



SOUTH GIPPSLAND
HOSPITAL

Annual Report 2015-2016



Table of Contents

Overview

Establishment & Relevant Ministers	2
Vision, Mission, Strategic Directions, Values	2
Overview of services	3
Responsible bodies' declaration	3
Chair Report	4
CEO's Report	5

Governance and Management

Board of Management	6
Executive management	6
Organisational structure	7

Workforce

Workforce data	8
Merit and equity	8
Occupational Health and Safety	8
Industrial Relations	8

Report of Operations

Statement of Priorities	
Part A Strategic priorities	9
Part B Performance priorities	12
Part C Activity and funding	14

Attestations

Attestation on Data Integrity	15
Attestation for Standing Direction	15
4.5.5 Risk Management and Process	

Other information and disclosures

Summary of operational and budgetary objectives	16
Summary of factors affecting operations	16
Events subsequent to balance date	16
Freedom of information	16
Ex-gratia payments	16
Consultancies	16
Carers' Recognition Act 2012	16
Protected Disclosure Act 2012	16
Building Act 1993	16
Competitive neutrality	16
Contracts	16
Environmental performance	16
Legislation	17
Availability of additional information (FRD 22C)	17
Disclosure Index	18

Financial Statements for the year ended 30 June 2016

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

VAGO

independent auditor's report

Comprehensive operating statement
Balance sheet
Statement of changes in equity
Cashflow statement
Notes to the financial statements

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 in-patient maternity suite and 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. In recent years, the hospital has expanded services to meet community needs with the addition of a CT scanner and the establishment of a radiography centre. Greater awareness of community health has necessitated expansion of primary health care services and the development of a community supported Youth Assistance Program. We continue to offer urology, gastroenterology and general surgery. 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

- **Mutual respect:** We treat others the way we want to be treated.
- **Accountability:** We accept responsibility for our actions, attitudes, and actions.
- **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.

Overview (continued)

Overview of Services

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

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
General Surgery
Pre-Anaesthetic Clinic

Allied Health

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

Community Health

Planned Activity Groups
Health Promotion
Continuing Care Clinic
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 2016.

Eric Neil Roussac – Chair, Board of Management 2016



Chairman's Report

The year in Review

It was clear from the beginning that 15/16 would be a year of consolidation rather than of expansion, and as events unfolded throughout the year, this turned out to be the case.

For the first time in many years SGH went directly to the Corner Inlet community seeking financial support, in this instance for the purchase and installation of solar panels to provide electricity and hot water. Given the amount sought (\$120,000), there was uncertainty at Board level as to the likely success of any appeal. This is not a wealthy community and there are continuing demands made on the generosity of donors for many other worthwhile local projects. As it turned out such doubts were unfounded. The support shown both humbled and gratified all involved at SGH, with donations coming from both the immediate community and further afield.

Building on the success of the solar campaign an 'End of Financial Year' appeal raised further funds to assist in the operation of our health service.

On behalf of everyone involved at SGH, I would like to thank all donors, both individuals and community groups, for their generosity in the support of both appeals.

As outlined last year, transition to accreditation under the National Safety and Quality Health Service Standards continued. The Board congratulates hospital staff for their dedication and hard work in the achievement of accreditation.

Of the many other significant events occurring through the year, few had as profound an effect on SGH as Dr. Phil Worboys' serious accident in October. Quite apart from the suffering imposed on Phil and his family, the accident had a considerable impact on the delivery of care to patients at SGH. The Board appreciates the efforts of the management and staff of the Foster Medical Group (FMG) in maintaining

services in what has been a difficult time for all. I would like to take this opportunity to wish Phil a speedy recovery and return to work.

Board Membership

The Board's competency was improved by the appointment of Iain Vernon in July. Iain's accountancy background fills a gap in the Board skill set which has been present for a number of years.

The resignation of Bernadette Thomson in 2015 was the only other change at Board level. Bernadette joined the Board in 2013 and during the period of her appointment made a valuable contribution. We wish her well for the future.

Acknowledgements

No Chair's report would be complete without an expression of appreciation for the contribution made by so many to the operation of the hospital.

In no particular order, I would like to thank:

- Our executive staff: CEO Peter Rushen, DON Anna Stefani and CHC Manager Samantha Park
- The staff of the Hospital and Community Health Centre for their dedication and the quality of care provided
- All our contractors, particularly the Foster Medical Group and South Gippsland Radiology.
- The Corner Inlet community and beyond for its support as volunteers and donors, both as individuals and through service organisations
- The members of the Hospital Auxiliary, who, as they have over a long period of time, worked tirelessly and productively, raising a considerable amount of money for the purchase of hospital equipment
- The members of the Board, for their dedication and hard work in support of the Hospital. Here I must also include Ralph Gallagher and Rod Lomax, independent members of the Audit and Risk Management Committee.
- The members and the Board of Prom Country Aged Care for the spirit of co-operation and support given to SGH throughout the year.

Looking Forward

Phil Worboys' accident underscored just how dependent the hospital is on FMG for the provision of skilled medical practitioners, particularly in the areas of obstetrics and anaesthetics. Staffing has been an ongoing concern to both the Executive and the Board over many years and no doubt will continue to be so.

Many will be aware of the recent publicity given to events at the Djerriwarrah Health Service in relation to unexpected perinatal deaths. As part of the response to these events, the government has set up a committee under Stephen Duckett to review hospital quality and safety assurance programs in Victoria. At the time of writing, the Duckett Report is yet to be delivered. As a provider of maternity services, SGH will be affected by any recommendations arising from Duckett and accepted by government. The staff and the Board of SGH keenly await the release of the Duckett Report, now expected to be in mid-August.

Finally, as the CEO has reported, the year ending June 2016 saw a considerable improvement in our financial result. It is pleasing to note that this was achieved without cutbacks. Looking forward, SGH, with the support of government and the community the people of South Gippsland, can expect to continue to provide high quality healthcare at a local level.



Eric Neil Roussac

Chair, Board of Management

CEO's Report

In the year to June 2016, the health service achieved all of its key health performance measures and financial objectives resulting in a small financial operating surplus. Overall, the health outcomes resulted in the delivery of safe and high quality inpatient healthcare meeting peri-operative targets and safe maternity services. In Community Health we have provided significantly more services within the funding parameters provided.

Over the period we have received exceptional client feedback on the quality of our services and staff have expressed a high level of satisfaction with their work environment and management support. We gained accreditation under the national Safety Quality Healthcare Services standards this year and have integrated the monitoring of clinical practices into the regular work of clinical staff.

The impact of additional staffing costs resulting from greater scrutiny has been met by additional inpatient fees and significant support from the community through donations. Solar power and hot water systems were installed as a result of community funded donations which has assisted in reducing energy costs.

Strategic and Business Planning

Overall the deliverables of the Statement of Priorities complemented the Operating Plan KPIs and were substantially met during the period. Some of the significant outcomes were:

- Introduction of the MBS model of primary care in diabetes management, podiatry and dietetics
- Implementation of a community based mental health program through ATAPS funding provided by the Gippsland Primary Healthcare Network
- Securing midwife staffing through regional collaboration of nurse training
- Advanced care planning processes established with medical staff
- Initiation of the MOU for sub-regional collaboration
- Recognition of Aboriginal and Torres

Strait Islands and official flag raising

- Working with the Department of health and Human Services on theatre recovery and maternity facilities development

The appointment of new internal auditors and the establishment of a three year audit plan has refreshed the overall management of the risk framework and ensured the management responsibilities have been maintained. All statutory responsibilities for compliance reporting have been met.

Business Viability

While operational grant funding has remained tight, the improve in patient income, DVA inpatient funding and the full capacity of the Transition Care Program, together with close control of costs has enabled us to maintain and where necessary enhance services within financial resources. Opportunities to generate additional funding have been achieved with the full occupancy of the Transition Care Program together with the ATAPS program. Our inaugural annual end of financial year general donations program resulted in significant contributions in this period.

Through an active program of student training we have attracted a number of younger nurses and the acute and maternity services are well placed to meet ongoing demands for staff. The employment of a podiatrist and occupational therapist in the recent period has added to the service availability for our community health clients.

The People Matter Survey was conducted again in march this year at the request of DHHS following an audit of bullying conducted by the Victorian Auditor-General. As with the previous year, we received an exceptionally favourable result, building on the last survey outcome. In the December 2015 period we received an overall rating of 99% in the Victorian Health Care Experience Survey. This reflects the strong commitment of staff to a high quality and safe patient experience.

Communications and Stakeholders

SGH has met all of its reporting requirements with DHHS and is actively involved in the sub-regional collaboration with Bass Coast Health Wonthaggi and Gippsland Southern Health Service Leongatha. We maintain good communication with the Foster Medical Centre and are able to work together through regular meetings. The introduction of the National Safety and Quality Health Service Standards will impact on medical practices in the hospital and gaining the doctors' support is important to maintaining a good working relationship.

Opportunities for further collaboration with Prom Country Aged Care and the use of Banksia Lodge are the core of our co-operative relationship which is complemented by the sharing of resources and the development of the Foster Health Precinct.

Community and Public Relations

During this financial year the Hospital Auxiliary raised more than \$50,000 for clinical equipment which was much appreciated and we wish to acknowledge their tireless effort in supporting the hospital. The management team has been engaged in the local community, regularly meeting with Foster Rotary, Toora Lions and U3A. These organisations have provided valuable funding for equipment and facilities and this is also greatly appreciated. The Community Bank continues to be a great supporter of the Youth Assist Clinic and we thank The Mirror newspaper for its support with regular articles and health matters of interest.

Summary

SGH is providing an effective healthcareservice to the community. It has a very committed staff and patient care is highly valued by users. The organisation continues to offer high quality and safe healthcare services and we have a good reputation for sound financial and clinical management.



Peter Rushen
Chief Executive Officer

Governance and Management

Board of Governance

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 2016)

Neil Roussac, B.Sc , President
appointed 2006

Clive White, B.Juris, LL.B Vice President
appointed 1986

Matthew Marriott BVSc (Hons) Treasurer
appointed 2009

Bruce Lester
appointed 2010

Mohya Davies, Dip.Ed
appointed 1986

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. Priscilla Robinson, PhD, MPH, MHSc (PHP)
appointed 2014

Susan Pilkington
appointed 2014

Iain Vernon, BBS, MBA, Dip.BA, CPA
appointed 2015

Executive Management

(as at 30 June 2016)

Chief Executive Officer
Peter Rushen, B.Econ, CPA

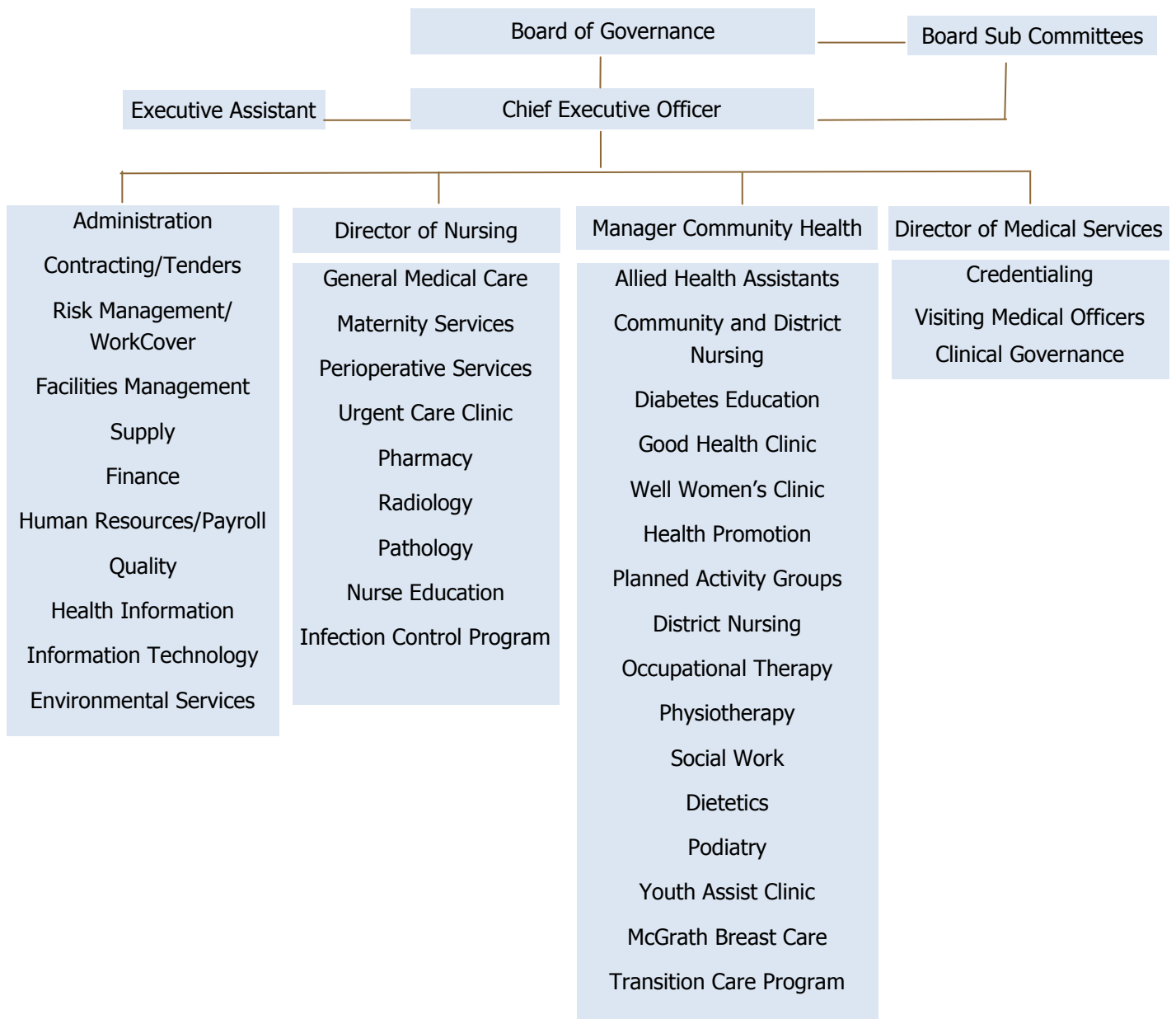
Director of Medical Services
Dr Craig Winter, MB.BS, MBA, GMA, FACEM

Director of Nursing
Anna Stefani, RN, RM, GCDE, IBCLC

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

Governance and Management (continued)

Organisational structure



Workforce

Workforce data

Labour Category	JUNE Current Month FTE		JUNE YTD FTE	
	2015	2016	2015	2016
Nursing	26.2	27.9	24.7	29.2
Administration and Clerical	10.5	10.1	10.3	10.4
Medical Support	5.6	5.1	5.4	4.1
Hotel and Allied Services	12.7	8.8	11.9	10.0
Medical Officers	0.08	0.4	0.1	0.5
Hospital Medical Officers	0	0	0	0
Sessional Clinicians	0	0	0	0
Ancillary Staff (Allied Health)	1.9	3.9	1.8	4.8
Total	56.7	56.2	53.3	59.0

Merit and equity

South Gippsland Hospital is subject to the provisions of the *Public Authorities (Equal Employment Opportunity) Act 1990* and is committed to equality in the workplace. The hospital bases its employment practices on the principles of fairness and merit and seeks to provide a welcoming work environment that is free from discrimination and harassment. South Gippsland Hospital staff are also expected to embrace and work in accordance with the Code of Conduct for Victorian Public Sector Employees.

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.

Industrial relations

South Gippsland Hospital continues to maintain a good working relationship with the Unions representing its staff members. There were zero days lost to industrial action in the 2015-2016 financial year.

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 2015–16 South Gippsland Hospital will contribute to the achievement of these priorities by:

Priority	Action	Deliverable	Outcome
Patient experience and outcomes	Drive improved health outcomes through a strong focus on patient-centred care in the planning, delivery and evaluation of services and the development of new models for putting patients first.	Participate in the Gippsland Regional Maternity and Newborn Working Group to establish an formalise relationships with Latrobe Regional Hospital for women unable to birth at South Gippsland Hospital.	Director of Nursing is committee member of Working Group. Referral pathways and clinical review processes are in place with LRH.
		Review the Youth Assist Program in partnership with local secondary school and local government to ensure program continues to meet the needs of local youth.	Meet monthly with secondary college, liaising with school welfare officer and school nurse. Regional alliance/PCP monitoring outcomes and feedback. Surveyed clients for feedback. Presenting YAC model at regional conference.
		Review the provision of diabetes management in partnership with Foster Medical Group to respond to community demand.	Active communication with FMC to ensure full utilisation of available services.
	Strengthen the response of health services to family violence. This includes implementing interventions, processes and systems to prevent, identify and respond appropriately to family violence at an individual and community level.	Ensure current processes are in place. This includes screening assessment for families and patients, extra care program for maternity population, youth clinic support and mandatory reporting of unborn child wellbeing.	Linked to national campaign. Awaiting the release of the health services toolkit (July 2016).
	Use consumer feedback and develop participation processes to improve person and family centred care, health service practice and patient experiences.	Identify a suitable model and progress the establishment of a Community Advisory Committee.	Board approval to include consumer development in Quality Systems Review Committee.
		Utilise the findings of the Victorian Health Experience Survey to improve patient experience.	Actively monitoring VHES reporting through management and Board reporting. Specific strategies planned for bullying and harassment education.

Report of Operations (continued)

Part A – Strategic Priorities cont.

Priority	Action	Deliverable	Outcome
Governance, leadership and culture	Demonstrate an organisational commitment to Occupational Health and Safety including mental health and wellbeing in the workplace. Ensure accessible and affordable support services are available for employees experiencing mental ill health. Work collaboratively with the Department of Health and Human Services and professional bodies to identify and address systemic issues of mental ill health amongst the medical professions.	Develop and implement a communication strategy to ensure all employees are aware of the recently revised Employee Assistance Program.	Staff brochure on Employee Assistance Program updated in late 2015 and communicated through staff newsletter.
	Monitor and publicly report incidents of occupational violence. Work collaboratively with the Department of Health and Human Services to develop systems to prevent the occurrence of occupational violence	Incidents of occupational violence are monitored by the Quality Systems Review Committee and reported through the annual Quality of Care report	A system is in place to capture and report on occupational violence.
		Monitor to ensure all staff are aware of and utilise the newly implemented Code Grey policy.	All staff have been through CARE training on de-escalation provided by LRH. Further education to be undertaken at all levels.
	Promote a positive workplace culture and implement strategies to prevent bullying and harassment in the workplace. Monitor trends of complaints of bullying and harassment and identify and address organisational units exhibiting poor workplace culture and morale.	Develop an Action Plan to respond to the 2015 People Matters Survey findings.	People Matter survey completed in March 2016. Outcomes reviewed and specific educational measures identified, particularly around bullying and harassment.
	Undertake an annual board assessment to identify and develop board capability to ensure all board members are well equipped to effectively discharge their responsibilities.	Develop and implement a new internal systems for board self-assessment.	New internal board assessment tool implemented in December 2015.
		Conduct annual review during the third quarter of 2015-2016	Review completed and results reported to Board members.

Report of Operations (continued)

Part A – Strategic Priorities cont.

Priority	Action	Deliverable	Outcome
Safety and quality	Ensure management plans are in place to prevent, detect and contain Carbapenem Resistant Enterobacteriaceae as outlined in Hospital Circular 02/15 (issued 16 June 2015).	Develop a policy specific to Carbapenem Resistant Enterobacteriaceae.	SGH policy in place. Local policy reflects DHHS guidelines issued in December 3105.
	Implement effective antimicrobial stewardship practices and increase awareness of antimicrobial resistance, its implications and actions to combat it through effective communication, education and training.	Ensure the Clinical Practice Review Committee reviews utilization of antibiotics.	Implemented at Drugs and Therapeutics Committee and Clinical Practice Review Committee meetings. Participated in the National Antibiotic Prescribing Survey in November 2015.
Financial sustainability	Improve cash management processes to ensure that financial obligations are met as they are due.	Maintain current asset ratio by ensuring cash management benchmark targets for debtors and creditors are achieved.	All targets have been met.
	Identify opportunities for efficiency and better value service delivery.	Review District Nursing program to ensure program can effectively respond to community demand in the most efficient manner.	Subject to monthly review by DON and MCH. NUMs are making changes to staffing and DN services to manage demand.
	Develop collaboration with peers to selectively provide services that represent the best value for money whilst in the best interests of patients.	Seek to expand the existing partnership with Prom Country Aged Care in relation to allied health workforce.	Participate in Gippsland Allied Health leadership group. Service agreement with Yarram and District Health Service for podiatry services and MOU with GSHS and BCH for mentoring and shared services. Some shared services with PCAC (podiatry).

Report of Operations (continued)

Part A – Strategic Priorities cont.

Priority	Action	Deliverable	Outcome
Access	Implement integrated care approaches across health and community support services to improve access and responses for disadvantaged Victorians.	Promote sub-regional alliance to seek opportunities for shared services such as a consortia bid for home care packages to improve access to elderly community members in South Gippsland.	Actively working with alliance on shared services opportunities. A report has been prepared on future options for the transition of HACC services.
	Progress partnerships with other health services to ensure patients can access treatments as close to where they live when it is safe and effective to do so making the most efficient use of available resources across the system.	Develop an agreed list of sub-regional service development priorities with the South Gippsland Health Alliance	Program of engagement established to explore opportunities for sub-regional services, including telehealth support for urgent care. The Bass Coast and South Gippsland Health Services plan has commenced.

Statement of priorities - Part B: Performance priorities

Safety and quality performance

Current		
2015-2016		
Patient experience & outcomes	Actual	Target
Victorian Healthcare Experience Survey		% positive experience
Quarter 1	96.4%	95%
Quarter 2	98.5%	95%
Quarter 3	N/A Insufficient responses	95%
Prearranged postnatal care	100%	100%
Governance, leadership & culture	Actual	Target
Patient safety culture	Full	80%
Safety & quality	Actual	Target
Health Service Accreditation	Full	Full
Hand Hygiene Program Compliance	82%	80%
Cleaning Standards*	98.9%	85%
VICNISS—Data Compliance	Full	Full
Immunisation Rate	80.4%	75%

*

Cleaning standards (Overall)	Full
Cleaning standards (AQL-A)	100%
Cleaning standards (AQL-B)	97.2%
Cleaning standards (AQL-C)	99.5%

Report of Operations (continued)

Statement of priorities - Part B: Performance priorities cont.

Financial sustainability performance

	Current	
	2015-2016	
	Actual	Target
Annual operating result	0.08	0.01
Creditors average days	37	60
Debtors average days	63	60

Occupational violence statistics

	2015-2016
WorkCover accepted claims with an occupational violence cause per 100 FTE	NIL
Number of accepted WorkCover claims with lost time injury with an occupational violence cause per 1,000,000 hours worked	NIL
Number of occupational violence incidents reported per 100 FTE	NIL
Percentage of occupational violence incidents resulting in a staff injury, illness or condition	NIL

Definitions

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

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

Incident - occupational health and safety incidents reported in the health service incident reporting system. Code Grey reporting is not included.

Accepted Workcover claims – accepted Workcover claims that were lodged in 2015-2016.

Lost time - is defined as greater than one day.

Report of Operations (continued)

Statement of Priorities -Part C: Activity and funding

Funding type	2015-2016 Actuals
Small Rural	
Small Rural Acute	\$5,147,491
Small Rural Primary Health	\$130,809
Small Rural HACC	\$503,796

Summary of financial results

	2016	2015	2014	2013	2012
	\$	\$	\$	\$	\$
Total Revenue	7,796,448	7,260,336	7,296,084	6,895,865	6,668,214
Total Expenses	8,024,174	7,898,864	7,480,281	6,960,739	6,466,169
Net Result for the Year	(227,726)	(638,528)	(184,197)	(64,874)	202,045
Net Increase in Asset Revaluation Reserve	-	-	561,624	-	-
Accumulated Surpluses (Accumulated Deficits)	274,847	502,572	1,141,100	1,325,297	1,390,171
Contributed Capital	3,086,756	3,086,756	3,086,756	3,086,756	3,086,756
Asset Revaluation Reserve	2,057,560	2,857,560	2,857,560	2,295,936	2,295,936
Total Equity	6,219,163	6,446,888	7,085,416	6,707,989	6,772,863
Total Assets	8,316,368	8,496,127	8,836,792	8,649,412	8,940,375
Total Liabilities	2,097,209	2,049,240	1,751,316	1,941,423	1,717,514
Net Assets	6,219,163	6,446,888	7,085,416	6,707,989	6,772,863

Attestations

Attestation on Data Integrity

I, ANNA STEFANI certify that the *South Gippsland Hospital* has put in place appropriate internal controls and processes to ensure that reported data reasonably reflects actual performance. The *South Gippsland Hospital* has critically reviewed these controls and processes during the year.



Anna Stefani
Accountable Officer

Foster
25 August 2016

Attestation Ministerial Standing Direction 4.5.5.1 Risk Management Framework and Processes.

I, ANNA STEFANI certify that the *South Gippsland Hospital* has complied with Ministerial Direction 4.5.5 - Risk Management Framework and Processes. The South Gippsland Hospital Audit and Risk Management Committee verifies this.



Anna Stefani
Accountable Officer

Foster
25 August 2016

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.

Summary of operational and budgetary objectives

In 2015-2016, SGH achieved the targets established under the Statement of Priorities. The hospital recorded a \$76,468 operating surplus before capital purpose income and depreciation. Capital purpose income of \$236,204 was received during the financial year with depreciation write-offs totalling \$366,565

Summary of factors affecting operations

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

- Additional government funding
- An increase in patient fees
- An increase in donations due to Solar and Annual campaigns
- Employee expenses were decreased due to careful management
- A decrease in the overall expense of surgical, medical and pharmacy supplies
- A capital loss on the sale of the old CT scanner

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.

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 2015-2016.

Consultancies

In 2015-2016 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 (VIIPP) 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.

Other information and disclosures (continued)

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

Directions of the Minister for Finance, including Financial Reporting Directions

Health Services Act 1988

Availability of additional information

(FRD 22C)

In compliance with the requirements of FRD 22C *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, public relations and marketing 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 22G	Manner of establishment and the relevant Ministers	2
FRD 22G	Purpose, functions, powers and duties	2
FRD 22G	Initiatives and key achievements	2
FRD 22G	Nature and range of services provided	3
Management and structure		
FRD 22G	Organisational structure	7
Financial and other information		
FRD 10A	Disclosure index	18
FRD 11A	Disclosure of ex-gratia expenses	16
FRD 21B	Responsible person and executive officer disclosures	FR pp 55/56
FRD 22G	Application and operation of <i>Protected Disclosure 2012</i>	16
FRD 22G	Application and operation of <i>Carers Recognition Act 2012</i>	16
FRD 22G	Application and operation of <i>Freedom of Information Act 1982</i>	16
FRD 22G	Compliance with building and maintenance provisions of <i>Building Act 1993</i>	16
FRD 22G	Details of consultancies over \$10,000	16
FRD 22G	Details of consultancies under \$10,000	16
FRD 22G	Employment and conduct principles	8
FRD 22G	Major changes or factors affecting performance	16
FRD 22G	Occupational health and safety	8
FRD 22G	Operational and budgetary objectives and performance against objectives	9
FRD 24C	Reporting of office-based environmental impacts	16
FRD 22G	Significant changes in financial position during the year	16
FRD 22G	Statement on National Competition Policy	16
FRD 22G	Subsequent events	16

Other information and disclosures (continued)

Disclosure Index cont.

Legislation	Requirement	Page Reference
FRD 22G	Summary of the financial results for the year	15
FRD 22G	Workforce Data Disclosures including a statement on the application of employment and conduct principles	8
FRD 25B	Victorian Industry Participation Policy disclosures	18
FRD 29A	Workforce Data disclosures	8
SD 4.2(g)	Specific information requirements	FR 1
SD 4.2(j)	Sign-off requirements	23
SD 3.4.13	Attestation on data integrity	16
SD 4.5.5.1	Ministerial Standing Direction 4.5.5.1 compliance attestation	16
SD 4.5.5	Risk management compliance attestation	16
Financial Statements		
Financial statements required under Part 7 of the FMA		
SD 4.2(a)	Statement of changes in equity	FR7
SD 4.2(b)	Comprehensive operating statement	FR5
SD 4.2(b)	Balance sheet	FR6
SD 4.2(b)	Cash flow statement	FR8
Other requirements under Standing Directions 4.2		
SD 4.2(a)	Compliance with Australian accounting standards and other authoritative pronouncements	FR9
SD 4.2(c)	Accountable officer's declaration	FR56
SD 4.2(c)	Compliance with Ministerial Directions	FR55
SD 4.2(d)	Rounding of amounts	FR12
Legislation		
	<i>Freedom of Information Act 1982</i>	17
	<i>Protected Disclosure Act 2001</i>	17
	<i>Carers Recognition Act 2012</i>	17
	<i>Victorian Industry Participation Policy Act 2003</i>	17
	<i>Building Act 1993</i>	17
	<i>Financial Management Act 1994</i>	17

Financial Statements for the year ended 30 June 2016

Financial Statements for the year ended 30 June 2016

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 4.2 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 2016 and the financial position of South Gippsland Hospital at 30 June 2016.

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.



Neil Roussac
Board Member
Foster
25 August 2016



Anna Stefani
Accountable Officer
Foster
25 August 2016



Peter Tilley
Chief Finance & Accounting Officer
Foster
25 August 2016

INDEPENDENT AUDITOR'S REPORT

To the Board Members, South Gippsland Hospital

The Financial Report

I have audited the accompanying financial report for the year ended 30 June 2016 of the South Gippsland Hospital which comprises comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the Board member's, accountable officer's and chief finance & accounting officer's declaration.

The Board Members' Responsibility for the Financial Report

The Board Members of the South Gippsland Hospital are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*, and for such internal control as the Board Members determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Board Members, as well as evaluating the overall presentation of the financial report.

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

Independent Auditor's Report (continued)

Independence

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, I and my staff and delegates complied with all applicable independence requirements of the Australian accounting profession.

Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of the South Gippsland Hospital as at 30 June 2016 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*.

MELBOURNE
30 August 2016


Dr Peter Frost
Acting Auditor-General

SOUTH GIPPSLAND HOSPITAL

Comprehensive Operating Statement for the financial year ended 30 June 2016

	Note	2016 \$	2015 \$
Revenue from Operating Activities	2	7,375,492	7,217,892
Revenue from Non-Operating Activities	2	184,752	155,407
Employee Expenses	3	(5,393,172)	(5,527,073)
Non Salary Labour Costs	3	(250,880)	(267,777)
Supplies and Consumables	3	(422,618)	(513,412)
Other Expenses	3	(1,417,106)	(1,407,972)
NET RESULT BEFORE CAPITAL & SPECIFIC ITEMS		<u>76,468</u>	<u>(342,935)</u>
Capital Purpose Income	2	236,204	112,287
Depreciation and Amortisation	3	(366,565)	(399,662)
Capital Purpose Expenditure	3	(173,833)	(8,217)
NET RESULT FOR THE YEAR		<u>(227,726)</u>	<u>(638,527)</u>
TOTAL OTHER COMPREHENSIVE INCOME		-	-
COMPREHENSIVE RESULT FOR THE YEAR		<u>(227,726)</u>	<u>(638,527)</u>

SOUTH GIPPSLAND HOSPITAL

Balance Sheet as at 30 June 2016

	Note	2016 \$	2015 \$
Current Assets			
Cash and Cash Equivalents	5	317,792	262,889
Receivables	6	303,808	241,880
Investments and Other Financial Assets	7	1,458,707	1,415,378
Inventories	8	73,113	72,008
Other Current Assets	9	26,986	26,168
Total Current Assets		<u>2,180,406</u>	<u>2,018,323</u>
Non-Current Assets			
Receivables	6	377,605	309,224
Property, Plant & Equipment	10	5,814,443	6,168,582
Total Non-Current Assets		<u>6,192,048</u>	<u>6,477,806</u>
TOTAL ASSETS		<u>8,372,454</u>	<u>8,496,129</u>
Current Liabilities			
Payables	11	226,850	225,485
Provisions	13	1,648,884	1,532,231
Other Current Liabilities	15	31,570	49,343
Total Current Liabilities		<u>1,907,304</u>	<u>1,807,059</u>
Non-Current Liabilities			
Provisions	13	245,987	242,181
Total Non-Current Liabilities		<u>245,987</u>	<u>242,181</u>
TOTAL LIABILITIES		<u>2,153,291</u>	<u>2,049,240</u>
NET ASSETS		<u>6,219,163</u>	<u>6,446,889</u>
EQUITY			
Property, Plant & Equipment Revaluation Surplus	16a	2,857,560	2,857,560
Contributed Capital	16b	3,086,756	3,086,756
Accumulated Surpluses	16c	274,847	502,573
TOTAL EQUITY	16c	<u>6,219,163</u>	<u>6,446,889</u>
Contingent Assets and Contingent Liabilities	21		
Commitments	19		

SOUTH GIPPSLAND HOSPITAL

Statement Of Changes in Equity for the financial year ended 30 June 2016

	Note	Property, Plant & Equipment Revaluation Surplus \$	Contributed Capital \$	Accumulated Surpluses \$	Total \$
Balance at 1 July 2014	16	2,857,560	3,086,756	1,141,100	7,085,416
Net Result for Year	16	-	-	(638,527)	(638,527)
Other Comprehensive income for year		-	-	-	-
Balance at 30 June 2015		2,857,560	3,086,756	502,573	6,446,889
Net Result for Year	16	-	-	(227,726)	(227,726)
Other Comprehensive income for year		-	-	-	-
Balance at 30 June 2016		2,857,560	3,086,756	274,847	6,219,163

SOUTH GIPPSLAND HOSPITAL

Cash Flow Statement for the financial year ended 30 June 2016

	Note	2016 \$ Inflows/ (Outflows)	2015 \$ Inflows/ (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating Grants from Government		5,780,576	5,454,396
Capital Grants from Government		83,676	89,675
Patient Fees Received		467,758	363,506
Donations & Bequests Received		100,282	60,399
GST Received from / (paid to) ATO		161,501	126,209
Recoupment from private practice for use of hospital facilities		43,195	42,198
Interest Received		49,744	59,680
Capital Donations and Bequests Received		152,528	22,612
Other Receipts		992,687	997,927
Total Receipts		<u>7,831,947</u>	<u>7,216,605</u>
Employee Expenses Paid		(5,272,713)	(5,320,070)
Fees for Service of Medical Officers		(252,562)	(262,669)
Payments for Supplies & Consumables		(412,018)	(514,701)
Other Payments		(1,610,162)	(1,098,027)
Total Payments		<u>(7,547,455)</u>	<u>(7,195,467)</u>
NET CASH FLOW FROM OPERATING ACTIVITIES	17	<u>284,492</u>	<u>21,138</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for Non-Financial Assets		(204,464)	(136,751)
Proceeds from Sale of Non-Financial Assets	2a	18,205	29,546
Proceeds on sale investments		(43,329)	129,868
NET CASH FLOW (USED IN)/FROM INVESTING ACTIVITIES		<u>(229,588)</u>	<u>22,663</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS HELD		54,904	43,801
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		262,889	219,088
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	5	<u>317,793</u>	<u>262,889</u>

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2016

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 2016. 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 25 August 2016.

[b] 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 2016, and the comparative information presented in these financial statements for the year ended 30 June 2015.

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

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

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

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

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

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

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2016

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, infrastructure, plant and equipment, (refer to Note 1(j));
- superannuation expense (refer to Note 1(f); and
- actuarial assumptions for employee benefit provisions based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (refer to Note 1(k)).

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

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

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

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

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

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

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

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

- the fair value of land, buildings, infrastructure, plant and equipment (refer to Note 1(j));
- superannuation expense (refer to note 1(f)); and
- actuarial assumptions for employee benefit provisions based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (refer to Note 1(k)).

[c] 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.

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2016

Objectives and funding

South Gippsland Hospital's overall objective is to be a healthcare provider delivering exceptional performance in provision of healthcare services, as well as improve the quality of life to Victorians.

South Gippsland Hospital is predominantly funded by accrual based grant funding for the provision of outputs.

[d] Principles of Consolidation

Jointly Controlled Assets

Interests in jointly controlled assets or operations are not consolidated by the Health Service, but are accounted for in accordance with the policy outlined in Note 1(j) Assets.

[c] Scope and presentation of financial statements

Fund Accounting

The Health Service operates on a fund accounting basis and maintains an Operating Fund.

Services Supported by Health Services Agreement and Services Supported by Hospital and Community Initiatives

Activities classified as *Services Supported by Health Services Agreement [HSA]* are substantially funded by the Department of Health while Services Supported by *Hospital and Community Initiatives [H&CI]* are funded by the Health Service's own activities or local initiatives.

Comprehensive operating statement

The comprehensive operating statement includes the subtotal entitled 'net result before capital & specific items' to enhance the understanding of the financial performance of the Health Service. This subtotal reports the result excluding items such as capital grants, assets received or provided free of charge, depreciation, expenditure using capital purpose income and items of an unusual nature and amount such as specific income and expenses. The exclusion of these items is made to enhance matching of income and expenses so as to facilitate the comparability and consistency of results between years and Victorian Public Health Services. The 'net result before capital & specific items' is used by the management of the Health Service, the Department of Health and Human Services and the Victorian Government to measure the ongoing operating performance of Health Services.

Capital & specific items, which are excluded from this sub-total, comprise:

- Capital purpose income, which comprises all tied grants, donations and bequests received for the purpose of acquiring non-current assets, such as capital works, plant and equipment or intangible assets. It also includes donations of plant and equipment (refer to Note 1(f)). Consequently the recognition of revenue as capital purpose income is based on the intention of the provider of the revenue at the time the revenue is provided.
- Depreciation, amortisation and impairment, as described in Note 1(g).
- Assets provided or received free of charge (refer to Notes 1(f) and (g)); and
- Expenditure using capital purpose income, comprises expenditure which either falls below the asset capitalisation threshold or doesn't meet asset recognition criteria and therefore does not result in the recognition of an asset in the balance sheet, where funding for that expenditure is from capital purpose income.

Balance Sheet

Assets and liabilities are categorised either as current or non-current (non-current being those assets or liabilities expected to be recovered/settled more than 12 months after reporting period), are disclosed in the notes where relevant.

Statement of changes in equity

The statement of changes in equity presents reconciliations of each non-owner and owner changes in equity from opening balance at the beginning of the reporting period to the closing balance at the end of the reporting period. It also shows separately changes due to amounts recognised in the comprehensive result and amounts recognised in other comprehensive income.

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2016

Cash flow statement

Cash flows are classified according to whether or not they arise from operating activities, investing activities, or financing activities. This classification is consistent with requirements under AASB 107 *Statement of Cash Flows*.

For the cash flow statement presentation purposes, cash & cash equivalents includes bank overdrafts, which are included as current borrowings in the balance sheet.

Rounding

All amounts shown in the financial statements are expressed to the nearest dollar unless otherwise stated.

Minor discrepancies in tables between totals and sum of components are due to rounding.

Comparative Information

Where necessary the previous year's figures have been reclassified to facilitate comparisons.

[f] Income from transactions

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 05/2013 (update for 2014-15).

Patient Fees

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

Private Practice Fees

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

Revenue from commercial activities

Revenue from commercial activities such as catering & property income are recognised at the time the invoice is raised.

Donations and Other Bequests

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

Interest Revenue

Interest revenue is recognised on a time proportionate basis that takes 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.

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2016

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 education funding.

[g] Expense Recognition

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;
- Superannuation expenses which are reported differently depending upon whether employees are members of defined benefit or defined contribution plans.

Defined contribution superannuation plans

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

The name and details of the major employee superannuation funds and contributions made by the Health Service are disclosed in Note 14: Superannuation.

Depreciation

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

Intangible produced assets with finite lives are depreciated as an expense from transactions on a systematic basis over the asset's useful life. Depreciation is generally calculated on a straight line basis, at a rate that allocates the asset value, less any estimated residual value over its estimated useful life. Estimates of the remaining useful lives, residual value and depreciation method for all assets are reviewed at least annually, and adjustments made where appropriate. This depreciation charge is not funded by the Department of Health and Human Services. Assets with a cost in excess of \$1,000 are capitalised and depreciation has been provided on depreciable assets so as to allocate their cost or valuation over their estimated useful lives.

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

	2016	2015
Buildings	Up to 40 years	Up to 40 years
Plant & Equipment	Up to 20 years	Up to 20 years
Motor Vehicles	Up to 10 years	Up to 10 years

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

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2016

Finance Costs

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

Finance costs include:

– interest on bank overdrafts and short-term and long-term borrowings (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.

Bad and doubtful debts

Refer to Note 1 (j) Impairment of financial assets.

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

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

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

[h] Other economic flow included in net result

Other comprehensive income measures the change in volume or value of assets or liabilities that do not result from transactions.

Net gains/(losses) of 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 1 (j) Revaluations of non-financial physical assets.

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

Any gain or loss on the disposal of non-financial assets is recognised at the date of disposal and is the difference between the proceeds and the carrying value of the asset at the time.

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 1 (j)); and
- disposals of financial assets and derecognition of financial liabilities

Revaluations of financial instrument at fair value

Refer to Note 1 (i) Financial instruments.

Share of net profits/(losses) of associates and joint entities, excluding dividends

Refer to Note 1 (d) Basis of consolidation.

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2016

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 interest rates, this will also include the impact of changes related to the impact of moving from the 2004 long service leave model to the 2008 long service leave model; and
- transfer of amounts from the reserves to accumulated surplus or net result due to disposal or derecognition or reclassification.

[i] 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. For example, statutory receivables arising from taxes, fines and penalties do not meet the definition of financial instruments as they do not arise under contract.

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

The following refers to financial instruments unless otherwise stated.

Categories of non-derivative financial instruments

Financial assets and liabilities at fair value through profit or loss

Loans and Receivables

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

Loans and receivables categories includes cash and deposits (refer to Note 1(j)), term deposits with maturity greater than three months, trade receivables, loans and other receivables, but not statutory receivables.

Held-to-maturity investments

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

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

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

Financial liabilities at amortised cost

Financial instrument liabilities are initially recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit or loss over the period of the interest-bearing liability, using the effective interest rate method.

Financial instrument liabilities measured at amortised cost include all of the Health Service's contractual payables, deposits held and advances received, and interest-bearing arrangements other than those designated at fair value through profit or loss.

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2016

[j] Assets

Cash and cash equivalents

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

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

Receivables

Receivables consist of:

- Contractual receivables, which includes mainly debtors in relation to goods and services and accrued investment income,
- Statutory receivables, which include predominately 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 classified as loans and receivables. Statutory receivables are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments because they do not arise from a contract.

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

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

Investments and Other Financial Assets

Hospital investments must be in accordance in Standing Direction 4.5.6 – Treasury Risk Management. Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Investments are classified in the following categories:

- Held to maturity; and
- Loans and receivables.

The Health Service classifies its other financial assets between current and non-current assets based on the purpose for which the assets were acquired. Management determines the classification of its other financial assets at initial recognition.

The Health Service assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

All financial assets, except those measured at fair value through profit or loss are subject to annual review for impairment.

Inventories

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

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

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

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2016

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

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

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

Property, Plant and Equipment

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

More details about the valuation techniques and inputs used in determining the fair value of non-financial physical assets are discussed in Note 10 Property, plant and equipment.

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

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

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 at least every five years, based upon the asset's Government Purpose Classification, but may occur more frequently if fair value assessments indicate material changes in values. Independent valuers are used to conduct these scheduled revaluations and any interim revaluations are determined in accordance with the requirements of the FRDs. Revaluation increments or decrements arise from differences between an asset's carrying amount and fair value.

Revaluation increments are recognised in 'other comprehensive income' and are credited directly in equity to the asset revaluation surplus, except that, to the extent that an increment reverses a revaluation decrement in respect of that same class of asset previously recognised as an expense in net result, the increment is recognised as income in the net result.

Revaluation decrements are recognised in 'other comprehensive income' to the extent that a credit balance exists in the asset revaluation surplus in respect of the same class of property, plant and equipment.

Revaluation increases and revaluation decreases relating to individual assets within an asset class are offset against one another within that class but are not offset in respect of assets in different classes.

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

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

Prepayments

Other non-financial assets include prepayments which represent payments in advance of receipt of goods and 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 2016

Disposal of Non-Financial Assets

Any gain or loss on the sale of non-financial assets is recognised in the comprehensive operating statement. Refer to note 1(j) – 'other comprehensive income'.

Impairment of Non-Financial Assets

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

- inventories;
- investment properties that are measured at fair value;
- non-current physical assets held for sale; and

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.

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. Joint ventures are joint arrangements whereby the Health Service, via its joint control of the arrangement, has rights to the net assets of the arrangements.

Investments in jointly controlled assets and operations

In respect of any interest in jointly controlled assets, the Health Service recognises in the financial statements:

- its assets, including its share of any assets held jointly;
- any liabilities including its share of liabilities that it had incurred;
- its revenue from the sale of its share of the output from the joint operation;
- its share of the revenue from the sale of the output by the operation; and
- its expenses, including its share of any expenses incurred jointly.

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or
- the Health Service retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Health Service has transferred its rights to receive cash flows from the asset and either:
 - (a) has transferred substantially all the risks and rewards of the asset; or
 - (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Impairment of Financial Assets

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

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements

for the year ended 30 June 2016

Receivables are assessed for bad and doubtful debts on a regular basis. Bad debts considered as written off and allowances for doubtful receivables are expensed. Bad debt written off by mutual consent and the allowance for doubtful debts are classified as 'other comprehensive income' in the net result.

The amount of 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.

Net Gain / (Loss) on Financial Instruments

Net gain / (loss) on financial instruments includes:

- impairment and reversal of impairment for financial instruments at amortised cost; and
- disposals of financial assets and derecognition of financial liabilities.

[k] Liabilities

Payables

Payables consist of:

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

Contractual payables are classified as financial instruments and are initially recognised at fair value, and then subsequently carried at amortised cost. Statutory payables are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from a contract.

Provisions

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

The amount recognised as a liability is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, using a discount rate that reflects the time value of money and risks specific to the provision.

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

Employee Benefits

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

Wages and Salaries, Annual Leave and Accrued Days Off

Liabilities for wages and salaries, including non-monetary benefits, annual leave, and accumulating sick leave are all recognised in the provision for employee benefits as 'current liabilities', because the health service does not have an unconditional right to defer settlements of these liabilities.

Depending on the expectation of the timing of settlement, liabilities for wages and salaries, annual leave and sick leave are measured at:

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

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2016

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.

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

Any gain or loss followed revaluation of the present value of non-current LSL liability is recognised as a transaction, except to the extent that a gain or loss arises due to changes in bond interest rates for which it is then recognised as an other economic flow.

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.

The Health Service recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

On-Costs related to employee expense

Employee benefit on-costs such as payroll tax, workers compensation and superannuation are recognised separately in the expense for employee benefits.

Superannuation liabilities

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

Derecognition of financial liabilities

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

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

[1] Leases

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 transfer substantially all the risks and rewards of ownership to the lessee.

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2016

For service concession arrangements, the commencement of the lease term is deemed to be the date the asset is commissioned.

All other leases are classified as operating leases.

Finance Leases

The Health Service does not hold any finance lease arrangements with other parties.

[m] Equity

Contributed Capital

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

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.

[n] Commitments

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed by way of a note (refer to note 19) 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.

[o] Contingent assets and contingent liabilities

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

[p] Goods and Service Tax

Income, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. 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 taxation authority 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 taxation authority, are presented as an operating cash flow.

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

[q] Events after the reporting period

Assets, liabilities, income or expenses arise from past transactions or other past events. Where the transactions result from an agreement between the Health Service and other parties, the transactions are only recognised when the agreement is irrevocable at or before the end of the reporting period.

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2016

Adjustments are made to amounts recognised in the financial statements for events which occur between the end of the reporting period and the date when the financial statements are authorised for issue, where those events provide information about conditions which existed at the reporting date. Note disclosure is made about events between the end of the reporting period and the date the financial statements are authorised for issue where the events relate to conditions which arose after the end of the reporting period that are considered to be of material interest.

[r] Foreign Currency

The Health Service had no foreign currency transactions in the reporting period.

[s] AASs issued that are not yet effective

Certain new Australian accounting standards have been published that are not mandatory for the 30 June 2016 reporting period. DTF assesses the impact of all these new standards and advises the Health Service of their applicability and early adoption where applicable.

As at 30 June 2016, the following standards and interpretations had been issued by the AASB but were not yet effective. They become effective for the first financial statements for reporting periods commencing after the stated operative dates as detailed in the table below. The Health Service has not and does not intend to adopt these standards early.

Standard/ Interpretation	Summary	Applicable for Annual reporting periods beginning on	reporting periods beginning on Impact on financial Statements
AASB 9 Financial instruments	The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.	1 Jan 2018	The assessment has identified that the financial impact of available for sale (AFS) assets will now be reported through other comprehensive income (OCI) and no longer recycles to the profit and loss. While the preliminary assessment has not identified any material impact arising from AASB 9, it will continue to be monitored and assessed.
AASB 14 Regulatory Deferral Accounts	AASB 14 permits first-time adopters of Australian Accounting Standards who conduct rate-regulated activities to continue to account for amounts related to rate regulation in accordance with their previous GAAP.	1 Jan 2016	The assessment has indicated that there is no expected impact, as those that conduct rate-regulated activities have already adopted Australian Accounting Standards.
AASB 15 Revenue from Contracts with Customers	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer.	1 Jan 2017 (Exposure Draft 263 - potential deferral to 1 Jan 2018)	The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. The Standard will also require additional disclosures on service revenue and contract modifications. A potential impact will be the upfront recognition of revenue from licences that cover multiple reporting periods. Revenue that was deferred and amortised over a period may now need to be recognised immediately as a transitional adjustment against the opening retained earnings if there are no former performance obligations outstanding.

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2016

AASB 1056 Superannuation Entities	<p>AASB 1056 replaces AAS 25 Financial Reporting by Superannuation Plans. The standard was developed in light of changes in recent years, developments in the superannuation industry and Australia's adoption of IFRS.</p> <p>Some of the key changes in AASB 1056 include:</p> <ul style="list-style-type: none"> the level of integration between AASB 1056 and other AASB standards a revised definition of a superannuation entity revised and consistent content for the financial statements use of fair value rather than net market value for measuring assets and liabilities revised member liability recognition and measurement requirements revised disclosure principles 	1 Jul 2016	The assessment has indicated that there will be no impact on the entity, as the Accounting Standard only affects superannuation entities' own reporting.
AASB 2014-1 Amendments to Australian Accounting Standards [Part E Financial Instruments]	Amends various AASs to reflect the AASB's decision to defer the mandatory application date of AASB 9 to annual reporting periods beginning on or after 1 January 2018 as a consequence of Chapter 6 Hedge Accounting, and to amend reduced disclosure requirements.	1 Jul 2018	This amending standard will defer the application period of AASB 9 to the 2018-19 reporting period in accordance with the transition requirements.
AASB 2014-9 Amendments to Australian Accounting Standards - Equity Method in Separate Financial Statements [AASB 1, AASB 127 and AASB 128]	<p>Amends AASB 127 to allow entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements.</p> <p>In particular, dividends from a subsidiary, a joint venture or an associate are recognised in profit or loss in the separate financial statements of an entity when the entity's right to receive the dividend is established.</p> <p>The dividend is recognised in profit or loss unless the entity elects to use the equity method, in which case the dividend is recognised as a reduction from the carrying amount of the investment.</p>	1 Jan 2016	The assessment has indicated that there is no expected impact as the only controlled or jointly controlled entity is Gippsland Health Alliance
AASB 2014-10 Amendments to Australian Accounting Standards - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [AASB 10 and AASB 128]	<p>Amends AASB 10 and AASB 128 to ensure consistent treatment in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that:</p> <ul style="list-style-type: none"> a full gain or loss to be recognised when a transaction involves a business (whether it is housed in a subsidiary or not); and a partial gain or loss to be recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. 	1 Jan 2016	The assessment has indicated that there is no expected impact as the only controlled or jointly controlled entity is Gippsland Health Alliance
AASB 2015-6 Amendments to Australian Accounting Standards - Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, AASB 124 & AASB 1049]	AASB 2015 6 extends the scope of AASB 124 Related Party Disclosures to not for profit public sector entities. Guidance has been included to assist the application of the Standard by not for profit public sector entities.	1 Jan 2016	The assessment has indicated that there is no expected impact as the current disclosures in Note 22 provide all details of related party transactions.

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2016

[t] Category Groups

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

Admitted Patient Services (Admitted Patients)

Comprises all recurrent health revenue and expenditure on admitted patient services, where services are delivered in public hospitals.

Non-admitted Patients

Comprises revenue and expenditure from Home and Community Care (HACC) programs, Allied Health and support services.

Primary Health

Comprises revenue and expenditure for Community Health Services including health promotion and counselling, physiotherapy, speech therapy, podiatry and occupational therapy.

Other Services excluded from Australian Health Care Agreement (Other)

Comprises revenue and expenditure for services not separately classified above. Health and Community Initiatives also fall into this category group.

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2016

Note 2: Analysis of Revenue by Source

	Admitted Patients	Non-Admitted Patients	Primary Health	Other	Total
	2016 \$	2016 \$	2016 \$	2016 \$	2016 \$
Government Grants	5,050,001	495,727	130,809	-	5,676,537
Indirect Contributions by Dept of Health and Human Services	230,297	-	-	-	230,297
Patient Fees	335,920	137,482	-	-	473,402
Catering	-	-	-	49,261	49,261
Transitional Care Program	404,235	-	-	-	404,235
Other Revenue from Operating Activities	-	-	-	541,760	541,760
Total Revenue from Operating Activities	6,020,453	633,209	130,809	591,021	7,375,492
Interest	-	-	-	49,798	49,798
Donations & Bequests	-	-	-	100,282	100,282
Other Revenue from Non Operating Activities	-	-	-	34,672	34,672
Total Revenue from Non-Operating Activities	-	-	-	184,752	184,752
Capital Donations	-	-	-	152,528	152,528
Capital Grants	-	-	-	83,676	83,676
Total Capital Purpose Income	-	-	-	236,204	236,204
Total Revenue	6,020,453	633,209	130,809	1,011,977	7,796,448

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

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2016

Note 2: Analysis of Revenue by Source (cont.)

	Admitted Patients	Non-Admitted Patients	Primary Health	Other	Total
	2015 \$	2015 \$	2015 \$	2015 \$	2015 \$
Government Grants	4,963,472	486,893	113,111	-	5,563,476
Indirect Contributions by Dept of Health and Human Services	218,851	-	-	-	218,851
Patient Fees	255,237	132,133	-	-	387,370
Catering	-	-	-	52,878	52,878
Transitional Care Program	376,575	-	-	-	376,575
Other Revenue from Operating Activities	-	-	-	618,742	618,742
Total Revenue from Operating Activities	5,814,135	619,026	113,111	671,620	7,217,892
Interest	-	-	-	56,279	56,279
Donations & Bequests	-	-	-	60,399	60,399
Other Revenue from Non Operating Activities	-	-	-	38,729	38,729
Total Revenue from Non-Operating Activities	-	-	-	155,407	155,407
Capital Donations	-	-	-	22,612	22,612
Capital Grants	-	-	-	89,675	89,675
Total Capital Purpose Income	-	-	-	112,287	112,287
Total Revenue	5,814,135	619,026	113,111	939,314	7,485,586

Indirect contributions by Department of Health (1 July 2014 - 31 December 2014) / Department of Health and Human Services (1 January 2015 - 30 June 2015).

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2016

Note 2a: Net Gain/(Loss) on Disposal of Non-Financial Assets

	2016	2015
	\$	\$
Proceeds from Disposal of Non-Current Assets		
Plant and Equipment	5,000	-
Motor Vehicles	13,205	29,546
Total Proceeds from Disposal of Non-Current Assets	18,205	29,546
Less: Written Down Value of Non-Current Assets Sold		
Plant and Equipment	(178,376)	(8,507)
Motor Vehicles	(13,662)	(29,256)
Total Written Down Value of Non-Current Assets Sold	(192,038)	(37,763)
NET (LOSS) ON DISPOSAL OF NON-FINANCIAL ASSETS	(173,833)	(8,217)

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2016

Note 3: Analysis of Expenses by Source

	Admitted Patients 2016 \$	Non-Admitted Patients 2016 \$	Primary Health 2016 \$	Other 2016 \$	Total 2016 \$
Employee Expenses	4,297,278	451,946	93,299	550,649	5,393,172
Non Salary Labour Costs	250,880	-	-	-	250,880
Supplies & Consumables	387,949	21,784	4,497	8,388	422,618
Other Expenses	1,119,977	113,871	23,507	159,750	1,417,105
Total Expenditure from Operating Activities	6,056,084	587,601	121,303	718,787	7,483,776
Loss on disposal of non-current assets	-	-	-	173,833	173,833
Depreciation and Amortisation (Note 4)	-	-	-	366,565	366,565
Total Other Expenses	-	-	-	540,398	540,398
Total Expenses	6,056,084	587,601	121,303	1,259,185	8,024,174

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2016

Note 3: Analysis of Expenses by Source (continued)

	Admitted Patients 2015 \$	Non-Admitted Patients 2015 \$	Primary Health 2015 \$	Other 2015 \$	Total 2015 \$
Employee Expenses	4,427,183	502,962	88,432	508,496	5,527,073
Non Salary Labour Costs	267,777	-	-	-	267,777
Supplies & Consumables	474,893	26,566	4,670	7,283	513,412
Other Expenses	1,120,463	122,095	21,464	143,950	1,407,972
Total Expenditure from Operating Activities	6,290,316	651,623	114,566	659,729	7,716,234
Loss on disposal of non-current assets	-	-	-	8,217	8,217
Depreciation and Amortisation (Note 4)	-	-	-	399,662	399,662
Total Other Expenses	-	-	-	407,879	407,879
Total Expenses	6,290,316	651,623	114,566	1,067,608	8,124,113

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2016

Note 4: Depreciation

	2016	2015
	\$	\$
Depreciation		
Buildings	173,039	173,039
Plant & Equipment	18,319	17,937
Motor Vehicles	34,928	35,154
Medical Equipment	97,706	137,353
Furniture & Fittings	13,780	7,403
Other Equipment	28,793	28,776
TOTAL DEPRECIATION	366,565	399,662

Note 5: Cash and Cash Equivalents

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

	2016	2015
	\$	\$
Cash on Hand	400	400
Cash at Bank	317,392	262,489
TOTAL CASH AND CASH EQUIVALENTS	317,792	262,889
Represented by:		
Cash for Health Service Operations	234,175	149,511
GHA Cash at Bank	83,617	113,378
TOTAL CASH AND CASH EQUIVALENTS	317,792	262,889

Note 6: Receivables

Current		
Contractual		
- Sundry Debtors	104,672	127,386
- Patient Fees	84,410	78,766
- Accrued Investment Income	8,209	8,155
- Department of Health and Human Services/Recall - WIES (i)	56,082	-
- GHA Receivables	40,421	36,441
Less Allowance for Doubtful Debts		
- Patient Fees	(9,126)	(13,412)
	284,668	237,336
Statutory		
- GST Refund Due	19,140	4,544
	19,140	4,544
Total Current	303,808	241,880

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2016

Note 6: Receivables (continued)

Non-Current	2016	2015
Statutory	\$	\$
- Accrued Revenue		
Department of Health/Department of Health and Human		
Services Long Service Leave	377,605	309,224
Total Non-Current	<u>377,605</u>	<u>309,224</u>
 TOTAL RECEIVABLES	 <u><u>681,413</u></u>	 <u><u>551,104</u></u>

(a) Movement in the Allowance for doubtful debts

Balance at beginning of year	13,412	2,095
(Decrease)/Increase in allowance recognised in net result	<u>(4,286)</u>	<u>11,317</u>
Balance at end of year	<u><u>9,126</u></u>	<u><u>13,412</u></u>

(b) Ageing analysis of receivables

Please refer to note 18(b) for the ageing analysis of contractual receivables.

(c) Nature and extent of risk arising from receivables

Please refer to note 18(b) for the nature and extent of credit risk arising from contractual receivables.

(i) Terms and conditions of amounts payable to the Department of Health and Human Services vary according to the particular agreement with the Department.

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2016

Note 7: Investments and Other Financial Assets

	Specific Purpose Fund 2016 \$	Specific Purpose Fund 2015 \$	Capital Fund 2016 \$	Capital Fund 2015 \$	Total 2016 \$	Total 2015 \$
Current						
Loans and receivables						
Term Deposits (i)						
- Term Deposit # 1 (Capital Development)	-	-	321,962	312,169	321,962	312,169
- Term Deposit # 4 (Leave Liabilities)	380,916	369,433	-	-	380,916	369,433
- Term Deposit # 5 (Leave Liabilities)	755,829	733,776	-	-	755,829	733,776
TOTAL INVESTMENTS AND OTHER FINANCIAL ASSETS	1,136,745	1,103,209	321,962	312,169	1,458,707	1,415,378

Notes

(i) 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 18(b) 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 18(b) for the nature and extent of credit risk arising from investments and other financial assets.

Note 8: Inventories

	2016 \$	2015 \$
Pharmaceuticals - At cost	14,532	13,683
Catering Supplies - At cost	5,391	5,040
Medical & Surgical Lines - At cost	49,674	49,684
Engineering Stores - At Cost	3,516	3,600
TOTAL INVENTORIES	73,113	72,008

Note 9: Other Current Assets

GHA Other Current Assets	26,986	26,168
TOTAL OTHER CURRENT ASSETS	26,986	26,168

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2016

Note 10: Property, Plant & Equipment

	2016 \$	2015 \$
(a) Gross carrying amount and accumulated depreciation		
Land		
- Land at fair value	360,000	360,000
Total Land	<u>360,000</u>	<u>360,000</u>
Buildings		
- Buildings at fair value	4,898,792	4,898,792
Less Accumulated Depreciation	(346,078)	(173,039)
- Buildings - Work in Progress - at cost	27,194	8,100
Total Buildings	<u>4,579,908</u>	<u>4,733,853</u>
Plant and Equipment		
- Plant & Equipment at fair value	212,098	212,098
Less Accumulated Depreciation	(113,522)	(95,203)
Total Plant and Equipment	<u>98,576</u>	<u>116,895</u>
Medical Equipment		
- Medical Equipment at fair value	1,335,265	1,543,116
Less Accumulated Depreciation	(1,007,418)	(991,180)
Total Medical Equipment	<u>327,847</u>	<u>551,936</u>
Furniture and Fittings		
- Furniture & Fittings at fair value	189,129	87,162
Less Accumulated Depreciation	(76,469)	(62,689)
Total Furniture and Fittings	<u>112,660</u>	<u>24,473</u>
Other Equipment		
- Other Equipment at fair value	469,037	466,908
Less Accumulated Depreciation	(349,673)	(320,920)
- Other Equipment - Work in Progress at cost	5,059	-
Total Other Equipment	<u>124,423</u>	<u>145,988</u>
GHA Plant & Equipment		
- GHA Plant & Equipment at fair value	4,028	4,068
Total GHA Plant & Equipment	<u>4,028</u>	<u>4,068</u>
Motor Vehicles		
- Motor Vehicles at fair value	290,521	293,055
Less Accumulated Depreciation	(83,518)	(61,686)
Total Motor Vehicles	<u>207,003</u>	<u>231,369</u>
TOTAL PROPERTY, PLANT & EQUIPMENT	<u><u>5,814,443</u></u>	<u><u>6,168,582</u></u>

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements
for the year ended 30 June 2016

Note 10: Property, Plant & Equipment (continued)

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

	Freehold Land	Buildings	Plant & Equipment	Medical Equipment	Furniture & Fittings	Other Equipment	GHA Plant & Equipment	Motor Vehicles	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1st July 2014	360,000	4,901,082	127,018	668,770	31,876	135,591	4,178	240,742	6,469,256
Additions	-	5,810	7,814	20,519	-	47,571	-	55,037	136,751
Disposals	-	-	-	-	-	(8,507)	-	(29,256)	(37,763)
Depreciation/amortisation expense (Note 4)	-	(173,039)	(17,937)	(137,353)	(7,403)	(28,666)	(110)	(35,154)	(399,662)
Balance at 1st July 2015	360,000	4,733,853	116,895	551,936	24,473	145,988	4,068	231,369	6,168,582
Additions	-	19,094	-	51,993	101,967	7,186	-	24,224	204,464
Disposals	-	-	-	(178,376)	-	-	-	(13,662)	(192,038)
Depreciation/amortisation expense (Note 4)	-	(173,039)	(18,319)	(97,706)	(13,780)	(28,753)	(40)	(34,928)	(366,565)
Balance at 30th June 2016	360,000	4,579,908	98,576	327,847	112,660	124,422	4,028	207,003	5,814,444

Land and Buildings carried at valuation

An independent valuation of the South Gippsland Hospital's land and buildings was performed by the Valuer-General Victoria to determine the fair value of the land and buildings. The Valuation, which conforms to Australian Valuation Standards, was determined by reference to the amounts for which assets could be exchanged between knowledgeable willing parties in an arm's length transaction. The valuation was based on independent assessments.

The effective date of the valuation is 30 June 2014.

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2016

Note 10: Property, Plant & Equipment (continued)

(c) Fair value measurement hierarchy for assets as at 30 June 2016

	Carrying amount as at 30 June 2016	Fair Value measurement at end of reporting period using:		
		Level 1 (i)	Level 2 (i)	Level 3 (i)
	\$	\$	\$	\$
Land at fair value				
Non-specialised land				
Specialised land				
- Station Road - Foster	360,000	-	-	360,000
Total of land at fair value	360,000	-	-	360,000
Buildings at fair value				
Non-specialised buildings				
Specialised buildings				
- Station Road, Foster	4,579,908	-	-	4,579,908
Total of building at fair value	4,579,908	-	-	4,579,908
Plant and equipment at fair value				
- Plant and equipment	98,576	-	-	98,576
Total of plant and equipment at fair value	98,576	-	-	98,576
Medical equipment at fair value				
- Medical equipment	327,847	-	-	327,847
Total of medical equipment at fair value	327,847	-	-	327,847
Furniture and fittings at fair value				
- Furniture and fittings	112,660	-	-	112,660
Total furniture and fittings at fair value	112,660	-	-	112,660
Other equipment at fair value				
- Other plant and equipment	124,422	-	-	124,422
Total Other equipment at fair value	124,422	-	-	124,422
GHA plant and equipment at fair value				
- GHA plant and equipment	4,028	-	-	4,028
Total GHA plant and equipment at fair value	4,028	-	-	4,028
Motor Vehicles at fair value				
- Vehicles	207,003	-	-	207,003
Total motor vehicles at fair value	207,003	-	-	207,003
Total Assets at fair value	5,814,443	-	-	5,814,443

Note

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

There have been no transfers between levels during the period.

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2016

(c) Fair value measurement hierarchy for assets as at 30 June 2015 (continued)

	Carrying amount as at			
	30 June 2015	Level 1	Level 2	Level 3
	\$	\$	\$	\$
Land at fair value				
Non-specialised land				
Specialised land				
- Station Road - Foster	360,000	-	-	360,000
Total of land at fair value	360,000	-	-	360,000
Buildings at fair value				
Non-specialised buildings				
Specialised buildings				
- Station Road, Foster	4,733,853	-	-	4,733,853
Total of building at fair value	4,733,853	-	-	4,733,853
Plant and equipment at fair value				
- Plant and equipment	116,895	-	-	116,895
Total of plant and equipment at fair value	116,895	-	-	116,895
Medical equipment at fair value				
- Medical equipment	551,936	-	-	551,936
Total of medical equipment at fair value	551,936	-	-	551,936
Furniture and fittings at fair value				
- Furniture and fittings	24,473	-	-	24,473
Total furniture and fittings at fair value	24,473	-	-	24,473
Other equipment at fair value				
- Other plant and equipment	145,988	-	-	145,988
Total Other equipment at fair value	145,988	-	-	145,988
GHA plant and equipment at fair value				
- GHA plant and equipment	4,068	-	-	4,068
Total GHA plant and equipment at fair value	4,068	-	-	4,068
Motor Vehicles at fair value				
- Vehicles	231,369	-	-	231,369
Total motor vehicles at fair value	231,369	-	-	231,369
Total Assets at fair value	6,168,582	-	-	6,168,582

Note

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

There have been no transfers between levels during the period.

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2016

Non-specialised land and non-specialised buildings

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

For non-specialised land and non-specialised buildings, an independent valuation was performed by independent valuers (Westernport Property Consultants) to determine the fair value using the market approach. Valuation of the assets was determined by analysing comparable sales and allowing for share, size, topography, location and other relevant factors specific to the asset being valued. An appropriate rate per square metre has been applied to the subject asset. The effective date of the valuation is 30 June 2014. To the extent that non-specialised land and non-specialised buildings do not contain significant, unobservable adjustments, these assets are classified as Level 2 under the market approach.

Specialised land and specialised buildings

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

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

For the health services, the depreciated replacement cost method is used for the majority of specialised buildings, adjusting for the associated depreciation. As depreciation adjustments are considered as significant and unobservable inputs in nature, specialised buildings are classified as Level 3 for fair value measurements. An independent valuation of the Hospital's specialised land and specialised buildings was performed by the Valuer-General Victoria. The valuation was performed using the market approach adjusted for CSO. The effective date of the valuation is 30 June 2014.

Vehicles

The Hospital 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 Hospital 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 value (depreciated cost).

Plant and equipment

Plant and equipment is held at carrying value (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 value.

There were no changes in valuation techniques throughout the period to 30 June 2016.

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

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements
for the year ended 30 June 2016

Note 10: Property, Plant & Equipment (continued)

(d) Reconciliation of Level 3 fair value

30 June 2016	Land \$	Buildings \$	Plant & Equipment \$	Medical Equipment \$	Furniture & Fittings \$	Other Equipment \$	GHA Equipment \$	Motor Vehicles \$	Total \$
Opening Balance	360,000	4,733,853	116,895	551,936	24,473	145,988	4,068	231,369	6,168,582
Purchases (sales)	-	19,094	-	(126,383)	101,967	7,186	-	10,562	12,426
Gains or losses recognised in net result									
- Depreciation	-	(173,039)	(18,319)	(97,706)	(13,780)	(28,753)	(40)	(34,928)	(366,565)
Subtotal	360,000	4,579,908	98,576	327,847	112,660	124,422	4,028	207,003	5,814,443

Items recognised in other comprehensive income

- Revaluation	-	-	-	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-	-	-	-
Closing Balance	360,000	4,579,908	98,576	327,847	112,660	124,422	4,028	207,003	5,814,443

Unrealised gains/(losses) on non-financial assets

	-	-	-	-	-	-	-	-	-
	360,000	4,579,908	98,576	327,847	112,660	124,422	4,028	207,003	5,814,443

30 June 2015

Opening Balance	Land \$	Buildings \$	Plant & Equipment \$	Medical Equipment \$	Furniture & Fittings \$	Other Equipment \$	GHA Equipment \$	Motor Vehicles \$	Total \$
Purchases (sales)	360,000	4,901,082	127,018	668,770	31,876	126,091	4,178	240,742	6,459,757
	-	5,810	7,814	20,519	-	48,564	-	25,781	108,488
Gains or losses recognised in net result									
- Depreciation	-	(173,039)	(17,937)	(137,353)	(7,403)	(28,666)	(110)	(35,154)	(399,662)
Subtotal	360,000	4,733,853	116,895	551,936	24,473	145,988	4,068	231,369	6,168,582

Items recognised in other comprehensive income

- Revaluation	-	-	-	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-	-	-	-
Closing Balance	360,000	4,733,853	116,895	551,936	24,473	145,988	4,068	231,369	6,168,582

Unrealised gains/(losses) on non-financial assets

	-	-	-	-	-	-	-	-	-
	360,000	4,733,853	116,895	551,936	24,473	145,988	4,068	231,369	6,168,582

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2016

Note 10: Property, Plant & Equipment (continued)

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

	Valuation technique	Significant unobservable inputs	Range (weighted average) (i)	Sensitivity of fair value measurement to changes in significant unobservable inputs
Specialised land - Station Road, Foster	Market Approach	Community Service Obligation (CSO) adjustment	20% (20%)(i)	A significant increase or decrease in the CSO adjustment would result in a significantly lower (higher) fair value
Specialised Buildings - Station Road, Foster	Depreciated replacement cost	Direct cost per square meter Useful life of building	 \$350 - \$1825/m2 1-50 years	 A significant increase or decrease in direct cost per square metre adjustment would result in higher or lower fair value. A significant increase or decrease in the estimated useful life of the asset would result in significantly higher or lower valuation.
Plant & Equipment at fair value - Plant & Equipment	Depreciated replacement cost	Cost per unit Useful life of asset	 \$0 - \$48,000 (\$2,300) 5-10 years (7years)	 A significant increase or decrease in direct cost per square metre adjustment would result in higher or lower fair value. A significant increase or decrease in the estimated useful life of the asset would result in significantly higher or lower valuation.
Vehicles at fair value - Vehicles	Depreciated replacement cost	Cost per unit Useful life of asset	 \$15,000 - \$38,000 (\$23,000) 8-10 years (9years)	 A significant increase or decrease in cost per unit would result in higher or lower fair value. A significant increase or decrease in the estimated useful life of asset would result in significantly higher or lower value.
Medical equipment at fair value - Medical Expenses	Depreciated replacement cost	Cost per unit Useful life of asset	 \$0 - \$20,000 (\$1,800) 8-10 years (9years)	 A significant increase or decrease in cost per unit would result in higher or lower fair value. A significant increase or decrease in the estimated useful life of asset would result in significantly higher or lower value.

(i) CSO adjustments ranging from 50% to 70% were applied to reduce the market approach value for the Department's specialised land, with the weighted average 20% reduction applied.

The significant unobservable inputs have remain unchanged from 2015.

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2016

Note 11: Payables

	2016	2015
	\$	\$
Current		
Contractual		
- Trade Creditors (i)	207,023	143,968
- Accrued Expenses	19,827	33,560
	<u>226,850</u>	<u>177,528</u>
Statutory		
- Department of Health and Human Services/Recall - WIES (ii)	-	47,957
TOTAL PAYABLES	<u><u>226,850</u></u>	<u><u>225,485</u></u>

(i) The average credit period is 30 days. No interest is charged on payables for the first 30 days from the date of the invoice thereafter.

(ii) Terms and conditions of amounts payable to the Department of Health and Human Services vary according to the particular agreement with the Department.

Note 11a: Maturity Analysis of Payables

Please refer to note 18(c) for the ageing analysis of contractual payables.

Note 11b: Nature and extent of risk arising from Payables

Please refer to note 18(c) for the nature and extent of risks arising from contractual payables.

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2016

Note 12: Jointly Controlled Assets

Name of Entity	Principal Activity	Ownership Interest	
		2016	2015
		%	%
Gippsland Health Alliance	Information Technology	3.45	3.16

The Hospital's interest in assets employed in the above jointly controlled operations and assets is detailed below.

	2016	2015
	\$	\$
Current Assets		
Cash and Cash Equivalents	83,617	113,378
Receivables	40,421	36,441
Other Current Assets	26,986	26,168
Total Current Assets	151,024	175,987
Non-Current Assets		
Property, Plant & Equipment	4,028	4,068
Total Non-Current Assets	4,028	4,068
Share of Total Assets	155,052	180,055
Current Liabilities		
Other Current Liabilities	31,570	49,343
Total Current Liabilities	31,570	49,343
Share of Total Liabilities	31,570	49,343
Net Assets	123,482	130,712
Reconciliation of jointly controlled assets:		
Share of funds at beginning of the reporting period	130,712	125,265
Share of current year Surplus/(Deficit)	(7,232)	5,447
Share of funds at end of reporting period	123,480	130,712
Operating Revenue		
GHA Revenue - SGH	247,517	217,033
GHA Revenue - Other	(7,192)	92,601
Total Operating Revenue	240,325	309,634
Operating Expenses		
GHA Expenses	247,517	304,077
Total Operating Expenses	247,517	304,077
Capital Expenditure		
Depreciation	40	110
Total Capital Expenditure	40	110
Net Result	(7,232)	5,447

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2016

Note 13: Provisions

	2016	2015
	\$	\$
Current Provisions Employee Benefits (Note 13 (a))		
Annual Leave (Note 13 (a))		
- Unconditional and expected to be settled wholly within 12 months (ii)	145,766	142,262
- Unconditional and expected to be settled wholly after 12 months (ii)	437,298	426,785
Long Service Leave (Note 13 (a))		
- Unconditional and expected to be settled wholly within 12 months (ii)	170,229	148,013
- Unconditional and expected to be settled wholly after 12 months (iii)	510,687	444,039
Provisions related to Employee Benefit On-Costs		
- Unconditional and expected to be settled wholly within 12 months (ii)	80,005	78,010
- Unconditional and expected to be settled wholly after 12 months (iii)	55,791	49,955
Other		
- Unconditional and expected to be settled wholly within 12 months (ii)	249,108	243,169
Total Current Provisions	<u>1,648,884</u>	<u>1,532,231</u>
Non-Current Provisions		
Employee Benefits (i)	222,476	219,562
Provisions related to Employee Benefit On-Costs (iii)	23,511	22,619
Total Non-Current Provisions	<u>245,987</u>	<u>242,181</u>
TOTAL PROVISIONS	<u><u>1,894,871</u></u>	<u><u>1,774,412</u></u>
(a) Employee Benefits and Related On-Costs:		
Current Employee Benefits and Related On-Costs		
Annual Leave Entitlements	644,472	630,404
Accrued Wages & Salaries	234,190	229,893
Accrued Days Off	14,918	13,276
Unconditional Long Service Leave Entitlements (iii)	755,304	658,658
	<u>1,648,884</u>	<u>1,532,231</u>
Non-Current Employee Benefits and Related On-Costs		
Conditional Long Service Leave Entitlements	245,987	242,181
	<u>245,987</u>	<u>242,181</u>
Total Employee Benefits and Related On-Costs	<u><u>1,894,871</u></u>	<u><u>1,774,412</u></u>
 (i) Employee benefits consist of annual leave and long service leave accrued by employees. On-costs such as payroll tax and workers compensation insurance are not employee benefits are reflected as a separate provision.		
 (ii) The amounts disclosed are at normal values.		
 (iii) The amounts disclosed are at present values.		
(b) Movement in Long Service Leave:		
Balance at start of year	900,839	827,480
Provision made during the year		
Revaluations	8,724	13,106
Expense recognising Employee Services	178,809	161,152
Settlements made during the year	(87,081)	(100,899)
Balance at end of year	<u><u>1,001,291</u></u>	<u><u>900,839</u></u>

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2016

Note 14: Superannuation

	Paid Contributions		Outstanding Contributions	
	2016	2015	2016	2015
	\$	\$	\$	\$
Defined Contribution plans:				
- Health Super	330,988	352,478	10,379	1,653
- Hesta Super	105,366	103,823	3,285	368
TOTAL SUPERANNUATION	436,354	456,301	13,664	2,021

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.

The Hospital does not recognise any defined benefit liability in respect of the plan(s) because the entity has no legal or constructive obligation to pay future benefits relating to its employees; its only obligation is to pay superannuation contributions as they fall due. The Department of Treasury & Finance discloses the State's defined benefits liabilities in its disclosure for administered items.

However superannuation contributions paid or payable for the reporting period are included as part of employee benefits in the comprehensive operating statement of the Hospital.

The name, details and amounts expense in relation to the major employee superannuation funds and contributions made by the Hospital are listed above.

Note 15: Other Current Liabilities

	2016	2015
	\$	\$
Current		
GHA Other Current Liabilities	31,570	49,343
TOTAL OTHER CURRENT LIABILITIES	31,570	49,343

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2016

Note 16: Equity

	2016	2015
	\$	\$
(a) Surpluses		
Property, Plant & Equipment Revaluation Surplus (i)		
Balance at the beginning of the reporting period	2,857,560	2,857,560
Balance at end of reporting period	<u>2,857,560</u>	<u>2,857,560</u>
Represented by:		
- Land	146,586	146,586
- Buildings	2,710,974	2,710,974
Total Surpluses	<u>2,857,560</u>	<u>2,857,560</u>
(b) Contributed Capital		
Balance at the beginning of the reporting period	3,086,756	3,086,756
Balance at the end of reporting period	<u>3,086,756</u>	<u>3,086,756</u>
(c) Accumulated Surpluses		
Balance at the beginning of the reporting period	502,573	1,141,100
Net Result for year	(227,726)	(638,527)
Balance at the end of reporting period	<u>274,847</u>	<u>502,573</u>
Total Equity at end of financial year	<u>6,219,163</u>	<u>6,446,889</u>

(i) The property, plant & equipment asset revaluation surplus arises on the revaluation of property, plant & equipment.

Note 17: Reconciliation of Net Result for the Year to Net Cash Inflow from Operating Activities

Net Result for the Year	(227,726)	(638,527)
Depreciation and Amortisation	366,565	399,662
Net Loss from Sale of Plant & Equipment	173,833	8,217
Change in Operating Assets and Liabilities		
Increase/(Decrease) in Payables	1,365	78,299
Increase/(Decrease) in Employee Entitlements	120,459	207,003
(Increase)/Decrease in Inventories	(1,105)	4,524
(Increase)/Decrease in Receivables	(130,309)	(37,586)
Increase/(Decrease) in Other Assets	(818)	(13,015)
Increase/(Decrease) in Other Liabilities	(17,773)	12,561
Net Cash Inflow / (Outflow) from Operating Activities	<u>284,491</u>	<u>21,138</u>

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2016

Note 18: Financial Instruments

(a) Financial Risk Management Objectives and Policies

The Health Services principal financial instruments comprise of:

- Cash Assets
- Term Deposits
- Receivables (excluding statutory receivables)
- Payables (excluding statutory payables)

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, with respect to each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

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

The Hospital uses different methods to measure and manage the different risks to which it is exposed. Primary responsibilities for the identification and management of the financial risks rests with the finance committee of the Hospital.

The main purpose in holding financial instruments is to prudentially manage South Gippsland Hospital's financial risks within the government policy parameters.

Categorisation of financial instruments

Details of each categories in accordance with AASB 139, shall be disclosed either on the face of the balance sheet or in the notes.

30 June 2016	Note	Contractual financial assets - loans & receivables \$	TOTAL \$
Contractual Financial Assets			
Cash and cash equivalents	5	317,792	317,792
Receivables			
- Debtors	6	284,668	284,668
Other financial assets			
- Term Deposits	7	1,458,707	1,458,707
Total Financial Assets (i)		2,061,167	2,061,167
Financial Liabilities			
Payables at amortised cost	11	226,850	226,850
Total Financial Liabilities (ii)		226,850	226,850

(i) The total amount of financial assets disclosed here excludes statutory receivables

(ii) The total amount of financial liabilities disclosed here excludes statutory payables (i.e. taxes payable)

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2016

Note 18: Financial Instruments (continued)

(a) Financial Risk Management Objectives and Policies (continued)

30 June 2015	Note	Contractual financial assets - loans & receivables \$	TOTAL \$
Contractual Financial Assets			
Cash and cash equivalents	5	262,889	262,889
Receivables			
- Debtors	6	237,336	237,336
Other financial assets			
- Term Deposits	7	1,415,378	1,415,378
Total Financial Assets (i)		1,915,603	1,915,603
Financial Liabilities			
Payables at amortised cost	11	177,528	177,528
Total Financial Liabilities (ii)		177,528	177,528

(i) The total amount of financial assets disclosed here excludes statutory receivables

(ii) The total amount of financial liabilities disclosed here excludes statutory payables (i.e. taxes payable)

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2016

Note 18: Financial Instruments (continued)

(b) Credit Risk

Credit risk arises from the contractual financial assets of the Hospital, which comprise cash and deposits, non-statutory receivables and available for sale contractual financial assets. The Hospital's exposure to credit risk arises from potential default of a counter party on their contractual obligations resulting in financial loss to the Hospital. Credit risk is measured at fair value and is monitored on a regular basis.

Credit risk associated with the Hospital's contractual financial assets is minimal because the main debtor is the Victorian Government. For debtors other than the Government, it is the Hospital's policy to only deal with entities with high credit rates of a minimum Triple-B rating and to obtain sufficient collateral or credit enhancements, where appropriate.

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

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

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

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

	Financial institutions AA credit rating	Other (min BBB credit rating)	Total
	\$	\$	\$
2016			
Financial Assets			
Cash and Cash Equivalents	317,392	400	317,792
Loans and receivables			
- Receivables (i)	-	284,668	284,668
- Term Deposits	1,458,707	-	1,458,707
Total Financial Assets	1,776,099	285,068	2,061,167
2015			
Financial Assets			
Cash and Cash Equivalents	262,489	400	262,889
Loans and receivables			
- Receivables (i)	-	237,336	237,336
- Term Deposits	1,415,378	-	1,415,378
Total Financial Assets	1,677,867	237,736	1,915,603

(i) The total amounts disclosed here exclude statutory amounts (e.g. amounts owing from Victorian Government and GST input tax credit recoverable).

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2016

Note 18: Financial Instruments (continued)

(b) Credit Risk (continued)

Ageing analysis of Financial Assets as at 30 June

	Carrying Amount	Not Past Due and not Impaired	Past Due But Not Impaired Less than 1 Month	1 - 3 Months	3 Months - 1 Year	1 - 5 Years	Impaired Financial Assets
	\$	\$	\$	\$	\$	\$	\$
2016							
Financial Assets							
Cash and Cash Equivalents	317,792	317,792	-	-	-	-	-
Loans and receivables							
- Receivables	284,668	272,609	381	11,678	-	-	-
- Term Deposits	1,458,707	1,458,707	-	-	-	-	-
Total Financial Assets	2,061,167	2,049,108	381	11,678	-	-	-
2015							
Financial Assets							
Cash and Cash Equivalents	262,889	262,889	-	-	-	-	-
Loans and receivables							
- Receivables	237,336	166,184	31,481	39,671	-	-	-
- Term Deposits	1,415,378	1,415,378	-	-	-	-	-
Total Financial Assets	1,915,603	1,844,451	31,481	39,671	-	-	-

Ageing analysis of financial assets excludes the types of statutory financial assets (i.e. GST input tax credits)

Contractual financial assets that are either past due or impaired

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

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

(c) Liquidity Risk

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

The Hospital's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed in the face of the balance sheet.

The Hospital manages liquidity risk by ensuring that there are regular processes in place to review the liabilities and available funds.

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

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2016

Maturity analysis of financial liabilities

	Carrying Amount	Contractual Cash Flows	Maturity Dates			
			Less than 1 Month	1 - 3 Months	3 Months - 1 Year	1 - 5 Years
2016	\$	\$	\$	\$	\$	\$
Payables						
<i>At amortised cost</i>						
Trade payable & accruals (i)	226,850	226,850	226,850	-	-	-
Total Financial Liabilities	<u>226,850</u>	<u>226,850</u>	<u>226,850</u>	<u>-</u>	<u>-</u>	<u>-</u>

2015						
Payables						
<i>At amortised cost</i>						
Trade payable & accruals (i)	177,528	177,528	177,528	-	-	-
Total Financial Liabilities	<u>177,528</u>	<u>177,528</u>	<u>177,528</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2016

Note 18: Financial Instruments (continued)

(d) Market Risk

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

Currency Risk

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

Interest Rate Risk

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

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Hospital has minimal exposure to cash flow interest rate risks through its cash and deposits, term deposits and bank overdrafts that are at floating rates.

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

Interest Rate Exposure of Financial Assets and Liabilities as at 30 June

	Weighted Average Effective Interest Rate %	Carrying Amount \$	Interest Rate \$	Interest Rate \$	Non- Interest Bearing \$
2016					
Financial Assets					
Cash and Cash Equivalents	0.54%	317,792	-	317,392	400
Loans and Receivables (i)					
- Receivables	-	284,668	-	-	284,668
- Term Deposits	2.94%	1,458,707	1,458,707	-	-
		<u>2,061,167</u>	<u>1,458,707</u>	<u>317,392</u>	<u>285,068</u>
Financial Liabilities					
<i>At amortised cost</i>					
Payables (i)	-	226,850	-	-	226,850
		<u>226,850</u>	<u>-</u>	<u>-</u>	<u>226,850</u>

(i) The carrying amount must exclude types of statutory financial assets and liabilities (i.e. GST input tax credit and GST payable)

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2016

	Weighted Average Effective Interest Rate %	Carrying Amount \$	Fixed Interest Rate \$	Interest Rate Exposure Variable Interest Rate \$	Non- Interest Bearing \$
2015					
Financial Assets					
Cash and Cash Equivalents	0.61%	262,889	-	262,489	400
Loans and Receivables (i)					
- Receivables	-	237,336	-	-	237,336
- Term Deposits	3.03%	1,415,378	1,415,378	-	-
		<u>1,915,603</u>	<u>1,415,378</u>	<u>262,489</u>	<u>237,736</u>
Financial Liabilities					
<i>At amortised cost</i>					
Payables (i)	-	177,528	-	-	177,528
		<u>-</u>	<u>-</u>	<u>-</u>	<u>177,528</u>

(i) The carrying amount must exclude types of statutory financial assets and liabilities (i.e. GST input tax credit and GST payable)

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2016

Note 18d: Financial Instruments (continued)

(d) Market Risk (continued)

Sensitivity Disclosure Analysis

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

- A parallel shift of + 1% and - 1% in market interest rates (AUD) from year-end rates of 2.2%;

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

	Carrying Amount	Interest Rate Risk			
		- 1%		+ 1%	
	\$	Profit \$	Equity \$	Profit \$	Equity \$
2016					
Financial Assets					
Cash and Cash Equivalents	317,392	(3,174)	(3,174)	3,174	3,174
Cash on hand	400	-	-	-	-
Loans and Receivables					
- Receivables	284,668	-	-	-	-
Other financial assets					
- Term Deposits	1,458,707	(14,587)	(14,587)	14,587	14,587
Financial Liabilities					
<i>At amortised cost</i>					
Payables	226,850	-	-	-	-
		(17,761)	(17,761)	17,761	17,761
2015					
Financial Assets					
Cash and Cash Equivalents	262,489	(2,625)	(2,625)	2,625	2,625
Cash on hand	400	-	-	-	-
Loans and Receivables					
- Receivables	237,336	-	-	-	-
Other financial assets					
- Term Deposits	1,415,378	(14,154)	(14,154)	14,154	14,154
Financial Liabilities					
<i>At amortised cost</i>					
Payables	177,528	-	-	-	-
		(16,779)	(16,779)	16,779	16,779

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2016

Note 18: Financial Instruments (continued)

(c) Fair Value

The fair values and net fair values of financial instrument assets and liabilities are determined as follows:

Level 1- the fair value of financial instrument with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices.

Level 2 - the fair value is determined using inputs other than quoted prices that are observable for the financial asset or liability, either directly or indirectly; and

Level 3 - the fair value is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using unobservable market inputs.

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

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

Comparison between carrying amount and fair value

	Carrying Amount 2016 \$	Fair Value 2016 \$	Carrying Amount 2015 \$	Fair Value 2015 \$
Financial Assets				
Cash and Cash Equivalents	317,792	317,792	262,889	262,889
Loans and Receivables				
- Receivables	284,668	284,668	237,336	237,336
Other financial assets				
- Term Deposits	1,458,707	1,458,707	1,415,378	1,415,378
Total Financial Assets	2,061,167	2,061,167	1,915,603	1,915,603
Financial Liabilities				
<i>At amortised cost</i>				
Payables	226,850	226,850	177,528	177,528
Total Financial Liabilities	226,850	226,850	177,528	177,528

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2016

Note 19: Commitments for expenditure

The Hospital does not have any capital or lease commitments for expenditure as at 30 June 2016. (2015: Nil)

Note 20: Segment Reporting

The 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.

Note 21: Contingent Assets and Contingent Liabilities

There were no contingent assets or contingent liabilities at 30 June 2016. (2015: Nil)

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2016

Note 22: Responsible Persons Disclosures

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

	Period	
Responsible Ministers:		
The Honourable Jill Hennessy, Minister for Health, Minister for Ambulance	01/07/2015	30/06/2016
The Honourable Martin Foley, Minister for Housing, Disability and Ageing, Minister for Mental Health	01/07/2015	30/06/2016
Governing Board:		
Mr. Neil Roussac (Chair) (appointed 2006)	01/07/2015	30/06/2016
Mrs. Mohya Davies (appointed 1986)	01/07/2015	30/06/2016
Mr. Clive White (appointed 1986)	01/07/2015	30/06/2016
Dr. Matthew Marriott (appointed 2009)	01/07/2015	30/06/2016
Mr. Bruce Lester (appointed 2010)	01/07/2015	30/06/2016
Mr. Paul Ahern (appointed 2011)	01/07/2015	30/06/2016
Mrs. Lisa Barham-Lomax (appointed 2012)	01/07/2015	30/06/2016
Ms. Bernadette Thomson (resigned 2015)	01/07/2015	20/07/2015
Dr Priscilla Robinson (appointed 2014)	01/07/2014	30/06/2016
Ms. Janyce Bull (appointed 2014)	01/07/2014	30/06/2016
Ms. Susan Pilkington (appointed 2014)	01/07/2014	30/06/2016
Mr Iain Vernon (appointed 2015)	01/07/2015	30/06/2016
Accountable Officer		
Mr. Peter Rushen	01/07/2015	30/06/2016
	2016	2015
Remuneration of Responsible Persons		
The number of Responsible Persons are shown in their relevant income bands:		
Income Band		
\$0 - \$140,000	12	9
\$140,000 - \$149,999	-	1
\$149,999 - \$200,000	1	-
Total Numbers	13	10
Total remuneration received or due and receivable by Responsible Persons from the reporting entity amounted to:	197,138	148,931

Amounts relating to Responsible Ministers are reported in the financial statements of the Department of Premier and Cabinet.

There was no remuneration paid to any Board Member in respect of their role as a Board Member.

Other Transactions of Responsible Persons and their Related Parties.

Mrs. Mohya Davies as a partner in Foster Butchery was in receipt of payment for meat supplies provided to the Hospital and not for her role on the Board. The total paid to Foster Butchery for the period 1st July 2015 to 30th June 2016 was \$13,429 (2015 \$12,486).

Mr. Paul Ahern as a partner in Aherns Fruit Market was in receipt of payment for food supplies provided to the Hospital and not for his role on the Board. The total paid to Aherns Fruit Market for the period 1st July 2015 to 30th June 2016 was \$8,679 (2015 \$9,064).

There were no other transactions with responsible persons or their related parties.

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2016

Note 23: Executive Officer Disclosures

The numbers of executive officers, other than Ministers and Accountable Officers, and their total remuneration during the reporting period are shown in the first two columns in the table below in their relevant income bands. The base remuneration of executive officers is shown in the third and fourth columns. Base remuneration is exclusive of bonus payments, long-service leave payments, redundancy payments and retirement benefits.

	Total Remuneration		Base Remuneration	
	2016	2015	2016	2015
The number of Executive Officers whose total remuneration exceeded \$100,000 amounted to:				
Total	2	2	2	2
<hr/>				
Total annualised employee equivalents (AEE) (i)				
Total Remuneration	333,250	253,105	333,250	246,105

(i) Annualised employee equivalent is based on paid working hours of 38 ordinary hours per week over 52 weeks for a reporting period.

Note 24: Remuneration of Auditors

	2016	2015
	\$	\$
Audit fees paid or payable to the Victorian Auditor- General's Office for audit of the Hospital's current financial report	21,000	20,500
	<u>21,000</u>	<u>20,500</u>

Note 25: Events Occurring After Reporting Date

There have been no events since balance date which have had a material effect on these financial statements (2015:Nil)

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2016

Note 26: Alternative presentation of comprehensive operating statement

	2016	2015
	\$	\$
Interest	49,798	56,279
Grants	5,990,510	5,872,002
Other Income	1,756,140	1,557,305
Total Revenue	<u>7,796,448</u>	<u>7,485,586</u>
Employee expenses	5,393,172	5,527,073
Depreciation	366,565	399,662
Other operating expenses	2,090,604	2,189,161
Total Expenses	<u>7,850,341</u>	<u>8,115,896</u>
Net result from transactions - Net operating balance	<u>(53,893)</u>	<u>(630,310)</u>
Net gain/ (loss) on sale of non-financial assets	<u>(173,833)</u>	<u>(8,217)</u>
Total other economic flows included in net result	<u>(227,726)</u>	<u>(638,527)</u>
Net result	<u>(227,726)</u>	<u>(638,527)</u>

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2016

Note 27: Glossary of terms and style conventions

Actuarial gains or losses on superannuation defined benefit plans

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

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

Amortisation

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

Comprehensive result

The net result of all items of income and expense recognised for the period. It is the aggregate of operating result and other non-owner movements in equity.

Commitments

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

Current grants

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

Depreciation

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

Effective interest method

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

Employee benefits expenses

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

Ex gratia expenses

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

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2016

Financial asset

A financial asset is any asset that is:

- (a) cash;
- (b) an equity instrument of another entity;
- (c) a contractual or statutory right;
 - to receive cash or another financial asset from another entity; or
 - to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or
- (d) a contract that will or may be settled in the entity's own equity instruments and is:
 - a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or
 - a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

Financial instrument

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

Financial liability

A financial liability is any liability that is:

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

Grants and other transfers

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

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

General government sector

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

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2016

Intangible produced assets

Refer to produced assets in this glossary.

Intangible non-produced assets

Refer to non-produced asset in this glossary.

Interest expense

Costs incurred in connection with the borrowing of funds includes interest on bank overdrafts and short-term and long-term liabilities, amortisation of discounts or premiums relating to liabilities, interest component of finance leases repayments, and the increase in financial liabilities and non-employee provisions due to the unwinding of discounts to reflect the passage of time.

Interest income

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

Joint Arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. A joint arrangement has the following characteristics:

- (a) The parties are bound by a contractual arrangement.
- (b) The contractual arrangement gives two or more of those parties joint control of the arrangement

A joint arrangement is either a joint operation or a joint venture.

Liabilities

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

Net result

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

Net worth

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

Non-financial assets

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

Payables

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

Produced assets

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

Receivables

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

SOUTH GIPPSLAND HOSPITAL

Notes to the Financial Statements for the year ended 30 June 2016

Sales of goods and services

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

Supplies and services

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