

Annual Report 2017-2018



Trust
Excellence
Accountability
Mutual Respect



South Gippsland
Hospital

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Overview

Establishment & Relevant Ministers

South Gippsland Hospital, classified as a small rural health service (SRHS), is an integrated hospital and community health service providing a broad range of acute and primary care services. It is closely associated with the Foster and Toora Medical Centres which provide the medical practitioner services. The combined experience and skills of the doctors and hospital staff and the range of services provided by the organisation, especially the obstetrics care, has led to a significant number of people accessing the services of South Gippsland Hospital from outside the recognised catchment boundaries.

South Gippsland Hospital was established in 1907 as a private institution and continued as such until 1937 when it was taken over by the community as a local hospital. It gained public hospital status in 1941, when it was incorporated under the Hospital and Charities Act. The hospital building is more than 60 years old. It has 16 inpatient beds, two day procedure beds, a maternity suite, an operating theatre, ambulance bay, radiology facilities and an Urgent Care Clinic.

A Community Health Centre, co-located on the hospital site, was opened in June 2001. Greater awareness of community health has necessitated expansion of primary health care services and the development of a community supported Youth Assistance Clinic. These services continue to grow and have been well received by the community.

South Gippsland Hospital is a Public Hospital and is an incorporated body listed under Schedule 1 of the *Health Services Act* 1988.

During the reporting period the responsible ministers were:

- The Honourable Jill Hennessy MLA, Minister for Health, Minister for Ambulance Services
- Martin Foley MLA, Minister for Housing, Disability and Ageing, Minister for Mental Health

Vision, Mission, Strategic Directions and Values

Vision

South Gippsland Hospital will demonstrate excellence in community focused rural healthcare

Mission

To deliver the highest quality health care services that are equitable and accessible to all; that meets the current and changing needs of our community; and collaborate with our strategic partners to provide innovative models of care that reflect best practice.

Strategic Directions

- Develop a health service which is responsive to community needs
- Improving status of our community's health status and health experiences
- Expanding our workforce and build system capacity
- Increase financial sustainability and productivity
- Implementing improvement and innovation
- Increase accountability and transparency

Core Values

- **Trust:** We act with integrity and can rely on each other.
- **Excellence:** We do our best at all times and look for ways to improve.
- **Accountability:** We accept responsibility for our actions, attitudes, and actions.
- **Mutual respect:** We treat others the way we want to be treated.

Overview (continued)

Overview of Services

South Gippsland Hospital (SGH) is located in the small town of Foster at the gateway to Wilson's Promontory National Park.

The town of Foster has a population of approximately 1700 people however the official catchment area of the Hospital has approximately 5600 people.

The Hospital offers services on an in-patient basis, outreach clinics, through its Community Health Centre and in-home care.

Acute Services

Urgent care
Radiology
Obstetrics
Gynaecology
Palliative Care
Pathology
Medical
Surgical
Urology
Pre-Anaesthetic Clinic

Allied Health

Physiotherapy Occupational Therapy
Dietetics
Podiatry
Therapeutic Massage
Inpatient Services
Outpatient Services
Home Care Package Services
Psychology
Allied Health Assistants
Diabetes Education

Community Health

Planned Activity Groups
Health Promotion
Chronic Disease Management
Well Women's Clinic
Smoking Cessation
District Nursing
Drug and Alcohol Counselling
Child and Maternal Health
Continence Nurse
McGrath Breast Care Nurse
Mental Health Liaison Nurse
Youth Assist Clinic
Welfare Worker
Transition Care Program

Responsible bodies' declaration

In accordance with the *Financial Management Act 1994*, I am pleased to present the Report of Operations for South Gippsland Hospital for the year ending 30 June 2018.



Susan Pilkington
Chair, Board of Management
2017-2018
31 August 2018

Overview (continued)

Chair's Report

The year in review 2017 – 2018:

Under the guidance of our CEO, Executive team and Board South Gippsland Hospital has delivered a strong performance as a health service in 2017-2018. Full details of operational and financial results appear later in this Annual Report.

We have delivered all of our strategic priorities for the year, our focus on financial management has delivered a significant operational surplus and our quality and clinical governance performance significantly exceeds the targets. Our performance against health service governance, leadership and culture benchmarks is measured quarterly by the People Matters Survey. Our results show that we have consistently bettered the targets across all areas.

Our application for funding to upgrade our Maternity and Theatre facilities was successful and we are currently in the final planning phase with our staff and architects. We have been fortunate this year to also receive funding to implement a range of security controls to support our Occupational Violence prevention program.

Our participation in the development of the South Gippsland Coast Clinical Services Plan with our regional colleagues at Bass Coast Health and Gippsland Southern Health Service has provided the opportunity to explore the health needs of the South Gippsland and Bass Coast areas and recommend actions to be implemented over time in response to these identified needs.

By working collaboratively, we have been able to understand how we could together provide an increased range of clinical services and increase self-sufficiency of the South Gippsland sub-region while preserving the historical connection each township has with its local hospital.

Board Membership Changes

Three Directors completed their terms at 30 June 2017 after considerable periods of outstanding service to South Gippsland Hospital: Clive White – 31 years, Bruce Lester - 18 years and Neil Roussac, our immediate past Board Chair, 11 years. We are grateful to Clive, Bruce and Neil for their considerable contribution to the Hospital during their tenure. We were pleased to be able to recognise the service of these outgoing Directors, along with other members of our community who have contributed significant service to the hospital, by appointing them as Honorary Life Governors in 2017. Details of the recipients of our Honorary Life Governor Award appear later in this Annual Report.

Director Iain Vernon tendered his resignation during the year. Iain was appointed in July 2015 and brought expertise in financial management, accounting and governance to our Board. Iain's willingness to support other Directors in building their capability in these areas was very much appreciated. As Treasurer and Chair of Finance Committee he delivered real change

Overview (continued)

Chair's Report cont.

in the way we reported on and considered financial performance and we continue to build on his lead in that area.

We were pleased to welcome three new Directors in July 2017: Professor Jim Buttery, Ms Dawn Allan and Dr Peter Longmore. Dawn brings a broad skillset including governance, strategic planning and finance and audit. Jim and Peter both bring extensive experience in clinical governance and are practicing clinicians.

Acknowledgements

We are grateful to the many individuals and organisations in our community who contribute to the successful operation of the hospital and express our appreciation to the following individuals and groups:

Our executive staff for their expert leadership and management: Chris Trotman, CEO; Marion Bowron, Director of Nursing; Samantha Park, Director of Community Services and Dr Craig Winter, immediate past Director of Medical Services.

Our health service staff for their continued delivery of an exceptional level of health care in our community. We are fortunate to have such a skilled and dedicated team of professionals in our health service.

All of our contractors, particularly the Foster Medical Group and South Gippsland Radiology.

The Corner Inlet community and beyond for its generous support as individuals and through service organisations. We are grateful for your contribution to the Hospital through financial support and as volunteers.

The members and the Board of Prom Country Aged Care for the spirit of co-operation and support given to South Gippsland Hospital throughout the year.

The members of the Board for contributing their time and expertise and for their dedication and hard work in support of the Hospital. Thanks also to the independent members of the Audit and Risk Management Committee: David Pollard and Rod Lomax, for contribution to governance.

This year we particularly acknowledge the work of the Hospital Auxiliary and the significant contribution of its members – past and present - to this hospital and our community. The members of the Auxiliary have worked tirelessly and productively to raise money for the purchase of hospital equipment for the past eighty years. In that 80 years of continuous operation the Auxiliary has funded some \$669,000 worth of equipment for the hospital, to 30 June 2018. We were delighted to be able to recognise the contribution of three members of the Auxiliary by appointing them as Honorary Life Governors at last year's AGM and we express our sincere thanks to the members of the

Auxiliary for their continued support of the Hospital.

Looking forward:

The next twelve months will be demanding. Our Statement of Priorities for 2018 – 2019 sets out our plans.

Our Maternity and Theatre upgrade project is expected to be completed in late 2019. During that time we expect little or no disruption to our usual Maternity and Theatre services while our new facility is built. We look forward to completion of this significant project for our community.

The South Gippsland Coast Clinical Services Plan is nearing completion and will outline the tasks and actions required to transition, over time, to a sub-regional network of South Gippsland Hospital, Gippsland Southern Health Service and Bass Coast Health Service. We continue to work collaboratively with our colleagues at Gippsland Southern Health Service and Bass Coast Health to deliver this opportunity to build the health services that benefit all of our communities now and into the future, providing all of us with greater access to a wider range of high quality and safe health care services in our local area.

Our focus in 2018-2019 will be on maintaining delivery of high quality and safe health services that meet the current and future needs and expectations of our community while also ensuring strong financial and operational performance.

Honorary Life Governor Awards

Honorary Life Governors have been appointed at South Gippsland Hospital from the time the hospital was established until 2007. The award acknowledges a significant contribution by an individual to the hospital – this can be through service and commitment or through financial support.

The Board re-established this award in 2017 to recognise the contribution of individuals in this community to our hospital. As there has been a gap of ten years since the last award we have recognised a number of recipients this year. In future years there will be one or two recipients each year.

In 2017 we are honouring three members of the Hospital Auxiliary as well as a number of previous Board members and an independent member of one of our Board Committees.

Board Chair Sue Pilkington presented each recipient of the Honorary Life Governor Award with an engraved glass award to commemorate their service and contribution to South Gippsland Hospital.

Hospital Auxiliary Members

Val Hutcheson

Val came to Foster 19 years ago and joined the Auxiliary in 1999. She held the role of Auxiliary Treasurer for 8 years and was also the Vice President for a number of years and made many friends in the Auxiliary. Sadly, 2 months after receiving the award, Val passed away on 31/1/18. Val will be remembered with much fondness by the SGH Community.

Karen Rathjen

Karen joined the Auxiliary about 15 years ago and undertook the demanding role of Catering

Manager for six years. She enjoys the friendships made through the group and the satisfaction of working with a 'giving' organisation. She volunteered at the primary school in cooking and craft and also works for the Foster Football Club. Karen is well-known in Foster for the help she has provided to many people in need.

Jeanette Allan

Jeanette came to Foster in 1960 and joined the Auxiliary about 25 years ago. She has held the position of President of the Auxiliary for three terms and has also held the roles of Vice President and Secretary.

Jeanette volunteers with cooking and craft at the primary school and worked tirelessly to assist with the annual Foster Show for many years. Members of the community may also remember Jeanette's involvement with the Red Cross Blood Bank when the bank's monthly visits were made to Foster.

Jeanette enjoys the friendships she has made through the Auxiliary and the challenge to assist the hospital to purchase the most up to date equipment and maintain the best possible level of care for the community.

Board Members

Clive White

31 years' service from 1986 to 2017.

Clive has been a member of the following committees: Finance, Audit and Risk Management, Planning, Quality, Remuneration and has held the positions of Board Chair, Treasurer, Chair of

Finance Committee, Chair of Planning Committee

Clive has provided numerous Board members with wise counsel over many years, in particular in relation to industrial relations, legal aspects of development of a Foster Health Precinct and Directors' duties and responsibilities.

Bruce Lester

18 years' service in total from 1996 to 2006 and again from 2009 to 2017.

Bruce has been a member of the Finance, Audit and Risk Management and Planning Committees and held the positions of Board Chair, Treasurer, Chair of Finance Committee, Chair of Audit and Risk Management Committee. Highlight: Establishment of the South Gippsland Hospital Community Foundation

Lee-Anne Van Dyke

14 years' service from 1999 to 2013.

Lee-Anne has been a member of the Finance, Planning, House and Works, Quality and Remuneration Committees and held the positions of Senior Vice President and Board Chair.

Mohya Davies

30 years' service from 1986 to 2016.

Mohya has been a member of the Medical Appointments Advisory, House and Works, Planning, Audit and Risk Management Committees and held the positions of Board Chair, Senior Vice President, and Chair of the Planning Committee.

Meg Knight

11 years' service from 2004 to 2015.

Meg has been a member of the Planning, House and Works, Finance, Audit and Risk

Overview (continued)

Honorary Life Governor Awards (cont)

Management, Quality and Medical Appointments Advisory Committees and held the positions of Vice President, Assistant Treasurer, Board Chair and Chair of the Planning Committee.

Bill Fuller

14 years' service from 2000 to 2014.

Bill has been a member of the Finance, Audit and Risk Management, Medical Appointments Advisory and Remuneration Committees and held the positions of Board Chair, Treasurer and Chair of the Audit Committee.

Rod Lomax

11 years' service as an independent member of the Audit and Risk Management Committee from 2006 to present. We value and appreciate Rod's continued participation in our Audit and Risk

Management Committee and his involvement in governance.

Neil Roussac

11 years' service from 2006 to 2017 and our immediate past Board Chair.

Neil has been a member of the Finance, Audit and Risk Management and Quality committees and held the positions of Treasurer, Chair Audit Committee and was Board Chair for four years from 2013 to 2017.

Many past members of the Board, including those we have honoured today, have contributed towards major infrastructure changes and initiatives at our health service.

These include:

- Development of the Community Health Centre and its later extension;
- The addition of the radiology

- facility and installation of CT scanner;
- Redevelopment of nurses' station and Urgent Care Clinic
- the installation of solar panels
- Establishment of the South Gippsland Hospital Community Foundation
- Active engagement in Gippsland South Coast Service Planning
- Development of Foster Health Precinct
- Support for and development of the Youth Assist Clinic

We acknowledge and congratulate all of the recipients of the Honorary Life Governor Award. We thank them not only for their substantial individual contributions of time and expertise to our hospital but also for their role in developing the health service that we see today.



Back row- Rod Lomax, Neil Roussac, Bruce Lester, Clive White, Bill Fuller, Mohya Davies and Lee-Anne Van Dyke
Middle row - Jeanette Allan, Karen Rathjen and Meg Knight and seated – the late Val Hutcheson

Overview (continued)

CEO's Report

Key performance indicators

High Quality Service Delivery

This year saw an overall increase in service delivery compared to last year, with more patients treated at our Urgent Care Centre, more babies delivered and a higher number of patients receiving new and existing services from our community health centre. Our high level of service has been maintained with patients in the hospital and in our community reporting high levels of satisfaction.

Additional Quality and Safety indicators have been developed this year from the Department of Health and Human Services (DHHS) and the Victorian Agency for Health Information (VAHI). South Gippsland Hospital (SGH) has met or exceeded all of these targets – which is a credit to our professional staff and visiting medical officers.

Statement of Priorities

Once again SGH successfully achieved our Statement of Priorities deliverables in the goals of Better Health, Better Access and Better Care along with mandatory actions against the Target Zero avoidable harm goal. Key areas include improved clinical governance through escalation pathways, external specialists in clinical governance and the development of a consumer partnership model.

The SGH Executive team worked extensively with our partner hospitals on developing implementation plans to progress the Gippsland South Coast Clinical Services Plan. We expect to

progress the implementation further over the coming three years which will deliver improved and more accessible services in a wider range of disciplines, across the catchment, to benefit our local communities

Strategic plan

The SGH Strategic Plan covered the period 2014 – 2018 and our annual Business Plan shows strong results on the six strategic priorities and 35 actions for 2018 financial year. The Board and Executive team have worked extensively on the development of the new plan to provide strategic direction over the next four years, which will be released shortly.

Financial result

A positive operating result was achieved in line with budget this financial year. This was a significant achievement given the increased number of higher acuity patients treated along with decreased in-patient revenue. In striving to increase the efficiency of our corporate services, an electronic time and attendance system was introduced replacing paper timesheets.

We continue to explore opportunities to increase revenue and decrease expenses to work towards consistently achieving a responsible surplus and long term financial sustainability.

Capital Works

Our application to upgrade the theatre and maternity suites of our hospital through the second round of the Rural Health Infrastructure Fund was successful. This support is very exciting for our community as it means we will have modern,

best practice facilities for our surgical and maternity patients. Currently we are working with our appointed architects to design the most effective layout to maximise the services we can provide.

In addition, our application to the Health Service Violence Prevention Fund was also successful. This funding will provide a modern nurse call bell system which will improve safety for our patients, staff and visitors. It will also provide swipe card access entry, updated closed circuit television facilities and a number of other minor improvements. The capital works for this project commenced in June 2018.

Conclusion

My sincere thanks go to the SGH community – our professional staff in both clinical and non-clinical areas; our volunteers in a range of areas including the members of the SGH Auxiliary who work tirelessly to raise funds to purchase much needed equipment; and to our highly skilled Board Directors whose strategic guidance is integral to our future.

Chris Trotman
Chief Executive Officer

Governance and Management

Board of Management

The Board oversees the strategic direction and management of South Gippsland Hospital and ensures that all services provided are consistent with the health service's by-laws, the *Health Services Act 1998* and any applicable Victorian and Commonwealth legislation.

Board Members

(as at 30 June 2018)

Susan Pilkington, Chair
Grad.Dip.Occ Hzt Mgt, CFSOA, CHOHS, FRMIA, GAICD
appointed 2014

Graeme Baxter, Joint Deputy Chair
MoE, Dip.Bus, Dip.Tourism
appointed 2016

Dr Priscilla Robinson, Joint Deputy Chair
PhD, MPH, MHSc (PHP)
appointed 2014

Iain Vernon, Treasurer (to November 2017)
BBS, MBA, Dip.BA, CPA
appointed 2015 resigned November 2017

Dawn Allan, Treasurer (from November 2017)
appointed 2017

Matthew Marriott, BVSc (Hons)
appointed 2009

Paul Ahern
appointed 2011

Lisa Barham-Lomax, B.Ed. Grad.
Dip. Leadership and O.D, Exec Masters in Public Administration
appointed 2012

Janyce Bull
appointed 2014

Dr Peter Longmore, MB.BS (Monash), MRACOG, FRANZCOG, Grad. Dip Health Econ. (USyd), Master Health Serv. Management (Monash), Aust. Cert. Aviation Med. (Monash), DAME, AFRACMA, CertH.P. Educ. (USQ)
appointed 2017

Audit and Risk Management Committee

(as at 30 June 2018)

Susan Pilkington

Matthew Marriott

Dawn Allan

Dr David Pollard (Independent Member)

Rod Lomax (Independent Member)

Executive Management

(as at 30 June 2018)

Chief Executive Officer

Chris Trotman
MoE, B.Bus (Acc), Grad Dip Ed (Health), Cert Gen Nursing (Div1), GAICD

Director of Medical Services

Dr Philippa Hawkings, MB.BS (UK), AMC Cert, FRACMA

Director of Nursing and Midwifery

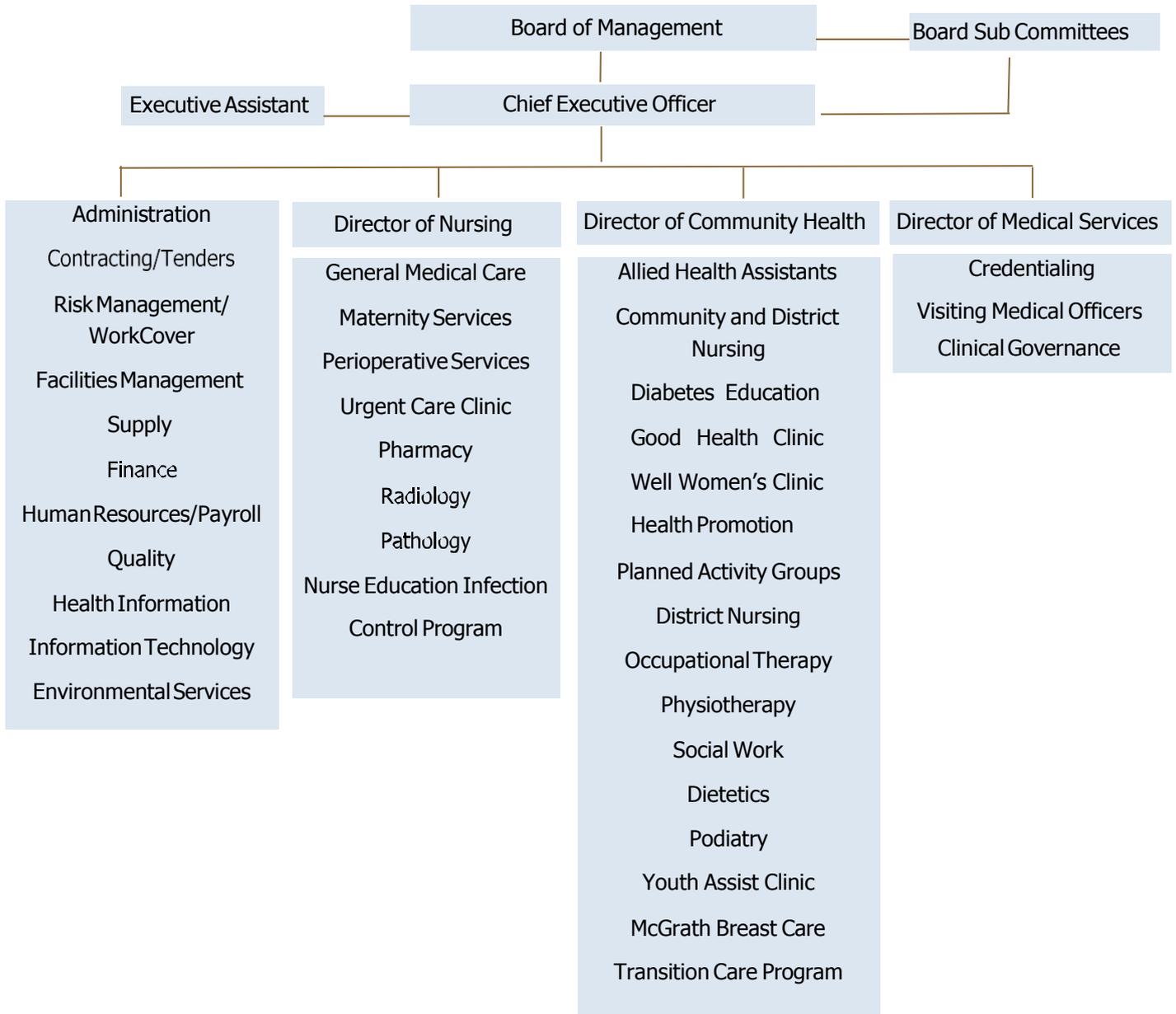
Marion Bowron, RN, RM, CCM, Grad.Dip AE&T, Cert IV WA&T

Director of Community Health

Samantha Park, BSc, MS (Prelim), Grad Dip Adolescent Health and Welfare

Governance and Management (continued)

Organisational structure



Report of Operations

Statement of priorities Part A – Strategic Priorities

The Victorian Government's priorities and policy directions are outlined in the *Victorian Health Priorities Framework 2012–2022*.

In 2017-2018 South Gippsland Hospital will contribute to the achievement of these priorities by:

| Goals | Strategies | Deliverables | Outcomes |
|---|--|---|--|
| <p>Better Health</p> <p>A system geared to prevention as much as treatment</p> <p>Everyone understands their own health and risks</p> <p>Illness is detected and managed early</p> <p>Healthy neighbourhoods and communities encourage health lifestyles</p> | <p>Better Access</p> <p>Reduce statewide risks</p> <p>Build healthy neighbourhoods</p> <p>Help people to stay healthy</p> <p>Target health gaps</p> | <p>Conduct a feasibility study for the implementation of diversionary clinics to provide an alternative to inpatient care.</p> <p>Create a Health Literacy audit action plan and commence organisation-wide implementation.</p> <p>Deliver State 2 of the health promotion 'Achievements' program focusing on mental health and wellbeing and physical activity.</p> <p>Implement Stage 2 roll out of Strengthening Hospital Response to Family Violence program in partnership with Bass Coast Health and Gippsland Southern Health Service.</p> <p>Target health gaps and meet mental health targets through the Youth Access Clinic, working with sub-regional partners.</p> | <p>Completed – implementation opportunities will be explored in the future.</p> <p>Action plan completed and implementation commenced.</p> <p>On track for completion. Workwell grant application progressed to Stage 2 to support Mental Health and Wellbeing Achievements Program.</p> <p>Completed - ongoing</p> <p>Completed - ongoing</p> |

Report of Operations (continued)

| Goals | Strategies | Deliverables | Outcomes |
|--|-----------------------|---|--|
| Better Access | Better Access | | |
| Care is always there when people need it | Plan and invest | In line with the South Gippsland Coast Clinical Services Plan and in collaboration with Bass Coast Health and Gippsland Southern Health Service, develop an implementation plan for surgery and anaesthetics, which will see the establishment of a Sub-Regional Surgical Clinical Council and facilitate discussions regarding sub-regional models of care, service delineation and a sub-regional capability framework. | Completed |
| More access to care in the home and community | Unlock innovation | | |
| People are connected to the full range of care and support they need | Provide easier access | In line with the South Gippsland Coast Clinical Services Plan and in collaboration with Bass Coast Health and Gippsland Southern Health Service, develop an implementation plan for maternity services which will see the establishment of a Sub-Regional Maternity Clinical Council and facilitate discussions regarding sub-regional models of care, service delineation and a sub-regional capability framework. | Completed |
| There is equal access to care | Ensure fair access | In line with the South Gippsland Coast Clinical Services Plan and in collaboration with Bass Coast Health and Gippsland Southern Health Service, utilise the resources of the Primary Care Partnership and Community Clinical Council and develop an implementation plan which will facilitate sub-regional models of care, a sub-regional Primary and Community Capability Framework and service coordination and service delineation in the areas of chronic disease management and health promotion. | Completed |
| | | Develop a plan to provide outpatient telehealth consultations to our rural catchment. | Planning in progress, completion expected in FY19. |
| | | Submit an application to the Rural Health Infrastructure Fund Round 2 to improve the amenity and efficiency of the theatre and maternity facilities. | Completed. Application successful and project in progress. |

Report of Operations (continued)

Part A – Strategic Priorities cont.

| Goals | Strategies | Deliverables | Outcomes |
|--|--|---|---|
| <p>Better Care</p> <p>Target zero avoidable harm</p> <p>Healthcare that focusses on outcomes</p> <p>Patients and carers are active partners in care</p> <p>Care fits together around people's needs</p> | <p>Better Care</p> <p>Put quality first</p> <p>Join up care</p> <p>Partner with patients</p> <p>Strengthen the workforce</p> <p>Embed evidence</p> <p>Ensure equal care</p> <p>Mandatory actions against the 'Target Zero Avoidable Harm' goal:</p> <p>Develop and implement a plan to educate staff about obligations to report patient safety concerns.</p> <p>Establish agreements to involve external specialists in clinical governance processes for each major area of activity (including mortality and morbidity review).</p> <p>In partnership with consumers, identify 3 priority improvement areas using Victorian Healthcare Experience Survey data and establish an improvement plan for each. These should be reviewed every 6 months to reflect new areas for improvement in patient experience.</p> | <p>Develop Reportable Conduct Scheme policies and educate all staff to ensure full compliance by 1 January 2018.</p> <p>Develop a South Gippsland Hospital internal escalation of care policy and implement patient safety reporting awareness program for all staff.</p> <p>Establish formal agreement with Latrobe Regional Hospital to provide clinical governance specialist services for surgery, maternity and acute services.</p> <p>Establish a consumer partnership model to identify opportunities for improved service delivery.</p> | <p>Completed.</p> <p>Completed.</p> <p>Completed.</p> <p>Consumer partnership model established and consumer recruitment in progress.</p> |

Report of Operations (continued)

Statement of priorities - Part B: Performance priorities

The *Victorian health agency monitoring and intervention* describes the Department of Health and Human Services' approach to monitoring and assessing the performance of health agencies and detecting, actively responding and intervening in relation to performance concerns and risk. This document aligns with the measuring and monitoring element of the *Victorian health services performance framework*.

Changes to the key performance measures in 2016-17 strengthen the focus on quality and safety, in particular maternity and newborn, and access and timeliness in line with ministerial and departmental priorities.

Further information is available at <https://www2.health.vic.gov.au/hospitals-and-health-services/funding-performance-accountability>

High Quality and Safe Care

| Key performance indicator | Target | 2017-2018 Result |
|---|-------------------------|------------------|
| Accreditation | | |
| Compliance with NSQHS Standards accreditation | Full compliance | Full compliance |
| Infection prevention and control | | |
| Compliance with the Hand Hygiene Australia program | 80% | 88% |
| Percentage of healthcare workers immunized for influenza | 75% | 85% |
| Patient experience | | |
| Victorian Healthcare Experience Survey - percentage of positive patient experience responses | 95% positive experience | 99% |
| Victorian Healthcare Experience Survey – percentage of very positive responses to questions on discharge care | 75% positive experience | 92% |
| Victorian Healthcare Experience Survey—patients' perception of cleanliness | 70% | 95% |
| Adverse Events | | |
| Number of sentinel events | Nil | 0 |
| Mortality—number of deaths in low mortality DRGs | Nil | 0 |
| Maternity and Newborn | | |
| Rate of singleton term infants without birth anomalies with Apgar score <7 at 5 minutes | ≤ 1.6% | 1.88% |
| Rate of severe foetal growth restriction (FGR) in singleton | ≤ 28.6% | 0 |

Report of Operations (continued)

Statement of priorities – Part B: Performance priorities (cont)

Strong Governance, Leadership and Culture

| Key performance indicator | Target | 2017-2018 Result |
|--|--------|------------------|
| Organisational Culture | | |
| People Matter survey—percentage of staff with an overall positive response to safety and culture questions | 80% | 96% |
| People Matter survey—percentage of staff with a positive response to the question, "I am encouraged by my colleagues to report any patient safety concerns I may have" | 80% | 98% |
| People Matter survey—percentage of staff with a positive response to the question, "Patient care errors are handled appropriately in my work area" | 80% | 98% |
| People Matter survey—percentage of staff with a positive response to the question, "My suggestions about patient safety would be acted upon if I expressed them to my manager" | 80% | 100% |
| People Matter survey—percentage of staff with a positive response to the question, "The culture in my work area makes it easy to learn from the errors of others" | 80% | 94% |
| People Matter survey—percentage of staff with a positive response to the question, "Management is driving us to be a safety-centred organisation" | 80% | 100% |
| People Matter survey—percentage of staff with a positive response to the question, "This health service does a good job of training new and existing staff" | 80% | 98% |
| People Matter survey—percentage of staff with a positive response to the question, "Trainees in my discipline are adequately supervised" | 80% | 98% |
| People Matter survey—percentage of staff with a positive response to the question, "I would recommend a friend or relative to be treated as a patient here" | 80% | 98% |

Report of Operations (continued)

Statement of priorities – Part B: Performance priorities (cont)

Effective Financial Management

| Key performance indicator | Target | 2017-2018 Result |
|---|---|------------------|
| Finance | | |
| Operating result (\$m) | 0.00 | 0.26m |
| Average number of days to paying trade creditors | 60 days | 30 |
| Average number of days to receiving patient fee debtors | 60 days | 52 |
| Adjusted current asset ratio | 0.7 or 3% improvement from health service base target | 1.99 |
| Number of days of available cash | 14 days | 104.4 |

Quality and Safety Performance

| Patient Experience | | |
|--|------------------------------|-----------------------|
| Victorian Healthcare Experience Survey – data submission | Full compliance | Achieved/Not Achieved |
| Victorian Healthcare Experience Survey – positive patient experience – Quarter 1 | 95% positive experience | 100% |
| Victorian Healthcare Experience Survey – positive patient experience – Quarter 2 | 95% positive experience | 97% |
| Victorian Healthcare Experience Survey – positive patient experience – Quarter 3 | 95% positive experience | 99% |
| Victorian Healthcare Experience Survey – discharge care – Quarter 1 | 75% very positive experience | 92% |
| Victorian Healthcare Experience Survey – discharge care – Quarter 2 | 75% very positive experience | 91% |
| Victorian Healthcare Experience Survey – discharge care – Quarter 3 | 75% very positive experience | 92% |

Report of Operations (continued)

Statement of priorities - Part C: Activity and Funding

The performance and financial framework within which state government-funded organisations operate is described in 'Volume 2: Health operations 2016-17' of the Department of Health and Human Services' *Policy and funding guidelines*.

The *Policy and funding guidelines* are available at <https://www2.health.vic.gov.au/about/policy-and-funding-guidelines>.

| Funding Type Small Rural | Activity 2017-18 | Budget (\$'000) |
|--|-------------------------|------------------------|
| Small Rural Acute | | 4,973 |
| Small Rural Primary Health | 806 hours | 154,267 |
| Small Rural HACC | 467 hours | 45,486 |
| Other specified funding – Commonwealth Home Support Program | 9938 hours | 481,369 |
| Total Funding | | 686,095 |

Attestations

Attestation on Conflict of Interest

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



Chris Trotman
Accountable Officer

Foster

31/8/2018

Attestation on Data Integrity

I, CHRIS TROTMAN, certify that South Gippsland Hospital has put in place appropriate internal controls and processes to ensure that reported data accurately reflects actual performance. South Gippsland Hospital has critically reviewed these controls and processes during the year.



Chris Trotman
Accountable Officer

Foster

31/8/2018

Attestations

Attestation Ministerial Standing Direction 5.1.4 Financial Management Compliance

I, SUSAN PILKINGTON, on behalf of the Responsible Body, certify that South Gippsland Hospital has complied with the applicable Standing Directions of the Minister for Finance under the Financial Management Act 1994 and Instructions.



Susan Pilkington
Chair

Foster

31/8/2018

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

I, CHRIS TROTMAN, certify that South Gippsland Hospital 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.



Chris Trotman
Accountable Officer

Foster

31/8/2018

Workforce

Workforce data

| Labour Category | JUNE Current | | JUNE YTD FTE | |
|----------------------------------|--------------------------------|--------------|-----------------------|--------------|
| | 2017 | 2018 | 2017 | 2018 |
| Hospitals labour category | JUNE current month FTE* | | JUNE YTD FTE** | |
| | 2017 | 2018 | 2017 | 2018 |
| Nursing | 31.56 | 33.57 | 31.17 | 32.59 |
| Administration and Clerical | 11.64 | 9.06 | 11.83 | 10.23 |
| Medical Support | 1.33 | 0.80 | 1.10 | 0.69 |
| Hotel and Allied Services | 10.27 | 12.69 | 10.29 | 11.53 |
| Sessional Clinicians | 0.05 | 0 | 0.07 | 0.02 |
| Ancillary Staff (Allied Health) | 6.39 | 6.50 | 5.22 | 6.05 |
| Total | 61.18 | 62.62 | 60.12 | 61.11 |

Information and Communication Technology (ICT)

| Business As Usual (BAU) ICT expenditure | Non-Business As Usual (non-BAU) ICT expenditure | | |
|---|---|---|-------------------------------------|
| Total (excluding GST) | Total=Operational expenditure and Capital Expenditure (excluding GST) | Operational expenditure (excluding GST) | Capital expenditure (excluding GST) |
| \$340,065 | 0 | 0 | 0 |

Occupational violence statistics

| | 2017-2018 |
|--|-----------|
| WorkCover accepted claims with an occupational violence cause per 100 FTE | 0 |
| Number of accepted WorkCover claims with lost time injury with an occupational violence cause per 1,000,000 hours worked | 0 |
| Number of occupational violence incidents reported | 9 |
| Number of occupational violence incidents reported per 100 FTE | 0.147 |
| Percentage of occupational violence incidents resulting in a staff injury, illness or condition | 0 |

For the purposes of the above statistics the following definitions apply:

Occupational violence - any incident where an employee is abused, threatened or assaulted in circumstances arising out of, or in the course of their employment.

Incident – an event or circumstance that could have resulted in, or did result in, harm to an employee. Incidents of all severity rating must be included. Code Grey reporting is not included, however, if an incident occurs during the course of a planned or unplanned Code Grey, the incident must be included.

Accepted WorkCover claims – Accepted WorkCover claims that were lodged in 2016-18.

Lost time – is defined as greater than one day.

Injury, illness or condition – This includes all reported harm as a result of the incident, regardless of whether the employee required time off work or submitted a claim.

FTE figures required in the above table should be calculated consistent with the Workforce information FTE calculation (refer to page 16 of the Health Service Model Annual Report guidelines). These do not include contracted staff (e.g. Agency nurses, Fee-for-Service Visiting Medical Officers) who are not regarded as employees for this purpose. The above data should be consistent with the information provided in the Minimum Employee Data Set.

Workforce (continued)

Occupational health and safety

South Gippsland Hospital meets all certification performance indicators in relation to Occupational Health and Safety requirements. It maintains an Occupational Health and Safety framework to manage a safe work environment, roles and responsibilities, the OH&S Committee, incident management and return to work programs.

ERRATUM TO THE 2017-18 ANNUAL REPORT

Summary of Financial Results (page 24)

The total equity figures should equate to the Net Assets figure. The correct figures are shown below

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|--------------|-----------|-----------|-----------|-----------|-----------|
| Total Equity | 7,123,345 | 6,023,668 | 6,219,163 | 6,446,889 | 7,085,416 |

Summary of Financial Results

Summary of operational and budgetary objectives

In 2017-2018, SGH achieved the targets established under the Statement of Priorities. The hospital recorded a surplus of \$260,923 before capital purpose income and depreciation. Capital purpose income of \$775,379 was received during the financial year with depreciation write-offs totalling \$369,372.

Summary of factors affecting operations

The results for the year have been affected by the following:

- Capital works funding under the Rural Health Infrastructure Fund, Round 2
- Capital works funding under the Health Service Violence Prevention Fund

Events subsequent to balance date

At the date of this report, management is not aware of any events that have occurred subsequent to balance date that may have material impact on the results of the next reporting period.

Summary of financial results

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|------------------|------------------|------------------|------------------|------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Total Revenue | 8,490,353 | 7,994,776 | 7,652,067 | 7,373,299 | 7,248,656 |
| Total Expenses | 8,229,430 | 7,926,168 | 7,575,599 | 7,716,234 | 7,108,397 |
| Other Operating Flows included in net result for year | 0 | 0 | 0 | 0 | 0 |
| Operating Result | 260,923 | 68,608 | 76,468 | (342,935) | 140,259 |
| Total Assets | 9,381,624 | 8,170,685 | 8,372,454 | 8,496,129 | 8,836,792 |
| Total Liabilities | 2,258,279 | 2,147,017 | 2,153,291 | 2,049,240 | 1,751,376 |
| Net Assets | 7,123,345 | 6,023,668 | 6,219,163 | 6,446,889 | 7,085,416 |
| Total Equity | 8,490,353 | 7,994,776 | 7,652,067 | 7,373,299 | 7,248,656 |

Other information and disclosures

The Annual Report of South Gippsland Hospital is prepared in accordance with Victorian legislation. A summary of the legislative obligations and required disclosures of South Gippsland Hospital is detailed below.

Freedom of Information

The Freedom of Information Act 1982 (the FOI Act) gives people right of access to information held by South Gippsland Hospital and applications for access to information and records are processed in accordance with the FOI Act by the Health Information Manager under delegation from the Chief Executive Officer. Health Services charge a fee for FOI and medico-legal requests. In some instances where hardship can be proven, the fee may be waived. SGH has in place a corporate policy and procedure which complies with the Act. Disclosures made under this policy will be investigated swiftly, professionally and discreetly. A copy of the Act and the policy and procedure is available to staff in the hospital library and a copy is also held in the Human Resource Department. There were no requests under the Act in the reporting period.

Compliance with DataVic Access Policy

Consistent with the DataVic Access Policy issued by the Victorian Government in 2012, the information included in this Annual Report will be available at <http://www.data.vic.gov.au/> in machine readable format.

Ex-gratia payments

There were no ex-gratia payments made in 2017-2018.

Consultancies

In 2017-2018 there were no consultancies where the total fees payable to the consultants were \$10,000 or greater nor were there any consultancies where the total fees payable to the consultants were less than \$10,000.

Carers' Recognition Act 2012

South Gippsland Hospital endorses the Carers' Recognition Act which recognises, promotes and values the role of carers. Staff are encouraged to consider and promote the care relationship principles and the supporting document 'Victorian Charter Supporting People in Care Relationships'.

Protected Disclosure Act 2012

South Gippsland Hospital endorses the provisions of the Protected Disclosure Act 2012 which encourages and facilitates disclosure of improper conduct by public officers, public bodies and protects persons who make these disclosures.

Building Act 1993

All buildings and maintenance provisions of South Gippsland Hospital comply with the *Building Act 1993*, which encompasses the Building Code.

Competitive neutrality

South Gippsland Hospital complies with all Government policies regarding competitive neutrality requirements and has implemented policies and programs to ensure compliance with the National

Competition Policy and the requirements of the Competitive Neutrality Policy Victoria and any subsequent reforms.

Contracts commenced and/or completed

There were no contracts commenced but not completed during the financial year which require disclosure under *the Victorian Industry Participation Policy (VIPPA) Act 2003*.

Environmental Performance

South Gippsland Hospital has an active Environmental Program and monitors the usage of energy and water to avoid unnecessary waste. The environmental impact of all proposed developments is reviewed to ensure that they meet key performance standards.

Safe Patient Care Act 2015

Nil return.

Legislation

South Gippsland Hospital complies with the requirements of the following legislation:

Financial Management Act 1994

Protected Disclosure Act 2012

Carers Recognition Act 2012

Victorian Industry Participation Act 2003

Freedom of Information Act 1982

Safe Patient Care Act 2015

Disability Act 2006

Other information and disclosures (continued)

Availability of additional information (FRD 22H)

In compliance with the requirements of FRD 22H *Standard Disclosures in the Report of Operations*, details in respect of the items listed below have been retained by South Gippsland Hospital and are available to the relevant Ministers, Members of Parliament and the public on request (subject to the Freedom of Information requirements, if applicable):

- (a) A statement of pecuniary interest has been completed;
- (b) Details of shares held by senior officers as nominee or held beneficially;
- (c) Details of publications produced by South Gippsland Hospital about the activities of the health service and where they can be obtained;
- (d) Details of changes in prices, fees, charges, rates and levies charged by South Gippsland Hospital;
- (e) Details of any major external reviews carried out on South Gippsland Hospital;
- (f) Details of major research and development activities undertaken by South Gippsland Hospital that are not otherwise covered either in the Report of Operations or in a document that contains the financial statements and Report of Operations;
- (g) Details of overseas visits undertaken including a summary of the objectives and outcomes of each visit;
- (h) Details of major promotional,

activities undertaken by South Gippsland Hospital to develop community awareness of the health service and its services;

- (i) Details of assessments and measures undertaken to improve the occupational health and safety of employees;
- (j) General statement on industrial relations within South Gippsland Hospital and details of time lost through industrial accidents and disputes, which is not otherwise detailed in the Report of Operations;
- (k) A list of major committees sponsored by South Gippsland Hospital the purposes of each committee and the extent to which those purposes have been achieved;
- (l) Details of all consultancies and contractors including consultants/contractors engaged, services provided, and expenditure committed for each engagement.

Other information and disclosures (continued)

Disclosure Index

The annual report of the *South Gippsland Hospital* is prepared in accordance with all relevant Victorian legislation. This index has been prepared to facilitate identification of the Department's compliance with statutory disclosure requirements.

| Legislation | Requirement | Page Reference |
|---------------------------------|---|----------------|
| Ministerial Directions | | |
| Report of Operations | | |
| Charter and purpose | | |
| FRD 22H | Manner of establishment and the relevant Ministers | |
| FRD 22H | Purpose, functions, powers and duties | |
| FRD 22H | Initiatives and key achievements | |
| FRD 22H | Nature and range of services provided | |
| Management and structure | | |
| FRD 22H | Organisational structure | |
| Financial and other information | | |
| FRD 10A | Disclosure index | |
| FRD 11A | Disclosure of ex-gratia expenses | |
| FRD 21C | Responsible person and executive officer disclosures | |
| FRD 22H | Application and operation of <i>Protected Disclosure 2012</i> | |
| FRD 22H | Application and operation of <i>Carers Recognition Act 2012</i> | |
| FRD 22H | Application and operation of <i>Freedom of Information Act 1982</i> | |
| FRD 22H | Compliance with building and maintenance provisions of <i>Building Act 1993</i> | |
| FRD 22H | Details of consultancies over \$10,000 | |
| FRD 22H | Details of consultancies under \$10,000 | |
| FRD 22H | Employment and conduct principles | |
| FRD 22H | Information and Communication Technology Expenditure | N/A |
| FRD 22H | Major changes or factors affecting performance | |
| FRD 22H | Occupational violence | |
| FRD 22H | Operational and budgetary objectives and performance against objectives | |
| FRD 22H | Summary of entity's environmental performance | |
| FRD 22H | Significant changes in financial position during the year | |
| FRD 22H | Statement on National Competition Policy | |
| FRD 22H | Subsequent events | |

Other information and disclosures (continued)

Disclosure Index cont.

| Legislation | Requirement | Page Reference |
|---|--|----------------|
| FRD 22H | Summary of the financial results for the year | |
| FRD 22H | Additional information available on request | |
| FRD 22H | Workforce Data Disclosures including a statement on the application of employment and conduct principles | |
| FRD 25C | Victorian Industry Participation Policy disclosures | |
| SD 3.4.13 | Attestation on data integrity | |
| FRD 103F | Non-Financial Physical Assets | |
| FRD 110A | Cash flow Statements | |
| FRD 112D | Defined Benefit Superannuation Obligations | |
| SD 5.2.3 | Declaration in report of operations | |
| SD 5.1.4 | Financial Management Compliance | |
| Other requirements under Standing Directions 5.2 | | |
| SD 5.2.2 | Declaration in Financial statements | |
| SD 5.2.1(a) | Compliance with Australian accounting standards and other authoritative pronouncements | |
| SD 5.2.1(a) | Compliance with Ministerial Directions | |
| Legislation | | |
| <i>Freedom of Information Act 1982</i> | | |
| <i>Protected Disclosure Act 2001</i> | | |
| <i>Carers Recognition Act 2012</i> | | |
| <i>Victorian Industry Participation Policy Act 2003</i> | | |
| <i>Building Act 1993</i> | | |
| <i>Financial Management Act 1994</i> | | |
| <i>Safe Patient Care Act 2015</i> | | |
| <i>Disability Act 2006</i> | | |

Independent Auditor's Report

To the Board of South Gippsland Hospital

| | |
|--|---|
| Opinion | <p>I have audited the financial report of South Gippsland Hospital (the health service) which comprises the:</p> <ul style="list-style-type: none">• balance sheet as at 30 June 2018• comprehensive operating statement for the year then ended• statement of changes in equity for the year then ended• cash flow statement for the year then ended• notes to the financial statements, including significant accounting policies• board member's, accountable officer's and chief finance & accounting officer's declaration. <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the health service as at 30 June 2018 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p> |
| Basis for Opinion | <p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. 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 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p> |
| Board's responsibilities for the financial report | <p>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 <i>Financial Management Act 1994</i>, 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.</p> <p>In preparing the financial report, the Board is responsible for assessing the health service's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p> |

Auditor's responsibilities for the audit of the financial report

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

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

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

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

MELBOURNE
5 September 2018



Ron Mak

as delegate for the Auditor-General of Victoria

Financial Statements for the year ended 30 June 2018

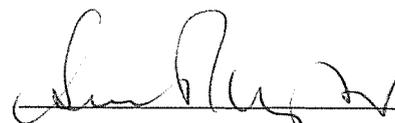
South Gippsland Hospital
Board member's,
accountable officer's and
chief finance &
accounting officer's
declaration

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

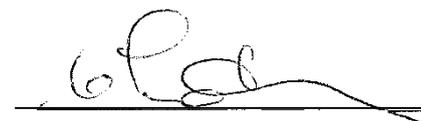
We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2018 and the financial position of South Gippsland Hospital at 30 June 2018.

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 this day.



Susan Pilkington
Chair Board of Management
Foster
31/8/18



Chris Trotman
Accountable Officer
Foster
31/8/18



Peter Tilley
Chief Finance & Accounting Officer
Foster
31/8/18

South Gippsland Hospital
Comprehensive Operating Statement
For the Year Ended 30 June 2018

| | Note | 2018 | 2017 |
|--|------|------------------|------------------|
| Revenue from operating activities | 2.1 | 8,294,363 | 7,753,263 |
| Revenue from non-operating activities | 2.1 | 195,990 | 241,513 |
| Employee expenses | 3.1 | (5,818,211) | (5,692,359) |
| Non salary labour costs | 3.1 | (262,157) | (238,259) |
| Supplies and consumables | 3.1 | (440,623) | (460,988) |
| Other expenses | 3.1 | (1,708,439) | (1,534,562) |
| Net result before capital and specific items | | 260,923 | 68,608 |
| Capital purpose income | 2.1 | 775,379 | 137,218 |
| Depreciation and Amortisation | 4.4 | (369,372) | (362,305) |
| Impairment of non-financial assets | 3.1 | - | (43,105) |
| Net Result after capital and specific items | | 666,930 | (199,584) |
| Other economic flows included in net result | | | |
| Net gain/(loss) on non-financial assets | 7.3 | (2,850) | 4,089 |
| Net result from continuing operations | | 664,080 | (195,495) |
| Other Comprehensive Income | | | |
| Items that will not be reclassified to Net Result | | | |
| Changes in Building Revaluation Surplus | 8.1 | 435,597 | - |
| Total Comprehensive Income | | 435,597 | - |
| NET RESULT FOR THE YEAR | | 1,099,677 | (195,495) |
| COMPREHENSIVE RESULT FOR THE YEAR | | 1,099,677 | (195,495) |

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

South Gippsland Hospital
Balance Sheet
As at 30 June 2018

| | Note | 2018 | 2017 |
|---|------|------------------|------------------|
| Current assets | | | |
| Cash and cash equivalents | 6.3 | 1,355,295 | 530,484 |
| Receivables | 5.1 | 290,951 | 299,813 |
| Investments and other financial assets | 4.1 | 1,132,088 | 1,104,283 |
| Inventories | 5.2 | 74,978 | 72,822 |
| Prepayments | 5.4 | - | 10,250 |
| Other assets | 5.7 | 85,357 | 76,867 |
| Total current assets | | 2,938,669 | 2,094,519 |
| Non-current assets | | | |
| Receivables | 5.1 | 480,598 | 433,297 |
| Property, plant & equipment | 4.3 | 5,962,357 | 5,642,869 |
| Total non-current assets | | 6,442,955 | 6,076,166 |
| TOTAL ASSETS | | 9,381,624 | 8,170,685 |
| Current liabilities | | | |
| Payables | 5.5 | 211,240 | 179,209 |
| Borrowings | 6.1 | 12,719 | - |
| Provisions | 3.2 | 1,714,837 | 1,710,197 |
| Other current liabilities | 5.3 | 18,079 | 34,887 |
| Total current liabilities | | 1,956,875 | 1,924,293 |
| Non-current liabilities | | | |
| Borrowings | 6.1 | 90,398 | - |
| Provisions | 3.2 | 211,006 | 222,724 |
| Total non-current liabilities | | 301,404 | 222,724 |
| TOTAL LIABILITIES | | 2,258,279 | 2,147,017 |
| NET ASSETS | | 7,123,345 | 6,023,668 |
| EQUITY | | | |
| Property, plant & equipment revaluation surplus | 8.1a | 3,293,157 | 2,857,560 |
| Contributed capital | 8.1b | 3,086,756 | 3,086,756 |
| Accumulated surpluses/(deficits) | 8.1c | 743,432 | 79,352 |
| TOTAL EQUITY | 8.1c | 7,123,345 | 6,023,668 |

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

South Gippsland Hospital
Statement of Changes in Equity
For the Year Ended 30 June 2018

| | Note | Property, Plant & Equipment Revaluation Surplus | Contributions by Owners | Accumulated Surpluses/ (Deficits) | Total |
|---|------|--|----------------------------|---|------------------|
| Balance at 1 July 2016 | | 2,857,560 | 3,086,756 | 274,847 | 6,219,163 |
| Net result for the year | | - | - | (195,495) | (195,495) |
| Balance at 30 June 2017 | | 2,857,560 | 3,086,756 | 79,352 | 6,023,668 |
| Net result for the year | | - | - | 664,080 | 664,080 |
| Other Comprehensive income for the year | | 435,597 | - | - | 435,597 |
| Balance at 30 June 2018 | | 3,293,157 | 3,086,756 | 743,432 | 7,123,345 |

South Gippsland Hospital
Cash Flow Statement
For the Year Ended 30 June 2018

| | Note | 2018 | 2017 |
|---|------|--------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Operating grants from government | | 6,352,038 | 6,101,188 |
| Capital grants from government | | 710,380 | 51,675 |
| Patient and resident fees received | | 502,820 | 438,138 |
| Donations and bequests received | | 136,113 | 162,106 |
| GST received from/(paid to) ATO | | 93,682 | 143,095 |
| Recoupment from private practice for use of hospital facilities | | - | 39,369 |
| Interest received | | 40,000 | 44,241 |
| Other capital receipts | | 64,999 | 85,543 |
| Other receipts | | 1,442,756 | 1,105,976 |
| Total receipts | | 9,342,788 | 8,171,331 |
| Employee expenses paid | | (5,825,289) | (5,654,309) |
| Fees for Service of Medical Officers | | (268,111) | (243,259) |
| Payments for supplies & consumables | | (443,733) | (471,964) |
| Other payments | | (1,915,462) | (1,799,464) |
| Total payments | | (8,452,595) | (8,168,996) |
| NET CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES | 6.2 | 890,193 | 2,335 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Payments for non-financial assets | | (180,813) | (275,859) |
| Proceeds from sale of non-financial assets | | 27,818 | 46,113 |
| Payment for investments | | (27,805) | 354,424 |
| NET CASH FLOW FROM FINANCING ACTIVITIES | | (180,800) | 124,678 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS HELD | | 709,393 | 127,013 |
| Cash and cash equivalents at beginning of financial year | | 361,188 | 234,175 |
| CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR | 6.3 | 1,070,581 | 361,188 |

This Statement should be read in conjunction with the accompanying notes

South Gippsland Hospital
Notes to the financial statements
For the Year Ended 30 June 2018

| | Page Number |
|---|------------------------|
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South Gippsland Hospital
Notes to the financial statements
For the Year Ended 30 June 2018

Basis of presentation

These financial statements are presented in accordance with Australian Accounting Standards and relevant FRD's.

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 Department.

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.

South Gippsland Hospital

Notes to the financial statements

For the Year Ended 30 June 2018

Note 1: Statement of Significant Accounting Policies

These annual financial statements represent the audited general purpose financial statements for South Gippsland Hospital ("the Health Service") for the period ending 30 June 2018. 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 AASB 101 *Presentation of Financial Statements*.

The financial statements also comply with relevant Financial Reporting Directions (FRDs) issued by the Department of Treasury and Finance 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 AASs.

The annual financial statements were authorised for issue by the Board of South Gippsland Hospital on 31 August 2018.

[b] Reporting Entity

The financial statements includes all the controlled activities of the Health Service.
Its principal address is:

87 Station Road
Foster
Victoria 3960

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

[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 2018, and the comparative information presented in these financial statements for the year ended 30 June 2017.

The financial statements are prepared on a going concern basis (refer to Note 8.10 Financial Dependency).

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

All amounts shown in the financial statements have been rounded to the nearest dollar, unless otherwise stated. Minor discrepancies in tables between totals and sum of components are due to rounding.

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

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.

South Gippsland Hospital

Notes to the financial statements

For the Year Ended 30 June 2018

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.

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 AASs that have significant effects on the financial statements and estimates relate to:

- The fair value of land, buildings and plant and equipment (refer to Note 4.3 Property, Plant and Equipment);
- Superannuation expense (refer to Note 3.3 Superannuation); and
- Employee benefit provisions are based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (refer to Note 3.2 Employee Benefits in the Balance Sheet)

Goods and Services Tax (GST)

Income, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the Australian Taxation Office (ATO). In this case the GST payable is recognised as part of the cost of acquisition of the asset or as part of the expense.

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

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the ATO, are presented as operating cash flow.

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

[d] Jointly Controlled Operations

Jointly Controlled Assets

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

- In respect of any interest in joint operations, The Health Services 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.

The Health Services is a Member of the GHA Joint Venture and retains joint control over the arrangement, which it has classified as a joint operation (refer to Note 4.2 Jointly Controlled Operations).

South Gippsland Hospital
Notes to the financial statements
For the Year Ended 30 June 2018

Note 2: Funding delivery of our services

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

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

Structure

2.1 Analysis of revenue by source

2.2 Assets received free of charge or for nominal consideration

South Gippsland Hospital
Notes to the financial statements
For the Year Ended 30 June 2018

Note 2.1: Analysis of Revenue by Source

| | Admitted Patients 2018 | Non-Admitted 2018 | Primary Health 2018 | Other * 2018 | Total 2018 |
|---|-----------------------------------|------------------------------|--------------------------------|-------------------------|-----------------------|
| Government Grant | 5,681,420 | 526,855 | 135,386 | - | 6,343,661 |
| Indirect contributions by Department of Health and Human Services | 65,188 | - | - | - | 65,188 |
| Patient Fees | 264,222 | 222,304 | - | - | 486,526 |
| Catering | - | - | - | 28,538 | 28,538 |
| Transitional Care Program | 446,310 | - | - | - | 446,310 |
| Other revenue from operating activities | - | - | - | 924,140 | 924,140 |
| Total Revenue from Operating Activities | 6,457,140 | 749,159 | 135,386 | 952,678 | 8,294,363 |
| Interest | - | - | - | 38,164 | 38,164 |
| Donations & bequests | - | - | - | 136,113 | 136,113 |
| Other Revenue from Non-Operating Activities | - | - | - | 21,713 | 21,713 |
| Total Revenue from Non-Operating Activities | - | - | - | 195,990 | 195,990 |
| Capital Donations | - | - | - | 64,999 | 64,999 |
| Capital Grants | - | - | - | 710,380 | 710,380 |
| Total Capital Purpose Income | - | - | - | 775,379 | 775,379 |
| Total Revenue | 6,457,140 | 749,159 | 135,386 | 1,924,047 | 9,265,732 |

| | Admitted Patients 2017 | Non-Admitted 2017 | Primary Health 2017 | Other * 2017 | Total 2017 |
|---|-----------------------------------|------------------------------|--------------------------------|-------------------------|-----------------------|
| Government Grant | 5,367,424 | 522,450 | 159,140 | - | 6,049,014 |
| Indirect contributions by Department of Health and Human Services | 62,851 | - | - | - | 62,851 |
| Patient Fees | 280,580 | 146,009 | - | - | 426,589 |
| Catering | - | - | - | 33,206 | 33,206 |
| Transitional Care Program | 393,921 | - | - | - | 393,921 |
| Other revenue from operating activities | - | - | - | 787,682 | 787,682 |
| Total Revenue from Operating Activities | 6,104,776 | 668,459 | 159,140 | 820,888 | 7,753,263 |
| Interest | - | - | - | 45,928 | 45,928 |
| Donations & bequests | - | - | - | 162,106 | 162,106 |
| Profit on disposal of non-current assets | - | - | - | 4,089 | 4,089 |
| Other Revenue from Non-Operating Activities | - | - | - | 33,479 | 33,479 |
| Total Revenue from Non-Operating Activities | - | - | - | 245,602 | 245,602 |
| Capital Donations | - | - | - | 50,204 | 50,204 |
| Capital Grants | - | - | - | 51,675 | 51,675 |
| Assets Received Free or Charge | - | - | - | 35,339 | 35,339 |
| Total Capital Purpose Income | - | - | - | 137,218 | 137,218 |
| Total Revenue | 6,104,776 | 668,459 | 159,140 | 1,203,708 | 8,136,083 |

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

* Other Programs include Commercial Activities, Special Purpose Funds and Capital.

South Gippsland Hospital

Notes to the financial statements

For the Year Ended 30 June 2018

Revenue Recognition

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, 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

- 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 Fees

Patient fees are recognised as revenue on an accrual basis.

Revenue from commercial activities

Revenue from commercial activities such as catering and property rental income are recognised on an accrual basis.

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 into 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.

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

Resources received 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 Health Service or agency as a consequence of a restructuring of administrative arrangements. In the latter case, such transfer will be recognised at carrying amount. Contributions in the form of services are only recognised when a fair value can be reliably determined and the service would have been purchased if not received as a donation.

Other income

Other income includes radiology facility rental, project and educations funding.

Category Groups

The Health Services 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.

South Gippsland Hospital
Notes to the financial statements
For the Year Ended 30 June 2018

- 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.

- Primary and Community Health - comprises services for Community Health including health promotion and counselling and physiotherapy.

- Other Services - comprises services not separately classified above, including: immunisation and screening services, drugs services and community care programs including Home Care services.

South Gippsland Hospital
Notes to the financial statements
For the Year Ended 30 June 2018

Note 2.2: Assets received free of charge or for nominal consideration

| | <u>2018</u> | <u>2017</u> |
|--|-------------|---------------|
| During the reporting period, the fair value of assets received free of charge, was as follows: | | |
| Plant and Equipment | - | 35,339 |
| TOTAL | <u>-</u> | <u>35,339</u> |

The revenues and assets recognised as a result of such transactions shall be measured at the fair value of resources received.

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

Resources received 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 Health Service or agency as a consequence of a restructuring of administrative arrangements. In the latter case, such transfer will be recognised at carrying amount. Contributions in the form of services are only recognised when a fair value can be reliably determined and the service would have been purchased if not received as a donation.

South Gippsland Hospital
Notes to the financial statements
For the Year Ended 30 June 2018

Note 3: The cost of delivering services

This section provides an account of the expenses incurred by the hospital in delivering services and outputs. In Note 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 Employee benefits in Balance Sheet
- 3.3 Superannuation

South Gippsland Hospital
Notes to the financial statements
For the Year Ended 30 June 2018

Note 3.1: Analysis of Expenses by Source

| | Admitted Patients 2018 | Non-Admitted 2018 | Primary Health 2018 | Other * 2018 | Total 2018 |
|--|---------------------------|----------------------|------------------------|------------------|------------------|
| Employee Expenses | 4,465,530 | 518,975 | 93,788 | 739,918 | 5,818,211 |
| Other Operating Expenses | | | | | |
| Non Salary Labour Costs | 201,208 | 23,384 | 4,226 | 33,339 | 262,157 |
| Supplies & Consumables | 338,182 | 39,303 | 7,103 | 56,035 | 440,623 |
| Medical Indemnity Insurance | 131,412 | 15,272 | 2,760 | 21,773 | 171,217 |
| Fuel, Light, Power and Water | 82,714 | 9,596 | 1,734 | 13,682 | 107,726 |
| Repairs and Maintenance | 91,124 | 10,590 | 1,914 | 15,099 | 118,727 |
| Other Expenses | 1,006,425 | 116,766 | 21,102 | 166,476 | 1,310,769 |
| Total Expenditure from Operating Activities | 6,316,595 | 733,886 | 132,627 | 1,046,322 | 8,229,430 |
| Other Non-Operating Expenses | | | | | |
| Impairment of Non-Financial Assets | - | - | - | - | - |
| Loss on disposal of non-current assets | - | - | - | 2,850 | 2,850 |
| Depreciation & Amortisation (refer note 4.4) | - | - | - | 369,372 | 369,372 |
| Total other expenses | - | - | - | 372,222 | 372,222 |
| Total Expenses | 6,316,595 | 733,886 | 132,627 | 1,418,544 | 8,601,652 |

| | Admitted Patients 2017 | Non-Admitted 2017 | Primary Health 2017 | Other * 2017 | Total 2017 |
|--|---------------------------|----------------------|------------------------|------------------|------------------|
| Employee Expenses | 4,743,697 | 519,424 | 123,660 | 305,578 | 5,692,359 |
| Other Operating Expenses | | | | | |
| Non Salary Labour Costs | 198,552 | 21,741 | 5,176 | 12,790 | 238,259 |
| Supplies & Consumables | 384,162 | 42,065 | 10,014 | 24,747 | 460,988 |
| Medical Indemnity Insurance | 140,395 | 15,373 | 3,660 | 9,044 | 168,472 |
| Fuel, Light, Power and Water | 83,480 | 9,141 | 2,176 | 5,378 | 100,175 |
| Repairs and Maintenance | 78,713 | 8,619 | 2,052 | 5,070 | 94,454 |
| Other Expenses | 465,421 | 50,962 | 12,133 | 642,945 | 1,171,461 |
| Total Expenditure from Operating Activities | 6,094,420 | 667,325 | 158,871 | 1,005,552 | 7,926,168 |
| Other Non-Operating Expenses | | | | | |
| Impairment of Non-Financial Assets | - | - | - | 43,105 | 43,105 |
| Depreciation & Amortisation (refer note 4.4) | - | - | - | 362,305 | 362,305 |
| Total other expenses | - | - | - | 405,410 | 405,410 |
| Total Expenses | 6,094,420 | 667,325 | 158,871 | 1,410,962 | 8,331,578 |

* Other Programs include Commercial Activities, Special Purpose Funds and Capital.

South Gippsland Hospital

Notes to the financial statements

For the Year Ended 30 June 2018

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

Employee expenses

Employee expenses include:

- Wages and salaries;
- Fringe benefits tax;
- Leave entitlements;
- Termination payments;
- Workcover premiums; and
- Superannuation expenses

Finance Costs

Finance costs are recognised as expenses in the period in which they are incurred.

Finance costs include:

- interest on finance leases (Interest expense is recognised in the period in which it is incurred);

Grants & 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.
- 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.

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.

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.

Other gains/(losses) from other economic flows

Other gains/ (losses) include:

- 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
- transfer of amounts from the reserves to accumulated surplus or net result due to disposal or derecognition or reclassification.

South Gippsland Hospital
Notes to the financial statements
For the Year Ended 30 June 2018

Note 3.2: Employee benefits in the balance sheet

| | 2018 | 2017 |
|--|-------------------------|-------------------------|
| Current Provisions | | |
| Employee Benefits ⁽ⁱ⁾ | | |
| Annual leave | | |
| - Unconditional and expected to be settled wholly within 12 months ⁽ⁱⁱ⁾ | 289,467 | 293,554 |
| - Unconditional and expected to be settled wholly after 12 months ⁽ⁱⁱⁱ⁾ | 289,467 | 293,554 |
| Long service leave | | |
| - Unconditional and expected to be settled wholly within 12 months ⁽ⁱⁱ⁾ | 170,307 | 178,903 |
| - Unconditional and expected to be settled wholly after 12 months ⁽ⁱⁱⁱ⁾ | 510,921 | 536,710 |
| | <u>1,260,162</u> | <u>1,302,721</u> |
| Provisions related to Employee Benefit On-Costs | | |
| - Unconditional and expected to be settled within 12 months ⁽ⁱⁱ⁾ | 49,953 | 51,862 |
| - Unconditional and expected to be settled after 12 months ⁽ⁱⁱⁱ⁾ | 88,272 | 92,115 |
| Other | | |
| - Accrued salaries and wages | 299,128 | 252,627 |
| - Accrued days off | 17,322 | 10,872 |
| Total Current Provisions | <u>1,714,837</u> | <u>1,710,197</u> |
| Non-Current Provisions | | |
| Employee Benefits ⁽ⁱ⁾ | 190,579 | 201,162 |
| Provisions related to Employee Benefit On-Costs | 20,427 | 21,562 |
| Total Non-Current Provisions | <u>211,006</u> | <u>222,724</u> |
| Total Provisions | <u>1,925,843</u> | <u>1,932,921</u> |
| (a) Employee Benefits and Related On-Costs | | |
| Current Employee Benefits and related on-costs | | |
| Unconditional LSL Entitlement | 757,866 | 796,121 |
| Annual Leave Entitlements | 640,519 | 650,577 |
| Accrued Wages and Salaries | 299,129 | 252,627 |
| Accrued Days Off | 17,323 | 10,872 |
| Non-Current Employee Benefits and related on-costs | | |
| Conditional Long Service Leave Entitlements ⁽ⁱⁱ⁾ | 211,006 | 222,724 |
| Total Employee Benefits and Related On-Costs | <u>1,925,843</u> | <u>1,932,921</u> |

Notes:

(i) Provisions for employee benefits consist of amounts for annual leave and long service leave accrued by employees, not including on-costs.

(ii) The amounts disclosed are nominal amounts

(iii) The amounts disclosed are discounted to present values

| | 2018 | 2017 |
|--|-----------------------|-------------------------|
| (b) Movements in provisions | | |
| Movement in Long Service Leave: | | |
| Balance at start of year | 1,018,845 | 1,001,291 |
| Provision made during the year | | |
| - Revaluations | (3,949) | (1,308) |
| - Expense recognising Employee Service | 168,104 | 184,568 |
| Settlement made during the year | (214,128) | (165,706) |
| Balance at end of year | <u>968,872</u> | <u>1,018,845</u> |

South Gippsland Hospital

Notes to the financial statements

For the Year Ended 30 June 2018

Employee Benefit Recognition

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave for services rendered to the reporting date as an expense during the period the services are delivered.

Provisions

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

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

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.

Salaries and Wages, Annual Leave and Accrued Days Off

Liabilities for salaries and wages, annual leave and accrued days off 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 salaries and wages, annual leave and accrued days off 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

The liability for long service leave (LSL) is recognised in the provision for employee benefits.

Unconditional LSL is disclosed in the notes to the financial statements as a current liability, even where the Health Service does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months. An unconditional right arises after a qualifying period.

The components of this current LSL liability are measured at:

- Undiscounted value – if the health service expects to wholly settle within 12 months; and
- Present value – if the health service does not expect to wholly settle within 12 months.

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

Termination Benefits

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

On-Costs related to employee expense

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

South Gippsland Hospital
Notes to the financial statements
For the Year Ended 30 June 2018

Note 3.3: Superannuation

| | Paid Contribution for the Year | | Contribution Outstanding at Year End | |
|------------------------------------|-----------------------------------|----------------|---|---------------|
| | 2018 | 2017 | 2018 | 2017 |
| Defined contribution plans: | | | | |
| First Super | 392,745 | 365,623 | 15,050 | 13,359 |
| Hesta Super | 89,086 | 106,282 | 3,409 | 3,883 |
| Other Super | 531 | - | - | - |
| Total | 482,362 | 471,905 | 18,459 | 17,242 |

Employees of the Hospital are entitled to receive superannuation benefits and the Hospital 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.

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 Services to the superannuation plans in respect of the services of current Health Service's staff during the reporting period. Superannuation contributions are made to the plans based on the relevant rules of each plan and are based upon actuarial advice.

The Health Services does not recognise any unfunded defined benefit liability in respect of the plans because the hospital 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 and 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 Services.

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

South Gippsland Hospital
Notes to the financial statements
For the Year Ended 30 June 2018

Note 4: Key assets to support 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

4.3 Property, plant & equipment

4.4 Depreciation and amortisation

**South Gippsland Hospital
Notes to the financial statements
For the Year Ended 30 June 2018**

Note 4.1: Investments and other financial assets

| | Operating Fund 2018 | Operating Fund 2017 | Specific Purpose Fund 2018 | Specific Purpose Fund 2017 | Capital Fund 2018 | Capital Fund 2017 | Total 2018 | Total 2017 |
|---|------------------------|------------------------|-------------------------------|-------------------------------|----------------------|----------------------|------------------|------------------|
| CURRENT | | | | | | | | |
| Loans and receivables | | | | | | | | |
| Term Deposits | | | | | | | | |
| Aust. Dollar Term Deposits > 3 months (f) | - | - | - | - | 335,715 | 326,575 | 335,715 | 326,575 |
| Term Deposit #1 (Capital Development) | - | - | 796,373 | 777,708 | - | - | 796,373 | 777,708 |
| Term Deposit #2 (Leave Liabilities) | - | - | 796,373 | 777,708 | 335,715 | 326,575 | 1,132,088 | 1,104,283 |
| Total Current | - | - | 796,373 | 777,708 | 335,715 | 326,575 | 1,132,088 | 1,104,283 |
| NON CURRENT | | | | | | | | |
| Loans and receivables | | | | | | | | |
| Term Deposit | - | - | - | - | - | - | - | - |
| Aust. Dollar Term Deposits > 12 months | - | - | - | - | - | - | - | - |
| Total Non Current | - | - | - | - | - | - | - | - |
| TOTAL INVESTMENTS AND OTHER FINANCIAL ASSETS | - | - | 796,373 | 777,708 | 335,715 | 326,575 | 1,132,088 | 1,104,283 |
| Represented by: | | | | | | | | |
| Health Service Investments | - | - | 796,373 | 777,708 | 335,715 | 326,575 | 1,132,088 | 1,104,283 |
| TOTAL INVESTMENTS AND OTHER FINANCIAL ASSETS | - | - | 796,373 | 777,708 | 335,715 | 326,575 | 1,132,088 | 1,104,283 |

Notes:

(f) Term deposits under 'investments and other financial assets' class include only term deposits with maturity greater than 90 days.

(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

South Gippsland Hospital

Notes to the financial statements

For the Year Ended 30 June 2018

Investment recognition

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 as loans, receivables and cash.

The Health Service classifies its other financial assets between current and non-current assets based on the Board of Management's intention at balance date with respect to the timing of disposal of each asset. The Health Service assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

The Health Service's investments must comply with Standing Direction 3.7.2 - Treasury and Investment Risk Management. The investment portfolio of the Health Services is managed by Victorian Funds Management Corporation through specialist fund managers and a Master Custodian. The Master Custodian holds the investments and conducts settlements pursuant to instructions from the specialist fund managers.

All financial assets, except for those measured at fair value through the Comprehensive Operating Statement 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:
 - Has transferred substantially all the risks and rewards of the asset; or
 - Has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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 the Comprehensive Income Statement, are subject to annual review for impairment.

The above valuation process was used to quantify the level of impairment (if any) on the portfolio of financial assets as at year end.

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 included in net result.

**South Gippsland Hospital
Notes to the financial statements
For the Year Ended 30 June 2018**

Note 4.2: Jointly Controlled Operations

Summarised financial information in respect of the agency's jointly controlled operation is set below. The amounts are included in the financial statements under their respective categories.

| | | 2018 | 2017 |
|---|---------------------------|---------------------------|----------------|
| Name of entity | Principle Activity | Ownership Interest | |
| Gippsland Health Alliance | Information Technology | 3.51% | 3.36% |
| Summarised Financial Information of Joint Venture: | | | |
| Summarised balance sheet: | | | |
| Current assets | | | |
| Cash and cash equivalents | | 284,714 | 169,296 |
| Other current assets | | 124,384 | 113,526 |
| Total current assets | | 409,098 | 282,822 |
| Non-current assets | | | |
| Other non current assets | | 7,455 | 5,312 |
| Total non-current assets | | 7,455 | 5,312 |
| Total Assets | | 416,553 | 288,134 |
| Current Liabilities | | | |
| Other non-financial liabilities (including payables, provisions) | | 18,079 | 34,884 |
| Total current liabilities | | 18,079 | 34,884 |
| Non-Current Liabilities | | - | - |
| Total Liabilities | | 18,079 | 34,884 |
| Share of Joint Venture's Net Assets | | 398,474 | 253,250 |
| Operating Revenue | | | |
| GHA Revenue | | 594,961 | 479,308 |
| | | 594,961 | 479,308 |
| Operating Expense | | | |
| GHA Expense | | (449,732) | (349,540) |
| | | (449,732) | (349,540) |
| Net result from operating | | 145,229 | 129,768 |
| Net result from continuing operation | | 145,229 | 129,768 |
| Share of Joint Venture's Net Result After Income Tax | | 145,229 | 129,768 |
| Contingent Liabilities and Capital Commitments | | | |
| There are no known contingent liabilities or capital commitments held by the jointly controlled operations at balance date. | | | |

South Gippsland Hospital
Notes to the financial statements
For the Year Ended 30 June 2018

Note 4.3: Property, plant & equipment

(a) Gross carrying amount and accumulated depreciation

| | 2018 | 2017 |
|--|------------------|------------------|
| Land | | |
| Land at Fair Value | 360,000 | 360,000 |
| Less Impairment | - | - |
| Total Land | 360,000 | 360,000 |
| Buildings | | |
| Buildings at Fair Value | 4,642,231 | 4,898,792 |
| Less Acc'd Depreciation | - | (519,118) |
| Buildings - Work in Progress - at cost | 21,756 | - |
| Total Buildings | 4,663,987 | 4,379,674 |
| Plant and Equipment | | |
| Plant and Equipment at Fair Value | 206,535 | 214,298 |
| Less Acc'd Depreciation | (143,885) | (132,698) |
| Total Plant and Equipment | 62,650 | 81,600 |
| Medical Equipment | | |
| Medical Equipment at Fair Value | 1,422,650 | 1,409,731 |
| Less Acc'd Depreciation | (1,072,425) | (1,005,088) |
| Total Medical Equipment | 350,225 | 404,643 |
| Furniture and Fittings | | |
| Furniture and Fittings at Fair Value | 240,583 | 202,534 |
| Less Acc'd Depreciation | (114,140) | (93,889) |
| Total Furniture and Fittings | 126,443 | 108,645 |
| Other Equipment | | |
| Other Equipment at Fair Value | 487,507 | 478,915 |
| Less Acc'd Depreciation | (394,484) | (373,379) |
| Other Equipment - Work in Progress - at cost | 62,200 | - |
| Total Other Equipment | 155,223 | 105,536 |
| GHA Plant and Equipment | | |
| GHA Plant and Equipment at Fair Value | 7,455 | 5,312 |
| Total GHA Plant and Equipment | 7,455 | 5,312 |
| Motor Vehicles | | |
| Motor Vehicles at Fair Value | 228,563 | 286,974 |
| Less Acc'd Depreciation | (95,306) | (89,515) |
| Total Motor Vehicles | 133,257 | 197,459 |
| Leased Motor Vehicles | | |
| Leased Motor Vehicles at Fair Value | 103,117 | - |
| Less Acc'd Depreciation | - | - |
| Total Leased Motor Vehicles | 103,117 | - |
| TOTAL | 5,962,357 | 5,642,869 |

South Gippsland Hospital
Notes to the financial statements
For the Year Ended 30 June 2018

Note 4.3: Property, plant & equipment (continued)

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

| | Land | Buildings | Plant & Equipment | Medical Equipment | Furniture & Fittings | Other Equipment | GHA Plant & Equipment | Motor Vehicles | Leased Vehicles | Total |
|-------------------------------------|----------------|------------------|-------------------|-------------------|----------------------|-----------------|-----------------------|----------------|-----------------|------------------|
| Balance at 1 July 2016 | 360,000 | 4,579,908 | 98,166 | 327,847 | 112,660 | 124,832 | 4,028 | 207,003 | - | 5,814,442 |
| Additions | - | 15,910 | 2,200 | 166,192 | 13,404 | 11,769 | 1,392 | 64,992 | - | 275,859 |
| Disposals | - | - | - | (1,091) | - | (1,294) | - | (39,638) | - | (42,023) |
| Impairment Loss | - | (43,105) | - | - | - | - | - | - | - | (43,105) |
| Depreciation (Note 4.4) | - | (173,039) | (18,766) | (88,305) | (17,419) | (29,770) | (108) | (34,898) | - | (362,305) |
| Balance at 1 July 2017 | 360,000 | 4,379,674 | 81,600 | 404,643 | 108,645 | 105,537 | 5,312 | 197,459 | - | 5,642,869 |
| Additions | - | 21,755 | - | 44,305 | 38,049 | 73,919 | 2,786 | - | 103,117 | 283,931 |
| Disposals | - | - | - | (396) | - | - | - | (30,272) | - | (30,668) |
| Revaluation increments/(decrements) | - | 435,597 | - | - | - | - | - | - | - | 435,597 |
| Depreciation (Note 4.4) | - | (173,039) | (18,950) | (98,327) | (20,251) | (24,232) | (643) | (33,930) | - | (369,372) |
| Balance at 1 July 2018 | 360,000 | 4,663,987 | 62,650 | 350,225 | 126,443 | 155,224 | 7,455 | 133,257 | 103,117 | 5,962,357 |

South Gippsland Hospital

Notes to the financial statements

For the Year Ended 30 June 2018

Land and Buildings and Leased Vehicles Carried at Valuation

The Valuer-General Victoria undertook to re-value all of the Health Services's owned and leased land and buildings to determine their fair value. The valuation, which conforms to Australian Valuation Standards, was determined by reference to the amounts for which assets could be exchanged between knowledgeable willing parties in an arm's length transaction. The valuation was based on independent assessments. The effective date of the valuation is 30 June 2014.

In compliance with FRD 103F, in the year ended 30 June 2018, the Health Services's management conducted an annual assessment of the fair value of land and buildings and leased buildings. To facilitate this, management obtained from the Department of Treasury and Finance the Valuer General Victoria indices for the financial year ended 30 June 2018.

The latest indices required a managerial revaluation in 2018. The indexed value was then compared to individual assets written down book value as at 30 June 2018 to determine the change in their fair values. The Department of Health and Human Services approved a managerial revaluation of the buildings asset class of \$436k.

There was no material financial impact on change in fair value of land.

South Gippsland Hospital
Notes to the financial statements
For the Year Ended 30 June 2018

Note 4.3: Property, plant & equipment (continued)

(c) Fair value measurement hierarchy for assets

| | Carrying amount as at 30 June 2018 | Fair value measurement at end of reporting period using: | | |
|--|------------------------------------|--|------------------------|------------------------|
| | | Level 1 ⁽¹⁾ | Level 2 ⁽¹⁾ | Level 3 ⁽¹⁾ |
| Land at fair value | | | | |
| Specialised land | | | | |
| - Station Road, Foster | 360,000 | | | 360,000 |
| Buildings at fair value | | | | |
| Specialised buildings | | | | |
| - Station Road, Foster | 4,642,232 | | | 4,642,232 |
| Plant and equipment at fair value | | | | |
| Plant equipment and vehicles at fair value | | | | |
| - Vehicles (ii) | 133,257 | - | - | 133,257 |
| - Plant and equipment | 62,650 | - | - | 62,650 |
| Total of plant, equipment and vehicles at fair value | 195,907 | - | - | 195,907 |
| Medical equipment at fair value | | | | |
| Medical equipment at fair value | 350,225 | - | - | 350,225 |
| Furniture and fittings at fair value | | | | |
| Furniture and fittings at fair value | 126,443 | - | - | 126,443 |
| Other equipment at fair value | | | | |
| Other equipment at fair value | 93,023 | - | - | 93,023 |
| GHA plant and equipment at fair value | | | | |
| GHA plant and equipment at fair value | 7,455 | - | - | 7,455 |
| Leased assets at fair value | | | | |
| Other leased assets at fair value | 103,117 | - | - | 103,117 |
| | 5,878,402 | - | - | 5,878,402 |

Note

⁽¹⁾ Classified in accordance with the fair value hierarchy,

⁽ⁱⁱ⁾ Vehicles are categorised to Level 3 assets if the depreciated replacement cost is used in estimating the fair value. However, entities should consult with an independent valuer in determining whether a market approach is appropriate for vehicles with an active resale market available. If yes, a Level 2 categorisation for such vehicles would be appropriate.

There have been no transfers between levels during the period.

South Gippsland Hospital
Notes to the financial statements
For the Year Ended 30 June 2018

Note 4.3: Property, plant & equipment (continued)

| | Carrying amount as at 30 June 2017 | Fair value measurement at end of reporting period using: | | |
|--|--|---|------------------------|------------------------|
| | | Level 1 ⁽¹⁾ | Level 2 ⁽¹⁾ | Level 3 ⁽¹⁾ |
| Land at fair value | | | | |
| Specialised land | | | | |
| - Station Road, Foster | 360,000 | | | 360,000 |
| Buildings at fair value | | | | |
| Specialised buildings | | | | |
| - Station Road, Foster | 4,379,674 | | | 4,379,674 |
| Plant and equipment at fair value | | | | |
| Plant equipment and vehicles at fair value | | | | |
| - Vehicles (ii) | 197,459 | - | - | 197,459 |
| - Plant and equipment | 81,600 | - | - | 81,600 |
| Total of plant, equipment and vehicles at fair value | 279,059 | - | - | 279,059 |
| Medical equipment at fair value | | | | |
| Medical equipment at fair value | 404,643 | - | - | 404,643 |
| Furniture and fittings at fair value | | | | |
| Furniture and fittings at fair value | 108,645 | - | - | 108,645 |
| Other equipment at fair value | | | | |
| Other equipment at fair value | 105,536 | - | - | 105,536 |
| GHA plant and equipment at fair value | | | | |
| GHA plant and equipment at fair value | 5,312 | - | - | 5,312 |
| | 5,642,869 | - | - | 5,642,869 |

Note

⁽¹⁾ Classified in accordance with the fair value hierarchy,

⁽ⁱⁱ⁾ Vehicles are categorised to Level 3 assets if the depreciated replacement cost is used in estimating the fair value. However, entities should consult with an independent valuer in determining whether a market approach is appropriate for vehicles with an active resale market available. If yes, a Level 2 categorisation for such vehicles would be appropriate.

There have been no transfers between levels during the period.

South Gippsland Hospital
Notes to the financial statements
For the Year Ended 30 June 2018

Note 4.3: Property, plant & equipment (continued)

(d) Reconciliation of Level 3 fair value

| 30 June 2018 | Land | Buildings | Plant and equipment | Medical equipment | Furniture and fittings | Other equipment | GHA equipment | Motor vehicles | Leased assets |
|--|----------------|------------------|---------------------|-------------------|------------------------|-----------------|---------------|----------------|----------------|
| Opening Balance | 360,000 | 4,379,674 | 81,600 | 404,643 | 108,645 | 105,536 | 5,312 | 197,459 | - |
| Purchases (sales) | - | - | - | 43,909 | 38,049 | 11,719 | 2,786 | (30,272) | 103,117 |
| Transfers in (out) of Level 3 | - | - | - | - | - | - | - | - | - |
| Gains or losses recognised in net result | - | - | - | - | - | - | - | - | - |
| - Depreciation | - | (173,039) | (18,950) | (98,327) | (20,251) | (24,232) | (643) | (33,930) | - |
| Items recognised in Other Comprehensive Income | - | - | - | - | - | - | - | - | - |
| - Revaluation | - | 435,597 | - | - | - | - | - | - | - |
| Subtotal | 360,000 | 4,642,232 | 62,649 | 350,225 | 126,443 | 93,023 | 7,455 | 133,257 | 103,117 |
| | 360,000 | 4,642,232 | 62,649 | 350,225 | 126,443 | 93,023 | 7,455 | 133,257 | 103,117 |
| 30 June 2017 | Land | Buildings | Plant and equipment | Medical equipment | Furniture and fittings | Other equipment | GHA equipment | Motor vehicles | Leased assets |
| Opening Balance | 360,000 | 4,579,908 | 98,166 | 327,847 | 112,660 | 124,832 | 4,028 | 207,003 | - |
| Purchases (sales) | - | 15,910 | 2,200 | 165,101 | 13,404 | 10,475 | 1,392 | 25,354 | - |
| Transfers in (out) of Level 3 | - | - | - | - | - | - | - | - | - |
| Gains or losses recognised in net result | - | - | - | - | - | - | - | - | - |
| - Depreciation | - | (173,039) | (18,766) | (88,305) | (17,419) | (29,770) | (108) | (34,898) | - |
| - Impairment | - | (43,105) | - | - | - | - | - | - | - |
| Subtotal | 360,000 | 4,379,674 | 81,600 | 404,643 | 108,645 | 105,536 | 5,312 | 197,459 | - |
| | 360,000 | 4,379,674 | 81,600 | 404,643 | 108,645 | 105,536 | 5,312 | 197,459 | - |

South Gippsland Hospital
Notes to the financial statements
For the Year Ended 30 June 2018

| Note 4.3: Property, plant & equipment (continued) | | |
|--|---|--|
| (e) Description of significant unobservable inputs to Level 3 valuations: | | |
| | Valuation technique ⁽¹⁾ | Significant unobservable inputs ⁽¹⁾ |
| Specialised land | | |
| - Station Road, Foster | Market approach | Community Service Obligation (CSO) adjustment |
| Specialised buildings | | |
| - Station Road, Foster | Depreciated replacement cost | Direct cost per square metre Useful life of specialised buildings |
| Plant and equipment at fair value | | |
| - Plant and equipment | Depreciated replacement cost | Cost per unit |
| - Vehicles | | Useful life of PPE |
| Medical equipment at fair value | | |
| - Medical equipment | Depreciated replacement cost | Cost per unit Useful life of medical equipment |
| Furniture and fittings at fair value | | |
| - Furniture and fittings | Depreciated replacement cost | Cost per unit Useful life of medical equipment |
| Other equipment at fair value | | |
| - Other equipment | Depreciated replacement cost | Cost per unit Useful life of medical equipment |

(a) AASB 13 Fair Value Measurement provides an exemption for not for profit public sector entities from disclosing the sensitivity analysis relating to 'unrealised gains/(losses) on non-financial assets' if the assets are held primarily for their current service potential rather than to generate net cash inflows.

(b) CSO adjustment of 20% was applied to reduce the market approach value for the Health Service's specialised land.

There were no changes in valuation techniques throughout the period to 30 June 2018.

Initial Recognition

Items of property, plant and equipment are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and 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 change are transferred at their carrying amounts.

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

The initial cost for non-financial physical assets under finance lease (refer to Note 6.1) is measured at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease.

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.

South Gippsland Hospital

Notes to the financial statements

For the Year Ended 30 June 2018

Subsequent Measurement

Consistent with AASB 13 *Fair Value Measurement*, the Health Service determines the policies and procedures for recurring property, plant and equipment fair value measurements, in accordance with the requirements of AASB 13 and the relevant FRDs.

All property, plant and equipment for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy.

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

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

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

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

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.

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

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

In accordance with 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;
- 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.

Valuation hierarchy

Health Services need to use valuation techniques that are appropriate for the circumstances and where there is sufficient data available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy.

South Gippsland Hospital

Notes to the financial statements

For the Year Ended 30 June 2018

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.

Specialised Land and Specialised Buildings

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

During the reporting period, the Health Services held Crown Land. The nature of this asset means that there are certain limitations and restrictions imposed on its use and/or disposal that may impact their fair value.

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

South Gippsland Hospital

Notes to the financial statements

For the Year Ended 30 June 2018

Specialised Land and Specialised Buildings cont.

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

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

An independent valuation of the Health Service's specialised land and specialised buildings was performed by the Valuer-General Victoria. The valuation was performed using the market approach adjusted for CSO. The effective date of the valuation is 30 June 2014.

In June 2018 a managerial valuation was carried out in accordance with FRD 103F to revalue the buildings to its fair value.

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

There were no changes in valuation techniques throughout the period to 30 June 2018.

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

Revaluation 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 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 value and fair value.

Revaluation increments are recognised in 'Other Comprehensive Income' and are credited directly 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 transferred to accumulated funds on de-recognition of the relevant asset, except where an asset is transferred via contributed capital.

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.

South Gippsland Hospital
Notes to the financial statements
For the Year Ended 30 June 2018

Note 4.4: Depreciation and amortisation

| | 2018 | 2017 |
|---------------------------|----------------|----------------|
| Depreciation | | |
| Buildings | 173,039 | 173,039 |
| Plant & Equipment | 18,950 | 18,766 |
| Medical Equipment | 98,327 | 88,305 |
| Motor Vehicles | 33,930 | 34,898 |
| Furniture & Fittings | 20,251 | 17,419 |
| Other Equipment | 24,875 | 29,878 |
| Total Depreciation | 369,372 | 362,305 |

Depreciation

All buildings, plant and equipment and other non-financial physical assets (excluding items under operating leases, assets held for sale, land and investment properties) that have finite useful lives are depreciated. Depreciation is generally calculated on a straight-line basis at rates that allocate the asset's value, less any estimated residual value over its estimated useful life (refer AASB 116 *Property, Plant and Equipment*).

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

| | 2018 | 2017 |
|----------------------|----------------|----------------|
| Buildings | 30 to 40 years | 30 to 40 years |
| Plant & Equipment | 10 to 20 years | 10 to 20 years |
| Motor Vehicles | 3 to 10 years | 3 to 10 years |
| Medical Equipment | 5 to 15 years | 5 to 15 years |
| Furniture & Fittings | 10 to 20 years | 10 to 20 years |
| Other Equipment | 5 to 15 years | 5 to 15 years |

South Gippsland Hospital
Notes to the financial statements
For the Year Ended 30 June 2018

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

5.5 Payables

5.6 Maturity analysis of financial liabilities

5.7 Other non-financial assets

South Gippsland Hospital
Notes to the financial statements
For the Year Ended 30 June 2018

Note 5.1: Receivables

| | 2018 | 2017 |
|--|----------------|----------------|
| CURRENT | | |
| Contractual | | |
| Inter Hospital Debtors | 124,566 | 90,029 |
| Trade Debtors | 57,859 | 73,760 |
| Patient Fees | 29,948 | 72,861 |
| Accrued Income | 34,679 | 9,896 |
| Department of Health and Human Services WIES Recall | - | 3,908 |
| GHA Receivables | 39,027 | 36,659 |
| Less Allowance for Doubtful Debts Patient Fees | (4,218) | (5,348) |
| | 281,861 | 281,765 |
| Statutory | | |
| GST Receivable | 9,090 | 18,048 |
| | 9,090 | 18,048 |
| TOTAL CURRENT RECEIVABLES | 290,951 | 299,813 |
| NON CURRENT | | |
| Statutory | | |
| Long Service Leave - Department of Health and Human Services | 480,598 | 433,297 |
| TOTAL NON-CURRENT RECEIVABLES | 480,598 | 433,297 |
| TOTAL RECEIVABLES | 771,549 | 733,110 |

(a) Movement in the Allowance for doubtful debts

| | | |
|---|--------------|--------------|
| Balance at beginning of year | 5,348 | 9,126 |
| Increase/(decrease) in allowance recognised in net result | (1,130) | (3,778) |
| Balance at end of year | 4,218 | 5,348 |

(b) Ageing analysis of receivables

Please refer to Note 7.1 for the ageing analysis of contractual receivables

(c) Nature and extent of risk arising from receivables

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

Receivables consist of:

- Contractual receivables, which consists of debtors in relation to goods and services and accrued investment income; and
- Statutory receivables, which predominantly includes 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 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.

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*.

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.

South Gippsland Hospital
Notes to the financial statements
For the Year Ended 30 June 2018

Note 5.2: Inventories

| | 2018 | 2017 |
|-----------------------------------|----------------------|----------------------|
| Pharmaceuticals | | |
| At cost | 16,354 | 15,506 |
| Catering Supplies | | |
| At cost | 6,067 | 5,752 |
| Medical and Surgical Lines | | |
| At cost | 48,600 | 47,812 |
| Engineering Stores | | |
| At Cost | 3,957 | 3,752 |
| TOTAL INVENTORIES | <u>74,978</u> | <u>72,822</u> |

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.

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

South Gippsland Hospital
Notes to the financial statements
For the Year Ended 30 June 2018

Note 5.3: Other liabilities

| | 2018 | 2017 |
|-----------------------------------|---------------|---------------|
| CURRENT | | |
| GHA Other current liabilities | <u>18,079</u> | <u>34,887</u> |
| TOTAL CURRENT OTHER ASSETS | 18,079 | 34,887 |
| | | |
| TOTAL OTHER ASSETS | 18,079 | 34,887 |

South Gippsland Hospital
Notes to the financial statements
For the Year Ended 30 June 2018

Note 5.4: Prepayments and other non-financial assets

| | 2018 | 2017 |
|-----------------------------------|-------------|---------------|
| CURRENT | | |
| Prepayments | - | 10,250 |
| TOTAL CURRENT OTHER ASSETS | - | 10,250 |
| TOTAL OTHER ASSETS | - | 10,250 |

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.

South Gippsland Hospital
Notes to the financial statements
For the Year Ended 30 June 2018

Note 5.5: Payables

| | 2018 | 2017 |
|--|----------------|----------------|
| CURRENT | | |
| Contractual | | |
| Trade Creditors ⁽¹⁾ | 146,298 | 117,816 |
| Amounts Payable to Government & Agencies | 6,320 | - |
| Accrued Expenses | 24,165 | 61,393 |
| | 176,783 | 179,209 |
| Statutory | | |
| Department of Health and Human Services | 34,457 | - |
| | 34,457 | - |
| TOTAL PAYABLES | 211,240 | 179,209 |

Payables consist of:

- contractual payables, classified as financial instruments and measured at amortised cost. Accounts payable represent liabilities for goods and services provided to the Health Service prior to the end of the financial year that are unpaid; and
- statutory payables, that are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from contracts.

South Gippsland Hospital
Notes to the financial statements
For the Year Ended 30 June 2018

Note 5.6: Maturity analysis of Financial Liabilities as at 30 June

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

| | Carrying Amount | Nominal Amount | Maturity Dates | | | |
|------------------------------------|-----------------|----------------|-------------------|--------------|-------------------|---------------|
| | | | Less than 1 Month | 1-3 Months | 3 months - 1 Year | 1-5 Years |
| 2018 | | | | | | |
| Financial Liabilities | | | | | | |
| <i>At amortised cost</i> | | | | | | |
| Payables | 211,240 | 211,240 | 204,246 | 6,994 | - | - |
| Borrowings | 103,117 | 103,117 | - | 2,313 | 10,407 | 90,397 |
| Total Financial Liabilities | 314,357 | 314,357 | 204,246 | 9,307 | 10,407 | 90,397 |
| 2017 | | | | | | |
| Financial Liabilities | | | | | | |
| <i>At amortised cost</i> | | | | | | |
| Payables | 179,209 | 179,209 | 169,851 | 9,358 | - | - |
| Total Financial Liabilities | 179,209 | 179,209 | 169,851 | 9,358 | - | - |

(i) Ageing analysis of financial liabilities excludes the types of statutory financial liabilities (i.e GST payable)

South Gippsland Hospital
Notes to the financial statements
For the Year Ended 30 June 2018

Note 5.7: Other non-financial assets

| | 2018 | 2017 |
|-----------------------------------|-----------------------------|-----------------------------|
| CURRENT | | |
| GHA Other current assets | <u>85,357</u> | <u>76,867</u> |
| TOTAL CURRENT OTHER ASSETS | <u>85,357</u> | <u>76,867</u> |
| TOTAL OTHER ASSETS | <u><u>85,357</u></u> | <u><u>76,867</u></u> |

South Gippsland Hospital

Notes to the financial statements For the Year Ended 30 June 2018

Note 6: How We Finance Our Operations

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

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

Structure

6.1 Borrowings

6.2 Non-cash financing

6.3 Cash and cash equivalents

6.4 Commitments for expenditure

South Gippsland Hospital
Notes to the financial statements
For the Year Ended 30 June 2018

Note 6.1: Borrowings

| | 2018 | 2017 |
|-----------------------------------|---------------|----------|
| CURRENT | | |
| Finance Lease Liability (i) | 12,719 | - |
| TOTAL CURRENT OTHER ASSETS | 12,719 | - |
| NON CURRENT | | |
| Finance Lease Liability (i) | 90,398 | - |
| TOTAL CURRENT OTHER ASSETS | 90,398 | - |

(i) Secured by the assets leased. Finance leases are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

(a) Ageing analysis of borrowings

Please refer to Note 5.6 for the ageing analysis of borrowings.

(b) Defaults and breaches

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

| (c) Finance Lease Liabilities The finance lease receivables relate to: | Minumum future lease payments | | Present value of minimum future lease payments | |
|--|----------------------------------|----------|--|----------|
| | 2018 | 2017 | 2018 | 2017 |
| Repayments in relation to finance leases are payable as follows: | | | | |
| Not later than one year | 16,674 | - | 16,362 | - |
| Later than 1 year and not later than 5 years | 95,238 | - | 88,104 | - |
| Minimum lease payments | 111,912 | - | 104,466 | - |
| Less future finance charges | (8,795) | - | (8,486) | - |
| TOTAL | 103,117 | - | 95,980 | - |

Minimum future lease payments include the aggregate of all base payments and any guaranteed residual.
Other finance lease liabilities include obligations that are recognised on the balance sheet.

South Gippsland Hospital

Notes to the financial statements

For the Year Ended 30 June 2018

Note 6.1: Borrowing Recognition

A lease is a right to use an asset for an agreed period of time in exchange for payment. Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and rewards incidental to ownership.

Leases of property, plant and equipment are classified as finance leases whenever the terms of the lease transfers substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases, in the manner described in Note 6.4 Commitments.

Finance Leases

Entity as lessee

Finance leases are recognised as assets and liabilities at amounts equal to the fair value of the lease property or, if lower, the present value of the minimum lease payment, each determined at the inception of the lease. The lease assets under the PPP arrangement are accounted for as a non-financial physical asset and is depreciated over the term of the lease plus five years. Minimum lease payments are apportioned between reduction of the outstanding lease liability, and the periodic finance expense which is calculated using the interest rate implicit in the lease, and charged directly to the Comprehensive Operating Statement. Contingent rentals associated with finance leases are recognised as an expense in the period in which they are incurred.

South Gippsland Hospital
Notes to the financial statements
For the Year Ended 30 June 2018

Note 6.2: Non-Cash Financing

| | 2018 | 2017 |
|--|----------------|----------|
| Acquisition of motor vehicles by means of finance leases | 103,117 | - |
| Total Non Cash Financing | 103,117 | - |

South Gippsland Hospital
Notes to the financial statements
For the Year Ended 30 June 2018

Note 6.3: Cash and Cash Equivalents

| | 2018 | 2017 |
|---|------------------|----------------|
| Cash on hand | 400 | 400 |
| Cash at bank | 1,354,895 | 530,084 |
| Total Cash and Cash Equivalents | 1,355,295 | 530,484 |
| Represented by: | | |
| Cash for Health Service Operations (as per Cash Flow Statement) | 1,070,581 | 361,188 |
| GHA Cash at Bank | 284,714 | 169,296 |
| Total Cash and Cash Equivalents | 1,355,295 | 530,484 |

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

For cash flow statement presentation purposes, cash and cash equivalents include bank overdrafts, which are included as liabilities on the balance sheet.

South Gippsland Hospital
Notes to the financial statements
For the Year Ended 30 June 2018

Note 6.4: Commitments for expenditure

| | 2018 | 2017 |
|--|----------------|----------|
| (a) Commitments other than Public Private Partnerships | | |
| Capital Expenditure Commitments | | |
| Payable: | | |
| Building Improvements | 137,093 | - |
| Total Capital Expenditure Commitments | 137,093 | - |
| | | |
| Total Commitments other than Public Private Partnerships (inclusive of GST) | 137,093 | - |

* Amounts shown are exempt from GST.

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.

**South Gippsland Hospital
Notes to the financial statements
For the Year Ended 30 June 2018**

Note 6.4: Commitments for expenditure

| | <u>2018</u> | <u>2017</u> |
|--|-----------------------|-----------------|
| (b) Commitments for expenditure (continued) | | |
| Capital Expenditure Commitments | | |
| Less than 1 year | 137,093 | - |
| Total Capital Expenditure Commitments | <u><u>137,093</u></u> | <u><u>-</u></u> |
| | | |
| TOTAL COMMITMENTS (exc GST) | <u><u>137,093</u></u> | <u><u>-</u></u> |

* Amounts shown are exempt from GST.

Future finance lease payments are recognised on the balance sheet, refer to Note 6.1 Borrowings.

South Gippsland Hospital
Notes to the financial statements
For the Year Ended 30 June 2018

Note 7: Risks, contingencies & valuation uncertainties

The hospital 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 Contingent assets and contingent liabilities

7.3 Net gain/(loss) on disposal of non-financial assets

South Gippsland Hospital Notes to the financial statements For the Year Ended 30 June 2018

Note 7.1: Financial Instruments

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

(a) Financial instruments: categorisation

| | 2018 | Contractual financial assets - loans and receivables | Contractual financial liabilities at amortised cost | Total |
|---|------|--|---|------------------|
| Contractual Financial Assets | | | | |
| Cash and cash equivalents | | 1,355,295 | - | 1,355,295 |
| Receivables | | | | |
| - Trade Debtors | | 281,861 | - | 281,861 |
| Other Financial Assets | | | | |
| - Term Deposit | | 1,132,088 | - | 1,132,088 |
| Total Financial Assets ⁽ⁱ⁾ | | 2,769,244 | - | 2,769,244 |
| Financial Liabilities | | | | |
| Payables | | | 176,783 | 176,783 |
| Borrowings | | | 103,117 | 103,117 |
| Total Financial Liabilities ⁽ⁱ⁾ | | | 279,900 | 279,900 |
| | | | | |
| | 2017 | Contractual financial assets - loans and receivables | Contractual financial liabilities at amortised cost | Total |
| Contractual Financial Assets | | | | |
| Cash and cash equivalents | | 530,484 | - | 530,484 |
| Receivables | | | | |
| - Trade Debtors | | 281,765 | - | 281,765 |
| Other Financial Assets | | | | |
| - Term Deposit | | 1,104,283 | - | 1,104,283 |
| Total Financial Assets ⁽ⁱ⁾ | | 1,916,532 | - | 1,916,532 |
| Financial Liabilities | | | | |
| Payables | | | 179,209 | 179,209 |
| Total Financial Liabilities ⁽ⁱ⁾ | | | 179,209 | 179,209 |

(i) The carrying amount excludes statutory receivables (i.e. GST receivable and DHHS receivable) and statutory payables (i.e. Revenue in Advance and DHHS payable).

South Gippsland Hospital
Notes to the financial statements
For the Year Ended 30 June 2018

Note 7.1 Financial Instruments (Continued)

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

| | Total interest income / (expense) | Total |
|--|--------------------------------------|---------------|
| 2018 | | |
| Financial Assets | | |
| Cash and Cash Equivalents ⁽ⁱ⁾ | 38,164 | 38,164 |
| Total Financial Assets | 38,164 | 38,164 |
| 2017 | | |
| Financial Assets | | |
| Cash and Cash Equivalents ⁽ⁱ⁾ | 45,928 | 45,928 |
| Total Financial Assets | 45,928 | 45,928 |

(i) For cash and cash equivalents, loans or receivables and financial assets available-for-sale, the net gain or loss is calculated by taking the movement in the fair value of the asset, the interest revenue, plus or minus foreign exchange gains or losses arising from revaluation of the financial assets, and minus any impairment recognised in the net result.

South Gippsland Hospital
Notes to the financial statements
For the Year Ended 30 June 2018

Note 7.1: Financial Instruments (continued)

Categories of financial instruments

Loans and receivables and cash: are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets and liabilities 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 (and for assets, less any impairment). The Health Service recognises the following assets in this category:

- cash and deposits
- receivables (excluding statutory receivables); and
- term deposits.

Financial liabilities at amortised cost: 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 and loss over the period of the interest bearing liability, using the effective interest rate method. The Health Service recognises the following liabilities in this category:

- payables (excluding statutory payables); and
- borrowings (including finance lease liabilities).

South Gippsland Hospital

Notes to the financial statements

For the Year Ended 30 June 2018

Note 7.1: Financial Instruments (continued)

Offsetting financial instruments: Financial instrument assets and liabilities are offset and the net amount presented in the consolidated balance sheet when, and only when, the Health Service concerned has a legal right to offset the amounts and intend either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Some master netting arrangements do not result in an offset of balance sheet assets and liabilities. Where the Health Service does not have a legally enforceable right to offset recognised amounts, because the right to offset is enforceable only on the occurrence of future events such as default, insolvency or bankruptcy, they are reported on a gross basis.

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:
 - has transferred substantially all the risks and rewards of the asset; or
 - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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*.

Reclassification of financial instruments: Subsequent to initial recognition and under rare circumstances, non-derivative financial instruments assets that have not been designated at fair value through profit or loss upon recognition, may be reclassified out of the fair value through profit or loss category, if they are no longer held for the purpose of selling or repurchasing in the near term.

Financial instrument assets that meet the definition of loans and receivables may be reclassified out of the fair value through profit and loss category into the loans and receivables category, where they would have met the definition of loans and receivables had they not been required to be classified as fair value through profit and loss. In these cases, the financial instrument assets may be reclassified out of the fair value through profit and loss category, if there is the intention and ability to hold them for the foreseeable future or until maturity.

Available-for-sale financial instrument assets that meet the definition of loans and receivables may be reclassified into the loans and receivables category if there is the intention and ability to hold them for the foreseeable future or until maturity.

South Gippsland Hospital
Notes to the financial statements
For the Year Ended 30 June 2018

Note 7.1: Financial Instruments (continued)

Derecognition of financial liabilities: A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

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

**South Gippsland Hospital
Notes to the financial statements
For the Year Ended 30 June 2018**

Note 7.2: Contingent assets and contingent liabilities

There were no contingent assets or contingent liabilities at 30 June 2018. (2017: Nil)

South Gippsland Hospital
Notes to the financial statements
For the Year Ended 30 June 2017

Note 7.3: Net gain/(loss) on disposal of non-financial assets

| | 2018 | 2017 |
|--|----------------|---------------|
| Proceeds from Disposals of Non-Current Assets | | |
| Plant and Equipment | 545 | 50 |
| Medical Equipment | - | 7,273 |
| Motor Vehicles | 27,273 | 38,788 |
| Total Proceeds from Disposal of Non-Current Assets | 27,818 | 46,111 |
| Less: Written Down Value of Non-Current Assets Sold | | |
| Plant and Equipment | - | 1,293 |
| Medical Equipment | 396 | 1,091 |
| Motor Vehicles | 30,272 | 39,638 |
| Total Written Down Value of Non-Current Assets Sold | 30,668 | 42,022 |
| Net (loss)/gain on Disposal of Non-Financial Assets | (2,850) | 4,089 |

Disposal of Non-Financial Assets

Any gain or loss on the sale of non-financial assets is recognised in the comprehensive operating statement.

Impairment of Non-Financial Assets

All non-financial assets are assessed annually for indications of impairment, except 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.

**South Gippsland Hospital
Notes to the financial statements
For the Year Ended 30 June 2018**

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 flow from operating activities

8.3 Operating Segments

8.4 Responsible persons

8.5 Remuneration of Executives

8.6 Related parties

8.7 Remuneration of auditors

8.8 AASBs issued that are not yet effective

8.9 Events occurring after the balance sheet date

8.10 Alternative presentation of comprehensive operating statement

South Gippsland Hospital

Notes to the financial statements

For the Year Ended 30 June 2018

Note 8.1: Equity

| | 2018 | 2017 |
|--|------------------|------------------|
| (a) Surpluses | | |
| Property, Plant & Equipment Revaluation Surplus ¹ | | |
| Balance at the beginning of the reporting period | 2,857,560 | 2,857,560 |
| Revaluation Increment | | |
| - Buildings (refer note 4.3b) | 435,597 | - |
| Balance at the end of the reporting period* | 3,293,157 | 2,857,560 |
| * Represented by: | | |
| - Land | 146,586 | 146,586 |
| - Buildings | 3,146,571 | 2,710,974 |
| - Plant and Equipment | - | - |
| | 3,293,157 | 2,857,560 |
| | | |
| ⁽¹⁾ The property, plant & equipment asset revaluation surplus arises on the revaluation of property, plant & equipment. | | |
| (b) Contributed Capital | | |
| Balance at the beginning of the reporting period | 3,086,756 | 3,086,756 |
| Balance at the end of the reporting period | 3,086,756 | 3,086,756 |
| (c) Accumulated Surpluses/(Deficits) | | |
| Balance at the beginning of the reporting period | 79,352 | 274,847 |
| Net Result for the Year | 664,080 | (195,495) |
| Balance at the end of the reporting period | 743,432 | 79,352 |
| | 7,123,345 | 6,023,668 |
| (d) Total Equity at end of financial year | | |

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 or distributions by owners that have been designated as contributed capital are also treated as contributed capital.

Transfers of net assets arising from administrative restructurings are treated as contributions by owners. Transfers of net liabilities arising from administrative restructures are to go through the comprehensive operating statement.

Property, Plant & Equipment Revaluation Surplus

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

**South Gippsland Hospital
Notes to the financial statements
For the Year Ended 30 June 2018**

**Note 8.2: Reconciliation of Net Result for the Year to Net Cash
Inflow/(Outflow) from Operating Activities**

| | 2018 | 2017 |
|--|----------------|--------------|
| Net result for the period | 664,080 | (195,495) |
| Non-cash movements: | | |
| Depreciation and amortisation | 369,372 | 362,305 |
| Net (Profit)/loss from Sale of Plant & Equipment | 2,850 | (4,089) |
| Impairment of non-financial assets | - | 43,105 |
| Movements in assets and liabilities: | | |
| Change in operating assets and liabilities | | |
| (Increase)/decrease in receivables | (38,439) | (51,697) |
| (Increase)/decrease in other assets | (123,908) | (135,561) |
| Increase/(decrease) in employee entitlements | (7,078) | 38,050 |
| Increase/(decrease) in payables | 32,030 | (47,641) |
| Increase/(decrease) in other liabilities | (16,808) | 3,317 |
| (Increase)/decrease in Prepayments | 10,250 | (10,250) |
| (Increase)/decrease in inventories | (2,156) | 291 |
| NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES | 890,193 | 2,335 |

**South Gippsland Hospital
Notes to the financial statements
For the Year Ended 30 June 2018**

Note 8.3: Segment Reporting

South Gippsland Hospital does not have any significant income earning activities other than the provision of health services. Residential aged care services are provided by a separate legal entity.

Geographical Segment

South Gippsland Hospital operates in Foster, Victoria. 100% of revenue, net surplus from ordinary activities and assets relate to operations in Foster, Victoria.

South Gippsland Hospital

Notes to the financial statements

For the Year Ended 30 June 2018

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 and Minister for Ambulance Services | 1/7/2017 - 30/6/2018 | |
| The Honourable Martin Foley, Minister for Housing, Disability and Ageing and Minister for Mental Health | 1/7/2017 - 30/6/2018 | |
| Governing Boards | | |
| Ms. Susan Pilkington (appointed 2014) | 1/7/2017 - 30/6/2018 | |
| Dr. Matthew Marriott (appointed 2009) | 1/7/2017 - 30/6/2018 | |
| Mr. Paul Ahern (appointed 2011) | 1/7/2017 - 30/6/2018 | |
| Mrs. Lisa Barham-Lomax (appointed 2012) | 1/7/2017 - 30/6/2018 | |
| Dr. Priscilla Robinson (appointed 2014) | 1/7/2017 - 30/6/2018 | |
| Ms. Janyce Bull (appointed 2014) | 1/7/2017 - 30/6/2018 | |
| Mr. Iain Vernon (appointed 2015) | 1/7/2017 - 8/11/2017 | |
| Mr. Graeme Baxter (appointed 2016) | 1/7/2017 - 30/6/2018 | |
| Ms. Dawn Allan (appointed 2017) | 1/7/2017 - 30/6/2018 | |
| Mr. Peter Longmore (appointed 2017) | 1/7/2017 - 30/6/2018 | |
| Mr. Jim Buttery (appointed 2017) | 1/7/2017 - 30/6/2018 | |
| Accountable Officer | | |
| Ms. Christine Trotman | 1/7/2017 - 30/6/2018 | |
| Remuneration of Responsible Persons | | |
| The number of Responsible Persons are shown in their relevant income bands: | | |
| | 2018 | 2017 |
| Income Band | | |
| \$50,000 - \$59,999 | - | 1 |
| \$110,000 - \$119,999 | - | 1 |
| \$160,000 - \$169,999 | 1 | - |
| Total Numbers | 1 | 2 |
| Total remuneration received or due and receivable by Responsible Persons from the reporting entity amounted to: | 160,307 | 165,113 |

No member of the Governing Board were paid for their services as an active member of the board.

Amounts relating to Responsible Ministers are reported within the Department of Parliamentary Services' Financial Report as disclosed in Note 8.6 Related Parties.

South Gippsland Hospital
Notes to the financial statements
For the Year Ended 30 June 2018

Note 8.5: Remuneration of Executives

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

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

Post-employment benefits

Pensions and other retirement benefits paid or payable on a discrete basis when employment has ceased.

Other long-term benefits

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

Termination benefits

Termination of employment payments, such as severance packages.

| Remuneration of executive officers (including Key Management Personnel disclosed in Note 8.6) | 2018 | 2017 |
|--|----------------|----------------|
| Short-term employee benefits | 171,076 | 96,953 |
| Post-employment benefits | 16,690 | 12,056 |
| Termination benefits | - | - |
| Total remuneration (i) | 187,766 | 109,009 |
| Total number of executives | 2 | 1 |
| Total annualised employee equivalent (ii) | 2 | 1 |

i The total number of executive officers includes persons who meet the definition of Key Management Personnel (KMP) of the Health Service under AASB 124 Related Party Disclosures and are also reported within Note 8.6 Related Parties.

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

**South
Gippsland
Hospital
Notes to the financial statements
For the Year Ended 30 June 2018**

Note 8.6: Related parties

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

- All key management personnel (KMP) and their close family members;
- Cabinet ministers (where applicable) and their close family members; and
- All hospitals and public sector entities that are controlled and consolidated into the State of Victoria financial statements.

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

The Board of Directors and the Executive Directors of the Health Service and its controlled entities are deemed to be KMPs.

| KMP's | Position Title | KMP's | Position Title |
|------------------------|-------------------------|------------------------|-----------------------|
| Ms Christine Trotman | Chief Executive Officer | Dr. Priscilla Robinson | Board Member |
| Ms Anna Stefani | Director of Nursing | Ms. Janyce Bull | Board Member |
| Ms Marion Bowton | Director of Nursing | Mr. Iain Vernon | Board Member |
| Ms. Susan Pilkington | Board Member | Mr. Graeme Baxter | Board Member |
| Dr. Matthew Marriott | Board Member | Ms. Dawn Allan | Board Member |
| Mr. Paul Ahern | Board Member | Mr. Peter Longmore | Board Member |
| Mrs. Lisa Barham-Lomax | Board Member | Mr. Jim Buttery | Board Member |

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 - KMPs | 2018 | 2017 |
|----------------------------------|----------------|----------------|
| Short-term employee benefits (i) | 315,464 | 220,756 |
| Post-employment benefits | 32,609 | 53,366 |
| Other Long-term Benefits | - | - |
| Total (ii) | 348,073 | 274,122 |

i Total remuneration paid to KMPs employed as a contractor during the reporting period through accounts payable has been reported under short-term employee benefits.

ii KMPs are also reported in Note 8.4 Responsible Persons or Note 8.5 Remuneration of Executives.

Significant transactions with government-related entities

The South Gippsland Hospital received funding from the Department of Health and Human Services of \$6,622,030 (2017: \$5,677,673).

The South Gippsland Hospital received funding from the Latrobe Regional Hospital of \$446,310 (2017: \$393,921) for the Transitional Care Program.

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

Professional medical indemnity insurance and other insurance products are obtained from a Victorian Public Financial Corporation.

Treasury Risk Management Directions require the Health Service to hold cash (in excess of working capital) and investments, and source all borrowings from Victorian Public Financial Corporations.

**South Gippsland Hospital
Notes to the financial statements
For the Year Ended 30 June 2018**

Note 8.6: Related parties (cont.)

Transactions with key management personnel and other related parties (cont.)

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, all other related party transactions that involved KMPs and their close family members have been entered into on an arm's length basis. Transactions are disclosed when they are considered material to the users of the financial report in making and evaluation decisions about the allocation of scarce resources.

There were no related party transactions with Cabinet Ministers required to be disclosed in 2018.

Except for the transaction listed below, there were no other related party transactions required to be disclosed for the Health Service Foundation Board of Directors in 2018.

| | <u>2018</u> | <u>2017</u> |
|--|-------------|-------------|
| Other Transactions of Responsible Persons and their Related Parties. | | |
| Mr. Paul Ahern as trustee in Aherns Fruit Market was in receipt of payment for fruit and vegetable supplies on normal commercial terms and conditions to the Hospital and not for his role on the Board. | 10,334 | 10,807 |
| Mr. Peter Longmore received payment for travel expenditure to attend Board meetings of the Hospital. | 1,782 | - |

**South Gippsland Hospital
Notes to the financial statements
For the Year Ended 30 June 2018**

Note 8.7. Remuneration of auditors

| | <u>2018</u> | <u>2017</u> |
|--|----------------------|----------------------|
| Victorian Auditor-General's Office | | |
| Audit and Review of Financial Statements | <u>22,000</u> | <u>21,500</u> |
| Total remuneration of auditors (exclusive of GST) | <u><u>22,000</u></u> | <u><u>21,500</u></u> |

South Gippsland Hospital

Notes to the financial statements

For the Year Ended 30 June 2018

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 2018 reporting period. Department of Treasury and Finance assesses the impact of all these new standards and advises the Health Services of their applicability and early adoption where applicable.

As at 30 June 2018, 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.

| <i>Topic</i> | <i>Key requirements</i> | <i>Effective date</i> |
|--|--|--|
| AASB 9 Financial Instruments | The key changes introduced by AASB 9 include 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 January 2018 |
| 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, and to amend Reduced Disclosure requirements. | 1 January 2018 |
| AASB 2014 7 Amendments to Australian Accounting Standards arising from AASB 9 | Amends various AASs to incorporate the consequential amendments arising from the issuance of AASB 9. | 1 January 2018 |
| 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. Note that amending standard AASB 2015 8 Amendments to Australian Accounting Standards – Effective Date of AASB 15 has deferred the effective date of AASB 15 to annual reporting periods beginning on or after 1 January 2018, instead of 1 January 2017. | 1 January 2018 |
| AASB 2014 5 Amendments to Australian Accounting Standards arising from AASB 15 | Amends the measurement of trade receivables and the recognition of dividends as follow: <ul style="list-style-type: none"> • Trade receivables, that do not have a significant financing component, are to be measured at their transaction price, at initial recognition. • Dividends are recognised in the profit and loss only when: <ul style="list-style-type: none"> o the entity's right to receive payment of the dividend is established; o it is probable that the economic benefits associated with the dividend will flow to the entity; and o the amount can be measured reliably. | 1 January 2018, except amendments to AASB 9 (Dec 2009) and AASB 9 (Dec 2010) apply 1 January 2018. |
| 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 January 2018 |
| AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15 | This Standard amends AASB 15 to clarify requirements for identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence. The amendments require: <ul style="list-style-type: none"> • a promise to transfer to a customer a good or service that is 'distinct' to be recognised as a separate performance obligation; • 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 • 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 January 2018 |

South Gippsland Hospital

Notes to the financial statements

For the Year Ended 30 June 2018

Note 8.8. AASBs issued that are not yet effective (cont)

| | | |
|--|---|----------------|
| 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 January 2019 |
| 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 and implementation guidance to assist not-for-profit entities in applying the respective standards to particular transactions and events. The amendments: • require non-contractual receivable 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 • clarifies circumstances when a contract with a customer is | 1 January 2019 |
| AASB 16 Leases | The key changes introduced by AASB 16 include the recognition of most operating leases (which are currently not recognised) on balance sheet which has an impact on net debt. | 1 January 2019 |
| AASB 1058 Income of Not-for-Profit Entities | This standard will replace AASB 1004 Contributions and establishes principles for transactions that are not within the scope of AASB 15, where the consideration to acquire an asset is significantly less than fair value to enable not-for-profit entities to further their objectives. The restructure of administrative arrangement will remain under AASB 1004. | 1 January 2019 |
| AASB 1059 Service Concession Arrangements: Grantor | This standard prescribes the accounting treatment of Public Private Partnership (PPP) arrangements involving a private sector operator providing public services related to a service concession asset on behalf of the State, for a specified period of time. For social infrastructure PPP arrangements, this would result in an earlier recognition of financial liabilities progressively over the construction period rather than at completion date. For economic infrastructure PPP arrangements, that were previously not on balance sheet, the standard will require recognition of these arrangements on-balance sheet. | 1 January 2019 |
| AASB 17 Insurance Contracts | The new Australian standard eliminates inconsistencies and weaknesses in existing practices by providing a single principle based framework to account for all types of insurance contracts, including reissuance contract that an insurer holds. It also provides requirements for presentation and disclosure to enhance comparability between entities. This standard does not currently apply to not-for-profit public sector entities. The AASB is undertaking further outreach to determine the applicability of this standard to the not-for-profit public sector. | 1 January 2021 |

The following accounting pronouncements are also issued but not effective for the 2017/18 reporting period. At this stage, the preliminary assessment suggests they may have insignificant impacts on public sector reporting.

- AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share based Payment Transactions
- 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 2014-2016 Cycle and Other Amendments
- AASB 2017-3 Amendments to Australian Accounting Standards – Clarifications to AASB 4
- AASB 2017-4 Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments
- AASB 2017-5 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections
- AASB 2017-6 Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation
- AASB 2017-7 Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures
- AASB 2018-1 Amendments to Australian Accounting Standards – Annual Improvements 2015 – 2017 Cycle
- AASB 2018-2 Amendments to Australian Accounting Standards – Plan Amendments, Curtailment or Settlement

**South Gippsland Hospital
Notes to the financial statements
For the Year Ended 30 June 2018**

Note 8.9. Events occurring after the balance sheet date

There have been no events since balance date which have had a material effect on these financial statements. (2017: Nil)

**South Gippsland Hospital
Notes to the financial statements
For the Year Ended 30 June 2018**

Note 8.10: Economic Dependency

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

**South Gippsland Hospital
Notes to the financial statements
For the Year Ended 30 June 2018**

**Note 8.11: Alternate Presentation of Comprehensive operating
For the Year Ended 30 June 2018**

| | Note | 2018 | 2017 |
|---|------|--------------------|--------------------|
| Grants | | | |
| Operating | 2.1 | 6,408,849 | 6,111,865 |
| Capital | 2.1 | 710,380 | 51,675 |
| Interest and Dividends | 2.1 | 38,164 | 45,928 |
| Other income | 2.1 | 2,108,339 | 1,922,526 |
| Total Revenue | | 9,265,732 | 8,131,994 |
| Employee Expenses | 3.1 | (5,818,211) | (5,692,359) |
| Other Operating Expenses | 3.1 | (2,411,219) | (2,233,809) |
| Non-Operating Expenses | | | |
| Impairment of non-financial assets | 3.1 | - | (43,105) |
| Depreciation and Amortisation | 4.4 | (369,372) | (362,305) |
| Total Expenses | | (8,598,802) | (8,331,578) |
| Net Result from Transactions - Net Operating Balance | | 666,930 | (199,584) |
| Net gain/(loss) on non-financial assets | 2.1 | (2,850) | 4,089 |
| Total other economic flows included in net result | | (2,850) | 4,089 |
| Net result from continuing operations | | 664,080 | (195,495) |
| Items that will not be reclassified to Net Result | | | |
| Changes in Land Revaluation Surplus | | 435,597 | - |
| NET RESULT FOR THE YEAR | | 1,099,677 | (195,495) |
| Comprehensive result | | 1,099,677 | (195,495) |

This alternative presentation reflects the format required for reporting to the Department of Treasury and Finance, which differs to the disclosures of certain transactions, in particular revenue and expenses, in the hospital's annual report.