involving extensive consultation with frontline staff. The results of this will drive action planning and be evaluated in future years.
Embed a culture that lives our values	• Permanent employee separations decreased from 9 per cent in 2021-2022 to 7 per cent in 2022-2023. • The number of conduct and performance matters was 205 in 2021-2022 compared to 119 in 2022-2023.
Build and retain high-performing teams	• The proportion of staff who have completed a performance assessment and development plan with their manager increased from 57 per cent as of 30 June 2022 to 64 per cent as of 30 June 2023.

Service standards

The Townsville HHS continued to provide high-quality services to the residents of North Queensland in 2022-2023. The treatment of COVID-19 patients and the ongoing requirements from the pandemic have now transitioned into a business-as-usual model.

The health service's primary focus was to reduce the number of patients waiting longer than clinically recommended and to maintain access to services, including increasing those delivered virtually. This was supported by the Department's investment in the HHS for planned and unplanned care initiatives, including the commissioning of new beds. Year-on-year patient volumes increased across all service areas: three per cent more hospital admissions, seven per cent more outpatient appointments, three per cent more emergency department attendances, two per cent more oral health examinations, five per cent more medical imaging examinations, five per cent more surgeries and four per cent more endoscopies.

Financial efficiency impacts are a result of the retained expenditures associated with COVID-19 pandemic as well as increased employee expenses pursuant to enterprise bargaining outcomes, labour costs associated with workforce shortages in the competitive labour market, and increased cost of goods and services in line with consumer price index movements.

	2022-2023 Target	2022-2023 Actual
Effectiveness measures		
Percentage of emergency department patients seen within recommended timeframes:		
Category 1 (within 2 minutes)	100%	100%
Category 2 (within 10 minutes)	80%	82%
Category 3 (within 30 minutes)	75%	78%
Category 4 (within 60 minutes)	70%	86%
Category 5 (within 120 minutes)	70%	98%
Percentage of emergency department attendances who depart within 4 hours of their arrival in the department	>80%	69%
Percentage of elective surgery patients treated within clinically recommended times:[1]		
Category 1 (30 days)	>98%	74%
Category 2 (90 days)[2]	..	50%
Category 3 (365 days)[2]	..	55%
Rate of healthcare associated Staphylococcus aureus (including MRSA) bloodstream (SAB) infections/10,000 acute public hospital patient days[3]	<2	0.8
Rate of community mental health follow up within 1-7 days following discharge from an acute mental health inpatient unit[4]	>65%	70.9%
Proportion of readmissions to acute psychiatric care within 28 days of discharge[5]	<12%	11.9%
Percentage of specialist outpatients waiting within clinically recommended times:		
Category 1 (30 days)	98%	94%
Category 2 (90 days)[6]	..	49%
Category 3 (365 days)[6]	..	78%
Percentage of specialist outpatients seen within clinically recommended times:[7]		
Category 1 (30 days)	98%	90%
Category 2 (90 days)[6]	..	50%
Category 3 (365 days)[6]	..	70%

	2022-2023 Target	2022-2023 Actual
Effectiveness measures		
Median wait time for treatment in emergency departments (minutes)	..	11
Median wait time for elective surgery treatment (days)[1]	..	48
Efficiency Measure		
Average cost per weighted activity unit for Activity Based Funding facilities[7]	$5,341	$6,137
Other Measures		
Number of elective surgery patients treated within clinically recommended times:[1]		
Category 1 (30 days)	3,633	2,804
Category 2 (90 days)[2]	..	1,492
Category 3 (365 days)[2]	..	770
Number of Telehealth outpatient occasions of service events[8]	13,774	12,872
Total weighted activity units (WAU)[9]		
Acute Inpatient	99,852	99,337
Outpatients	25,861	27,628
Sub-acute	11,738	12,014
Emergency Department	18,430	19,630
Mental Health	9,459	9,262
Prevention and Primary Care	2,565	2,448
Ambulatory mental health service contact duration (hours)[10]	>68,647	44,783
Staffing[11]	5,632	5,805

1	In response to the COVID-19 pandemic, the delivery of planned care services has been impacted. This has resulted from a period of temporary suspension of routine planned care services during 2021-2022 and subsequent increased cancellations resulting from patient illness and staff furloughing due to illness and isolation policies.
2	Given the System's focus on reducing the volume of patients waiting longer than clinically recommended for elective surgery and the continual impacts to services as a result of responding to COVID-19, treated in time performance targets for category 2 and 3 patients are not applicable for 2022-2023.
3	Staphylococcus aureus (including MRSA) bloodstream (SAB) infections 2022-2023 Actual rate is as at 7 August 2023.
4	Mental Health rate of community follow up 2022-2023 Actual is as at 14 August 2023.
5	Mental Health readmissions 2022-2023 Actual is for the period 1 July 2022 to 31 May 2023 as at 14 August 2023.
6	Given the System's focus on reducing the volume of patients waiting longer than clinically recommended for specialist outpatients, and the continual service impacts as a result of responding to COVID-19, seen in time targets for category 2 and 3 patients are not applicable for 2022-2023.
7	All measures are reported in QWAU (Queensland Weighted Activity Unit) Phase Q25. The variation in difference of Cost per WAU to target is a result of the additional costs of the COVID-19 pandemic.
8	Telehealth 2022-2023 Actual is as at 21 August 2023.
9	The 2022-2023 target varies from the published 2022-2023 Service Delivery Statement due to a change in the WAU phase. All measures are reported in QWAU Phase Q25. 2022-2023 Actuals are as at 14 August 2023.
10	Ambulatory Mental Health service contact duration 2022-2023 Actual is as at 14 August 2023.
11	Corporate FTEs are allocated across the service to which they relate. The department participates in a partnership arrangement in the delivery of its services, whereby corporate FTEs are hosted by the department to work across multiple departments. 2022-2023 Actual is for pay period ending 25 June 2023.

Financial summary

for the year ended 30 June 2023

Townsville HHS planning and governance processes have ensured that the Townsville HHS continues to provide a comprehensive range of services and improved health outcomes to the local government areas of Townsville, Burdekin, Charters Towers, Flinders, Richmond, Hinchinbrook, and Palm Island within the funding allocation and that funds are spent efficiently and effectively.

In the 2022-2023 financial year, the Townsville HHS achieved an operating surplus of $0.975 million while delivering connected equitable, sustainable and integrated person-centred healthcare to our communities and North Queensland while meeting demand side and supply side challenges including a growing and ageing population, increased chronic health conditions, increasing prevalence of mental health problems in the community, declining private health insurance coverage, workforce attraction and retention, increasing access to culturally appropriate health services for Aboriginal and Torres Strait Islander persons, and a high dependence on effective primary health care services.

The following financial summary provides an overview of the Townsville HHS financial performance for the year ending 30 June 2023. A more detailed view of the Townsville HHS financial performance is provided in the 2022-2023 financial statements.

Financial Overview	**2023**	**2022**
Income	$1.322 billion	$1.212 billion
Expenses	$1.321 billion	$1.210 billion
Operating result	**$0.975 million**	**$1.899 million**
Capital Acquisitions	$56.339 million	$19.085 million
Total Assets	$0.986 billion	$0.917 billion
Equity	**$0.864 billion**	**$0.828 billion**

Where the funds comes from

Income	**2023 $'000**	**2022 $'000**
Activity based funding	828,406	733,212
User charges	103,911	95,671
Other funding for public health services	345,895	343,741
Other revenue and Grants and contributions	43,340	39,756
Total Income	1,321,552	1,212,380

The Townsville HHS is responsible for the delivery of public hospital and health services including medical, surgical, emergency, obstetrics, paediatrics, specialist outpatient clinics, mental health, critical care and clinical support services.

The Service Agreement between Townsville HHS and the Department of Health for the delivery of the above services, uses weighted activity units to quantify the activity delivered based on a detailed classification system and the cost of the activity based on the Queensland Efficient Price.

User charges principally includes public patients electing to use private health insurance, self-funded private patients, bulk-billed outpatients (Medicare) and reimbursements of pharmaceutical benefits and the sale of goods and services.

Other revenue relates principally to block funding provided for Townsville HHS services delivered at Ingham, Ayr, Home Hill, Charters Towers, Richmond, Hughenden and Palm Island, tertiary training and system management.

How the funds are spent

Expenses	2023 $'000	2022 $'000
Employee expenses	122,917	102,475
Health Service employee expenses	794,098	720,681
Supplies and services	317,249	308,633
Depreciation and amortisation	68,912	62,687
Other expenses	17,401	16,005
Total Expense	**1,320,577**	**1,210,481**

The above table shows the resources consumed in 2022-2023 for the delivery of services across the HHS including Townsville, Ingham, Ayr, Home Hill, Charters Towers, Richmond, Hughenden and Palm Island. Total expenses for 2022-2023 were $1.321 billion or an average of $3.6 million per day.

Total expenses increased principally due to an overall increase in the volume of services delivered, increased employee expenses pursuant to enterprise bargaining outcomes and increased short-term use of locum/ agency labour to offset clinical workforce shortages in the competitive labour market, and increased cost of goods and services in line with consumer price index movements. The largest percentage of the spend was against employee expenses including clinicians and support staff at 69.4 per cent. Non-labour expenses such as clinical supplies, pharmaceuticals, prosthetics, pathology, catering, repairs and maintenance, communications, computers and energy accounted for 24.0 per cent of expenditure; 5.2 per cent of expenditure was related to depreciation and amortisation of the asset base.

Financial outlook

In 2023-2024, the Board and HHS management team will continue to undertake careful planning for, and monitoring of, demand and alignment of operational resources / capacity to ensure the Townsville HHS continues to:

- optimise the delivery of safe, appropriate and timely hospital care
- strengthen access to care in the community and closer to home
- improve the health and wellbeing of our communities and North Queenslanders to minimise their interface with the acute healthcare system.

Deferred maintenance

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

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

As at 30 June 2023, Townsville HHS had reported deferred maintenance of $88.26 million of which $12.43 million has been funded to commence work in the 2023-2024 budget cycle. The health service has commenced a significant Sustaining Capital Maintenance and Renewal Program to be delivered over five years to ensure reliable and sustainable health infrastructure that underpins health service delivery capability.

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

- developed a five-year program of Sustaining Capital investment initiatives with indicative value of $131 million
- prioritised state health infrastructure planning for replacement of facilities that have exceeded service life
- progressed Priority Capital Program funding submissions for applicable sustaining capital projects
- coordinated health service and Department of Health-funded capital redevelopment projects to include applicable anticipated remediation works where possible
- prioritised the health service-funded deferred maintenance program as detailed in the annual Asset Management and Maintenance Plan
- funding of all identified deferred maintenance assessed as very high risk and emergent condition-based maintenance activity that cannot be deferred
- regular preventative maintenance inspections and minor repairs where necessary
- management of critical spare stock holdings where appropriate.

Capital works

The Townsville Hospital and Health Service continued to deliver an extensive capital works program throughout 2022-2023 to address the current and future health service needs of our communities.

Capital works projects delivered included:

- $12.98 million Townsville University Hospital (TUH) South Block Level 1 - ward fit-out of existing shell space to deliver a new 33-bed Acute Assessment Unit aiming to improve the flow of acutely unwell patients presenting to the Emergency Department and help to manage growing demand for acute healthcare services
- $10.10 million TUH Adult Acute Mental Health Inpatient Unit - High-Dependency Unit redevelopment
- $1.8 million TUH Ward Midlife Renewal Works Program (Stage 1) - delivery of an additional 12 beds
- $1.85 million TUH Emergency Department Pandemic Management upgrades.

Capital works projects under construction included:

- e-Health Queensland and TUH Infrastructure Maintenance Program (IMP) - a project aimed at implementing robust and resilient information communication technologies to lower significant risks associated with ageing infrastructure
- $4.7 million TUH Fire system replacement
- $4.3 million TUH Medical Imaging Department refurbishment and replacement of Magnetic Resonating Imaging (MRI) equipment to provide modern diagnostic imaging facilities.

Capital works projects under design included:

- $530 million TUH Expansion Project - a seven-storey clinical services building that will deliver 143 additional beds and promote operational efficiencies and adjacencies by clustering related sub-acute services including rehabilitation, day procedures, hyperbaric medicine, and pain management. This project is being expedited by Health Capital Division as part of the unprecedented Statewide Capacity Expansion Program (an initiative under the *Queensland Health and Hospitals Plan*).
- $40 million Kirwan Health Campus Expansion Project - a new build two storey clinical services building that will facilitate the delivery of improved Maternity and Oral Health services to the community
- $17 million TUH Hybrid Operating Theatre - a world-first operating theatre configuration that will help to meet the increasing demand for procedural care space and enable delivery of contemporary surgical procedures and safer patient care
- $8.64 million Charters Towers CT Scanner - construction of a medical imaging suite incorporating computed tomography (CT and X-Ray) adjacent to the Emergency Department. This will introduce CT scanning capability at Charters Towers Hospital
- $6.6 million TUH Outpatient Department Expansion
- $4 million TUH North Queensland Persistent Pain Management Service
- $2.35 million TUH Ward Midlife Renewal Works Program (Stage 2) - fit-out of shell-space on Level 2 at TUH to create a centralised hospital Clinical Equipment Loan Service
- TUH Ward Midlife Renewal Works Program (Stage 3) - refurbishment works to Medical Wards 1-4 and Surgical Wards 1-3 (total budget unknown - Quantity Surveyor cost estimate will be completed upon completion of design documentation)
- $11 million Central Sterilisation Department upgrades at Ingham, Ayr and Charters Towers Health Services
- $1.9 million Eventide Residential Aged Care Facility Fire system replacement
- $2.8 million Joyce Palmer Health Service Heating, Ventilation and Air-conditioning upgrades to support pandemic management improvements
- $2.15 million Townsville University Hospital Heating, Ventilation and Air-conditioning upgrades to support pandemic management improvements.

Townsville Hospital and Health Service

FINANCIAL STATEMENTS

For the year ending 30 June 2023

CONTENTS

Statement of comprehensive income

For the year ended 30 June 2023

	Notes	2023 $'000	2022 $'000
Income			
User charges	B1-1	**103,911**	95,671
Funding for public health services	B1-2	**1,174,301**	1,076,953
Grants and other contributions	B1-3	**37,713**	35,170
Other revenue	B1-4	**5,627**	4,586
Total Income		**1,321,552**	1,212,380
Expenses			
Employee expenses	B2-1	**(122,917)**	(102,475)
Health Service employee expenses	B2-2	**(794,098)**	(720,681)
Supplies and services	B2-3	**(317,249)**	(308,633)
Grants and subsidies		**(119)**	(113)
Interest on lease liabilities		**(77)**	(72)
Depreciation and amortisation	B2-4	**(68,912)**	(62,687)
Impairment losses on financial assets		**(3,503)**	(2,930)
Other expenses	B2-5	**(13,702)**	(12,890)
Total Expenses		**(1,320,577)**	(1,210,481)
Operating result for the year		**975**	1,899
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Increase in asset revaluation surplus		**63,191**	33,681
Other comprehensive income for the year		**63,191**	33,681
Total comprehensive income for the year		**64,166**	35,580

The accompanying notes form part of these financial statements.

Statement of financial position

As at 30 June 2023

	Notes	2023 $'000	2022 $'000
Assets			
Current assets			
Cash and cash equivalents	B3	**80,181**	66,262
Trade and other receivables	B4	**12,962**	9,105
Inventories	B5	**10,986**	10,012
Other assets	B6	**21,012**	21,911
Total current assets		**125,141**	107,290
Non-current assets			
Property, plant and equipment	B7	**857,176**	805,500
Right-of-use assets	B11-1	**3,622**	4,136
Intangibles	B7-4	**181**	67
Total non-current assets		**860,979**	809,703
Total assets		**986,120**	916,993
Liabilities			
Current liabilities			
Trade and other payables	B8	**96,991**	74,488
Lease liabilities	B11-1	**931**	796
Accrued employee benefits		**17,841**	2,499
Other liabilities	B9	**1,308**	6,541
Total current liabilities		**117,071**	84,324
Non-current liabilities			
Trade and other payables	B8	**2,182**	1,361
Lease liabilities	B11-1	**2,869**	3,431
Total non-current liabilities		**5,051**	4,792
Total liabilities		**122,122**	89,116
Net assets		**863,998**	827,877
EQUITY			
Contributed equity	B10-1	**464,241**	492,286
Asset revaluation surplus	B10-2	**315,504**	252,313
Accumulated surpluses		**84,253**	83,278
Total equity		**863,998**	827,877

The accompanying notes form part of these financial statements.

Statement of changes in equity

For the year ended 30 June 2023

	B10	Contributed Equity $'000	Asset revaluation surplus $'000	Accumulated surpluses $'000	Total equity $'000
Balance at 1 July 2021		537,104	218,632	81,379	837,115
Operating result for the year		-	-	1,899	1,899
Other comprehensive income for the year		-	33,681	-	33,681
Transactions with members in their capacity as members:					
Non-appropriated equity asset transfers		1,784	-	-	1,784
Non-appropriated equity injections		16,085	-	-	16,085
Non-appropriated equity withdrawals		(62,687)	-	-	(62,687)
Net transactions with members in their capacity as members		(44,818)	-	-	(44,818)
Balance at 30 June 2022		492,286	252,313	83,278	827,877

	Contributed Equity $'000	Asset revaluation surplus $'000	Accumulated surpluses $'000	Total equity $'000
Balance at 1 July 2022	**492,286**	**252,313**	**83,278**	**827,877**
Operating result for the year	**-**	**-**	**975**	**975**
Other comprehensive income for the year	**-**	**63,191**	**-**	**63,191**
Transactions with members in their capacity as members:				
Non-appropriated equity asset transfers	**3,627**	**-**	**-**	**3,627**
Non-appropriated equity injections	**37,240**	**-**	**-**	**37,240**
Non-appropriated equity withdrawals	**(68,912)**	**-**	**-**	**(68,912)**
Net transactions with members in their capacity as members	**(28,045)**	**-**	**-**	**(28,045)**
Balance at 30 June 2023	**464,241**	**315,504**	**84,253**	**863,998**

The accompanying notes form part of these financial statements.

Statement of cash flows

For the year ended 30 June 2023

	Notes	2023 $'000	2022 $'000
Cash flows from operating activities			
User charges		**101,567**	96,398
Funding for public health services		**1,099,966**	1,004,256
Grants and other contributions		**37,668**	34,871
Interest received		**639**	128
Other revenue		**4,988**	4,211
Employee expenses		**(100,733)**	(101,875)
Health Service Employee expense		**(762,068)**	(715,264)
Supplies and services		**(332,618)**	(301,817)
Grants and subsidies		**(119)**	-
Interest payments on lease liabilities		**(77)**	(72)
Other expenses		**(15,317)**	(12,909)
Net cash from operating activities	**CF-1**	**33,896**	7,927
Cash flows from investing activities			
Payments for property, plant, equipment and intangibles		**(56,339)**	(19,085)
Net cash used by investing activities		**(56,339)**	(19,085)
Cash flows from financing activities			
Proceeds from equity injections		**37,240**	16,085
Lease payments		**(878)**	(750)
Net cash from financing activities		**36,362**	15,335
Net increase/(decrease) in cash held		**13,919**	4,177
Cash and cash equivalents at the beginning of the financial year		**66,262**	62,085
Cash and cash equivalents at the end of the financial year	**B3**	**80,181**	66,262

The accompanying notes form part of these financial statements.

Statement of cash flows

For the year ended 30 June 2023

CF1 NOTES TO THE STATEMENT OF CASH FLOWS

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

	2023 $'000	2022 $'000
Operating surplus/(deficit) for the year	**975**	1,899
Adjustments for:		
Depreciation and amortisation	**68,912**	62,687
Impairment losses on receivables	**3,503**	2,930
Revenue - contribution to DOH capital works in progress program	**(68,912)**	(62,687)
Assets donated revenue – non-cash	**(45)**	(299)
Change in operating assets and liabilities:		
(Increase)/decrease in receivables	**(3,895)**	(576)
(Increase)/decrease in inventories	**(974)**	(297)
(Increase)/decrease in contract assets	**(1,563)**	(86)
(Increase)/decrease in other assets	**1,310**	(8,248)
(Increase)/decrease in prepayments	**1,152**	1,435
Increase/(decrease) in trade and other payables	**23,324**	11,488
Increase/(decrease) in contract liabilities and unearned revenue	**(5,233)**	(241)
Increase/(decrease) in employee benefits	**15,342**	(78)
Net cash from operating activities	**33,896**	7,927

CF-2 Changes in liabilities arising from financing activities

2023	---------- Non-cash changes ----------			---------- Cash flows ----------		
	Opening balance	New leases acquired	Other	Cash received	Cash payments	Closing balance
	$'000	$'000	$'000	$'000	$'000	$'000
Leases	4,227	451	-	-	(878)	3,800
Total	**4,227**	**451**	**-**	**-**	**(878)**	**3,800**

2022	---------- Non-cash changes ----------			---------- Cash flows ----------		
	Closing balance	New leases acquired	Other	Cash received	Cash payments	Closing balance
	$'000	$'000	$'000	$'000	$'000	$'000
Lease	4,477	500	-	-	(750)	4,227
Total	**4,477**	**500**	**-**	**-**	**(750)**	**4,227**

Basis of financial statement preparation

General information

The Townsville Hospital and Health Service as an individual entity and is controlled by the State of Queensland, the ultimate parent entity.

The head office and principal place of business of the agency is:

100 Angus Smith Drive
Townsville Queensland 4810

Compliance with prescribed requirements

The 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 Minimum Reporting Requirement for reporting periods beginning on or after 1 July 2022.

The Townsville HHS is a not-for-profit entity and these general-purpose financial statements are prepared on an accrual basis (except for the statement of cash flows 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 F4.

Presentation

Currency and rounding

The financial statements are presented in Australian dollars, which is the Townsville HHS' functional and presentation currency. Amounts included in the financial statements have been rounded to the nearest thousand dollars, or in certain cases, the nearest dollar.

Comparatives

Comparatives have been reclassified where appropriate for consistency with current year classification.

Current/non-current classification

Assets and liabilities are classified as either 'current' or 'non-current' in the statement of financial position and associated notes.

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

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

Authorisation of financial statements for issue

The general-purpose financial statements are authorised for issue by the Board Chair, Health Service Chief Executive and the Chief Finance Officer, at the date of signing the Management Certificate.

Basis of Measurement

These financial statements are general purpose financial statements and have been prepared on both a historical cost and fair value basis in accordance with all applicable new and amended Australian Accounting Standards and Interpretations, applicable to not-for-profit entities, except where stated otherwise. The Townsville HHS is a not-for-profit entity and the financial statements comply with the requirements of Australian Accounting Standards and Interpretations.

Further information

For information in relation to the Townsville Hospital and Health Service's financial statements:

- Email **tsv-public-affairs@health.qld.gov.au** or
- Visit the Townsville Hospital and Health Service website at: **www.townsville.health.qld.gov.au**

SECTION A

How we operate – Townsville Hospital and Health Service objectives and activities

A1 OBJECTIVES OF THE TOWNSVILLE HOSPITAL AND HEALTH SERVICE

The Townsville HHS is an independent statutory body established on 1 July 2012 under the *Hospital and Health Boards Act 2011* (The Act). The Townsville HHS is governed by the Townsville Hospital and Health Board (the Board), which is accountable to the local community and the Minister for Health, Mental Health and Ambulance Services and Minister for Women.

The Townsville HHS is responsible for providing primary health, community health and hospital services in the area assigned under the *Hospital and Health Boards Regulation 2012*. The Townsville HHS covers an area of more than 148,000 square kilometres, around 8.5 per cent of Queensland, and serves a population of approximately 250,000. The Townsville HHS also provides tertiary services to 670,000 people throughout northern Queensland from Mackay to the Torres Strait and out to the Northern Territory border.

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

Please refer to the Townsville HHS Annual Report 2022-23 for more information.

NON-WHOLLY OWNED ENTITIES

Investment in Northern Queensland Primary Health Network

The Northern Queensland Primary Health Network (NQPHN) was established as a public company limited by guarantee on 22 May 2015. Townsville HHS is one of 14 members, with each member holding one vote in the company.

The principal place of business of the NQPHN is 42 Spence Street, Cairns, Queensland. The company's principal purpose is to work with general practitioners, other primary health care providers, community health services, pharmacists and hospitals in 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, it is considered that no member has controlling power or significant influence over NQPHN (as defined by AASB 10 *Consolidated Financial Statements*). While Townsville HHS currently has 7.14 per cent of the voting power of the NQPHN and the fact that every other member also has 7.14 per cent voting power, it limits the extent of any influence that the Townsville HHS may have over the NQPHN.

Each member's liability to NQPHN is limited to $10. The NQPHN is legally prevented from paying dividends to its members and its constitution also prevents any income or property of the company being transferred directly or indirectly to or amongst the members.

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

Tropical Australian Academic Health Centre Limited

Tropical Australian Academic Health Centre Limited (TAAHC) registered as a public company limited by guarantee on 3 June 2019. The Townsville HHS is one of eight founding members along with Cairns and Hinterland Hospital and Health Service, Mackay Hospital and Health Service, North West Hospital and Health Service, Torres and Cape Hospital and Health Service, Northern Queensland Primary Health Network, James Cook University and Queensland Aboriginal & Islander Health Council. Each founding member holds two voting rights in the company and is entitled to appoint two directors.

The principal place of business of TAAHC is Townsville, Queensland. The company's principal purpose is the advancement of health through the promotion of the study and research topics of special importance to people living in the tropics.

As each member has the same voting entitlement (12.5%), it is considered that none of the individual members has power or significant influence over TAAHC (as defined by AASB 10 *Consolidated Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures*). Each members' liability to TAAHC is limited to $10. TAAHC's constitution prevents any income or property of the company being transferred directly or indirectly to or amongst the members. Each member must pay annual membership fees as determined by the Board of TAAHC.

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

SECTION B

Notes about financial performance

This section considers the income and expenses of the Townsville Hospital and Health Service.

B1 INCOME

Note B1-1: User charges

	2023 $'000	2022 $'000
Revenue from contracts with customers		
Service income and recoveries	**12,660**	11,674
Pharmaceutical Benefits Scheme	**44,106**	40,050
Public patient income	**16,868**	15,223
Private hospital bed income	**12,839**	11,894
Other hospital services	**17,438**	16,830
Total	**103,911**	95,671

Note B1-2: Funding for public health services

	2023 $'000	2022 $'000
Revenue from contracts with customers		
Department of Health		
Activity based funding	**496,964**	422,148
Australian Government		
Activity based funding	**331,442**	311,064
Other funding for public health services		
Department of Health		
Block funding	**93,828**	93,758
Tertiary training	**25,623**	23,356
System funding	**103,777**	108,980
Depreciation funding	**68,912**	62,687
Australian Government		
Block funding	**42,458**	37,600
Tertiary training	**6,702**	6,350
System funding	**4,595**	11,010
Total	**1,174,301**	1,076,953

User Charges

Revenue from contracts with customers is recognised when the service is rendered and can be measured reliably with a sufficient degree of certainty. This involves either invoicing for related goods/services and/or the recognition of accrued revenue. Revenue in this category primarily consists of hospital fees (private patients), reimbursements of pharmaceutical benefits and the sale of goods and services.

Funding for public health services

Funding is provided predominantly from the Department of Health for specific public health services purchased by the Department in accordance with a service agreement. The Australian Government pays its share of National Health funding directly to the Department of Health, for on forwarding to the Hospital and Health Service. The service agreement is reviewed periodically and updated for changes in activities and prices of services delivered by Townsville HHS. Cash funding from the Department of Health is received fortnightly for State payments and monthly for Commonwealth payments and is recognised as revenue as the performance obligations under the service level agreement are discharged.

At the end of the financial year, an agreed technical adjustment between the Department of Health and Townsville HHS may be required for the level of services performed above or below the agreed levels, which may result in a receivable or unearned revenue. This technical adjustment process is undertaken annually according to the provisions of the service level agreement and ensures that the revenue recognised in each financial year correctly reflects Townsville HHS' delivery of health services.

Activity Based Funding (ABF) funding is recognised where the specific conditions have been met or funding is renegotiated with the Department and may result in a deferral or return of revenue recognised as a liability in the statement of financial position. Due to the COVID-19 pandemic, the Commonwealth Government agreed to provide a guaranteed ABF envelope for the 2021-2022 financial year under the National Health Reform Agreement (commonly known as a Minimum Funding Guarantee (MFG)) for the months of January to June 2022. A full MFG had been applied to state and commonwealth portion of funding, resulting in no financial adjustments for under-delivery or over-delivery associated with this period for ABF targets. The MFG did not apply during the 2022-23 financial year.

Block funding is not based on levels of public health care activity. Non-activity-based funding (block etc.) is received for other services the Townsville HHS has agreed to provide as per the service agreement. This funding has conditions attached which are not related to activity covered by ABF. Non-activity-based funding is recognised on a fortnightly basis upon receipt of funds and accords with the requirements of AASB 1058.

Tertiary training funding supports teaching, training and research in public hospitals, and public health programs.

System Manager funds are funds paid directly to the HHSs from the Departments' operating account and consists of funding for various programmes for public health services. This funding does not form part of the National Health Reform Agreement.

The service agreement between the Department of Health and the Townsville HHS specifies that the Department of Health funds the Townsville HHS's depreciation and amortisation charges via non-cash revenue. The Department of Health retains the cash to fund future major capital replacements. This transaction is shown in the Statement of Changes in Equity as a non-appropriated equity withdrawal. Depreciation Funding is recognised under AASB 1058.

Note B1-3: Grants and other contributions

	2023 $'000	2022 $'000
Revenue from contracts with customers		
Australian Government - Specific purpose recurrent grants	**24,964**	23,380
Australian Government - Specific-purpose capital grants	**-**	32
Other grants	**3,420**	2,032
Other grants and contributions		
Donations other	**307**	107
Donations non-current physical assets	**45**	299
Services received below fair value	**8,977**	9,320
Total	**37,713**	35,170

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

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

Otherwise, the grant is accounted for under AASB *1058 Income of Not-for-Profit Entities*, whereby revenue is recognised upon receipt of the grant funding, except for special purpose capital grants received to construct non-financial assets to be controlled by the Townsville HHS. Special purpose capital grants are recognised as unearned revenue when received, and subsequently recognised progressively as revenue as the Townsville HHS satisfies its obligations under the grant through construction of the asset.

Grants included from Revenue from contracts with customers consist of Commonwealth funding agreements and other grants. Grant revenue is determined by the level of care and the nature of the service provided. Revenue is recognised and measured in compliance with AASB 15 upon provision of services.

Specific purpose recurrent grants have Commonwealth funding agreements in place and have specific requirements for the funding to be provided. Funding is determined by the level of care or service provided. As such, these funds are recognised under AASB 15 and recognised upon provision of service.

Specific purpose capital grants have Commonwealth funding agreements in place where funding must be used for specific purpose capital projects/equipment. The Townsville HHS will retain ownership of the final asset. Revenue will be recognised under AASB 15 and recognised over time.

Other Grants have formal agreements in place and funding is based on levels of service and/or activities performed. Revenue is recognised under AASB 15 upon provision of service or activity performed.

Donations other are donations of cash or equipment that is provided unconditionally. The Townsville HHS will retain donated funds for general use. The Townsville HHS does not provide an equivalent value or service in return for the donation. These funds are recognised under AASB 1058 and recognised upon receipt.

Services received below fair value represents services received by the Townsville HHS below fair value, from the Department of Health $8.977M (2022: $9.320M). The Townsville HHS has brought the income and corresponding expense into account at 30 June 2023 and is included in other grants and contributions and classified under AASB 1058 Income for *Not-for-Profit Entities*.

Note B1-4: Other revenue

	2023	2022
	$'000	$'000
Interest	**639**	128
Rental income	**633**	634
Sale proceeds of non-capitalised assets	**44**	2
Fees, charges & recoveries	**4,139**	3,737
Gain on sale of property plant and equipment	**172**	85
Total other revenue	**5,627**	4,586

Other revenue is recognised when the right to receive the revenue has been established. Revenue is measured at the fair value of the consideration received, or receivable.

B2 EXPENSES

Note B2-1: Employee expenses

	2023 $'000	2022 $'000
Employee Benefits		
Wages and salaries	**75,850**	73,648
Annual leave levy	**21,905**	7,789
Long service leave levy	**4,864**	4,280
Employer super contribution	**10,523**	9,608
Termination expenses	**1,073**	60
Employee-related expenses		
Workcover expenses	**625**	588
Other employee related expenses	**8,077**	6,502
Total employee expenses	**122,917**	102,475

Note B2-2: Health service employee expenses

	2023 $'000	2022 $'000
Employee Benefits		
Health service employee expenses	**738,248**	669,836
WorkCover expenses	**6,083**	5,349
Other employee related expenses	**49,767**	45,496
Total Health service employee expenses	**794,098**	720,681

Employee Benefits

Board members, Executives and Senior Medical Officers are directly engaged by the Townsville HHS. The number of full-time equivalent staff employed in this capacity was 316 (2022: 294).

(i) Wages, Salaries and Sick Leave

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

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

(ii) Annual and Long Service Leave

The Townsville HHS participates in the Annual Leave Central Scheme and the Long Service Leave Scheme.

Under the Queensland Government's Annual Leave Central Scheme and the Long Service Leave Central Scheme, levies are payable by the Townsville HHS to cover the cost of employee and Department of Health contract staff's 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 staff for annual leave and long service leave are claimed from the schemes quarterly in arrears which is currently facilitated by the Department of Health. The leave balances have been restated to include the wage increase in the relevant Enterprise Bargaining Agreements (EBA) approved in year. This adjustment is reflected in the 2022-23 Annual leave levy expense.

No provision for annual leave or long service leave is recognised in the financial statements of the Townsville HHS, as the liability for these schemes is held on a whole-of-government basis and reported in those financial statements pursuant to AASB 1049 *Whole-of-Government and General Government Sector Financial Reporting*.

(iii) Superannuation

Post-employment benefits for superannuation are provided through defined contribution (accumulation) plans or the Queensland Government's defined benefit plan (the former QSuper defined benefit categories now administered by the Government Division of the Australian Retirement Trust) as determined by the employee's contributions of employment.

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

Defined benefit plan – The liability for defined benefits is held on a whole-of-government basis and reported in

those financial statements pursuant to AASB 1049 Whole of Government and General Government Sector Financial Reporting. The amount of contributions for defined benefit plan obligations is based upon the rates determined on the advice of the State Actuary. Contributions are paid by the Townsville HHS at the specified rate following completion of employee's service each pay period. The Townsville HHS's obligations are limited to those contributions paid.

(iv) Other employee related expenses

Other employees related expenses include recreation leave, long service leave, sick leave, other leave, professional development, salary recoveries and payments made to staff.

Employee related expenses

The Townsville HHS pays premiums to WorkCover Queensland in respect of its obligations for employee compensation related to workplace injuries, health, and safety.

Workers' compensation insurance is a consequence of employing employees but is not counted in an employee's total remuneration package. It is not an employee benefit and is recognised separately as employee-related expenses

Health service employee expenses

The Townsville HHS through service arrangements with the Department of Health has engaged 5,487 (2022: 5,289) full-time equivalent persons at 30 June 2023.

In accordance with the *Hospital and Health Boards 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 Townsville HHS and acknowledges and accepts its obligations as the employer of these employees. Townsville HHS 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.

The Health service employee related expenses include a pro-rata of the Townsville HHS's Workers' compensation insurance premium of $6.083M (2022: $5.359M).

Recoveries of salaries and wages costs for health service employees working for other agencies are recorded as revenue. Refer to note B1-4.

Note B2-3: Supplies and services

	2023 $'000	2022 $'000
Consultants and contractors	**30,848**	22,761
Electricity and other energy	**8,307**	8,406
Patient travel	**13,663**	12,241
Other travel	**4,347**	3,329
Building services	**3,243**	3,134
Computer services	**7,290**	7,167
Motor vehicles	**579**	547
Communications	**15,721**	14,621
Repairs and maintenance	**17,147**	16,710
Expenses relating to capital works	**3,821**	5,076
Rental expenses	**396**	1,101
Lease expenses	**3,852**	3,426
Drugs	**60,376**	55,507
Clinical supplies and services	**105,147**	99,067
Catering and domestic supplies	**14,600**	15,599
Other supplies and services	**27,912**	39,941
Total supplies and services	**317,249**	308,633

Note B2-4 Depreciation and Amortisation

	2023 $'000	2022 $'000
Depreciation		
Buildings and Land Improvements	**55,890**	48,306
Plant and equipment	**12,012**	12,291
ROU Depreciation		
Buildings	**965**	815
Amortisation		
Software purchased	**45**	165
Software developed	**-**	1,110
Total Depreciation and Amortisation	**68,912**	62,687

Supplies and Services

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

The Townsville HHS also receives corporate services support from the Department of Health for no cost. Corporate services received include payroll services, accounts payable services, finance transactional services and taxation services. The cost of services received by the Townsville HHS below fair value is $8.977M (2022: $9.320M), as determined by the Department of Health. The Townsville HHS has brought the income and corresponding expense to account at 30 June 2023 and is included in other supplies and services.

Lease expenses

Lease expenses include lease rentals for short-term leases and office accommodation payments for non-specialised commercial office accommodation under the Queensland Government Accommodation Office (QGAO) framework. Refer to Note B11 for breakdown of lease expenses and other lease disclosures.

Payments for QFleet leasing arrangements are expensed as incurred and categorised in lease expenses.

Depreciation and Amortisation

Depreciation and amortisation expenses include depreciation on property plant and equipment (Note B7- 1), right-of-use assets (Note B11-1) and amortisation of intangibles (Note B7-4).

Note B2-5: Other expenses	2023	2022
	$'000	$'000
Audit fees*	**681**	568
Bank fees	**63**	46
Insurance**	**10,729**	9,869
Inventory written off	**178**	194
Losses from the disposal of non-current assets	**166**	436
Special payments - ex gratia payments***	**124**	30
Other legal costs	**614**	492
Journals and subscriptions	**298**	225
Advertising	**484**	567
Interpreter fees	**204**	173
Fees, fines and other charges	**155**	289
Other	**6**	1
Total other expenses	**13,702**	12,890

** During the 2023 financial year $239,000 fees were quoted for supply of services provided by Queensland Audit Office, the auditor of the Townsville HHS (2022: $239,000). The Townsville HHS paid $225,975 to other service providers for internal audit services (2022: $312,940). Some of these services will not be finalised in the 2022 -2023 financial year and as such are not included in the above Audit fees.*

*** Includes Queensland Government Insurance Fund (QGIF)*

Special Payments

Special payments include ex-gratia expenditure and other expenditure that the Townsville HHS is not contractually or legally obligated to make to other parties. In compliance with the *Financial and Performance Management Standard 2019*, the Townsville HHS maintains a register setting out details of all special payments exceeding $5,000.

Special payments during 2022-23 include payments over $5,000 for compensation for damages.

***Special payments:
- Ex-gratia payments $17K
- Out-of-court settlement $35K
- Compensation claims $72K

Insurance

Queensland Health annually purchases insurance cover for hospital and health services and the Department of Health through the Queensland Government Treasury managed self-insurance scheme, the Queensland Government Insurance Fund (QGIF). For the 2022-23 policy year, the premium was allocated to each hospital and health service according to the underlying risk of an individual insured party.

Property and general losses above a $10,000 threshold are insured through the Queensland Government Insurance Fund. 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.

Notes about our financial position

This section provides information on the assets used in the operation of the Townsville Hospital and Health Service's service and the liabilities incurred as a result.

B3 CASH AND CASH EQUIVALENTS

	2023 $'000	2022 $'000
Cash at bank and on hand	**67,524**	53,403
Restricted cash*	**12,657**	12,859
Total cash and cash equivalents	**80,181**	66,262

**Refer to Note E2*

Cash and cash equivalents include all cash and cheques receipted at 30 June as well as deposits with financial institutions.

General Trust Funds are managed on an accrual basis and are included within cash and cash equivalents. This money is controlled by the Townsville HHS and forms part of the cash and cash equivalents balance; however, it is restricted as it can only be used for specific purposes. The restricted cash balances are invested under the whole-of-government banking arrangements with Queensland Treasury Corporation.

B4 RECEIVABLES

	2023 $'000	2022 $'000
Trade receivables	**11,673**	8,626
Less: Loss allowance	**(1,784)**	(979)
	9,889	7,647
GST input tax credits receivable	**3,278**	1,640
GST payable	**(205)**	(182)
	3,073	1,458
Total receivables	**12,962**	9,105

Receivables

Receivables are measured at amortised cost which approximates their fair value at reporting date.

Trade debtors are recognised at the amounts due at the time of sale or service delivery i.e. the agreed purchase/contract price. Settlement of these amounts is required within 30 days from invoice date.

Other debtors generally arise from transactions outside the usual operating activities of the Townsville HHS and are recognised at their assessed values. Terms are a maximum of three months, no interest is charged and no security is obtained.

B4-1 IMPAIRMENT OF RECEIVABLES

Accounting policy – Impairment of receivables

The loss allowance for trade and other receivables reflects lifetime expected credit losses and incorporates reasonable and supportable forward-looking information. Economic changes impacting the Townsville HHS's debtors, and relevant industry data form part of the Townsville HHS's impairment assessment.

The Townsville HHS's receivables are from Queensland Government agencies or Australian Government agencies. No loss allowance is recorded for these receivables. Refer to Note C2 for the Townsville HHS credit risk management policies.

Where the Townsville HHS has no reasonable expectation of recovering an amount owed by a debtor, the debt is written-off by directly reducing the receivable against the loss allowance. This occurs when the Townsville HHS has ceased enforcement activity.

Disclosure – Credit risk exposure of receivables

The maximum exposure to credit risk at balance date for receivables is the gross carrying amount of those assets. No collateral is held as security and there are no other credit enhancements relating to Townsville HHS's receivables.

The Townsville HHS uses a provision matrix to measure the expected credit losses on trade and other debtors. Loss rates are calculated separately for groupings of customers with similar loss patterns by debt type. The Townsville HHS has measured expected credit losses based on the sale of services reflecting the different customer profiles and debt categories for these revenue streams. Debt categories include Medicare ineligibles, inpatient, outpatient, pharmacy, other debt (inter-entity and corporate) and recoverability rates are based on historical loss patterns.

The calculations reflect historical observed default rates calculated using credit losses experienced on past transactions during the last nine years preceding 30 June 2023. The Townsville HHS has not adjusted the credit loss calculation for any forward-looking indicators as national or local macroeconomic factors would not cause a significant change in overall loss value.

Set out below is the credit risk exposure on the Townsville HHS's trade and other debtors broken down by debtor types.

	2023			2022		
	Gross receivables $'000	Loss rate %	Expected credit losses $'000	Gross receivables $'000	Loss rate %	Expected credit losses $'000
Debt Type						
Ineligible - Inpatient	1,528	64%	980	658	29%	191
Ineligible - Outpatient	495	16%	79	292	17%	50
Inpatient	6,161	3%	185	3,939	3%	118
Outpatient	1,468	2%	29	1,275	2%	26
Other - Pharmacy	81	1%	1	38	3%	1
Other	1,940	26%	510	2,424	24%	593
	11,673		1,784	8,626		979

Movements in the loss allowance for receivables are as follows:	**2023 $'000**	**2022 $'000**
Opening balance	**979**	774
Receivables written off during the year as uncollectable	**(2,698)**	(2,725)
Additional provisions recognised	**3,503**	2,930
Closing balance	**1,784**	979

B5 INVENTORIES

Inventories consist mainly of pharmaceutical and clinical supplies held for distribution. Inventories are measured at cost following periodic assessments for obsolescence. Where damaged or expired items have been identified, provisions are made for impairment.

B6 OTHER ASSETS

	2023 $'000	2022 $'000
Current		
Prepayments	**2,256**	3,408
Contract assets	**6,302**	4,739
Other	**12,454**	13,764
Total other current assets	**21,012**	21,911

Disclosure – Contract assets

Contract assets arise from contracts with customers and are transferred to receivables when the Townsville HHS's right to payment becomes unconditional. This usually occurs when the invoice is issued to the customer. Accrued revenue that does not arise from contracts with customers are reported as part of Other.

Contract assets were not impaired as they relate primarily to Government contracts and carry minimal risk of non-payment.

The opening balance of contract assets from the beginning of the period has been fully recognised as revenue from contracts with customers in year.

B7 PROPERTY, PLANT AND EQUIPMENT

Note B7-1

	2023 $'000	2022 $'000
Land - at fair value	**64,236**	59,964
Buildings - at fair value	**1,629,278**	1,476,095
Less: Accumulated depreciation	**(923,804)**	(788,937)
	705,474	687,158
Plant and equipment - at cost	**179,756**	167,131
Less: Accumulated depreciation	**(118,541)**	(116,479)
	61,215	50,652
Heritage, artworks and cultural assets	**35**	35
Capital works in progress - at cost	**26,216**	7,691
	857,176	805,500

	Land $'000	Buildings $'000	Plant and equipment $'000	Heritage, artworks and cultural assets $'000	Capital works in progress $'000	Total $'000
Balance at 30 June 2021	59,401	684,993	56,043	-	11,507	811,944
Additions	-	7,305	4,986	35	6,759	19,085
Disposals	(225)	-	(172)	-	-	(397)
Revaluation increments	788	32,893	-	-	-	33,681
Revaluation decrements	-	-	1,784	-	-	1,784
Transfers between classes	-	10,273	302	-	(10,575)	-
Depreciation expense	-	(48,306)	(12,291)	-	-	(60,597)
Balance at 30 June 2022	59,964	687,158	50,652	35	7,691	805,500
Additions	**-**	**9,287**	**20,568**	**-**	**24,525**	**54,380**
Disposals	**-**	**-**	**(1,462)**	**-**	**-**	**(1,462)**
Revaluation increments	**4,272**	**58,919**	**-**	**-**	**-**	**63,191**
Transfers in	**-**	**-**	**3,469**	**-**	**-**	**3,469**
Transfers between classes	**-**	**6,000**	**-**	**-**	**(6,000)**	**-**
Depreciation expense	**-**	**(55,890)**	**(12,012)**	**-**	**-**	**(67,902)**
Balance at 30 June 2023	**64,236**	**705,474**	**61,215**	**35**	**26,216**	**857,176**

Note B7-2: Accounting Policies

Property, Plant and Equipment

Recognition threshold for property, plant and equipment

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

Class	Threshold
Land	$1
Buildings and Land Improvements	$10,000
Plant and Equipment	$5,000
Heritage, artworks and cultural assets	$5,000

Key Judgement: Expenditure is only capitalised if it increases the service potential or useful life of the existing asset. Maintenance expenditure that merely restores original service potential (arising from ordinary wear and tear, for example) is expensed.

Acquisition of Assets

Actual cost is used for the initial recording of all non-current asset acquisitions. 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.

Capital works in progress 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 the Townsville HHS. These assets are assessed at fair value upon practical completion by an independent valuer. They are then transferred from the Department of Health to the Townsville HHS via an equity adjustment.

Where assets are received free of charge from another Queensland Government entity (whether because of a machinery-of-government change or other involuntary transfer), the acquisition cost is recognised at the gross carrying amount in the books of the transferor immediately prior to the transfer together with any accumulated depreciation.

Assets acquired at no cost or for nominal consideration, other than from an involuntary transfer from another Queensland Government entity, are recognised at their fair value at date of acquisition in accordance with AASB 116 *Property, Plant and Equipment*.

Subsequent measurement of property, plant and equipment

Land and buildings are subsequently measured at fair value as required by Queensland Treasury's Non-Current Asset Policies for the Queensland Public Sector. These assets are reported at their revalued amounts, being the fair value at the date of valuation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses where applicable. 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.

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

Heritage, artworks and cultural assets are measured at fair value. The cost at the date of acquisition was equivalent to fair value.

Depreciation

Land is not depreciated as it has an unlimited useful life. Buildings, plant, and equipment are depreciated on a straight-line basis to allocate the revalued amount or net cost of each asset (respectively), less its estimated residual value, progressively over its estimated useful life to the Townsville HHS.

Heritage, artworks and cultural assets is not depreciated as it has an unlimited useful life.

Capital works in progress are not depreciated until ready for use. These assets are then reclassified to the relevant class within property, plant, and equipment.

Any expenditure that increases the capacity or service potential of an asset is capitalised and depreciated over the remaining useful life of the asset to the Townsville HHS.

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

For each class of depreciable assets, the following depreciation rates are used:

Class	Rate
Buildings	2.5% to 3.3%
Plant and equipment	5% to 33.33%

Accounting Policy

Indicators of impairment and determining the recoverable amount

All property, plant and equipment assets 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 arise, the asset is revalued at the reporting date under AASB 13 Fair value Measurement. If an indicator of possible impairment exists, the department 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 the department is held for the continuing use of its service capacity and not for the generation of cash flows. 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 a recoverable amount. Consequently, AASB 136 does not apply to such assets unless they are measured at cost.
- For other non-specialised property, plant and equipment measured at fair value, where indicators of impairment exist, the only difference between the asset's fair value and its fair value less costs of disposal, is the incremental costs attributable to the disposal of the asset. Consequently, the fair value of the asset determined under AASB 13 will materially approximate its recoverable amount where the disposal costs attributable to the asset are negligible. After the revaluation requirements of AASB 13 are first applied to these assets, applicable disposal costs are assessed and, in the circumstances where such costs are not negligible, further adjustments to the recoverable amount are made in accordance with AASB 136.

For all other remaining assets measured at cost, and assets within economic entity held for the generation of cashflows 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 cashflows expected to be derived from the asset, or where the department 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.
An impairment loss is recognised immediately in the Statement of Comprehensive Income, unless the asset is carried at a revalued amount. When the asset is measured at a revalued amount, the impairment loss is offset against the asset revaluation surplus of the relevant class to the extent available.

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. A reversal of an impairment loss is recognised as income, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Revaluation of Land and Buildings at fair value

Property, plant, and equipment classes measured at fair value are revalued on an annual basis by an independent professional valuer, or by the use of appropriate and relevant indices. Where an asset is revalued using a market or an income valuation approach, any accumulated impairment losses at that date are eliminated against the gross amount of the asset prior to restating for the revaluation.

Revaluations using an independent professional valuer are undertaken using a rolling revaluation plan over three years. However, if an asset class experiences significant and volatile changes in fair value, that class is subject to specific appraisal in the reporting period, where practicable, 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. The Townsville HHS ensures that the application of such indices results in a valid estimation of the assets' fair values at reporting date.

The valuer supplies the indices used for the various types of assets. Such indices are either publicly available or are derived from market information available to the valuer. The valuer provides assurance of their robustness, validity and appropriateness for application to the relevant assets.

Accounting for Changes in Fair Value

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.

The Townsville HHS has adopted the cost valuation approach (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. This is generally referred to as the 'gross method'.

Valuation

Land

For financial reporting purposes, the land and building revaluation process is overseen by the Board and coordinated by senior management and support staff.

Key Judgement:
The fair values reported by the Townsville HHS are based on appropriate valuation techniques that maximise the use of available and relevant observable inputs and minimise the use of unobservable inputs.

Land is measured at fair value using indexation or asset-specific independent revaluations, being provided by an independent quantity surveyor, Jacobs Group (Australia) Pty Ltd. Independent asset specific revaluations are performed with sufficient regularity to ensure land assets are carried at fair value.

Land indices are based on actual market movements for the relevant locations and asset category and are applied to the fair value of land assets on hand. Independent land revaluations were conducted utilising comparative market analysis data as at April 2023, with an effective date as at 30 June 2023. Land resulted in a revaluation increment of $4.272M (2022: Increment of $0.788M).

Buildings

Valuation approach (Key judgement):
Current replacement cost (due to no active market for such facilities) - Reflecting the specialised nature of health service buildings, fair value is determined by applying replacement cost methodology or an index which approximates movement in market prices for construction labour and other key resource inputs, as well as changes in design standards as at the reporting date. Both methodologies are executed on behalf of the Townsville HHS by an independent quantity surveyor and valuer Jacobs Group (Australia) Pty Ltd. The Townsville HHS undertakes a three-year rolling revaluation plan for valuation of assets. Assets not revalued in a financial year are adjusted through the application of indices.

Inputs: (Key Estimates)
The valuation methodology for the independent valuation uses historical and current construction costs. The replacement cost of each building at date of valuation is determined by considering Townsville location factors and comparing against current construction costs. The valuation is provided for a replacement building of the same size, shape and functionality that meets current design standards, and is based on estimates of gross floor area, number of floors, building girth and height and existing lifts and staircases.

This method makes an adjustment to the replacement cost of the modern-day equivalent building for any utility embodied in the modern substitute that is not present in the existing asset (e.g. mobility support) to give a gross replacement cost that is of comparable utility (the modern equivalent asset). The methodology makes further adjustment to total estimated life taking into consideration physical obsolescence impacting on the remaining useful life to arrive to the current replacement cost via straight-line depreciation.

For residential buildings held by the Townsville HHS on separate land titles, fair value is determined by reference to independent market revaluations.

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

Assets under construction are not revalued until they are ready for use.

The impact of the valuation exercise conducted in April 2023, with an effective date as at 30 June 2023, resulted in a building current replacement cost net increment of $58.919M (2022 increment of $32.893M). The valuation increment was primarily due to an 8.5% increase (2022: 8% increase) in indexation valuation in 2022-23 due to rising construction costs.

Note B7-3: Intangibles and Amortisation Expense

Recognition and Measurement

Intangible assets of the Townsville HHS with a historical cost or other value equal to or greater than $100,000 are recognised in the financial statements.

Items with a lesser value are expensed. Any training costs are expensed as incurred.

There is no active market for any of the Townsville HHS's intangible assets. As such, the assets are recognised and carried at historical cost less accumulated amortisation and accumulated impairment losses.

Expenditure on research activities relating to internally generated intangible assets is recognised as an expense in the period in which it is incurred.

Costs associated with the internally generated intangible assets are capitalised and amortised under the amortisation policy below.

No intangible assets have been classified as held for sale or form part of a disposal group held for sale.

Amortisation Expense

Accounting Policy

All intangible assets of the Townsville HHS have finite useful lives and are amortised on a straight-line basis over their estimated useful life to the Townsville HHS. Straight line amortisation is used reflecting the expected consumption of economic benefits on a progressive basis over the intangible's useful life. The residual value of all the Townsville HHS's intangible assets is zero.

Useful Life

Key Estimate: For each class of intangible asset the following amortisation rates are used:

Intangible Asset	Rate
Software Purchased	20%
Internally Generated Intangible Asset	20%

Impairment

Accounting Policy

All intangible assets are assessed for indicators of impairment on an annual basis. If an indicator of possible impairment exists, the Townsville HHS determines the asset's recoverable amount. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

Intangible assets are principally assessed for impairment by reference to the actual and expected continuing use of the asset by the Townsville HHS, including discontinuing the use of the intangible asset. Recoverable amount is determined as the higher of the asset's fair value less costs to sell and its value-in-use.

Note B7-4: Intangibles

	2023 $'000	2022 $'000
Total intangibles		
Software generated	**-**	11,661
Software purchased	**3,976**	3,817
Software generated - Accumulated amortisation	**-**	(11,661)
Software purchased - Accumulated amortisation	**(3,795)**	(3,750)
Total intangibles	**181**	67

2023	Software purchased $'000	Software generated $'000	Total $'000
Cost			**3,976**
Less: Accumulated amortisation			**(3,795)**
Carrying amount at end of period			**181**
Movement			
Carrying amount at start of period			**67**
Additions			**1**
Transfers in			**158**
Amortisation expense			**(45)**
Carrying amount at end of period			**181**

2022	Software purchased $'000	Software generated $'000	Total $'000
Cost	3,817	11,661	15,478
Less: Accumulated amortisation	(3,750)	(11,661)	(15,411)
Carrying amount at end of period	67	-	67
Movement			
Carrying amount at start of period	232	1,110	1,342
Amortisation expense	(165)	(1,110)	(1,275)
Carrying amount at end of period	67	-	67

B8 TRADE AND OTHER PAYABLES

	2023 $'000	2022 $'000
Current		
Trade creditors	**55,239**	47,248
Accrued expenses	**40,523**	25,865
Payable funding expenses	**676**	35
Other payables	**553**	1,340
Total other current liabilities	**96,991**	74,488
Non-current		
Other payables	**2,182**	1,361
Total non-current payables	**2,182**	1,361
Total payables	**99,173**	75,849

Trade creditors are recognised upon receipt of the goods or services ordered and are measured at the agreed purchase/contract price, gross of applicable trade and other discounts. Amounts owing are unsecured and are generally settled on 30-day terms.

Other payables are recognised as a result of a financing arrangement entered into with respect to the purchase of two linear accelerator plant and equipment assets.

All payables are presented as current liabilities unless payment is not due within 12 months from the reporting date.

B9 OTHER LIABILITIES

	2023 $'000	2022 $'000
Current		
Contract liabilities	**1,205**	4,960
Unearned other revenue	**103**	1,851
Total other current liabilities	**1,308**	6,541

Disclosure – Contract liabilities

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

The opening balance of contract liabilities from the beginning of the period has been fully recognised as revenue from contracts with customers in year.

B10 EQUITY

Note C10-1: Equity - contributed

	2023 $'000	2022 $'000
Opening balance at beginning of year	**492,286**	537,104
Non-appropriated equity injections		
Minor capital funding	**37,240**	16,085
Non-appropriated equity withdrawals		
Non-cash depreciation funding returned to Department of Health as a contribution towards capital works program	**(68,912)**	(62,687)
Non-appropriated equity asset transfers	**3,627**	1,784
Net equity injections and equity withdrawals for the period	**464,241**	492,286

Equity contributions consist of cash funds provided for sustaining minor capital works $37.240M during 2023 ($16.085M during 2022) and assets transferred to the Townsville HHS $3.627M during 2023 ($1.784M during 2022). Equity withdrawals represent the contribution towards the capital works program undertaken by the Department of Health on behalf of the Townsville HHS.

Capital for the Townsville HHS comprises accumulated surpluses and contributed equity. When managing capital, management's objective is to ensure the entity continues as a going concern as well as to meet service delivery outcomes.

Note B10-2: Asset Revaluation Surplus

	2023 $'000	2022 $'000
Land		
Balance at the beginning of the financial year	**30,470**	29,682
Revaluation increments/(decrements)	**4,272**	788
	34,742	30,470
Buildings		
Balance at the beginning of the financial year	**221,843**	188,950
Revaluation increments/(decrements)	**58,919**	32,893
	280,762	221,843
Balance at the end of the financial year	**315,504**	252,313

The asset revaluation surplus represents the net effect of revaluation movements in assets.

B11 LEASES

Note B11-1: Leases as a Lessee

Right-of-use assets

	Buildings $'000
Balance at 30 June 2022	4,136
Additions	451
Depreciation expense	(965)
Balance at 30 June 2023	3,622

	Buildings $'000
Carrying amount at 1 July 2021	4,451
Additions	500
Depreciation expense	(815)
Balance at 30 June 2022	4,136

Lease liabilities	**2022 $'000**	**2021 $'000**
Current		
Lease liabilities	**931**	796
Non-current		
Lease liabilities	**2,869**	3,431
Total	**3,800**	4,227

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 incentives received
- initial direct costs incurred, and
- the initial estimate of restoration costs.

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

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

The Townsville HHS measures right-of-use assets from concessionary leases at cost on initial recognition, and measures all right-of-use assets at cost subsequent to initial recognition.

The Townsville HHS has elected not to recognise right-of-use assets and lease liabilities arising from 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.

Lease liabilities

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

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

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

Subsequent to initial recognition, the lease liabilities are increased by the interest charge and reduced by the amount of lease payments. Lease liabilities are also remeasured in certain situations such as a change in lease arrangement.

Disclosures – Leases as a lessee

(i) Details of leasing arrangements as lessee

Category/Class of Lease Arrangement	Description of Arrangement
Building leases	Townsville HHS routinely enters into leases for housing and commercial space. Lease payments are subject to market rent reviews and/or CPI adjustments.

(ii) Office accommodation, employee housing and motor vehicles

The Department of Energy and Public Works (including QFleet) provides the Townsville HHS 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 the Department of Energy and Public Works has substantive substitution rights over the assets. The related service expenses are included in Note B2-3.

(iii) Amounts recognised in profit or loss

	2023 $'000	2022 $'000
Interest expense on lease liabilities	**77**	72
Breakdown of 'Lease expenses' included in Note [B2-2]		
Expenses relating to short-term leases	**2,312**	1,940
Expenses relating to QFleet	**1,540**	1,486
Income from subleasing included in 'Property rental' in Note [B1-4]	**(633)**	(634)

SECTION C

Notes about risks and other accounting uncertainties

C1 FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date under current market conditions (an exit price) regardless of whether the 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.

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

A fair-value measurement of a non-financial asset considers a market participant's ability to generate economic benefit by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

There were no transfers of assets between fair value hierarchy levels during the period

2023	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Land	**-**	**64,236**	**-**	**64,236**
Buildings	**-**	**1,590**	**703,884**	**705,474**
Total assets	**-**	**65,826**	**703,884**	**769,710**

2022	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Land	-	59,964	-	59,964
Buildings	-	1,853	685,305	687,158
Total assets	-	61,817	685,305	747,122

Refer to B7-2 for valuation of land and buildings.

C2 FINANCIAL RISK MANAGEMENT

A financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. The Townsville HHS holds financial instruments in the form of cash, receivables and payables.

Recognition

Financial assets and financial liabilities are recognised in the Statement of Financial Position when the Townsville HHS becomes party to the contractual provisions of the financial instrument.

Classification

Financial instruments are classified and measured as follows:

- Cash and cash equivalents – held at fair-value
- Receivables – held at amortised cost
- Payables – held at amortised cost

The Townsville HHS does not enter into transactions for speculative purposes, or for hedging. Apart from cash and cash equivalents, the Townsville HHS holds no financial assets classified at fair-value through profit or loss.

The Townsville HHS is exposed to a variety of financial risks – credit risk, liquidity risk and market risk. The Townsville HHS holds the following financial instruments by category:

	2023 $'000	2022 $'000
Financial assets		
Cash and cash equivalents	**80,181**	66,262
Financial assets at amortised cost:		
Trade and other receivables	**9,889**	7,647
Net GST input tax credits receivable	**3,073**	1,458
Total Financial Assets	**93,143**	75,367
Financial Liabilities		
Financial liabilities at amortised cost - comprising:		
Trade and other payables	**99,173**	75,849
Lease liabilities	**3,800**	4,227
Total Financial Liabilities	**102,973**	80,076

Risk management is carried out by senior finance executives under policies approved by the Board. These policies include identification and analysis of the risk exposure of the Townsville HHS and appropriate procedures, controls and risk limits. Finance reports to the Board monthly.

Risk Exposure	Measurement method
Credit risk	Ageing analysis, cash inflows at risk
Liquidity risk	Monitoring of cash flows by management for short term obligations
Market risk	Interest rate sensitivity analysis

(a) Credit Risk

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

Credit risk on cash deposits is considered minimal given all Townsville HHS deposits are held by the State through Queensland Treasury Corporation and the Commonwealth Bank of Australia and, as such, any reasonable change to trading terms has been assessed not to have a material impact on the Townsville HHS.

The Townsville HHS considers ineligible debtors to have a significantly increased credit risk and measures the loss allowance of such assets at lifetime expected credit losses by debt type.

Ageing of past due but not impaired as well as impaired financial assets are disclosed in Note B4-1.

(b) Liquidity risk

Liquidity risk is the risk that the Townsville HHS will not have the resources required at a time to meet its obligations to settle its financial liabilities.

The Townsville HHS is exposed to liquidity risk through its trading in the normal course of business. The Townsville HHS aims to reduce the exposure to liquidity risk by ensuring that sufficient funds are available to meet employee and supplier obligations always.

The Townsville HHS has an approved overdraft facility of $7.5 million under whole-of-government banking arrangements to manage any short-term cash shortfall. As at 30 June 2023, the Townsville HHS had not drawn down on this facility.

(c) Market risk

The Townsville HHS is not exposed to fluctuations in market prices; market-risk exposure is limited to interest-rate risk.

Townsville HHS's only interest-rate risk exposure is on its 24-hour call deposits, which are limited to the balance as disclosed in Note B3.

The impact of a reasonably possible change in interest rates has been assessed not to have a material impact on the Townsville HHS.

(d) Fair value measurement

Cash and cash equivalents are measured at fair value. All other financial assets or liabilities are measured at amortised cost less any allowance for impairment, which given the short-term nature of these assets, is assumed to represent fair value.

C3 CONTINGENCIES

(a) Litigation in Progress

As at 30 June 2023, the following cases were filed in the courts naming the State of Queensland acting through the Townsville Hospital and Health Service as defendant:

Court	2023 No. of cases	New Cases	Completed Cases	2022 No. of cases
Health Litigation	77	24	28	81
General Liability	9	5	3	7
Property	1	1	2	2
Business interruption	-	1	1	-
	87	31	34	90

Health litigation is underwritten by the Queensland Government Insurance Fund. The Townsville HHS's liability in this area is limited to an excess per insurance event of $20,000 for health litigation claims and $10,000 for General Liability, Property and Business interruption claims.

The Townsville HHS'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, but do not anticipate that the amount would exceed $1.640M (2022: $1.710M), being the upmost deductible amount being payable, based on the claims reflected above.

C4 COMMITMENTS

Commitments for capital expenditure at reporting date (inclusive of non-recoverable GST input tax credits) are payable:

	2023 $'000	2022 $'000
Capital expenditure commitments		
Committed at reporting date but not recognised as liabilities, payable:		
Property, plant and equipment	**6,213**	8,218
	6,213	8,218

SECTION D

Budgetary reporting disclosures

D1 BUDGETARY REPORTING DISCLOSURES

In accordance with Accounting Standard AASB 1055, explanations of major variances between actual amounts presented in the financial statements against the 2022-23 budgets are disclosed below.

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 per cent and movement greater than $1 million, the line item variance from budget to actual is deemed material.

a) Statement of comprehensive income

Statement of comprehensive income

	Original Budget 2022	Actual 2022	Variance	Variance	Notes
	$'000	$'000	$'000	%	
Income					
User charges	81,388	103,911	22,523	27.67%	(a)
Funding for public health services	1,085,442	1,174,301	88,859	8.19%	(b)
Grants and other contributions	32,517	37,713	5,196	15.98%	(c)
Other revenue	3,605	5,627	2,022	56.09%	(d)
Total revenue	**1,202,952**	**1,321,552**	**118,600**		
Expenses					
Employee expenses	(166,355)	(122,917)	43,438	-26.11%	(e)
Health Service employee expenses	(685,300)	(794,098)	(108,798)	15.88%	(e)
Supplies and services	(267,902)	(317,249)	(49,347)	18.42%	(f)
Grants and subsidies	(226)	(119)	107	-47.35%	
Interest on lease liabilities	-	(77)	(77)	-100.00%	
Depreciation and amortisation	(60,796)	(68,912)	(8,116)	13.35%	(g)
Impairment losses on financial assets	(1,094)	(3,503)	(2,409)	220.20%	(h)
Other expenses	(21,279)	(13,702)	7,577	-35.61%	(i)
Total expenses	**(1,202,952)**	**(1,320,577)**	**(117,625)**		
Operating result for the year	**-**	**975**	**975**		
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss					
Increase/(decrease) in asset revaluation surplus	-	63,191	63,191		
Other comprehensive income for the year	**-**	**63,191**	**63,191**		
Total comprehensive income for the year	**-**	**64,166**	**64,675**		

Major variances between *2022–23* budget and *2022-23* actual amounts include

a. The increase in User charges is principally due to the continued improvement in own source revenue processes including increases in revenue from inpatients, outpatients, non-patient income inclusive of Pharmaceutical Benefits Scheme (PBS) cost recovery revenue and inter-entity sales recoveries.

b. The increase in Funding for public health services is due to additional post-budget funding being provided through in-year amendments to the Service Agreement for the delivery of increased public hospital and health services such as long stay bed initiative, sub-acute bed initiative, clot retrieval, making tracks investment, ophthalmology support, and the provision of additional funding for EBA outcomes, special pandemic leave, non-labour escalation and additional depreciation funding.

c. Grants and other contributions were favourable to budget due to receipt of additional funding of Australian Government-Specific purpose recurrent grants, increases in Commonwealth Nursing Home grants and increases research and other general grant funding received by the THHS.

d. Other revenue budget variance was a result of salary recoveries and interest receipts greater than anticipated.

e. The increase in employee expenses principally relates to EBA outcomes and additional employee expenses associated with in-year amendments to the Service Agreement for the delivery of increased public hospital and health services.

f. Supplies and services expense relates to increased delivery of public hospital and health services including clinical supplies, drug costs partially offset by PBS recoveries, pathology charges, outsourced service delivery and the increased cost of goods and services consumed due to cost increases associated with consumer price index price movements. Increased expenditure on non-capital related costs combined with minor works is offset on a cost recovery basis by inter-entity sales through the asset and equipment replacement programs.

g. The increase is principally due to the 2021-22 actual closing balance for property, plant and equipment being higher than the estimated balance due to the significant 2021-22 land and building revaluation movement and above budget capital acquisitions in year.

h. Impairment losses on financial assets were over budget by due to an increase amount of ineligible inpatient write-offs and impaired debts in accordance with AASB9.

i. The decrease in other expenses is due to end of year technical adjustments for activity and program related funding in accordance with AASB1058.

Statement of financial position

	Original Budget 2023 $'000	Actual 2023 $'000	Variance $'000	Variance %	Notes
Assets					
Current assets					
Cash and cash equivalents	65,623	80,181	14,558	22.18%	(a)
Trade and other receivables	21,722	12,962	(8,760)	-40.33%	(b)
Inventories	9,888	10,986	1,098	11.10%	(c)
Other assets	4,964	21,012	16,048	323.29%	(d)
Total current assets	**102,197**	**125,141**	**22,944**		
Non-current assets					
Property, plant and equipment	772,537	857,176	84,639	10.96%	(e)
Right-of-use assets	-	3,622	3,622	100.00%	(e)
Intangibles	-	181	181	0.00%	
Total expenses	**772,537**	**860,979**	**88,442**		
Total assets	**874,734**	**986,120**	**111,386**		
Liabilities					
Current liabilities					
Trade and other payables	66,667	96,991	30,324	45.49%	(d)
Lease Liability	-	931	931	100.00%	
Accrued employee benefits	4,773	17,841	13,068	273.79%	(f)
Other liabilities	6,782	1,308	(5,474)	-80.71%	(g)
Total current liabilities	**78,222**	**117,071**	**38,849**		
Non-current liabilities					
Trade and other payables	-	2,182	2,182	100.00%	(d)
Lease liabilities	3,122	2,869	(253)	-8.10%	
Total non-current liabilities	**3,122**	**5,051**	**1,929**		
Total liabilities	**81,344**	**122,122**	**40,778**		
Net assets	**793,390**	**863,998**	**70,608**		
EQUITY					
Contributed	458,763	464,241	5,478	1.19%	(h)
Asset revaluation surplus	253,258	315,504	62,246	24.58%	
Accumulated surpluses	81,369	84,253	2,884	3.54%	(i)
Total equity	**793,390**	**863,998**	**70,608**		

Major variances between 2022-2023 budget and 2022-2023 actual amounts include

a. The increase is principally due to the actual closing balance in the 2021-22 audited financial statement balance for cash and cash equivalents being higher than the original budget estimate and the increased receipts for user charges and increase in payables in-year.

b. Trade receivables budget includes budget allocation for funding classified under AASB1058 and AASB15 with actuals categorised under "other assets".

c. Inventories balances were a result of increased stock holdings and clinical supplies and pharmacy inventory price increases.

d. Other assets and trade and other payables balances (current and non-current) includes the funding receivable and payable from the Department for assessments of revenue classified under AASB15 and AASB1058 respectively (see note b). Trade payables variance is reflective of increased service delivery and increased costs and adjustments to service activity arising from window amendments.

e. Property, plant and equipment variance is due to the actual 2021-22 land and building revaluation movement being higher than the estimated balance and the budget capital acquisitions in year. The budget allocation for right of use asset and intangible assets was included in property, plant and equipment.

f. The accrued employee benefits budget variance is due to the timing of the payroll payment run with the period end accrual of 5 days and accruals relating to enterprise bargaining agreements.

g. Other liabilities budget included anticipated revenue received in advance funding that was realised in-year and not carried forward as a liability.

h. The contributed equity accumulation reflects the timing of the expected capital program completion and actual associated funding.

i. The variance of accumulated surplus' against budget is due to profits year on year realised.

Statement of cash flows

	Original Budget 2023 $'000	Actual 2023 $'000	Variance $'000	Variance %	Notes
Cash flows from operating activities					
User charges	81,694	101,567	19,873	24.33%	(a)
Funding for public health services	1,083,808	1,099,966	16,158	1.49%	(b)
Grants and other contributions	23,413	37,668	14,255	60.88%	(c)
Interest received	250	639	389	155.60%	
Other revenue	19,286	4,988	(14,298)	-74.14%	(d)
Employee expenses	(166,355)	(100,733)	65,622	-39.45%	(e)
Health Service Employee expense	(685,300)	(762,068)	(76,768)	11.20%	(e)
Supplies and services	(281,880)	(332,618)	(50,738)	18.00%	(f)
Grants and subsidies	(226)	(119)	107	-47.35%	
Interest payments on lease liabilities	-	(77)	(77)	100.00%	
Other expenses	(12,175)	(15,317)	(3,142)	25.81%	(g)
Net cash from/(used by) operating activities	**62,515**	**33,896**	**(28,619)**		
Cash flows from operating activities					
Payments for property, plant and equipment	-	(56,339)	(56,339)	100.00%	(h)
Proceeds from disposal of property, plant and equipment	20	-	(20)	-100.00%	
Net cash from/(used by) investing activities	**20**	**(56,339)**	**(56,359)**		
Cash flows from financing activities					
Proceeds from equity injections	725	37,240	36,515	5036.55%	(i)
Lease payments	(761)	(878)	(117)	15.37%	
Proceeds from equity withdrawals	(60,796)	-	60,796	-100.00%	(j)
Net cash from/(used by) financing activities	**(60,832)**	**36,362**	**97,194**		
Net increase/(decrease) in cash held	**1,703**	**13,919**	**12,216**		
Cash and cash equivalents at the beginning of the financial year	63,920	66,262	2,342		
Cash and cash equivalents at the end of the financial year	**65,623**	**80,181**	**14,558**		

Major variances between 2022-2023 budget and 2022-2023 actual amounts include

a. User charges variance relates to increased receipts from inpatient, outpatient and non-patient revenue (inclusive of PBS) and inter-entity sales recoveries.

b. Funding for public health services variance relates to post-budget funding being provided through in-year amendments to the Service Agreement for the delivery of increased public hospital and health services and the provision of funding to support EBA outcomes negotiated and payable in year, special pandemic leave and non-labour escalation funding.

c. Grants and Contributions variance is due to increased receipts from Commonwealth Specific-Purpose grants, increases in Commonwealth Nursing Home grants and increases research and other general grant funding received by the Townsville HHS.

d. The budget overstates the expected cash flow from other revenue as it incorporates the rolled over opening trust balances relating to Trust and Research, which do not generate a cash flow in year.

e. Employee expenses and health service employee expenses variance reflects post-budget additional employee costs attributable to in-year amendments to the Service Agreement for the delivery of increased public hospital and health services and increases arising from EBA outcomes and special pandemic leave expense.

f. Supplies and Services variance principally relates to increased costs associated with increased public hospital and health services and the increased cost of goods and services consumed in the delivery of these services with above budget consumer price index price movements.

g. Other expenses budget variance relates to increases in QGIF premiums and the cash movement for payments and receipts of GST.

h. The Payment for Property, plant and equipment variance relates to the Department holding the budget for Department funded capital acquisitions / projects. Townsville HHS pays for all capital acquisitions / projects and is reimbursed by the Department on a cost recovery basis in arrears. Acquisitions / projects include Sustaining Capital and Health Technology Equipment Replacement Programs.

i. The Proceeds from equity injections variance relates to the Department holding the budget for Department funded acquisitions / projects. The Townsville HHS pays for the capital acquisitions / projects and is reimbursed on a cost recovery basis by the Department in arrears.

j. The Proceeds from equity withdrawals variance relates to depreciation and amortisation funding being treated as a cash item (equity withdrawal) in the budget, however depreciation and amortisation funding is a non-cash adjustment.

SECTION E

What we look after on behalf of whole-of-government and third parties

E1 PATIENT TRUST FUNDS

	2023 $'000	2022 $'000
Patient Trust receipts and payments		
Receipts		
Amounts receipted on behalf of patients	**11,120**	9,878
Total receipts	**11,120**	9,878
Payments		
Amounts paid to or on behalf of patients	**(14,253)**	(7,941)
Total payments	**(14,253)**	(7,941)
Trust assets and liabilities		
Assets		
Current asset beginning of year	**9,910**	7,973
Total assets	**6,777**	9,910

Patient Trust

The Townsville HHS is responsible for the efficient, effective and accountable administration of patients' monies. Patients' monies/ properties are held in a fiduciary capacity for the benefit of the patient to whom the duty is owed.

Patients' monies do not represent resources controlled by the Townsville HHS. These monies are received and held on behalf of patients and, as such, do not form part of the assets recognised by the Townsville HHS. The Townsville HHS acts in a trust capacity in relation to patient trust accounts. Although patient funds are not controlled by the Townsville HHS, trust activities are included in the audit performed annually by the Auditor-General of Queensland.

Patient Trust funds include refundable accommodation deposits (RADs) and represent amounts received from residents in aged care facilities for their accommodation.

These amounts are permitted to be used for the purposes specified in Section 52N-1(2) of the *Aged Care Act 2011* including investments and facilitating ongoing capital investment in aged care infrastructure. Refundable accommodation deposits are refundable to residents when they leave a residential aged care facility. These funds are retained in the Queensland Treasury Corporation Cash Fund.

Interest earned from RADs is offset against operating and capital costs of the aged care facilities concerned.

E2 RESTRICTED ASSETS

	2023 $'000	2022 $'000
Study Education and Research Trust		
Revenue	**1,305**	837
Education and professional development	**(28)**	(48)
Travel	**(2)**	(7)
Equipment	**(56)**	(3)
Research grants and expenses	**(1,825)**	(880)
Total Payments	**(1,911)**	(938)
Surplus/(Deficit) for the year	**(606)**	(101)
Current asset beginning of year	**10,015**	10,163
Non-current assets	**(12)**	(47)
Current asset end of year	**9,397**	10,015
Plus: Amounts held in other trusts	**3,260**	2,844
Total General Trust Funds	**12,657**	12,859

Restricted Assets

General Trust transactions incorporate monies received through fundraising activities, donations, and bequests which are held by the Townsville HHS for a stipulated purpose as well as cash contributions arising from the Right of Private Practice arrangements that are specified for study, education and research activities.

The General Trust fund includes Study Education and Research Trust Account (SERTA) as disclosed in this table. Under the MOCA 5 Granted Private Practice Revenue Retention arrangement, service-retention amounts generated by doctors after reaching the threshold allowable under the retention arrangement are held in trust for specific purposes of study, education and research activities.

General Trust Funds are managed on an accrual basis and form part of cash and cash equivalents at 30 June 2023. This money is controlled by the Townsville HHS and forms part of the cash and cash equivalents balance (refer to Note B3); however, it is restricted as it can only be used for specific purposes. At 30 June 2023 amounts of $12.657M (2022: $12.859M) are set aside for the specified purpose of the underlying contribution.

Given that funds generated from private practice arrangements are reflected in the Statement of Comprehensive Income when the services are rendered, the timing of SERTA expenditure can impact on the overall Townsville HHS operating result. For instance, a positive financial impact will result when SERTA revenue exceeds SERTA expenditure during any given financial year. Conversely, a negative financial impact will result when SERTA expenditure exceeds SERTA revenue during any given financial year.

E3 ARRANGEMENTS FOR THE PROVISION OF PUBLIC INFRASTRUCTURE BY OTHER ENTITIES

The Department of Health, prior to the establishment of the Townsville HHS, had entered into several contractual arrangements with private sector entities for the construction and operation of public infrastructure facilities for a period of time on land now controlled by the Townsville HHS (Public Private Partnership (PPP) arrangements).

Although the land on which the facilities have been constructed remains an asset of the Townsville HHS, the Townsville HHS does not control the facilities with these arrangements. Therefore, these facilities are not recorded as assets. The Townsville HHS received rights and incurs obligations under these arrangements including:

a. rights and obligations to receive and pay cash flows in accordance with the respective contractual arrangements and
b. rights to receive the facilities at the end of the contractual term.

The arrangements have been structured to minimise risk exposure for the Townsville HHS. The Townsville HHS has not recognised any rights or obligations that may attach to those arrangements.

Public Private Partnership arrangements operating during the financial year are as follows:

	2023 $'000	2022 $'000
Revenue and expenses		
Revenue		
Medilink	**48**	45
Goodstart Early Learning	**17**	16
Total revenue	**65**	61

Medilink

The developer has constructed an administrative and retail complex on the site at Townsville University Hospital. Land rental of $36,000 per annum, escalated for CPI annually will be received from the facility owner up to January 2042. The facility owner operates and maintains the facility at its sole cost and risk. Estimated net rent receivable to 2042 is $1.120M (2022: $1.168M).

Goodstart Early Learning Centre

The developer has constructed a childcare facility on the site at Townsville University Hospital. Land rental of $14,000 per annum, escalated for CPI annually will be received from the facility owner up to February 2044. The facility owner operates and maintains the facility at its sole cost and risk. Estimated net rent receivable to 2042 is $0.450M (2022: $0.467M).

In accordance with the relevant provisions of the contractual arrangements, the ownership of the buildings transfers to Townsville HHS at no cost to the Townsville HHS at the expiry of the contractual arrangements.

SECTION F

Other information

F1 KEY MANAGEMENT PERSONNEL AND REMUNERATION

Key management personnel (KMP) are those persons having authority and responsibility for planning, directing, and controlling the activities of the Townsville HHS, directly or indirectly, including any director of the Townsville HHS. The following persons were considered key management personnel of the Townsville HHS during the current financial year:

Key management personnel and remuneration disclosures are made in accordance with Section 5 of the Financial Reporting Requirements for Queensland Government Agencies issued by Queensland Treasury. The Townsville HHS's responsible Minister, the Hon Shannon Fentiman MP, is identified as part of the Townsville HHS's KMP, consistent with the additional guidance included in the revised version of AASB 124 *Related Party Disclosures*.

Position	Name	Contract classification and appointment authority	Initial Appointment date
Chair of Townsville Hospital and Health Board (Townsville HHB) and Chair of Townsville HHB Executive Committee	Tony Mooney AM	*Hospital and Health Boards Act 2011* Tenure: 18/05/2020 - 31/03/2024	18/05/2016
Deputy Chair Townsville HHB and Chair of Townsville HHB Finance Committee	Michelle Morton	*Hospital and Health Boards Act 2011* Tenure: 18/05/2019 - 17/05/2021 Tenure: 10/06/2021 - 31/03/2024	29/06/2012
Board Member Townsville HHB and Chair of Townsville HHB Audit and Risk Committee	Debra Burden	*Hospital and Health Boards Act 2011* Tenure: 18/05/2020 - 31/03/2024	18/05/2016
Board Member Townsville HHB	Luke Guazzo	*Hospital and Health Board Act 2011* Tenure: 01/04/2022 - 31/03/2026	1/04/2022
Board Member Townsville HHB	Nicole Hayes	*Hospital and Health Boards Act 2011* Tenure: 18/05/2020 - 31/03/2024	18/05/2019
Board Member Townsville HHB	Danette Hocking	*Hospital and Health Boards Act 2011* Tenure: 18/05/2019 - 31/03/2026	18/05/2019
Board Member Townsville HHB and Chair of Townsville HHB Stakeholder Engagement Committee	Professor Ajay Rane OAM	*Hospital and Health Boards Act 2011* Tenure: 18/05/2020 - 14/05/2023	18/05/2017
Board Member Townsville HHB and Chair of Townsville HHB Stakeholder Engagement Committee	Robert 'Donald' Whaleboat	*Hospital and Health Boards Act 2011* Tenure: 18/05/2019 – 31/03/2024	27/07/2012
Board Member Townsville HHB	Georgina Whelan	*Hospital and Health Boards Act 2011* Tenure: 18/05/2020 - 31/03/2024	18/05/2019
Health Service Chief Executive - responsible for the strategic direction and the efficient, effective and economic administration of the health service.	Kieran Keyes	S24/S70 01 *Hospital and Health Boards Act 2011*	13/11/2017
Chief Operating Officer - responsible for the efficient operation of the health service providing strategic leadership and direction for the Townsville HHS service delivery.	Stephen Eaton	HES3-3 01 *Hospital and Health Boards Act 2011*	12/11/2018

Position	Name	Contract classification and appointment authority	Initial Appointment date
Chief Finance Officer - responsible for strategic leadership and direction over the efficient, effective and economic financial administration of the Townsville HHS	Anthony Mathas	HES3-1 01 *Hospital and Health Boards Act 2011*	16/05/2022
Executive Director Aboriginal and Torres Strait Islander Health - provides strategic oversight and operational leadership for indigenous liaison, workforce management and cultural practices.	Wendy Ah Chin	HES2-3 01 *Hospital and Health Boards Act 2011* Tenure: 30/08/2021 - 14/04/2023	30/08/2021
Acting Executive Director Aboriginal and Torres Strait Islander Health - provides strategic oversight and operational leadership for indigenous liaison, workforce management and cultural practices.	Amanda Cooms	HES2-3 01 *Hospital and Health Boards Act 2011*	15/05/2023
Executive Director Clinical Governance - provides strategic oversight of the safety and quality functions across the Townsville HHS.	Marina Daly	HES2-4 01 *Hospital and Health Boards Act 2011*	12/11/2019
Executive Director Infrastructure Program Delivery - responsible for providing strategic direction and leadership to health infrastructure of the Townsville HHS	Stuart Garantziotis	HES2-3 01 *Hospital and Health Boards Act 2011*	6/03/2023
Executive Director Digital Health and Knowledge Management - responsible for providing strategic and operational leadership of Health and Knowledge resources for Townsville HHS.	Louise Hayes	HES2-3 01 *Hospital and Health Boards Act 2011*	11/03/2019
Executive Director Allied Health - provides professional leadership for all allied health practitioners, including professional governance, credentialing, education and research for Townsville HHS.	Danielle Hornsby	HP8-3 01 *Health Practitioners and Dental Officers (Queensland Health) Award – State 2015*	13/11/2017
Executive Director People Strategy and Governance provides direct advice to the Health Service Chief Executive (HSCE) and Townsville Hospital and Health Board (THHB) Chair. The purpose of the role is to drive the strategic workforce agenda for the Townsville HHS in relation to the ongoing attraction, development, and retention of a highly skilled and motivated workforce and leading the strategic and corporate governance functions of the organisation	Sharon Kelly	HES2-5 01 *Hospital and Health Boards Act 2011*	9/04/2018
Executive Director Nursing and Midwifery Services - responsible for providing strategic and operational leadership of nursing and midwifery services of the Townsville Hospital and Health Service. Executive COVID-19 Lead.	Judith Morton	NRG13-2 01 *Hospital and Health Boards Act 2011*	1/12/2014
Acting Executive Director Nursing and Midwifery Services - responsible for providing strategic and operational leadership of nursing and midwifery services of the Townsville HHS.	Katrina Roberts	NRG13-2 01 *Hospital and Health Boards Act 2011* Tenure: 31/01/2022 - 18/11/2022	31/01/2022
Chief Medical Officer - responsible for providing strategic and operational leadership of medical service delivery of the Townsville HHS.	Dr Niall Small	MMO14 01 *Hospital and Health Boards Act 2011*	17/02/2020

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

The Townsville HHS is independently and locally controlled by the the Board. The Board appoints the Health Service Chief Executive and exercises significant responsibilities at a local level, including controlling the financial management of the Townsville HHS and the management of the Townsville HHS land and buildings (section 7 Hospital and Health Board Act 2011). Remuneration arrangements for the Townsville HHS Board are approved by the Governor in Council and the chair, deputy chair and members are paid an annual fee consistent with the government procedures titled 'Remuneration procedures for part-time chairs and members of Queensland Government bodies'.

Remuneration policy for the Townsville HHS's other KMP is set by the Queensland Public Service Commission as provided for under the Public Service Act 2008 and the Industrial Relations Act 2016. Individual remuneration and other terms of employment (including motor vehicle entitlements and performance payments if applicable) are specified in employment contracts.

Remuneration expenses for those KMP comprise the following components:

Short-term employee expenses, including:

- salary, allowances and leave entitlements earned and expensed for the entire year, or for that part of the year during which the employee occupied a KMP position;
- performance payments recognised as an expense during the year; and
- non-monetary benefits – consisting of provision of vehicle together with fringe benefits tax applicable to these 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 include payments in lieu of notice on termination and other lump sum separation entitlements (excluding annual and long service leave entitlements) payable on termination of employment or acceptance of an offer of termination of employment.

2023	Short- term benefits		Post-employment benefits	Long-term benefits	Termination benefits	Total
	Monetary	Non-monetary				
	$'000	$'000	$'000	$'000	$'000	$'000
Tony Mooney AM	102	1	11	-	-	**114**
Michelle Morton	55	9	6	-	-	**70**
Debra Burden	55	9	6	-	-	**70**
Luke Guazzo	51	4	6	-	-	**61**
Nicole Hayes	51	-	5	-	-	**56**
Danette Hocking	51	-	5	-	-	**56**
Professor Ajay Rane OAM	47	-	5	-	-	**52**
Robert Whaleboat	55	4	6	-	-	**65**
Georgina Whelan	54	9	6	-	-	**69**
Kieran Keyes	378	10	45	9	-	**442**
Stephen Eaton	253	9	25	6	-	**293**
Anthony Mathas	247	19	23	5	-	**294**
Wendy Ah Chin	177	4	18	4	-	**203**
Amanda Cooms	52	-	3	1	-	**56**
Marina Daly	202	9	16	5	-	**232**
Stuart Garantziotis	90	9	8	2	-	**109**
Louise Hayes	213	9	21	5	-	**248**
Danielle Hornsby	202	9	23	5	-	**239**
Sharon Kelly	222	6	22	5	-	**255**
Judith Morton	270	9	25	6	-	**310**
Katrina Roberts	76	9	6	2	-	**93**
Dr Niall Small	582	-	44	14	-	**640**

2022	Short- term benefits		Post-employment benefits	Long-term benefits	Termination benefits	Total
	Monetary	Non-monetary				
	$'000	$'000	$'000	$'000	$'000	$'000
Tony Mooney AM	102	-	10	-	-	**112**
Michelle Morton	55	9	5	-	-	**69**
Debra Burden	55	9	5	-	-	**69**
Christopher Castles	41	8	5	-	-	**54**
Luke Guazzo	14	-	3	-	-	**17**
Nicole Hayes	51	-	5	-	-	**56**
Danette Hocking	51	-	5	-	-	**56**
Professor Ajay Rane OAM	55	-	5	-	-	**60**
Robert Whaleboat	55	-	5	-	-	**60**
Georgina Whelan	51	9	5	-	-	**65**
Kieran Keyes	384	9	44	9	-	**446**
Stephen Eaton	232	9	23	5	-	**269**
Matthew Rooney	106	9	10	2	1	**128**
Malcolm Wilson	83	31	8	2	-	**124**
Anthony Mathas	31	6	3	1	-	**41**
Wendy Ah Chin	176	-	18	4	-	**198**
Marina Daly	208	9	17	5	-	**239**
Louise Hayes	206	9	21	5	-	**241**
Danielle Hornsby	211	9	23	5	-	**248**
Sharon Kelly	206	9	20	5	-	**240**
Judith Morton	279	9	28	6	-	**322**
Katrina Roberts	119	5	10	3	-	**137**
Dr Niall Small	616	-	51	14	-	**681**

F2 RELATED PARTY TRANSACTIONS

Transactions with people/entities related to KMP

Any transactions in the year ended 30 June 2023 between the Townsville HHS and key management personnel, including the people/entities related to key management personnel were on normal commercial terms and conditions and were immaterial in nature.

Transactions with other Queensland Government-controlled entities

The Townsville HHS 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.

	2023 $'000	2022 $'000
Entity – Department of Health		
Revenue	**789,105**	710,929
Expenditure	**110,752**	106,656
Asset	**13,207**	12,780
Liability	**49,292**	47,380
Entity – Department of Housing and Public Works including QFleet		
Expenditure	**4,003**	3,375
Liability	**-**	-

Department of Health

The Townsville HHS'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 agreement was $789.11M for the year ended 30 June 2023 (2022: $710.93M). For further details on the purchase of health services by the Department refer to Note B1-2.

The Department of Health centrally manages, on behalf of hospital and health services, a range of services including pathology testing, pharmaceutical drugs, clinical supplies, patient transport, telecommunications and technology services. These services are provided on a cost recovery basis. In 2023, these services totalled $110.752M (2022: $106.656M). In addition, the Townsville HHS 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 2023 the fair value of these services was $8.977M (2022:$9.320M).

Any associated receivables or payables owing to the Department of Health at 30 June 2023 are included in the balances within Note B4, Note B6, Note B8 and Note B9 and separately disclosed in the table above.

The Department of Heath 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 the Townsville HHS. 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 Energy and Public Works (including QFleet)

Department of Energy and Public Works – Townsville HHS pays rent to the Department of Energy and Public Works for several properties. In addition, the Townsville HHS pays the Department of Energy and Public Works for vehicle fleet management services.

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

Queensland Treasury Corporation

The Townsville HHS holds cash investments with Queensland Treasury Corporation (QTC) in relation to trust monies which are outlined in (Note E1 and Note E2).

F3 TAXATION

The Townsville HHS is exempted from income tax under the Income Tax Assessment Act 1936 and is exempted from other forms of Commonwealth taxation except for Fringe Benefits Tax (FBT) and Goods and Service Tax (GST).

All FBT and GST reporting to the Commonwealth is managed centrally by the Department of Health, with payments/ receipts made on behalf of Townsville HHS reimbursed to/ from the Department monthly. GST credits receivable from, and GST payable to the ATO, are recognised on this basis.

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

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.

F4 FIRST-YEAR APPLICATION OF NEW STANDARDS OR CHANGE IN POLICY

Accounting standards applied for the first time

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

Accounting standards early adopted

No Australian Accounting Standards have been early adopted for 2022-2023.

F5 SUBSEQUENT EVENTS

No matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the Townsville HHS's operations, the results of those operations, or the Townsville HHS's future in financial years.

F6 CLIMATE RISK

The Townsville HHS has not identified any material climate related risks relevant to the financial statements at the reporting date, however constantly monitors the emergence of such risks under the Queensland Government's Climate Transition Strategy.

MANAGEMENT CERTIFICATE

These general-purpose financial statements have been prepared pursuant to Section 62(1) of the *Financial Accountability Act 2009* (the Act), Section 39 of the *Financial and Performance Management Standard 2019* and other prescribed requirements. In accordance with Section 62(1)(b) of the Act we certify that in our opinion:

a. the prescribed requirements for establishing and keeping the accounts have been complied with in all material respects; and

b. the financial statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of Townsville Hospital and Health Service for the financial year ended 30 June 2023 and of the financial position of the Townsville Hospital and Health Service at the end of the year.

We acknowledge responsibility under Section 7 and Section 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 throughout the reporting period.

Tony Mooney AM
Board Chair
Townsville Hospital and Health Service
Date: 21/08/2023

Anthony Mathas
Chief Finance Officer
Townsville Hospital and Health Service
Date: 21/08/2023

Kieran Keyes
Health Service Chief Executive
Townsville Hospital and Health Service
Date: 21/08/2023

Queensland Audit Office
Better public services

INDEPENDENT AUDITOR'S REPORT

To the Board of Townsville Hospital and Health Service

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of Townsville Hospital and Health Service.

In my opinion, the financial report:

a. gives a true and fair view of the entity's financial position as at 30 June 2023, and its financial performance and cash flows for the year then ended

b. complies with the *Financial Accountability Act 2009*, the *Financial and Performance Management Standard 2019* and Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 2022, 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.

Valuation of specialised buildings ($705 million)
Refer to Note B7 in the financial report**.**

Key audit matter	How my audit addressed the key audit matter
Buildings were material to Townsville Hospital and Health Service at balance date and were measured at fair value using the current replacement cost method. Townsville Hospital and Health Service performed a comprehensive revaluation of approximately 32% of its building assets this year as part of the rolling revaluation program. All other buildings were assessed using relevant indices. The current replacement cost method comprises: • gross replacement cost, less • accumulated depreciation Townsville Hospital and Health Service derived the gross replacement cost of its buildings at balance date using unit prices that required significant judgements for: • identifying the components of buildings with separately identifiable replacement costs • developing a unit rate for each of these components, including: - estimating the current cost for a modern substitute (including locality factors and oncosts), expressed as a rate per unit (e.g. $/square metre) - identifying whether the existing building contains obsolescence or less utility compared to the modern substitute, and if so estimating the adjustment to the unit rate required to reflect this difference. The measurement of accumulated depreciation involved significant judgements for determining condition and forecasting the remaining useful lives of building components. The significant judgements required for gross replacement cost and useful lives are also significant judgements for calculating annual depreciation expense. Using indexation required: • significant judgement in determining changes in cost and design factors for each asset type since the previous revaluation • reviewing previous assumptions and judgements used in the last comprehensive valuation to ensure ongoing validity of assumptions and judgements used.	My procedures included, but were not limited to: • assessing the adequacy of management's review of the valuation process and results • reviewing the scope and instructions provided to the valuer • assessing the appropriateness of the valuation methodology and the underlying assumptions with reference to common industry practices. • assessing the appropriateness of the components of buildings used for measuring gross replacement cost with reference to common industry practices • assessing the competence, capabilities and objectivity of the experts used to develop the models • for unit rates, on a sample basis, evaluating the relevance, completeness and accuracy of source data used to derive the unit rate of the: - 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: - 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 - testing 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.

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 ue 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 material accounting policy information used and the reasonableness of accounting estimates and related disclosures made by the entity.
- Conclude on the appropriateness of the entity's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

Queensland Audit Office
Better public services

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

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

Report on other legal and regulatory requirements

Statement

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

a. I received all the information and explanations I required.
b. I consider that, the prescribed requirements in relation to the establishment and keeping of accounts were complied with in all material respects.

Prescribed requirements scope

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

David Adams
as delegate of the Auditor-General
Queensland Audit Office
Brisbane
24/08/2023

APPENDIX 1

Townsville Hospital and Health Board	
Act or instrument	*Hospital and Health Boards Act 2011 (Qld)*
Functions	Reported throughout the Annual Report
Achievements	Reported throughout the Annual Report
Financial reporting	Refer to financial statements section of the Annual Report

Remuneration

Position	Name	Meetings /sessions attendance	Approved annual fee	Approved sub-committee fees	Actual fees received
Chair	Tony Mooney AM	11 Board 10 Finance 5 Audit and Risk 7 Executive 6 Safety and Quality 5 Stakeholder Engagement	$85,714	$4,000 (as chair) $3,000 (as member)	$102,000
Deputy Chair	Michelle Morton	13 Board 12 Finance 7 Audit and Risk 7 Executive	$44,503	$4,000 (as chair) $3,000 (as member)	$55,000
Member	Debra Burden	13 Board 11 Finance 7 Audit and Risk 7 Executive	$44,503	$4,000 (as chair) $3,000 (as member)	$55,000
Member	Luke Guazzo	13 Board 12 Finance 5 Safety and Quality	$44,503	$3,000 (as member)	$51,000
Member	Nicole Hayes	14 Board 5 Safety and Quality 4 Stakeholder Engagement	$44,503	$3,000 (as member)	$51,000
Member	Danette Hocking	13 Board 7 Audit and Risk 5 Stakeholder Engagement	$44,503	$3,000 (as member)	$51,000
Member	Professor Ajay Rane OAM PSM	9 Board 4 Executive 5 Safety and Quality 3 Stakeholder Engagement	$44,503	$4,000 (as chair) $3,000 (as member)	$47,000
Member	Robert 'Donald' Whaleboat	14 Board 6 Executive 4 Safety and Quality 5 Stakeholder Engagement	$44,503	$4,000 (as chair) $3,000 (as member)	$55,000
Member	Georgina Whelan	14 Board 11 Finance 7 Audit and Risk 4 Stakeholder Engagement 1 Safety and Quality	$44,503	$3,000 (as member)	$54,000
No. scheduled meetings/ sessions	12 ordinary Board meetings 2 extraordinary Board meeting				
Total out of pocket expenses	$2,136.95				

GLOSSARY

AASB	Australian Accounting Standards Board
ABF	Activity-based Funding
AICD	Australian Institute of Company Directors
AM	Order of Australia
DoH	Department of Health
EBA	Enterprise Bargaining Agreements
FBT	Fringe Benefits Tax
FTE	Full-time Equivalent
GST	Goods and Services Tax
HHS	Hospital and Health Service
HSCE	Health Service Chief Executive
JCU	James Cook University
IMP	Infrastructure Maintenance Program
IAP2	International Association for Public Participation
KMP	Key Management Personnel
MFG	Minimum Funding Guarantee
MOHRI	Minimum Obligatory Human Resource Information is a whole-of-government methodology for reporting and monitoring the workforce
MRI	Magnetic Resonating Imaging
NAIDOC	National Aborigines and Islanders Day Observance Committee
NDIS	National Disability Insurance Scheme
NQPHN	Northern Queensland Primary Health Network
OAM	Medal of the Order of Australia
PAD	Performance and Development
PBS	Pharmaceutical Benefits Scheme
QGAO	Queensland Government Accommodation Office
QGIF	Queensland Government Insurance Funding
QLD	Queensland
QWAU	Queensland Weighted Activity Units
RACF	Residential Aged Care Facilities
SAB	Staphylococcus Aureus Bloodstream
SERTA	Study Education and Research Trust Account
TAAHC	Tropical Australian Academic Health Centre
TUH	Townsville University Hospital
SWIS	Staff Welfare Initial Support
WAU	Weighted Activity Units

COMPLIANCE CHECKLIST

Summary of requirement		Basis for requirement	Annual report reference
Letter of compliance	• A letter of compliance from the accountable officer or statutory body to the relevant Minister/s	ARRs – section 7	Page 4
Accessibility	• Table of contents • Glossary	ARRs – section 9.1	Page 5 Page 88
	• Public availability	ARRs – section 9.2	Page 2
	• Interpreter service statement	*Queensland Government Language Services Policy* ARRs – section 9.3	Page 2
	• Copyright notice	*Copyright Act 1968* ARRs – section 9.4	Page 2
	• Information Licensing	*QGEA – Information Licensing* ARRs – section 9.5	Page 2
General information	• Introductory Information	ARRs – section 10	Page 6-8, 10-11
Non-financial performance	• Government's objectives for the community and whole-of-government plans/specific initiatives	ARRs – section 11.1	Page 6, 9
	• Agency objectives and performance indicators	ARRs – section 11.2	Page 23-24
	• Agency service areas and service standards	ARRs – section 11.3	Page 25-26
Financial performance	• Summary of financial performance	ARRs – section 12.1	Page 27-29
Governance – management and structure	• Organisational structure	ARRs – section 13.1	Page 17-18
	• Executive management	ARRs – section 13.2	Page 12-17
	• Government bodies (statutory bodies and other entities)	ARRs – section 13.3	Page 87
	• Public Sector Ethics	*Public Sector Ethics Act 1994* ARRs – section 13.4	Page 21
	• Human Rights	*Human Rights Act 2019* ARRs – section 13.5	Page 21-22
	• Queensland public service values	ARRs – section 13.6	Page 21
Governance – risk management and accountability	• Risk management	ARRs – section 14.1	Page 20
	• Audit committee	ARRs – section 14.2	Page 16
	• Internal audit	ARRs – section 14.3	Page 20
	• External scrutiny	ARRs – section 14.4	Page 21-22
	• Information systems and recordkeeping	ARRs – section 14.5	Page 21
	• Information Security attestation	ARRs – section 14.6	Page 21

Summary of requirement		Basis for requirement	Annual report reference
Governance – human resources	• **Strategic workforce planning and performance**	ARRs – section 15.1	Page 19-20
	• **Early retirement, redundancy and retrenchment**	Directive 04/18 *Early Retirement, Redundancy and Retrenchment* ARRs – section 15.2	Page 20
Open Data	• **Statement advising publication of information**	ARRs – section 16	Page 2
	• **Consultancies**	ARRs – section 31.1	https://data.qld.gov.au
	• **Overseas travel**	ARRs – section 31.2	https://data.qld.gov.au
	• **Queensland Language Services Policy**	ARRs – section 31.3	https://data.qld.gov.au
Financial statements	• **Certification of financial statements**	FAA – section 62 FPMS – sections 38, 39 and 46 ARRs – section 17.1	Page 30-82
	• **Independent Auditor's Report**	FAA – section 62 FPMS – section 46 ARRs – section 17.2	Page 83-86

FAA *Financial Accountability Act 2009*

FPMS *Financial and Performance Management Standard 2019*

ARRs *Annual report requirements for Queensland Government agencies*

ANNUAL REPORT 2022–2023
Townsville Hospital and Health Service
www.townsville.health.qld.gov.au