GIPPSLAND SOUTHERN
Health Service

Gippsland Southern Health Service

2020/21 Annual Report

Incorporating:
Leongatha Hospital
Korumburra Hospital
Tarwin Lower Community Health Centre
Korumburra Community Health Centre

Gippsland Southern Health Service - Report of Operations

Responsible Bodies declaration

In accordance with the Financial Management Act 1994, I am pleased to present the Report of Operations for Gippsland Southern Health Service for the year ending 30 June 2021.

Athina Georgiou
CHAIR, BOARD OF DIRECTORS
LEONGATHA, 14th October 2021

Year In Review

CEO's Report

Our vision
Excellence in healthcare

Our mission
Building a healthier community together

Our values: Individuality, Respect, Accountability, Empowerment, Excellence, Collaboration

On behalf of the Board of Directors and dedicated staff of Gippsland Southern Health Service (GSHS) we are pleased to present this year's annual report. Our achievements include the ongoing support of State Government initiatives for management of the COVID-19 pandemic as well as the near completion of our new Strategic Plan.

During the year the organisation kept in place the required COVID-19 management protocols. This was of course a challenge as Victoria transitioned between lockdowns and various stages of restrictions. During the New Year public holiday & again later in January, the organisation had to quickly deploy additional resources for COVID-19 testing following the identification of positive COVID-19 tests in the Leongatha township. It was a fantastic effort by our staff to work over this period at short notice to help support the community in its time of need. Thanks also go to the South Gippsland Hospital and Bass Coast Health for assisting with staffing and the set up and operation of the COVID-19 testing procedures over these periods.

The consequences of the COVID-19 pandemic also had financial implications. The operating result for the year was break even or $0 compared to a budgeted deficit of $1.4m. It was always going to be a challenge to manage the budget particularly given the on-going impact of the pandemic. There was increased use of personal protective equipment, medical consumables, additional staffing and associated costs for resourcing the testing clinics. The costs were significant amounting to $896K in 2020-21. The Department of Health was very supportive to cover all of the COVID-19 costs incurred during the financial year. In addition; they provided a financial stability grant that enabled the organisation to achieve a break-even operating result. A financial management improvement plan remains in place so that the organisation can identify potential improvements with the aim of ensuring financial sustainability into the future.

Activity within the two hospitals increased significantly over the previous year. Inpatient admissions increased by 373 or 9.6% over the previous year to a total of 4,233 admissions. The number of theatre cases increased by 432 or 28% greater than the previous year to a total of 1,945 cases. The number of births increased by 46 or 28% to 210 and the number of presentations to our Urgent Care centres grew by 205 or 5.5% to a total of 3,919. This figure does not include the number of COVID-19 swabs that were undertaken which numbered 3,219 for the year.

Our community based programs and aged care services continue to play significant roles in the support of our community and we saw further growth in the delivery of services to NDIS clients and Home Care Package recipients.

During the year the organisation enlisted the services of Calm Consulting to develop its Strategic Plan for the 2021 to 2025 period. Calm Consulting has engaged with the organisation's stakeholders including the Board, management, staff & consumers to produce a strategic plan. Our new strategy will provide some focus on our key objectives to help drive positive outcomes for the community in relation to our provision of health services.

The organisation received an Aboriginal Cultural safety grant and has utilised those funds to install Aboriginal artwork and Flags in the entrances of the Leongatha and Korumburra campus' to provide a welcoming environment for Aboriginal and Torres Strait Islander people who access our services. We have also identified a Cultural Awareness training package which will be rolled out in the next financial year for all staff.

We take this opportunity to acknowledge our highly skilled staff, our volunteers and contractors for their commitment and professionalism. We also thank the Board and Executive for their leadership throughout the year. At the end of the year we farewelled Ian Drysdale and Rajiv Dhar for their valued input to the Board over the past 9 years, and Belinda Brennan for 3 years service on the Board of Management.

We commend this annual report as an overview of the achievements of Gippsland Southern Health Service for the 2020/21 financial year.

Mark Johnson
Chief Executive Officer (CEO)

Purpose and functions

Gippsland Southern Health Service was established in 1992 as a result of the amalgamation of the Korumburra District and Woorayl District Memorial Hospitals. The organisation provides a comprehensive range of Health Services to the community within the South Gippsland Shire. The health related activities that the organisation provides includes:

- District Hospital Services
- Aged Care Services
- Day Care facilities for the maintenance of the physical and psychological wellbeing of patients.
- Community Health Services and Health Promotion Programs throughout the Sub Region.
- Liaison and co-operation with other Health Service providers in establishing a planned and co-ordinated approach to the provision of Health Services.
- Diagnostic Services.

- Encouragement for Visiting Medical Specialists to attend the facilities.
- Assistance with the training of Nurses and Allied Health Professionals through clinical placements and provision of ongoing education for all categories of Staff.
- Community Nursing Services in the form of District Nursing, Assessment Services and Allied Health Services, in liaison with the Gippsland Regional Aged Assessment Service and Gippsland Psychiatric Services.
- Purchase resources and acquire property as may assist the attainment of the objectives referred to above.
- Research activities and Quality Improvement Programs which may enhance care and treatment.
- Resources to facilitate any activity for the economic, social and recreational wellbeing of residents.

Establishment & Responsible Ministers

Gippsland Southern Health Service is established under the Health Services Act 1988.

The responsible Minister is the Minister for Health:

From 1 July 2020 to 26 September 2020
Jenny Mikakos MP
Minister for Health
Minister for Ambulance Services

From 26 September 2020 to 30 June 2021
The Hon Martin Foley MP
Minister for Health
Minister for Ambulance Services
Minister for Equality

Significant Changes in Key Initiatives and Expectations for the future

The Health Service key initiatives are principally driven by the Statement of Priorities that is developed based on Department of Health guidelines. Achievement against those priorities are disclosed separately in this report.

The expectations for the future is for the achievement of objectives detailed within the organisation's updated strategic plan. Each year we will review our performance against the strategic goals outlined in the document and adjust our plan when we need to, ensuring we cater to changes in our external environment and continue to meet the healthcare needs of our community. We've developed metrics of success to provide quantitative and qualitative evidence to measure our performance against each strategic pillar. And finally, we will respond to the needs of our community, staff and care partners by improving our connectedness, remaining informed, and continuing to improve our organisation to build a healthier community in South Gippsland, together.

Disclosure Index

The Annual Report of Gippsland Southern Health Service is prepared in accordance with all relevant Victorian legislation. This index has been prepared to facilitate identification of the Department's compliance with statutory disclosure requirements.

Legislation	Requirement	Page Reference

Other relevant reporting directives

Attestations

Other reporting requirements

Our Services

Acute

- Chemotherapy
- Dermatology
- Ear Nose and Throat
- General Medicine
- General Surgery
- Gynaecology
- Infection Prevention & Control
- Midwifery / Obstetrics including Antenatal & Maternity Enhancement Services
- Operating Theatres
- Ophthalmology
- Orthopaedic Surgery
- Paediatrics
- Palliative Care
- Pharmacy
- Pre-admission Clinic
- Rheumatology
- Specialist Services
- Urology

Community Services

- Alcohol & Drug Service
- Allied Health
- Diabetes Education
- District Nursing Service
- Community Allied Health Team
- Community Health Nursing
- Continence Nurse Advisor
- Health Promotion Programs
- Healthy Ageing & Preventing Injury (HAPI)
- Palliative Care
- Planned Activity Groups
- Post Acute Care
- Respite Care
- Social Work
- Volunteer Coordination
- Specialist Community Nursing
  - Stomal, Diabetes, Continence

Community Services (cont'd)

- Home Care Packages
- NDIS

Residential Care

- Alchera House, Korumburra
- Hillside Lodge, Korumburra
- Koorooman House, Leongatha

Outpatient Care

- Cardiac Rehabilitation
- Community Psychiatry
- Dental Care
- Dietitian
- Domiciliary Midwifery
- Occupational Therapy
- Physiotherapy
- Podiatry
- Social Work
- Speech Pathology

Diagnostic Services

- Audiology
- Medical Imaging
- Pathology

Staff Services

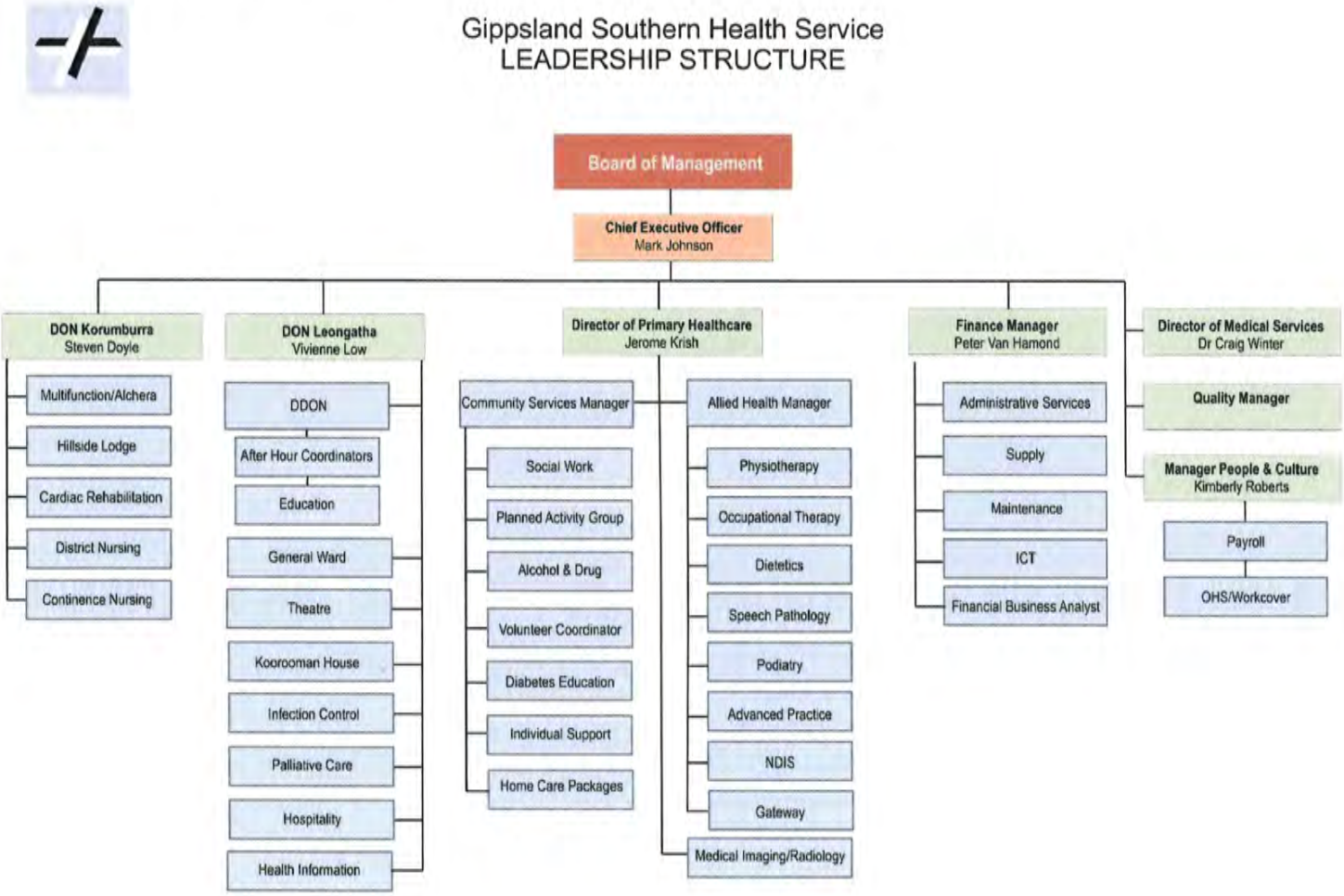
- Education & Staff Development
- Staff Health
- Employee Assistance Program

Senior Office Holders – administrative structure

Chief Executive Officer: Mark Johnson
Director of Nursing Leongatha: Vivienne Low
Director of Primary Healthcare: Jerome Krish
Director of Nursing Korumburra: Steven Doyle
Manager Finance: Peter Van Hamond

(Refer to organisation chart below for responsibilities)

Organisation Chart



Board Committee Representation

Board Membership: Ian Drysdale (Chair), Athina Georgiou (Vice Chair), Sue Fleming (Vice Chair), Duncan Smith (Treasurer), Rajiv Dhar, Catherine Pickett, Belinda Brennan, Jill Walsh, Kimberley Flanagan, Gwen Scheffer, Chris McLoughlin

GSHS Sub-Committee Membership
Audit & Finance Committee: Duncan Smith (Chair), Dean Cashin (Independent member), Tim Bolge (independent member), Sue Fleming, Athina Georgiou
Clinical Governance & Quality Improvement Committee: Ian Drysdale, Jill Walsh
Medical Advisory Committee: Athina Georgiou
Corporate Governance Committee: Belinda Brennan, Catherine Pickett, Kimberley Flanagan

Building Act 1993

Gippsland Southern Health Service fully complies with the building and maintenance provisions of the Building Act 1993. All sites are subject to a Fire Safety Audit and Risk Assessment according to revised standards as directed by the Department of Health.

Local Jobs First Act 2003

The Local Jobs First Act 2003 introduced in August 2018 brings together the Victorian Industry Participation Policy (VIPP) and Major Project Skills Guarantee (MPSG) policy which were previously administered separately.

Departments and public sector bodies are required to apply the Local Jobs first policy in all projects valued at $3 million or more in Metropolitan Melbourne or for state-wide projects, or $1 million or more for projects in regional Victoria. MPSG applies to all construction projects valued at $20 million or more. The Health Service did not commence or complete any contracts during 2020/21 that require disclosure under the Local Jobs First Act 2003.

Gender Equality Act 2020

Gippsland Southern Health Service is in the process of implementing the requirements outlined under the Gender Equality Act 2020. The organisation has commenced the development of its Gender Equality Action Plan. The plan will be supported by a workplace gender audit, policy and impact assessments to help achieve the objects of the Act outlined below.

Objects of the Act:

- promote, encourage and facilitate the achievement of gender equality and improvement in the status of women
- support the identification and elimination of systemic causes of gender inequality in policy, programs and delivery of services in workplaces and communities
- recognise that gender inequality may be compounded by other forms of disadvantage or discrimination that a person may experience on the basis of Aboriginality, age, disability, ethnicity, gender identity, race, religion, sexual orientation and other attributes
- redress disadvantage, address stigma, stereotyping, prejudice and violence, and accommodate persons of different genders by way of structural change
- enhance economic and social participation by persons of different genders
- further promote the right to equality set out in the Charter of Human Rights and Responsibilities and the Convention on the Elimination of All Forms of Discrimination against Women

National competition policy

The National Competition Policy was introduced in 1995 in relation to the following four related areas of reform: electricity, gas, water resource policy and road transport. The State Government of Victoria subsequently released its Competitive Neutrality Policy in 2000 via the Department of Treasury and Finance. The Health Service conforms with the core intent of the National Competition Policy and to the extent applicable to the Competitive Neutrality Policy of Victoria. The four key priorities in the Victorian Government Policy is restoring democracy, improving services to all Victorians, growing the whole of Victoria and responsible financial management.

Disclosure of ex-gratia payments

There were no ex-gratia payments in 2020/21.

Application and Operation of Public Interest Disclosures Act 2012

The Public Interest Disclosures Act 2012 provides for the disclosure of improper conduct by public bodies and public officials and the protection for those who come forward with a disclosure. It also provides for the investigation of disclosures that meet legislative definition of a protected disclosure. The Health Service has an established policy that complies with the Public Interest Disclosures Act 2012. There were no complaints made under the Act against Gippsland Southern Health Service or its staff for 2020/21.

Additional information on Request

Details in respect of the items listed below have been retained by the Health Service and are available to the relevant Ministers, Members of Parliament and the public on request (subject to the freedom of information requirements, if applicable):

- Declarations of pecuniary interests have been duly completed by all relevant officers;
- Details of shares held by senior officers as nominee or held beneficially;
- Details of publications produced by the entity about itself, including annual Aboriginal cultural safety reports and plans, and how these can be obtained;
- Details of changes in prices, fees, charges, rates and levies charged by the Health Service;
- Details of any major external reviews carried out on the Health Service;
- Details of major research and development activities undertaken by the Health Service that are not otherwise covered either in the report of operations or in a document that contains the financial statements and report of operations;
- Details of overseas visits undertaken including a summary of the objectives and outcomes of each visit;
- Details of major promotional, public relations and marketing activities undertaken by the Health Service to develop community awareness of the Health Service and its services;
- Details of assessments and measures undertaken to improve the occupational health and safety of employees;
- A general statement on industrial relations within the Health Service and details of time lost through industrial accidents and disputes, which is not otherwise detailed in the report of operations;
- A list of major committees sponsored by the Health Service, the purposes of each committee and the extent to which those purposes have been achieved;
- Details of all consultancies and contractors including consultants/contractors engaged, services provided, and expenditure committed for each engagement.

Carers Recognition Act 2012

As a care support organisation, Gippsland Southern Health Service:

- Takes all practicable measures to ensure that its employees and agents have an awareness and understanding of the care relationship principles
- Takes all reasonable measures to ensure that persons who are in care relationships and who are receiving services in relation to the care relationship from Gippsland Southern Health Service have an awareness and understanding of the care relationship principles
- Takes all practicable measures to ensure that Gippsland Southern Health Service and its employees and agents reflect the care relationship principles in developing, providing or evaluating support and assistance for persons in care relationships.

Freedom of Information Act

Requests under the Freedom of Information (FOI) Act 1982 were dealt with according to the Act by the organisation's nominated officer.

Freedom of Information requests should be in writing and addressed to:

Chief Executive Officer
Private Bag 13
LEONGATHA VIC 3953

Requests will be subject to charges based on Section 22 of the FOI Act 1982 and the Freedom of Information (Access Charges) Regulations 2014.

Further information can be found on the Office of the Victorian Information Commissioner (OVIC) website www.ovic.gov.au

Attestations

Data Integrity

I, Mark Johnson, certify that Gippsland Southern Health Service has put in place appropriate internal controls and processes to ensure that reported data accurately reflects actual performance. Gippsland Southern Health Service has critically reviewed these controls and processes during the year.

Mark Johnson
Chief Executive Officer
Leongatha
14th October 2021

Conflict of Interest

I, Mark Johnson, certify that Gippsland Southern Health Service has put in place appropriate internal controls and processes to ensure that it has complied with the requirements of hospital circular 07/2017 Compliance reporting in health portfolio entities (Revised) and has implemented a 'Conflict of Interest' policy consistent with the minimum accountabilities required by the VPSC. Declaration of private interest forms have been completed by all executive staff within Gippsland Southern Health Service and members of the board, and all declared conflicts have been addressed and are being managed. Conflict of interest is a standard agenda item for declaration and documenting at each executive board meeting.

Mark Johnson
Chief Executive Officer
Leongatha
14th October 2021

Financial Management Compliance attestation

I, Athina Georgiou, on behalf of the Responsible Body, certify that Gippsland Southern Health Service has no Material Compliance Deficiency with respect to the applicable Standing Directions under the Financial Management Act 1994 and Instructions.

Athina Georgiou
Board Chair
Leongatha
14th October 2021

Integrity, fraud and corruption

I, Mark Johnson, certify that Gippsland Southern Health Service has put in place appropriate internal controls and processes to ensure that Integrity, fraud and corruption risks have been reviewed and addressed at Gippsland Southern Health Service during the year.

Mark Johnson
Chief Executive Officer
Leongatha
14th October 2021

Other Reporting requirements

Safe Patient Care Act 2015

Gippsland Southern Health Service has no matters to report in relation to its obligations under Section 40 of the Safe Patient Care Act 2015.

Financial Results - summary

	2021 $'000	2020 $'000	2019 $'000	2018 $'000	2017 $'000
OPERATING RESULT	**-**	**(1,055)**	**(1,120)**	**565**	**1,187**
Total Revenue	45,660	41,093	38,781	37,234	34,104
Total Expenses	49,215	46,074	42,041	38,107	35,282
Net Result from Transactions	**(3,555)**	**(4,981)**	**(3,260)**	**(873)**	**(1,178)**
Total other economic flows	33	(16)	(15)	1	18
Net Result	**(3,522)**	**(4,997)**	**(3,275)**	**(872)**	**(1,160)**
Total Assets	98,523	99,742	103,321	85,098	82,215
Total Liabilities	22,197	20,995	19,577	17,758	14,773
Net Assets/Total Equity	76,326	78,747	83,744	67,340	67,442

* The Operating result is the result which the health service is monitored against in its Statement of Priorities

Reconciliation between the Net Result from transactions to the Statement of Priorities Operating result.

	2021 $'000	2020 $'000
Net Operating Result *	**-**	**(1,055)**
Capital Purpose income	886	483
Specific Income	-	-
COVID-19 State Supply Arrangements		
- Assets received free of charge or for nil consideration under the State Supply	197	31
- State supply items consumed up to 30 June 2021	(226)	(18)
Assets received free of charge	-	-
Expenditure for capital purposes	(108)	(113)
Depreciation	(4,304)	(4,309)
Finance costs (other)	-	-
Net Result from transactions	**(3,555)**	**(4,981)**

* The Net operating result is the result which the health service is monitored against in its Statement of Priorities

Financial Summary

Gippsland Southern Health Service recorded a break even operating result. This is the measure that the Government uses to gauge an organisation's financial performance. The Statement of Priorities target was a deficit of $0.90m.

Financial Summary (cont'd)

The organisation experienced an 11.1% increase in income from operating activities compared to an increase in expenditure of 7.5% excluding depreciation. The improved financial position can be attributed to the receipt of a financial stability grant of approximately $1.3m at the end of the financial year. The Health Service is appreciative of this financial support from the State Department of Health during these unprecedented times. The COVID-19 pandemic continued to impact Health Service activity. As a consequence the organisation did not achieve its targets. However, the target concessions & additional funding received from the State helped offset these operational setbacks.

The balance sheet remains in a strong position with $24m of current assets and $21m of current liabilities including provisions. Total current assets increased by $1.2m due principally to an increase in receivables and cash & cash equivalents. A reduction in the value of property, plant & equipment incorporates depreciation expenses of $4.3m which was offset by an increase in the value of land following a managerial revaluation of $1.1m. The organisation's overall balance sheet position is sound with current assets exceeding current liabilities by $2.6m.

The budgetary objectives for 2020/21 were met as the organisation received a funding stability grant from the Department of Health. However, the organisation is mindful that without the funding stability grant, the results would have been in deficit. As a consequence the organisation will maintain a financial management improvement plan that sets out various strategies to improve its financial results going forward.

There were no events subsequent to balance date that may have a significant effect on the operational objectives of the organisation in subsequent years.

Staffing Profile

Labour Category	JUNE Current Month FTE		Average Monthly FTE	
	2021	2020	2021	2020
Nursing	140.76	139.95	140.96	132.32
Administration and Clerical	32.80	31.88	32.95	31.63
Medical Support	43.14	16.04	41.45	14.65
Hotel and Allied Services	47.35	65.63	46.46	64.35
Medical Officers	0.11	0.05	0.11	0.05
Hospital Medical Officers	0.00	0.00	0.00	0.00
Ancillary Staff (Allied Health)	35.08	35.93	35.94	36.77
TOTALS	**299.24**	**289.48**	**297.87**	**279.77**

Employment & Conduct Principles

The organisation has applied the appropriate employment & conduct principles and employees have been correctly classified in workforce data collections.

Details of individual consultancies

Details of consultancies (under $10,000)

In 2020/21, there were five consultancies where the total fees payable to the consultants were less than $10,000. The total expenditure incurred during 2020-21 in relation to these consultancies is $30,160 (excl GST).

Details of consultancies (valued at $10,000 or greater)

In 2020/21, there were two consultancies where the total fees payable to the consultants were $10,000 or greater. The total expenditure incurred during 2020-21 in relation to these consultancies is $97,300 (excl GST).

Consultancies over $10,000

Consultant	Purpose of consultancy	Start Date	End Date	Total approved project fee (excluding GST)	Expenditure 2020/21 (excluding GST)	Future expenditure (excluding GST)
Studer Group	Evidence Based Learning	1/07/2020	30/06/2021	$ 79,718	$ 36,968	$ 42,750
Calm Consulting Group	Strategic plan development	1/07/2020	30/06/2021	$ 60,332	$ 60,332	$ -

Information and Communication Technology (ICT) expenditure

a. ICT expenditure - represents an entity's costs in providing business-enabling ICT services and consists of the following cost elements:

- Operating and capital expenditure (including depreciation);
- ICT services – internally and externally sourced;
- Cost in providing ICT services (including personnel & facilities) across the agency, whether funded through a central ICT budget or through other budgets; and
- Cost in providing ICT services to other organisations

b. Non-Business As Usual (Non-BAU) expenditure – is a subset of ICT expenditure that relates to extending or enhancing current ICT capabilities and are usually run as projects.

c. Business As Usual (BAU) expenditure – includes all remaining ICT expenditure other than Non-BAU ICT expenditure and typically relates to ongoing activities to operate and maintain the current ICT capability.

Details of Information and Communication Technology (ICT) expenditure

The total ICT expenditure incurred during 2020/21 is $2,350,385 (excluding GST) with the details shown below.

Business As Usual (BAU) ICT Expenditure	Non-Business As Usual (non-BAU) ICT Expenditure		
Total (excluding GST)	*Total = Operational expenditure and Capital Expenditure (excluding GST) (a) + (b)*	*Operational Expenditure (excluding GST) (a)*	*Capital Expenditure (excluding GST) (b)*
$1,922,192	$428,193	$410,193	$18,000

Occupational Violence

Occupational Violence Statistics	2020-21
Workcover accepted claims with an occupational violence cause per 100 FTE	0
Number of accepted Workcover claims with lost time injury with an occupational violence cause per 1,000,000 hours worked	0.00
Number of occupational violence incidents reported	53
Number of occupational violence incidents per 100 FTE	17.80
Percentage of occupational violence incidents resulting in a staff injury, illness or condition	9.40%

The following definitions apply:

Occupational violence - any incident where an employee is abused, threatened or assaulted in circumstances arising out of, or in the course of their employment.
Incident - an event or circumstance that could have resulted in, or did result in, harm to an employee.
Accepted Workcover claims - Accepted Workcover claims that were lodged in 2020-21.
Lost time - is defined as greater than one day.
Injury, illness or condition - This includes all reported harm as a result of the incident, regardless of whether the employee required time off work or submitted a claim.

Occupational Health and Safety (OH&S)

The Health Service remains committed to providing a safe and healthy workplace. The organisation facilitates a safe workplace by conducting regular OH&S committee meetings, staff training, hazard identification and incident reporting.

Occupational Health & Safety Statistics	2020/21	2019/20	2018/19
No. of reported hazards/incidents for the year per 100 FTE	11.33	68.05	29.57
No. of 'lost time' standard claims for the year per 100 FTE	1.3	4.49	13
The average cost per WorkCover claim for the year.	$42,940.00	$ 83,419.00	$ 4,152.62

Part A: Strategic Priorities

For financial year 2020-21 there have been no individual deliverables that constitutes SoP Part A. Due to the COVID-19 pandemic the Minister for Health provided all health services with the below SoP Part A priorities to be focused on during the pandemic.

- Maintain your robust COVID-19 readiness and response, working with my department to ensure we rapidly respond to outbreaks, if and when they occur, which includes providing testing for your community and staff, where necessary and if required. This includes preparing to participate in, and assist with, the implementation of our COVID-19 vaccine immunisation program rollout, ensuring your local community's confidence in the program

  Achieved – the Health Service maintained swabbing clinics during 20/21 and escalated its testing during January when there were two positive COVID-19 tests identified in the township of Leongatha. The Health Service also participated in the Gippsland Region Public Health Unit. The outcome of these activities was the effective management of COVID-19 outbreaks in the South Gippsland community.

- Engage with your community to address the needs of patients, especially our vulnerable Victorians whose care has been delayed due to the pandemic and provide the necessary "catch-up" care to support them to get back on track.

  Achieved – the Health Service undertook some additional elective surgery as part of the Departments Elective Surgery Blitz initiative. The surgery assisted the State of Victoria in reducing elective surgery waiting lists.

- As providers of care, respond to the recommendations of the Royal Commission into Victoria's Mental health System and the Royal Commission into Aged Care Quality and Safety.

  In Progress – the recently published State Government guidance and recommendations arising from the Royal Commission into Aged Care Quality and Safety will be reviewed by the Health Service for adoption.

- Develop and foster your local health partner relationships, which have been strengthened during the pandemic response, to continue delivering collaborative approaches to planning, procurement and service delivery at scale. This extends to prioritising innovative ways to deliver health care through shared expertise and workforce models, virtual care, co-commissioning services and surgical outpatient reform to deliver improved patient care through greater integration.

  Achieved – continued participation in the South Coast Health consortium as well as participation in the Gippsland Region Public Health Unit (GRPHU). The collaboration between Health Services in the South Coast region helped with staffing and other resources that were required in January 2021 to deal with several positive COVID-19 tests. The Health Service in conjunction with the GRPHU co-ordinated the distribution of COVID-19 vaccines to enable the Health Service to vaccinate its aged care residents and staff. Public COVID-19 vaccination clinics commenced in early July.

Part B: Performance Priorities

High quality and safe care

Key performance measure	Target	Result
Infection prevention and control		
Compliance with the Hand Hygiene Australia program	83%	96%
Percentage of healthcare workers immunised for influenza	90%	93%
Patient Experience		
Victorian Healthcare Experience Survey – percentage of positive patient experience responses	95%	No Surveys conducted in 2020-2021
Victorian Healthcare Experience Survey – percentage of positive patient experience responses	75%	No Surveys conducted in 2020-2021
Maternity and Newborn		
Rate of singleton term infants without birth anomalies with APGAR score <7 to 5 minutes	≤ 1.4%	1.7%
Rate of severe fetal growth restriction (FGR) in singleton pregnancy undelivered by 40 weeks	≤ 28.6%	Less than 10 cases reported

Timely access to care

Key performance measure	Target	Result
Specialist clinics		
Percentage of urgent patients referred by a GP or external specialist who attended a first appointment within 30 days	100%	No urgent cases in 2020-2021
Percentage of routine patients referred by a GP or external specialist who attended a first appointment within 365 days	90%	99%

Effective financial management

Key performance measure	Target	Result
Operating result ($m)	-$0.9	$0
Average number of days to pay trade creditors	60 days	40 days
Average number of days to receive patient fee debtors	60 days	40 days
Public and Private WIES activity performance to target	100%	95%
Adjusted current asset ratio (ACAR)	0.7 or 3% improvement from health service base target	1.33
Actual number of days available cash, measured on the last day of each month.	14 days	Achieved
Variance between forecast and actual Net result from transactions (NRFT) for the current financial year ending 30 June.	Variance ≤ $250,000	Not achieved

Part C: Activity

Funding type	Activity	Units
Acute Admitted		
Acute WIES	2359	WIES
WIES DVA	26	WIES
WIES TAC	4	WIES
Acute Non-Admitted		
Specialist Clinics	6871	WASE
Subacute & Non-Acute Admitted		
Subacute WIES - Maintenance Public	43	WIES
Subacute WIES - Palliative Care Public	49	WIES
Subacute WIES - DVA	5	WIES
Subacute Non-Admitted		
Palliative Care Non-admitted	756	Service Events
Residential Aged Care	29017	Bed Days
HACC	3193	Hours
Mental Health and Drug Services		
Drug Services	561	DTAU
Primary Health		
Community Health / Primary Care Programs	3207	Hours

Energy consumption

Total energy consumption by energy type (GJ)	2018/19	2019/20	2020/21
Electricity	6501	6295	6119
Natural gas and LPG	7013	7652	6922
Total	**13514**	**13947**	**13041**

Normalised energy consumption	2018/19	2019/20	2020/21
Energy per unit of floor space (GJ/m2)	1.04	1.07	1.00
Energy per unit of activity (GJ/activity)	0.34	0.34	0.34

Note:

Total Floor space for GSHS is 13,003 m2 (Leongatha 9,169 m2 and Korumburra 3,834 m2)

Bed Days have been used as the unit of activity.

2018/19 - Bed Days (39,986) comprise 10,165 In-patient bed days and 29,821 Residential Aged Care bed days.

2019/20 - Bed Days (40,548) comprise 9,736 In-patient bed days and 30,812 Residential Aged Care bed days.

2020/21 - Bed Days (38,701) comprise 9,684 In-patient bed days and 29,017 Residential Aged Care bed days.

Greenhouse gas emissions

Total greenhouse gas emissions (tonnes CO2e)	2018/19	2019/20	2020/21
Scope 1	359	392	354
Scope 2	2131	2063	2006
Total	**2490**	**2455**	**2360**

Note: Carbon conversion factors are sourced from Department of Environment 2014 publication of the National Greenhouse Accounts Factors. Used conversion factors are: 1.18 kg CO2-e/kWh for electricity, and 51.2 kg CO2-e/GJ for natural gas.

Normalised greenhouse gas emissions	2018/19	2019/20	2020/21
Emissions per unit of floor space (kgCO2e/m2)	191	189	181
Emissions per unit of activity (kgCO2e/activity)	62	61	61

Water consumption

Total water consumption by water type (kL)	2018/19	2019/20	2020/21
Potable water	12241	8320	10416
Recycled water	0	0	0
Total	**12241**	**8320**	**10416**

Normalised water consumption	2018/19	2019/20	2020/21
Water per unit of floor space (kL/m2)	0.94	0.64	0.80
Water per unit of activity (kL/activity)	0.31	0.21	0.27

Water recycling	2018/19	2019/20	2020/21
Recycling rate (percentage)	N/A	N/A	N/A

Waste generation

Total waste generation by type (Tonnes)	2018/19	2019/20	2020/21
Clinical waste	3	4	4
General waste	308	281	251
Recycled waste	63	56	49
Total	**374**	**341**	**304**

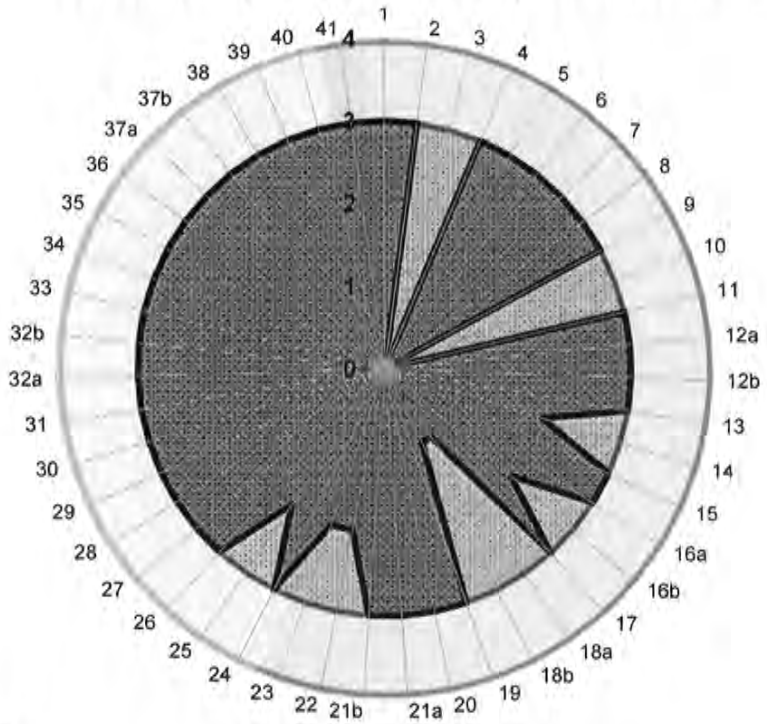
Normalised waste generation	2018/19	2019/20	2020/21
Waste per activity (kg/activity)	9.36	8.42	7.85

Waste recycling	2018/19	2019/20	2020/21
Recycling rate (percentage)	17	17	16

Asset Management Accountability Framework (AMAF) maturity assessment [FRD 22I]

The following sections summarise the Health Service's assessment of maturity against the requirements of the Asset Management Accountability Framework (AMAF). The AMAF is a non-prescriptive, devolved accountability model of asset management that requires compliance with 41 mandatory requirements. These requirements can be found on the DTF website (https://www.dtf.vic.gov.au/infrastructure-investment/asset-management-accountability-framework).

The Health Service's target maturity rating is 'developing', meaning systems and processes are not fully in place and a continuous improvement process to expand system performance will be developed to exceed AMAF minimum requirements.



Legend	
Status	**Scale**
Not applicable	N/A
Innocence	0
Awareness	1
Developing	2
Competence	3
Optimising	4
Unassessed	U/A

Leadership and Accountability (requirements 1-19)
The Health Service has met its target maturity level under some of the requirements within this category.
The Health Service did not comply with some requirements in the areas of allocating asset management responsibility and other requirement. There is no material non-compliance reported in this category. A plan for improvement is in development to improve the Health Service's maturity rating in these areas.

Planning (requirements 20-23)
The Health Service has met its target maturity level under some of the requirements within this category.
A plan for improvement is in development to improve the Health Service's maturity rating in these areas.

Acquisition (requirements 24 and 25)
The Health Service has met its target maturity level under some of the requirements within this category.
A plan for improvement is in development to improve the Health Service's maturity rating in these areas.

Operation (requirements 26-40)
The Health Service has met its target maturity level in this category.

Disposal (requirement 41)
The Health Service has met its target maturity level in this category.

VAGO

Victorian Auditor-General's Office

Independent Auditor's Report

To the Board of Gippsland Southern Health Service

Opinion

I have audited the financial report of Gippsland Southern Health Service (the health service) which comprises the:

- balance sheet as at 30 June 2021
- comprehensive operating statement for the year then ended
- statement of changes in equity for the year then ended
- cash flow statement for the year then ended
- notes to the financial statements, including significant accounting policies
- board member's, accountable officer's and chief finance & accounting officer's declaration.

In my opinion the financial report presents fairly, in all material respects, the financial position of the health service as at 30 June 2021 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the *Financial Management Act 1994* and applicable Australian Accounting Standards.

Basis for Opinion

I have conducted my audit in accordance with the *Audit Act 1994* which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report.

My independence is established by the *Constitution Act 1975.* My staff and I are independent of the health service in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Board's responsibilities for the financial report

The Board of the health service is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Financial Management Act 1994*, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Board is responsible for assessing the health service's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.

Level 31 / 35 Collins Street, Melbourne Vic 3000
T 03 8601 7000 enquiries@audit.vic.gov.au www.audit.vic.gov.au

Auditor's responsibilities for the audit of the financial report

As required by the *Audit Act 1994,* my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the health service's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board
- conclude on the appropriateness of the Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the health service's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the health service to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

DRyan

MELBOURNE
5 October 2021

Dominika Ryan
as delegate for the Auditor-General of Victoria

Financial Statements
Financial Year ended 30 June 2021

Board member's, accountable officer's, and chief finance & accounting officer's declaration

The attached financial statements for Gippsland Southern Health Service have been prepared in accordance with Direction 5.2 of the Standing Directions of the Assistant Treasurer under the *Financial Management Act 1994,* applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations, and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2021 and the financial position of Gippsland Southern Health Service at 30 June 2021.

At the time of signing, we are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.

We authorise the attached financial statements for issue on 16th September 2021.

Board member	**Accountable Officer**	**Chief Finance & Accounting Officer**
Athina Georgiou President	Mark Johnson Chief Executive Officer	Peter Van Hamond Chief Finance & Accounting Officer
LEONGATHA	LEONGATHA	LEONGATHA
16/09/2021	16/09/2021	16/09/2021

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Gippsland Southern Health Service
Comprehensive Operating Statement
For the Financial Year Ended 30 June 2021

	Note	2021 $'000	2020 $'000
Revenue and income from transactions			
Operating activities	2.1	45,625	40,859
Non-operating activities	2.1	35	234
Total revenue and income from transactions		**45,660**	**41,093**
Expenses from transactions			
Employee expenses	3.1	(35,734)	(33,409)
Supplies and consumables	3.1	(3,564)	(3,099)
Depreciation	3.1	(4,304)	(4,309)
Other administrative expenses	3.1	(3,533)	(3,268)
Other operating expenses	3.1	(2,056)	(1,983)
Other non-operating expenses	3.1	(24)	(6)
Total Expenses from transactions		**(49,215)**	**(46,074)**
Net result from transactions - net operating balance		**(3,555)**	**(4,981)**
Other economic flows included in net result			
Net gain/(loss) on sale of non-financial assets	3.4	5	1
Other gain/(loss) from other economic flows	3.4	28	(17)
Total other economic flows included in net result		**33**	**(16)**
Net result for the year		**(3,522)**	**(4,997)**
Other comprehensive income			
Items that will not be reclassified to net result			
Changes in property, plant and equipment revaluation surplus	4.1(b)	1,101	-
Total other comprehensive income		**1,101**	**-**
Comprehensive result for the year		**(2,421)**	**(4,997)**

This Statement should be read in conjunction with the accompanying notes.

Gippsland Southern Health Service
Balance Sheet
As at 30 June 2021

	Note	2021 $'000	2020 $'000
Current assets			
Cash and cash equivalents	6.2	21,943	21,628
Receivables and contract assets	5.1	1,511	866
Inventories	4.3	142	116
Prepaid expenses		155	70
Other assets		333	254
Total current assets		**24,084**	**22,934**
Non-current assets			
Receivables and contract assets	5.1	1,363	1,289
Property, plant and equipment	4.1 (a)	73,076	75,519
Total non-current assets		**74,439**	**76,808**
Total assets		**98,523**	**99,742**
Current liabilities			
Payables and contract liabilities	5.2	2,852	2,272
Borrowings	6.1	14	12
Employee benefits	3.2	7,376	6,870
Other liabilities	5.3	11,202	11,042
Total current liabilities		**21,444**	**20,196**
Non-current liabilities			
Borrowings	6.1	39	21
Employee benefits	3.2	714	778
Total non-current liabilities		**753**	**799**
Total liabilities		**22,197**	**20,995**
Net assets		**76,326**	**78,747**
Equity			
Property, plant and equipment revaluation surplus	4.1(f)	41,588	40,487
Restricted specific purpose reserve	SCE	113	113
Contributed capital	SCE	24,787	24,787
Accumulated surplus/(deficit)	SCE	9,838	13,360
Total equity		**76,326**	**78,747**

This Statement should be read in conjunction with the accompanying notes.

Gippsland Southern Health Service
Statement of Changes in Equity
For the Financial Year Ended 30 June 2021

	Note	Property, Plant and Equipment Revaluation Surplus $'000	Restricted Specific Purpose Reserve $'000	Contributed Capital $'000	Accumulated Surplus/(Deficits) $'000	Total $'000
Balance at 30 June 2019		**40,487**	**113**	**24,787**	**18,357**	**83,744**
Restated Balance at 1 July 2019		**40,487**	**113**	**24,787**	**18,357**	**83,744**
Net result for the year		-	-	-	(4,997)	(4,997)
Balance at 30 June 2020		**40,487**	**113**	**24,787**	**13,360**	**78,747**
Net result for the year		-	-	-	(3,522)	(3,522)
Other comprehensive income for the year		1,101	-	-	-	1,101
Balance at 30 June 2021		**41,588**	**113**	**24,787**	**9,838**	**76,326**

This Statement should be read in conjunction with the accompanying notes.

Gippsland Southern Health Service
Cash Flow Statement
For the Financial Year Ended 30 June 2021

	Note	2021 $'000	2020 $'000
Cash Flows from operating activities			
Operating grants from government		37,605	34,268
Capital grants from government - State		518	221
Patient fees received		3,197	3,932
Donations and bequests received		-	28
GST received from ATO		543	520
Interest and investment income received		35	256
Other receipts		2,822	2,337
Total receipts		**44,720**	**41,562**
Employee expenses paid		(34,988)	(34,400)
Payments for supplies and consumables		(3,754)	(3,064)
Payments for medical indemnity insurance		(458)	(451)
Payments for repairs and maintenance		(686)	(634)
Payment for share of rural health alliance		(2,137)	(1,929)
Other payments		(2,261)	(1,513)
Total payments		**(44,284)**	**(41,991)**
Net cash flows from/(used in) operating activities	8.1	**436**	**(429)**
Cash Flows from investing activities			
Purchase of property, plant and equipment		(698)	(629)
Capital donations and bequests received		257	-
Proceeds from disposal of property, plant and equipment		160	1
Net cash flows from/(used in) investing activities		**(281)**	**(628)**
Cash flows from financing activities			
Receipt of accommodation deposits		5,868	4,113
Repayment of accommodation deposits		(5,708)	(2,530)
Net cash flows from /(used in) financing activities		**160**	**1,583**
Net increase/(decrease) in cash and cash equivalents held		**315**	**526**
Cash and cash equivalents at beginning of year		21,628	21,102
Cash and cash equivalents at end of year	6.2	**21,943**	**21,628**

This Statement should be read in conjunction with the accompanying notes.

Note 1: Basis of preparation

These financial statements represent the audited general purpose financial statements for Gippsland Southern Health Service for the year ended 30 June 2021. The report provides users with information about the Health Service's stewardship of the resources entrusted to it.

This section explains the basis of preparing the financial statements and identifies the key accounting estimates and judgements.

Note 1.1: Basis of preparation of the financial statements

These financial statements are general purpose financial statements which have been prepared in accordance with the *Financial Management Act 1994* and applicable Australian Accounting Standards, which include interpretations issued by the Australian Accounting Standards Board (AASB). They are presented in a manner consistent with the requirements of AASB 101 *Presentation of Financial Statements.*

The financial statements also comply with relevant Financial Reporting Directions (FRDs) issued by the Department of Treasury and Finance (DTF), and relevant Standing Directions (SDs) authorised by the Assistant Treasurer.

The Health Service is a not-for-profit entity and therefore applies the additional AUS paragraphs applicable to a "not-for-profit" health service under the Australian Accounting Standards.
Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Apart from the changes in accounting policies, standards and interpretations as noted below, material accounting policies adopted in the preparation of these financial statements are the same as those adopted in the previous period.

The Health Service operates on a fund accounting basis and maintains three funds: Operating, Specific Purpose and Capital Funds.

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The financial statements have been prepared on a going concern basis (refer to Note 8.8 Economic Dependency).

The financial statements are in Australian dollars.

The amounts presented in the financial statements have been rounded to the nearest thousand dollars. Minor discrepancies in tables between totals and sum of components are due to rounding.

The annual financial statements were authorised for issue by the Board of the Health Service on the 16th September 2021.

Note 1.2 Impact of COVID-19 pandemic

In the previous financial year, a global pandemic caused by the COVID-19 Coronavirus (COVID-19) was declared. To contain the spread of COVID-19 and prioritise the health and safety of our community, the Health Service was required to comply with various restrictions announced by the Commonwealth and State Governments, which in turn, has continued to impact the way in which the Health Service operates.

The Health Service introduced a range of measures in both the prior and current year, including:

- introducing restrictions on non-essential visitors
- greater utilisation of telehealth services
- implementing reduced visitor hours
- deferring elective surgery and reducing activity
- performing COVID-19 testing
- administering COVID-19 vaccinations
- implementing work from home arrangements where appropriate.

As restrictions have eased towards the end of the financial year the Health Service has been able to revise some measures where appropriate including reinstatement of elective surgery and increased visiting hours.

The financial impacts of the pandemic are disclosed at:

- Note 2: Funding delivery of our services
- Note 3: The cost of delivering our services
- Note 4: Key assets to support service delivery
- Note 5: Other assets and liabilities
- Note 6: How we finance our operations.

Note 1.3 Abbreviations and terminology used in the financial statements

The following table sets out the common abbreviations used throughout the financial statements:

Reference	Title
AASB	Australian Accounting Standards Board
AASs	Australian Accounting Standards, which include Interpretations
DH	Department of Health
DTF	Department of Treasury and Finance
FMA	Financial Management Act 1994
FRD	Financial Reporting Direction
SD	Standing Direction
VAGO	Victorian Auditor General's Office
WIES	Weighted Inlier Equivalent Separation
XYZ	XYZ Health Service (a fictitious health service)

Note 1.4 Principles of consolidation

Gippsland Southern Health Service is a single entity. Therefore no consolidation is necessary.

An entity is considered to be a controlled entity where the Health Service has the power to govern the financial and operating policies of an organisation so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable are taken into account.

Transactions between segments within the Health Service have been eliminated to reflect the extent of the Health Service operations as a group.

Note 1.5 Joint arrangements

Interests in joint arrangements are accounted for by recognising in the Health Service financial statements, its share of assets and liabilities and any revenue and expenses of such joint arrangements.

The Health Service has the following joint arrangements:

- Gippsland Health Alliance joint venture

Details of the joint arrangements are set out in Note 8.6.

Note 1.6 Key accounting estimates and judgements

Management make estimates and judgements when preparing the financial statements.

These estimates and judgements are based on historical knowledge and best available current information and assume any reasonable expectation of future events. Actual results may differ.

Revisions to key estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision.

The accounting policies and significant management judgements and estimates used, and any changes thereto, are identified at the beginning of each section where applicable and are disclosed in further detail throughout the accounting policies.

Note 1.7 Accounting standards issued but not yet effective

An assessment of accounting standards and interpretations issued by the AASB that are not yet mandatorily applicable to the Health Service and their potential impact when adopted in future periods is outlined below:

Standard	Adoption Date	Impact
AASB 17: *Insurance Contracts*	Reporting periods on or after 1 January 2023	Adoption of this standard is not expected to have a material impact.
AASB 2020-1: *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current*	Reporting periods on or after 1 January 2022.	Adoption of this standard is not expected to have a material impact.
AASB 2020-3: *Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments*	Reporting periods on or after 1 January 2022.	Adoption of this standard is not expected to have a material impact.
AASB 2020-8: *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2*	Reporting periods on or after 1 January 2021.	Adoption of this standard is not expected to have a material impact.

There are no other accounting standards and interpretations issued by the AASB that are not yet mandatorily applicable to the Health Service in future periods.

Note 1.8 Goods and Services Tax (GST)

Income, expenses and assets are recognised net of the amount of GST, except where the GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables in the Balance Sheet are stated inclusive of the amount of GST. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the Balance Sheet.

Cash flows are included in the Cash Flow Statement on a gross basis, except for the GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the ATO, which are disclosed as operating cash flows.

Commitments and contingent assets and liabilities are presented on a gross basis.

Note 1.9 Reporting Entity

The financial statements include all the controlled activities of Gippsland Southern Health Service.

Its principal address is:

Koonwarra Road
Leongatha, VIC, 3953

A description of the nature of Gippsland Southern Health Service's operations and its principal activities is included in the report of operations, which does not form part of these financial statements.

Note 2: Funding delivery of our services

The Health Service's overall objective is to provide quality health services that support and enhance the wellbeing of all Victorians.

The Health service is predominantly funded by accrual based grant funding for the provision of outputs. The Health Service also receives income from the supply of services.

Structure

2.1 Revenue and income from transactions
2.2 Fair value of assets and services received free of charge or for nominal consideration
2.3 Other income

Telling the COVID-19 story

Revenue recognised to fund the delivery of our services increased during the financial year which was partially attributable to the COVID-19 coronavirus pandemic.

Activity Based Funding decreased as the level of activity agreed in the Statement of Priorities couldn't be delivered due to reductions in the number of patients being treated at various times throughout the financial year.

This was offset by funding provided by the Department of Health to compensate for reductions in revenue and to cover certain direct and indirect COVID-19 related costs.

Funding provided included:

- COVID-19 grants to fund operating & capital costs associated with supports provided to manage the COVID pandemic
- State repurposed grants to fund hospital inpatient activity
- Sustainability funding for the overall financial support required by the Health Service
- Additional elective surgery funding to support reductions in elective surgery waiting lists resulting from the pandemic

Key judgements and estimates

This section contains the following key judgements and estimates:

Key judgements and estimates	Description
Identifying performance obligations	The Health Service applies significant judgment when reviewing the terms and conditions of funding agreements and contracts to determine whether they contain sufficiently specific and enforceable performance obligations.
	If this criteria is met, the contract/funding agreement is treated as a contract with a customer, requiring the Health Service to recognise revenue as or when the health service transfers promised goods or services to customers.
	If this criteria is not met, funding is recognised immediately in the net result from operations.
Determining timing of revenue recognition	The Health Service applies significant judgement to determine when a performance obligation has been satisfied and the transaction price that is to be allocated to each performance obligation. A performance obligation is either satisfied at a point in time or over time.
Determining time of capital grant income recognition	The Health Service applies significant judgement to determine when its obligation to construct an asset is satisfied. Costs incurred is used to measure the health service's progress as this is deemed to be the most accurate reflection of the stage of completion.

Note 2.1 Revenue and income from transactions

	2021 $'000	2020 $'000
Operating activities		
Revenue from contracts with customers		
Government grants (State) - Operating	20,501	20,370
Government grants (Commonwealth) - Operating	9,941	8,655
Patient and resident fees	3,294	3,395
Private practice fees	-	42
Commercial activities [1]	1,209	1,037
Total revenue from contracts with customers	**34,945**	**33,499**
Other sources of income		
Government grants (State) - Operating	7,603	5,336
Government grants (State) - Capital	518	221
Other capital purpose income	76	-
Capital donations	257	28
Assets received free of charge or for nominal consideration	197	31
Other revenue from operating activities (including non-capital donations)	2,029	1,744
Total other sources of income	**10,680**	**7,360**
Total revenue and income from operating activities	**45,625**	**40,859**
Non-operating activities		
Income from other sources		
Capital interest	35	234
Total other sources of income	**35**	**234**
Total income from non-operating activities	**35**	**234**
Total revenue and income from transactions	**45,660**	**41,093**

[1] Commercial activities represent business activities which the Health Service enters into to support their operations.

How we recognise revenue and income from transactions

Government operating grants

To recognise revenue, the Health Service assesses whether there is a contract that is enforceable and has sufficiently specific performance obligations in accordance with AASB 15: *Revenue from Contracts with Customers* .

When both these conditions are satisfied, the health service:

- Identifies each performance obligation relating to the revenue
- recognises a contract liability for its obligations under the agreement
- recognises revenue as it satisfied its performance obligations, at the time or over time when services are rendered.

Where the contract is not enforceable and/or does not have sufficiently specific performance obligations in accordance with AASB1058 - Income for not-for-profit entities, the health service:

- recognises the asset received in accordance with the recognition requirements of other applicable Accounting Standards (for example, AASB 9, AASB 16, AASB 116 and AASB 138)
- recognises related amounts (being contributions by owners, lease liabilities, financial instruments, provisions, revenue or contract liabilities from a contract with a customer), and
- recognises income immediately in profit or loss as the difference between the initial carrying amount of the asset and the related amount.

Note 2.1 Revenue and income from transactions (cont'd)

The types of government grants recognised under AASB 15: *Revenue from Contracts with Customers* includes:

Government grant	Performance obligation
Activity Based Funding (ABF) paid as Weighted Inlier Equivalent Separation (WIES) casemix	The performance obligations for ABF are the number and mix of patients admitted to hospital (defined as 'casemix') in accordance with the levels of activity agreed to, with the Department of Health in the annual Statement of Priorities. Revenue is recognised at a point in time, which is when a patient is discharged, in accordance with the WIES activity when an episode of care for an admitted patient is completed. WIES activity is a cost weight that is adjusted for time spent in hospital, and represents a relative measure of resource use for each episode of care in a diagnosis related group.
Home Care Package Grants	The organisation receives Commonwealth grants for home care package clients with revenue recognised as funds are expended. These performance obligations have been selected as they align with the Commonwealth Government Aged Care Act 1997. The Health service exercises judgement over whether performance obligations are met. This is measured by reference to financial reports detailing expenditure and available funds for each home care package client.
Commonwealth Residential Aged Care	The organisation receives Commonwealth grants for residential aged care clients based on their daily occupancy within each facility. These performance obligations have been selected as they align with the Commonwealth Government Aged Care Act 1997. Judgement over performance obligations is evident from occupancy reports maintained in aged care software with monthly submissions provided to the Commonwealth.
Commonwealth Home Support Program (CHSP) Grants	The organisation contracts with the Commonwealth for the provision of home support to clients over 65 years of age. The contract specifies the services and targets which the organisation measures against in terms of its performance obligations. Measurement is based on service and target outputs derived from the organisation's reporting software.
National Disability Insurance Scheme (NDIS)	The organisation receives funding from the Commonwealth NDIS to support costs associated with disability services provided to eligible clients. The NDIS has pricing arrangements in place that enables the organisation to claim funding based on services provided to its client base. Measurement is based on service outputs derived from the organisation's reporting software.

Capital grants

Where the Health Service receives a capital grant, it recognises a liability for the excess of the initial carrying amount of the financial asset received over any related amounts (being contributions by owners, lease liabilities, financial instruments, provisions, revenue or contract liabilities arising from a contract with a customer) recognised under other Australian Accounting Standards.

Income is recognised progressively as the asset is constructed which aligns with the Health Service's obligation to construct the asset. The progressive percentage of costs incurred is used to recognise income, as this most accurately reflects the stage of completion.

Patient and resident fees

Patient and resident fees are charges that can be levied on patients for some services they receive. Patient and resident fees are recognised at a point in time when the performance obligation, the provision of services, is satisfied, except where the patient and resident fees relate to accommodation charges. Accommodation charges are calculated daily and are recognised over time, to reflect the period accommodation is provided.

Private practice fees

Private practice fees include recoupments from various private practice organisations for the use of hospital facilities. Private practice fees are recognised over time as the performance obligation, the provision of facilities, is provided to customers.

Commercial activities

Revenue from commercial activities includes items such as diagnostic imaging, catering, cafeteria and rental income. Commercial activity revenue is recognised at a point in time, upon provision of the goods or service to the customer.

Note 2.2 Fair value of assets and services received free of charge or for nominal consideration

	2021 $'000	2020 $'000
Assets received free of charge under State supply arrangements	197	31
Total fair value of assets and services received free of charge or for nominal consideration	**197**	**31**

How we recognise the fair value of assets and services received free of charge or for nominal consideration

Donations and bequests

Donations and bequests are generally recognised as income upon receipt (which is when the Health Service usually obtained control of the asset) as they do not contain sufficiently specific and enforceable performance obligations. Where sufficiently specific and enforceable performance obligations exist, revenue is recorded as and when the performance obligation is satisfied.

Personal protective equipment

In order to meet the State of Victoria's health system supply needs during the COVID-19 pandemic, the purchasing of essential personal protective equipment (PPE) and other essential plant and equipment was centralised.

Generally, the State Supply Arrangement stipulates that Health Purchasing Victoria (trading as HealthShare Victoria) sources, secures and agrees terms for the purchase of PPE. The purchases are funded by the Department of Health, while Monash Health takes delivery and distributes an allocation of the products to health services. The Health Service received these resources free of charge and recognised them as income.

Contributions

The Health Service may receive assets for nil or nominal consideration to further its objectives. The assets are recognised at their fair value when the Health Service obtains control over the asset, irrespective of whether restrictions or conditions are imposed over the use of the contributions.

On initial recognition of the asset, the Health Service recognises related amounts being contributions by owners, lease liabilities, financial instruments, provisions and revenue or contract liabilities arising from a contract with a customer.

The Health Service recognises income immediately in the profit or loss as the difference between the initial fair value of the asset and the related amounts.

The exception to this policy is when an asset is received from another government agency or department as a consequence of a restructuring of administrative arrangements, in which case the asset will be recognised at its carrying value in the financial statements of the Health Service as a capital contribution transfer.

Voluntary Services

Contributions by volunteers, in the form of services, are only recognised when fair value can be reliably measured, and the services would have been purchased if they had not been donated. The Health Service has considered the services provided by volunteers and has determined the value of volunteer services cannot be readily determined and therefore it has not recorded any income related to volunteer services.

Note 2.2 Fair value of assets and services received free of charge or for nominal consideration (cont'd)

Non-cash contributions from the Department of Health

The Department of Health makes some payments on behalf of the Health Service as follows:

Supplier	Description
Victorian Managed Insurance Authority	The Department of Health purchases non-medical indemnity insurance for the Health Service which is paid directly to the Victorian Managed Insurance Authority. To record this contribution, such payments are recognised as income with a matching expense in the net result from transactions.
Department of Health	Long Service Leave (LSL) revenue is recognised upon finalisation of movements in LSL liability in line with the long service leave funding arrangements set out in the relevant Department of Health Hospital Circular.

Note 2.3 Other income

	2021 $'000	2020 $'000
Gippsland Health Alliance (GHA) Revenue	1,389	1,303
Recoveries for Salaries & Wages and Services	417	323
Other Income	223	118
Total other income	**2,029**	**1,744**

How we recognise other income

Other income is recognised as revenue when received. Other income includes recoveries for salaries and wages and external services provided, and donations and bequests. If donations are for a specific purpose, they may be appropriated to a surplus, such as the specific restricted purpose surplus.

Interest Income

Interest revenue is recognised on a time proportionate basis that considers the effective yield of the financial asset, which allocates interest over the relevant period.

Note 3: The cost of delivering our services

This section provides an account of the expenses incurred by the hospital in delivering services and outputs. In Section 2, the funds that enable the provision of services were disclosed and in this note the cost associated with provision of services are recorded.

Structure

3.1 Expenses from Transactions
3.2 Employee benefits in the balance sheet
3.3 Superannuation
3.4 Other Economic Flows

Note 3: The cost of delivering our services (cont'd)

Telling the COVID-19 story

Expenses incurred to deliver our services increased during the financial year which was partially attributable to the COVID-19 coronavirus pandemic.

Additional costs were incurred to:

- implement COVID safe practices throughout the health service including increased cleaning, increased security, consumption of personal protective equipment provided as resources free of charge
- assist with COVID-19 outbreak management contributing to an increase in employee costs
- establish vaccination clinics to administer vaccines to staff and the community resulting in an increase in employee costs, additional equipment purchased

Key judgements and estimates

This section contains the following key judgements and estimates:

Key judgements and estimates	Description
Measuring and classifying employee benefit liabilities	The Health Service applies significant judgment when measuring and classifying its employee benefit liabilities. Employee benefit liabilities are classified as a current liability if the Health Service does not have an unconditional right to defer payment beyond 12 months. Annual leave, accrued days off and long service leave entitlements (for staff who have exceeded the minimum vesting period) fall into this category. Employee benefit liabilities are classified as a non-current liability if the Health Service has a conditional right to defer payment beyond 12 months. Long service leave entitlements (for staff who have not yet exceeded the minimum vesting period) fall into this category. The health service also applies judgement to determine when it expects its employee entitlements to be paid. With reference to historical data, if the health service does not expect entitlements to be paid within 12 months, the entitlement is measured at its present value. All other entitlements are measured at their nominal value.

Note 3.1 Expenses from transactions

	Note	2021 $'000	2020 $'000
Salaries and wages		25,950	24,005
On-costs		6,090	5,582
Agency expenses		739	1,262
Fee for service medical officer expenses		2,306	2,131
Workcover premium		649	429
Total employee expenses		**35,734**	**33,409**
Drug supplies		277	262
Medical and surgical supplies (including Prostheses)		1,708	1,269
Diagnostic and radiology supplies		289	249
Other supplies and consumables		1,290	1,319
Total supplies and consumables		**3,564**	**3,099**
Other administrative expenses		3,533	3,268
Total other administrative expenses		**3,533**	**3,268**
Fuel, light, power and water		570	611
Repairs and maintenance		686	634
Maintenance contracts		234	174
Medical indemnity insurance		458	451
Expenditure for capital purposes		108	113
Total other operating expenses		**2,056**	**1,983**
Total operating expense		**44,887**	**41,759**
Depreciation	4.2	4,304	4,309
Total depreciation		**4,304**	**4,309**
Bad and doubtful debt expense		24	6
Total other non-operating expenses		**24**	**6**
Total non-operating expense		**4,328**	**4,315**
Total expenses from transactions		**49,215**	**46,074**

How we recognise expenses from transactions

Expense recognition

Expenses are recognised as they are incurred and reported in the financial year to which they relate.

Employee expenses

Employee expenses include:

- Salaries and wages (including fringe benefits tax, leave entitlements, termination payments);
- On-costs;
- Agency Expenses;
- Fee for service medical officer expenses;
- Work cover premium

Supplies and consumables

Supplies and consumable costs are recognised as an expense in the reporting period in which they are incurred. The carrying amounts of any inventories held for distribution are expensed when distributed.

Note 3.1: Expenses from Transactions (cont'd)

Other operating expenses
Other operating expenses generally represent the day-to-day running costs incurred in normal operations and include such things as:
. Fuel, light and power
. Repairs and maintenance
. Other administrative expenses
. Expenditure for capital purposes (represents expenditure related to the purchase of assets that are below the capitalisation threshold of $1,000).

The Department of Health also makes certain payments on behalf of the Health Service. These amounts have been brought to account as grants in determining the operating result for the year by recording them as revenue and also recording the related expense.

Non-operating expenses
Other non-operating expenses generally represent expenditure for outside the normal operations such as depreciation and assets and services provided free of charge or for nominal consideration.

Note 3.2 Employee benefits in the balance sheet

	2021 $'000	2020 $'000
Current provisions		
Accrued days off		
Unconditional and expected to be settled wholly within 12 months [i]	58	76
	58	**76**
Annual leave		
Unconditional and expected to be settled wholly within 12 months [i]	2,467	2,246
Unconditional and expected to be settled wholly after 12 months [ii]	417	382
	2,884	**2,628**
Long service leave		
Unconditional and expected to be settled wholly within 12 months [i]	431	328
Unconditional and expected to be settled wholly after 12 months [ii]	3,203	3,125
	3,634	**3,453**
Provisions related to employee benefit on-costs		
Unconditional and expected to be settled within 12 months [i]	384	316
Unconditional and expected to be settled after 12 months [ii]	416	397
	800	**713**
Total current employee benefits	**7,376**	**6,870**
Non-current provisions		
Conditional long service leave	642	700
Provisions related to employee benefit on-costs	72	78
Total non-current employee benefits	**714**	**778**
Total employee benefits	**8,090**	**7,648**

[i] The amounts disclosed are nominal amounts.
[ii] The amounts disclosed are discounted to present values.

Note 3.2 Employee benefits in the balance sheet (cont'd)

How we recognise employee benefits

Employee Benefit Recognition
Provision is made for benefits accruing to employees in respect of accrued days off, annual leave and long services leave for services rendered to the reporting date as an expense during the period the services are delivered.

Provisions

Provisions are recognised when the Health Service has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a liability is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation.

Annual Leave and Accrued Days Off
Liabilities for annual leave and accrued days off are recognised in the provision for employee benefits as 'current liabilities', because the health service does not have an unconditional right to defer settlements of these liabilities.

Depending on the expectation of the timing of settlement, liabilities for annual leave and accrued days off are measured at:
- Nominal value - if the Health Service expects to wholly settle within 12 months; or
- Present value - if the Health Service does not expect to wholly settle within 12 months.

Long Service Leave
The liability for long service leave (LSL) is recognised in the provision for employee benefits.
Unconditional LSL is disclosed in the notes to the financial statements as a current liability, even where the health service does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months. An unconditional right arises after a qualifying period.

The components of this current LSL liability are measured at:
- Nominal value - if the Health Service expects to wholly settle within 12 months; or
- Present value - if the Health Service does not expect to wholly settle within 12 months.

Conditional LSL is measured at present value and is disclosed as a non-current liability. Any gain or loss followed revaluation of the present value of non-current LSL liability is recognised as a transaction, except to the extent that a gain or loss arises due to changes in estimations e.g. bond rate movements, inflation rate movements and changes in probability factors which are then recognised as other economic flows.

Termination Benefits

Termination benefits are payable when employment is terminated before the normal retirement date or when an employee decides to accept an offer of benefits in exchange for the termination of employment.

On-costs related to employee expense
Provision for on-costs, such as workers compensation and superannuation are recognised separately from provisions for employee benefits.

Note 3.2 (a) Employee benefits and related on-costs

	2021 $'000	2020 $'000
Unconditional accrued days off	66	85
Unconditional annual leave entitlements	3,267	2,944
Unconditional long service leave entitlements	4,043	3,841
Total current employee benefits and related on-costs	**7,376**	**6,870**
Conditional long service leave entitlements	714	778
Total non-current employee benefits and related on-costs	**714**	**778**
Total employee benefits and related on-costs	**8,090**	**7,648**
Carrying amount at start of year	7,648	7,125
Additional provisions recognised	3,423	3,203
Amounts incurred during the year	(2,981)	(2,680)
Carrying amount at end of year	**8,090**	**7,648**

Note 3.3 Superannuation

	Paid Contribution for the Year		Contribution Outstanding at Year End	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Defined benefit plans:[i]				
Aware (First State) Super	13	18	-	-
Defined contribution plans:				
Aware (First State) Super	1,534	1,107	210	230
Hesta	767	744	104	66
Self Managed Super Funds	352	262	-	-
Total	**2,666**	**2,131**	**314**	**296**

[i] The basis for determining the level of contributions is determined by the various actuaries of the defined benefit superannuation plans.

How we recognise superannuation

Employees of the Health Service are entitled to receive superannuation benefits and it contributes to both defined benefit and defined contribution plans.

Defined benefit superannuation plans

The defined benefit plan provides benefits based on years of service and final average salary. The amount charged to the Comprehensive Operating Statement in respect of defined benefit superannuation plans represents the contributions made by the Health Service to the superannuation plans in respect of the services of current Health Service's staff during the reporting period. Superannuation contributions are made to the plans based on the relevant rules of each plan and are based upon actuarial advice.

The Health Service does not recognise any unfunded defined benefit liability in respect of the plans because the health service has no legal or constructive obligation to pay future benefits relating to its employees; its only obligation is to pay superannuation contributions as they fall due.

The DTF discloses the State's defined benefits liabilities in its disclosure for administered items. However superannuation contributions paid or payable for the reporting period are included as part of employee benefits in the Comprehensive Operating Statement of the Health Service.

The name, details and amounts that have been expensed in relation to the major employee superannuation funds and contributions made by the Health Service are disclosed above.

Defined contribution superannuation plans

In relation to defined contribution (i.e. accumulation) superannuation plans, the associated expense is simply the employer contributions that are paid or payable in respect of employees who are members of these plans during the reporting period. Contributions to defined contribution superannuation plans are expensed when incurred.

The name, details and amounts that have been expensed in relation to the major employee superannuation funds and contributions made by the Health Service are disclosed above.

Note 3.4 Other economic flows

	2021 $'000	2020 $'000
Net gain/(loss) on disposal of property plant and equipment	5	1
Total net gain/(loss) on non financial assets	**5**	**1**
Net gain/(loss) arising from revaluation of long service liability	28	(17)
Total other gains/(losses) from other economic flows	**28**	**(17)**
Total gains/(losses) from other economic flows	**33**	**(16)**

How we recognise other economic flows

Other economic flows are changes in the volume or value of an asset or liability that do not result from transactions. Other gains/(losses) from other economic flows include the gains or losses from:

- the revaluation of the present value of the long service leave liability due to changes in the bond interest rates

Net gain/(loss) on non-financial assets

Net gain/(loss) on non-financial assets and liabilities includes realised and unrealised gains and losses as follows:

- revaluation gains/(losses) of non-financial physical assets (Refer to Note 4.1 Property plant and equipment)
- net gain/(loss) on disposal of non-financial assets
- any gain or loss on the disposal of non-financial assets is recognised at the date of disposal.

Note 4: Key Assets to Support Service Delivery

The Health Service controls infrastructure and other investments that are utilised in fulfilling its objectives and conducting its activities. They represent the key resources that have been entrusted to the Health Service to be utilised for delivery of those outputs.

Structure
4.1 Property, plant and equipment
4.2 Depreciation
4.3 Inventories

Telling the COVID-19 story

Assets used to support the delivery of our services during the financial year were not materially impacted by the COVID-19 coronavirus pandemic.

Note 4: Key Assets to Support Service Delivery (cont'd)

Key judgements and estimates

This section contains the following key judgements and estimates:

Key judgements and estimates	Description
Measuring fair value of property, plant and equipment and investment properties	The Health Service obtains independent valuations for its non-current assets at least once every five years. If an independent valuation has not been undertaken at balance date, the health service estimates possible changes in fair value since the date of the last independent valuation with reference to Valuer-General of Victoria indices. Managerial adjustments are recorded if the assessment concludes a material change in fair value has occurred. Where exceptionally large movements are identified, an interim independent valuation is undertaken.
Estimating useful life and residual value of property, plant and equipment	The Health Service assigns an estimated useful life to each item of property, plant and equipment, whilst also estimating the residual value of the asset, if any, at the end of the useful life. This is used to calculate depreciation of the asset. The health service reviews the useful life, residual value and depreciation rates of all assets at the end of each financial year and where necessary, records a change in accounting estimate.
Estimating useful life of right-of-use assets	The useful life of each right-of-use asset is typically the respective lease term, except where the health service is reasonably certain to exercise a purchase option contained within the lease (if any), in which case the useful life reverts to the estimated useful life of the underlying asset. The Health Service applies significant judgement to determine whether or not it is reasonably certain to exercise such purchase options.
Identifying indicators of impairment	At the end of each year, the Health Service assesses impairment by evaluating the conditions and events specific to the health service that may be indicative of impairment triggers. Where an indication exists, the health service tests the asset for impairment. The health service considers a range of information when performing its assessment, including considering: ▪ If an asset's value has declined more than expected based on normal use ▪ If a significant change in technological, market, economic or legal environment which adversely impacts the way the health service uses an asset ▪ If an asset is obsolete or damaged ▪ If the asset has become idle or if there are plans to discontinue or dispose of the asset before the end of its useful life ▪ If the performance of the asset is or will be worse than initially expected. Where an impairment trigger exists, the health services applies significant judgement and estimate to determine the recoverable amount of the asset.

Note 4.1 (a) Property, plant and equipment - Gross carrying amount and accumulated depreciation

	2021 $'000	2020 $'000
Land at fair value - Freehold	5,721	4,620
Total land at fair value	**5,721**	**4,620**
Buildings at fair value	70,018	70,018
Less accumulated depreciation	(6,827)	(3,413)
Total buildings at fair value	**63,191**	**66,605**
Total land and buildings	**68,912**	**71,225**
Plant and equipment at fair value	3,014	2,403
Less accumulated depreciation	(1,775)	(1,661)
Total plant and equipment at fair value	**1,239**	**742**
Motor vehicles at fair value	1,150	1,198
Less accumulated depreciation	(1,027)	(961)
Total motor vehicles at fair value	**123**	**237**
Medical equipment at fair value	6,855	6,659
Less accumulated depreciation	(4,891)	(4,428)
Total medical equipment at fair value	**1,964**	**2,231**
Computer equipment at fair value	835	828
Less accumulated depreciation	(655)	(564)
Total computer equipment at fair value	**180**	**264**
Furniture and fittings at fair value	272	266
Less accumulated depreciation	(159)	(144)
Total furniture and fittings at fair value	**113**	**122**
Land Improvements at Fair Value	538	538
Less accumulated depreciation	(90)	(45)
Total land improvements at fair value	**448**	**493**
Total plant, equipment, furniture, fittings and vehicles at fair value	**4,067**	**4,089**
Other - GHA Property Plant & Equipment	42	27
Less accumulated depreciation	-	-
Total GHA property, plant & equipment	**42**	**27**
GHA Right of use - plant, equipment, furniture & fittings and vehicles	55	35
Less accumulated depreciation	-	-
Total GHA Right of use plant, equipment, furniture & fittings and vehicles	**55**	**35**
Other Assets under Construction at Cost	-	143
Total property, plant and equipment	**73,076**	**75,519**

Note 4.1 (b) Reconciliations of the carrying amounts of each class of asset

	Note	Land $'000	Buildings $'000	Plant & equipment $'000	Motor Vehicles $'000	Medical Equipment $'000	Computers & Communication equipment $'000	Furniture & Fittings $'000	Land Improv'ts $'000	GHA PP&E $'000	GHA Right of Use $'000	Assets under Const'n $'000	Total $'000
Balance at 1 July 2019		**4,620**	**70,018**	**823**	**389**	**2,357**	**286**	**129**	**538**	**6**	**-**	**-**	**79,166**
Additions		-		34	-	324	81	8	-	37	35	143	662
Disposals		-	-	-	-	-	-	-	-	-	-	-	-
Revaluation increments/(decrements)		-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	4.2	-	(3,413)	(115)	(152)	(450)	(103)	(15)	(45)	-16	-	-	(4,309)
Balance at 30 June 2020	4.1 (a)	**4,620**	**66,605**	**742**	**237**	**2,231**	**264**	**122**	**493**	**27**	**35**	**143**	**75,519**
Additions		-	-	485	-	202	18	6	-	41	20	-	772
Disposals		-	-	(5)	-	(6)	(1)	-	-	-	-	-	(12)
Net transfers between classes		-	-	143	-	-	-	-	-	-	-	(143)	-
Revaluation increments/(decrements)		1,101	-		-	-	-	-	-	-	-	-	1,101
Depreciation	4.2	-	(3,414)	(126)	(114)	(463)	(101)	(15)	(45)	(26)	-	-	(4,304)
Balance at 30 June 2021	4.1 (a)	**5,721**	**63,191**	**1,239**	**123**	**1,964**	**180**	**113**	**448**	**42**	**55**	**-**	**73,076**

Land and Buildings and Leased Assets Carried at Valuation

The Valuer-General Victoria undertook to re-value all of the Health Service owned and leased land and buildings to determine their fair value. The valuation, which conforms to Australian Valuation Standards, was determined by reference to the amounts for which assets could be exchanged between knowledgeable willing parties in an arm's length transaction. The valuation was based on independent assessments. The effective date of the valuation was 30th June 2019.

In compliance with FRD103F, in the year ended 30 June 2021, the Health Service's management conducted an annual assessment of the fair value of land and buildings. To facilitate this, management obtained from the Department of Treasury and Finance the Valuer General Victoria indices for the financial year ended 30 June 2021.

Upon application of the indices it was determined that the fair value of land required a managerial revaluation in 2021. The Department of Health approved a managerial revaluation of the land asset class of $1.1m.

Note 4.1(b): Property, plant and equipment - Gross carrying amount and accumulated depreciation

How we recognise property, plant and equipment

Property, plant and equipment are tangible items that are used by the Health Service in the supply of goods or services, for rental to others, or for administration purposes, and are expected to be used during more than one financial year.

Initial Recognition

Items of property, plant and equipment (excluding right-of-use assets) are initially measured at cost. Where an asset is acquired for no or nominal cost, being far below the fair value of the asset, the deemed cost is its fair value at the date of acquisition. Assets transferred as part of an amalgamation/machinery of government change are transferred at their carrying amounts.

The cost of constructed non-financial physical assets includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

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

Subsequent measurement

Items of property, plant and equipment (excluding right-of-use assets) are subsequently measured at fair value less accumulated depreciation and impairment losses where applicable.

Fair value is determined with reference to the asset's highest and best use (considering legal or physical restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset).

Further information regarding fair value measurement is disclosed below.

Revaluation

Fair value is based on periodic valuations by independent valuers, which normally occur once every five years, based upon the asset's Government Purpose Classification, but may occur more frequently if fair value assessments indicate a material change in fair value has occurred.

Where an independent valuation has not been undertaken at balance date, the Health Service perform a managerial assessment to estimate possible changes in fair value of land and buildings since the date of the last independent valuation with reference to Valuer-General of Victoria (VGV) indices.

An adjustment is recognised if the assessment concludes that the fair value of land and buildings has changed by 10% or more since the last revaluation (whether that be the most recent independent valuation or managerial valuation). Any estimated change in fair value of less than 10% is deemed immaterial to the financial statements and no adjustment is recorded. Where the assessment indicates there has been an exceptionally material movement in the fair value of land and buildings since the last independent valuation, being equal to or in excess of 40%, the Health Service would obtain an interim independent valuation prior to the next scheduled independent valuation.

An independent valuation of the Health Service's property, plant and equipment was performed by the VGV on 30th June 2019. The valuation, which complies with Australian Valuation Standards, was determined by reference to the amount for which assets could be exchanged between knowledgeable willing parties in an arm's length transaction. The managerial assessment performed at 30 June 2021 indicated an overall:

- increase/decrease in fair value of land of 24% ($1.1m)
- increase/decrease in fair value of buildings of 7% ($4.9m).

As the cumulative movement was less than 10% for buildings since the last revaluation a managerial revaluation adjustment was not required as at 30 June 2021.

As the cumulative movement was greater than 10% for land since the last revaluation a managerial revaluation adjustment was required as at 30 June 2021.

Note 4.1(b): Property, plant and equipment - Gross carrying amount and accumulated depreciation

Revaluation increases (increments) arise when an asset's fair value exceeds its carrying amount. In comparison, revaluation decreases (decrements) arise when an asset's fair value is less than its carrying amount. Revaluation increments and revaluation decrements relating to individual assets within an asset class are offset against one another within that class but are not offset in respect of assets in different classes.

Revaluation increments are recognised in 'Other Comprehensive Income' and are credited directly to the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that same class of asset previously recognised as an expense in net result, in which case the increment is recognised as income in the net result.

Revaluation decrements are recognised in 'Other Comprehensive Income' to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of property, plant and equipment. Otherwise, the decrement is recognised as an expense in the net result.

The revaluation reserve included in equity in respect of an item of property, plant and equipment may be transferred directly to retained earnings when the asset is derecognised.

Impairment

At the end of each financial year, the Health Service assesses if there is any indication that an item of property, plant and equipment may be impaired by considering internal and external sources of information. If an indication exists, the Health Service estimates the recoverable amount of the asset. Where the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised. An impairment loss of a revalued asset is treated as a revaluation decrease as noted above.

The Health Service has concluded that the recoverable amount of property, plant and equipment which are regularly revalued is expected to be materially consistent with the current fair value. As such, there were no indications of property, plant and equipment being impaired at balance date.

How we recognise right-of-use assets

Where the Health Service enters a contract, which provides the health service with the right to control the use of an identified asset for a period of time in exchange for payment, this contract is considered a lease.

Unless the lease is considered a short-term lease or a lease of a low-value asset (refer to Note 6.1 for further information), the contract gives rise to a right-of-use asset and corresponding lease liability. The Health Service presents its right-of-use assets as part of property, plant and equipment as if the asset was owned by the health service.

Right-of-use assets and their respective lease terms include:

Class of right-of-use asset	Lease term
Leased plant, equipment, furniture, fittings and vehicles	1 to 4 years

Note 4.1(b): Property, plant and equipment - Gross carrying amount and accumulated depreciation

Presentation of right-of-use assets

The Health Service presents right-of-use assets as 'property plant equipment' unless they meet the definition of investment property, in which case they are disclosed as 'investment property' in the balance sheet.

Initial recognition

When a contract is entered into, the Health Service assesses if the contract contains or is a lease. If a lease is present, a right-of-use asset and corresponding lease liability is recognised. The definition and recognition criteria of a lease is disclosed at Note 6.1.

The right-of-use asset is initially measured at cost and comprises the initial measurement of the corresponding lease liability, adjusted for:

- any lease payments made at or before the commencement date
- any initial direct costs incurred and
- an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received.

The Health Service lease agreements contain purchase options which the health service is not reasonably certain to exercise at the completion of the lease.

Subsequent measurement

Right-of-use assets are subsequently measured at cost less accumulated depreciation and accumulated impairment losses where applicable. Right-of-use assets are also adjusted for certain remeasurements of the lease liability (for example, when a variable lease payment based on an index or rate becomes effective).

Impairment

At the end of each financial year, the Health Service assesses if there is any indication that a right-of-use asset may be impaired by considering internal and external sources of information. If an indication exists, the Health Service estimates the recoverable amount of the asset. Where the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised.

The Health Service performed an impairment assessment and noted there were no indications of its right-of-use assets being impaired at balance date.

Note 4.1 (c) Fair value measurement hierarchy for assets

	Note	Consolidated carrying amount 30 June 2021 $'000	Fair value measurement at end of reporting period using: Level 1[i] $'000	Level 2[i] $'000	Level 3[i] $'000
Non-specialised land		1,524	-	1,524	-
Specialised land		4,197	-	-	4,197
Total land at fair value	4.1 (a)	**5,721**	**-**	**1,524**	**4,197**
Non-specialised buildings		1,295	-	1,295	-
Specialised buildings		61,896	-	-	61,896
Total buildings at fair value	4.1 (a)	**63,191**	**-**	**1,295**	**61,896**
Plant and equipment at fair value	4.1 (a)	1,239	-	-	1,239
Motor vehicles at fair value	4.1 (a)	123	-	123	-
Medical equipment at Fair Value	4.1 (a)	1,964	-	-	1,964
Computer equipment at fair value	4.1 (a)	180	-	-	180
Furniture and fittings at fair value	4.1 (a)	113	-	-	113
GHA Assets at fair value	4.1 (a)	42	-	-	42
Land Improvements at fair value	4.1 (a)	448	-	-	448
Total plant, equipment, furniture, fittings and vehicles at fair value		**4,109**	**-**	**123**	**3,986**
Total property, plant and equipment at fair value		**73,021**	**-**	**2,942**	**70,079**

		Consolidated carrying amount 30 June 2020 $'000	Fair value measurement at end of reporting period using: Level 1[i] $'000	Level 2[i] $'000	Level 3[i] $'000
Non-specialised land		1,240	-	1,240	-
Specialised land		3,380	-	-	3,380
Total land at fair value	4.1 (a)	**4,620**	**-**	**1,240**	**3,380**
Non-specialised buildings		1,335	-	1,335	-
Specialised buildings		65,270	-	-	65,270
Total buildings at fair value	4.1 (a)	**66,605**	**-**	**1,335**	**65,270**
Plant and equipment at fair value	4.1 (a)	742	-	-	742
Motor vehicles at fair value	4.1 (a)	237	-	237	-
Medical equipment at Fair Value	4.1 (a)	2,231	-	-	2,231
Computer equipment at fair value	4.1 (a)	264	-	-	264
Furniture and fittings at fair value	4.1 (a)	122	-	-	122
Land Improvements at fair value	4.1 (a)	493	-	-	493
GHA Assets at fair value	4.1 (a)	27	-	-	27
Other Assets Under Construction at cost	4.1 (a)	143	-	-	143
Total plant, equipment, furniture, fittings and vehicles at fair value		**4,259**	**-**	**237**	**4,022**
Total Property, Plant and Equipment		**75,484**	**-**	**2,812**	**72,672**

[i] Classified in accordance with the fair value hierarchy.

4.1 (d): Reconciliation of level 3 fair value measurement

Consolidated	Note	Land $'000	Buildings $'000	Plant and equipment $'000	Medical equipment $'000	Computers & Comm Equipment $'000	Furniture & fittings $'000	Land Improv't $'000	GHA Assets $'000	Assets Under Const'n $'000
Balance at 1 July 2019	4.1 (b)	**3,380**	**68,643**	**823**	**2,357**	**286**	**129**	**538**	**6**	**-**
Additions/(Disposals)	4.1 (b)	-	-	34	324	81	8	-	37	143
Gains/(Losses) recognised in net result										
- Depreciation	4.2	-	(3,373)	(115)	(450)	(103)	(15)	(45)	(16)	-
Balance at 30 June 2020	4.1 (c)	**3,380**	**65,270**	**742**	**2,231**	**264**	**122**	**493**	**27**	**143**
Additions/(Disposals)	4.1 (b)	-		623	196	17	6	-	41	(143)
Gains/(Losses) recognised in net result		-	-	-	-	-	-			-
- Depreciation	4.1	-	(3,374)	(126)	(463)	(101)	(15)	(45)	(26)	-
Items recognised in other comprehensive income										
- Revaluation		817	-	-	-	-	-	-	-	-
Balance at 30 June 2021	4.1 (c)	**4,197**	**61,896**	**1,239**	**1,964**	**180**	**113**	**448**	**42**	**-**

[1] Classified in accordance with the fair value hierarchy, refer Note 4.1(c).

Note 4.1 (e) Property, plant and equipment (fair value determination)

Asset class	Likely valuation approach	Significant inputs (Level 3 only)
Non specialised land	Market approach	N/A
Specialised land (Crown/freehold)	Market approach	Community Service Obligations Adjustments [i]
Non-specialised buildings	Market approach	N/A
Specialised buildings	Depreciated replacement cost approach	- Cost per square metre - Useful life
Heritage assets	Depreciated replacement cost approach	- Cost per square metre - Useful life
Dwellings	Market approach	N/A
	Depreciated replacement cost approach	- Cost per square metre - Useful life
Vehicles	Market approach	N/A
	Depreciated replacement cost approach	- Cost per unit - Useful life
Plant and equipment	Depreciated replacement cost approach	- Cost per unit - Useful life
Infrastructure	Depreciated replacement cost approach	- Cost per unit - Useful life
Road, infrastructure and earthworks	Depreciated replacement cost approach	- Cost per square metre - Useful life
Cultural assets	Market approach	N/A

[i] Community service obligation (CSO) adjustments were 20% for Hospital Land & 15% for land held in Leongatha that adjoins residential property.

How we measure fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

For the purpose of fair value disclosures, the Health Service has determined classes of assets on the basis of the nature, characteristics and risks of the asset and the level of the fair value hierarchy as explained above.

In addition, the Health Service determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

There have been no transfers between levels during the period.

The Valuer-General Victoria (VGV) is the Health Service's independent valuation agency.

The estimates and underlying assumptions are reviewed on an ongoing basis.

Note 4.1 (e) Property, plant and equipment (fair value determination) - cont'd

Valuation hierarchy

In determining fair values a number of inputs are used. To increase consistency and comparability in the financial statements, these inputs are categorised into three levels, also known as the fair value hierarchy. The levels are as follows:

- Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable and
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Identifying unobservable inputs (level 3) fair value measurements

Level 3 fair value inputs are unobservable valuation inputs for an asset or liability. These inputs require significant judgement and assumptions in deriving fair value for both financial and non-financial assets.

Unobservable inputs are used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, i.e., an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability. Therefore, unobservable inputs shall reflect the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk.

Consideration of highest and best use (HBU) for non-financial physical assets

Judgements about highest and best use must take into account the characteristics of the assets concerned, including restrictions on the use and disposal of assets arising from the asset's physical nature and any applicable legislative/contractual arrangements.

In accordance with AASB 13 *Fair Value Measurement* paragraph 29, the Health Service has assumed the current use of a non-financial physical asset is its HBU unless market or other factors suggest that a different use by market participants would maximise the value of the asset.
Theoretical opportunities that may be available in relation to the asset(s) are not taken into account until it is virtually certain that any restrictions will no longer apply. Therefore, unless otherwise disclosed, the current use of these non-financial physical assets will be their highest and best uses.

Non-specialised land, non-specialised buildings and cultural assets

Non-specialised land, non-specialised buildings and cultural assets are valued using the market approach. Under this valuation method, the assets are compared to recent comparable sales or sales of comparable assets which are considered to have nominal or no added improvement value.

For non-specialised land and non-specialised buildings, an independent valuation was performed by the Valuer-General Victoria to determine the fair value using the market approach. Valuation of the assets was determined by analysing comparable sales and allowing for share, size, topography, location and other relevant factors specific to the asset being valued. An appropriate rate per square metre has been applied to the subject asset. The effective date of the valuation is 30th June 2019.

Note 4.1 (e) Property, plant and equipment (fair value determination) - cont'd

Specialised land and specialised buildings

Specialised land includes Crown Land which is measured at fair value with regard to the property's highest and best use after due consideration is made for any legal or physical restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset. Theoretical opportunities that may be available in relation to the assets are not taken into account until it is virtually certain that any restrictions will no longer apply. Therefore, unless otherwise disclosed, the current use of these non-financial physical assets will be their highest and best use.

During the reporting period, the Health Service did not hold Crown Land. The nature of this asset means that there are certain limitations and restrictions imposed on its use and/or disposal that may impact their fair value.

The market approach is also used for specialised land although it is adjusted for the community service obligation (CSO) to reflect the specialised nature of the assets being valued. Specialised assets contain significant, unobservable adjustments; therefore, these assets are classified as Level 3 under the market based direct comparison approach.

The CSO adjustment is a reflection of the valuer's assessment of the impact of restrictions associated with an asset to the extent that is also equally applicable to market participants. This approach is in light of the highest and best use consideration required for fair value measurement and takes into account the use of the asset that is physically possible, legally permissible and financially feasible. As adjustments of CSO are considered as significant unobservable inputs, specialised land would be classified as Level 3 assets.

For the Health Service, the depreciated replacement cost method is used for the majority of specialised buildings, adjusting for the associated depreciation. As depreciation adjustments are considered as significant and unobservable inputs in nature, specialised buildings are classified as Level 3 for fair value measurements.

An independent valuation of the Health Service's specialised land and specialised buildings was performed by the Valuer-General Victoria. The effective date of the valuation is 30th June 2019.

Vehicles

The Health Service acquires new vehicles and at times disposes of them before completion of their economic life. The process of acquisition, use and disposal in the market is managed by the health service who set relevant depreciation rates during use to reflect the consumption of the vehicles. As a result, the fair value of vehicles does not differ materially from the carrying amount (depreciated cost).

Furniture, fittings, plant and equipment

Furniture, fittings, plant and equipment (including medical equipment, computers and communication equipment) are held at carrying amount (depreciated cost). When plant and equipment is specialised in use, such that it is rarely sold other than as part of a going concern, the depreciated replacement cost is used to estimate the fair value. Unless there is market evidence that current replacement costs are significantly different from the original acquisition cost, it is considered unlikely that depreciated replacement cost will be materially different from the existing carrying amount.

There were no changes in valuation techniques throughout the period to 30 June 2021.

Note 4.1 (f) Property, plant and equipment revaluation surplus

	Note	2021 $'000	2020 $'000
Balance at the beginning of the reporting period		40,487	40,487
Revaluation increment			
- Land	4.1 (b)	1,101	-
Balance at the end of the Reporting Period*		**41,588**	**40,487**
*** Represented by:**			
- Land		4,120	3,019
- Buildings		35,904	35,904
- Land Improvements		1,564	1,564
		41,588	**40,487**

Note 4.2 Depreciation

	2021 $'000	2020 $'000
Depreciation		
Buildings	3,413	3,413
Plant and equipment	126	115
Motor vehicles	115	152
Medical equipment	463	450
Computer equipment	101	103
Furniture and fittings	15	15
Other - Land Improvements	45	45
Other - GHA Depreciation Expense	26	16
Total Depreciation	**4,304**	**4,309**

How we recognise depreciation

All infrastructure assets, buildings, plant and equipment and other non-financial physical assets (excluding items under assets held for sale, land and investment properties) that have finite useful lives are depreciated. Depreciation is generally calculated on a straight-line basis at rates that allocate the asset's value, less any estimated residual value over its estimated useful life.

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest. Where a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the health service anticipates to exercise a purchase option, the specific right-of-use asset is depreciated over the useful life of the underlying asset.

	2021	2020
Buildings		
- Structure Shell Building Fabric	15 to 50 years	15 to 50 years
- Site Engineering Services and Central Plant	15 to 21 years	15 to 21 years
Central Plant		
- Fit Out	10 to 25 years	10 to 25 years
- Trunk Reticulated Building System	11 to 30 years	11 to 30 years
Plant and equipment	3 to 18 years	3 to 18 years
Medical Equipment	2 to 15 years	2 to 15 years
Computers and Communication	2 to 10 years	2 to 10 years
Furniture and Fittings	5 to 20 years	5 to 20 years
Motor Vehicles	4 to 5 years	4 to 5 years

As part of the building valuation, building values are separated into components and each component assessed for its useful life which is represented above.

Note 4.3 Inventories

	2021 $'000	2020 $'000
Medical and surgical consumables at cost	60	41
Pharmacy supplies at cost	73	68
General stores at cost	9	7
Total inventories	**142**	**116**

How we recognise inventories

Inventories include goods and other property held either for sale, consumption or for distribution at no or nominal cost in the ordinary course of business operations. It excludes depreciable assets.

Note 5: Other assets and liabilities

This section sets out those assets and liabilities that arose from Health Service operations.

Structure

5.1 Receivables and contract assets
5.2 Payables and contract liabilities
5.3 Other liabilities

Telling the COVID-19 story

Other assets and liabilities used to support the delivery of our services during the financial year were not materially impacted by the COVID-19 coronavirus pandemic.

Key judgements and estimates

This section contains the following key judgements and estimates:

Key judgements and estimates	Description
Estimating the provision for expected credit losses	The Health Service uses a simplified approach to account for the expected credit loss provision. A provision matrix is used, which considers historical experience, external indicators and forward-looking information to determine expected credit loss rates.
Classifying a sub-lease arrangement as either an operating lease or finance lease	The Health Service applies significant judgement to determine if a sub-lease arrangement, where the health service is a lessor, meets the definition of an operating lease or finance lease. The health service considers a range of scenarios when classifying a sub-lease. A sub-lease typically meets the definition of a finance lease if: ▪ The lease transfers ownership of the asset to the lessee at the end of the term ▪ The lessee has an option to purchase the asset for a price that is significantly below fair value at the end of the lease term ▪ The lease term is for the majority of the asset's useful life ▪ The present value of lease payments amount to the approximate fair value of the leased asset and ▪ The leased asset is of a specialised nature that only the lessee can use without significant modification. All other sub-lease arrangements are classified as an operating lease.
Measuring deferred capital grant income	Where the Health Service has received funding to construct an identifiable non-financial asset, such funding is recognised as deferred capital grant income until the underlying asset is constructed. The Health Service applies significant judgement when measuring the deferred capital grant income balance, which references the estimated the stage of completion at the end of each financial year.
Measuring contract liabilities	The Health Service applies significant judgement to measure its progress towards satisfying a performance obligation as detailed in Note 2. Where a performance obligation is yet to be satisfied, the health service assigns funds to the outstanding obligation and records this as a contract liability until the promised good or service is transferred to the customer.
Recognition of other provisions	Other provisions include the Health Service's obligation to restore leased assets to their original condition at the end of a lease term. The health service applies significant judgement and estimate to determine the present value of such restoration costs.

Note 5.1 Receivables and contract assets

	Notes	2021 $'000	2020 $'000
Current receivables and contract assets			
Contractual			
Inter hospital debtors		54	15
Trade debtors		251	261
Patient fees		518	421
Provision for impairment		(37)	(37)
GHA Receivables		63	63
Accrued revenue		599	55
Total contractual receivables		**1,448**	**778**
Statutory			
GST receivable		63	88
Total statutory receivables		**63**	**88**
Total current receivables and contract assets		**1,511**	**866**
Non-current receivables and contract assets			
Contractual			
Long service leave - Department of Health		1,363	1,289
Total non-current receivables and contract assets		**1,363**	**1,289**
Total receivables and contract assets		**2,874**	**2,155**
(i) Financial assets classified as receivables and contract assets (Note 7.1(a))			
Total receivables and contract assets		2,874	2,155
Provision for impairment		37	37
GST receivable		(63)	(88)
Total financial assets	7.1(a)	**2,848**	**2,104**

Note 5.1 (a) Movement in the allowance for impairment losses of contractual receivables

	2021 $'000	2020 $'000
Balance at the beginning of the year	(37)	(34)
Increase in allowance	24	3
Amounts written off during the year	(24)	(6)
Balance at the end of the year	**(37)**	**(37)**

How we recognise receivables

Receivables consist of:

- **Contractual receivables**, which mostly includes debtors in relation to goods and services. These receivables are classified as financial instruments and categorised as 'financial assets at amortised costs'. They are initially recognised at fair value plus any directly attributable transaction costs. The health service holds the contractual receivables with the objective to collect the contractual cash flows and therefore they are subsequently measured at amortised cost using the effective interest method, less any impairment.

- **Statutory receivables**, which mostly includes amounts owing from the Victorian Government and Goods and Services Tax (GST) input tax credits that are recoverable. Statutory receivables do not arise from contracts and are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments for disclosure purposes. The health service applies AASB 9 for initial measurement of the statutory receivables and as a result statutory receivables are initially recognised at fair value plus any directly attributable transaction cost.

Trade debtors are carried at nominal amounts due and are due for settlement within 30 days from the date of recognition.

In assessing impairment of statutory (non-contractual) financial assets, which are not financial instruments, professional judgement is applied in assessing materiality using estimates, averages and other computational methods in accordance with AASB 136 *Impairment of Assets*.

The Health Service is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Trade receivables consist of a large number of customers in various geographical areas. Based on historical information about customer default rates, management consider the credit quality of trade receivables that are not past due or impaired to be good.

Impairment losses of contractual receivables

Refer to Note 7.1 (a) for the Health Service's contractual impairment losses.

Note 5.2 Payables and contract liabilities

	Note	2021 $'000	2020 $'000
Current payables and contract liabilities			
Contractual			
Trade creditors		226	355
Accrued salaries and wages		419	143
Accrued expenses		630	577
Amounts payable to governments and agencies		1,386	876
Department of Health		91	268
GHA Payables		100	53
Total contractual payables		**2,852**	**2,272**
Total current payables and contract liabilities		**2,852**	**2,272**
(i) Financial liabilities classified as payables and contract liabilities (Note 7.1(a))			
Total payables and contract liabilities		2,852	2,272
Total financial liabilities	7.1(a)	**2,852**	**2,272**

How we recognise payables and contract liabilities

Payables consist of:

- **Contractual payables**, which mostly includes payables in relation to goods and services. These payables are classified as financial instruments and measured at amortised cost. Accounts payable and salaries and wages payable represent liabilities for goods and services provided to the Health Service prior to the end of the financial year that are unpaid.
- **Statutory payables**, which most includes amount payable to the Victorian Government and Goods and Services Tax (GST) payable. Statutory payables are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from contracts.

The normal credit terms for accounts payable are usually Net 60 days.

Note 5.3 Other liabilities

	Notes	2021 $'000	2020 $'000
Current monies held it trust			
Refundable accommodation deposits		11,191	11,036
GHA Other current liabilities		11	6
Total current monies held in trust		**11,202**	**11,042**
Total other liabilities		**11,202**	**11,042**
*** Represented by:**			
- Cash assets	6.2	11,191	11,036
		11,191	**11,036**

How we recognise other liabilities

Refundable Accommodation Deposit (RAD)/Accommodation Bond liabilities

RADs/accommodation bonds are non-interest-bearing deposits made by some aged care residents to the Health Service upon admission. These deposits are liabilities which fall due and payable when the resident leaves the home. As there is no unconditional right to defer payment for 12 months, these liabilities are recorded as current liabilities.

RAD/accommodation bond liabilities are recorded at an amount equal to the proceeds received, net of retention and any other amounts deducted from the RAD/accommodation bond in accordance with the *Aged Care Act 1997*.

Note 6: How we finance our operations

This section provides information on the sources of finance utilised by the Health Service during its operations, along with interest expenses (the cost of borrowings) and other information related to financing activities of the Health Service.

This section includes disclosures of balances that are financial instruments (such as borrowings and cash balances). Note 7.1 provides additional, specific financial instrument disclosures.

Structure

6.1 Borrowings
6.2 Cash and cash equivalents
6.3 Commitments for expenditure

Telling the COVID-19 story

Our finance and borrowing arrangements were not materially impacted by the COVID-19 coronavirus pandemic because the health service's response was funded by Government.

Note 6: How we finance our operations (cont'd)

Key judgements and estimates

This section contains the following key judgements and estimates:

Key judgements and estimates	Description
Determining if a contract is or contains a lease	The Health Service applies significant judgement to determine if a contract is or contains a lease by considering if the health service: ▪ has the right-to-use an identified asset ▪ has the right to obtain substantially all economic benefits from the use of the leased asset and ▪ can decide how and for what purpose the asset is used throughout the lease.
Determining if a lease meets the short-term or low value asset lease exemption	The Health Service applies significant judgement when determining if a lease meets the short-term or low value lease exemption criteria. The health service estimates the fair value of leased assets when new. Where the estimated fair value is less than $10,000, the health service applies the low-value lease exemption. The health service also estimates the lease term with reference to remaining lease term and period that the lease remains enforceable. Where the enforceable lease period is less than 12 months the health service applies the short-term lease exemption.
Discount rate applied to future lease payments	The Health Service discounts its lease payments using the interest rate implicit in the lease. If this rate cannot be readily determined, which is generally the case for the health service's lease arrangements, the Health Service uses its incremental borrowing rate, which is the amount the health service would have to pay to borrow funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.
Assessing the lease term	The lease term represents the non-cancellable period of a lease, combined with periods covered by an option to extend or terminate the lease if the Health Service is reasonably certain to exercise such options. The Health Service determines the likelihood of exercising such options on a lease-by-lease basis through consideration of various factors including: ▪ If there are significant penalties to terminate (or not extend), the health service is typically reasonably certain to extend (or not terminate) the lease. ▪ If any leasehold improvements are expected to have a significant remaining value, the health service is typically reasonably certain to extend (or not terminate) the lease. ▪ The health service considers historical lease durations and the costs and business disruption to replace such leased assets.

Note 6.1 Borrowings

	Note	2021 $'000	2020 $'000
Current borrowings			
Lease liability [i]	6.1 (a)	14	12
Total current borrowings		**14**	**12**
Non-current borrowings			
Lease liability [i]	6.1 (a)	39	21
Total non-current borrowings		**39**	**21**
Total borrowings		**53**	**33**

[i] Secured by the assets leased.

Note 6.1 Borrowings (cont'd)

How we recognise borrowings

Borrowings refer to interesting bearing liabilities mainly raised from advances from the Treasury Corporation of Victoria (TCV) and other funds raised through lease liabilities, service concession arrangements and other interest-bearing arrangements.

Initial recognition

All borrowings are initially recognised at fair value of the consideration received, less directly attributable transaction costs. The measurement basis subsequent to initial recognition depends on whether the Health Service has categorised its liability as either 'financial liabilities designated at fair value through profit or loss', or financial liabilities at 'amortised cost'.

Subsequent measurement

Subsequent to initial recognition, interest bearing borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the net result over the period of the borrowing using the effective interest method. Non-interest bearing borrowings are measured at 'fair value through profit or loss'.

Maturity analysis

Please refer to Note 7.2(b) for the maturity analysis of borrowings.

Defaults and breaches

During the current and prior year, there were no defaults and breaches of any of the loans.

Note 6.1 (a) Lease liabilities

The Health Service lease liabilities are summarised below:

	2021 $'000	2020 $'000
Total undiscounted lease liabilities	55	34
Less unexpired finance expenses	(2)	(1)
Net lease liabilities	**53**	**33**

The following table sets out the maturity analysis of lease liabilities, showing the undiscounted lease payments to be made after the reporting date.

	2021 $'000	2020 $'000
Not longer than one year	15	13
Longer than one year but not longer than five years	40	21
Minimum future lease liability	**55**	**34**
Less unexpired finance expenses	(2)	(1)
Present value of lease liability	**53**	**33**
*** Represented by:**		
- Current liabilities	14	12
- Non-current liabilities	39	21
	53	**33**

Note 6.1 (a) Lease liabilities (cont'd)

How we recognise lease liabilities

A lease is defined as a contract, or part of a contract, that conveys the right for the Health Service to use an asset for a period of time in exchange for payment.

To apply this definition, the Health Service ensures the contract meets the following criteria:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Health Service and for which the supplier does not have substantive substitution rights
- the Health Service has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract and the Health Service has the right to direct the use of the identified asset throughout the period of use and
- the Health Service has the right to take decisions in respect of 'how and for what purpose' the asset is used throughout the period of use.

The Health Service's lease arrangements consist of the following:

Type of asset leased	Lease term
Leased plant, equipment, furniture, fittings and vehicles	1 to 4 years

Separation of lease and non-lease components

At inception or on reassessment of a contract that contains a lease component, the lessee is required to separate out and account separately for non-lease components within a lease contract and exclude these amounts when determining the lease liability and right-of-use asset amount.

Initial measurement

The lease liability is initially measured at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily determinable or the Health Service's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments (including in-substance fixed payments) less any lease incentive receivable
- variable payments based on an index or rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable under a residual value guarantee and
- payments arising from purchase and termination options reasonably certain to be exercised.

Note 6.1 (a) Lease liabilities (cont'd)

Health Service's leasing activities

The Health Service does not have any existing, nor entered into any leases but has recorded a share of its liability associated with the leases taken out by the jointly controlled operation GHA.

Subsequent measurement

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right of use asset is already reduced to zero.

Note 6.2 Cash and Cash Equivalents

	Note	2021 $'000	2020 $'000
Cash on hand (excluding monies held in trust)		1	1
Cash at bank (excluding monies held in trust)		951	1,278
Cash at bank - CBS (excluding monies held in trust)		9,800	9,312
Total cash held for operations		**10,752**	**10,591**
Cash at bank - CBS (monies held in trust)		11,191	11,037
Total cash held as monies in trust		**11,191**	**11,037**
Total cash and cash equivalents	7.1 (a)	**21,943**	**21,628**

How we recognise cash and cash equivalents

Cash and cash equivalents recognised on the balance sheet comprise cash on hand and in banks, deposits at call and highly liquid investments (with an original maturity date of three months or less), which are held for the purpose of meeting short term cash commitments rather than for investment purposes, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

For cash flow statement presentation purposes, cash and cash equivalents include bank overdrafts, which are included as liabilities on the balance sheet. The cash flow statement includes monies held in trust.

Note 6.3 Commitments for expenditure

	2021 $'000	2020 $'000
Operating Expenditure Commitments		
Less than one year	1,213	2,522
Longer than one year but not longer than five years	551	741
Total Operating Expenditure Commitments	**1,764**	**3,263**
Total commitments for expenditure (exclusive of GST)	**1,764**	**3,263**
Less GST recoverable from Australian Tax Office	(160)	(297)
Total commitments for expenditure (exclusive of GST)	**1,604**	**2,966**

How we disclose our commitments

Our commitments relate to expenditure.

Expenditure commitments

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed at their nominal value and are inclusive of the GST payable. In addition, where it is considered appropriate and provides additional relevant information to users, the net present values of significant projects are stated. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised on the Balance Sheet.

Note 7: Risks, contingencies and valuation uncertainties

The Health Service is exposed to risk from its activities and outside factors. In addition, it is often necessary to make judgements and estimates associated with recognition and measurement of items in the financial statements. This section sets out financial instrument specific information, (including exposures to financial risks) as well as those items that are contingent in nature or require a higher level of judgement to be applied, which for the health service is related mainly to fair value determination.

Structure

7.1 Financial instruments
7.2 Financial risk management objectives and policies
7.3 Contingent assets and contingent liabilities

Note 7.1: Financial instruments

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Due to the nature of the Health Service's activities, certain financial assets and financial liabilities arise under statute rather than a contract (for example, taxes, fines and penalties). Such financial assets and financial liabilities do not meet the definition of financial instruments in AASB 132 *Financial Instruments: Presentation* .

Note 7.1 (a) Categorisation of financial instruments

30 June 2021	Note	Financial Assets at Amortised Cost $'000	Financial Liabilities at Amortised Cost $'000	Total $'000
Contractual Financial Assets				
Cash and Cash Equivalents	6.2	21,943	-	21,943
Receivables and contract assets	5.1	2,848	-	2,848
Total Financial Assets [1]		**24,791**	**-**	**24,791**
Financial Liabilities				
Payables	5.2	-	2,852	2,852
Borrowings	6.1	-	53	53
Other Financial Liabilities - Refundable Accommodation Deposits	5.3	-	11,191	11,191
Other Financial Liabilities - Other	5.3	-	11	11
Total Financial Liabilities [1]		**-**	**14,107**	**14,107**

30 June 2020	Note	Financial Assets at Amortised Cost $'000	Financial Liabilities at Amortised Cost $'000	Total $'000
Contractual Financial Assets				
Cash and cash equivalents	6.2	21,628	-	21,628
Receivables and contract assets	5.1	2,104	-	2,104
Total Financial Assets [1]		**23,732**	**-**	**23,732**
Financial Liabilities				
Payables	5.2	-	2,272	2,272
Borrowings	6.1	-	33	33
Other Financial Liabilities - Refundable Accommodation Deposits	5.3	-	11,036	11,036
Other Financial Liabilities - Other	5.3	-	6	6
Total Financial Liabilities [1]		**-**	**13,347**	**13,347**

How we categorise financial instruments

Categories of financial assets

Financial assets are recognised when the Health Service becomes party to the contractual provisions to the instrument. For financial assets, this is at the date the Health Service commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified at fair value through net result, in which case transaction costs are expensed to profit or loss immediately.

Where available, quoted prices in an active market are used to determine the fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component or if the practical expedient was applied as specified in AASB 15 para 63.

Note 7.1 (a) Categorisation of financial instruments (cont'd)

Financial assets at amortised cost

Financial assets are measured at amortised cost if both of the following criteria are met and the assets are not designated as fair value through net result:

- the assets are held by the Health Service solely to collect the contractual cash flows and
- the assets' contractual terms give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specific dates.

These assets are initially recognised at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method less any impairment.

The Health Service recognises the following assets in this category:

- cash and deposits
- receivables (excluding statutory receivables) and

Categories of financial liabilities

Financial liabilities are recognised when the Health Service becomes a party to the contractual provisions to the instrument. Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified at fair value through profit or loss, in which case transaction costs are expensed to profit or loss immediately.

Financial liabilities at amortised cost

Financial liabilities are measured at amortised cost using the effective interest method, where they are not held at fair value through net result.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense in net result over the relevant period. The effective interest is the internal rate of return of the financial asset or liability. That is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

The Health Service recognises the following liabilities in this category:

- payables (excluding statutory payables and contract liabilities)
- borrowings and
- other liabilities (including monies held in trust).

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired or
- the Health Service retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without
- the Health Service has transferred its rights to receive cash flows from the asset and either:
  - has transferred substantially all the risks and rewards of the asset or
  - has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Where the Health Service has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of the Health Service's continuing involvement in the asset.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised as an 'other economic flow' in the comprehensive operating statement.

Reclassification of financial instruments

A financial asset is required to be reclassified between fair value between amortised cost, fair value through net result and fair value through other comprehensive income when, and only when, the Health Services business model for managing its financial assets has changed such that its previous model would no longer apply.

A financial liability reclassification is not permitted.

Note 7.2: Financial risk management objectives and policies

As a whole, the Health Service's financial risk management program seeks to manage the risks and the associated volatility of its financial performance.

Details of the significant accounting policies and methods adopted, included the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised, with respect to each class of financial asset, financial liability and equity instrument above are disclosed throughout the financial statements.

The Health Service's main financial risks include credit risk, liquidity risk and interest rate risk. The Health Service manages these financial risks in accordance with its financial risk management policy.

The Health Service uses different methods to measure and manage the different risks to which it is exposed. Primary responsibility for the identification and management of financial risks rests with the Accountable Officer.

Note 7.2 (a) Credit risk

Credit risk refers to the possibility that a borrower will default on its financial obligations as and when they fall due. The Health Service's exposure to credit risk arises from the potential default of a counter party on their contractual obligations resulting in financial loss to the Health Service. Credit risk is measured at fair value and is monitored on a regular basis.

Credit risk associated with the Health Service's contractual financial assets is minimal because the main debtor is the Victorian Government. For debtors other than the Government, the health service is exposed to credit risk associated with patient and other debtors.

In addition, the Health Service does not engage in hedging for its contractual financial assets and mainly obtains contractual financial assets that are on fixed interest, except for cash and deposits, which are mainly cash at bank. As with the policy for debtors, the Health Service's policy is to only deal with banks with high credit ratings.

Provision of impairment for contractual financial assets is recognised when there is objective evidence that the Health Service will not be able to collect a receivable. Objective evidence includes financial difficulties of the debtor, default payments, debtors that are more than 60 days overdue, and changes in debtor credit ratings.

Contract financial assets are written off against the carrying amount when there is no reasonable expectation of recovery. Bad debt written off by mutual consent is classified as a transaction expense. Bad debt written off following a unilateral decision is recognised as other economic flows in the net result.

Except as otherwise detailed in the following table, the carrying amount of contractual financial assets recorded in the financial statements, net of any allowances for losses, represents the Health Service's maximum exposure to credit risk without taking account of the value of any collateral obtained.

There has been no material change to the Health Service's credit risk profile in 2020-21.

Impairment of financial assets under AASB 9
The Health Service records the allowance for expected credit loss for the relevant financial instruments applying AASB 9's Expected Credit Loss approach. Subject to AASB 9, impairment assessment includes the health service's contractual receivables and its investment in debt instruments.

Equity instruments are not subject to impairment under AASB 9. Other financial assets mandatorily measured or designated at fair value through net result are not subject to impairment assessment under AASB 9.

Credit loss allowance is classified as other economic flows in the net result. Contractual receivables are written off when there is no reasonable expectation of recovery and impairment losses are classified as a transaction expense. Subsequent recoveries of amounts previously written off are credited against the same line item.

Note 7.2 (a) Credit risk (cont'd)

Contractual receivables at amortised cost

The Health Service applies AASB 9's simplified approach for all contractual receivables to measure expected credit losses using a lifetime expected loss allowance based on the assumptions about risk of default and expected loss rates. The Health Service has grouped contractual receivables on shared credit risk characteristics and days past due and select the expected credit loss rate based on the Health Service's past history, existing market conditions, as well as forward looking estimates at the end of the financial year.

On this basis, the Health Service determines the closing loss allowance at the end of the financial year as follows:

30 June 2021		Current	Less than 1 month	1–3 months	3 months –1 year	1–5 years	Total
Expected loss rate		0.0%	0.0%	5.0%	30.0%	1.4%	
Gross carrying amount of contractual receivables	5.1	1,318	52	28	51	1,399	**2,848**
Loss allowance		-	-	(1)	(15)	(21)	(37)

30 June 2020	Note	Current	Less than 1 month	1–3 months	3 months –1 year	1–5 years	Total
Expected loss rate		0.0%	0.0%	5.0%	25.0%	1.2%	
Gross carrying amount of contractual receivables	5.1	595	86	19	80	1,324	**2,104**
Loss allowance		-	-	(1)	(20)	(16)	(37)

Statutory receivables and debt investments at amortised cost

The Health Service's non-contractual receivables arising from statutory requirements are not financial instruments. However, they are nevertheless recognised and measured in accordance with AASB 9 requirements as if those receivables are financial instruments.

Both the statutory receivables and investments in debt instruments are considered to have low credit risk, taking into account the counterparty's credit rating, risk of default and capacity to meet contractual cash flow obligations in the near term. As a result, no loss allowance has been recognised.

Note 7.2 (b) Liquidity risk

Liquidity risk arises from being unable to meet financial obligations as they fall due.

The Health Service is exposed to liquidity risk mainly through the financial liabilities as disclosed in the face of the balance sheet and the amounts related to financial guarantees. The health service manages its liquidity risk by:

- close monitoring of its short-term and long-term borrowings by senior management, including monthly reviews on current and future borrowing levels and requirements
- maintaining an adequate level of uncommitted funds that can be drawn at short notice to meet its short-term obligations
- holding investments and other contractual financial assets that are readily tradeable in the financial markets and
- careful maturity planning of its financial obligations based on forecasts of future cash flows.

The Health Service's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk. Cash for unexpected events is generally sourced from liquidation of investments and other financial assets.

Note 7.2 (b) Liquidity risk

The following table discloses the contractual maturity analysis for the Health Service's financial liabilities. For interest rates applicable to each class of liability refer to individual notes to the financial statements.

				Maturity Dates				
30 June 2021	Note	Carrying Amount $'000	Nominal Amount $'000	Less than 1 Month $'000	1-3 Months $'000	3 months - 1 Year $'000	1-5 Years $'000	Over 5 years $'000
Payables	5.2	2,852	2,852	2,852	-	-	-	-
Borrowings	6.1	53	53	-	-	14	39	-
Other Financial Liabilities - Refundable Accommodation Deposits	5.3	11,191	11,191	-	-	11,191	-	-
Other Financial Liabilities - Patient monies held in trust	5.3	11	11	11	-	-	-	-
Total Financial Liabilities		**14,107**	**14,107**	**2,863**	**-**	**11,205**	**39**	**-**

				Maturity Dates				
30 June 2020	Note	Carrying Amount $'000	Nominal Amount $'000	Less than 1 Month $'000	1-3 Months $'000	3 months - 1 Year $'000	1-5 Years $'000	Over 5 years $'000
Financial Liabilities at amortised cost								
Payables	5.2	2,272	2,272	2,272	-	-	-	-
Borrowings	6.1	33	33	-	-	12	21	-
Other Financial Liabilities - Refundable Accommodation Deposits	5.3	11,036	11,036	-	-	11,036	-	-
Other Financial Liabilities - Other	5.3	6	6	6	-	-	-	-
Total Financial Liabilities		**13,347**	**13,347**	**2,278**	**-**	**11,048**	**21**	**-**

[i] Ageing analysis of financial liabilities excludes statutory financial liabilities (i.e. GST payable).

Note 7.2 (c) Market risk

The Health Service's exposures to market risk are solely through interest rate risk. Objectives, policies and processes used to manage each the risk is disclosed below.

Sensitivity disclosure analysis and assumptions

The Health Service's sensitivity to market risk is determined based on the observed range of actual historical data for the preceding five-year period. The Health Service's fund managers cannot be expected to predict movements in market rates and prices. The following movements are 'reasonably possible' over the next 12 months:

- a change in interest rates of 1% up or down

Interest rate risk

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. The Health Service does not hold any interest-bearing financial instruments that are measured at fair value, and therefore has no exposure to fair value interest rate risk.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Health Service has minimal exposure to cash flow interest rate risks through cash and deposits, term deposits and bank overdrafts that are at floating rate.

Note 7.3: Contingent assets and contingent liabilities

There are no contingent assets or contingent liabilities as at 30th June 2021 (2020: Nil)

How we measure and disclose contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet but are disclosed and, if quantifiable, are measured at nominal value.

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

Contingent assets

Contingent assets are possible assets that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the health service.

These are classified as either quantifiable, where the potential economic benefit is known, or non-quantifiable.

Contingent liabilities

Contingent liabilities are:

- possible obligations that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the health service or
- present obligations that arise from past events but are not recognised because:

- It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligations or
- the amount of the obligations cannot be measured with sufficient reliability.

Contingent liabilities are also classified as either quantifiable or non-quantifiable.

Note 8: Other disclosures

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

Structure

8.1 Reconciliation of net result for the year to net cash flow from operating activities
8.2 Responsible persons disclosure
8.3 Remuneration of executives
8.4 Related parties
8.5 Remuneration of auditors
8.6 Events occuring after the balance sheet date
8.7 Joint Arrangements
8.8 Equity
8.9 Economic dependency

Telling the COVID-19 story

Our other disclosures were not materially impacted by the COVID-19 Coronavirus pandemic and its impact on our economy and the health of our community.

Note 8.1 Reconciliation of net result for the year to net cash flows from operating activities

	Note	2021 $'000	2020 $'000
Net result for the year		(3,522)	(4,997)
Non-cash movements:			
(Gain)/Loss on sale or disposal of non-financial assets	3.4	(5)	(1)
Depreciation of non-current assets	4.2	4,304	4,309
Assets and services received free of charge	2.2	(454)	(31)
Provision for Doubtful Debts	5.1(a)	-	(3)
Movements in Assets and Liabilities:			
(Increase)/Decrease in receivables and contract assets		(719)	553
(Increase)/Decrease in inventories		(26)	(17)
Increase/(Decrease) in payables and contract liabilities		580	(717)
Increase/(Decrease) in employee benefits		442	523
Increase/(Decrease) in other assets		(164)	(81)
Increase/(Decrease) in other borrowings		-	33
Net cash inflow/(outflow) from operating activities		**436**	**(429)**

Note 8.2 Responsible persons

In accordance with the Ministerial Directions issued by the Minister for Finance under the *Financial Management Act 1994*, the following disclosures are made regarding responsible persons for the reporting period.

	Period
The Honourable Martin Foley:	
Minister for Mental Health	1 Jul 2020 - 29 Sep 2020
Minister for Health	26 Sep 2020 - 30 Jun 2021
Minister for Ambulance Services	26 Sep 2020 - 30 Jun 2021
Minister for the Coordination of Health and Human Services: COVID-19	26 Sep 2020 - 9 Nov 2020
The Honourable Jenny Mikakos:	
Minister for Health	1 Jul 2020 - 26 Sep 2020
Minister for Ambulance Services	1 Jul 2020 - 26 Sep 2020
Minister for the Coordination of Health and Human Services: COVID-19	1 Jul 2020 - 26 Sep 2020
The Honourable Luke Donnellan:	
Minister for Child Protection	1 Jul 2020 - 30 Jun 2021
Minister for Disability, Ageing and Carers	1 Jul 2020 - 30 Jun 2021
The Honourable James Merlino:	
Minister for Mental Health	29 Sep 2020 - 30 Jun 2021
Governing Boards	
Mr. I. Drysdale (President)	1 Jul 2020 - 30 Jun 2021
Ms. S. Fleming	1 Jul 2020 - 30 Jun 2021
Ms. B. Brennan	1 Jul 2020 - 30 Jun 2021
Mr. D. Smith	1 Jul 2020 - 30 Jun 2021
Ms. K. Flanagan	1 Jul 2020 - 30 Jun 2021
Mr. R. Dhar	1 Jul 2020 - 30 Jun 2021
Ms. C. McLoughlin	1 Jul 2020 - 30 Jun 2021
Ms. C. Pickett	1 Jul 2020 - 2 Feb 2021
Ms. G. Scheffer	1 Jul 2020 - 30 Jun 2021
Ms. A. Georgiou	1 Jul 2020 - 30 Jun 2021
Ms. J. Walsh	1 Jul 2020 - 30 Jun 2021
Accountable Officers	
Mark Johnson (Chief Executive Officer)	1 Jul 2020 - 30 Jun 2021

Remuneration of Responsible Persons

The number of Responsible Persons are shown in their relevant income bands:

Income Band	2021 No	2020 No
$0 - $9,999	11	11
$300,000 - $309,999	-	1
$330,000 - $339,999	1	-
Total Numbers	**12**	**12**

	2021 $'000	2020 $'000
Total remuneration received or due and receivable by Responsible Persons from the reporting entity amounted to:	**$374**	**$332**

Amounts relating to the Governing Board Members and Accountable Officer of the Health Service's controlled entities are disclosed in their own financial statements. Amounts relating to Responsible Ministers are reported within the Department of Parliamentary Services' Financial Report.

Note 8.3 Remuneration of executives

The number of executive officers, other than Ministers and the Accountable Officer, and their total remuneration during the reporting period are shown in the table below. Total annualised employee equivalent provides a measure of full time equivalent executive officers over the reporting period.

Remuneration of executive officers (including Key Management Personnel disclosed in Note 8.4)	**Total Remuneration**	
	2021	**2020**
	$'000	**$'000**
Short-term benefits	524	587
Post-employment benefits	49	51
Other long-term benefits	19	8
Total remuneration[i]	**592**	**646**
Total number of executives	5	4
Total annualised employee equivalent[ii]	4.0	4.0

[i] The total number of executive officers includes persons who meet the definition of Key Management Personnel (KMP) of the Health Service under AASB 124 Related Party Disclosures and are also reported within Note 8.4 Related Parties.

[ii] Annualised employee equivalent is based on working 38 ordinary hours per week over the reporting period.

Remuneration comprises employee benefits in all forms of consideration paid, payable or provided in exchange for services rendered, and is disclosed in the following categories:

Short-term employee benefits

Salaries and wages, annual leave or sick leave that are usually paid or payable on a regular basis, as well as non-monetary benefits such as allowances and free or subsidised goods or services.

Post-employment benefits

Pensions and other retirement benefits (such as superannuation guarantee contributions) paid or payable on a discrete basis when employment has ceased.

Other long-term benefits

Long service leave, other long-service benefit or deferred compensation.

Termination benefits

Termination of employment payments, such as severance packages.

Other factors

The total number of executives recorded an increase because of the resignation and replacement of a position during the financial year. Total EFT remains the same at 4.0.

Note 8.4: Related Parties

The Health Service is a wholly owned and controlled entity of the State of Victoria. Related parties of the health service include:

- all key management personnel (KMP) and their close family members and personal business interests
- cabinet ministers (where applicable) and their close family members
- jointly controlled operations – A member of the Gippsland Health Alliance and
- all health services and public sector entities that are controlled and consolidated into the State of Victoria financial statements.

KMPs are those people with the authority and responsibility for planning, directing and controlling the activities of the Health Service and its controlled entities, directly or indirectly.

Key management personnel

The Board of Directors, Chief Executive Officer and the Executive Directors of the Health Service and it's controlled entities are deemed to be KMPs.

Entity	KMPs	Position Title
Gippsland Southern Health Service	Mr. I. Drysdale	President
	Ms. S. Fleming	Vice President
	Ms. B. Brennan	Vice President
	Mr. D. Smith	Treasurer
	Ms. K. Flanagan	Board Member
	Mr. R. Dhar	Board Member
	Ms. C. McLoughlin	Board Member
	Ms. C. Pickett	Board Member
	Ms. G. Scheffer	Board Member
	Ms. A. Georgiou	Board Member
	Ms. J. Walsh	Board Member
	Mr. M. Johnson	Chief Executive Officer
	Ms. V. Low	Executive Director of Nursing
	Ms. S. Northover	Director of Primary Healthcare
	Mr. J. Krish	Director of Primary Healthcare
	Mr. S. Doyle	Assistant Director Of Nursing
	Mr. P. Van Hamond	Manager Finance

The compensation detailed below excludes the salaries and benefits the Portfolio Ministers receive. The Minister's remuneration and allowances is set by the *Parliamentary Salaries and Superannuation Act 1968* and is reported within the Department of Parliamentary Services' Financial Report.

	2021 $'000	2020 $'000
Compensation - KMPs		
Short-term Employee Benefits[i]	841	886
Post-employment Benefits	74	74
Other Long-term Benefits	51	18
Total[ii]	**966**	**978**

[i] Total remuneration paid to KMPs employed as a contractor during the reporting period through accounts payable has been reported under short-term employee benefits.
[ii] KMPs are also reported in Note 8.2 Responsible Persons or Note 8.3 Remuneration of Executives.

Note 8.4: Related Parties

Significant transactions with government related entities

The Health Service received funding from the Department of Health of $28.6m (2020: $26m) and indirect contributions of $0.38m (2020: $0.45m). Balances outstanding as at 30 June 2021 are $0.45m (2020 $0.02m)

Expenses incurred by the Health Service in delivering services and outputs are in accordance with HealthShare Victoria requirements. Goods and services including procurement, diagnostics, patient meals and multi-site operational support are provided by other Victorian Health Service Providers on commercial terms.

Professional medical indemnity insurance and other insurance products are obtained from the Victorian Managed Insurance Authority.

The Standing Directions of the Assistant Treasurer require the Health Service to hold cash (in excess of working capital) in accordance with the State of Victoria's centralised banking arrangements. All borrowings are required to be sourced from Treasury Corporation Victoria unless an exemption has been approved by the Minister for Health and the Treasurer.

Transactions with KMPs and other related parties

Given the breadth and depth of State government activities, related parties transact with the Victorian public sector in a manner consistent with other members of the public e.g. stamp duty and other government fees and charges. Further employment of processes within the Victorian public sector occur on terms and conditions consistent with the *Public Administration Act 2004* and Codes of Conduct and Standards issued by the Victorian Public Sector Commission. Procurement processes occur on terms and conditions consistent with the HealthShare Victoria and Victorian Government Procurement Board requirements.

Outside of normal citizen type transactions with the Health Service, there were no related party transactions that involved key management personnel, their close family members or their personal business interests. No provision has been required, nor any expense recognised, for impairment of receivables from related parties. There were no related party transactions with Cabinet Ministers required to be disclosed in 2021 (2020: none).

There were no related party transactions required to be disclosed for the Health Service Board of Directors, Chief Executive Officer and Executive Directors in 2021 (2020: none).

Note 8.5: Remuneration of Auditors

	2021 $'000	2020 $'000
Victorian Auditor-General's Office		
Audit of the financial statements	42	41
Total remuneration of auditors	**42**	**41**

Note 8.6: Events occuring after the balance sheet date

There are no events occuring after the balance sheet date.

Note 8.7: Joint arrangements

	Principal Activity	Ownership Interest 2021 %	Ownership Interest 2020 %
Gippsland Health Alliance	Information Systems	7.7	7.4

The Health Service interest in the above joint arrangements are detailed below. The amounts are included in the consolidated financial statements under their respective categories:

	2021 $'000	2020 $'000
Current assets		
Cash and cash equivalents	384	458
Receivables	63	63
Other Current Assets	332	255
Total current assets	**779**	**776**
Non-current assets		
Right of Use Leased Equipment	55	35
Property, plant and equipment	42	27
Total non-current assets	**97**	**62**
Total assets	**876**	**838**
Current liabilities		
Right of Use Lease Liability	14	12
Accrued Expenses	100	53
Other Current Liabilities	11	6
Total current liabilities	**125**	**71**
Non-current liabilities		
Right of Use Lease Liability	39	21
Total non-current liabilities	**39**	**21**
Total liabilities	**164**	**92**
Net assets	**712**	**746**
Equity		
Accumulated surplus	712	746
Total equity	**712**	**746**

Note 8.7: Joint arrangements (cont'd)

The Health Services interest in revenues and expenses resulting from joint arrangements are detailed below:

	2021 $'000	2020 $'000
Revenue		
Grants	1,368	1,289
Interest Income	3	6
Total revenue	**1,371**	**1,295**
Expenses		
Core Services	613	545
Other Expenses from Continuing Operations	784	709
Depreciation	26	16
Total expenses	**1,423**	**1,270**
Net result	**(52)**	**25**

Contingent liabilities and capital commitments

There are no known contingent liabilities or capital commitments held by the joint arrangements at balance date.

Note 8.8: Equity

Contributed capital
Contributions by owners (that is, contributed capital and its repayment) are treated as equity transactions and, therefore, do not form part of the income and expenses of the Health Service.

Transfers of net assets arising from administrative restructurings are treated as distributions to or contributions by owners. Transfers of net liabilities arising from administrative restructurings are treated as distributions to owners.

Other transfers that are in the nature of contributions or distributions or that have been designated as contributed capital are also treated as contributed capital.

Financial assets at fair value through comprehensive income revaluation reserve
The financial assets at fair value through other comprehensive income revaluation reserve arises on the revaluation of financial assets (such as equity instruments) measured at fair value through other comprehensive income. Where such a financial asset is sold, that portion of the reserve which relates to that financial asset may be transferred to accumulated surplus/deficit.

Specific restricted purpose reserves
The specific restricted purpose reserve is established where the Health Service has possession or title to the funds but has no discretion to amend or vary the restriction and/or condition underlying the funds received.

Note 8.9: Economic dependency

The Health Service is dependent on the Department of Health for the majority of its revenue used to operate the health service. At the date of this report, the Board of Directors has no reason to believe the Department of Health will not continue to support the Health Service.