# Gippsland Southern Health Service

## 2016/17 Annual Report

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

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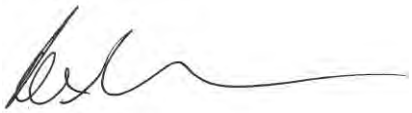
# Gippsland Southern Health Service - Report of Operations

## 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 2017.



Alex Aeschlimann
PRESIDENT, BOARD OF MANAGEMENT
LEONGATHA, 4 September 2017

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

The responsible Ministers during the reporting period were:
The Honourable Jill Hennessy MLA, Minister for Health, Minister for Ambulance Services
The Honourable Martin Foley MLA, Minister for Housing, Disability and Ageing, Minister for Mental Health

# 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.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**Legislation**

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## The objects of the service empower GSHS to provide:

- 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 College 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 well being of residents.

## Freedom of Information Act

Requests under the Freedom of Information 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

## 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.

# 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

**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

## Board Committee Representation

**Board Membership:** Alex Aeschlimann (President), Susan Hanson (Senior Vice President), Nigel Broughton (Junior Vice President), Peter Siggins (Treasurer), Rajiv Dhar, Ian Drysdale, Mark Holmes, Jan Martin, Catherine Pickett, Sue Fleming, Chris Trotman (1/7/16 to 26/4/17).

**GSHS Sub-Committee Membership**
**Audit & Finance Committee:** Peter Siggins, Dean Cashin (Chair & independent member), Tim Bolge (independent member), Susan Hanson
**Board Clinical Governance Committee**: Susan Hanson, Nigel Broughton
**Medical Advisory Committee**: Nigel Broughton
**Corporate Governance Committee**: Ian Drysdale, Catherine Pickett, Susan Hanson
**Partnering with Consumers Committee**: Susan Hanson, Catherine Pickett, Ian Drysdale, Sue Fleming

## Senior Office Holders

**Chief Executive Officer:** Mark Johnson
**Executive Director of Nursing**: Vicki Farthing
**Director of Primary Healthcare**: Selina Northover
**Manager Finance**: Peter Van Hamond
**Director of Nursing Korumburra**: Margaret Radmore

**(Refer to organisation chart for responsibilities)**

## Financial Summary

Gippsland Southern Health Service has achieved a net surplus before capital & specific items of $1,187,000 for 2016/17.

The budgetary objectives for 2016/17 were exceeded as the organisation achieved a larger operating surplus than anticipated. The improved result can be largely attributed to increased revenue received from higher levels of inpatient activity.

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

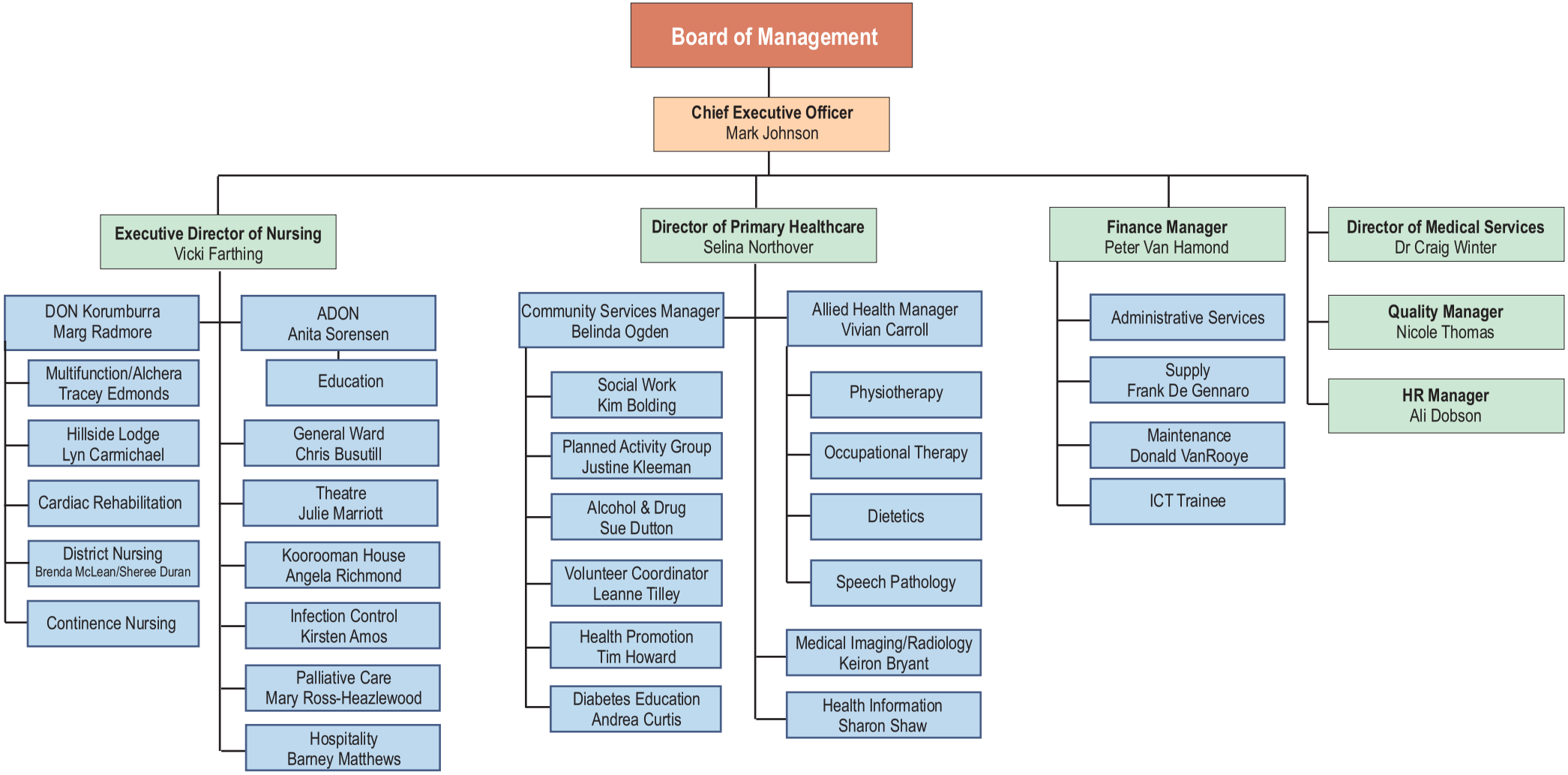
## Major Contracts

Gippsland Southern Health Service did not enter into any major contracts during 2016/17 that require disclosure in accordance with FRD12A.

## Employment & Conduct Principles

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

# Gippsland Southern Health Service
# LEADERSHIP STRUCTURE



## Pecuniary interests
Members of the board of management are required under the Hospital By-Laws to declare their pecuniary interest in any matter that may be discussed by the board or board sub-committees.

## Building & maintenance provisions
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 and Human Services.

## Occupational health & safety
Gippsland Southern Health Service meets all Accreditation performance indicators in relation to Occupational Health and Safety requirements.

## Merit and equity
The Health Service applies the employment principles and standards of the Victorian public sector as determined by the Victorian Public Sector Commission.

## Victorian industry participation policy
The Health Service awarded one contract during 2016/17 where the Victorian Industry Participation Policy (VIPP) was applicable. The project is for the construction of an Integrated Primary Care Centre in Leongatha. The total project budget is $4.1m funded from Commonwealth & State Government grants. The Health Service is recording local content and reporting data for consolidation by the Department of Treasury & Finance.

## 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 2016/17.

## Application and Operation of Protected Disclosure Act 2012
The Protected Disclosure 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 Protected Disclosure Act 2012. There were no complaints made under the Act against Gippsland Southern Health Service or its staff for 2016/17.

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

## Attestation for Compliance with the Ministerial Standing Direction 3.7.1 – Risk Management Framework and processes

I, Mark Johnson, certify that Gippsland Southern Health Service has partially complied with Ministerial Direction 3.7.1 – Risk Management Framework and Processes. The organisation has commissioned VMIA to assist with the improvement of its risk management framework during the current financial year. The Gippsland Southern Health Service Audit Committee has verified this.

Mark Johnson
Accountable Officer
Leongatha
4 September 2017

## Attestation on Compliance with Health Purchasing Victoria (HPV) Health Purchasing Policies

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 all requirements set out in the HPV Health Purchasing Policies including mandatory HPV collective agreements as required by the Health Services Act 1988 (Vic) and has critically reviewed these controls and processes during the year.

Mark Johnson
Accountable Officer
Leongatha
4 September 2017

## Financial Results - summary

| | 2017 $'000 | 2016 $'000 | 2015 $'000 | 2014 $'000 | 2013 $'000 |
|---|---|---|---|---|---|
| Total Revenue | 34,104 | 31,690 | 30,429 | 31,636 | 43,797 |
| Total Expenses | 35,282 | 33,497 | 33,788 | 32,334 | 29,782 |
| Net Result for the Year (inc. Capital & Specific Items) | (1,178) | (1,807) | (3,359) | (698) | 14,015 |
| Retained Surplus | 22,504 | 23,664 | 25,471 | 28,830 | 29,528 |
| Contributed Capital | 24,017 | 21,853 | 21,853 | 21,655 | 21,655 |
| Asset Revaluation Reserve | 20,808 | 19,507 | 19,507 | 19,507 | 11,400 |
| Available for Sale Revaluation Reserve | 0 | 0 | 0 | 235 | 166 |
| Funds Held For Restricted Purposes | 113 | 113 | 113 | 113 | 113 |
| Total Equity | 67,442 | 65,137 | 66,944 | 70,340 | 62,862 |
| Total Assets | 82,215 | 78,765 | 77,644 | 80,064 | 73,039 |
| Total Liabilities | 14,773 | 13,628 | 10,700 | 9,724 | 10,177 |
| Net Assets | 67,442 | 65,137 | 66,944 | 70,340 | 62,862 |

## Staffing Profile

| Labour Category | JUNE Current Month FTE | | JUNE YTD FTE | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| Nursing | 119.03 | 118.04 | 119.42 | 118.76 |
| Administration and Clerical | 31.33 | 27.64 | 28.01 | 27.80 |
| Medical Support | 9.97 | 9.28 | 10.24 | 9.27 |
| Hotel and Allied Services | 49.2 | 50.96 | 50.82 | 50.71 |
| Medical Officers | 0.05 | 0.05 | 0.05 | 0.05 |
| Hospital Medical Officers | 0.00 | 0.00 | 0.00 | 0.00 |
| Ancillary Staff (Allied Health) | 28.77 | 28.26 | 28.43 | 28.01 |
| **TOTALS** | **238.35** | **234.23** | **236.97** | **234.60** |

## Details of individual consultancies

***i) Consultancies costing in excess of $10,000 (exclusive of GST)***

In 2016/17 the Health Service engaged four consultancies where the total fees payable to the consultants were $10,000 or greater. The total expenditure incurred during 2016/17 in relation to these consultancies is $119,027 (excl GST).

($ thousand)

| Consultant | Purpose of consultancy | Start Date | End Date | Total approved project fee (excluding GST) | Expenditure 2016/17 (excluding GST) | Future commitments (excluding GST) |
|---|---|---|---|---|---|---|
| Smartfleet | Fleet management | 1/07/2016 | 30/06/2017 | $ 11 | $ 11 | $ - |
| Gippsland Health Alliance | ICT Support | 1/07/2016 | 30/06/2017 | $ 32 | $ 32 | $ 32 |
| Studer Group | Evidence Based Learning | 1/07/2016 | 30/06/2017 | $ 41 | $ 41 | $ 28 |
| Provider Assist | Aged Care Funding Review | 1/07/2016 | 30/06/2017 | $ 35 | $ 35 | $ - |

***ii) Consultancies costing less than $10,000 (exclusive of GST).***

In 2016/17 the Health Service engaged six consultancies where the total fees payable to the consultants were less than $10,000, with a total expenditure of $52,958 (excl GST).

## 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 2016/17 is $1,578,391 (excluding GST) with the details shown below.

($ '000)

| BAU ICT expenditure *Total (excluding GST)* | Non-BAU ICT Expenditure *Total = A + B (excl GST)* | Operational Expenditure *A (excluding GST)* | Capital Expenditure *B (excluding GST)* |
|---|---|---|---|
| 1403 | 0 | 0 | 175 |

BAU = Business as usual

## Occupational Violence

| Occupational Violence statistics | 2016-17 |
|---|---|
| 1. Workcover accepted claims with an occupational violence cause per 100 FTE | 0 |
| 2. Number of accepted Workcover claims with lost time injury with an occupational violence cause per 1,000,000 hours worked | 0 |
| 3. Number of occupational violence incidents reported | 20 |
| 4. Number of occupational violence incidents per 100 FTE | 8.44 |
| 5. Percentage of occupational violence incidents resulting in a staff injury, illness or condition | 0.00% |

| Domain | Action | Deliverable | Outcome |
|---|---|---|---|
| Access and timeliness | Identify opportunities and implement pathways to aid prevention and increase care outside hospital walls by optimising appropriate use of existing programs (i.e. the Health Independence Program or telemedicine). | • Develop a business case to support an application to Better Health Victoria titled "Implementing Telehealth for Urgent Care" medical consultations in conjunction with Yarram & District Health, South Gippsland Hospital and Latrobe Regional Health. | Achieved<br>• Tele-health implemented |
| | | • Explore the possibility of implementing a HITH program to manage patient admissions in the community.<br>Explore admission diagnoses that could be managed on HITH rather than in an acute bed. | Achieved<br>• HITH implemented and virtual beds set up for Korumburra and Leongatha |
| | | • Explore opportunities to implement a maintenance care in the home program with DHHS | Not achieved |
| | Ensure the implementation of a range of strategies in specialist clinics to:<br>- optimise referral management processes and improve patient flow through to ensure patients are seen in turn and within time.<br>- ensure patient data is recorded in a timely, accurate manner and is working toward meeting the requirements of the Victorian Integrated Non Admitted (VINAH) dataset. | • Review the Gateway intake process in second Quarter of 2016-17 to ensure timely access to specialist clinics and accurate and timely recording of service events. | In progress<br>• Review of Gateway intake undertaken. Increased staffing in Gateway, GPs notified of central referral pathway for Primary healthcare Services. Staff progressing through change process. |
| | | • Develop and implement an improvement plan to deliver VINAH reporting requirements from third Quarter 2016-17. | In progress<br>• Reviewing a system upgrade to enable VINAH reporting. Plan to have transitioned a new database by the end of 2017. |
| | Develop and implement a strategy to ensure the preparedness of the organisation for the NDIS and HACC transition and reform, with particular consideration to service access, service expectations, workforce and financial management. | • Continue implementation of the GSHS HACC Transition Plan.<br>• Partner with South Gippsland Hospital and South Gippsland Shire to develop a business model for the long term provision of HACC and NDIS services in a competitive market. | In progress<br>• Cost analysis of HACC services delivered by South Gippsland Shire Council completed.<br>• Board resolved to continue negotiations with SGSC for the transfer of the health service agreement to GSHS. |

| | | | |
|---|---|---|---|
| Governance and leadership | Demonstrate implementation of the Victorian Clinical Governance Policy Framework: Governance for the provision of safe, quality healthcare at each level of the organisation, with clearly documented and understood roles and responsibilities. Ensure effective integrated systems, processes, leadership are in place to support the provision of safe, quality, accountable and person centred healthcare. It is an expectation that health services implement to best meet their employees' and community's needs, and that clinical governance arrangements undergo frequent and formal review, evaluation and amendment to drive continuous improvement. | • Undertake a formal review and alignment of the GSHS clinical Governance Framework with the Victorian Clinical Governance Policy Framework that supports effective integrated systems and processes and enables leadership that ensures the provision of safe quality, accountable and person centred healthcare. | In progress<br>• Waiting on release of the Victorian Clinical Governance Framework. |
| | | • Review of recommendations from the "Review of hospital safety and quality assurance in Victoria" in relation to clinical governance and develop strategies to implement recommendations applicable to GSHS | In progress<br>• VCGF launched by Safer Care Victoria and posted to health services on 9th June. Currently being reviewed by CEO & EDON. |
| | Contribute to the development and implementation of Local Region Action Plans under the series of statewide design, service and infrastructure plans being progressively released from 2016-17. This will require partnerships and active collaboration across regions to ensure plans meet both regional and local service needs. | • Participate in the implementation of Local Region Action Plans at a regional and sub-regional level.<br>• Contribute to the development and implementation of Gippsland Maternity and Newborn services plan.<br>• Participate in the development and implementation of the Gippsland dementia plan. | In progress<br>• Waiting on the release of the capability frameworks for implementation. Surgical Capability Framework due to be released mid-year.<br>• DHHS advise release likely 3rd quarter 2017.<br>• Involvement in the development of the Gippsland regional maternity BMI policy<br>• Involvement in the development of the Gippsland regional transport cot guidelines<br>• Currently involved in the development of the Gippsland regional maternity and newborn referral pathways |
| | Ensure that an anti-bullying and harassment policy exists and includes the identification of appropriate behaviour, internal and external support mechanisms for staff and a clear process for reporting, investigation, feedback, consequence and appeal and the policy specifies a regular review schedule. | Review the GSHS Bullying and Harassment Policy in quarter 2 and revise and update as necessary. | Achieved<br>• Workplace Bullying policy revised and adopted by the Executive March 2017. |

| | | | |
|---|---|---|---|
| | Board and senior management ensure that an organisational wide occupational health and safety risk management approach is in place which includes: A focus on prevention and the strategies used to manage risks, including the regular review of these controls; and Strategies to improve reporting of OHS incidents, risks and controls, with a particular focus on prevention of occupational violence and bullying and harassment, throughout all levels of the organisation, including to the board; and Mechanisms for consulting with, debriefing and communicating with all staff regarding outcomes of investigations and controls following occupational violence and bullying and harassment incidents. | Participate in a Risk Management Maturity Assessment undertaken by VMIA in second quarter 2016-17 and develop and implement improvements from the third quarter of the financial year. | In progress<br>• Draft Risk Management Manual and supporting documents have been received from VMIA for review and adoption. |
| | Implement and monitor workforce plans that: improve industrial relations; promote a learning culture; align with the Best Practice Clinical Learning Environment Framework; promote effective succession planning; increase employment opportunities for Aboriginal and Torres Strait Islander people; ensure the workforce is appropriately qualified and skilled; and support the delivery of high-quality and safe person centred care. | Review the GSHS Workforce Management Plan in quarter 3 and revise as necessary. | Not achieved |
| | Create a workforce culture that: includes staff in decision making; promotes and supports open communication, raising concerns and respectful behaviour across all levels of the organisation; and includes consumers and the community. | Continue implementation of the Excellence, every person, every time Leadership Development Program in partnership with The Studer Group. | In progress<br>• Two quarterly staff forums held in December 2016 and in May 2017.<br>• Communication (AIDET) training has now been completed with 90% of staff participating. All Executive and Department Heads now have 90-day Plans in place to embed AIDET as part of our culture<br>• Participated in 2017 People Matter Survey with a 47% response rate. |

| | | | |
|---|---|---|---|
| | Ensure that the Victorian Child Safe Standards are embedded in everyday thinking and practice to better protect children from abuse, which includes the implementation of: strategies to embed an organisational culture of child safety; a child safe policy or statement of commitment to child safety; a code of conduct that establishes clear expectations for appropriate behaviour with children; screening, supervision, training and other human resources practices that reduce the risk of child abuse; processes for responding to and reporting suspected abuse to children; strategies to identify and reduce or remove the risk of abuse and strategies to promote the participation and empowerment of children. | Develop and implement Child Safe policy and processes by March 2017. | In progress<br>• Child Safe gap analysis and action plan completed. Child Safe policy developed.<br>• Child safe policy ready for Executive sign-off. |
| | Implement policies and procedures to ensure clinical staff have access to vaccination programs and are appropriately vaccinated and/or immunised to protect staff and prevent the transmission of infection to susceptible patients or people in their care. | Revise Immunisation Policy mandating annual Influenza Vaccination for all staff rostered to the Oncology Department. | Achieved<br>• Influenza vaccination for oncology staff mandatory in 2017 and 100% of staff vaccinated |
| Quality & Safety | Implement systems and processes to recognise and support person-centred end of life care in all settings, with a focus on providing support for people who chose to die at home. | • Participate in the Gippsland Regional Palliative Care Consortia pilot to implement the Advanced Care Toolbox<br>• Develop a plan to implement the care plan for the dying person - Victoria utilising the tools and guidance from the Centre for Palliative Care at St Vincent's Health<br>• Develop a plan to implement *Victoria's end of life and palliative care framework* priorities | In progress<br>• GSHS implemented ACP project funded through GRPCC. Project is now completed and final report submitted<br>• Awaiting the release of the care plan for the dying person tools and guidance<br>• End of Life and Palliative care framework documents received. For discussion re implementation at Clinical Practice Meeting<br>• Roll out of End of Life Care Plan to take place in 2017/18 financial year |
| | Advance care planning is included as a parameter in an assessment of outcomes including: mortality and morbidity review reports, patient experience, and routine data collection. | • Develop a regular report for the Clinical Governance & Quality Improvement Committee indicating progress toward implementation of the Advanced Care Toolbox.<br>• Incorporate evidence of an ACP into the M&M review document | Achieved<br>• Advanced care plan data recorded on iPM and transmitted to DHHS monthly. Report available on GHA reporting portal |
| | Progress implementation of a whole-of-hospital model for responding to family violence | Implement the GSHS Response to Family Violence Plan developed in 2015-16. | In progress<br>• The Draft policies for family violence have been written, the 1st family violence committee meeting is planned for the 12th April where terms of |

| | | | |
|---|---|---|---|
| | | | reference will be decided upon and actions to improve GSHS response to family violence will be established.<br>• Established Family Violence working group with Bass Coast Health and South Gippsland Health, have agreed to work collaboratively to have a consistent implementation of the strengthening hospital response to family violence project.<br>• Draft policies distributed to all agencies.<br>• Working group to meet monthly. |
| | Develop a regional leadership culture that fosters multidisciplinary and multi organisational collaboration to promote learning and the provision of safe, quality care across rural and regional Victoria. | • Contribute to and support of the Gippsland Regional Mortality and Morbidity committee.<br>• Explore options for regional and sub-regional education opportunities that will provide shared learning approaches. | Achieved<br>• Staff attend quarterly Gippsland Regional Perinatal M&M committee meetings.<br>• Completed CRANA + Advanced nursing skills training course<br>• Clinician to manager course commenced in March with 19 GSHS staff participating together with 4 from South Gippsland Hospital.<br>• Perinatal Morbidity and Mortality Committee commenced at GSHS with external obstetrician providing clinical advice |
| | Establish a foetal surveillance competency policy and associated procedures for all staff providing maternity care that includes the minimum training requirements, safe staffing arrangements and ongoing compliance monitoring arrangements. | Review the Foetal Surveillance policy and ensure all practicing midwives complete a foetal surveillance competency annually. | Achieved<br>• Foetal surveillance policy reviewed and updated with midwives completing foetal surveillance competency on an annual basis. |
| | Use patient feedback, including the Victorian Healthcare Experience Survey to drive improved health outcomes and experiences through a strong focus on person and family centred care in the planning, delivery and evaluation of services, and the development of new models for putting patients first. | • Utilise results from the VHES to inform and improve transition of care processes under development by the Discharge Planning Working Party.<br>• Use low scoring topics from the VHES to guide questions in consumer connecting conversations to gauge improvements | In progress<br>• Discharge working party established to identify improvements to the discharge process, utilising the VHES results and consumer connecting information<br>• Questions relating to discharge planning have been scripted for consumer connecting |
| | Develop a whole of hospital approach to reduce the use of restrictive practices for patients, including seclusion and restraint. | Review the GSHS Restraint Policy by March 2017 to ensure best practice. | In progress<br>• Draft policy circulated for comment |

| | | | |
|---|---|---|---|
| Supporting healthy populations | Health services support shared population health and wellbeing planning at a local level - aligning with the Local Government Municipal Public Health and Wellbeing plan and working with other local agencies and Primary Health Networks. | Partner with the South Gippsland Shire, South Coast PCP & Gippsland PHN to align integrated health promotion activities with the Municipal Health and Wellbeing plan 2017-21. | In progress<br>• Meeting held with SCPCP to ensure GSHS health promotion plan for 2017/8 is in line with municipal and SCPCP plan.<br>• Health promotion officer developing GSHS health promotion plan to align with SCPCP and SGSC plans. |
| | That health services focus on primary prevention, including suicide prevention activities, and aim to impact on large numbers of people in the places where they spend their time adopting a place based, whole of population approach to tackle the multiple risk factors of poor health. | • Utilise results of quarterly Primary Care Service audits to improve access to primary care services.<br>• Undertake a trial of GP and community based referred service for smoking cessation at Leongatha and Korumburra hospitals. | Achieved<br>• An information brochure, smoking cessation guidelines and policy have been developed. Clients of the Pulmonary Rehabilitation program, Pre-admission clinic and Alcohol and Drug withdrawal program have been provided with smoking cessation education and support. Pre-operative clients referred to their GP for pre-op management of smoking cessation and to the Quit Line for counselling.<br>• Education sessions conducted on smoking cessation and use of aides in achieving this. |
| | Develop and implement strategies that encourage a culturally diverse environment such as partnering with culturally diverse communities, reflecting the diversity of your community in the organisational governance, and having culturally sensitive, safe and inclusive practices. | Develop a recruitment strategy for the Partnering with Consumers Committee aimed toward committee representation that reflects the diversity of the community. | In progress<br>• Partnering with Consumers committee Terms of Reference, framework and policy currently under review.<br>• Re-establishment meeting held March 2017.<br>• Further meeting held 8th June 2017. Partnering with consumers committee redevelopment as part of GSHS review of committee structure. |
| | Improve the health outcomes of Aboriginal and Torres Strait Islander people by establishing culturally safe practices which recognise and respect their cultural identities and safely meets their needs, expectations and rights. | Engage the Partnering with Consumers Committee in a review of the Diversity policy. | In progress<br>• To be completed following review re-establishment of the Partnering with Consumers committee.<br>• Issues addressed in the GSHS, SGH and SGSC joint diversity plan 2017 |
| | Drive improvements to Victoria's mental health system through focus and engagement in activity delivering on the 10 Year Plan for Mental Health and active input into consultations on the Design, Service and infrastructure Plan for Victoria's Clinical mental health system. | Actively participate in the development of the Design, Service and Infrastructure Plan for Victoria's mental health system. | In progress<br>• Waiting on DHHS to commence consultation on the plan.<br>• CEO attended consultation session presented by DHHS and Deloittes 23rd February 2017. |

| | | | |
|---|---|---|---|
| | Using the Government's Rainbow eQuality Guide, identify and adopt 'actions for inclusive practices' and be more responsive to the health and wellbeing of lesbian, gay, bisexual, transgender and intersex (LGBTI) individuals and communities. | Undertake a gap analysis against the Rainbow eQuality guide in the third quarter 2016-17. Develop and implement an action plan to improve responsiveness to lesbian, gay, bisexual, transgender and intersex individuals and communities. | In progress<br>• Gap analysis undertaken<br>• Working party with consumer representation to be developed to address gaps identified in the audit. |
| Financial sustainability | Further enhance cash management strategies to improve cash sustainability and meet financial obligations as they are due. | Develop and implement a patient throughput initiative to reduce the 2016-17 WIES recall to < 2.5% | Achieved<br>• Overall WIES throughput at 99% of DHHS target |
| | Actively contribute to the development of the Victorian Government's policy to be net zero carbon by 2050 and improve environmental sustainability by identifying and implementing projects, including workforce education, to reduce material environmental impacts with particular consideration of procurement and waste management, and publicly reporting environmental performance data, including measureable targets related to reduction of clinical, sharps and landfill waste, water and energy use and improved recycling. | Progress to tender for the installation of solar power systems at Leongatha & Korumburra hospitals. | Achieved<br>• Installations completed |

## Part B: Performance Priorities

### Quality and safety

| Key Performance indicator | Target | 2016 - 17 Result |
|---|---|---|
| **Accreditation** | | |
| Compliance with NSQHS Standards accreditation | Full compliance | Full compliance |
| Compliance with Commonwealth's Aged Care Accreditation Standards | Full compliance | Full compliance |
| **Infection prevention and control** | | |
| Compliance with cleaning standards | Full compliance | Full compliance |
| Submission of infection surveillance data to VICNISS | Full compliance | Full compliance |
| Compliance with Hand Hygiene Australia program | 80% | 88% |
| Percentage of healthcare workers immunised for influenza | 75% | 77% |
| **Patient experience** | | |
| Victorian Healthcare Experience Survey - data submission | Full compliance | Full compliance |
| Victorian Healthcare Experience Survey - patient experience Quarter 1 | 95% positive experience | 99% achieved |
| Victorian Healthcare Experience Survey - patient experience Quarter 2 | 95% positive experience | Full compliance* |
| Victorian Healthcare Experience Survey - patient experience Quarter 3 | 95% positive experience | 95% achieved |
| Victorian Healthcare Experience Survey - discharge care Quarter 1 | 75% very positive response | 82.0% achieved |
| Victorian Healthcare Experience Survey - discharge care Quarter 2 | 75% very positive response | Full compliance* |
| * Less than 42 responses were received for the period due to relative size of Health Service | | |
| Victorian Healthcare Experience Survey - discharge care Quarter 3 | 75% very positive response | 87.7% achieved |
| **Maternity and newborn** | | |
| Maternity - Percentage of women with prearranged postnatal home care | 100% | 100% |
| Rate of singleton term infants without birth anomalies with AGPAR score <7 to 5 minutes | < 1.6% | 2.2% |
| Rate of severe foetal growth restriction in singleton pregnancy undelivered by 40 weeks | < 28.6% | 0.0% |

### Governance and leadership

| Key Performance indicator | Target | 2016 - 17 Result |
|---|---|---|
| People Matter Survey - percentage of staff with a positive response to safety culture questions | 80% | 90.4% |

### Access and timeliness

| Key Performance indicator | Target | 2016 - 17 Result |
|---|---|---|
| **Specialist Clinics** | | |
| Percentage of urgent patients referred by a GP or external specialist who attended a first appointment within 30 days | 100% | 100% |
| Percentage of routine patients referred by a GP or external specialist who attended a first appointment within 365 days | 90% | 100% |

### Financial sustainability

| Key Performance indicator | Target | 2016 - 17 Result |
|---|---|---|
| **Finance** | | |
| Operating result ($m) | 0.00 | 1.187 |
| Trade Creditors | 60 days | 36 days |
| Patient Fee Debtors | 60 days | 35 days |
| Public & private WIES performance to target | 100% | 99% |
| Adjusted current asset ratio | 0.7 | 1.55 |
| Number of days with available cash | 14 days | 201 days |
| **Asset management** | | |
| Basic asset management plan | Full compliance | Full compliance |

## Part C: Activity and Funding

| Funding Type | 2016-17 Activity Achievement |
|---|---|
| **Acute Admitted** | |
| WIES Public | 2211 |
| WIES Private | 170 |
| **Total WIES (Public & Private)** | **2381** |
| WIES DVA | 72 |
| WIES TAC | 2 |
| **WIES TOTAL** | **2455** |
| **Sub Acute and Non-acute Admitted** | |
| Maintenance Public | 56 |
| Maintenance DVA | 0 |
| Palliative Care Public | 36 |
| Palliative Care DVA | 0 |
| **Aged Care** | |
| Residential Aged Care | 30192 |
| HACC | 9173 |
| **Primary Health** | |
| Community Health/Primary Care Programs | 4307 |

## Environmental Performance

**In accordance with Department of Health & Human Services Guidelines, Gippsland Southern Health Service commenced its environmental reporting from the 2013/14 Financial Year.**

### Energy consumption

| Total energy consumption by energy type (GJ) | 2014/15 | 2015/16 | 2016/17 |
|---|---|---|---|
| Electricity | 6870 | 7112 | 7254 |
| Natural gas and LPG | 7385 | 6137 | 7611 |
| **Total** | **14255** | **13249** | **14865** |

| Normalised energy consumption | 2014/15 | 2015/16 | 2016/17 |
|---|---|---|---|
| Energy per unit of floor space (GJ/m2) | 1.17 | 1.09 | 1.22 |
| Energy per unit of activity (GJ/activity) | 0.36 | 0.33 | 0.37 |

*Note:*

*Total Floor space for GSHS is 12,184 m2 (Leongatha 8,350 m2 and Korumburra 3,834 m2).*

*Bed Days have been used as the unit of activity.*

*2014/15 - Bed Days (39,243) comprise 10,314 In-patient bed days and 28,929 Residential*

*2015/16 - Bed Days (40,678) comprise 10,519 In-patient bed days and 30,159 Residential Aged Care bed days.*

*2016/17 - Bed Days (40,724) comprise 10,477 In-patient bed days and 30,247 Residential Aged Care bed days.*

### Greenhouse gas emissions

| Total greenhouse gas emissions (tonnes CO2e) | 2014/15 | 2015/16 | 2016/17 |
|---|---|---|---|
| Scope 1 | 378 | 314 | 390 |
| Scope 2 | 2266 | 2331 | 2378 |
| **Total** | **2644** | **2645** | **2768** |

*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-*

| Normalised greenhouse gas emissions | 2014/15 | 2015/16 | 2016/17 |
|---|---|---|---|
| Emissions per unit of floor space (kgCO2e/m2) | 217 | 217 | 227 |
| Emissions per unit of activity (kgCO2e/activity) | 67 | 65 | 68 |

### Water consumption

| Total water consumption by water type (kL) | 2014/15 | 2015/16 | 2016/17 |
|---|---|---|---|
| Potable water | 8565 | 9737 | 11596 |
| Recycled water | 0 | 0 | 0 |
| **Total** | **8565** | **9737** | **11596** |

| Normalised water consumption | 2014/15 | 2015/16 | 2016/17 |
|---|---|---|---|
| Water per unit of floor space (kL/m2) | 0.70 | 0.8 | 0.95 |
| Water per unit of activity (kL/activity) | 0.22 | 0.24 | 0.28 |

| Water recycling | 2014/15 | 2015/16 | 2016/17 |
|---|---|---|---|
| Recycling rate (percentage) | N/A | N/A | N/A |

### Waste generation

| Total waste generation by type (Tonnes) | 2014/15 | 2015/16 | 2016/17 |
|---|---|---|---|
| Clinical waste | 3 | 3 | 3 |
| General waste | 238 | 252 | 293 |
| Recycled waste | 63 | 68 | 58 |
| **Total** | **304** | **323** | **354** |

| Normalised waste generation | 2014/15 | 2015/16 | 2016/17 |
|---|---|---|---|
| Waste per activity (kg/activity) | 7.76 | 7.95 | 8.7 |

| Waste recycling | 2014/15 | 2015/16 | 2016/17 |
|---|---|---|---|
| Recycling rate (percentage) | 21 | 21 | 16 |

# Independent Auditor's Report

Victorian Auditor-General's Office

***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:<br>• balance sheet as at 30 June 2017<br>• comprehensive operating statement for the year then ended<br>• statement of changes in equity for the year then ended<br>• cash flow statement for the year then ended<br>• notes to the financial statements, including a summary of significant accounting policies<br>• board member's, accountable officer's and chief finance & accounting officer's declaration.<br>In my opinion the financial report presents fairly, in all material respects, the financial position of the health service as at 30 June 2017 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. My responsibilities under the Act are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report.<br>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 Australia. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.<br>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.<br>In preparing the financial report, the Board is responsible for assessing the health service's ability to continue as a going concern, and using the going concern basis of accounting unless it is inappropriate to do so. |

**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 our 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.

MELBOURNE
7 September 2017

Charlotte Jeffries
*as delegate for the Auditor-General of Victoria*

## Gippsland Southern Health Service

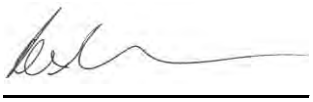
# Board Member's, Accountable Officer's and Chief Finance & Accounting Officer's Declaration

The attached financial statements for Gippsland Southern Health Service have been prepared in accordance with Direction 5.2 of the Standing Directions of the Minister for Finance 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 2017 and the financial position of Gippsland Southern Health Service at 30 June 2017.

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 4 September 2017.



Alex Aeschlimann
President

LEONGATHA

4/09/2017

Mark Johnson
Accountable Officer

LEONGATHA

4/09/2017

Peter Van Hamond
Chief Finance &
Accounting Officer

LEONGATHA

4/09/2017

# Comprehensive Operating Statement
For the Year Ended 30 June 2017

| | Note | 2017 $'000 | 2016 $'000 |
|---|---|---|---|
| Revenue from operating activities | 2.1 | 32,980 | 30,151 |
| Revenue from non-operating activities | 2.1 | 169 | 199 |
| Employee expenses | 3.1 | (22,815) | (21,286) |
| Non-salary labour costs | 3.1 | (2,288) | (2,230) |
| Supplies and consumables | 3.1 | (2,510) | (2,529) |
| Other expenses | 3.1 | (4,349) | (4,282) |
| Net result before capital and specific items | | 1,187 | 23 |
| Capital purpose income | 2.1 | 945 | 1,329 |
| Reversal of impairment of financial assets | 2.1 | 10 | 11 |
| Impairment of financial assets | 3.1 | - | (13) |
| Depreciation | 4.4 | (3,084) | (3,072) |
| Specific expenses | 3.3 | (94) | - |
| Assets provided free of charge | 3.1 | (74) | - |
| Expenditure for capital purpose | 3.1 | (68) | (85) |
| Net Result after capital and specific items | | (1,178) | (1,807) |
| Other economic flows included in net result | | | |
| Revaluation of long service leave | | 18 | - |
| Total other economic flows included in net result | | 18 | - |
| NET RESULT FOR THE YEAR | | (1,160) | (1,807) |
| Other comprehensive income | | | |
| Items that will not be reclassified to net result | | | |
| Changes in physical asset revaluation surplus | 8.1 | 1,301 | - |
| Total other comprehensive income | | 1,301 | - |
| Comprehensive result | | 141 | (1,807) |

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

# Gippsland Southern Health Service
## Balance Sheet
## As at 30 June 2017

| | Note | 2017 $'000 | 2016 $'000 |
|---|---|---|---|
| Current assets | | | |
| Cash and cash equivalents | 6.1 | 5,573 | 15,766 |
| Receivables | 5.1 | 978 | 814 |
| Investments and other financial assets | 4.1 | 11,440 | - |
| Inventories | 5.2 | 101 | 113 |
| Prepayments and other assets | 5.4 | 249 | 124 |
| Total current assets | | 18,341 | 16,817 |
| Non-current assets | | | |
| Receivables | 5.1 | 796 | 576 |
| Property, plant and equipment | 4.3 | 63,078 | 61,372 |
| Total non-current assets | | 63,874 | 61,948 |
| TOTAL ASSETS | | 82,215 | 78,765 |
| Current liabilities | | | |
| Payables | 5.5 | 1,946 | 1,672 |
| Provisions | 3.4 | 5,487 | 5,218 |
| Other current liabilities | 5.3 | 6,687 | 6,095 |
| Total current liabilities | | 14,120 | 12,985 |
| Non-current liabilities | | | |
| Provisions | 3.4 | 653 | 643 |
| Total non-current liabilities | | 653 | 643 |
| TOTAL LIABILITIES | | 14,773 | 13,628 |
| NET ASSETS | | 67,442 | 65,137 |
| EQUITY | | | |
| Property, plant and equipment revaluation surplus | 8.1(a) | 20,808 | 19,507 |
| Restricted specific purpose surplus | 8.1(b) | 113 | 113 |
| Contributed capital | 8.1(b) | 24,017 | 21,853 |
| Accumulated surpluses/(deficits) | 8.1(c) | 22,504 | 23,664 |
| TOTAL EQUITY | 8.1(c) | 67,442 | 65,137 |
| Contingent assets and contingent liabilities | 7.3 | | |
| Commitments | 6.2 | | |

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

# Gippsland Southern Health Service
## Statement of Changes in Equity
For the Year Ended 30 June 2017

| | Note | Property, Plant & Equipment Revaluation Surplus $'000 | Restricted Specific Purpose Surplus $'000 | Contributions by Owners $'000 | Accumulated Surpluses/ (Deficits) $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| Balance at 1 July 2015 | | 19,507 | 113 | 21,853 | 25,471 | 66,944 |
| Net result for the year | | - | - | - | (1,807) | (1,807) |
| Balance at 30 June 2016 | | 19,507 | 113 | 21,853 | 23,664 | 65,137 |
| Net result for the year | | - | - | - | (1,160) | (1,160) |
| Other comprehensive income for the year | 8.1(a) | 1,301 | - | - | - | 1,301 |
| Transfer to / returned from contributed capital | 8.1(b) | - | - | 2,164 | - | 2,164 |
| Balance at 30 June 2017 | | 20,808 | 113 | 24,017 | 22,504 | 67,442 |

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

# Gippsland Southern Health Service
## Cash Flow Statement
For the Year Ended 30 June 2017

| | Note | 2017 $'000 | 2016 $'000 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Operating grants from government | | 27,601 | 26,053 |
| Capital grants from government | | 222 | 592 |
| Patient and resident fees received | | 3,380 | 2,465 |
| Private practice fees received | | 730 | 763 |
| Donations and bequests received | | 92 | 112 |
| GST received from/(paid to) ATO | | 345 | 535 |
| Recoupment from private practice for use of hospital facilities | | 62 | 82 |
| Interest received | | 313 | 293 |
| Other receipts | | 1,765 | 996 |
| *Total receipts* | | *34,510* | *31,891* |
| Employee expenses paid | | (22,441) | (21,553) |
| Non-salary labour costs | | (2,299) | (1,690) |
| Payments for supplies and consumables | | (3,097) | (2,526) |
| Other payments | | (4,751) | (3,992) |
| *Total payments* | | *(32,588)* | *(29,761)* |
| NET CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES | 8.2 | 1,922 | 2,130 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of investments | | (8,027) | - |
| Payments for non-financial assets | | (2,911) | (367) |
| Proceeds from sale of non-financial assets | | 62 | 34 |
| Proceeds from sale of investments | | 2,662 | 2,637 |
| NET CASH FLOW FROM/(USED IN) INVESTING ACTIVITIES | | (8,214) | 2,304 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Contributed capital from government | | 2,164 | - |
| NET CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES | | 2,164 | - |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS HELD | | (4,128) | 4,434 |
| Cash and cash equivalents at beginning of financial year | | 9,701 | 5,267 |
| CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR | 6.1 | 5,573 | 9,701 |

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

## Basis of presentation

These financial statements are presented in Australian dollars and the historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured on a different basis.

The accrual basis of accounting has been applied in the preparation of these financial statements whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

Consistent with the requirements of *AASB 1004 Contributions* (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 hospital.

Additions to net assets which have been designated as contributions by owners are recognised as contributed capital. Other transfers that are in the nature of contributions to or distributions by owners have also been designated as contributions by owners.

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

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

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

## Note 1: Summary of significant accounting policies

These annual financial statements represent the audited general purpose financial statements for Gippsland Southern Health Service for the period ending 30 June 2017. The report provides users with information about the Health Services' stewardship of resources entrusted to it.

### (a) Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the *Financial Management Act 1994* and applicable AASs, which include interpretations issued by the Australian Accounting Standards Board (AASB). They are presented in a manner consistent with the requirements of AASB101 *Presentation of Financial Statements* .

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

The Health Service is a not-for profit entity and therefore applies the additional Aus paragraphs applicable to "not-for-profit" Health Services under the AASBs.

The annual financial statements were authorised for issue by the Board of Gippsland Southern Health Service on (31 August 2017).

## (b) 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.

### Objectives and funding

Gippsland Southern Health Service's overall objective is to provide health care, as well as improve the quality of life to Victorians.

Gippsland Southern Health Service is predominantly funded by accrual based grant funding for the provision of outputs.

## (c) Basis of accounting preparation and measurement

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2017, and the comparative information presented in these financial statements for the year ended 30 June 2016.

The going concern basis was used to prepare the financial statements.

These financial statements are presented in Australian dollars, the functional and presentation currency of the Health Service.

The financial statements, except for cash flow information, have been prepared using the accrual basis of accounting. Under the accrual basis, items are recognised as assets, liabilities, equity, income or expenses when they satisfy the definitions and recognition criteria for those items, that is they are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

The financial statements are prepared in accordance with the historical cost convention, except for:

- non-current physical assets, which subsequent to acquisition, are measured at a revalued amount being their fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent impairment losses. Revaluations are made and are re-assessed when new indices are published by the Valuer General to ensure that the carrying amounts do not materially differ from their fair values;

- available-for-sale investments which are measured at fair value with movements reflected in equity until the asset is derecognised. (i.e. other comprehensive income - items that may be reclassified subsequent to net result).

- The fair value of assets other than land is generally based on their depreciated replacement value.

Judgements, estimates and assumptions are required to be made about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

## (d) Principles of consolidation

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

### Intersegment transactions

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

## Note 2: Funding delivery of our services

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

To enable the Health Service to fulfill its objective it receives income based on parliamentary appropriations. The Health Service also receives income from the supply of services.

Structure

2.1 Analysis of revenue by source

## Note 2.1: Analysis of Revenue by Source

| | Admitted Patients 2017 $'000 | Non-Admitted 2017 $'000 | RAC 2017 $'000 | Aged Care 2017 $'000 | Primary Health 2017 $'000 | Other 2017 $'000 | Total 2017 $'000 |
|---|---|---|---|---|---|---|---|
| Government Grant | 14,202 | 3,539 | 6,448 | 2,605 | 441 | 532 | 27,767 |
| Indirect Contributions by Department of Health and Human Services | 127 | 32 | 57 | 23 | 4 | 5 | 248 |
| Patient and Resident Fees | 342 | 84 | 1,811 | 271 | - | - | 2,508 |
| Commercial Activities | 62 | - | - | - | - | 1,049 | 1,111 |
| Other Revenue from Operating Activities | 1,298 | 46 | 2 | - | - | - | 1,346 |
| Total Revenue from Operating Activities | 16,031 | 3,701 | 8,318 | 2,899 | 445 | 1,586 | 32,980 |
| Interest | 169 | - | - | - | - | - | 169 |
| Total Revenue from Non-Operating Activities | 169 | - | - | - | - | - | 169 |
| Capital Purpose Income (excluding Interest) | 399 | - | 368 | - | - | - | 767 |
| Capital Interest | - | - | 178 | - | - | - | 178 |
| Total Capital Purpose Income | 399 | - | 546 | - | - | - | 945 |
| Reversal of Impairment Loss on Financial Assets | 10 | - | - | - | - | - | 10 |
| Total Revenue | 16,609 | 3,701 | 8,864 | 2,899 | 445 | 1,586 | 34,104 |

| | Admitted Patients 2016 $'000 | Non-Admitted 2016 $'000 | RAC 2016 $'000 | Aged Care 2016 $'000 | Primary Health 2016 $'000 | Other 2016 $'000 | Total 2016 $'000 |
|---|---|---|---|---|---|---|---|
| Government Grant | 12,890 | 3,476 | 6,282 | 2,466 | 434 | 498 | 26,046 |
| Indirect contributions by Department of Health and Human Services | (57) | (16) | (28) | (11) | (2) | (2) | (116) |
| Patient and Resident Fees | 86 | 113 | 1,682 | 192 | - | - | 2,073 |
| Commercial Activities | 82 | - | - | - | - | 1,001 | 1,083 |
| Other Revenue from Operating Activities | 697 | 44 | 221 | 67 | 8 | 28 | 1,065 |
| Total Revenue from Operating Activities | 13,698 | 3,617 | 8,157 | 2,714 | 440 | 1,525 | 30,151 |
| Interest | 199 | - | - | - | - | - | 199 |
| Total Revenue from Non-Operating Activities | 199 | - | - | - | - | - | 199 |
| Capital Purpose Income (excluding Interest) | 766 | - | 458 | - | - | - | 1,224 |
| Capital Interest | - | - | 105 | - | - | - | 105 |
| Total Capital Purpose Income | 766 | - | 563 | - | - | - | 1,329 |
| Reversal of Impairment Loss on Financial Assets | 11 | - | - | - | - | - | 11 |
| Total Revenue | 14,674 | 3,617 | 8,720 | 2,714 | 440 | 1,525 | 31,690 |

Department of Health and Human Services makes certain payments on behalf of the Health Service (Insurance). These amounts have been brought to account in determining the operating result for the year by recording them as revenue and expenses.

## Note 2.1: Analysis of Revenue by Source (cont'd)

Income is recognised in accordance with AASB 118 *Revenue* and is recognised as to the extent that it is probable that the economic benefits will flow to the Health Service and the income can be reliably measured at fair value. Unearned income at reporting date is reported as income received in advance.

Amounts disclosed as revenue are where applicable, net of returns, allowances and duties and taxes.

### Government Grants and Other Transfers of Income (other than Contributions by Owners)

In accordance with AASB 1004 *Contributions*, Government Grants and Other Transfers of Income (other than Contributions by Owners) are recognised as income when the Health Service gains control of the underlying assets irrespective of whether conditions are imposed on the Health Service's use of the contributions.

Contributions are deferred as income in advance when the Health Service has a present obligation to repay them and the present obligation can be reliably measured.

### Indirect Contributions from the Department of Health and Human Services

- Insurance is recognised as revenue following advice from the Department of Health and Human Services.
- Long Service Leave (LSL) – Revenue is recognised upon finalisation of movements in LSL liability in line with the arrangements set out in the Metropolitan Health and Aged Care Services Division Hospital Circular 04/2017.

### Patient and Resident Fees

Patient fees are recognised as revenue at the time invoices are raised.

### Private Practice Fees

Private practice fees are recognised as revenue at the time invoices are raised.

### Revenue from commercial activities

Revenue from commercial activities such as commercial laboratory medicine is recognised at the time invoices are raised.

### Donations and Other Bequests

Donations and bequests are recognised as revenue when received. If donations are for a special purpose, they may be appropriated to a surplus, such as the specific restricted purpose surplus.

### Interest Revenue

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

### Sale of Investments

The gain/loss on the sale of investments is recognised when the investment is realised.

### Other Income

Other income includes non-property rental, dividends, forgiveness of liabilities, and bad debt reversals.

### Category groups

- The Health Service has used the following category groups for reporting purposes for the current and previous financial years.

- Admitted Patient Services (Admitted Patients) comprises all acute and subacute admitted patient services, where services are delivered in public hospitals.

- Non Admitted Services comprises acute and subacute non admitted services, where services are delivered in public hospital clinics and provide models of integrated community care, which significantly reduces the demand for hospital beds and supports the transition from hospital to home in a safe and timely manner.

## Note 2.1: Analysis of Revenue by Source (cont'd)

- Aged Care comprises a range of in home, specialist geriatric, residential care and community based programs and support services, such as Home and Community Care (HACC) that are targeted to older people, people with a disability, and their carers.

- Primary, Community and Dental Health comprises a range of home based, community based, community, primary health and dental services including health promotion and counselling, physiotherapy, speech therapy, podiatry and occupational therapy and a range of dental health services.

- Residential Aged Care including Mental Health (RAC incl. Mental Health) referred to in the past as psychogeriatric residential services, comprises those Commonwealth-licensed residential aged care services in receipt of supplementary funding from the department under the mental health program. It excludes all other residential services funded under the mental health program, such as mental health funded community care units and secure extended care units.

- Other Services not reported elsewhere - (Other) comprises services not separately classified above, including: Public Health Services including laboratory testing, blood borne viruses / sexually transmitted infections clinical services, Kooris liaison officers, immunisation and screening services, drugs services including drug withdrawal, counselling and the needle and syringe program, Disability services including aids and equipment and flexible support packages to people with a disability, Community Care programs including sexual assault support, early parenting services, parenting assessment and skills development, and various support services. Health and Community Initiatives also falls in this category group.

## 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 Analysis of expenses by source
3.2 Analysis of expense and revenue by internally managed and restricted specific purpose funds
3.3 Specific expenses
3.4 Employee benefits in the balance sheet
3.5 Superannuation

## Note 3.1: Analysis of Expenses by Source

| | Admitted Patients 2017 $'000 | Non-Admitted 2017 $'000 | RAC 2017 $'000 | Aged Care 2017 $'000 | Primary Health 2017 $'000 | Other 2017 $'000 | Total 2017 $'000 |
|---|---|---|---|---|---|---|---|
| Employee Expenses | 9,892 | 1,638 | 7,321 | 2,557 | 247 | 1,160 | 22,815 |
| Other Operating Expenses | | | | | | | |
| Non-Salary Labour Costs | 1,845 | 18 | 318 | 1 | 2 | 104 | 2,288 |
| Supplies and Consumables | 1,612 | 90 | 627 | 102 | 3 | 76 | 2,510 |
| Other Expenses | 2,873 | 168 | 885 | 229 | 22 | 172 | 4,349 |
| Total Expenditure from Operating Activities | 16,222 | 1,914 | 9,151 | 2,889 | 274 | 1,512 | 31,962 |
| Other Non-Operating Expenses | | | | | | | |
| Specific Expenses (refer Note 3.3) | 35 | 8 | 32 | 13 | 2 | 4 | 94 |
| Expenditure for Capital Purposes | 45 | 5 | 14 | 3 | - | 1 | 68 |
| Assets Provided Free of Charge | 74 | - | - | - | - | - | 74 |
| Depreciation (refer Note 4.4) | 3,084 | - | - | - | - | - | 3,084 |
| Total other expenses | 3,238 | 13 | 46 | 16 | 2 | 5 | 3,320 |
| Total Expenses | 19,460 | 1,927 | 9,197 | 2,905 | 276 | 1,517 | 35,282 |

| | Admitted Patients 2016 $'000 | Non-Admitted 2016 $'000 | RAC 2016 $'000 | Aged Care 2016 $'000 | Primary Health 2016 $'000 | Other 2016 $'000 | Total 2016 $'000 |
|---|---|---|---|---|---|---|---|
| Employee Expenses | 9,278 | 1,535 | 6,868 | 2,396 | 245 | 964 | 21,286 |
| Other Operating Expenses | | | | | | | |
| Non-Salary Labour Costs | 1,836 | - | 322 | - | 4 | 68 | 2,230 |
| Supplies and Consumables | 1,502 | 112 | 720 | 106 | 3 | 86 | 2,529 |
| Other Expenses | 2,503 | 200 | 1,066 | 291 | 33 | 189 | 4,282 |
| Total Expenditure from Operating Activities | 15,119 | 1,847 | 8,976 | 2,793 | 285 | 1,307 | 30,327 |
| Other Non-Operating Expenses | | | | | | | |
| Expenditure for Capital Purposes | 42 | 4 | 33 | 4 | 1 | 1 | 85 |
| Impairment of Financial Assets | 13 | - | - | - | - | - | 13 |
| Depreciation (refer Note 4.4) | 2,149 | - | 923 | - | - | - | 3,072 |
| Total other expenses | 2,204 | 4 | 956 | 4 | 1 | 1 | 3,170 |
| Total Expenses | 17,323 | 1,851 | 9,932 | 2,797 | 286 | 1,308 | 33,497 |

## Note 3.1: Analysis of Expenses by Source (cont'd)

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

### Cost of goods sold
Costs of goods sold are recognised when the sale of an item occurs by transferring the cost or value of the item/s from inventories.

### Employee expenses
Employee expenses include:

- wages and salaries;
- fringe benefits tax;
- leave entitlements;
- termination payments;
- workcover premiums; and
- superannuation expenses which are reported differently depending upon whether employees are members of defined benefit of defined contribution plans.

### Grants and other transfers

Grants and other transfers to third parties (other than contribution to owners) are recognised as an expense in the reporting period in which they are paid or payable. They include transactions such as: grants, subsidies and personal benefit payments made in cash to individuals.

### Other operating expenses
Other operating expenses generally represent the day-to-day running costs incurred in normal operations and include:

*Supplies and consumables*

Supplies and services costs which 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.

*Bad and doubtful debts*
Refer to Note 5.1 Receivables.

### Fair value of assets, services and resources provided free of charge or for nominal consideration

Contributions of resources provided free of charge or for nominal consideration are recognised at their fair value when the transferee obtains control over them, irrespective of whether restrictions or conditions are imposed over the use of the contributions, unless received from another agency as a consequence of a restructuring of administrative arrangements. In the latter case, such a transfer will be recognised at its carrying amount.

Contributions in the form of services are only recognised when a fair value can be reliably determined and the services would have been purchased if not donated.

### 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 4.3 *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 and is the difference between the proceeds and the carrying amount of the asset at the time.

## Note 3.1: Analysis of Expenses by Source (cont'd)

Net gain/(loss) on financial instruments
Net gain/(loss) on financial instruments includes:
- realised and unrealised gains and losses from revaluations of financial instruments at fair value;
- impairment and reversal of impairment for financial instruments at amortised cost refer to Note 4.1 *Investments and Other Financial Assets* ; and
- disposals of financial assets and derecognition of financial liabilities.

Revaluations of financial instrument at fair value
Refer to Note 7.1 *Financial instruments.*

Share of net profits/ (losses) of associates and jointly controlled entities, excluding dividends
Refer to Note 1 (d) *Basis of consolidation* .

Other gains/ (losses) from other economic flows
Other gains/ (losses) include:
a. the revaluation of the present value of the long service leave liability due to changes in the bond rate movements, inflation rate movements and the impact of changes in probability factors; and
b. transfer of amounts from the reserves to accumulated surplus or net result due to disposal or derecognition or reclassification.

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 expense in the consolidated comprehensive operating statement.

## Note 3.2: Analysis of Expense and Revenue by Internally Managed and Restricted Specific Purpose Funds

| | Expense | | Revenue | |
|---|---|---|---|---|
| | 2017 $'000 | 2016 $'000 | 2017 $'000 | 2016 $'000 |
| Commercial Activities | | | | |
| Private Practice and Other Patient Activities | | | | |
| Diagnostic Imaging | 1,003 | 852 | 730 | 705 |
| Catering | 110 | 104 | 111 | 104 |
| Cafeteria | 13 | 13 | 11 | 12 |
| Property Expense/Revenue | - | - | 184 | 167 |
| Other Activities | | | | |
| Staff Salary Packaging Service | 1 | 1 | 13 | 13 |
| TOTAL | 1,127 | 970 | 1,049 | 1,001 |

## Note 3.3: Specific Expenses

| | 2017 | 2016 |
|---|---|---|
| Specific Expenses | | |
| Voluntary Departure Packages | 94 | - |
| Total Specific Expenses | 94 | - |

# Note 3.4: Employee Benefits in the Balance Sheet

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Current Provisions | | |
| Employee Benefits | | |
| Annual Leave | | |
| - Unconditional and expected to be settled wholly within 12 months | 1,579 | 1,546 |
| - Unconditional and expected to be settled wholly after 12 months | 262 | 259 |
| Long Service Leave | | |
| - Unconditional and expected to be settled wholly within 12 months | 359 | 360 |
| - Unconditional and expected to be settled wholly after 12 months | 2,121 | 1,897 |
| Accrued Days Off | | |
| - Unconditional and expected to be settled within 12 months | 51 | 50 |
| Accrued Salaries and Wages | | |
| - Unconditional and expected to be settled within 12 months | 634 | 653 |
| | 5,006 | 4,765 |
| Provisions related to Employee Benefit On-Costs | | |
| - Unconditional and expected to be settled within 12 months | 214 | 212 |
| - Unconditional and expected to be settled after 12 months | 267 | 241 |
| | 481 | 453 |
| Total Current Provisions | 5,487 | 5,218 |
| Non-Current Provisions | | |
| Employee Benefits | 587 | 578 |
| Provisions related to Employee Benefit On-Costs | 66 | 65 |
| Total Non-Current Provisions | 653 | 643 |
| Total Provisions | 6,140 | 5,861 |

(a) Employee Benefits and Related On-Costs

| | | |
|---|---|---|
| Current Employee Benefits and Related On-Costs | | |
| Unconditional Long Service Leave Entitlement | 2,760 | 2,511 |
| Annual Leave Entitlements | 2,037 | 1,998 |
| Accrued Wages and Salaries | 634 | 653 |
| Accrued Days Off | 56 | 56 |
| Non-Current Employee Benefits and related on-costs | | |
| Conditional Long Service Leave Entitlements | 653 | 643 |
| Total Employee Benefits and Related On-Costs | 6,140 | 5,861 |

| Movements in provisions | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Movement in Long Service Leave: | | |
| Balance at start of year | 3,154 | 3,232 |
| Provision made during the year | | |
| - Revaluations | (18) | - |
| - Expense recognising Employee Service | 700 | 299 |
| Settlement made during the year | (423) | (377) |
| Balance at end of year | 3,413 | 3,154 |

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. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, using a discount rate that reflects the time value of money and risks specific to the provision.

When some or all of the economic benefits required to settle a provision are expected to be received from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

## Note 3.4: Employee Benefits in the Balance Sheet (cont'd)

### Employee benefits

This provision arises for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave for services rendered to the reporting date.

*Wages and salaries, annual leave, sick leave and accrued days off*

Liabilities for wages and salaries, including non-monetary benefits, annual leave, and accumulating sick leave are all 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 wages and salaries, annual leave and sick leave are measured at:

- Undiscounted 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 (LSL)*

Liability for 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:

- Undiscounted value – if the health service expects to wholly settle within 12 months; and
- Present value – where the entity does not expect to settle a component of this current liability within 12 months.

Conditional LSL is disclosed as a non-current liability. There is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service. This non-current LSL liability is measured at present value.

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 flow.

### On-costs related to employee expense

Provision for on-costs, such as workers compensation and superannuation are recognised together with provisions for employee benefits.

## Note 3.5: Superannuation

| | Paid Contribution for the Year | | Contribution Outstanding at Year End | |
|---|---|---|---|---|
| | 2017 $'000 | 2016 $'000 | 2017 $'000 | 2016 $'000 |
| (i) Defined benefit plans: | | | | |
| State Superannuation Fund - revised and new | 41 | 43 | - | - |
| Defined contribution plans: | | | | |
| First State Super | 1,846 | 1,721 | 153 | 36 |
| Total | 1,887 | 1,764 | 153 | 36 |

(i) The bases for determining the level of contributions is determined by the various actuaries of the defined benefit superannuation plans.

Employees of the Health Service are entitled to receive superannuation benefits and the Health Services contributes to both defined benefit and defined contribution plans. The defined benefit plan(s) provides benefits based on years of service and final average salary.

The Health Service does not recognise any defined benefit liability in respect of the plan(s) because the entity 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 Department of Treasury & Finance 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 expense in relation to the major employee superannuation funds and contributions made by the Health Services are as follows:

*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.

*Defined benefit superannuation plans*

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 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.

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

The defined benefit plan(s) provide benefits based on years of service and final average salary.

The name and details of the major employee superannuation funds and contributions made by the *Health Service* are disclosed in Note 3.5: *Superannuation* .

*Superannuation liabilities*

The Health Service does not recognise any unfunded defined benefit liability in respect of the superannuation 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.

# Note 4: Key Assets to Support Service Delivery

The hospital 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 hospital to be utilised for delivery of those outputs.

Structure
4.1 Investments and other financial assets
4.2 Jointly controlled operations and assets
4.3 Property, plant and equipment
4.4 Depreciation

## Note 4.1: Investments and Other Financial Assets

| | Capital Fund | | Total | |
|---|---|---|---|---|
| | 2017 $'000 | 2016 $'000 | 2017 $'000 | 2016 $'000 |
| CURRENT | | | | |
| *Loans and receivables* | | | | |
| *Term Deposit* | | | | |
| Aust. Dollar Term Deposits > 3 months | 11,440 | - | 11,440 | - |
| Total Current | 11,440 | - | 11,440 | - |
| TOTAL INVESTMENTS AND OTHER FINANCIAL ASSETS | 11,440 | - | 11,440 | - |
| Represented by: | | | | |
| Health Service Investments | 4,771 | - | 4,771 | - |
| Accommodation Bonds (Refundable Entrance Fees) | 6,669 | - | 6,669 | - |
| TOTAL INVESTMENTS AND OTHER FINANCIAL ASSETS | 11,440 | - | 11,440 | - |

(a) Ageing analysis of investments and other financial assets
Please refer to Note 7.1 for the ageing analysis of investments and other financial assets.

(b) Nature and extent of risk arising from investments and other financial assets

Please refer to Note 7.1 for the nature and extent of credit risk arising from investments and other financial assets.

## Note 4.1: Investments and Other Financial Assets (cont'd)

### Investments and other financial assets

Hospital investments must be in accordance in Standing Direction 3.7.2 – Treasury and Investment Risk Management. Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Investments are classified in the following categories:
- financial assets at fair value through profit or loss;
- held-to-maturity;
- loans and receivables; and
- available-for-sale financial assets.

The Health Service classifies its other financial assets between current and non-current assets based on the purpose for which the assets were acquired. Management determines the classification of its other financial assets at initial recognition.
The Health Service assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.
All financial assets, except those measured at fair value through profit or loss are subject to annual review for impairment.

### 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 material delay to a third party under a 'pass through' arrangement; or
- the Health Service has transferred its rights to receive cash flows from the asset and either:
  (a) has transferred substantially all the risks and rewards of the asset; or
  (b) 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.

### Impairment of financial assets

At the end of each reporting period, the Health Service assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. All financial instrument assets, except those measured at fair value through profit or loss, are subject to annual review for impairment.

The allowance is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. 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* .

### Doubtful debts

Receivables are assessed for bad and doubtful debts on a regular basis. Those bad debts considered as written off by mutual consent are classified as a transaction expense. Bad debts not written off by mutual consent and the allowance for doubtful debts are classified as other economic flows in the net result.

# Note 4.2: Jointly Controlled Operations and Assets

| Name of Entity | Principal Activity | Country of Incorporation | Ownership Interest 2017 % | Ownership Interest 2016 % | Published Fair Value 2017 $'000 | Published Fair Value 2016 $'000 |
|---|---|---|---|---|---|---|
| Joint Operations | | | | | | |
| *Health Service Computer Alliance* | Information Systems | Australia | 7.31 | 7.52 | 526 | 251 |

The Health Service interest in assets employed in the above jointly controlled operations and assets is detailed below. The amounts are included in the financial statements and consolidated financial statements under their respective asset categories:

Summarised financial information for the jointly controlled operation

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Summarised balance sheet: | | |
| Current assets | | |
| Cash and cash equivalents | 381 | 200 |
| Other current assets | 225 | 127 |
| Total current assets | 606 | 327 |
| Non-Current Assets | 5 | 2 |
| Total Assets | 611 | 329 |
| Current Liabilities | | |
| Other non-financial liabilities | 85 | 78 |
| Total current liabilities | 85 | 78 |
| Non-Current Liabilities | - | - |
| Total Liabilities | 85 | 78 |
| Net Assets | 526 | 251 |
| Share of Jointly Controlled Operation Net Assets | 526 | 251 |
| Summarised operating statement | | |
| Total income from transactions | 1,016 | 725 |
| Net Result | 275 | (16) |
| Share of Jointly Controlled Operation Net Result | 275 | (16) |

Movements in carrying amount of interests in the Jointly Controlled Operation

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Carrying amount at the beginning of the year | 251 | 267 |
| Share of the jointly controlled operation net result | 275 | (16) |
| Carrying amount at the end of the year | 526 | 251 |

Investments in joint operations

In respect of any interest in joint operations, the Health Service recognises in the financial statements:
- its assets, including its share of any assets held jointly;
- any liabilities including its share of liabilities that it had incurred;
- its revenue from the sale of its share of the output from the joint operation;
- its share of the revenue from the sale of the output by the operation; and
- its expenses, including its share of any expenses incurred jointly.

# Note 4.3: Property, Plant and Equipment

(a) Gross carrying amount and accumulated depreciation

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Land | | |
| Land at Cost | 250 | - |
| Land at Fair Value | 4,728 | 3,427 |
| Total Land | 4,978 | 3,427 |
| Buildings | | |
| Buildings Under Construction at cost | 2,662 | 252 |
| Buildings at Fair Value | 58,991 | 58,991 |
| Less Acc'd Depreciation | 7,683 | 5,326 |
| Total Buildings | 53,970 | 53,917 |
| Plant and Equipment | | |
| Plant and Equipment at Fair Value | 2,078 | 1,861 |
| Less Acc'd Depreciation | 1,347 | 1,241 |
| Total Plant and Equipment | 731 | 620 |
| Medical Equipment | | |
| Medical Equipment at Fair Value | 5,585 | 5,301 |
| Less Acc'd Depreciation | 3,248 | 2,870 |
| Total Medical Equipment | 2,337 | 2,431 |
| Computers & Communication | | |
| Computers & Communication at Fair Value | 936 | 761 |
| Less Acc'd Depreciation | 677 | 621 |
| Total Computers & Communication | 259 | 140 |
| Furniture & Fittings | | |
| Furniture & Fittings at Fair Value | 243 | 237 |
| Less Acc'd Depreciation | 98 | 82 |
| Total Furniture & Fittings | 145 | 155 |
| Motor Vehicles | | |
| Motor Vehicles at Fair Value | 1,050 | 1,153 |
| Less Acc'd Depreciation | 708 | 815 |
| Total Motor Vehicles | 342 | 338 |
| Other - Land Improvements | | |
| Land Improvements at Fair Value | 404 | 404 |
| Less Acc'd Depreciation | 93 | 62 |
| Total Land Improvements | 311 | 342 |
| Other - GHA Property, Plant & Equipment | | |
| GHA Property, Plant & Equipment | 5 | 2 |
| Less Acc'd Depreciation | - | - |
| Total GHS Property, Plant & Equipment | 5 | 2 |
| TOTAL | 63,078 | 61,372 |

# Note 4.3: Property, Plant and Equipment (continued)

## (b) Reconciliations of the carrying amounts of each class of asset

| | Land | Buildings | Plant & Equipment | Medical Equipment | Computers & Communic'n | Furniture & Fittings | Motor Vehicles | Land Improv'ts | GHA PP&E | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Balance at 1 July 2015 | 3,427 | 56,218 | 724 | 2,661 | 157 | 166 | 377 | 373 | 2 | 64,105 |
| Additions | - | 56 | 4 | 142 | 32 | 4 | 129 | - | - | 367 |
| Disposals | - | - | - | (1) | - | - | (27) | - | - | (28) |
| Depreciation (Note 4.4) | - | (2,357) | (108) | (371) | (49) | (15) | (141) | (31) | - | (3,072) |
| Balance at 1 July 2016 | 3,427 | 53,917 | 620 | 2,431 | 140 | 155 | 338 | 342 | 2 | 61,372 |
| Additions | 250 | 2,410 | 218 | 284 | 175 | 5 | 144 | - | 3 | 3,489 |
| Disposals | - | - | - | - | - | - | - | - | - | - |
| Revaluation Increments/(Decrements) | 1,301 | - | - | - | - | - | - | - | - | 1,301 |
| Depreciation (Note 4.4) | - | (2,357) | (107) | (378) | (56) | (15) | (140) | (31) | - | (3,084) |
| Balance at 30 June 2017 | 4,978 | 53,970 | 731 | 2,337 | 259 | 145 | 342 | 311 | 5 | 63,078 |



Land and buildings carried at valuation

An independent valuation of the Health Service's buildings was performed by *the Valuer-General Victoria* to determine the fair value of the buildings. 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 is 30 June 2014.

A valuation of the Health Service land was conducted as at 30th June 2017 to determine fair value. The Health Service used indices provided by the Valuer General. Following referral to the Department of Health & Human Services it was determined that a managerial revaluation was necessary. The revaluation amount is disclosed in this note.

# Note 4.3: Property, Plant and Equipment (continued)

## (c) Fair value measurement hierarchy for assets

| | Carrying amount as at 30 June 2017 | Fair value measurement at end of reporting period using: Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Land at fair value | | | | |
| Non-Specialised Land | 1,293 | - | 1,293 | - |
| Specialised Land | 3,685 | - | - | 3,685 |
| Total of Land at fair value | 4,978 | - | 1,293 | 3,685 |
| Buildings at fair value | | | | |
| Non-Specialised Buildings | 1,438 | - | 1,438 | - |
| Specialised Buildings | 49,870 | - | - | 49,870 |
| Total of Buildings at fair value | 51,308 | - | 1,438 | 49,870 |
| Plant and Equipment at fair value | | | | |
| Plant Equipment and Vehicles at fair value | | | | |
| - Vehicles | 342 | - | 342 | - |
| - Plant and Equipment | 731 | - | - | 731 |
| Total of Plant, Equipment and Vehicles at fair value | 1,073 | - | 342 | 731 |
| Medical Equipment at fair value | | | | |
| Medical Equipment | 2,337 | - | - | 2,337 |
| Total Medical Equipment at fair value | 2,337 | - | - | 2,337 |
| Other Assets at fair value | | | | |
| Computers and Communication Equipment | 259 | - | - | 259 |
| Furniture and Fittings | 145 | - | - | 145 |
| Land Improvements | 311 | - | - | 311 |
| GHA Assets | 5 | - | - | 5 |
| Total Other Assets at fair value | 720 | - | - | 720 |
| Assets Under Construction at fair value | | | | |
| Leongatha Integrated Primary Care Centre | 2,662 | - | - | 2,662 |
| Total Assets Under Construction at fair value | 2,662 | - | - | 2,662 |
| | 63,078 | - | 3,073 | 60,005 |

There have been no transfers between levels during the period.

# Note 4.3: Property, Plant and Equipment (continued)

## (c) Fair value measurement hierarchy for assets

| | Carrying amount as at 30 June 2016 | Fair value measurement at end of reporting period using: Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Land at fair value | | | | |
| Non-Specialised Land | 875 | - | 875 | - |
| Specialised Land | 2,552 | - | - | 2,552 |
| Total of Land at fair value | 3,427 | - | 875 | 2,552 |
| Buildings at fair value | | | | |
| Non-Specialised Buildings | 1,484 | - | 1,484 | - |
| Specialised Buildings | 52,181 | - | - | 52,181 |
| Total of Buildings at fair value | 53,665 | - | 1,484 | 52,181 |
| Plant and Equipment at fair value | | | | |
| Plant Equipment and Vehicles at fair value | | | | |
| - Vehicles | 338 | - | 338 | - |
| - Plant and Equipment | 620 | - | - | 620 |
| Total of Plant, Equipment and Vehicles at fair value | 958 | - | 338 | 620 |
| Medical Equipment at fair value | | | | |
| Medical Equipment | 2,431 | - | - | 2,431 |
| Total Medical Equipment at fair value | 2,431 | - | - | 2,431 |
| Other Assets at fair value | | | | |
| Computers and Communication Equipment | 140 | - | - | 140 |
| Furniture and Fittings | 155 | - | - | 155 |
| Land Improvements | 342 | - | - | 342 |
| GHA Assets | 2 | - | - | 2 |
| Total Other Assets at fair value | 639 | - | - | 639 |
| Assets Under Construction at fair value | | | | |
| Leongatha Integrated Primary Care Centre | 252 | - | - | 252 |
| Total Assets Under Construction at fair value | 252 | - | - | 252 |
| | 61,372 | - | 2,697 | 58,675 |

There have been no transfers between levels during the period.

## Note 4.3: Property, Plant and Equipment (continued)

(c) Fair value measurement hierarchy for assets

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision. Judgements and assumptions made by management in the application of AASBs that have significant effects on the financial statements and estimates relate to:

- the fair value of land, buildings, infrastructure, plant and equipment
- superannuation expense (refer to Note 3.5));
- actuarial assumptions for employee benefit provisions based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (refer to Note 3.4); and
- equities and management investment schemes classified at level 3 of the fair value hierarchy.

Consistent with AASB 13 *Fair Value Measurement* , Gippsland Southern Health Service determines the policies and procedures for both recurring fair value measurements such as property, plant and equipment, investment properties and financial instruments, and for non-recurring fair value measurements such as non-financial physical assets held for sale, in accordance with the requirements of AASB 13 and the relevant FRDs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- 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
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

In addition, Gippsland Southern Health Service determines whether transfers have occurred between levels in the hierarchy by re-assessing 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.

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

Gippsland Southern Health Service, in conjunction with VGV monitors the changes in the fair value of each asset and liability through relevant data sources to determine whether revaluation is required.

## Note 4.3: Property, Plant and Equipment (continued)

(c) Fair value measurement hierarchy for assets (Cont'd)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision, and future periods if the revision affects both current and future periods. Judgements and assumptions made by management in the application of AASs that have significant effects on the financial statements and estimates, with a risk of material adjustments in the subsequent reporting period, relate to:

- the fair value of land, buildings, infrastructure, plant and equipment (refer to Note 7.4);
- superannuation expense (refer to note 3.5); and
- actuarial assumptions for employee benefit provisions based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (refer to Note 3.4).

Fair value measurement

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

The fair value measurement is based on the following assumptions:
- that the transaction to sell the asset or transfer the liability takes place either in the principal market (or the most advantageous market, in the absence of the principal market), either of which must be accessible to the Health Service at the measurement date;
- that the Health Service uses the same valuation assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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 considering the HBU for non-financial physical assets, valuers are probably best placed to determine highest and best use (HBU) in consultation with Health Services. Health Services and their valuers therefore need to have a shared understanding of the circumstances of the assets. A Health Service has to form its own view about a valuer's determination, as it is ultimately responsible for what is presented in its audited financial statements.

In accordance with paragraph AASB 13.29, Health Services can assume 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.

Therefore, an assessment of the HBU will be required when the indicators are triggered within a reporting period, which suggest the market participants would have perceived an alternative use of an asset that can generate maximum value. Once identified, Health Services are required to engage with VGV or other independent valuers for formal HBU assessment.

These indicators, as a minimum, include:
External factors:
- Changed acts, regulations, local law or such instrument which affects or may affect the use or development of the asset;
- Changes in planning scheme, including zones, reservations, overlays that would affect or remove the restrictions imposed on the asset's use from its past use;

## Note 4.3: Property, Plant and Equipment (continued)

(c) Fair value measurement hierarchy for assets (cont'd)

- Evidence that suggest the current use of an asset is no longer core to requirements to deliver a Health Service's service obligation;
- Evidence that suggests that the asset might be sold or demolished at reaching the late stage of an asset's life cycle.

In addition, Health Services need to assess the HBU as part of the 5-year review of fair value of non-financial physical assets. This is consistent with the current requirements on FRD 103F *Non-Financial Physical Assets* and FRD 107B *Investment Properties* .

## Note 4.3: Property, Plant and Equipment (continued)

(d) Reconciliation of Level 3 fair value

| 30 June 2017 | Land | Buildings | Plant and Equipment | Medical Equipment | Computers & Comm'n | Furniture & Fittings | Land Improv't | GHA Assets | Assets Under Construction |
|---|---|---|---|---|---|---|---|---|---|
| Opening Balance | 2,552 | 52,181 | 620 | 2,431 | 140 | 155 | 342 | 2 | 252 |
| Purchases (sales) | - | - | 218 | 284 | 175 | 5 | - | 3 | 2410 |
| Transfers in (out) of Level 3 | - | - | - | - | - | - | - | - | - |
| Gains or losses recognised in net result | | | | | | | | | |
| - Depreciation | - | (2,311) | (107) | (378) | (56) | (15) | (31) | - | - |
| Subtotal | 2,552 | 49,870 | 731 | 2,337 | 259 | 145 | 311 | 5 | 2,662 |
| Items recognised in other comprehensive income | | | | | | | | | |
| - Revaluation | 1,133 | - | - | - | - | - | - | - | - |
| Subtotal | 1,133 | - | - | - | - | - | - | - | - |
| Closing Balance | 3,685 | 49,870 | 731 | 2,337 | 259 | 145 | 311 | 5 | 2,662 |

| 30 June 2016 | Land | Buildings | Plant and Equipment | Medical Equipment | Computers & Comm'n | Furniture & Fittings | Land Improv't | GHA Assets | Assets Under Construction |
|---|---|---|---|---|---|---|---|---|---|
| Opening Balance | 2,552 | 54,506 | 724 | 2,661 | 157 | 166 | 373 | 2 | 212 |
| Purchases (sales) | - | 16 | 4 | 141 | 32 | 4 | - | - | 40 |
| Transfers in (out) of Level 3 | - | - | - | - | - | - | - | - | - |
| Gains or losses recognised in net result | | | | | | | | | |
| - Depreciation | - | (2,341) | (108) | (371) | (49) | (15) | (31) | - | - |
| - Impairment loss | | | | | | | | | |
| Subtotal | 2,552 | 52,181 | 620 | 2,431 | 140 | 155 | 342 | 2 | 252 |
| Items recognised in other comprehensive income | | | | | | | | | |
| - Revaluation | - | - | - | - | - | - | - | - | - |
| Subtotal | - | - | - | - | - | - | - | - | - |
| Closing Balance | 2,552 | 52,181 | 620 | 2,431 | 140 | 155 | 342 | 2 | 252 |

## Note 4.3: Property, Plant and Equipment (continued)

(d) Reconciliation of Level 3 fair value (cont'd)

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 shall be 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.

Assumptions about risk include the inherent risk in a particular valuation technique used to measure fair value (such as a pricing risk model) and the risk inherent in the inputs to the valuation technique. A measurement that does not include an adjustment for risk would not represent a fair value measurement if market participants would include one when pricing the asset or liability i.e., it might be necessary to include a risk adjustment when there is significant measurement uncertainty. For example, when there has been a significant decrease in the volume or level of activity when compared with normal market activity for the asset or liability or similar assets or liabilities, and the Health Service has determined that the transaction price or quoted price does not represent fair value.

A Health Service shall develop unobservable inputs using the best information available in the circumstances, which might include the Health Service's own data. In developing unobservable inputs, a Health Service may begin with its own data, but it shall adjust this data if reasonably available information indicates that other market participants would use different data or there is something particular to the Health Service that is not available to other market participants. A Health Service need not undertake exhaustive efforts to obtain information about other market participant assumptions. However, a Health Service shall take into account all information about market participant assumptions that is reasonably available. Unobservable inputs developed in the manner described above are considered market participant assumptions and meet the object of a fair value measurement.

Non-specialised land, non-specialised buildings and artwork

Non-specialised land, non-specialised buildings and artworks 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 independent valuers Westernport Property Valuations 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 30 June 2014.

To the extent that non-specialised land, non-specialised buildings and artworks do not contain significant, unobservable adjustments, these assets are classified as Level 2 under the market approach.

Specialised land and specialised buildings

The market approach is also used for specialised land and specialised buildings although 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.

## Note 4.3: Property, Plant and Equipment (continued)

(d) Reconciliation of Level 3 fair value (cont'd)

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 services, 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 valuation was performed using the market approach adjusted for CSO. The effective date of the valuation is 30 June 2014.

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).

Plant and equipment

Plant and equipment is 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 2017.
For all assets measured at fair value, the current use is considered the highest and best use.

## Note 4.3: Property, Plant and Equipment (continued)

(e) Description of significant unobservable inputs to Level 3 valuations:

| | Valuation technique | Significant unobservable inputs |
|---|---|---|
| Specialised land | | |
| Leongatha & Korumburra Hospital Land | Market approach | Community Service Obligation (CSO) adjustment |
| Specialised buildings | | |
| Korumburra & Leongatha Hospital Site Buildings | Depreciated replacement cost | Direct cost per square metre<br>Useful life of specialised buildings |
| Plant and equipment at fair value | | |
| Varied | Depreciated replacement cost | Cost per unit<br>Useful life of PPE |
| Medical equipment at fair value | | |
| Varied | Depreciated replacement cost | Cost per unit<br>Useful life of medical equipment |
| Other Assets at fair values | | |
| Varied | Depreciated replacement cost | Cost per unit<br>Useful life of other assets |
| Assets under construction at fair value | | |
| Leongatha Integrated Primary Care Centre | Depreciated replacement cost | Cost per unit |

The significant unobservable inputs have remain unchanged from 2016.

## Note 4.3: Property, Plant and Equipment (continued)

Refer to Note 7.4 for guidance on fair value measurement indicative expectations.

### Property, plant and equipment

All non-current physical assets are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and accumulated impairment loss. Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition. Assets transferred as part of a merger/machinery of government are transferred at their carrying amount.

More details about the valuation techniques and inputs used in determining the fair value of non-financial physical assets are discussed in Note 4.3 *Property, Plant and Equipment* .

Crown land 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 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.

Land and buildings are recognised initially at cost and subsequently measured at fair value less accumulated depreciation and accumulated impairment loss.

Plant, equipment and vehicles are recognised initially at cost and subsequently measured at fair value less accumulated depreciation and accumulated impairment loss. Depreciated historical cost is generally a reasonable proxy for fair value because of the short lives of the assets concerned.

### Revaluations of non-current physical assets

Non-current physical assets are measured at fair value and are revalued in accordance with FRD 103F *Non-Current Physical Assets* . This revaluation process normally occurs at least every five years, based upon the asset's Government Purpose Classification, but may occur more frequently if fair value assessments indicate material changes in values. Independent valuers are used to conduct these scheduled revaluations and any interim revaluations are determined in accordance with the requirements of the FRDs. Revaluation increments or decrements arise from differences between an asset's carrying amount and fair value.

Revaluation increments are recognised in 'other comprehensive income' and are credited directly in equity to the asset revaluation surplus, 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, 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 surplus in respect of the same class of property, plant and equipment.

Revaluation increases and revaluation decreases 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 surplus is not normally transferred to accumulated funds on derecognition of the relevant asset.

In accordance with FRD 103F, the Health Service's non-current physical assets were assessed to determine whether revaluation of the non-current physical assets was required.

## Note 4.4: Depreciation

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Depreciation | | |
| Buildings | 2,357 | 2,357 |
| Plant and Equipment | 107 | 108 |
| Medical Equipment | 378 | 371 |
| Computers and Communication | 56 | 49 |
| Furniture and Fittings | 15 | 15 |
| Motor Vehicles | 140 | 141 |
| Other - Land Improvements | 31 | 31 |
| Total Depreciation | 3,084 | 3,072 |

All infrastructure assets, buildings, plant and equipment and other non-financial physical assets that have finite useful lives are depreciated (i.e. excludes land assets held for sale, and investment properties). Depreciation begins when the asset is available for use, which is when it is in the location and condition necessary for it to be capable of operating in a manner intended by management.

Depreciation is generally calculated on a straight line basis, at a rate that allocates the asset value, less any estimated residual value over its estimated useful life. Estimates of the remaining useful lives, residual value and depreciation method for all assets are reviewed at least annually, and adjustments made where appropriate. This depreciation charge is not funded by the Department of Health and Human Services. Assets with a cost in excess of $1000 are capitalised and depreciation has been provided on depreciable assets so as to allocate their cost or valuation over their estimated useful lives.

The following table indicates the expected useful lives of non-current assets on which the depreciation charges are based.

| | 2017 | 2016 |
|---|---|---|
| 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 Systems | 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 Fitting | 5 to 20 years | 5 to 20 years |
| Motor Vehicles | 4 to 5 years | 4 to 5 years |

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

# Note 5: Other Assets and Liabilities

This section sets out those assets and liabilities that arose from the hospital's operations.

Structure
5.1 Receivables
5.2 Inventories
5.3 Other Liabilities
5.4 Prepayments and other non-financial assets
5.5 Payables

# Note 5.1: Receivables

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| CURRENT | | |
| Contractual | | |
| Inter Hospital Debtors | 49 | 50 |
| Trade Debtors | 206 | 252 |
| Patient Fees | 394 | 306 |
| Accrued Investment Income | 64 | 30 |
| GHA Receivables | 61 | 69 |
| Accrued Revenue Other | 36 | 58 |
| *Less* Allowance for Doubtful Debts Patient Fees | (34) | (34) |
| | 776 | 731 |
| Statutory | | |
| GST Receivable | 202 | 73 |
| Accrued Revenue - Department of Health / Department of Health and Human Services | - | 10 |
| | 202 | 83 |
| TOTAL CURRENT RECEIVABLES | 978 | 814 |
| NON CURRENT | | |
| Statutory | | |
| Long Service Leave - Department of Health / Department of Health and Human Services | 796 | 576 |
| | 796 | 576 |
| TOTAL NON-CURRENT RECEIVABLES | 796 | 576 |
| TOTAL RECEIVABLES | 1,774 | 1,390 |

(a) Movement in the Allowance for doubtful debts

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Balance at beginning of year | (34) | (34) |
| Amounts written off during the year | (7) | (33) |
| Reversal of receivable written off | - | - |
| Amounts recovered during the year | 7 | 33 |
| Balance at end of year | (34) | (34) |

(b) Ageing analysis of receivables
Please refer to Note 7.1(c) for the ageing analysis of contractual receivables

(c) Nature and extent of risk arising from receivables

Please refer to Note 7.1(c) for the nature and extent of credit risk arising from contractual receivables

## Note 5.1 Receivables (continued)

Receivables consist of:
- contractual receivables, which includes mainly debtors in relation to goods and services, loans to third parties, accrued investment income, and finance lease receivables; and
- statutory receivables, which includes predominantly amounts owing from the Victorian Government and Goods and Services Tax ("GST") input tax credits recoverable.

Receivables that are contractual are classified as financial instruments and categorised as loans and receivables. Statutory receivables are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments because they do not arise from a contract.

Receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less any accumulated impairment.

Trade debtors are carried at nominal amounts due and are due for settlement within 30 days from the date of recognition. Collectability of debts is reviewed on an ongoing basis, and debts which are known to be uncollectible are written off. A provision for doubtful debts is recognised when there is objective evidence that the debts may not be collected and bad debts are written off when identified.

## Note 5.2: Inventories

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Pharmaceuticals | | |
| At cost | 75 | 82 |
| Catering Supplies | | |
| At cost | 4 | 5 |
| Housekeeping Supplies | | |
| At cost | 3 | 2 |
| Medical and Surgical Lines | | |
| At cost | 15 | 19 |
| Administration Stores | | |
| At Cost | 4 | 5 |
| TOTAL INVENTORIES | 101 | 113 |

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.

Inventories held for distribution are measured at cost, adjusted for any loss of service potential. All other inventories, including land held for sale, are measured at the lower of cost and net realisable value.

Inventories acquired for no cost or nominal considerations are measured at current replacement cost at the date of acquisition.

The bases used in assessing loss of service potential for inventories held for distribution include current replacement cost and technical or functional obsolescence. Technical obsolescence occurs when an item still functions for some or all of the tasks it was originally acquired to do, but no longer matches existing technologies. Functional obsolescence occurs when an item no longer functions the way it did when it was first acquired.

Cost is assigned to land for sale (undeveloped, under development and developed) and to other high value, low volume inventory items on a specific identification of cost basis.

Cost for all other inventory is measured on the basis of weighted average cost.

## Note 5.3: Other Liabilities

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| CURRENT | | |
| Monies Held in Trust* | | |
| - Accommodation Bonds (Refundable Entrance Fees)* | 6,669 | 6,065 |
| GHA Other Current Liabilities | 18 | 30 |
| Total Current | 6,687 | 6,095 |
| Total Other Liabilities | 6,687 | 6,095 |

| | | |
|---|---|---|
| * Total Monies Held in Trust | | |
| Represented by the following assets: | | |
| Cash Assets (refer to Note 6.1) | - | 6,065 |
| Investments and Other Financial Assets (refer to Note 4.1) | 6,669 | - |
| TOTAL | 6,669 | 6,065 |

## Note 5.4: Prepayments and Other Non-Financial Assets

| CURRENT | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Prepayments | 85 | 66 |
| GHA Other Current Assets | 164 | 58 |
| TOTAL CURRENT OTHER ASSETS | 249 | 124 |
| TOTAL OTHER ASSETS | 249 | 124 |

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

## Note 5.5: Payables

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| CURRENT | | |
| Contractual | | |
| Trade Creditors | 451 | 627 |
| GHA Payables | 66 | 48 |
| Accrued Expenses | 888 | 288 |
| | 1,405 | 963 |
| Statutory | | |
| Department of Health and Human Services | 458 | 663 |
| Amounts Payable to Government | 83 | 46 |
| | 541 | 709 |
| TOTAL CURRENT | 1,946 | 1,672 |

(a) Maturity analysis of payables
Please refer to Note 7.1(d) for the ageing analysis of contractual payables

(b) Nature and extent of risk arising from payables

Please refer to Note 7.1(d) for the nature and extent of risks arising from contractual payables

Payables consist of:

- contractual payables which consist predominantly of accounts payable representing liabilities for goods and services provided to the Health Service prior to the end of the financial year that are unpaid, and arise when the Health Service becomes obliged to make future payments in respect of the purchase of those goods and services. The normal credit terms for accounts payable are usually Nett 30 days.

- statutory payables, such as goods and services tax and fringe benefits tax payables.

Contractual payables are classified as financial instruments and are initially recognised at fair value, and then subsequently carried at amortised cost. 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 a contract.

# Note 6: How we finance our operations

This section provides information on the sources of finance utilised by the hospital during its operations and other information related to financing activities of the hospital.

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

Structure
6.1 Cash and cash equivalents
6.2 Commitments for expenditure

# Note 6.1: Cash and Cash Equivalents

For the purposes of the cash flow statement, cash assets includes cash on hand and in banks, and short-term deposits which are readily convertible to cash on hand, and are subject to an insignificant risk of change in value, net of outstanding bank overdrafts.

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Cash on Hand | 1 | 1 |
| Cash at Bank | 1,386 | 1,111 |
| Deposits at Call | 4,186 | 14,654 |
| Total Cash and Cash Equivalents | 5,573 | 15,766 |
| | | |
| Represented by: | | |
| Cash for Health Service Operations (as per Cash Flow Statement) | 5,192 | 9,501 |
| GHA Cash at Bank | 381 | 200 |
| Sub Total Cash for Health Service Operations | 5,573 | 9,701 |
| Accommodation Bonds (Refundable Entrance Fees) | - | 6,065 |
| Total Cash and Cash Equivalents | 5,573 | 15,766 |

Cash and cash equivalents recognised on the balance sheet comprise cash on hand and cash at bank, deposits at call and highly liquid investments (with an original maturity 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 with an 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.

# Note 6.2: Commitments for Expenditure

## a) Commitments other than public private partnerships

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Capital Expenditure Commitments | | |
| Payable: | | |
| Land and Buildings | 1,582 | - |
| Total Capital Expenditure Commitments | 1,582 | - |
| | | |
| Other Expenditure Commitments | | |
| Payable: | | |
| Administration Fees | 175 | 260 |
| Medical Equipment Maintenance | 162 | 17 |
| Waste Management | 23 | - |
| Water Testing | - | 4 |
| IT Support | 11 | 46 |
| Pathology Service | 310 | 465 |
| Non-Salary Labour Costs | 2,145 | 825 |
| Fire Protection Services | 48 | - |
| Total Other Expenditure Commitments | 2,874 | 1,617 |
| | | |
| Total Commitments (inclusive of GST) other than Public Private Partnerships | 4,456 | 1,617 |
| less GST recoverable from the Australian Tax Office | (405) | (147) |
| Total Commitments (inclusive of GST) other than Public Private Partnerships | 4,051 | 1,470 |

All amounts shown in the commitments note are nominal amounts inclusive of GST.

## (b) Commitments payable

| Nominal Values | 2017 | 2016 |
|---|---|---|
| Capital Expenditure Commitments Payable | | |
| Less than 1 year | 1,582 | 0 |
| Total Capital Expenditure Commitments | 1,582 | 0 |
| Other Expenditure Commitments | | |
| Less than 1 year | 1,867 | 647 |
| Longer than 1 year but not longer than 5 years | 1,007 | 970 |
| Total Other Expenditure Commitments | 2,874 | 1,617 |
| Total Commitments (inclusive of GST) | 4,456 | 1,617 |
| Less GST recoverable from the Australian Tax Office | (405) | (147) |
| Total Commitments (exclusive of GST) | 4,051 | 1,470 |

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed by way of a note 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 individual 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

Introduction

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 hospital is related mainly to fair value determination.

Structure
7.1 Financial instruments
7.2 Net gain/ (loss) on disposal of non-financial assets
7.3 Contingent assets and contingent liabilities
7.4 Fair value determination

# Note 7.1: Financial Instruments

(a) Financial risk management objectives and policies

The Health Service's principal financial instruments comprise of:
- cash assets
- term deposits
- receivables (excluding statutory receivables)
- payables (excluding statutory payables)
- accommodation bonds

Details of the significant accounting policies and methods adopted, including 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 are disclosed in Note 1 to 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 Audit and Finance committee of the Health Service.

The main purpose in holding financial instruments is to prudentially manage the Health Service financial risks within the government policy parameters.

Categorisation of financial instruments

| 2017 | Contractual Financial Assets - Loans and Receivables | Contractual Financial Liabilities at Amortised Cost | Total |
|---|---|---|---|
| | $'000 | $'000 | $'000 |
| **Contractual Financial Assets** | | | |
| Cash and Cash Equivalents | 5,573 | - | 5,573 |
| Receivables | | | |
| - Trade Debtors | 206 | - | 206 |
| - Other Receivables | 570 | - | 570 |
| Other Financial Assets | | | |
| - Term Deposit | 11,440 | - | 11,440 |
| **Total Financial Assets** | 17,789 | - | 17,789 |
| **Financial Liabilities** | | | |
| Payables | - | 1,405 | 1,405 |
| Other Financial Liabilities | | | |
| - Accommodation Bonds | - | 6,669 | 6,669 |
| - Other | - | 18 | 18 |
| **Total Financial Liabilities** | - | 8,092 | 8,092 |

# Note 7.1: Financial Instruments (Continued)

Categorisation of financial instruments

| 2016 | Contractual Financial Assets - Loans and Receivables | Contractual Financial Liabilities at Amortised Cost | Total |
|---|---|---|---|
| | $'000 | $'000 | $'000 |
| **Contractual Financial Assets** | | | |
| Cash and Cash Equivalents | 15,766 | - | 15,766 |
| Receivables | | | |
| - Trade Debtors | 252 | - | 252 |
| - Other Receivables | 479 | - | 479 |
| Other Financial Assets | | | |
| - Term Deposit | - | - | - |
| Total Financial Assets | 16,497 | - | 16,497 |
| | | | |
| **Financial Liabilities** | | | |
| Payables | - | 963 | 963 |
| Other Financial Liabilities | | | |
| - Accommodation Bonds | - | 6,065 | 6,065 |
| - Other | - | 30 | 30 |
| Total Financial Liabilities | - | 7,058 | 7,058 |

(b) Net holding gain/(loss) on financial instruments by category

| | Total Interest Income / (expense) $'000 | Fee Income / (Expense) $'000 | Total $'000 |
|---|---|---|---|
| 2017 | | | |
| Financial Assets | | | |
| Cash and Cash Equivalents | 1 | 10 | 11 |
| Loans and Receivables | 169 | - | 169 |
| Total Financial Assets | 170 | 10 | 180 |
| | | | |
| 2016 | | | |
| Financial Assets | | | |
| Cash and Cash Equivalents | 13 | - | 13 |
| Loans and Receivables | 186 | - | 186 |
| Total Financial Assets | 199 | - | 199 |

## Note 7.1: Financial Instruments (continued)

### (c) Credit risk

Credit risk arises from the contractual financial assets of the Health Service, which comprise cash and deposits, non-statutory receivables and available for sale contractual financial assets. 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, it is the Health Service's policy to only deal with entities with high credit ratings of a minimum Triple-B rating and to obtain sufficient collateral or credit enhancements, where appropriate.

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 assets, 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, debts which are more than 60 days overdue, and changes in debtor credit ratings.

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.

Credit quality of contractual financial assets that are neither past due nor impaired

| | Financial Institutions (AA credit rating) | Government Agencies (AA credit rating) | Other (min BBB credit rating) | Total |
|---|---|---|---|---|
| 2017 | $'000 | $'000 | $'000 | $'000 |
| Financial Assets | | | | |
| *Cash and Cash Equivalents* | 2,561 | 3,012 | - | 5,573 |
| *Loans and Receivables* | | | | |
| - Trade Debtors | - | - | 206 | 206 |
| - Other Receivables | - | - | 570 | 570 |
| - Term Deposit | 5,788 | 5,652 | - | 11,440 |
| Total Financial Assets | 8,349 | 8,664 | 776 | 17,789 |
| 2016 | | | | |
| Financial Assets | | | | |
| Cash and Cash Equivalents | 11,410 | 4,356 | - | 15,766 |
| *Loans and Receivables* | | | | |
| - Trade Debtors | - | - | 252 | 252 |
| - Other Receivables | - | 50 | 429 | 479 |
| Total Financial Assets | 11,410 | 4,406 | 681 | 16,497 |

Ageing analysis of Financial Assets as at 30 June

| | Consol'd Carrying Amount | Not Past Due and Not Impaired | Past Due But Not Impaired | | | | Impaired Financial Assets |
|---|---|---|---|---|---|---|---|
| | | | Less than 1 Month | 1-3 Months | 3 months - 1 Year | 1-5 Years | |
| 2017 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Financial Assets | | | | | | | |
| *Cash and Cash Equivalents* | 5,573 | 5,573 | - | - | - | - | - |
| *Loans and Receivables* | | | | | | | |
| - Trade Debtors | 206 | - | 194 | 11 | 1 | - | |
| - Other Receivables | 570 | 466 | 34 | 66 | 4 | - | - |
| - Term Deposit | 11,440 | 11,440 | - | - | - | - | - |
| Total Financial Assets | 17,789 | 17,479 | 228 | 77 | 5 | - | - |
| 2016 | | | | | | | |
| Financial Assets | | | | | | | |
| *Cash and Cash Equivalents* | 15,766 | 15,766 | - | - | - | - | - |
| *Loans and Receivables* | | | | | | | |
| - Trade Debtors | 252 | 154 | 77 | - | 21 | - | |
| - Other Receivables | 479 | 377 | 29 | 11 | 28 | - | 34 |
| Total Financial Assets | 16,497 | 16,297 | 106 | 11 | 49 | - | 34 |

## Note 7.1: Financial Instruments (continued)

(c) Credit risk (cont'd)

Contractual financial assets that are either past due or impaired

There are no material financial assets which are individually determined to be impaired. Currently the Health Service does not hold any collateral as security nor credit enhancements relating to its financial assets.

There are no financial assets that have had their terms renegotiated so as to prevent them from being past due or impaired, and they are stated at their carrying amounts as indicated. The ageing analysis table above discloses the ageing only of contractual financial assets that are past due but not impaired.

(d) Liquidity risk

Liquidity risk is the risk that the Health Service would be unable to meet its financial obligations as and when they fall due. The Health Services operates under the Government's fair payments policy of settling financial obligations within 30 days and in the event of a dispute, making payments within 30 days from the date of resolution.

The Health Service's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed in the face of the balance sheet. The Health Service manages its liquidity risk as follows:

The Health Service does not consider that it has any significant exposure to credit risk. In the event that interest rates fall any further; the exposure is estimated at an amount of $42,000 for every 0.25% reduction. There is no collateral held on any of the organisation's financial assets as it has no loans or leases. The credit quality of the organisation's financial assets is high considering approximately 96% of its deposits are held in accounts with the Treasury Corporation of Victoria and the Commonwealth Bank of Australia. The remaining 4% of cash deposits is held with GHA.

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 analysis of Financial Liabilities as at 30 June

| | | | Maturity Dates | | | |
|---|---|---|---|---|---|---|
| 2017 | Carrying Amount $'000 | Nominal Amount $'000 | Less than 1 Month $'000 | 1-3 Months $'000 | 3 months - 1 Year $'000 | 1-5 Years $'000 |
| Financial Liabilities | | | | | | |
| *At Amortised Cost* | | | | | | |
| Payables | 1,405 | 1,405 | 1,405 | - | - | - |
| Other Financial Liabilities | | | | | | |
| - Accommodation Bonds | 6,669 | 6,669 | - | - | 6,669 | - |
| - Other | 18 | 18 | 18 | - | - | - |
| Total Financial Liabilities | 8,092 | 8,092 | 1,423 | - | 6,669 | - |
| 2016 | | | | | | |
| Financial Liabilities | | | | | | |
| *At Amortised Cost* | | | | | | |
| Payables | 963 | 963 | 944 | 12 | 7 | - |
| Other Financial Liabilities | | | | | | |
| - Accommodation Bonds | 6,065 | 6,065 | - | - | 6,065 | - |
| - Other | 30 | 30 | 30 | - | - | - |
| Total Financial Liabilities | 7,058 | 7,058 | 974 | 12 | 6,072 | - |

## Note 7.1: Financial Instruments (continued)

(e) Market risk

The Health Service's exposures to market risk are primarily through interest rate risk with only insignificant exposure to foreign currency and other price risks. Objectives, policies and processes used to manage each of these risks are disclosed in the paragraph below.

*Currency risk*
The Health Service is exposed to insignificant foreign currency risk through its payables relating to purchases of supplies and consumables from overseas. This is because of a limited amount of purchases denominated in foreign currencies and a short timeframe between commitment and settlement.

*Interest rate risk*
Exposure to interest rate risk might arise primarily through the Health Service's interest bearing liabilities. Minimisation of risk is achieved by mainly undertaking fixed rate or non-interest bearing financial instruments. For financial liabilities, the health service mainly undertake financial liabilities with relatively even maturity profiles.

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 its cash and deposits, term deposits and bank overdrafts that are at floating rate.

The Health Service manages this risk by mainly undertaking fixed rate or non-interest bearing financial instruments with relatively even maturity profiles, with only insignificant amounts of financial instruments at floating rate. Management has concluded for cash at bank and bank overdraft, as financial assets that can be left at floating rate without necessarily exposing the Health Service to significant bad risk, management monitors movement in interest rates on a daily basis.

Interest rate exposure of financial assets and liabilities as at 30 June

| | Weighted Average Effective Interest | Carrying Amount | Interest Rate Exposure | | |
|---|---|---|---|---|---|
| | | | Fixed Interest Rate | Variable Interest Rate | Non-Interest Bearing |
| 2017 | Rate (%) | $'000 | $'000 | $'000 | $'000 |
| Financial Assets | | | | | |
| *Cash and Cash Equivalents* | 1.27 | 5,573 | 1,554 | 4,018 | 1 |
| *Loans and Receivables* | | | | | |
| - Trade Debtors | | 206 | - | - | 206 |
| - Other Receivables | | 570 | - | - | 570 |
| - Term Deposit | 2.11 | 11,440 | 11,440 | - | - |
| | | 17,789 | 12,994 | 4,018 | 777 |
| Financial Liabilities | | | | | |
| *At Amortised Cost* | | | | | |
| Payables | | 1,405 | - | - | 1,405 |
| Other Financial Liabilities | | | | | |
| - Accommodation Bonds | | 6,669 | - | - | 6,669 |
| - Other | | 18 | - | - | 18 |
| | | 8,092 | - | - | 8,092 |
| 2016 | | | | | |
| Financial Assets | | | | | |
| *Cash and Cash Equivalents* | 1.93 | 15,766 | 3,572 | 12,193 | 1 |
| *Loans and Receivables* | | | | | |
| - Trade Debtors | | 252 | - | - | 252 |
| - Other Receivables | | 479 | - | - | 479 |
| | | 16,497 | 3,572 | 12,193 | 732 |
| Financial Liabilities | | | | | |
| *At Amortised Cost* | | | | | |
| Payables | | 963 | - | - | 963 |
| Other Financial Liabilities | | | | | |
| - Accommodation Bonds | 3.00 | 6,065 | 6,065 | - | - |
| - Other | | 30 | - | - | 30 |
| | | 7,058 | 6,065 | - | 993 |

# Note 7.1: Financial Instruments (continued)

(e) Market risk (continued)

*Sensitivity disclosure analysis*

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, the *Health Service* believes the following movements are 'reasonably possible' over the next 12 months (Base rates are sourced from the Reserve Bank of Australia)

- A shift of 100 basis points up and down in market interest rates (AUD) from year-end rates of 1.75%;
- A parallel shift of +1% and -1% in inflation rate from year-end rates of 1.9%

The following table discloses the impact on net operating result and equity for each category of financial instrument held by the Health Service at year end as presented to key management personnel, if changes in the relevant risk occur.

| | Carrying Amount | Interest Rate Risk | | | |
|---|---|---|---|---|---|
| | | -1% | | +1% | |
| | | Profit | Equity | Profit | Equity |
| 2017 | | $'000 | $'000 | $'000 | $'000 |
| Financial Assets | | | | | |
| *Cash and Cash Equivalents* | 5,573 | (56) | (56) | 56 | 56 |
| *Loans and Receivables* | | | | | |
| - Trade Debtors | 206 | - | - | - | - |
| - Other Receivables | 570 | - | - | - | - |
| - Term Deposit | 11,440 | (114) | (114) | 114 | 114 |
| Financial Liabilities | | | | | |
| *At Amortised Cost* | | | | | |
| Payables | 1,405 | - | - | - | - |
| Other Financial Liabilities | | | | | |
| - Accommodation Bonds | 6,669 | - | - | - | - |
| - Other | 18 | - | - | - | - |
| | | (170) | (170) | 170 | 170 |
| 2016 | | | | | |
| Financial Assets | | | | | |
| *Cash and Cash Equivalent* | 15,766 | (158) | (158) | 158 | 158 |
| *Loans and Receivables* | | | | | |
| - Trade Debtors | 252 | - | - | - | - |
| - Other Receivables | 479 | - | - | - | - |
| - Term Deposit | - | - | - | - | - |
| Financial Liabilities | | | | | |
| *At Amortised Cost* | | | | | |
| Payables | 963 | - | - | - | - |
| Other Financial Liabilities | | | | | |
| - Accommodation Bonds | 6,065 | - | - | - | - |
| - Other | 30 | - | - | - | - |
| | | (158) | (158) | 158 | 158 |

# Note 7.1: Financial Instruments (continued)

## (f) Fair value

The fair values and net fair values of financial instrument assets and liabilities are determined as follows:
• Level 1 - the fair value of financial instrument with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices;
• Level 2 - the fair value is determined using inputs other than quoted prices that are observable for the financial asset or liability, either directly or indirectly; and
• Level 3 - the fair value is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using unobservable market inputs.

The Health Services considers that the carrying amount of financial instrument assets and liabilities recorded in the financial statements to be a fair approximation of their fair values, because of the short-term nature of the financial instruments and the
expectation that they will be paid in full.

The following table shows that the fair values of most of the contractual financial assets and liabilities are the same as the carrying amounts.

### Comparison between carrying amount and fair value

| | Carrying Amount | Fair value | Carrying Amount | Fair value |
|---|---|---|---|---|
| | 2017 $'000 | 2017 $'000 | 2016 $'000 | 2016 $'000 |
| Financial Assets | | | | |
| *Cash and Cash Equivalents* | 5,573 | 5,573 | 15,766 | 15,766 |
| *Loans and Receivables* | | | | |
| - Trade Debtors | 206 | 206 | 252 | 252 |
| - Other Receivables | 570 | 570 | 479 | 479 |
| - Term Deposit | 11,440 | 11,440 | - | - |
| Total Financial Assets | 17,789 | 17,789 | 16,497 | 16,497 |
| Financial Liabilities | | | | |
| *At Amortised Cost* | | | | |
| Payables | 1,405 | 1,405 | 963 | 963 |
| Other Financial Liabilities | | | | |
| - Accommodation Bonds | 6,669 | 6,669 | 6,065 | 6,065 |
| - Other | 18 | 18 | 30 | 30 |
| Total Financial Liabilities | 8,092 | 8,092 | 7,058 | 7,058 |

There have been no transfers between levels during the period.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

## Note 7.1: Financial Instruments (continued)

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. Such financial assets and financial liabilities do not meet the definition of financial instruments in AASB 132 Financial Instruments: Presentation. For example, statutory receivables arising from taxes, fines and penalties do not meet the definition of financial instruments as they do not arise under contract.

Where relevant, for note disclosure purposes, a distinction is made between those financial assets and financial liabilities that meet the definition of financial instruments in accordance with AASB 132 and those that do not.

The following refers to financial instruments unless otherwise stated.

Categories of non-derivative financial instruments

Loans and receivables

Loans and receivables are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Loans and receivables category includes cash and deposits (refer to Note 6.1), term deposits with maturity greater than three months, trade receivables, loans and other receivables, but not statutory receivables.

Held-to-maturity investments

If the Health Service has the positive intent and ability to hold nominated investments to maturity, then such financial assets may be classified as held-to-maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses.

The Health Service makes limited use of this classification because any sale or reclassification of more than an insignificant amount of held-to-maturity investments not close to their maturity, would result in the whole category being reclassified as available-for-sale. The Health Service would also be prevented from classifying investment securities as held-to-maturity for the current and the following two financial years.

The held-to-maturity category includes certain term deposits and debt securities for which the Health Service concerned intends to hold to maturity.

Financial Liabilities at amortised cost

Financial instrument liabilities are initially recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit or loss over the period of the interest-bearing liability, using the effective interest rate method. Financial instrument liabilities measured at amortised cost include all of the Health Service's contractual payables, deposits held and advances received, and interest-bearing arrangements other than those designated at fair value through profit or loss.

Net gain/(loss) on financial instruments

Net gain/(loss) on financial instruments includes:

- realised and unrealised gains and losses from revaluations of financial instruments that are designated at fair value through profit or loss or held-for-trading;
- impairment and reversal of impairment for financial instruments at amortised cost; and
- disposals of financial assets and derecognition of financial liabilities.

## Note 7.2: Net Gain/(Loss) on Disposal of Non-Financial Assets

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Proceeds from Disposals of Non-Current Assets | | |
| Plant and Equipment | - | 7 |
| Medical Equipment | 1 | - |
| Motor Vehicles | 71 | 26 |
| Total Proceeds from Disposal of Non-Current Assets | 72 | 33 |
| | | |
| Less: Written Down Value of Non-Current Assets Sold | | |
| Medical Equipment | - | 1 |
| Motor Vehicles | - | 27 |
| Total Written Down Value of Non-Current Assets Sold | - | 28 |
| | | |
| Net gain/(loss) on Disposal of Non-Financial Assets | 72 | 5 |

## Note 7.2: Net Gain/(Loss) on Disposal of Non-Financial Assets

Disposal of non-financial assets

Any gain or loss on the sale of non-financial assets is recognised in the comprehensive operating statement. Refer to Note 7.2 – 'comprehensive income'.

Impairment of non-financial assets

All other non-financial assets are assessed annually for indications of impairment, except for:
- inventories

If there is an indication of impairment, the assets concerned are tested as to whether their carrying amount exceeds their possible recoverable amount. Where an asset's carrying amount exceeds its recoverable amount, the difference is written-off as an expense except to the extent that the write-down can be debited to an asset revaluation surplus amount applicable to that same class of asset.

If there is an indication that there has been a reversal in the estimate of an asset's recoverable amount since the last impairment loss was recognised, the carrying amount shall be increased to its recoverable amount. This reversal of the impairment loss occurs only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

It is deemed that, in the event of the loss or destruction of an asset, the future economic benefits arising from the use of the asset will be replaced unless a specific decision to the contrary has been made. The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs of disposal. Recoverable amount for assets held primarily to generate net cash inflows is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs of disposal.

## Note 7.3: Contingent Assets and Contingent Liabilities

The Health Service has no contingent assets or liabilities (2015/16 $Nil).

Contingent assets and contingent liabilities are not recognised in the balance sheet, but are disclosed by way of note and, if quantifiable, are measured at nominal value. Contingent assets and contingent liabilities are presented inclusive of GST receivable or payable respectively.

## Note 7.4 Fair Value Determination

| Asset class | Examples of types of assets | Expected fair value level | Likely valuation approach | Significant inputs (Level 3 only) |
|---|---|---|---|---|
| Non-specialised land | In areas where there is an active market:<br>- vacant land<br>- land not subject to restrictions as to use or sale | Level 2 | Market approach | N/A |
| Specialised land | Land subject to restrictions as to use and/or sale<br><br>Land in areas where there is not an active market | Level 3 | Market approach | CSO adjustments |
| Non-specialised buildings | For general/commercial buildings that are just built | Level 2 | Market approach | N/A |
| Specialised buildings | Specialised buildings with limited alternative uses and/or substantial customisation e.g. prisons, hospitals, and schools | Level 3 | Depreciated replacement cost approach | Cost per square metre<br><br>Useful life |
| Dwellings | Social/public housing/employee housing | Level 2, where there is an active market in the area | Market approach | N/A |
| | | Level 3, where there is no active market in the area | Depreciated replacement cost approach | Cost per square metre<br><br>Useful life |
| Infrastructure | Any type | Level 3 | Depreciated replacement cost approach | Cost per square metre<br><br>Useful life |
| Plant and equipment | Specialised items with limited alternative uses and/or substantial customisation | Level 3 | Depreciated replacement cost approach | Cost per square metre<br><br>Useful life |
| Vehicles | If there is an active resale market available; | Level 2 | Market approach | N/A |
| | If there is no active resale market available | Level 3 | Depreciated replacement cost approach | Cost per square metre<br><br>Useful life |

# 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 Equity
8.2 Reconciliation of net result for the year to net cash inflow/(outflow) from operating activities.
8.3 Operating segments
8.4 Responsible persons disclosures
8.5 Executive officer disclosures
8.6 Related parties
8.7 Remuneration of auditors
8.8 AASBs issued that are not yet effective
8.9 Events occuring after balance sheet date
8.10 Alternative presentation of comprehensive operating statement
8.11 Glossary of terms and style conventions

# Note 8.1: Equity

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| (a) Surpluses | | |
| Property, Plant and Equipment Revaluation Surplus | | |
| Balance at the beginning of the reporting period | 19,507 | 19,507 |
| Revaluation Increment/(Decrements) | | |
| - Land | 1,301 | - |
| Balance at the end of the reporting period* | 20,808 | 19,507 |
| * Represented by: | | |
| - Land | 3,376 | 2,075 |
| - Buildings | 16,099 | 16,099 |
| - Plant and Equipment | 1,333 | 1,333 |
| | 20,808 | 19,507 |
| (b) Restricted Specific Purpose Surplus | | |
| Balance at the beginning of the reporting period | 113 | 113 |
| Balance at the end of the reporting period | 113 | 113 |
| Total Surpluses | 20,921 | 19,620 |
| Contributed Capital | | |
| Balance at the beginning of the reporting period | 21,853 | 21,853 |
| Capital Contribution received from Victorian Government | 2,164 | - |
| Balance at the end of the reporting period | 24,017 | 21,853 |
| (c) Accumulated Surpluses/(Deficits) | | |
| Balance at the beginning of the reporting period | 23,664 | 25,471 |
| Net Result for the Year | (1,160) | (1,807) |
| Balance at the end of the reporting period | 22,504 | 23,664 |
| Total Equity at end of financial year | 67,442 | 65,137 |

### Contributed Capital

Consistent with Australian Accounting Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities* and FRD 119A *Contributions by Owners* , appropriations for additions to the net asset base have been designated as contributed capital. Other transfers that are in the nature of contributions to or distributions by owners that have been designated as contributed capital are also treated as contributed capital.

### Property, Plant and Equipment Revaluation Surplus

The asset revaluation surplus is used to record increments and decrements on the revaluation of non-current physical assets.

### Specific Restricted Purpose Surplus

A specific restricted purpose surplus 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 8.2: Reconciliation of Net Result for the Year to Net Cash Inflow/(Outflow) from Operating Activities

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Net Result for the Period | (1,160) | (1,807) |
| Non-Cash Movements: | | |
| Depreciation | 3,084 | 3,072 |
| Impairment of financial and non financial assets | - | 13 |
| Reversal of Impairment of Financial Assets | (10) | 11 |
| Resources/assets received free of charge | - | 48 |
| Movements included in Investing and Financing Activities | | |
| Net (gain)/loss from disposal of non financial physical assets | (72) | (5) |
| Movements in Assets and Liabilities: | | |
| Change in operating assets and liabilities | | |
| (Increase)/decrease in receivables | (374) | 825 |
| (Increase)/decrease in other assets | (125) | (4) |
| Increase/(decrease) in payables | (304) | (187) |
| Increase/(decrease) in provisions | 279 | 247 |
| Increase/(decrease) in other liabilities | 592 | (88) |
| Change in inventories | 12 | 5 |
| NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES | 1,922 | 2,130 |

# Note 8.3: Operating Segments

| | Hospital | | Residential Aged Care (RAC) | | Total | |
|---|---|---|---|---|---|---|
| | 2017 $'000 | 2016 $'000 | 2017 $'000 | 2016 $'000 | 2017 $'000 | 2016 $'000 |
| REVENUE | | | | | | |
| External Segment Revenue | | | | | | |
| - Commonwealth Subsidies | 4,637 | - | 4,713 | 4,566 | 9,350 | 4,566 |
| - State Gov't Subsidies | 16,682 | 19,648 | 1,735 | 1,717 | 18,417 | 21,365 |
| - Resident Fees | 697 | 391 | 1,811 | 1,682 | 2,508 | 2,073 |
| - Bond Retentions Amounts | - | - | 19 | 47 | 19 | 47 |
| - Other Operating Revenue | 3,041 | 2,151 | 128 | 587 | 3,169 | 2,738 |
| - Capital Grants | 222 | 576 | - | 16 | 222 | 592 |
| - Profit/(Loss) on Sale of Assets | 72 | 5 | - | - | 72 | 5 |
| Total Revenue | 25,351 | 22,771 | 8,406 | 8,615 | 33,757 | 31,386 |
| EXPENSES | | | | | | |
| External Segment Expenses | | | | | | |
| - Employee Entitlements | 15,494 | 14,418 | 7,321 | 6,868 | 22,815 | 21,286 |
| - Depreciation Expense | 2,161 | 2,149 | 923 | 923 | 3,084 | 3,072 |
| - Other | 7,488 | 6,998 | 1,877 | 2,141 | 9,365 | 9,139 |
| Total Expenses | 25,143 | 23,565 | 10,121 | 9,932 | 35,264 | 33,497 |
| Net Result from Ordinary Activities | 208 | (794) | (1,715) | (1,317) | (1,507) | (2,111) |
| Interest Income | 169 | 199 | 178 | 105 | 347 | 304 |
| Net Result for Year | 377 | (595) | (1,537) | (1,212) | (1,160) | (1,807) |
| OTHER INFORMATION | | | | | | |
| Segment Assets | | | | | | |
| - Other Current Assets | 11,424 | 16,596 | 6,917 | 221 | 18,341 | 16,817 |
| Total Current Assets | 11,424 | 16,596 | 6,917 | 221 | 18,341 | 16,817 |
| Non-Current Assets | | | | | | |
| - Property, Plant and Equipment | 46,917 | 44,832 | 16,161 | 16,540 | 63,078 | 61,372 |
| - Other Non-Current Assets | 796 | 576 | - | - | 796 | 576 |
| Total Non-Current Assets | 47,713 | 45,408 | 16,161 | 16,540 | 63,874 | 61,948 |
| Total Assets | 59,137 | 62,004 | 23,078 | 16,761 | 82,215 | 78,765 |
| Segment Liabilities | | | | | | |
| - Refundable Deposits/Bonds | - | - | 6,669 | 6,065 | 6,669 | 6,065 |
| - Employee Benefits | 4,494 | 4,199 | 993 | 1,019 | 5,487 | 5,218 |
| - Other Current Liabilities | 1,964 | 1,651 | - | 51 | 1,964 | 1,702 |
| Total Current Liabilities | 6,458 | 5,850 | 7,662 | 7,135 | 14,120 | 12,985 |
| Non-Current Liabilities | | | | | | |
| - Employee Benefits | 535 | 547 | 118 | 96 | 653 | 643 |
| Total Non-Current Liabilities | 535 | 547 | 118 | 96 | 653 | 643 |
| Total Liabilities | 6,993 | 6,397 | 7,780 | 7,231 | 14,773 | 13,628 |
| Net Assets | 52,144 | 55,607 | 15,298 | 9,530 | 67,442 | 65,137 |
| Acquisition of Property, Plant and Equipment | 3,424 | 339 | 65 | 28 | 3,489 | 367 |
| Depreciation | 2,161 | 2,149 | 923 | 923 | 3,084 | 3,072 |

The major products/services from which the above segments derive revenue are:

| Business Segments | Services |
|---|---|
| Residential Aged Care Services (RACS) | Provider of residential aged care beds |
| Hospital | Provider of acute care beds |

Geographical Segment

Gippsland Southern Health Service operates in South Gippsland, Victoria. All of its revenue, net surplus from ordinary activities and segment assets relate to operations in South Gippsland, Victoria.

RAC Identification

The RAC information above relates to the Commonwealth Government Provider Number NAPSID 900.
The organisation's ABN is 55 344 811 591

# Note 8.4: Responsible Persons Disclosures

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 |
|---|---|
| Responsible Ministers | |
| The Honourable Jill Hennessy, Minister for Health, Minister for Ambulance Services | 1/7/2016 - 30/6/2017 |
| The Honourable Martin Foley, Minister for Housing, Disability and Ageing, Minister for Mental Health | 1/7/2016 - 30/6/2017 |
| Governing Board | |
| Mr. M. Holmes - President (1/7/16 - 24/1/17) | 1/7/2016 - 30/6/2017 |
| Mr. A. Aeschlimann - President (25/1/17 - 30/6/17) | 1/7/2016 - 30/6/2017 |
| Ms. J. Martin - Senior Vice President (1/7/16 - 24/1/17) | 1/7/2016 - 30/6/2017 |
| Ms. S. Hanson - Junior Vice President (1/7/16 - 24/1/17) Senior Vice President (25/1/17 - 30/6/17) | 1/7/2016 - 30/6/2017 |
| Mr. N. Broughton - Junior Vice President (25/1/17 - 30/6/17) | 1/7/2016 - 30/6/2017 |
| Mr. P. Siggins - Treasurer | 1/7/2016 - 30/6/2017 |
| Mr. R. Dhar | 1/7/2016 - 30/6/2017 |
| Mr. I. Drysdale | 1/7/2016 - 30/6/2017 |
| Ms. C. Trotman | 1/7/2016 - 26/4/2017 |
| Ms. C. Pickett | 1/7/2016 - 30/6/2017 |
| Ms. S. Fleming | 1/7/2016 - 30/6/2017 |
| Accountable Officer | |
| Mr. M. Johnson (CEO) | 1/7/2016 - 30/6/2017 |

Remuneration of Responsible Persons

The Responsible Persons received remuneration for the financial year ended 30 June 2017. The number of Responsible Persons, Excluding Ministers, whose total remuneration with the affairs of the Health Service as shown in the following bands, were:

| | Total remuneration 30-Jun-17 | Total remuneration 30-Jun-16 |
|---|---|---|
| $0 - $9,999 | 11 | 12 |
| $220,000 - $229,999 | - | 1 |
| $230,000 - $239,999 | 1 | - |
| Total number of responsible persons | 12 | 13 |

| | **$'000** | **$'000** |
|---|---|---|
| Total remuneration received, or due and receivable by Responsible Persons from Gippsland Southern Health Service for the financial period: | 254 | 221 |

# Note 8.5: Executive Officer Disclosures

## Executive Officers' Remuneration

### Remuneration of executives

The number of executive officers, other than Ministers and Accountable Officers, 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 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 include amounts such as wages, salaries, 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 includes pensions and other retirement benefits paid or payable on a discrete basis when employment has ceased.

Other long-term benefits include long service leave, other long-service benefit or deferred compensation.

Termination benefits include termination of employment payments, such as severance packages.

Several factors affected total remuneration payable to executives over the year. A number of executives received bonus payments during the year. These bonus payments depend on the performance review of the individual with reference to GSERP guidelines.

-

| **Remuneration of executive officers (including Key Management Personnel disclosed in Note 8.6)** | **Total remuneration** |
|---|---|
| | **2017 $'000** |
| Short-term employee benefits | 823 |
| Post-employment benefits | 73 |
| Other long-term benefits | 74 |
| Termination benefits | 94 |
| **Total remuneration (i)(ii)** | **1,064** |
| **Total number of executives** | **7** |
| **Total annualised employee equivalent (AEE) (iii)** | **5** |

Notes:
(i) No comparatives have been reported because remuneration in the prior year was determined in line with the basis and definition under FRD 21C. Remuneration previously excluded non-monetary benefits and comprised any money consideration or benefit received or receivable, excluding reimbursement of out-of-pocket expenses, including any amount received or receivable from a related party transaction. Refer to the prior year's financial statements for executive remuneration for the 2015-16 reporting period.
(ii) The total number of executive officers includes persons who meet the definition of Key Management Personnel (KMP) of the entity under AASB 124 Related Party Disclosures and are also reported within the related parties note disclosure (Note 8.6).
(iii) Annualised employee equivalent is based on the time fraction worked over the reporting period.

# Note 8.6. Related Party Disclosures

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 and their close family members;
- all cabinet ministers and their close family members; and
- all hospitals and public sector entities that are controlled and consolidated into the whole of state consolidated financial statements.

All related party transactions have been entered into on an arm's length basis.

Key management personnel (KMP) of the hospital include the Portfolio Ministers and Cabinet Ministers and KMP as determined by the hospital. 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.

| **Compensation** | **2017 $'000** |
|---|---|
| Short-term employee benefits | 823 |
| Post-employment benefits | 73 |
| Other long-term benefits | 74 |
| Termination benefits | 94 |
| Share based payments | n/a |
| **Total** | **1,064** |

### Transactions with key management personnel 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 Victorian Government Procurement Board requirements. Outside of normal citizen type transactions with the department, there were no related party transactions that involved key management personnel and their close family members. No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

### Significant transactions with government-related entities

Gippsland Southern Health Service received funding from the Department of Health & Human Services of $18m (2016: $21m).

The Health Service holds investments with the Treasury Corporation of Victoria of $8.664m as at 30th June 2017.

During the year the Health Service acquired land at a cost of $250,000 from the South Gippsland Shire Council. The acquisition was based on a registered valuation of land that adjoins the Leongatha hospital site. One of the Health Service Board members also held an Executive staff position on the Shire.

All other transactions that have occurred with KMP and their related parties have been trivial or domestic in nature. In this context, transactions are only disclosed when they are considered of interest to users of the financial report in making and evaluation decisions about the allocation of scarce resources.

## Note 8.6. Related Party Disclosures (cont'd)

Key management personnel of the agencies consolidated pursuant to section 53(1)(b) of the FMA into the Entity's financial statements include:

| Entity | Key Management Personnel | Position title |
|---|---|---|
| Gippsland Southern Health Service | Mark Johnson | Chief Executive Officer |
| Gippsland Southern Health Service | Vicki Farthing | Executive Director of Nursing |
| Gippsland Southern Health Service | Selina Northover | Director of Primary Healthcare |
| Gippsland Southern Health Service | Marg Radmore | Director of Nursing Korumburra |
| Gippsland Southern Health Service | Daniel Smith | Director of Ambulatory Care |
| Gippsland Southern Health Service | Judy Abbey | Director of Primary Care |
| Gippsland Southern Health Service | Peter Van Hamond | Finance Manager |

## Note 8.7. Remuneration of auditors

| ($ thousand) | 2017 | 2016 |
|---|---|---|
| Victorian Auditor-General's Office | | |
| Audit of financial statement | 40 | 41 |
| | 40 | 41 |

## Note 8.8: AASBs issued that are not yet effective

Certain new Australian accounting standards have been published that are not mandatory for the 30 June 2017 reporting period. DTF assesses the impact of all these new standards and advises the Health Service of their applicability and early adoption where applicable.

As at 30 June 2017, the following standards and interpretations had been issued by the AASB but were not yet effective. They become effective for the first financial statements for reporting periods commencing after the stated operative dates as detailed in the table below. The Health Service has not and does not intend to adopt these standards early.

| Standard / Interpretation 1 | Summary | Applicable for annual reporting periods beginning on | Impact on public sector entity financial statements |
|---|---|---|---|
| AASB 9 *Financial instruments* | The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred. | 1-Jan-18 | The assessment has identified that the amendments are likely to result in earlier recognition of impairment losses and at more regular intervals.<br><br>While there will be no significant impact arising impact arising from AASB 9, there will be a change to the way financial instruments are disclosed. |

## Note 8.8: AASBs issued that are not yet effective (cont'd)

| Standard / Interpretation 1 | Summary | Applicable for annual reporting periods beginning on | Impact on public sector entity financial statements |
|---|---|---|---|
| AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9* (December 2010) | The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows:<br>* The change in fair value attributable to changes in credit risk is presented in other comprehensive income (OCI); and<br>* Other fair value changes are presented in profit and loss. If this approach creates or enlarges an accounting mismatch in profit or loss, the effect of the changes in credit risk are also presented in profit or loss. | 1-Jan-18 | The assessment has identified that the financial impact of available for sale (AFS) assets will now be reported through other comprehensive income (OCI) and no longer recycled to the other profit and loss.<br>Changes in own credit risk in respect of liabilities designated at fair value through profit and loss will now be presented within other comprehensive income (OCI).<br>Hedge accounting will be more closely aligned with common risk management practices making it easier to have an effective hedge.<br>For entities with significant lending activities, an overhaul of related systems and processes may be needed. |
| AASB 2014-1 *Amendments to Australian Accounting Standards [Part E Financial Instruments* ] | Amends various AASs to reflect the AASB's decision to defer the mandatory application date of AASB 9 to annual reporting periods beginning on or after 1 January 2018 as a consequence of Chapter 6 Hedge Accounting, and to amend reduced disclosure requirements. | 1-Jan-18 | This amending standard will defer the application period of AASB 9 to the 2018-19 reporting period in accordance with the transition requirements. |

## Note 8.8: AASBs issued that are not yet effective (cont'd)

| Standard / Interpretation 1 | Summary | Applicable for annual reporting periods beginning on | Impact on public sector entity financial statements |
|---|---|---|---|
| AASB 2014-7 *Amendments to* Australian Accounting *Standards (Part E financial instruments)* | Amends various AASs to incorporate the consequential amendments arising from the issuance of AASB 9. | 1-Jan-18 | The assessment has indicated that there will be no significant impact for the public sector. |
| AASB 15 *Revenue from Contracts with Customers* | The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer. | 1-Jan-18 | The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statement. The Standard will also require additional disclosures on service revenue and contract modifications. |
| AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15.* | Amends the measurement of trade receivables and the recognition of dividends. Trade receivables, that do not have a significant financing component, are to be measured a their transaction price, at initial recognition.<br><br>Dividends are recognised in the profit and loss only when:<br>- the entity's right to receive payment of the dividend is established;<br>- it is probable that the economic benefits associated with the dividend will flow to the entity; and<br>- the amount can be measured reliably. | 1 Jan 2017, except amendments to AASB 9 (Dec 2009) and AASB 9 (Dec 2010) apply from 1-Jan-18 | The assessment has indicated that there will be no significant impact for the public sector. |
| AASB 2015-8 *Amendments to Australian Accounting Standards - Effective Date of AASB 15* | This Standard defers the mandatory effective date of AASB 15 from 1 January 2017 to 1 January 2018. | 1-Jan-18 | This amending standard will defer the application period of AASB 15 to the 2018-19 reporting period in accordance with the transition requirements. |

## Note 8.8: AASBs issued that are not yet effective (cont'd)

| Standard / Interpretation 1 | Summary | Applicable for annual reporting periods beginning on | Impact on public sector entity financial statements |
|---|---|---|---|
| AASB 2016-3 *Amendments to Australian Accounting Standards – Clarifications to AASB 15* | This Standard amends AASB 15 to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence. The amendments require:<br>· A promise to transfer to a customer a good or service that is 'distinct' to be recognised as a separate performance obligation;<br>· For items purchased online, the entity is a principal if it obtains control of the good or service prior to transferring to the customer; and<br>For licences identified as being distinct from other goods or services in a contract, entities need to determine whether the licence transfers to the customer over time (right to use) or at a point in time (right to access). | 1-Jan-18 | The assessment has indicated that there will be no significant impact for the public sector, other than the impact identified for AASB 15 above. |
| AASB 2016-7 *Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities* | This Standard defers the mandatory effective date of AASB 15 for not-for-profit entities from 1 January 2018 to 1 January 2019. | 1-Jan-19 | This amending standard will defer the application period of AASB 15 for not-for-profit entities to the 2019-20 reporting period. |
| AASB 2016-8 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities* | This Standard amends AASB 9 and AASB 15 to include requirements to assist not-for-profit entities in applying the respective standards to particular transactions and events. The amendments:<br>- require non-contractual receivables arising from statutory requirements (i.e. taxes, rates and fines) to be initially measured and recognised in accordance with AASB 9 as if those receivables are financial instruments; and<br>- clarifies circumstances when a contract with a customer is within the scope of AASB 15. | 1-Jan-19 | The assessment has indicated that there will be no significant impact for the public sector, other than the impacts identified for AASB 9 and AASB 15 above. |

## Note 8.8: AASBs issued that are not yet effective (cont'd)

| Standard / Interpretation 1 | Summary | Applicable for annual reporting periods beginning on | Impact on public sector entity financial statements |
|---|---|---|---|
| AASB 16 *Leases* | The key changes introduced by AASB 16 include the recognition of most operating leases (which are current not recognised) on balance sheet. | 1-Jan-19 | The assessment has indicated that as most operating leases will come on balance sheet, recognition of the right-of-use assets and lease liabilities will cause net debt to increase.<br><br>Rather than expensing the lease payments, depreciation of right-of-use assets and interest on lease liabilities will be recognised in the income statement with marginal impact on the operating surplus.<br><br>No change for lessors. |
| AASB 2016-4 *Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities* | The standard amends AASB 136 *Impairment of Assets* to remove references to using depreciated replacement cost (DRC) as a measure of value in use for not-for-profit entities. | 1-Jan-17 | The assessment has indicated that there is minimal impact. Given the specialised nature and restrictions of public sector assets, the existing use is presumed to be the highest and best use (HBU), hence current replacement cost under AASB 13 *Fair Value Measurement* is the same as the depreciated replacement cost concept under AASB 136. |
| AASB 1058 *Income of Not-for-Profit Entities* | This standard replaces AASB 1004 *Contributions* and establishes revenue recognition principles for transactions where the consideration to acquire an asset is significantly less than fair value to enable to not-for-profit entity to further its objectives. | 1-Jan-19 | The assessment has indicated that revenue from capital grants that are provided under an enforceable agreement that have sufficiently specific obligations, will now be deferred and recognised as performance obligations are satisfied. As a result, the timing recognition of revenue will change. |

In addition to the new standards and amendments above, the AASB has issued a list of other amending standards that are not effective for the 2016-17 reporting period (as listed below). In general, these amending standards include editorial and references changes that are expected to have insignificant impacts on public sector reporting.

- AASB 2016-1 *Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses (AASB 112)*
- AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*
- AASB 2016-5 *Amendments to Australian Accounting Standards – Classification and Measurements of Share-based Payment Transactions*

## Note 8.8: AASBs issued that are not yet effective (cont'd)

- AASB 2016-6 *Amendments to Australian Accounting Standards – Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts*
- AASB 2017-1 *Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-16 Cycle and Other Amendments*
- AASB 2017-2 *Amendments to Australian Accounting Standards – Further Annual Improvements 2014-16 Cycle*

Notes:

1. For the current year, given the number of consequential amendments to AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers* , the standards/interpretations have been grouped together to provide a more relevant view of the upcoming changes.

## Note 8.9: Events Occurring after the Balance Sheet Date

There were no significant events occuring after balance date for the year ended 30th June 2017.

## Note 8.10: Alternate Presentation of Comprehensive Operating Statement

For the Year Ended 30 June 2017

| | Note | 2017 $'000 | 2016 $'000 |
|---|---|---|---|
| Grants | | | |
| Operating | 2.1 | 28,015 | 26,047 |
| Capital | 2.1 | 222 | 592 |
| Interest | 2.1 | 169 | 199 |
| Sales of Goods and Services | | 3,619 | 3,156 |
| Other Income | 2.1 | 1,524 | 1,053 |
| Other Capital Income | 2.1 | 545 | 632 |
| Reversal of Impairment of Financial Assets | 2.1 | 10 | 11 |
| Revenue from Transactions | | 34,104 | 31,690 |
| Employee Expenses | 3.1 | (22,815) | (21,286) |
| Operating Expenses | | | |
| Supplies and Consumables | 3.1 | (2,510) | (2,529) |
| Non-salary Labour Costs | 3.1 | (2,288) | (2,230) |
| Other | | (4,349) | (4,282) |
| Non-Operating Expenses | | | |
| Specific Expenses | 3.3 | (94) | - |
| Impairment of Financial Assets | | - | (13) |
| Assets Provided Free of Charge | | (74) | - |
| Expenditure for Capital Purpose | 3.1 | (68) | (85) |
| Depreciation | 4.4 | (3,084) | (3,072) |
| Expenses from Transactions | | (35,282) | (33,497) |
| Net Result from Transactions | | (1,178) | (1,807) |
| Other Economic Flows Included in Net Result | | | |
| Revaluation of Long Service Leave | | 18 | - |
| Total Other Economic Flows Included in Net Result | | 18 | - |
| NET RESULT FOR THE YEAR | | (1,160) | (1,807) |
| Other Comprehensive Income | | | |
| Items that will not be reclassified to Net Result | | | |
| Changes in Physical Asset Revaluation Surplus | 8.1 | 1,301 | - |
| Total Other Comprehensive Income | | 1,301 | - |
| Comprehensive Result | | 141 | (1,807) |

***This statement should be read in Conjunction with the accompanying notes.***

# Note 8.11: Glossary of terms and style conventions

### Actuarial gains or losses on superannuation defined benefit plans

Actuarial gains or losses are changes in the present value of the superannuation defined benefit liability resulting from

(a) experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred); and
(b) the effects of changes in actuarial assumptions.

### Amortisation

Amortisation is the expense which results from the consumption, extraction or use over time of a non-produced physical or intangible asset.

### Associates

Associates are all entities over which an entity has significant influence but not control, generally accompanying a shareholding and voting rights of between 20 per cent and 50 per cent.

### Comprehensive result

The net result of all items of income and expense recognised for the period. It is the aggregate of operating result and other comprehensive income.

### Commitments

Commitments include those operating, capital and other outsourcing commitments arising from non-cancellable contractual or statutory sources.

### Current grants

Amounts payable or receivable for current purposes for which no economic benefits of equal value are receivable or payable in return.

### Depreciation

Depreciation is an expense that arises from the consumption through wear or time of a produced physical or intangible asset. This expense reduces the 'net result for the year'.

### Effective interest method

The effective interest method is used to calculate the amortised cost of a financial asset or liability and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument, or, where appropriate, a shorter period

### Employee benefits expenses

Employee benefits expenses include all costs related to employment including wages and salaries, fringe benefits tax, leave entitlements, redundancy payments, defined benefits superannuation plans, and defined contribution superannuation plans.

### Ex-gratia expenses

Ex-gratia expenses mean the voluntary payment of money or other non-monetary benefit (e.g. a write off) that is not made either to acquire goods, services or other benefits for the entity or to meet a legal liability, or to settle or resolve a possible legal liability, or claim against the entity.

### Financial asset

A financial asset is any asset that is:
(a) cash;
(b) an equity instrument of another entity;
(c) a contractual or statutory right:
- to receive cash or another financial asset from another entity; or
- to exchange financial assets or financial liabilities with another entity under conditions that are potentially favorable to the entity; or

## Note 8.11: Glossary of terms and style conventions (cont'd)

(d) a contract that will or may be settled in the entity's own equity instruments and is:
- a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or
- a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

Financial instrument
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets or liabilities that are not contractual (such as statutory receivables or payables that arise as a result of statutory requirements imposed by governments) are not financial instruments.

Financial liability
A financial liability is any liability that is:
(a) A contractual obligation:
(i) to deliver cash or another financial asset to another entity; or
(ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the entity; or
(b) A contract that will or may be settled in the entity's own equity instruments and is:
(i) a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or
(ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

Financial statements
A complete set of financial statements comprises:
(a) Balance sheet as at the end of the period;
(b) Comprehensive operating statement for the period;
(c) A statement of changes in equity for the period;
(d) Cash flow statement for the period;
(e) Notes, comprising a summary of significant accounting policies and other explanatory information;
(f) Comparative information in respect of the preceding period as specified in paragraph 38 of AASB 101 Presentation of Financial Statements; and
(g) A statement of financial position at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements in accordance with paragraphs 41 of AASB 101.

Grants and other transfers
Transactions in which one unit provides goods, services, assets (or extinguishes a liability) or labour to another unit without receiving approximately equal value in return. Grants can either be operating or capital in nature.

While grants to governments may result in the provision of some goods or services to the transferor, they do not give the transferor a claim to receive directly benefits of approximately equal value. For this reason, grants are referred to by the AASB as involuntary transfers and are termed non-reciprocal transfers. Receipt and sacrifice of approximately equal value may occur, but only by coincidence. For example, governments are not obliged to provide commensurate benefits, in the form of goods or services, to particular taxpayers in return for their taxes. Grants can be paid as general purpose grants which refer to grants that are not subject to conditions regarding their use. Alternatively, they may be paid as specific purpose grants which are paid for a particular purpose and/or have conditions attached regarding their use.

## Note 8.11: Glossary of terms and style conventions (cont'd)

General government sector
The general government sector comprises all government departments, offices and other bodies engaged in providing services free of charge or at prices significantly below their cost of production. General government services include those which are mainly non-market in nature, those which are largely for collective consumption by the community and those which involve the transfer or redistribution of income. These services are financed mainly through taxes, or other compulsory levies and user charges.

Intangible produced assets
Refer to produced assets in this glossary.

Intangible non-produced assets
Refer to non-produced asset in this glossary.

Interest expense
Costs incurred in connection with the borrowing of funds includes interest on bank overdrafts and short-term and long-term liabilities, amortisation of discounts or premiums relating to liabilities, interest component of finance leases repayments, and the increase in financial

liabilities and non-employee provisions due to the unwinding of discounts to reflect the passage of time.

Interest income
Interest income includes unwinding over time of discounts on financial assets and interest received on bank term deposits and other investments.

Investment properties

Investment properties represent properties held to earn rentals or for capital appreciation or both. Investment properties exclude properties held to meet service delivery objectives of the State of Victoria.

Joint arrangements
A joint arrangement is an arrangement of which two or more parties have joint control. A joint arrangement has the following characteristics:
(a) The parties are bound by a contractual arrangement.
(b) The contractual arrangement gives two or more of those parties joint control of the arrangement
A joint arrangement is either a joint operation or a joint venture.

Liabilities
Liabilities refers to interest-bearing liabilities mainly raised from public liabilities raised through the Treasury Corporation of Victoria, finance leases and other interest-bearing arrangements. Liabilities also include non-interest-bearing advances from government that are acquired for policy purposes.

Net acquisition of non-financial assets (from transactions)
Purchases (and other acquisitions) of non-financial assets less sales (or disposals) of non-financial assets less depreciation plus changes in inventories and other movements in non-financial assets. It includes only those increases or decreases in non-financial assets resulting from transactions and therefore excludes write-offs, impairment write-downs and revaluations.

Net result
Net result is a measure of financial performance of the operations for the period. It is the net result of items of income, gains and expenses (including losses) recognised for the period, excluding those that are classified as 'other comprehensive income'.
Net result from transactions/net operating balance Net result from transactions or net operating balance is a key fiscal aggregate and is income from transactions minus expenses from transactions. It is a summary measure of the ongoing sustainability of operations. It excludes gains and losses resulting from changes in price levels and other changes in the volume of assets.

## Note 8.11: Glossary of terms and style conventions (cont'd)

Net worth
Assets less liabilities, which is an economic measure of wealth.

Non-financial assets
Non-financial assets are all assets that are not 'financial assets'. It includes inventories, land, buildings, infrastructure, road networks, land under roads, plant and equipment, investment properties, cultural and heritage assets, intangible and biological assets.

Non-produced assets
Non-produced assets are assets needed for production that have not themselves been produced. They include land, subsoil assets, and certain intangible assets. Non-produced intangibles are intangible assets needed for production that have not themselves been produced. They include constructs of society such as patents.

Non-profit institution
A legal or social entity that is created for the purpose of producing or distributing goods and services but is not permitted to be a source of income, profit or other financial gain for the units that establish, control or finance it.

Payables
Includes short and long term trade debt and accounts payable, grants, taxes and interest payable.

Produced assets
Produced assets include buildings, plant and equipment, inventories, cultivated assets and certain intangible assets. Intangible produced assets may include computer software, motion picture films, and research and development costs (which does not include the startup costs associated with capital projects).

Public financial corporation sector
Public financial corporations (PFCs) are bodies primarily engaged in the provision of financial intermediation services or auxiliary financial services. They are able to incur financial liabilities on their own account (e.g. taking deposits, issuing securities or providing insurance services).
Estimates are not published for the public financial corporation sector.

Public non-financial corporation sector
The public non-financial corporation (PNFC) sector comprises bodies mainly engaged in the production of goods and services (of a non-financial nature) for sale in the market place at prices that aim to recover most of the costs involved (e.g. water and port authorities). In general, PNFCs are legally distinguishable from the governments which own them.

Receivables
Includes amounts owing from government through appropriation receivable, short and long term trade credit and accounts receivable, accrued investment income, grants, taxes and interest receivable.

Sales of goods and services
Refers to income from the direct provision of goods and services and includes fees and charges for services rendered, sales of goods and services, fees from regulatory services and work done as an agent for private enterprises. It also includes rental income under operating leases and on produced assets such as buildings and entertainment, but excludes rent income from the use of non-produced assets such as land. User charges includes sale of goods and services income.

Supplies and services
Supplies and services generally represent cost of goods sold and the day-to-day running costs, including maintenance costs, incurred in the normal operations of the Department.

## Note 8.11: Glossary of terms and style conventions (cont'd)

Taxation income

Taxation income represents income received from the State's taxpayers and includes:

- payroll tax; land tax; duties levied principally on conveyances and land transfers;
- gambling taxes levied mainly on private lotteries, electronic gaming machines, casino operations and racing;
- insurance duty relating to compulsory third party, life and non-life policies;
- insurance company contributions to fire brigades;
- motor vehicle taxes, including registration fees and duty on registrations and transfers;
- levies (including the environmental levy) on statutory corporations in other sectors of government; and
- other taxes, including landfill levies, license and concession fees.

Transactions

Revised Transactions are those economic flows that are considered to arise as a result of policy decisions, usually an interaction between two entities by mutual agreement. They also include flows in an entity such as depreciation where the owner is simultaneously acting as the owner of the depreciating asset and as the consumer of the service provided by the asset.

Taxation is regarded as mutually agreed interactions between the government and taxpayers. Transactions can be in kind (e.g. assets provided/given free of charge or for nominal consideration) or where the final consideration is cash.

### *Style conventions*

Figures in the tables and in the text have been rounded. Discrepancies in tables between totals and sums of components reflect rounding. Percentage variations in all tables are based on the underlying unrounded amounts.

The notation used in the tables is as follows:

zero, or rounded to zero
(xxx.x) negative numbers
201x year period
201x-1x year period

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