

FINANCIALS



Certification of financial statements

For the reporting period ended 30 June 2024

The accompanying financial statements of the East Metropolitan Health Service have been prepared in compliance with the provisions of the Financial Management Act 2006 from proper accounts and records to present fairly the financial transactions for the reporting period ended 30 June 2024 and the financial position as at 30 June 2024.

At the date of signing, we are not aware of any circumstances which would render the particulars included in the financial statements misleading or inaccurate.



Pia Turcinov AM

Chair, EMHS Board
East Metropolitan Health Service
11 September 2024



Peter Forbes

Chair, EMHS Board Finance Committee
East Metropolitan Health Service
11 September 2024



Graeme Jones

Chief Finance Officer
East Metropolitan Health Service
11 September 2024

Audit Opinion



Auditor General

INDEPENDENT AUDITOR'S REPORT

2024

East Metropolitan Health Service

To the Parliament of Western Australia

Report on the audit of the financial statements

Opinion

I have audited the financial statements of the East Metropolitan Health Service (Health Service) which comprise:

- the statement of financial position as at 30 June 2024, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended
- notes comprising a summary of material accounting policies and other explanatory information.

In my opinion, the financial statements are:

- based on proper accounts and present fairly, in all material respects, the operating results and cash flows of the East Metropolitan Health Service for the year ended 30 June 2024 and the financial position as at the end of that period
- in accordance with Australian Accounting Standards, the *Financial Management Act 2006* and the Treasurer's Instructions.

Basis for opinion

I conducted my audit in accordance with the Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my report.

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

Responsibilities of the Board for the financial statements

The Board is responsible for:

- keeping proper accounts
- preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the *Financial Management Act 2006* and the Treasurer's Instructions
- such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for:

- assessing the entity's ability to continue as a going concern
- disclosing, as applicable, matters related to going concern
- using the going concern basis of accounting unless the Western Australian Government has made policy or funding decisions affecting the continued existence of the Health Service.

Auditor's responsibilities for the audit of the financial statements

As required by the *Auditor General Act 2006*, my responsibility is to express an opinion on the financial statements. The objectives of my audit are to obtain reasonable assurance about whether the financial statements as a whole are 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 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. 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.

A further description of my responsibilities for the audit of the financial statements is located on the Auditing and Assurance Standards Board website. This description forms part of my auditor's report and can be found at https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf

Report on the audit of controls

Opinion

I have undertaken a reasonable assurance engagement on the design and implementation of controls exercised by the East Metropolitan Health Service. The controls exercised by the East Metropolitan Health Service are those policies and procedures established to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with the State's financial reporting framework (the overall control objectives).

In my opinion, in all material respects, the controls exercised by the East Metropolitan Health Service are sufficiently adequate to provide reasonable assurance that the controls within the system were suitably designed to achieve the overall control objectives identified as at 30 June 2024, and the controls were implemented as designed as at 30 June 2024.

The Board's responsibilities

The Board is responsible for designing, implementing and maintaining controls to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities are in accordance with the *Financial Management Act 2006*, the Treasurer's Instructions and other relevant written law.

Auditor General's responsibilities

As required by the *Auditor General Act 2006*, my responsibility as an assurance practitioner is to express an opinion on the suitability of the design of the controls to achieve the overall control objectives and the implementation of the controls as designed. I conducted my engagement in accordance with Standard on Assurance Engagements ASAE 3150 Assurance Engagements on Controls issued by the Australian Auditing and Assurance Standards Board. That standard requires that I comply with relevant ethical requirements and plan and perform my procedures to obtain reasonable assurance about whether, in all material respects, the controls are suitably designed to achieve the overall control objectives and were implemented as designed.

An assurance engagement involves performing procedures to obtain evidence about the suitability of the controls design to achieve the overall control objectives and the implementation of those controls. The procedures selected depend on my judgement, including an assessment of the risks that controls are not suitably designed or implemented as designed. My procedures included testing the implementation of those controls that I consider necessary to achieve the overall control objectives.

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

Limitations of controls

Because of the inherent limitations of any internal control structure, it is possible that, even if the controls are suitably designed and implemented as designed, once in operation, the overall control objectives may not be achieved so that fraud, error or non-compliance with laws and regulations may occur and not be detected. Any projection of the outcome of the evaluation of the suitability of the design of controls to future periods is subject to the risk that the controls may become unsuitable because of changes in conditions.

Report on the audit of the key performance indicators

Opinion

I have undertaken a reasonable assurance engagement on the key performance indicators of the East Metropolitan Health Service for the year ended 30 June 2024 reported in accordance with *Financial Management Act 2006* and the Treasurer's Instructions (legislative requirements). The key performance indicators are the Under Treasurer-approved key effectiveness indicators and key efficiency indicators that provide performance information about achieving outcomes and delivering services.

In my opinion, in all material respects, the key performance indicators report of the East Metropolitan Health Service for the year ended 30 June 2024 is in accordance with the legislative requirements, and the key performance indicators are relevant and appropriate to assist users to assess the Health Service's performance and fairly represent indicated performance for the year ended 30 June 2024.

The Board's responsibilities for the key performance indicators

The Board is responsible for the preparation and fair presentation of the key performance indicators in accordance with the *Financial Management Act 2006* and the Treasurer's Instructions and for such internal controls as the Board determines necessary to enable the preparation of key performance indicators that are free from material misstatement, whether due to fraud or error.

In preparing the key performance indicators, the Board is responsible for identifying key performance indicators that are relevant and appropriate, having regard to their purpose in accordance with Treasurer's Instruction 904 Key Performance Indicators.

Auditor General's responsibilities

As required by the *Auditor General Act 2006*, my responsibility as an assurance practitioner is to express an opinion on the key performance indicators. The objectives of my engagement are to obtain reasonable assurance about whether the key performance indicators are relevant and appropriate to assist users to assess the entity's performance and whether the key performance indicators are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. I conducted my engagement in accordance with Standard on Assurance Engagements ASAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information issued by the Australian Auditing and Assurance Standards Board. That standard requires that I comply with relevant ethical requirements relating to assurance engagements.

An assurance engagement involves performing procedures to obtain evidence about the amounts and disclosures in the key performance indicators. It also involves evaluating the relevance and appropriateness of the key performance indicators against the criteria and guidance in Treasurer's Instruction 904 for measuring the extent of outcome achievement and the efficiency of service delivery. The procedures selected depend on my judgement, including the assessment of the risks of material misstatement of the key performance indicators. In making these risk assessments, I obtain an understanding of internal control relevant to the engagement in order to design procedures that are appropriate in the circumstances.

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

My independence and quality management relating to the report on financial statements, controls and key performance indicators

I have complied with the independence requirements of the *Auditor General Act 2006* and the relevant ethical requirements relating to assurance engagements. In accordance with ASQM 1 Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements, the Office of the Auditor General maintains a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Other information

Those charged with governance are responsible for the other information. The other information is the information in the entity's annual report for the year ended 30 June 2024, but not the financial statements, key performance indicators and my auditor's report.

My opinions on the financial statements, controls and key performance indicators do not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, controls and key performance indicators my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and key performance indicators or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I did not receive the other information prior to the date of this auditor's report. When I do receive it, I will read it and if I conclude that there is a material misstatement in this information, I am required to communicate the matter to those charged with governance and request them to correct the misstated information. If the misstated information is not corrected, I may need to retract this auditor's report and re-issue an amended report.

Matters relating to the electronic publication of the audited financial statements and key performance indicators

This auditor's report relates to the financial statements and key performance indicators of the East Metropolitan Health Service for the year ended 30 June 2024 included in the annual report on the Health Service's website. The Health Service's management is responsible for the integrity of the Health Service's website. This audit does not provide assurance on the integrity of the Health Service's website. The auditor's report refers only to the financial statements, controls and key performance indicators described above. It does not provide an opinion on any other information which may have been hyperlinked to/from the annual report. If users of the financial statements and key performance indicators are concerned with the inherent risks arising from publication on a website, they are advised to contact the entity to confirm the information contained in the website version.



Grant Robinson
Assistant Auditor General Financial Audit
Delegate of the Auditor General for Western Australia
Perth, Western Australia
11 September 2024

FINANCIAL STATEMENTS

A person with curly hair, wearing a dark shirt and glasses, is looking at a large stack of papers on a shelf in a filing cabinet. The image is overlaid with a green tint.

East Metropolitan Health Service
Statement of comprehensive income
For the year ended 30 June 2024

	Note	2024 \$000	2023 \$000
Cost of services			
Expenses			
Employee benefits expense	3.1.1	1,223,878	1,160,532
Contracts for services	3.2	360,732	342,752
Patient support costs	3.3	290,610	272,040
Fees for contracted medical practitioners	3.4	33,905	30,083
Finance costs	7.2	636	267
Depreciation and amortisation expense	5.5	56,882	51,362
Repairs, maintenance and consumable equipment	3.5	37,172	34,174
Other supplies and services	3.6	13,435	12,884
Cost of sales	4.6	4,359	3,998
Other expenses	3.7	144,146	122,578
Total cost of services		2,165,755	2,030,670
Income			
Patient charges	4.3	57,321	50,580
Other fees for services	4.4	1,827	531
Other grants and contributions	4.2	1,098	1,804
Donation income	4.5	330	149
Sale of goods	4.6	4,149	3,731
Other income and recoveries	4.7	57,417	53,141
Total income other than income from State Government		122,142	109,936
Net cost of services		2,043,613	1,920,734
Income from State Government			
Department of Health - Service Agreement:			
- State component	4.1	1,050,930	989,837
- Commonwealth component	4.1	568,483	522,232
Mental Health Commission - Service Agreement	4.1	265,460	250,060
Income from other state government agencies	4.1	53,030	46,503
Resources received	4.1	85,104	86,153
Total income from State Government		2,023,007	1,894,785
Deficit for the period		(20,606)	(25,949)
Other comprehensive income			
Items not reclassified subsequently to profit or loss			
Changes in asset revaluation reserve	9.9	72,322	96,764
Total other comprehensive income		72,322	96,764
Total comprehensive income for the period		51,716	70,815

The statement of comprehensive income should be read in conjunction with the accompanying notes.

See also note 2.2 'Schedule of income and expenses by service'.

East Metropolitan Health Service
Statement of financial position
As at 30 June 2024

	Note	2024 \$'000	2023 \$'000
Assets			
Current assets			
Cash and cash equivalents	7.3.1	91,502	106,355
Restricted cash and cash equivalents	7.3.1	43,792	41,385
Receivables	6.1	46,108	34,590
Inventories	6.3	6,312	5,873
Other current assets	6.4	1,077	1,065
Total current assets		188,791	189,268
Non-current assets			
Receivables	6.1	34,382	26,745
Amounts receivable for services	6.2	722,253	667,817
Property, plant and equipment	5.1	751,876	705,795
Intangible assets	5.2	83	109
Right-of-use assets	5.3	14,895	17,607
Service concession assets	5.4	353,847	340,076
Total non-current assets		1,877,336	1,758,149
Total assets		2,066,127	1,947,417
Liabilities			
Current liabilities			
Payables	6.5	133,868	111,968
Grant liabilities	6.6	955	955
Lease liabilities	7.1	3,885	3,388
Employee benefits provisions	3.1.2	241,398	228,288
Other current liabilities	6.7	1,027	1,186
Total current liabilities		381,133	345,785
Non-current liabilities			
Employee benefits provisions	3.1.2	42,276	44,961
Lease liabilities	7.1	12,826	14,755
Total non-current liabilities		55,102	59,716
Total liabilities		436,235	405,501
Net assets		1,629,892	1,541,916
Equity			
Contributed equity	9.9	1,312,747	1,276,487
Reserves	9.9	317,151	244,829
Accumulated surplus/(deficit)		(6)	20,600
Total equity		1,629,892	1,541,916

The statement of financial position should be read in conjunction with the accompanying notes.

East Metropolitan Health Service
Statement of changes in equity
For the year ended 30 June 2024

	Note	2024 \$000	2023 \$000
Contributed equity	9.9		
Balance at start of period		1,276,487	1,234,101
Transactions with owners in their capacity as owners:			
Contribution by Owners – Capital appropriations administered by Department of Health		36,260	12,541
Other contributions by owners		-	29,845
Balance at end of period		1,312,747	1,276,487
Reserves	9.9		
Asset revaluation reserve			
Balance at start of period		244,829	148,065
Other comprehensive income for the period		72,322	96,764
Balance at end of period		317,151	244,829
Accumulated surplus			
Balance at start of period		20,600	46,549
Deficit for the period		(20,606)	(25,949)
Balance at end of period		(6)	20,600
Total equity			
Balance at start of period		1,541,916	1,428,715
Total comprehensive income for the period		51,716	70,815
Transactions with owners in their capacity as owners		36,260	42,386
Balance at end of period		1,629,892	1,541,916

The statement of changes in equity should be read in conjunction with the accompanying notes.

East Metropolitan Health Service
Statement of cash flows
For the year ended 30 June 2024

	Note	2024 \$000 Inflows/(Outflows)	2023 \$000 Inflows/(Outflows)
Cash flows from State Government			
Contribution by Owners – Capital Appropriations administered by Department of Health		36,260	12,540
Service agreement - Department of Health		1,564,977	1,458,098
Service agreement - Mental Health Commission		265,460	250,060
Funds received from other state government agencies		53,030	46,502
Net cash provided by State Government		1,919,727	1,767,200
Utilised as follows:			
Cash flows from operating activities			
Payments			
Employee benefits		(1,202,736)	(1,138,776)
Supplies and services		(777,631)	(693,796)
Finance costs		(636)	(267)
Receipts			
Receipts from customers		43,783	41,558
Commonwealth grants and contributions		-	254
Other grants and contributions		1,098	1,550
Donations received		46	133
Other receipts		51,034	50,253
Net cash used in operating activities	7.3.2	(1,885,042)	(1,739,091)
Cash flows from investing activities			
Payments			
Purchase of non-current assets		(37,087)	(27,057)
Receipts			
Proceeds from sale of non-current assets		20	-
Net cash used in investing activities		(37,067)	(27,057)
Cash flows from financing activities			
Payments			
Principal elements of lease payments		(2,427)	(2,234)
Payment to accrued salaries account		(7,637)	(5,856)
Net cash used in financing activities		(10,064)	(8,090)
Net decrease in cash and cash equivalents		(12,446)	(7,038)
Cash and cash equivalents at the beginning of the period		147,740	154,778
Total cash and cash equivalents at the end of the period	7.3.1	135,294	147,740

The statement of cash flows should be read in conjunction with the accompanying notes.

East Metropolitan Health Service

Notes to the financial statements

As at 30 June 2024

Note	1	Basis of preparation
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East Metropolitan Health Service (the Health Service) is a Government not-for-profit entity controlled by the State of Western Australia, which is the ultimate parent.

A description of the nature of its operations and its principal activities have been included in the 'Governance/Overview' which does not form part of these financial statements.

These annual financial statements were authorised for issue by the Accountable Authority of the Health Service on 11 September 2024.

Statement of compliance

The financial statements constitute general purpose financial statements that have been prepared in accordance with Australian Accounting Standards (AASs), the Financial Management Act 2006 (FMA), the Treasurer's Instructions (TIs) and other authoritative pronouncements of the Australian Accounting Standards Board (AASB) as applied by TIs. Several of these are modified by TIs to vary application, disclosure, format and wording.

The FMA and TIs take precedence over AASs and other authoritative pronouncements of the AASB. Where modification is required and has a material or significant financial effect upon the reported results, details of that modification and the resulting financial effect are disclosed in the notes to the financial statements.

Basis of preparation

These financial statements are presented in Australian dollars applying the accrual basis of accounting and using the historical cost convention. Certain balances will apply a different measurement basis (such as the fair value basis). Where this is the case the different measurement basis is disclosed in the associated note. All values are rounded to the nearest thousand dollars (\$'000).

Judgements and estimates

Judgements, estimates and assumptions are required to be made about financial information being presented. The significant judgements and estimates made in the preparation of these financial statements are disclosed in the notes where amounts affected by those judgements and/or estimates are disclosed. Estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances.

East Metropolitan Health Service
Notes to the financial statements
As at 30 June 2024

Note	1	Basis of preparation (continued)
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Contributed equity

AASB Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities* requires transfers in the nature of equity contributions, other than as a result of a restructure of administrative arrangements, to be designated as contributions by owners (at the time of, or prior to, transfer) before such transfers can be recognised as equity contributions. Capital appropriations have been designated as contributions by owners by *TI 955 Contributions by Owners made to Wholly Owned Public Sector Entities* and will be credited directly to Contributed Equity.

Note	2	Health Service outputs
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How the Health Service operates

This section includes information regarding the nature of funding the Health Service receives and how this funding is utilised to achieve the Health Service’s objectives.

	Note
Health Service objectives	2.1
Schedule of income and expenses by service	2.2

2.1	Health Service objectives
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Services

To comply with its legislative obligation as a WA Government agency, the Health Service operates under an Outcome Based Management framework (OBM). The OBM framework is determined by WA Health and replaces the former activity based costing framework for annual reporting from 2017-18 and beyond. This framework describes how outcomes, activities, services and key performance indicators (KPIs) are used to measure agency performance towards achieving the relevant overarching whole of government goal of strong communities, safe communities and supported families and the WA health system agency goal of delivery of safe, quality, financially sustainable and accountable healthcare for all Western Australians. The Health Service is predominantly funded by Parliamentary appropriations.

The Health Service provides the following services:

Public hospital admitted services

The provision of healthcare services to patients in metropolitan hospitals that meet the criteria for admission and receive treatment and/or care for a period of time, including public patients treated in private facilities under contract to WA Health. Admission to hospital and the treatment provided may include access to acute and/or sub-acute inpatient services, as well as hospital in the home services. Public hospital admitted services include teaching, training and research activities provided by the public health service to facilitate development of skills and acquisition or advancement of knowledge related to admitted services. This service does not include any component of the mental health services reported under 'Mental health services'.

Public hospital emergency services

The provision of services for the treatment of patients in emergency departments of metropolitan hospitals, inclusive of public patients treated in private facilities under contract to WA Health. The services provided to patients are specifically designed to provide emergency care, including a range of pre-admission, post-acute and other specialist medical, allied health, nursing and ancillary services. Public hospital emergency services include teaching, training and research activities provided by the public health service to facilitate development of skills and acquisition or advancement of knowledge related to emergency services. This service does not include any component of the mental health services reported under 'Mental health services'.

Public hospital non-admitted services

The provision of metropolitan hospital services to patients who do not undergo a formal admission process, inclusive of public patients treated by private facilities under contract to WA Health. This service includes services provided to patients in outpatient clinics, community based clinics or in the home, procedures, medical consultation, allied health or treatment provided by clinical nurse specialists. Public hospital non-admitted services include teaching, training and research activities provided by the public health service to facilitate development of skills and acquisition or advancement of knowledge related to non-admitted services. This service does not include any component of the mental health services reported under 'Mental health services'.

Mental health services

The provision of inpatient services where an admitted patient occupies a bed in a designated mental health facility or a designated mental health unit in a hospital setting; and the provision of non-admitted services inclusive of community and ambulatory specialised mental health programs such as prevention and promotion, community support services, community treatment services and community bed based services. This service includes the provision of state-wide mental health services such as the provision of assessment, treatment, management, care or rehabilitation of persons experiencing alcohol or other drug use problems or co-occurring health issues. Mental health services include teaching, training and research activities provided by the public health service to facilitate development of skills and acquisition or advancement of knowledge related to mental health or alcohol and drug services. This service includes public patients treated in private facilities under contract to WA Health.

Aged and continuing care services

The provision of aged and continuing care services. Aged and continuing care services include programs that assess the care needs of older people, provide functional interim care or support for older, frail, aged and younger people with disabilities to continue living independently in the community and maintain independence.

Public and community health services

The provision of healthcare services and programs delivered to increase optimal health and wellbeing, encourage healthy lifestyles, reduce the onset of disease and disability, reduce the risk of long-term illness as well as detect, protect and monitor the incidence of disease in the population. Public and community health services include public health programs, Aboriginal health programs, disaster management, environmental health, the provision of grants to non-government organisations for public and community health purposes, emergency road and air ambulance services and services to assist rural based patients travel to receive care.

East Metropolitan Health Service
Notes to the financial statements
For the year ended 30 June 2024

2.2 Schedule of income and expenses by service							
	Public hospital admitted	Public hospital emergency	Public hospital non- admitted	Mental health	Aged and continuing care	Public and community health	Total
	2024 \$000	2024 \$000	2024 \$000	2024 \$000	2024 \$000	2024 \$000	2024 \$000
Cost of services							
Expenses							
Employee benefits expense	728,221	142,789	134,517	185,060	11,169	22,122	1,223,878
Contracts for services	225,588	71,483	30,261	32,542	725	133	360,732
Patient support costs	199,669	28,441	39,774	13,248	2,475	7,003	290,610
Fees for contracted medical practitioners	27,794	1,046	4,944	121	-	-	33,905
Finance costs	8	1	3	599	7	18	636
Depreciation and amortisation expense	33,289	6,136	6,592	9,610	381	874	56,882
Repairs, maintenance and consumable equipment	23,924	2,658	5,271	4,666	261	392	37,172
Other supplies and services	5,358	990	2,054	4,678	62	293	13,435
Cost of sales	-	-	3,032	1,327	-	-	4,359
Other expenses	90,889	17,081	16,671	16,637	786	2,082	144,146
Total cost of services	1,334,740	270,625	243,119	268,488	15,866	32,917	2,165,755
Income							
Patient charges	46,044	3,858	6,624	795	-	-	57,321
Other fees for services	572	151	126	173	5	800	1,827
Other grants and contributions	139	-	25	-	-	934	1,098
Donation income	172	29	49	35	-	45	330
Sale of goods	-	-	2,886	1,263	-	-	4,149
Other income and recoveries	33,209	1,125	14,301	1,234	11	7,537	57,417
Total income other than income from State Government	80,136	5,163	24,011	3,500	16	9,316	122,142
Net cost of services	1,254,604	265,462	219,108	264,988	15,850	23,601	2,043,613
Income from State Government							
Department of Health - Service Agreement:							
- State component	734,103	155,329	128,204	10,209	9,275	13,810	1,050,930
- Commonwealth component	400,997	84,847	70,030	-	5,066	7,543	568,483
Mental Health Commission - Service Agreement	-	-	-	265,460	-	-	265,460
Income from other state government agencies	48,498	1,882	1,990	-	57	603	53,030
Resources received	60,567	10,957	11,338	2,078	11	153	85,104
Total income from State Government	1,244,165	253,015	211,562	277,747	14,409	22,109	2,023,007
Surplus/(deficit) for the period	(10,439)	(12,447)	(7,546)	12,759	(1,441)	(1,492)	(20,606)

East Metropolitan Health Service
Notes to the financial statements
For the year ended 30 June 2024

2.2 Schedule of income and expenses by service (continued)							
	Public hospital admitted	Public hospital emergency	Public hospital non- admitted	Mental health	Aged and continuing care	Public and community health	Total
	2023 \$000	2023 \$000	2023 \$000	2023 \$000	2023 \$000	2023 \$000	2023 \$000
Cost of services							
Expenses							
Employee benefits expense	676,907	131,168	127,216	179,639	9,812	35,790	1,160,532
Contracts for services	194,800	63,319	26,483	29,264	507	28,379	342,752
Patient support costs	185,458	25,332	36,246	12,322	2,379	10,303	272,040
Fees for contracted medical practitioners	24,116	1,007	4,843	117	-	-	30,083
Finance costs	2	-	1	246	1	17	267
Depreciation and amortisation expense	30,454	5,631	6,014	8,095	388	780	51,362
Repairs, maintenance and consumable equipment	21,829	2,666	4,646	4,078	250	705	34,174
Other supplies and services	4,180	1,036	1,562	4,640	21	1,445	12,884
Cost of sales	-	-	2,781	1,217	-	-	3,998
Other expenses	76,390	15,315	15,165	12,314	814	2,584	122,578
Total cost of services	1,214,136	245,474	224,957	251,932	14,172	80,003	2,030,670
Income							
Patient charges	41,361	2,920	5,486	813	-	-	50,580
Other fees for services	-	-	16	145	-	370	531
Other grants and contributions	29	76	5	-	-	1,694	1,804
Donation income	24	4	4	6	-	111	149
Sale of goods	-	-	2,595	1,136	-	-	3,731
Other income and recoveries	30,566	890	14,619	875	10	6,181	53,141
Total income other than income from State Government	71,980	3,890	22,725	2,975	10	8,356	109,936
Net cost of services	1,142,156	241,584	202,232	248,957	14,162	71,647	1,920,734
Income from State Government							
Department of Health - Service Agreement:							
- State component	670,552	141,833	118,731	8,342	8,315	42,064	989,837
- Commonwealth component	356,787	75,466	63,173	-	4,424	22,382	522,232
Mental Health Commission - Service Agreement	-	-	-	250,060	-	-	250,060
Income from other state government agencies	42,031	1,506	1,623	-	712	630	46,503
Resources received	61,016	10,702	11,071	2,040	10	1,314	86,153
Total income from State Government	1,130,386	229,507	194,598	260,442	13,461	66,390	1,894,785
Surplus/(deficit) for the period	(11,770)	(12,077)	(7,634)	11,485	(701)	(5,257)	(25,949)

East Metropolitan Health Service
Notes to the financial statements
For the year ended 30 June 2024

		2024	2023
		\$000	\$000
Note	3	Use of our funding	

Expenses incurred in the delivery of services

This section provides additional information about how the Health Service's funding is applied and the accounting policies that are relevant for an understanding of the items recognised in the financial statements. The primary expenses incurred by the Health Service in achieving its objectives and the relevant notes are:

	Note
Employee benefits expense	3.1.1
Employee benefits provisions	3.1.2
Contracts for services	3.2
Patient support costs	3.3
Fees for contracted medical practitioners (CMP)	3.4
Repairs, maintenance and consumable equipment	3.5
Other supplies and services	3.6
Other expenses	3.7

3.1.1	Employee benefits expense
-------	---------------------------

Employee benefits	1,108,033	1,055,122
Termination benefits	631	240
Superannuation - defined contribution plans (a)	115,193	105,145
Total employee benefits expense	1,223,857	1,160,507
Add: AASB 16 Non-monetary benefits (b)	21	25
Net employee benefits	1,223,878	1,160,532

(a) Defined contribution plans include West State Superannuation Scheme (WSS), Gold State Superannuation Scheme (GSS), the Government Employees Superannuation Board Schemes (GESBs) and other eligible funds.

(b) Non-monetary employee benefits that are predominantly relating to the provision of vehicle benefits recognised under AASB 16.

Employee benefits include salaries and wages, fringe benefits plus the fringe benefits tax component and leave entitlements including superannuation contribution components.

Workers' compensation insurance expense is excluded here but included in note 3.7 'Other expenses'.

Termination benefits are payable when employment is terminated before normal retirement date, or when an employee accepts an offer of benefits in exchange for the termination of employment. Termination benefits are recognised when the Health Service is demonstrably committed to terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

East Metropolitan Health Service
Notes to the financial statements
For the year ended 30 June 2024

	2024 \$000	2023 \$000
3.1.1 Employee benefits expense (continued)		
Superannuation is the amount recognised in profit or loss of the statement of comprehensive income comprises employer contributions paid to the GSS (concurrent contributions), the WSS, other GESB schemes or other superannuation funds. The employer contribution paid to the Government Employees Superannuation Board (GESB) in respect of the GSS is paid back into the Consolidated Account by the GESB.		
GSS (concurrent contributions) is a defined benefit scheme for the purposes of employees and whole of government reporting. It is however a defined contribution plan for Health Service purposes because the concurrent contributions (defined contributions) made by the Health Service to the GESB extinguishes the Health Service’s obligations to the related superannuation liability.		
The Health Service does not recognise any defined benefit liabilities because it has no legal or constructive obligation to pay future benefits relating to its employees. The liabilities for the unfunded Pension Scheme and the unfunded GSS transfer benefits attributable to members who transferred from the Pension Scheme, are assumed by the Treasurer. All other GSS obligations are funded by concurrent contributions made by the Health Service to the GESB.		
The GESB and other fund providers administer public sector superannuation arrangements in Western Australia in accordance with legislative requirements. Eligibility criteria for membership in particular schemes for public sector employees vary according to commencement and implementation dates.		

3.1.2 Employee benefits provisions		
Provision is made for benefits accruing to employees in respect of salaries and wages, annual leave, time off in lieu and long service leave for services rendered up to the reporting date and recorded as an expense during the period the services are delivered.		
Current		
Annual leave (a)	120,232	114,730
Time off in lieu leave (a)	37,131	33,966
Long service leave (b)	83,429	78,973
Deferred salary scheme (c)	606	619
	241,398	228,288
Non-current		
Long service leave (b)	42,276	44,961
Total employee benefits provisions	283,674	273,249

East Metropolitan Health Service
Notes to the financial statements
For the year ended 30 June 2024

	2024	2023
	\$000	\$000
3.1.2 Employee benefits provisions (continued)		

(a) Annual leave and time off in lieu leave liabilities are classified as current as there is no right at the end of the reporting period to defer settlement for at least 12 months after the reporting period.

Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

Within 12 months of the end of the reporting period	94,227	86,392
More than 12 months after the end of the reporting period	63,136	62,304
	<u>157,363</u>	<u>148,696</u>

Annual leave and time off in lieu leave are not expected to be settled wholly within 12 months after the end of the reporting period and therefore considered to be 'other long-term employee benefits'. The leave liability is recognised and measured at the present value of amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

(b) Long service leave liabilities are unconditional long service leave provisions and classified as current where there is no right at the end of reporting period to defer settlement for at least 12 months after the reporting period. Pre-conditional and conditional long service leave provisions are classified as non-current liabilities because the Health Service has the right to defer the settlement of the liability until the employee has completed the requisite years of service.

Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

Within 12 months of the end of the reporting period	36,683	31,196
More than 12 months after the end of the reporting period	89,022	92,738
	<u>125,705</u>	<u>123,934</u>

The provision for long service leave is calculated at present value as the Health Service does not expect to wholly settle the amounts within 12 months. The present value is measured taking into account the present value of expected future payments to be made in relation to services provided by employees up to the reporting date. When assessing expected future payments, consideration is given to expected future wage and salary levels including non-salary components such as employer superannuation contributions, as well as the experience of employee departures and periods of service. The expected future payments are discounted using market yields on national government bonds at the end of the reporting period with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Under the advice of Government Sector Labour Relations (GSLR), casual employees of the Health Service are entitled to long service leave even if the applicable awards provide casual loading in lieu of long service leave. The provision for casual employees who are currently employed by the Health Service has been included in the long service leave balance: \$12.1 million. The amount of obligation for the casual employees who are no longer employed by the Health Service has been included in the Payables (note 6.5): \$1.9 million.

East Metropolitan Health Service
Notes to the financial statements
For the year ended 30 June 2024

	2024	2023
	\$000	\$000
3.1.2 Employee benefits provisions (continued)		

(c) The deferred salary scheme liabilities relate to Health Service employees who have entered into an agreement to self-fund an additional twelve months leave in the fifth year of the agreement. The provision recognises the value of salary set aside for employees to be used in the fifth year. The liability is measured on the same basis as annual leave. It is classified as a current provision as employees can leave the scheme at their discretion at any time.

Assessments indicate that actual settlement of the liabilities is expected to occur as follows:

Within 12 months of the end of the reporting period	270	492
More than 12 months after the end of the reporting period	336	127
	<u>606</u>	<u>619</u>

Key sources of estimation uncertainty - long service leave

Key estimates and assumptions concerning the future are based on historical experience and various other factors that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year. Several estimates and assumptions are used in calculating the Health Service's long service leave provision. These include expected future salary rates, discount rates, employee turnover rates and usage rates of leave in service or at termination. Changes in these estimations and assumptions may impact on the carrying amount of the long service leave provision.

Any gain or loss following revaluation of the present value of long service leave liabilities is recognised as employee benefits expense.

Sick Leave

Liabilities for sick leave are recognised when it is probable that sick leave paid in the future will be greater than the entitlement that will accrue in the future. Past 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 in the statement of comprehensive income for this leave as it is taken.

3.2 Contracts for services		
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Public patient services (a)	322,713	309,269
Mental health services (a)	32,694	31,670
Home and community care (a)	735	514
Other contracts	4,590	1,299
Total contracts for services	<u>360,732</u>	<u>342,752</u>

(a) Private hospitals and non-government organisations are contracted to provide various services to public patients and the community.

East Metropolitan Health Service
Notes to the financial statements
For the year ended 30 June 2024

	2024 \$000	2023 \$000
3.3 Patient support costs		
Drug supplies	71,584	66,141
Pathology	54,721	51,836
Prosthesis	30,972	29,839
Other medical supplies and services	88,279	80,594
Domestic charges	20,431	20,344
Fuel, light and power	8,906	8,508
Food supplies	9,718	8,957
Patient transport costs	5,521	4,954
Research, development and other grants	478	867
Total patient support costs	290,610	272,040
3.4 Fees for contracted medical practitioners (CMP)		
Fees for contracted medical practitioners (CMP)		
Clinical	26,559	23,013
Radiology	7,346	7,070
Total fees for contracted medical practitioners	33,905	30,083
CMP, both general practitioners and specialists, are contracted to provide medical services to a hospital via a Medical Services Agreement. CMP are independent contractors operating medical businesses and are not Health Service employees. CMP were previously known as visiting medical practitioners (VMP).		
3.5 Repairs, maintenance and consumable equipment		
Repairs, maintenance and consumable equipment		
Repairs and maintenance	28,555	25,171
Consumable equipment	8,617	9,003
Total repairs, maintenance and consumable equipment	37,172	34,174
Repairs and maintenance costs are recognised as expenses as incurred, except where they relate to the replacement of a significant component of an asset. In that case the costs are capitalised and depreciated. Consumable equipment costing less than \$5,000 is recognised as an expense (see note 5.1 'Property, plant and equipment').		
3.6 Other supplies and services		
Other supplies and services (recognised as an expense as incurred)		
Sanitisation and waste removal services	2,188	1,725
Administration and management services	2,443	2,838
Interpreter services	1,923	1,550
Security services	5,500	6,052
Contract management	-	139
Outsourced health promotion	149	26
Outsourced engineering	185	69
Employee assistance	231	135
Other	816	350
Total other supplies and services	13,435	12,884

East Metropolitan Health Service
Notes to the financial statements
For the year ended 30 June 2024

	2024	2023
	\$000	\$000
3.7 Other expenses		
Other expenses		
Services provided by Health Support Services: (a)		
ICT services	43,687	43,513
Supply chain services	8,069	8,253
Financial services	2,832	2,569
Human resources services	10,281	9,260
Workers compensation insurance	29,237	20,477
Lease expenses (b)	1,269	567
Other insurances	19,077	10,599
Legal services	991	2,022
Audit fees	1,163	1,207
Consultancy fees	4,747	4,458
Printing and stationery	3,841	3,539
Library subscription	1,656	1,511
Expected credit losses expense (c)	5,708	3,450
Communications	1,965	2,049
Freight, cartage and manual handling fees	781	685
Other employee related expenses	2,659	2,227
Loss on disposal of non-current assets	23	511
Motor vehicle expenses	647	598
Computer services	3,328	2,069
Accommodation (d)	444	508
Other	1,741	2,506
Total other expenses	144,146	122,578

(a) Services received free of charge. (See note 4.1 'Income from State Government').

(b) See note 5.3 'Right-of-use assets' and 7.1 'Lease liabilities'. Included within lease expenses are short-term leases with lease terms of up to 12 months and low-value leases with identified assets of up to \$5,000. The lease expenses also include variable lease payments and maintenance expenses related to the leased assets.

(c) Expected credit losses expense is recognised as the movement in the allowance for expected credit losses. The allowance for expected credit losses of trade receivables is measured at the lifetime expected credit losses at each reporting date. The Health Service has established a provision matrix that is based on its historical credit loss experience. (See note 6.1.1 'Movement of the allowance for impairment of receivables').

(d) Lease payments to the Department of Finance for the Government Office Accommodation.

East Metropolitan Health Service
Notes to the financial statements
For the year ended 30 June 2024

			2024	2023
			\$000	\$000
Note	4	Our funding sources		

How we obtain our funding

This section provides additional information about how the Health Service obtains its funding and the relevant accounting policy notes that govern the recognition and measurement of this funding. The primary income received by the Health Service and the relevant notes are:

	Note
Income from State Government	4.1
Other grants and contributions	4.2
Patient charges	4.3
Other fees for services	4.4
Donation income	4.5
Commercial activities	4.6
Other income and recoveries	4.7

4.1 Income from State Government

Service Agreement received (a):		
Department of Health - Service Agreement - State component (b)	1,050,930	989,837
Department of Health - Service Agreement - Commonwealth component	568,483	522,232
Total service agreement received from Department of Health	1,619,413	1,512,069
 Mental Health Commission - Service Agreement	 265,460	 250,060
 <i>Income from other state government agencies (c):</i>		
Disability Services Commission - community aids and equipment program	-	801
Insurance Commission of Western Australia - patient fees (motor vehicle injuries)	41,013	34,478
Road Safety Commission - Road Trauma Program (Injury Prevention)	688	608
South Metropolitan Health Service - Health Technology Management Services	6,480	6,097
South Metropolitan Health Service - Business Intelligence Services	2,359	3,360
Child and Adolescent Health Service - Data Services	382	382
North Metropolitan Health Service - Data Services	49	246
Other Health Service Providers	2,060	531
Total income from other state government agencies	53,030	46,503

East Metropolitan Health Service
Notes to the financial statements
For the year ended 30 June 2024

	2024	2023
	\$000	\$000
4.1 Income from State Government (continued)		
Resources received from other state government agencies during the year (d):		
Services received free of charge:		
Health Support Services - shared services		
ICT services	43,687	43,513
Supply chain services	8,069	8,253
Financial services	2,832	2,569
Human resources services	10,281	9,260
Rapid Antigen Test Kits	152	1,313
PathWest - indirect costs	19,625	18,873
Department of Justice - legal services	434	487
Department of Finance - rental lease management	14	13
Assets transferred in (out):	10	1,872
Total resources received	85,104	86,153
Total income from State Government	2,023,007	1,894,785

(a) Service agreement income is recognised at fair value in the period in which the Health Service gains control of the funds. The Health Service gains control of the funds at the time those funds are deposited in the bank account. If the service agreement specifies specific performance obligation(s), the income is recognised when the Health Service has satisfied its performance obligation(s).

(b) Service agreement from Department of Health comprises a cash component and a receivable (asset) component. The receivable which is the Holding Account (see note 6.2 'Amounts receivable for services (Holding Account)') comprises the budgeted depreciation expense for the year and any agreed increase in leave liabilities.

(c) Income from other state government agencies include amounts paid by other government agencies on a charge out basis (fee for service model).

(d) Resources received from other state government agencies are recognised as income (and assets or expenses) equivalent to the fair value of the assets, or the fair value of those services that can be reliably determined and which would have been purchased if not donated.

East Metropolitan Health Service
Notes to the financial statements
For the year ended 30 June 2024

	2024 \$000	2023 \$000
4.2 Other grants and contributions		
Research and other grants	1,098	1,804
Total other grants and contributions	1,098	1,804
4.3 Patient charges		
Inpatient bed charges	42,219	37,246
Inpatient other charges	4,620	4,928
Outpatient charges	10,482	8,406
Total patient charges	57,321	50,580
4.4 Other fees for services		
Non-clinical services to other health organisations	1,827	531
Total other fees for services	1,827	531
4.5 Donation income		
General public donations	330	149
Total donations	330	149
4.6 Commercial Activities - Sale of Goods		
Sales:		
Cafeteria sales income	4,149	3,731
Cost of sales	(4,359)	(3,998)
Gross loss	(210)	(267)

East Metropolitan Health Service
Notes to the financial statements
For the year ended 30 June 2024

	2024	2023
	\$000	\$000
4.7 Other income and recoveries		
Abatements	199	17
Royalty income	871	1,304
Rent from commercial properties	847	866
Parking	313	344
Commissions	195	94
Sponsorship	430	661
Training and education	34	62
Clinical trial income	3,732	3,188
Medical reports and certificates	84	92
Pharmaceutical Benefits Scheme (PBS)	45,285	42,789
Reversal asset revaluation decrement - land	4,198	3,139
Other	1,229	585
Total other income and recoveries	57,417	53,141

Income recognition

Income is recognised at the transaction price when the Health Service transfers control of the services to customers. Income is recognised for the major activities as follows:

Sale of goods

Income is recognised at the transaction price when the Health Service transfers control of the goods to customers.

Provision of services

Income is recognised on delivery of the service to the customer.

Grants, donations, gifts and other non-reciprocal contributions

Income is recognised at fair value when the Health Service obtains control over the assets comprising the contributions, usually when cash is received. Other non-reciprocal contributions that are not contributions by owners are recognised at their fair value. Contributions of services are only recognised when a fair value can be reliably determined and the services would be purchased if not donated.

East Metropolitan Health Service
Notes to the financial statements
For the year ended 30 June 2024

			2024	2023
			\$000	\$000
Note	5	Key assets		

Assets the Health Service utilises for economic benefit or service potential.

This section includes information regarding the key assets the Health Service utilises to gain economic benefits or provide service potential. The section sets out both the key accounting policies and financial information about the performance of these assets.

	Note
Property, plant and equipment	5.1
Intangible assets	5.2
Right-of-use assets	5.3
Service concession assets (SCA)	5.4
Depreciation and amortisation expense	5.5

5.1 Property, plant and equipment

Land

Carrying amount	83,441	80,142
<u>Reconciliation:</u>		
Carrying amount at start of period	80,142	77,003
Revaluation increments/(decrements)	3,299	3,139
Carrying amount at end of period	83,441	80,142

Buildings

Carrying amount	551,088	525,565
<u>Reconciliation:</u>		
Carrying amount at start of period	525,565	445,865
Additions	2,077	7,857
Transfers from/(to) other reporting entities	-	28,598
Transfers from works in progress	3,399	12,430
Revaluation increments/(decrements)	49,953	58,658
Transfers between asset classes	-	(1,375)
Write-down of assets	(28)	-
Depreciation	(29,878)	(26,468)
Carrying amount at end of period	551,088	525,565

East Metropolitan Health Service
Notes to the financial statements
For the year ended 30 June 2024

	2024 \$000	2023 \$000
5.1 Property, plant and equipment (continued)		
Site infrastructure		
Gross carrying amount	27,459	27,459
Accumulated depreciation	(12,289)	(10,753)
Carrying amount	15,170	16,706
<u>Reconciliation:</u>		
Gross carrying amount at start of period	27,459	27,459
Accumulated depreciation	(10,753)	(9,217)
Carrying amount at start of period	16,706	18,242
Depreciation	(1,536)	(1,536)
Carrying amount at end of period	15,170	16,706
Leasehold improvements		
Gross carrying amount	3,308	3,227
Accumulated depreciation	(2,542)	(2,196)
Carrying amount	766	1,031
<u>Reconciliation:</u>		
Gross carrying amount at start of period	3,227	3,227
Accumulated depreciation	(2,196)	(1,854)
Carrying amount at start of period	1,031	1,373
Additions	81	-
Depreciation	(346)	(342)
Carrying amount at end of period	766	1,031
Computer equipment		
Gross carrying amount	7,673	6,748
Accumulated depreciation	(3,976)	(2,675)
Carrying amount	3,697	4,073
<u>Reconciliation:</u>		
Gross carrying amount at start of period	6,748	6,464
Accumulated depreciation	(2,675)	(1,541)
Carrying amount at start of period	4,073	4,923
Additions	733	199
Transfers from works in progress	158	79
Transfers between asset classes	34	6
Depreciation	(1,301)	(1,134)
Carrying amount at end of period	3,697	4,073

East Metropolitan Health Service
Notes to the financial statements
For the year ended 30 June 2024

	2024 \$000	2023 \$000
5.1 Property, plant and equipment (continued)		
Furniture and fittings		
Gross carrying amount	1,913	2,089
Accumulated depreciation	(1,386)	(1,386)
Carrying amount	527	703
<u>Reconciliation:</u>		
Gross carrying amount at start of period	2,089	2,404
Accumulated depreciation	(1,386)	(1,522)
Carrying amount at start of period	703	882
Additions	319	197
Transfers from/(to) other reporting entities	-	439
Transfers from works in progress	-	114
Disposals	(18)	(40)
Transfers between asset classes	(360)	(746)
Depreciation	(117)	(143)
Carrying amount at end of period	527	703
Motor vehicles		
Gross carrying amount	375	375
Accumulated depreciation	(113)	(75)
Carrying amount	262	300
<u>Reconciliation:</u>		
Gross carrying amount at start of period	375	75
Accumulated depreciation	(75)	(38)
Carrying amount at start of period	300	37
Additions	-	144
Transfers from works in progress	-	156
Depreciation	(38)	(37)
Carrying amount at end of period	262	300

East Metropolitan Health Service
Notes to the financial statements
For the year ended 30 June 2024

	2024 \$000	2023 \$000
5.1 Property, plant and equipment (continued)		
Medical equipment		
Gross carrying amount	96,346	84,719
Accumulated depreciation	(52,003)	(45,495)
Carrying amount	44,343	39,224
<u>Reconciliation:</u>		
Gross carrying amount at start of period	84,719	77,228
Accumulated depreciation	(45,495)	(40,441)
Carrying amount at start of period	39,224	36,787
Additions	13,160	6,574
Transfers from/(to) other reporting entities	10	2,290
Transfers from works in progress	202	457
Disposals	(25)	(378)
Transfers between asset classes	373	2,076
Write-down of assets (a)	-	(133)
Depreciation	(8,601)	(8,449)
Carrying amount at end of period	44,343	39,224
Other plant and equipment		
Gross carrying amount	22,627	19,846
Accumulated depreciation	(8,581)	(6,727)
Carrying amount	14,046	13,119
<u>Reconciliation:</u>		
Gross carrying amount at start of period	19,846	14,465
Accumulated depreciation	(6,727)	(5,140)
Carrying amount at start of period	13,119	9,325
Additions	1,689	2,859
Transfers from works in progress	1,160	3,938
Disposals	-	(24)
Transfers between asset classes	(31)	(1,324)
Depreciation	(1,891)	(1,655)
Carrying amount at end of period	14,046	13,119
Artworks		
Carrying amount	1,080	1,080
<u>Reconciliation:</u>		
Carrying amount at start of period	1,080	1,062
Additions	-	12
Transfers between asset classes	-	6
Carrying amount at end of period	1,080	1,080

East Metropolitan Health Service
Notes to the financial statements
For the year ended 30 June 2024

	2024 \$000	2023 \$000
5.1 Property, plant and equipment (continued)		
Works in progress		
Carrying amount	37,456	23,852
<u>Reconciliation:</u>		
Carrying amount at start of period	23,852	30,397
Additions	19,227	11,447
Capitalised to asset classes	(4,920)	(17,174)
Write-down of assets (a)	(703)	(818)
Carrying amount at end of period	37,456	23,852
 Total property, plant and equipment		
Gross carrying amount	832,766	775,102
Accumulated depreciation	(80,890)	(69,307)
Carrying amount	751,876	705,795
<u>Reconciliation:</u>		
Gross carrying amount at start of period	775,102	685,649
Accumulated depreciation	(69,307)	(59,753)
Carrying amount at start of period	705,795	625,896
Additions	37,286	29,289
Transfers from/(to) other reporting entities	10	31,327
Disposals	(43)	(442)
Revaluation increments/(decrements)	53,251	61,797
Transfers between asset classes	16	(1,357)
Write-down of assets (a)	(731)	(951)
Depreciation	(43,708)	(39,764)
Carrying amount at end of period	751,876	705,795

(a) Expenses capitalised in the previous financial year, expensed in the current financial year. See note 3.7 'Other expenses'.

Initial recognition
Items of property, plant and equipment and infrastructure, costing \$5,000 or more are measured initially at cost. Where an asset is acquired for no cost or significantly less than fair value, the cost is valued at its fair value at the date of acquisition. Items of property, plant and equipment and infrastructure costing less than \$5,000 are immediately expensed direct to the Statement of Comprehensive Income (other than where they form part of a group of similar items which are significant in total).

The cost of a leasehold improvement is capitalised and depreciated over the shorter of the remaining term of the lease or the estimated useful life of the leasehold improvement.

5.1 Property, plant and equipment (continued)

Subsequent measurement
Subsequent to initial recognition as an asset, the revaluation model is used for the measurement of land and buildings and historical cost for all other property, plant and equipment. Land and buildings are carried at fair value less accumulated depreciation (buildings) and accumulated impairment losses. All other items of property, plant and equipment are carried at historical cost less accumulated depreciation and accumulated impairment losses.

Where market-based evidence is available, the fair value of land and buildings (non-clinical sites) is determined on the basis of current market values by reference to recent market transactions.

In the absence of market-based evidence, fair value of land and buildings (clinical sites) is determined on the basis of existing use. This normally applies where buildings are specialised or where land use is restricted. Fair value for existing use buildings is determined by reference to the cost of replacing the remaining future economic benefits embodied in the asset, i.e. the current replacement cost. Fair value for restricted use land is determined by comparison with market evidence for land with similar approximate utility (high restricted use land) or market value of comparable unrestricted land (low restricted use land).

When buildings are revalued, the accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount.

Land and buildings are independently valued annually by the Western Australian Land Information Authority (Valuation Services) and recognised annually to ensure that the carrying amount does not differ materially from the asset's fair value at the end of the reporting period.

Land and buildings were revalued as at 1 July 2023 by the Western Australian Land Information Authority (Valuation Services). The valuations were performed during the year ended 30 June 2024 and recognised at 30 June 2024. In undertaking the revaluation, fair value was determined by reference to market values for land: \$22.0 million (2023: \$22.2 million) and buildings: \$2.1 million (2023: \$2.1 million). For the remaining balance, fair value of buildings was determined on the basis of current replacement cost and fair value of land was determined on the basis of comparison with market evidence for land with low level utility (high restricted use land).

5.1 Property, plant and equipment (continued)

Revaluation model
Where market-based evidence is available, the fair value of land and buildings (non-clinical sites) is determined on the basis of current market values by reference to recent market transactions.

In the absence of market-based evidence, fair value of land and buildings (clinical sites) is determined on the basis of existing use. This normally applies where buildings are specialised or where land use is restricted. Fair value for existing use buildings is determined by reference to the cost of replacing the remaining future economic benefits embodied in the asset, i.e. the current replacement cost. Fair value for restricted use land is determined by comparison with market evidence for land with similar approximate utility (high restricted use land) or market value of comparable unrestricted land (low restricted use land).

When buildings are revalued, the accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount.

Significant assumptions and judgements
The most significant assumptions and judgements in estimating fair value are made in assessing whether to apply the existing use basis to assets and in determining estimated economic life. Professional judgement by the valuer is required where the evidence does not provide a clear distinction between market type assets and existing use assets. In order to estimate fair value on the basis of existing use, the current replacement costs are determined on the assumption that the buildings will be used for the same functions in the future. A major change in utilisation of the buildings may result in material adjustment to the carrying amounts.

Derecognition
Upon disposal or derecognition of an item of property, plant and equipment, any revaluation surplus relating to that asset is retained in the asset revaluation reserve.

Impairment of assets
Property, plant and equipment and intangible assets are tested for any indication of impairment at the end of each reporting period. Where there is an indication of impairment, the recoverable amount is estimated. Where the recoverable amount is less than the carrying amount, the asset is considered impaired and is written down to the recoverable amount and an impairment loss is recognised. Where an asset measured at cost is written down to recoverable amount, an impairment loss is recognised in profit or loss. Where a previously revalued asset is written down to recoverable amount, the loss is recognised as a revaluation decrement in other comprehensive income. As the Health Service is a not-for-profit entity, unless a specialised asset has been identified as a surplus asset, the recoverable amount is the higher of an asset's fair value less costs to sell and depreciated replacement cost.

If there is an indication that there has been a reversal in impairment, the carrying amount shall be increased to its recoverable amount. However, this reversal should not increase the asset's carrying amount above what would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

	2024	2023
	\$000	\$000
5.1 Property, plant and equipment (continued)		

The risk of impairment is generally limited to circumstances where an asset's depreciation is materially understated, where the replacement cost is falling or where there is a significant change in useful life. Each relevant class of assets is reviewed annually to verify that the accumulated depreciation/amortisation reflects the level of consumption or expiration of the asset's future economic benefits and to evaluate any impairment risk from declining replacement costs.

The recoverable amount of assets identified as surplus assets is the higher of fair value less costs to sell and the present value of future cash flows expected to be derived from the asset. Surplus assets carried at fair value have no risk of material impairment where fair value is determined by reference to market-based evidence. Where fair value is determined by reference to depreciated replacement cost, surplus assets are at risk of impairment and the recoverable amount is measured. Surplus assets at cost are tested for indications of impairment at the end of each reporting period.

As at 30 June 2024 there were no indications of impairment to property, plant and equipment and intangible assets.

5.2 Intangible assets

Computer software

Gross carrying amount	443	443
Accumulated amortisation	(360)	(334)
Carrying amount	83	109
Reconciliation:		
Gross carrying amount at start of the period	443	481
Accumulated amortisation	(334)	(342)
Carrying amount at start of the period	109	139
Additions	-	-
Amortisation	(26)	(30)
Carrying amount at end of the period	83	109

Computer software

Software that is an integral part of the related hardware is recognised as property, plant and equipment. Software that is not an integral part of the related hardware is recognised as an intangible asset. Software costing less than \$5,000 is expensed in the year of acquisition.

Initial recognition

Intangible assets are initially recognised at cost. For assets acquired at no cost or for nominal cost, the cost is their fair value at the date of acquisition.

Acquisitions of intangible assets costing \$5,000 or more and internally generated intangible assets costing \$50,000 or more are capitalised and measured at cost. Costs incurred below these thresholds are immediately expensed directly to the statement of comprehensive income.

Costs incurred in the research phase of a project are immediately expensed.

East Metropolitan Health Service
Notes to the financial statements
For the year ended 30 June 2024

5.2 Intangible assets (continued)		
Subsequent measurement		
The cost model is applied for subsequent measurement of intangible assets, requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.		
See note 5.1 'Property, plant and equipment' for testing assets for impairment.		
	2024 \$000	2023 \$000
5.3 Right-of-use assets		
Buildings		
Gross carrying amount	18,690	18,334
Accumulated depreciation	(4,839)	(1,652)
Carrying amount	13,851	16,682
<u>Reconciliation:</u>		
Opening net carrying amount	16,682	705
Additions	395	18,223
Depreciation	(3,226)	(2,246)
Carrying amount at end of the period	13,851	16,682
Vehicles		
Gross carrying amount	2,048	1,620
Accumulated depreciation	(1,004)	(695)
Carrying amount	1,044	925
<u>Reconciliation:</u>		
Opening net carrying amount	925	1,090
Additions	592	354
Disposals (leases expired)	(12)	(48)
Depreciation	(461)	(471)
Carrying amount at end of the period	1,044	925
Total Right-of-use assets		
Gross carrying amount	20,738	19,954
Accumulated depreciation	(5,843)	(2,347)
Carrying amount	14,895	17,607
<u>Reconciliation:</u>		
Opening carrying amount	17,607	1,795
Additions	987	18,577
Disposals (leases expired)	(12)	(48)
Depreciation	(3,687)	(2,717)
Carrying amount at end of the period	14,895	17,607

East Metropolitan Health Service
Notes to the financial statements
For the year ended 30 June 2024

	2024	2023
	\$000	\$000
5.3 Right-of-use assets (continued)		
Initial Recognition		
Right-of-use assets are measured at cost which include the following:		
<ul style="list-style-type: none"> the net present value of the future minimum payments any lease payments made at or before the commencement date less any lease incentives received any initial direct costs, and restoration costs, including dismantling and removing the underlying asset (make good provision) 		
The Health Service has elected not to recognise right-of-use assets and lease liabilities for short-term leases (with a lease term of 12 months or less) and low value leases (with an underlying value of \$5,000 or less). Lease payments associated with these leases are expensed as incurred.		
Subsequent Measurement		
The cost model is applied for subsequent measurement of right-of-use assets, requiring the asset to be carried at cost less any accumulated depreciation and accumulated impairment losses and adjusted for any re-measurement of lease liability.		
Depreciation and impairment of right-of-use assets		
Right-of-use assets are depreciated on a straight-line basis over the lease term as the Health Service generally expect to fully consume the useful life of the assets over the lease term. The lease term includes option to extend the lease if it is stated in the contract and the Health Service is reasonably certain to exercise the option.		
Right-of-use assets are tested for impairment when an indication of impairment is identified.		
The following amounts relating to leases have been recognised in the statement of comprehensive income.		
Depreciation expense of right-of-use assets		
Buildings	3,226	2,246
Vehicles	461	471
Total right-of-use asset depreciation	3,687	2,717
Lease interest expense (included in Finance cost)	636	267
Short-term leases (included in Other Expenses)	45	26
The statement of cash flows shows the following amounts relating to leases:		
Finance costs	636	267
Principal elements of lease payments	2,427	2,234
The Health Service has leases for vehicles and office accommodation (buildings).		
The Health Service has secured the right-of-use assets against the related lease liabilities for the vehicles. In the event of default, the rights to the leased motor vehicles will revert to the lessor.		

East Metropolitan Health Service
Notes to the financial statements
For the year ended 30 June 2024

	2024 \$000	2023 \$000
5.3 Right-of-use assets (continued)		
<p>The Health Service has also entered into Memorandum of Understanding Agreements (MOU) with the Department of Finance for the leasing of office accommodation. These are not recognised under AASB 16 because of substitution rights held by the Department of Finance and are accounted for as an expense as incurred.</p> <p>The Health Service recognises leases as right-of-use assets and associated lease liabilities in the Statement of Financial Position.</p> <p>The corresponding lease liabilities in relation to these right-of-use assets have been disclosed at note 7.1 Lease liabilities.</p> <p>Key judgements have been made in determining whether there is reasonable certainty around exercising contract extension and termination options, identifying whether payments are variable or fixed in substance and determining the stand-alone selling prices for lease and non-lease components. In addition, uncertainty may arise from the estimation of the lease term, determination of the appropriate discount rate to discount the lease payments and assessing whether right-of-use assets may require impairment.</p>		
5.4 Service concession assets (SCA)		
Land SCA		
Carrying amount	12,000	11,100
<u>Reconciliation:</u>		
Carrying amount at start of period	11,100	11,100
Revaluation increments/(decrements)	900	-
Carrying amount at end of period	12,000	11,100
Buildings SCA		
Carrying amount	317,555	302,385
<u>Reconciliation:</u>		
Carrying amount at start of period	302,385	269,192
Revaluation increments/(decrements)	22,370	38,106
Transfers between asset classes	-	1,355
Depreciation	(7,200)	(6,268)
Carrying amount at end of period	317,555	302,385

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	2024 \$000	2023 \$000
5.4 Service concession assets (SCA) (continued)		
Site infrastructure SCA		
Gross carrying amount	16,831	16,831
Accumulated depreciation	(1,829)	(1,464)
Carrying amount	15,002	15,367
<u>Reconciliation:</u>		
Gross carrying amount at start of period	16,831	16,831
Accumulated depreciation	(1,464)	(1,098)
Carrying amount at start of period	15,367	15,733
Depreciation	(365)	(366)
Carrying amount at end of period	15,002	15,367
Computer equipment SCA		
Gross carrying amount	211	211
Accumulated depreciation	(211)	(211)
Carrying amount	-	-
<u>Reconciliation:</u>		
Gross carrying amount at start of period	211	215
Accumulated depreciation	(211)	(215)
Carrying amount at end of period	-	-
Furniture and fittings SCA		
Gross carrying amount	776	776
Accumulated depreciation	(679)	(628)
Carrying amount	97	148
<u>Reconciliation:</u>		
Gross carrying amount at start of period	776	776
Accumulated depreciation	(628)	(534)
Carrying amount at start of period	148	242
Depreciation	(51)	(94)
Carrying amount at end of period	97	148

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	2024 \$000	2023 \$000
5.4 Service concession assets (SCA) (continued)		
Medical equipment SCA		
Gross carrying amount	7,242	7,288
Accumulated depreciation	(5,638)	(5,016)
Carrying amount	1,604	2,272
<u>Reconciliation:</u>		
Gross carrying amount at start of period	7,288	7,443
Accumulated depreciation	(5,016)	(4,203)
Carrying amount at start of period	2,272	3,240
Disposals	-	(68)
Transfers between asset classes	(16)	-
Depreciation	(652)	(900)
Carrying amount at end of period	1,604	2,272
Other plant and equipment SCA		
Gross carrying amount	12,870	12,904
Accumulated depreciation	(6,281)	(5,100)
Carrying amount	6,589	7,804
<u>Reconciliation:</u>		
Gross carrying amount at start of period	12,904	12,909
Accumulated depreciation	(5,100)	(3,854)
Carrying amount at start of period	7,804	9,055
Disposals	-	(3)
Depreciation	(1,215)	(1,248)
Carrying amount at end of period	6,589	7,804
Artworks SCA		
Carrying amount	1,000	1,000
<u>Reconciliation:</u>		
Carrying amount at start of period	1,000	1,000
Carrying amount at end of period	1,000	1,000
Computer software SCA		
Gross carrying amount	1,068	1,068
Accumulated amortisation	(1,068)	(1,068)
Carrying amount	-	-
<u>Reconciliation:</u>		
Gross carrying amount at start of period	1,068	1,068
Accumulated amortisation	(1,068)	(1,068)
Carrying amount at end of period	-	-
Carrying amount at end of the period	-	-

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Notes to the financial statements
For the year ended 30 June 2024

	2024 \$000	2023 \$000
5.4 Service concession assets (SCA) (continued)		
Total service concession assets		
Gross carrying amount	369,553	353,563
Accumulated depreciation	(15,706)	(13,487)
Carrying amount	353,847	340,076
<u>Reconciliation:</u>		
Gross carrying amount at start of period	353,563	320,534
Accumulated depreciation	(13,487)	(10,972)
Carrying amount at start of period	340,076	309,562
Disposals	-	(71)
Revaluation increments/(decrements)	23,270	38,106
Transfers between asset classes	(16)	1,355
Depreciation	(9,483)	(8,876)
Carrying amount at end of period	353,847	340,076

AASB 1059 ‘Service Concession Arrangements: Grantor’ defines a service concession arrangement as an arrangement which involves an operator:

- that is contractually obliged to provide public services related to a service concession asset on behalf of the grantor and
- managing at least some of those services at its own discretion rather than at the direction of the grantor.

The Health Service manages a contract in relation to a 20-year public-private partnership agreement between St John of God Health Care and the State of Western Australia that was signed in 2012, to operate a hospital for public patients in Midland - St John of God Midland Public Hospital (SJOGMPH).

Where the Health Service identified existing assets which meet the conditions as set under AASB 1059, these assets have been reclassified as service concession assets and measured initially at current replacement cost in accordance with the cost approach to fair value in AASB 13 Fair Value Measurement.

Subsequent to initial recognition or reclassification, a service concession asset is depreciated or amortised in accordance with AASB 116 Property, Plant and Equipment with any impairment recognised in accordance with AASB 136.

East Metropolitan Health Service
Notes to the financial statements
For the year ended 30 June 2024

	2024	2023
	\$000	\$000
5.5 Depreciation and amortisation expense		
Depreciation and amortisation charge for the period:		
Buildings	29,878	26,468
Medical equipment	8,601	8,449
Site infrastructure	1,536	1,536
Leasehold improvements	346	342
Computer equipment	1,301	1,134
Furniture and fittings	117	143
Motor vehicles	38	37
Other plant and equipment	1,891	1,655
Right-of-use asset	3,666	2,692
Service concession asset	9,483	8,876
Total depreciation for the period	56,857	51,332
Total amortisation for the period - Computer software	25	30
Total depreciation and amortisation for the period	56,882	51,362

Useful lives
All property, plant and equipment having a limited useful life are systematically depreciated over their estimated useful lives in a manner that reflects the consumption of their future economic benefits. The exceptions to this rule include assets held for sale, land and works of art. Amortisation of finite life intangible assets is calculated on a straight-line basis at rates that allocate the asset’s value over its estimated useful life. All intangible assets controlled by the Health Service have a finite useful life and zero residual value.

Estimated useful lives for each class of depreciable asset (including intangibles) are:

Buildings	50 years
Site infrastructure	50 years
Leasehold improvements	Term of the lease
Computer equipment	3 to 10 years
Furniture and fittings	2 to 20 years
Motor vehicles	3 to 10 years
Medical equipment	2 to 25 years
Other plant and equipment	3 to 50 years
Computer software	5 to 15 years

The estimated useful lives, residual values and depreciation or amortisation method are reviewed at the end of each annual reporting period, and adjustments should be made where appropriate.

Leasehold improvements are depreciated over the shorter of the lease term and their useful lives.

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	2024	2023
	\$000	\$000
5.5 Depreciation and amortisation expense (continued)		

The Health Service's policy is to depreciate all items of property, plant and equipment on a straight-line basis. The exception to this are land and works of art, which are considered to have an indefinite life. Depreciation is not recognised in respect of these assets because their service potential has not, in any material sense, been consumed during the reporting period.

The Health Service held no goodwill or intangible assets with an indefinite useful life during the reporting period. At the end of the reporting period there were no intangible assets not yet available for use.

Note	6	Other assets and liabilities
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This section sets out the Health Service's other assets utilised for economic benefits and liabilities incurred during normal operations.

Assets	Note
Receivables	6.1
Amounts receivable for services (Holding Account)	6.2
Inventories	6.3
Other current assets	6.4
Liabilities	
Payables	6.5
Grant liabilities	6.6
Other current liabilities	6.7

6.1	Receivables
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Current		
Patient fee debtors (a)	28,848	27,744
Other receivables	3,400	5,963
Less: Allowance for impairment of receivables	(16,151)	(14,095)
Accrued income	24,568	10,254
GST receivable	5,443	4,724
Total current	46,108	34,590
Non-current		
Accrued salaries suspense account (b)	34,382	26,745
Total receivables	80,490	61,335

	2024	2023
	\$000	\$000
6.1 Receivables (continued)		

The Health Service does not hold any collateral or other credit enhancements as security for receivables.

(a) Under the Private Patient Scheme approved by the State Government, the Department of Health provides ex-gratia payments towards private patient fees not paid in full by health insurance funds. The Health Service has received \$0.85 million in ex-gratia payments for the 2023-24 period (2022-23: \$0.70 million). Receipt of ex-gratia payments from the Department have been applied by the Health Service against the patient fee invoices reducing the debtors balance.

Receivables are recognised at original invoice amount less any allowances for uncollectible amounts (i.e. impairment). The carrying amount is equivalent to fair value as it is due for settlement within 30 days.

(b) Accrued salaries suspense account contains amounts paid annually into the Treasurer's special purpose account. It is restricted for meeting the additional cash outflow for employee salary payments in reporting periods with 27 pay days instead of the normal 26. No interest is received on this account. This account is classified as non-current for 10 out of the 11 years.

The account has been reclassified from 'Cash and cash equivalents' to 'Receivables' as these funds are now considered a right to receive the cash in future. Comparative amounts have also been reclassified.

Accounting procedure for Goods and Services Tax

Rights to collect amounts receivable from the Australian Taxation Office (ATO) and responsibilities to make payments for Goods and Services Tax (GST) have been assigned to the Department of Health. This accounting procedure was a result of application of the grouping provisions of *A New Tax System (Goods and Services Tax) Act 1999* whereby the Department of Health became the Nominated Group Representative (NGR) for the GST Group as from 1 July 2012. The entities in the GST group include the Department of Health, Mental Health Commission, South Metropolitan Health Service, North Metropolitan Health Service, East Metropolitan Health Service, Child and Adolescent Health Service, Health Support Services, WA Country Health Service, PathWest Laboratory Medicine WA, QE II Medical Centre Trust, and Health and Disability Services Complaints Office.

GST receivables on accrued expenses are recognised by the Health Service. Upon the receipt of tax invoices, GST receivables for the GST group are recorded in the accounts of the Department of Health.

East Metropolitan Health Service
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	2024 \$000	2023 \$000
6.1.1 Movement of the allowance for impairment of receivables		
Balance at start of period	14,095	14,506
Expected credit losses (note 3.7 'Other expenses')	5,708	3,450
Amounts written off during the period	(2,856)	(3,048)
Amount recovered during the period	19	27
Debt waivers during the period (a)	(815)	(840)
Balance at end of period	16,151	14,095

(a) Debt waivers are discretionary in nature and under justifiable and reasonable circumstances, can be used by the Accountable Authority to permanently forgive a debt.

The maximum exposure to credit risk at the end of the reporting period for receivables is the carrying amount of the asset inclusive of any allowance for impairment as shown in the table at note 8.1 c) Credit risk exposure.

Key sources of estimation uncertainty - Provision for doubtful debt
Historical debt collection trends are used to estimate impairment of receivables. Changes in the economic, political and legislative environment can affect debt collection rates. These changes may impact the carrying amount of receivables.

6.2 Amounts receivable for services (Holding Account)		
Non-current	722,253	667,817
Total amounts receivable for services	722,253	667,817

Amounts receivable for services represent the non-cash component of service appropriations. It is restricted in that it can only be used for asset replacement or payment of leave liability.
Amounts receivable for services are considered not impaired (i.e. there is no expected credit loss of the holding accounts).

6.3 Inventories		
Current		
Pharmaceutical stores - at cost	5,435	5,107
Engineering stores - at cost	877	766
Total inventories	6,312	5,873

Inventories are measured at the lower of cost and net realisable value. Costs are assigned on a weighted average cost basis. Inventories not held for resale are measured at cost unless they are no longer required, in which case they are measured at net realisable value.

East Metropolitan Health Service
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	2024 \$000	2023 \$000
6.4 Other current assets		
Current		
Prepayments	1,077	1,065
Total other assets	1,077	1,065

Other non-financial assets include prepayments which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

6.5 Payables		
Current		
Accrued expenses	75,866	65,821
Trade creditors	9,629	9,107
Accrued salaries	44,725	33,522
Other creditors	3,648	3,518
Total current	133,868	111,968

Payables are recognised at the amounts payable when the Health Service becomes obliged to make future payments as a result of a purchase of assets or services. The carrying amount is equivalent to fair value, as settlement is generally within 7-30 days.

TI 323 Timely Payment of Accounts require payments for goods, services and constructions of less than \$1 million and not subject to an exemption, to be paid within 20 calendar days. Payments over \$1 million are required to be settled within 30 calendar days of the receipt of a correctly rendered invoice, or provision of goods or services.

Accrued salaries represent the amount due to staff but unpaid at the end of the reporting period. Accrued salaries are settled within a fortnight of the reporting period end. The Health Service considers the carrying amount of accrued salaries to be equivalent to its fair value.

6.6 Grant liabilities		
Current	955	955
	955	955
Expected satisfaction of grant liabilities		
Later than 1 year, and not later than 5 years	955	955
Balance at end of period	955	955

The Health Service received funding from the Community Health and Hospital Program for the construction of Mental Health Emergency Centre at the St John of God Midland Public Hospital. The grant liabilities represent the amount unspent at the reporting date.

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		2024	2023
		\$000	\$000
6.7	Other current liabilities		
	Current		
	Refundable deposits	256	245
	Paid parental leave scheme	66	120
	Unearned income	517	656
	Other	188	165
	Total current	1,027	1,186
Note	7	Financing	

This section sets out the material balances and disclosures associated with the financing and cashflows of the Health Service.

	Note
Lease liabilities	7.1
Finance costs	7.2
Cash and cash equivalents	7.3
Reconciliation of cash	7.3.1
Reconciliation of net cost of services to net cash flows used in operating activities	7.3.2
Commitments	7.4
Capital commitments	7.4.1
Private sector commitments - contracts for the provision of health services	7.4.2

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	2024	2023
	\$000	\$000
7.1 Lease liabilities		
Current	3,885	3,388
Non-current	12,826	14,755
	16,711	18,143

Initial measurement

At the commencement date of the lease, the Health Service recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Health Service uses the incremental borrowing rate provided by Western Australia Treasury Corporation.

Lease payments included by the Health Service as part of the present value calculation of lease liability include:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or a rate initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options (where these are reasonably certain to be exercised);
- payments for penalties for terminating a lease, where the lease term reflects the Health Service exercising an option to terminate the lease.

The interest on the lease liability is recognised in profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Lease liabilities do not include any future changes in variable lease payments (that depend on an index or rate) until they take effect, in which case the lease liability is reassessed and adjusted against the right-of-use asset.

Periods covered by extension or termination options are only included in the lease term by the Health Service if the lease is reasonably certain to be extended (or not terminated).

Variable lease payments, not included in the measurement of lease liability, that are dependant on sales are recognised by the Health Service in profit or loss in the period in which the condition that triggers those payment occurs.

This section should be read in conjunction with note 5.3 Right-of-use assets.

Subsequent measurement

Lease liabilities are measured by increasing the carrying amount to reflect interest on the lease liabilities; reducing the carrying amount to reflect the lease payments made; and remeasuring the carrying amount at amortised cost, subject to adjustments to reflect any reassessment or lease modifications.

East Metropolitan Health Service
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	2024 \$000	2023 \$000
7.2 Finance costs		
Finance costs		
Finance lease charges	636	267
Finance costs include the interest component of lease liability repayments.		

7.3 Cash and cash equivalents

7.3.1 Reconciliation of cash

Current		
Cash and cash equivalents	91,502	106,355
Restricted cash and cash equivalents (a)	43,792	41,385
Total cash and cash equivalents at end of period	135,294	147,740

(a) Restricted cash and cash equivalents are assets, the uses of which are restricted by specific legal or other externally imposed requirements. These include medical research grants, donations for the benefits of patients, medical education, scholarships, capital projects, employee contributions and staff benevolent funds.

For the purpose of the statement of cash flows, cash and cash equivalent (and restricted cash and cash equivalent) assets comprise of cash on hand and cash at bank.

		2024 \$000	2023 \$000
7.3.2 Reconciliation of net cost of services to net cash flows used in operating activities			
Net cost of services (statement of comprehensive income)		(2,043,613)	(1,920,734)
Non-cash items	Note		
Depreciation and amortisation expense	5.5	56,882	51,362
Expected credit loss expense	3.7	5,708	3,450
Services received free of charge	4.1	85,094	84,281
Net (gain)/loss on disposal of non-current assets	3.7	23	511
Donation of non-current assets		(284)	(16)
Reversal asset revaluation decrement - land	4.7	(4,198)	(3,139)
Write-off of receivables	6.1.1	(3,671)	(3,888)
Adjustment for other non-cash items		876	22
(Increase)/decrease in assets			
GST receivable	6.1	(719)	(540)
Other current receivables	6.1	(12,855)	(6,820)
Inventories	6.3	(439)	(499)
Prepayments and other current assets	6.4	(12)	28,719
Increase/(decrease) in liabilities			
Current payables	6.5	21,900	13,788
Current employee benefits provisions	3.1.2	13,110	15,428
Other current liabilities	6.7	(159)	96
Non-current employee benefits provisions	3.1.2	(2,685)	(1,112)
Net cash used in operating activities (statement of cash flows)		(1,885,042)	(1,739,091)

	2024	2023
	\$000	\$000

7.4	Commitments
7.4.1	Capital commitments

Capital expenditure commitments, being contracted capital expenditure additional to the amounts reported in the financial statements, are payable as follows:

Within 1 year	42,152	29,893
Later than 1 year, and not later than 5 years	961	-
Balance at end of period	43,113	29,893

The totals presented for capital commitments are inclusive of GST.

7.4.2	Private sector commitments - contracts for the provision of health services
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Expenditure commitments in relation to private sector organisations contracted for at the end of the reporting period but not recognised as liabilities, are payable as follows:

Within 1 year	439,079	419,269
Later than 1 year, and not later than 5 years	1,761,030	1,619,851
Later than 5 years, and not later than 10 years	2,319,775	2,135,466
Later than 10 years	565,559	905,031
Balance at end of period	5,085,443	5,079,617

The totals presented for private sector contracts for the provision of health services commitments are inclusive of GST.

East Metropolitan Health Service
Notes to the financial statements
For the year ended 30 June 2024

Note	8	Risks and contingencies
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This note sets out the key risk management policies and measurement techniques of the Health Service.

	Note
Financial risk management	8.1
Contingent assets and liabilities	8.2
Fair value measurements	8.3

8.1	Financial risk management
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Financial instruments held by the Health Service are cash and cash equivalents, restricted cash and cash equivalents, borrowings, finance leases, receivables and payables. The Health Service has limited exposure to financial risks. The Health Service's overall risk management program focuses on managing the risks identified below.

All financial assets and liabilities recognised in the statement of financial position, whether they are carried at cost or fair value, are recognised at amounts that represent a reasonable approximation of fair value unless otherwise stated in the applicable notes.

a) Summary of risks and risk management

Credit risk

Credit risk arises when there is the possibility of the Health Service's receivables defaulting on their contractual obligations resulting in financial loss to the Health Service.

Credit risk associated with the Health Service's financial assets is generally confined to patient fee debtors (see note 6.1 'Receivables'). The main receivable of the Health Service is the amounts receivable for services (holding account). For receivables other than government agencies and patient fee debtors, the Health Service trades only with recognised, creditworthy third parties. The Health Service has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. In addition, receivable balances are monitored on an ongoing basis with the result that the Health Service's exposure to bad debts is minimal. Debt will be written off against the allowance account when it is improbable or uneconomical to recover the debt. At the end of the reporting period, there were no significant concentrations of credit risk.

In circumstances where a third party is responsible for payment, or there are legal considerations, payment of accounts can be delayed considerably. Unpaid debts are referred to an external debt collection service on a case-by-case basis, considering financial election and reasons for non-payment.

Liquidity risk

Liquidity risk arises when the Health Service is unable to meet its financial obligations as they fall due. The Health Service is exposed to liquidity risk through its normal course of operations.

	2024	2023
	\$000	\$000
8.1 Financial risk management (continued)		
The Health Service has appropriate procedures to manage cash flows including drawdowns of appropriations by monitoring forecast cash flows to ensure that sufficient funds are available to meet its commitments.		
Market risk		
Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Health Service's income or the value of its holdings of financial instruments. The Health Service does not trade in foreign currency and is not materially exposed to other price risks. The Health Service is not exposed to market risk for changes in interest rates as it does not have borrowings other than lease liabilities.		
b) Categories of financial instruments		
The carrying amounts of each of the following categories of financial assets and financial liabilities at the end of the reporting period are:		
Financial assets		
Cash and cash equivalents	91,502	106,355
Restricted cash and cash equivalents	43,792	41,385
Financial assets at amortised cost (1)	75,047	56,611
Amounts receivable for services	722,253	667,817
Total financial assets	932,594	872,168
Financial liabilities		
Financial liabilities measured at amortised cost	151,089	130,641
Total financial liabilities	151,089	130,641

(1) The amount of receivables and financial assets at amortised cost excludes GST recoverable from ATO (statutory receivable).

East Metropolitan Health Service
Notes to the financial statements
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8.1 Financial risk management (continued)

c) Credit risk exposure

The following table details the credit risk exposure on the Health Service's receivables using a provision matrix.

	Days past due					
	Total	Current	< 30 days	31-60 days	61-90 days	>91 days*
	\$000	\$000	\$000	\$000	\$000	\$000
30 June 2024						
Expected credit loss rate		3%	11%	16%	22%	68%
Estimated total gross carrying amount at default	56,816	24,939	5,279	3,602	2,919	20,077
Expected credit losses	(16,151)	(774)	(560)	(559)	(641)	(13,617)
30 June 2023						
Expected credit loss rate		2%	11%	23%	24%	72%
Estimated total gross carrying amount at default	43,961	19,282	3,462	2,186	1,590	17,441
Expected credit losses	(14,095)	(290)	(373)	(493)	(386)	(12,553)

*Includes receivables with maturity dates greater than 2 years.

d) Liquidity risk and interest rate exposure

The following table details the Health Service's interest rate exposure and the contractual maturity analysis of financial assets and financial liabilities. The maturity analysis section includes interest and principal cash flows. The interest rate exposure section analyses only the carrying amounts of each item.

East Metropolitan Health Service
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8.1 Financial risk management (continued)										
Interest rate exposure and maturity analysis of financial assets and financial liabilities										
	Weighted average effective interest rate %	Interest rate exposure				Nominal amount \$000	Maturity dates			
		Carrying amount \$000	Fixed interest rate \$000	Variable interest rate \$000	Non- interest bearing \$000		Up to 3 months \$000	3 months to 1 year \$000	1 - 5 years \$000	More than 5 years \$000
2024										
Financial Assets										
Cash and cash equivalents		91,502	-	-	91,502	91,502	91,502	-	-	-
Restricted cash and cash equivalents		43,792	-	-	43,792	43,792	43,792	-	-	-
Receivables - non-interest bearing (1)		75,047	-	-	75,047	75,047	40,665	-	34,382	-
Amounts receivable for services		722,253	-	-	722,253	722,253	-	-	-	722,253
		932,594	-	-	932,594	932,594	175,959	-	34,382	722,253
Financial Liabilities										
Payables	-	133,868	-	-	133,868	133,868	133,868	-	-	-
Lease liabilities	3.88%	16,711	16,711	-	-	16,711	-	3,887	8,666	4,158
Other current liabilities		510			510	510	510			
		151,089	16,711	-	134,378	151,089	134,378	3,887	8,666	4,158
2023										
Financial Assets										
Cash and cash equivalents		106,355	-	-	106,355	106,355	106,355	-	-	-
Restricted cash and cash equivalents		41,385	-	-	41,385	41,385	41,385	-	-	-
Receivables - non-interest bearing (1)		56,611	-	-	56,611	56,611	29,866	-	26,745	-
Amounts receivable for services		667,817	-	-	667,817	667,817	-	-	-	667,817
		872,168	-	-	872,168	872,168	177,606	-	26,745	667,817
Financial Liabilities										
Payables	-	111,968	-	-	111,968	111,968	111,968	-	-	-
Lease liabilities	3.65%	18,143	18,143	-	-	18,143	-	3,388	10,341	4,414
Other current liabilities		530	-	-	530	530	530	-	-	-
		130,641	18,143	-	112,498	130,641	112,498	3,388	10,341	4,414

(1) The amount of receivables excludes the GST recoverable from ATO (statutory receivable).

e) Interest rate sensitivity analysis

The Health Service does not have exposure on changes to the interest rate environment as it does not have financial instrument which depends on variable interest rates.

East Metropolitan Health Service
Notes to the financial statements
For the year ended 30 June 2024

8.2 Contingent assets and liabilities

Contingent assets and contingent liabilities are not recognised in the statement of financial position but are disclosed and, if quantifiable, are measured at the best estimate.

Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

8.2.1 Contingent assets

At the reporting date, the Health Service is not aware of any contingent assets.

8.2.2 Contingent liabilities

At the reporting date, there is one legal matter related to the Health Service before the Industrial Magistrates Court. The State Solicitors Office will represent the Health Service and has estimated a contingent liability of \$400,000.

Contaminated sites

Under the *Contaminated Sites Act 2003*, the Health Service is required to report known and suspected contaminated sites to the Department of Water and Environmental Regulation (DWER). In accordance with the Act, DWER classifies these sites on the basis of the risk to human health, the environment and environmental values. Where sites are classified as *contaminated – remediation required* or *possibly contaminated – investigation required*, the Health Service may have a liability in respect of investigation or remediation expenses.

At the reporting date, the Health Service does not have any suspected contaminated sites reported under the Act.

8.3 Fair value measurements

Assets measured at fair value 2024	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Land (notes 5.1 'Property, plant and equipment' and 5.4 'Service concession assets (SCA)')				
Vacant land	-	-	-	-
Specialised land	-	21,980	73,461	95,441
Buildings (notes 5.1 'Property, plant and equipment' and 5.4 'Service concession assets (SCA)')				
Residential and commercial carpark	-	2,100	-	2,100
Specialised buildings	-	-	866,543	866,543
	-	24,080	940,004	964,084

East Metropolitan Health Service
Notes to the financial statements
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8.3 Fair value measurements (continued)				
Assets measured at fair value	Level 1	Level 2	Level 3	Total
2023	\$000	\$000	\$000	\$000
Land				
(notes 5.1 'Property, plant and equipment' and 5.4 'Service concession assets (SCA)')				
Vacant land	-	850	-	850
Specialised land	-	21,310	69,083	90,393
Buildings				
(notes 5.1 'Property, plant and equipment' and 5.4 'Service concession assets (SCA)')				
Residential and commercial carpark	-	2,100	-	2,100
Specialised buildings	-	-	825,850	825,850
	-	24,260	894,933	919,193

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

Level 1 inputs - quoted prices (unadjusted) in active markets for identical assets.

Level 2 inputs - input other than quoted prices included within level 1 that are observable for the asset, either directly or indirectly.

Level 3 inputs - input not based on observable market data.

Vacant land that was initially classified under Level 2 and valued at \$0.85M in 2023 has been reclassified as specialised land under Level 3 in 2024, due to a structure being constructed on this land.

Valuation techniques to derive level 2 and level 3 fair values

The Health Service obtains independent valuations of land and buildings from the Western Australian Land Information Authority (Valuations and Property Analytics) annually. Two principal valuation techniques are applied to the measurement of fair values:

Market approach (comparable sales)

The Health Service's commercial car park and vacant land are valued under the market approach. This approach provides an indication of value by comparing the asset with identical or similar properties for which price information is available. Analysis of comparable sales information and market data provides the basis for fair value measurement.

The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available, Western Australian Land Information Authority (Valuations and Property Analytics) considers current prices in an active market for properties of different nature or recent prices of similar properties in less active markets and adjusts the valuation for differences in property characteristics and market conditions.

For properties with buildings and other improvements, the land value is measured by comparison and analysis of open market transactions on the assumption that the land is in a vacant and marketable condition. The amount determined is deducted from the total property value and the residual amount represents the building value.

8.3 Fair value measurements (continued)

Cost approach
Properties of a specialised nature that are rarely sold in an active market or are held to deliver public services are referred to as non-market or current use type assets. These properties do not normally have a feasible alternative use due to restrictions or limitations on their use and disposal. The existing use is their highest and best use.

For current use land assets, fair value is measured firstly by establishing the opportunity cost of public purpose land, which is termed the hypothetical alternate land use value. This approach assumes unencumbered land use based upon potential highest and best alternative use as represented by surrounding land uses and market analysis.

Fair value of the land is then determined on the assumption that the site is rehabilitated to a vacant marketable condition. This requires costs associated with rehabilitation to be deducted from the hypothetical alternate land use value of the land. Costs may include building demolition, clearing, planning approvals and time allowances associated with realising that potential.

In some instances, the legal, physical, economic and socio-political restrictions on land results in a minimal or negative current use land value. In this situation the land value adopted is the higher of the calculated rehabilitation amount or the amount determined on the basis of comparison to market corroborated evidence of land with low level utility. Land of low-level utility is considered to be grazing land on the urban fringe of the metropolitan area with no economic farming potential or foreseeable development or redevelopment potential at the measurement date.

The Health Service's hospitals and community centres are specialised buildings and their fair value is determined by reference to the cost of replacing the remaining future economic benefits embodied in the asset (i.e. current replacement cost). Current replacement cost is generally determined by estimating the current cost of reproduction or replacement of the building, on its current site, adjusted for physical deterioration and all relevant forms of obsolescence and optimisation. Obsolescence encompasses physical deterioration, functional (technological) obsolescence and economic (external) obsolescence. Current replacement cost is unlikely to be materially different from depreciated replacement cost as a measure of value in use of specialised assets that are rarely sold.

The techniques involved in the determination of the current replacement costs include:

- a) Review and updating of the 'as-constructed' drawing documentation.
- b) Categorisation of the drawings using the Building Utilisation Categories (BUC's) which designate the functional areas typically provided by the following types of clinical facilities. Each BUC has different cost rates which are calculated from the historical construction costs of similar clinical facilities and are adjusted for the year-to-year change in building costs using building cost index.
 - Nursing Posts and Medical Centres
 - Metropolitan Secondary, Specialist and General Hospitals
 - Tertiary Hospitals
- c) Measurement of the general floor areas.
- d) Application of the BUC cost rates per square metre of general floor areas.

8.3 Fair value measurements (continued)

The maximum effective age used in the valuation of specialised buildings is 50 years. The effective age of buildings is initially calculated from the commissioning date and is reviewed after the buildings have undergone substantial renewal, upgrade or expansion.

The straight-line method of depreciation is applied and assumes a uniform pattern of consumption over the initial 37.5 years of asset life (up to 75% of current replacement costs). All specialised buildings are assumed to have a residual value of 25% of their current replacement costs.

The valuations are prepared on a going concern basis until the year in which the current use is discontinued. Buildings with definite demolition plan are not subject to annual revaluation. The current replacement costs at the last valuation dates for these buildings are written down to the statement of comprehensive income as depreciation expenses over their remaining useful life.

Fair value measurements using significant unobservable inputs (Level 3)

	Land \$000	Buildings \$000
2024		
Fair value at beginning of period	69,083	825,851
Additions	850	5,448
Revaluation increments/(decrements) recognised in profit or loss	3,528	-
Revaluation increments/(decrements) recognised in other comprehensive income	-	72,280
Depreciation	-	(37,036)
Fair value at end of period	<u>73,461</u>	<u>866,543</u>
	Land \$000	Buildings \$000
2023		
Fair value at beginning of period	67,564	713,056
Additions	-	48,867
Revaluation increments/(decrements) recognised in profit or loss	1,519	-
Revaluation increments/(decrements) recognised in other comprehensive income	-	96,624
Depreciation	-	(32,696)
Fair value at end of period	<u>69,083</u>	<u>825,851</u>

East Metropolitan Health Service
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8.3 Fair value measurements (continued)		
Valuation processes		
Western Australian Land Information Authority (Valuation and Property Analytics) determines the fair values of the Health Service's land and buildings. A quantity surveyor is engaged by the Health Service to provide an update of the current construction costs for specialised buildings. Western Australian Land Information Authority (Valuation and Property Analytics) may endorse the current construction costs calculated by the quantity surveyor for specialised buildings and calculates the current replacement costs.		
Note	9	Other disclosures

This section includes additional material disclosures required by accounting standards or other pronouncements, for the understanding of this financial report.

	Note
Events occurring after the end of the reporting period	9.1
Impact of Australian Accounting Standards	9.2
Initial application of Australian Accounting Standards	9.2.1
Future impact of Australian Accounting Standards not yet operative	9.2.2
Key management personnel	9.3
Related party transactions	9.4
Related bodies	9.5
Affiliated bodies	9.6
Special purpose accounts	9.7
Remuneration of auditors	9.8
Equity	9.9
Supplementary financial information	9.10
Administered trust accounts	9.11

9.1 Events occurring after the end of the reporting period
Next Step Service (NSS) is the Western Australian state-wide main public sector specialist Alcohol and Other Drugs clinical service provider. The NSS plays a key role in medical, nursing and allied health professional education and training, and participates in and generates alcohol and other drug research. Under instruction from the Minister for Health; Mental Health, the NSS will be transitioned from the Mental Health Commission to the East Metropolitan Health Service effective from October, 2024. The transition aims to provide both short-term and long-term organisational advantages while also offering a distinctive opportunity to elevate the status of Alcohol and Other Drugs as a medical specialty throughout the health system. Comprehensive transition plans have been drafted in close collaboration from all entities, to address functional and business area transitions to ensure a smooth and seamless transition.

9.2 Impact of Australian Accounting Standards

9.2.1 Initial application of Australian Accounting Standards

There were no new Australian Accounting Standards effective for the year 2023-24 that applied to the Health Service.

9.2.2 Future impact of Australian Accounting Standards not yet operative

The Health Service cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 *Application of Australian Accounting Standards and Other Pronouncements* or by an exemption from TI 1101. Where applicable, the Health Service plans to apply the following Australian Accounting Standards from their application date.

Title	Operative for reporting periods beginning on/after
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<i>AASB 2020-1 - Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current</i>	1 Jan 2024
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This Standard amends AASB 101 to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current.

There is no financial impact.

<i>AASB 2022-10 - Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities</i>	1 Jan 2024
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This Standard amends AASB 13 including adding authoritative implementation guidance and providing related illustrative examples, for fair value measurements of non-financial assets of not-for-profit public sector entities not held primarily for their ability to generate net cash inflows.

The Health Service has not assessed the impact of the Standard.

East Metropolitan Health Service
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9.3 Key management personnel		
<p>The Health Service has determined that key management personnel include cabinet ministers, board members and senior officers of the Health Service. However, the Health Service is not obligated to compensate ministers and therefore disclosures in relation to ministers' compensation may be found in the <i>Annual Report on State Finances</i>.</p> <p>The Board of East Metropolitan Health Service is the Accountable Authority for the Health Service.</p> <p>Total compensation (includes the superannuation expense incurred by the Health Service) for key management personnel, comprising members and senior officers of the Accountable Authority for the period are presented within the following bands:</p>		
	2024	2023
Compensation of members of the Accountable Authority		
Compensation band		
\$ 10,001 - \$ 20,000	1	2
\$ 20,001 - \$ 30,000	-	1
\$ 30,001 - \$ 40,000	-	1
\$ 40,001 - \$ 50,000	7	6
\$ 50,001 - \$ 60,000	1	1
\$ 60,001 - \$ 70,000	-	1
\$ 80,001 - \$ 90,000	1	-
Total	10	12
9.3 Key management personnel (continued)		
	2024	2023
Compensation of senior officers		
Compensation band		
\$ 0 - \$ 50,000	-	2
\$ 50,001 - \$ 100,000	-	1
\$ 100,001 - \$ 150,000	-	2
\$ 150,001 - \$ 200,000	2	2
\$ 200,001 - \$ 250,000	3	6
\$ 250,001 - \$ 300,000	6	2
\$ 300,001 - \$ 350,000	1	-
\$ 450,001 - \$ 500,000	1	1
\$ 500,001 - \$ 550,000	-	1
\$ 600,001 - \$ 650,000	1	-
Total	14	17
Short-term employee benefits (a)	3,780	3,721
Post-employment benefits	422	387
Other long-term benefits	258	(3)
Total compensation of key management personnel	4,460	4,105

(a) The short-term employee benefits include salary, motor vehicle benefits, district and travel allowances incurred by the Health Service in respect of senior officers.

9.4 Related party transactions

The Health Service is a wholly-owned public sector entity that is controlled by the State of Western Australia.

Related parties of the Health Service include:

- all senior officers and their close family members, and their controlled or jointly controlled entities
- all members of the Accountable Authority, and their close family members, and their controlled or jointly controlled entities
- all cabinet ministers and their close family members, and their controlled or jointly controlled entities
- other departments and statutory authorities, including related bodies, that are included in the whole of government consolidated financial statements (i.e. wholly-owned public sector entities)
- the Government Employees Superannuation Board (GESB)

Significant transactions with Government-related entities

In conducting its activities, the Health Service is required to transact with the State and entities related to the State. These transactions are generally based on the standard terms and conditions that apply to all agencies. Such transactions include:

	Note
Income from State Government	4.1
Capital contributions from Department of Health	9.9
Superannuation payments to GESB	3.1.1
Remuneration for services provided by Office of the Auditor General	9.8
Lease payments to the Department of Finance (Government Office Accommodation and State Fleet motor vehicles)	3.7, 7.1

Material transactions with other related parties

Outside of normal citizen type transactions with the Health Service, there were no other related party transactions that involved key management personnel and/or their close family members and/or their controlled (or jointly controlled) entities.

9.5 Related bodies

A related body is a body that receives more than half of its funding and resources from an agency and is subject to operational control by that agency.

The Health Service had no related bodies during the reporting period.

9.6 Affiliated bodies

An affiliated body is a body that receives more than half its funding and resources from an agency but is not subject to operational control by that agency.

The Health Service had no affiliated bodies during the reporting period.

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	2024 \$000	2023 \$000
9.7 Special purpose accounts		
Mental Health Commission Fund (East Metropolitan Health Service) Account		
The purpose of the account is to receive funds from the Mental Health Commission, to fund the provision of mental health services as jointly endorsed by the Department of Health and the Mental Health Commission, in the East Metropolitan Health Service, in accordance with the annual Service Agreement and subsequent agreements.		
Balance at start of period	8,611	450
Receipts		
Commonwealth contributions (note 4.1)	83,706	81,778
State contributions (note 4.1)	181,354	168,282
Other	400	2
	<u>274,071</u>	<u>250,512</u>
Payments	(265,596)	(241,901)
Balance at end of period	<u>8,475</u>	<u>8,611</u>

The special purpose accounts are established under section 16(1)(d) of the *Financial Management Act 2006* .

9.8 Remuneration of auditors		
Remuneration paid or payable to the Auditor General in respect of the audit for the current financial year is as follows:		
Auditing the accounts, financial statements, controls, and key performance indicators	430	375

9.9 Equity		
The Western Australian Government holds the equity interest in the Health Service on behalf of the community. Equity represents the residual interest in the net assets of the Health Service. The asset revaluation reserve represents that portion of equity resulting from the revaluation of non-current assets.		
Contributed equity		
Balance at start of the period	1,276,487	1,234,101
Contributions by owners (a)		
Contribution by Owners – Capital Appropriations administered by Department of Health (b)	36,260	12,541
Transfer of assets from Department of Health	-	29,845
Total contributions by owners	<u>1,312,747</u>	<u>1,276,487</u>
Total contributed equity at end of period	<u>1,312,747</u>	<u>1,276,487</u>

	2024	2023
	\$000	\$000
9.9 Equity (continued)		

(a) AASB 1004 'Contributions' requires transfers of net assets as a result of a restructure of administrative arrangements to be accounted for as contributions by owners and distributions to owners.

TI 955 designates non-discretionary and non-reciprocal transfers of net assets between State government agencies as contributions by owners in accordance with AASB Interpretation 1038 . Where the transferee agency accounts for a non-discretionary and non-reciprocal transfer of net assets as a contribution by owners, the transferor agency accounts for the transfer as a distribution to owners.

(b) TI 955 'Contributions by Owners Made to Wholly-Owned Public Sector Entities' designates capital appropriations as contributions by owners in accordance with AASB Interpretation 1038 'Contributions by Owners Made to Wholly-Owned Public Sector Entities'.

Asset revaluation reserve		
Balance at start of the period	244,829	148,065
Net revaluation increments:		
Buildings	72,322	96,764
Total asset revaluation reserve at end of period	317,151	244,829

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets on a class of assets basis. Any increment is credited directly to the asset revaluation reserve, except to the extent that the increment reverses a revaluation decrement previously recognised as an expense (see note 5.1 'Property, plant and equipment').

For land revaluation decrement recognised as an expense, see note 3.7 'Other expenses'.

9.10 Supplementary financial information

a) Write-offs

Debts written off under the authority of the Accountable Authority	2,480	1,983
Public and other property written off under the authority of the Minister	1,763	-
Debts written off under the authority of the Minister	376	1,065
	4,619	3,048

See also Note 6.1.1 Movement of the allowance for impairment of receivables

b) Debt waivers

Debts waived under the authority of the Accountable Authority	815	840
	815	840

	2024	2023
	\$000	\$000
9.10 Supplementary financial information (continued)		
Debt waivers are discretionary in nature and under justifiable and reasonable circumstances, can be used by the Accountable Authority to permanently forgive a debt.		
See also Note 6.1.1 Movement of the allowance for impairment of receivables		
Losses of public money, and public and other property through theft or default	1,774	27
Amounts recovered	(6)	(22)
	1,768	5

9.11 Administered trust accounts		
Funds held in these trust accounts are not controlled by the Health Service and are therefore not recognised in the financial statements.		
The Health Service administers trust accounts for the purpose of holding patients' private moneys.		
A summary of the transactions for these trust accounts are as follows:		
Balance at start of period	16	17
Add receipts	67	57
	83	74
Less payments	(64)	(58)
Balance at end of period	19	16

East Metropolitan Health Service
Notes to the financial statements
For the year ended 30 June 2024

Note	10	Explanatory statement
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All variances between 2024 actual results and 2024 estimates (original budget) are shown below. Narratives are provided for key major variances, which are greater than 10% and \$20.34 million for the statement of comprehensive income, statement of cash flows and \$19.98 million for the statement of financial position.

		Estimates	Actuals	Variance
		2024	2024	between 2024 actuals and 2024 estimates
Statement of comprehensive income	Note	\$000	\$000	\$000
Expenses				
Employee benefits expense		1,162,041	1,223,878	61,837
Contracts for services		345,170	360,732	15,562
Patient support costs		273,701	290,610	16,909
Fees for contracted medical practitioners		30,295	33,905	3,610
Finance costs		269	636	367
Depreciation and amortisation expense		51,751	56,882	5,131
Repairs, maintenance and consumable equipment		30,932	37,172	6,240
Other supplies and services		12,959	13,435	476
Cost of sales		4,026	4,359	333
Other expenses	1	122,988	144,146	21,158
Total cost of services		2,034,132	2,165,755	131,623
Income				
Patient charges		51,311	57,321	6,010
Other fees for services		538	1,827	1,289
Other grants and contributions		1,830	1,098	(732)
Donation income		151	330	179
Sale of goods		3,785	4,149	364
Other income and recoveries		53,910	57,417	3,507
Total income other than income from State Government		111,525	122,142	10,617
Net cost of services		1,922,607	2,043,613	121,006
Income from State Government				
Department of Health - Service Agreement:				
- State component		990,490	1,050,930	60,440
- Commonwealth component		529,878	568,483	38,605
Mental Health Commission - Service Agreement		265,674	265,460	(214)
Income from other state government agencies		47,176	53,030	5,854
Resources received		87,395	85,104	(2,291)
Total income from State Government		1,920,613	2,023,007	102,394
Deficit for the period		(1,994)	(20,606)	(18,612)
Other comprehensive income				
Items not reclassified subsequently to profit or loss				
Changes in asset revaluation reserve		-	72,322	72,322
Total other comprehensive income		-	72,322	72,322
Total comprehensive income/(loss) for the period		(1,994)	51,716	53,710

East Metropolitan Health Service
Notes to the financial statements
For the year ended 30 June 2024

Note	10	Explanatory statement (continued)		
		Estimates	Actuals	Variance
		2024	2024	between 2024 actuals and 2024 estimates
Statement of financial position	Note	\$000	\$000	\$000
Assets				
Current assets				
Cash and cash equivalents		100,471	91,502	(8,969)
Restricted cash and cash equivalents		41,385	43,792	2,407
Receivables		36,995	46,108	9,113
Inventories		5,873	6,312	439
Other current assets		979	1,077	98
Total current assets		185,703	188,791	3,088
Non-current assets				
Receivables		34,314	34,382	68
Amounts receivable for services		719,568	722,253	2,685
Property, plant and equipment		712,808	751,876	39,068
Intangible assets		109	83	(26)
Right-of-use assets		14,079	14,895	816
Service concession assets		331,137	353,847	22,710
Total non-current assets		1,812,015	1,877,336	65,321
Total assets		1,997,718	2,066,127	68,409
Liabilities				
Current liabilities				
Payables		124,203	133,868	9,665
Grant liabilities		955	955	-
Lease liabilities		3,006	3,885	879
Employee benefits provisions		219,255	241,398	22,143
Other current liabilities		1,186	1,027	(159)
Total current liabilities		348,605	381,133	32,528
Non-current liabilities				
Employee benefits provisions		48,116	42,276	(5,840)
Lease liabilities		12,817	12,826	9
Total non-current liabilities		60,933	55,102	(5,831)
Total liabilities		409,538	436,235	26,697
Net assets		1,588,180	1,629,892	41,712
Equity				
Contributed equity		1,324,584	1,312,747	(11,837)
Reserves		244,829	317,151	72,322
Accumulated surplus/(deficit)		18,767	(6)	(18,773)
Total equity		1,588,180	1,629,892	41,712

East Metropolitan Health Service
Notes to the financial statements
For the year ended 30 June 2024

Note	10	Explanatory statement (continued)		
		Estimates 2024	Actuals 2024	Variance between 2024 actuals and 2024 estimates
Statement of cash flows	Note	\$000	\$000	\$000
Cash flows from State Government				
Contribution by Owners – Capital Appropriations administered by Department of Health		48,138	36,260	(11,878)
Service agreement - Department of Health		1,468,617	1,564,977	96,360
Service agreement - Mental Health Commission		265,674	265,460	(214)
Funds received from other state government agencies		47,176	53,030	5,854
Net cash provided by State Government		1,829,605	1,919,727	90,122
Utilised as follows:				
Cash flows from operating activities				
Payments				
Employee benefits		(1,167,919)	(1,202,736)	(34,817)
Supplies and services		(717,008)	(777,631)	(60,623)
Finance costs		(269)	(636)	(367)
Receipts				
Receipts from customers		45,433	43,783	(1,650)
Other grants and contributions		1,830	1,098	(732)
Donations received		151	46	(105)
Other receipts		58,233	51,034	(7,199)
Net cash used in operating activities		(1,779,549)	(1,885,042)	(105,493)
Cash flows from investing activities				
Payments				
Purchase of non-current assets		(46,050)	(37,087)	8,963
Receipts				
Proceeds from sale of non-current assets		-	20	20
Net cash used in investing activities		(46,050)	(37,067)	8,983
Cash flows from financing activities				
Payments				
Principal elements of lease payments		(2,320)	(2,427)	(107)
Payment to accrued salaries account		(7,569)	(7,637)	(68)
Net cash used in financing activities		(9,889)	(10,064)	(175)
Net increase (decrease) in cash and cash equivalents		(5,883)	(12,446)	(6,563)
Cash and cash equivalents at the beginning of the period		147,740	147,740	-
Total cash and cash equivalents at the end of the period		141,857	135,294	(6,563)

East Metropolitan Health Service
Notes to the financial statements
For the year ended 30 June 2024

Note	10	Explanatory statement (continued)
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All variances between actual results for 2024 and 2023 are shown below. Narratives are provided for key major variances, which are greater than 10% and \$20.31 million for the statement of comprehensive income and statement of cash flows and \$19.47 million for the statement of financial position.

		Actuals 2024 \$000	Actuals 2023 \$000	Variance between 2024 and 2023 actual results \$000
Statement of comprehensive income	Note			
Expenses				
Employee benefits expense		1,223,878	1,160,532	63,346
Contracts for services		360,732	342,752	17,980
Patient support costs		290,610	272,040	18,570
Fees for contracted medical practitioners		33,905	30,083	3,822
Finance costs		636	267	369
Depreciation and amortisation expense		56,882	51,362	5,520
Repairs, maintenance and consumable equipment		37,172	34,174	2,998
Other supplies and services		13,435	12,884	551
Cost of sales		4,359	3,998	361
Other expenses	1	144,146	122,578	21,568
Total cost of services		2,165,755	2,030,670	135,085
Income				
Patient charges		57,321	50,580	6,741
Other fees for services		1,827	531	1,296
Other grants and contributions		1,098	1,804	(706)
Donation income		330	149	181
Sale of goods		4,149	3,731	418
Other income and recoveries		57,417	53,141	4,276
Total income other than income from State Government		122,142	109,936	12,206
Net cost of services		2,043,613	1,920,734	122,879
Income from State Government				
- State component		1,050,930	989,837	61,093
- Commonwealth component		568,483	522,232	46,251
Mental Health Commission - Service Agreement		265,460	250,060	15,400
Income from other state government agencies		53,030	46,503	6,527
Resources received		85,104	86,153	(1,049)
Total income from State Government		2,023,007	1,894,785	128,222
Deficit for the period		(20,606)	(25,949)	5,343
Other comprehensive income				
Items not reclassified subsequently to profit or loss				
Changes in asset revaluation reserve		72,322	96,764	(24,442)
Total other comprehensive income		72,322	96,764	(24,442)
Total comprehensive income/(loss) for the period		51,716	70,815	(19,099)

East Metropolitan Health Service
Notes to the financial statements
For the year ended 30 June 2024

Note	10	Explanatory statement (continued)		
		Actuals 2024 \$000	Actuals 2023 \$000	Variance between 2024 and 2023 actual results \$000
Statement of financial position	Note			
Assets				
Current assets				
Cash and cash equivalents		91,502	106,355	(14,853)
Restricted cash and cash equivalents		43,792	41,385	2,407
Receivables		46,108	34,590	11,518
Inventories		6,312	5,873	439
Other current assets		1,077	1,065	12
Total current assets		188,791	189,268	(477)
Non-current assets				
Receivables		34,382	26,745	7,637
Amounts receivable for services		722,253	667,817	54,436
Property, plant and equipment		751,876	705,795	46,081
Intangible assets		83	109	(26)
Right-of-use assets		14,895	17,607	(2,712)
Service concession assets		353,847	340,076	13,771
Total non-current assets		1,877,336	1,758,149	119,187
Total assets		2,066,127	1,947,417	118,710
Liabilities				
Current liabilities				
Payables	2	133,868	111,968	21,900
Grant liabilities		955	955	-
Lease liabilities		3,885	3,388	497
Employee benefits provisions		241,398	228,288	13,110
Other current liabilities		1,027	1,186	(159)
Total current liabilities		381,133	345,785	35,348
Non-current liabilities				
Employee benefits provisions		42,276	44,961	(2,685)
Lease liabilities		12,826	14,755	(1,929)
Total non-current liabilities		55,102	59,716	(4,614)
Total liabilities		436,235	405,501	30,734
Net assets		1,629,892	1,541,916	87,976
Equity				
Contributed equity		1,312,747	1,276,487	36,260
Reserves		317,151	244,829	72,322
Accumulated surplus/(deficit)		(6)	20,600	(20,606)
Total equity		1,629,892	1,541,916	87,976

East Metropolitan Health Service
Notes to the financial statements
For the year ended 30 June 2024

Note	10	Explanatory statement (continued)		
		Actuals 2024 \$000	Actuals 2023 \$000	Variance between 2024 and 2023 actual results \$000
Statement of cash flows	Note			
Cash flows from State Government				
Contribution by Owners – Capital Appropriations administered by Department of Health	3	36,260	12,540	23,720
Service agreement - Department of Health		1,564,977	1,458,098	106,879
Service agreement - Mental Health Commission		265,460	250,060	15,400
Funds received from other state government agencies		53,030	46,502	6,528
Net cash provided by State Government		1,919,727	1,767,200	152,527
Utilised as follows:				
Cash flows from operating activities				
Payments				
Employee benefits	4	(1,202,736)	(1,138,776)	(63,960)
Supplies and services		(777,631)	(693,796)	(83,835)
Finance costs		(636)	(267)	(369)
Receipts				
Receipts from customers		43,783	41,558	2,225
Commonwealth grants and contributions		-	254	(254)
Other grants and contributions		1,098	1,550	(452)
Donations received		46	133	(87)
Other receipts		51,034	50,253	781
Net cash used in operating activities		(1,885,042)	(1,739,091)	(145,951)
Cash flows from investing activities				
Payments				
Purchase of non-current assets		(37,087)	(27,057)	(10,030)
Receipts				
Proceeds from sale of non-current assets		20	-	20
Net cash used in investing activities		(37,067)	(27,057)	(10,010)
Cash flows from financing activities				
Payments				
Principal elements of lease payments		(2,427)	(2,234)	(193)
Payment to accrued salaries account		(7,637)	(5,856)	1,781
Net cash used in financing activities		(10,064)	(8,090)	1,588
Net decrease in cash and cash equivalents		(12,446)	(7,038)	(5,408)
Cash and cash equivalents at the beginning of the period		147,740	154,778	(7,038)
Total cash and cash equivalents at the end of the period		135,294	147,740	(12,446)

Explanation of significant variances between 2024 estimates and 2024 actuals and between 2024 and 2023 actual results

- 1. **Other Expenses** - This is primarily attributed to the increase in insurance premiums paid, amounting to \$17 million and an increase in the expected credit loss expense of \$2.3 million, due to the higher accrual of patient revenue.

- 2. **Payables** - There was \$11.2 million rise in accrued payroll, which reflects a greater number of days to accrue in June 2024 compared to June 2023. Additionally, there is a higher accrual of \$2.7 million for the RiskCover premium adjustment and a \$2 million increase in accrued contracts for services related to St John of God Midland Public Hospital. The remaining increase is associated with the general rise in expenditure.

- 3. **Contribution by Owners – Capital Appropriations administered by Department of Health** - The global supply chain disruptions and local labour shortages caused delays in the execution of project expenditures originally planned for 2022. Consequently, the funding requirements for 2023 were reduced and this deferral contributed to the \$23 million variance in cash requested for capital projects between the two financial years.

- 4. **Supplies and services** - In 2024, there were higher payments made in connection with the St John of God Midland Public Hospital contract and other outsourced radiology and medical services, totaling \$20 million. Additional payments included \$3.6 million for contracted medical practitioners and \$13 million for drugs, medical and surgical supplies and instruments, driven by increased activity. Furthermore, the insurance premium for 2023 was prepaid in June 2022, resulting in a timing variance of \$46 million.