

ANNUAL REPORT

2020-2021



South Gippsland Hospital
Adaptability. Trust. Excellence. Accountability. Mutual respect.

Our People Matter



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Email: sghosp@sghs.com.au
Website: <https://southgippslandhospital.com.au/>

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 maternity 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*.

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

The hospital building has 16 inpatient beds, a refurbished birthing suite, an operating theatre, medical imaging facilities and an Urgent Care Centre.

The Community Health Centre was opened in June 2001 and provides the perfect setting for primary health services which continue to expand.

In 2020, a new state of the art operating theatre was opened to support elective surgery and emergency obstetric surgery. Additionally, the Banksia Centre was refurbished to accommodate the Social Support Groups and the Senior Day Stay Centre Based Respite Program.

During the reporting period the responsible ministers were:

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

The Hon Martin Foley MP,
Minister for Mental Health
Minister for Equality

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

The Hon James Merlino
Minister for Mental Health

Vision, Mission, Strategic Directions and Values

Vision

To create the healthiest community in the state.

Mission

To provide and promote the best health services for all our community using safe and caring practices, through strong collaboration with all our partners.

Strategic Directions

Preventing illness and injury, where possible;
Healing where we can;
Helping where we can; and
Caring even after a patient leaves us.

Core Values

In delivering our services, we will always seek to demonstrate and promote

Accountability:

accepting responsibility for our actions.

Trust:

acting with integrity and being able to count on each other.

Excellence:

doing our best at all times and looking for ways to improve.

Adaptability:

being flexible and accepting of new ideas and change for the better.

Mutual respect:

treating others the way we want to be treated.

Overview

Overview of Services

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

Foster has a population of approximately 1800 people, and the official catchment area of the Hospital has approximately 6000 people.

The Hospital offers inpatient services, outreach clinics, as well as centre based and home based community care.

Acute Care

Urgent Care Centre

Palliative Care

Medical

Surgical

Obstetrics and Gynaecology

Urology

Medical Imaging

Pathology

Pre-Anaesthetic Clinic

Community Care

Transition Care Program

Home Care Package Service

Allied Health Services

- Allied Health Assistants
- Dietetics
- Exercise Physiology
- Occupational Therapy
- Physiotherapy
- Podiatry
- Psychology/Counselling
- Social Work

Community Care (continued)

Social Support Group
(Planned Activity Groups)

Falls Prevention Program

General Rehabilitation Group

Mobility and Exercise Groups (Moovers)

Community Nursing

- Chronic Disease Management
- Diabetes Education
- District Nursing
- Foot Care Clinic
- Regional Continence Nurse
- McGrath Breast Care Nurse
- Regional Wound Nurse
- Seniors Day Stay – Centre-based respite program
- Stoma and Continence Clinic
- Well Women's Clinic
- Wound Clinic
- Youth Assist Clinic

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 2021.



Susan Pilkington
Chair, Board of Management
Foster, Victoria
22 October 2021

Overview

Chair's & CEO's Combined Report

The year in review 2020-2021:

On behalf of the Board of South Gippsland Hospital and the Executive Management Team we are pleased to present our Annual Report for the year ending 30th June 2021.

In a year of significant challenges in the health sector due to the COVID-19 Pandemic, South Gippsland Hospital has again delivered a strong financial and operational performance and an exceptional level of safe health care to our community. Despite those challenges, strategic priorities for the year were met, our quality and clinical governance performance continued to meet or better benchmarks and a positive financial result was delivered. Details can be found in this Annual Report.

Organisational changes:

The Board was pleased to welcome Ms Claire Kent as Director of Nursing during the year and to appoint our interim Chief Executive Office Mr Paul Greenhalgh to the role of Chief Executive Officer in December 2020. We farewelled Board member Duncan Davies at 30th June and thank him for his service to South Gippsland Hospital during his tenure. We welcome two new Board members at 1st July 2021: Ms Ali Wastie and Mr Damon Stynes.

Key achievements in 2020-2021:

- Expansion of our Allied Health services to include social work, additional physiotherapy hours, occupational therapy and exercise physiology.
- Establishment of the Senior Day Stay centre-based respite program, following a pilot the previous year.
- Continued growth in our Home Care Packages program.
- Involvement in the sub-regional and regional 'Better at Home' initiative.
- Increase in surgery in our new theatre facilities, in addition to our involvement in the Statewide programme to shorten waiting times for elective surgery.
- An increase in births following the refurbishment of our maternity suite.
- Department of Health funding of \$287,950 to increase amenity for staff and patients by repurposing the space previously occupied by the old surgical theatre.
- Remodelled Stepped Care to a directly employed Mental Health Counsellor model.
- Appointment of a new Medical Imaging Service provider in March 2021 following the retirement of Mr Francis Sullivan after fifteen years of service to SGH and the community.
- Continued successful collaboration with sub-regional health services within the South Gippsland Coast Partnership with a renewed focus for 2020 – 2021 and beyond. The Memorandum of Understanding between the parties has been refreshed and a Strategic Plan for the next five years is in development.
- Active participation in the local, sub-regional and regional COVID-19 preparedness and response effort led by the Public Health Unit at Latrobe Regional Hospital. SGH staff have been directly involved in the maintenance of infection prevention and control at SGH and our community, while also supporting other health services in respiratory protection programmes, testing, screening and vaccination programmes. Our proven ability to work with our subregional colleagues continues to be of particular benefit, allowing us to collaborate on services and to respond to the rapidly changing environment.

Looking forward:

In 2021 – 2022 we will be developing a new Strategic Plan for the next four years while continuing our work to strengthen the health of our community through focused and sustainable services based on prevention, healing, helping and caring. Key capital priorities include completion of the staff and patient amenity upgrades in our acute ward, installation of a new sterilizer in the surgical services annex and upgrades to the fire safety system across the main hospital and the Banksia Centre.

Overview

Chair's & CEO's Combined Report (continued...)

Acknowledgements

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

- The Board particularly acknowledges and thanks our executive management team for their expert leadership and management in the challenging environment of 2020 - 2021: CEO Paul Greenhalgh; Claire Kent, Director of Nursing; Samantha Park, Director of Community Health Services, Marion Bowron, Director of Maternity and Midwifery; Martin Schack, Facilities Manager; Shianne Murray Human Resources and Business Manager; Paul Greco Quality Coordinator and Emmah Welsh, Executive Assistant and Board Secretary;
- Dr Umesh Gupta, Chief Medical Officer;
- Our colleagues at Foster Medical Centre for their clinical support of our health service;
- Our contractors and service providers, particularly South Gippsland Radiology, Ambulance Victoria, Duesburys and Monash Pathology;
- Our health precinct partners Foster Medical Centre and Prom Country Aged Care;
- Our volunteers for their contribution and support of our health service, patients and staff; the community and beyond for its generous support as individuals and through service organisations;
- South Gippsland Hospital Community Foundation for their donation of \$35,000;
- As always, we acknowledge and thank the members of the Hospital Auxiliary for their outstanding and continued contribution to this hospital and our community. This year the members of the Auxiliary funded \$37,028 worth of equipment for the hospital and the new theatre;
- The members of the Board for contributing their time and expertise to our continued focus on ensuring a high standard of health services for our community.

Finally, in this year of extraordinary challenges in delivering health care we particularly acknowledge the work of our staff. The ability to respond quickly to change while continuing our day-to-day work has been vital. Our staff have had to navigate changes in the way we deliver patient care in the hospital, our centres, and in people's homes. They have coped with changes to visitor arrangements, increased use of telehealth and the regular need to use technology for meetings. They have assisted at local, subregional and regional weekend testing and vaccination clinics. They have stepped into roles other than their own to support other staff members who took on roles in the COVID response.

Their work for our health service and this community in 2020 – 2021 has been nothing short of exceptional. Our sincere thanks to every member of staff.



Susan Pilkington
Chair, Board of Management
2020-2021
22 October 2021



Paul Greenhalgh
Chief Executive Officer
2020-2021
22 October 2021



Overview

Honorary Life Governor Award

Honorary Life Governors have been appointed at South Gippsland Hospital from the time the hospital was established until 2007. The award acknowledges a significant contribution by an individual to the hospital – this can be through service and commitment or through financial support. This year we are honouring a member of the Hospital Auxiliary, as well as a Board member who has completed nine years' tenure at 30th June 2020.

Deirdre Fegan

Deirdre is a South Gippslander born and bred, having grown up in Yarram. She moved to Melbourne, enrolling at the Hawthorn Teachers College where she qualified as a primary school teacher. Marriage to Frank brought three children and a busy life supporting Frank in his senior role at Victoria Police as well as longstanding involvement in The Royal Life Saving Society. Planning for their retirement, Deirdre and Frank bought a block in Foster North in the 80s, on which they built a house about 15 years ago. Once moved here full time, Deirdre continued to work as a relief teacher and Frank became very involved in the local Rotary Club. It was here that Deirdre was 'spotted' and quickly snapped up by the Hospital Auxiliary talent scouts. Deirdre joined the Hospital Auxiliary in 2010 and served as President between 2012 and 2016, during which time she presided over the decision to drop 'Ladies' from the name of the Auxiliary. Deirdre combined her role as Office Bearer with serving on the Auxiliary Catering Committee, which she continued to do after Frank's death in 2019. Deirdre is one of those rare gems who can be absolutely relied on to always put her hand up for anything and everything that is needed. And she does so cheerfully and with plenty of her special brand of dry humour and a twinkle in her eye. She makes a mean sponge cake, her profiteroles always turn out as light as a feather and she generously shares her expertise with newcomers and those less confident or experienced bakers. Must be that primary school teaching background! We thank Deirdre for her service to the Hospital Auxiliary and South Gippsland Hospital are pleased to recognise that service today by appointing Deirdre as an Honorary Life Governor of SGH.

Paul Ahern

Paul Ahern is a long-time resident and prominent business owner in Foster. Paul was appointed to the SGH Board on 1st July 2011 and at 30th June 2020 he completed what is now the maximum allowable tenure of three terms of office, 9 years. Paul's close connection to our community and his involvement in numerous Board Committees and projects during his time on the Board made a significant contribution to our health service. As a Director of South Gippsland Hospital Paul was involved in the following Board Committees and projects:

- Planning Committee
- Health Precinct Committee
- Remuneration Committee
- Interview panels for Executive appointments and Board appointments
- Banksia Lodge Working Party
- Theatre and Maternity Upgrade Project - Design Review Committee
- Radiology Committee

SGH benefited enormously from Paul's close connection to and knowledge of the community during his tenure. We were a better Board for his presence and his contribution.

Paul continues his association with South Gippsland Hospital as a Director of the South Gippsland Hospital Community Foundation. We thank Paul for his service as a Director and Board member and are pleased to recognise that service today by appointing Paul as an Honorary Life Governor of SGH.



Governance and Management

Board of Management

The Board oversees the strategic direction and management of South Gippsland Hospital and ensures that all services provided are consistent with the health service's by-laws, the *Health Services Act 1988* and any applicable Victorian and Commonwealth legislation.

Board Members

(as at 30 June 2021)

Susan Pilkington, Chair

Grad Dip Occ Haz Mgt
CFSIA, FRMIA, ChOHSP,
GAICD
Appointed 2014

Dawn Allan,

BComm
Appointed 2017

Graeme Baxter, Joint Deputy Chair

MoE, Dip Bus, Dip Tourism
Appointed 2016

Judith Bennett

BA(Hons), LLB, MBA,
MComm, GAICD
Appointed 2019

Jan Bull

Appointed 2014

Professor Jim Buttery

Appointed 2017

Duncan Davies

GradDip Bus
Appointed 2018

Dr Peter Longmore, MBBS

(Monash), MRACOG,
FRANZCOG (retired), Grad
Dip Health Economic (USyd),
Masters HSM (Monash),
AFRACMA, CertHP Educ
(USQ)
Appointed 2017

David Pollard

BEcon (Hons) Dip Ed BD MA PhD
Appointed 2018

Dr Priscilla Robinson, Joint Deputy Chair

Associate Professor,
PhD, MPH, MHSc (PHP)
Appointed 2014

Jamie Sutherland

Appointed 2018

Audit and Risk Management Committee

(as at 30 June 2021)

Graeme Baxter

Susan Pilkington

Judith Bennett

Duncan Davies

Dr David Pollard, Treasurer

Meg Knight

(Independent Member)

Marie Larkin

(Independent Member)

Executive Management Team

(as at 30 June 2021)

Chief Executive Officer

Paul Greenhalgh
B Nsg, G Cert Health Promotion, Dip
Bus Mgt

Chief Medical Officer

Dr Swarada Kotkar
(July 2020)
MBBS(India) MHM(QUT)
AFRACMA.

Dr Umesh Gupta

(from August 2020)
MBBS, MS, MBA, GAICD, FCHSM,
AFRACMA, FACS, FISQuA, FACA,
CPHQ, CSSBB

Director of Nursing

Marion Bowron
(1 July 2020 to August 2020),
RN, RM, CCM, Grad Dip AE&T,
Cert IV WA&T

Claire Kent

(From August 2020)
Masters Int Health Mgmt, B Nsg,
G Cert Critical Care (Emergency)

Director of Community Health

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

HR Manager

Shianne Murray

Business Manager

Shianne Murray
(1 July 2020 to 31 May 2021)

Emmah Welsh (Interim)

(1 June 2021 to 30 June 2021)

Quality Coordinator

Paul Greco, BSc Hons
(1 July 2020 to 31 May 2021)

Quality & Risk Coordinator

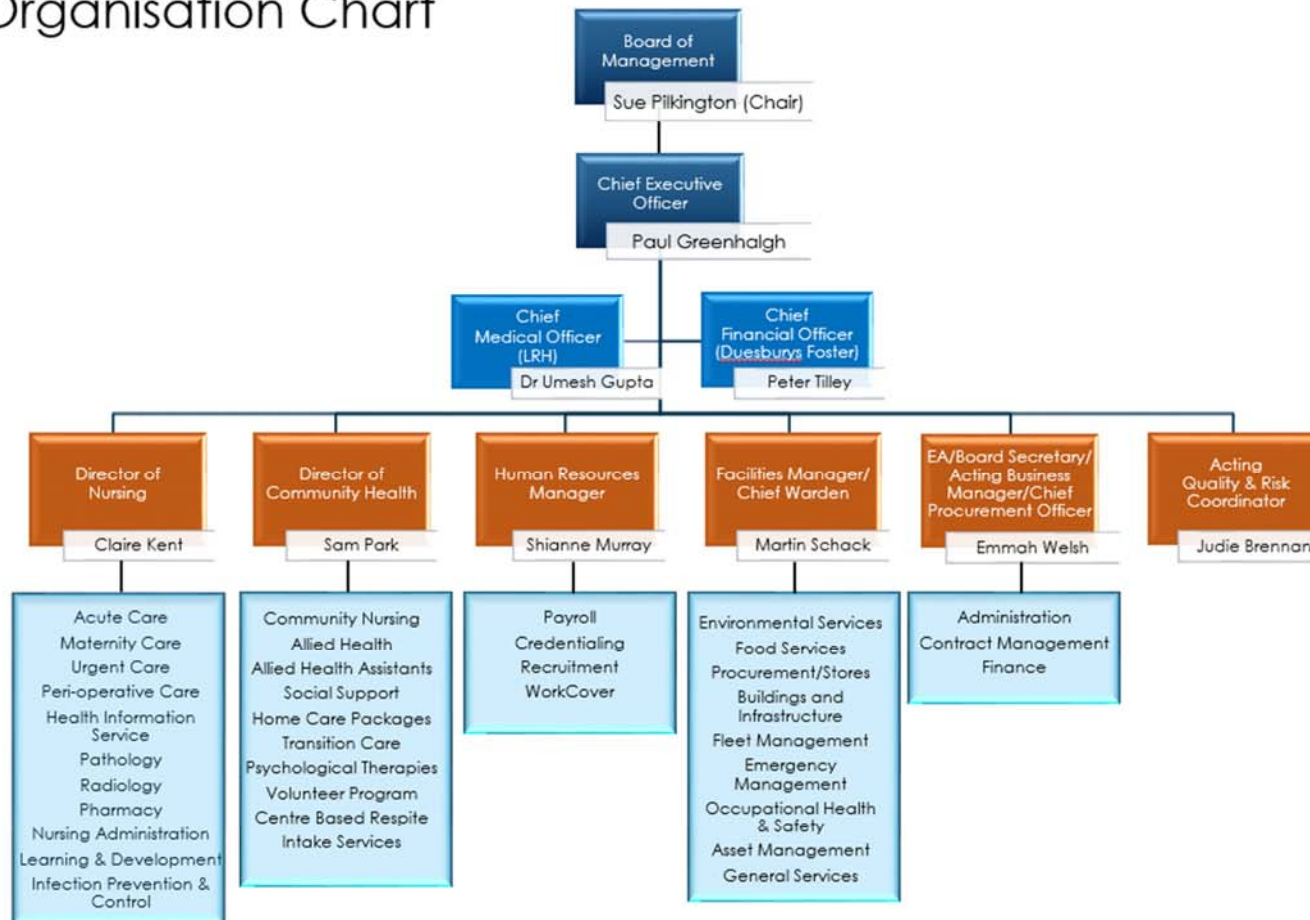
Judie Brennan (Acting)
(June 2021)
MA Comms

Governance and Management



Interim Organisation Chart

June 2021



Statement of Priorities Outcomes

Part A – Strategic Priorities

Due to the COVID-19 pandemic the Minister for Health provided all health services with priorities to focus on during the pandemic.

South Gippsland Hospital has maintained a **robust COVID-19 readiness and response**, working with the Department of Health, the Gippsland Public Health Unit and the South Gippsland Coast Partnership to ensure we rapidly respond to outbreaks, implement the COVID-19 vaccination program and engage with our local community.

- South Gippsland Hospital have a COVID-19 safe plan that ensures the organisation is COVID-19 ready at all times. This plan provides guidance and actions to mitigate the introduction and spread of COVID-19 under the broad headings of hygiene, cleaning, physical distancing, screening, record keeping and preparing for a response to a suspected or confirmed COVID-19 case.
- Working closely with our local and sub-regional partners (Foster and Toora Medical clinics and public health services) and the Gippsland Public Health Unit, we have provided regular and pop up testing when required. In addition, we continue to contribute to the COVID-19 vaccination roll out with 83% of our staff, including volunteers, currently vaccinated.

South Gippsland Hospital has continued to **engage with our community** to address their needs, especially in the context of the pandemic, by adapting the service design where possible, and has commenced providing the necessary “catch-up” care.

- South Gippsland Hospital Community Services have responded to COVID-19 restrictions by providing flexible service delivery wherever possible. This has included the use of telehealth clinics, weekly support phone calls to vulnerable clients during lockdown periods and the implementation of COVID-19 safe practices in the community settings to support service continuity. Additional District Nursing and Allied Health services have been provided to address urgent care requirements and any waitlists resulting from services delayed by pandemic requirements.
- South Gippsland Hospital have actively participated in the Victorian state governments program to address elective surgery activity deferred as a result of the COVID-19 pandemic. As at June 30 2021, five additional elective surgery lists had been conducted completing a total of 48 procedures. The catch up elective surgery will continue into the next financial year.

South Gippsland Hospital, as providers of care, will **respond to the recommendations** of the Royal Commission into Victoria’s Mental Health System and the Royal Commission into Aged Care Quality and Safety, as and when required, in collaboration with the Gippsland Health Service Partnership.

- South Gippsland Hospital provides an evidence-based, staged approach to the delivery of mental health services. Our Stepped Care Mental Health service comprises a stepped approach to intervention—from the least to more intensive—matched to the individual's needs. This ensures people have the ability to step up and step down to different levels of care as they move along their recovery journey.
- South Gippsland Hospital delivers home and centre based Aged Care services in accordance with the Aged Care Quality Standards. In particular, Community and Home Support Program (CHSP) care plans and Home Care Package (HCP) service agreements are developed in partnership with each care recipient to ensure services delivered meet each care recipients’ individual goals and needs.

Part A – Strategic Priorities (continued...)

South Gippsland Hospital have strengthened existing **health partner relationships** during the pandemic response to continue delivering collaborative approaches to planning, procurement and service delivery at scale.

- The South Gippsland Coast Partnership, which consists of Bass Coast Health, Gippsland Southern Health Service, Kooweerup Regional Health Service and South Gippsland Hospital, has developed and implemented a work plan despite disruption due to the COVID-19 pandemic.
 - The South Coast Disability Action Plan Framework has continued to be implemented.
 - The Strengthening Hospital Response to Family Violence (SHRFV) / Multi Agency Risk Assessment and Management (MARAM) Framework has continued to be implemented.
 - A Daily Operating System (DOS) is being trialled with the aim of improving communication and patient flow within the subregion.
 - The South Coast Prevention Team has continued to achieve healthy outcomes and promote lifestyle choices for our community. Over the past 12 months the team has focussed on meeting the three priority areas of Preventing Violence, Improving Sexual and Reproductive Health and Healthy Eating and Active Living. The partnership has provided healthy messaging to the community through a variety of social media platforms, supported the regional COVID-19 testing campaign, promoted Gender Equality, Respectful Relationships and Social Inclusion, provided Cultural Diversity Awareness Information and Education and developed and progressed healthy lifestyle programs such as 'Choose Tap' and 'Move Your Way'.
 - The Memorandum of Understanding that exists between the agencies has been refreshed.
 - Strategic planning has commenced for future work that will link strongly to the Gippsland Health Service Partnership.
- The Gippsland Health Service Partnerships work has evolved subsequent to the establishment of the Gippsland Cluster and Public Health Unit.
 - South Gippsland Hospital have actively participated in the regional activities to assist with the COVID-19 response over the last 12 months
 - South Gippsland Hospital have engaged in relevant processes to determine next steps over the next 12 months. Key priorities include the Better at Home initiative, the Telehealth project and the Elective surgery reform.

Part B: Key Performance Measures

High quality and safe care

Key performance measure	Target	Outcome
Infection prevention and control		
Compliance with the Hand Hygiene Australia program	83%	86%
Percentage of healthcare workers immunised for influenza	90%	96%
Patient experience		
Victorian Healthcare Experience Survey – percentage of positive patient experience responses	95%	No Surveys conducted in 2020-2021
Victorian Healthcare Experience Survey – percentage of very positive responses to questions on discharge care	75%	No Surveys conducted in 2020-2021
Maternity and Newborn		
Rate of singleton term infants without birth anomalies with APGAR score <7 to 5 minutes	≤ 1.4%	0.0%
Rate of severe fetal growth restriction (FGR) in singleton pregnancy undelivered by 40 weeks	≤ 28.6%	Reporting threshold of ≤10

Effective financial management

Key performance measure	Target	2020-21 Result
Operating result (\$m)	\$0.00	\$0.2
Average number of days to pay trade creditors	60 days	54
Average number of days to receive patient fee debtors	60 days	40
Adjusted current asset ratio (ACAR)	0.7 or 3% improvement from health service base target	1.28
Forecast number of days a health service can maintain its operations with unrestricted available cash (based on end of year forecast)	14 days	41
Actual number of days a health service can maintain its operations with unrestricted available cash, measured on the last day of each month.	14 days	Achieved

Part C: Activity

Funding type	2020-2021 Activity	Units
Small Rural		
Small Rural Acute	661.35	WIES Equivalent
Small Rural Primary Health	886	Hours
Small Rural HACC - PYP – Nursing	455	Hours
Small Rural HACC – PYP Occupational Therapy	44	Hours
Small Rural HACC – PYP Podiatry	85	Hours
Health Workforce	2	Graduates

Attestations and Declarations

Financial Management Compliance Attestation – SD 5.1.4

I, SUSAN PILKINGTON, on behalf of the Responsible Body, certify that the South Gippsland Hospital has no Material Compliance Deficiency with respect to the applicable Standing Directions under the Financial Management Act 1994 and Instructions.



Susan Pilkington
Responsible Officer
South Gippsland Hospital, Foster
22 October 2021

Data Integrity Declaration

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



Paul Greenhalgh
Accountable Officer
South Gippsland Hospital, Foster
22 October 2021

Attestations and Declarations *(continued...)*

Conflict of Interest Declaration

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



Paul Greenhalgh
Accountable Officer
South Gippsland Hospital, Foster
22 October 2021

Integrity, Fraud and Corruption Declaration

I, PAUL GREENHALGH, certify that South Gippsland Hospital has put in place appropriate internal controls and processes to ensure that Integrity, fraud and corruption risks have been reviewed and addressed at South Gippsland Hospital during the year.



Paul Greenhalgh
Accountable Officer
South Gippsland Hospital, Foster
22 October 2021

Workforce

Workforce data

Hospitals labour category	JUNE current month FTE		Average Monthly FTE	
	2020	2021	2020	2021
Nursing	30.52	37.72	35.2	36.99
Administration and Clerical	12.49	14.64	13.13	13.43
Medical Support	.49	1	.51	.69
Hotel and Allied Services	15.43	14.65	14.93	16.24
Medical Officers	0	0	0	0
Hospital Medical Officers	0	0	0	0
Sessional Clinicians	0	0	0	0
Ancillary Staff (Allied Health)	11.94	13.09	10.07	12.43

Incorporating both the hospitals values and public sector values, South Gippsland Hospital has in place the appropriate employment and conduct principles. All staff have been correctly classified in workforce data collections.

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.

Occupational Health and Safety Statistics	2020-21	2019-20	2018-19
The number of reported hazards/incidents for the year per 100 FTE	28	44	7
The number of 'lost time' standard WorkCover claims for the year per 100 FTE	1	2	2
The average cost per WorkCover claim for the year	\$1,582	\$4,058	\$6,920

Occupational violence

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

Occupational violence statistics	2020-21
WorkCover accepted claims with an occupational violence cause per 100 FTE	0
Number of accepted WorkCover claims with lost time injury with an occupational violence cause per 1,000,000 hours worked.	0
Number of occupational violence incidents reported	6
Number of occupational violence incidents reported per 100 FTE	7.5
Percentage of occupational violence incidents resulting in a staff injury, illness or condition	0

Summary of Financial Results

Summary of operational and budgetary objectives

In 2020-2021, SGH achieved the targets established under the Statement of Priorities. The hospital recorded a surplus of \$14,955 after capital items. The operating result is \$199,449 before capital purpose income and depreciation. Capital purpose income of \$237,905, was received during the financial year with depreciation write-offs totaling \$519,673.

Significant changes in financial position during the year

The results for the year have been affected by the COVID-19 Pandemic.

Events subsequent to balance date

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

Summary of financial results

	2021 \$	2020 \$	2019 \$	2018 \$	2017 \$
OPERATING RESULT					
Total revenue	10,905,428	11,477,604	9,664,552	9,265,732	8,131,994
Total expenses	10,892,830	10,438,879	9,272,290	8,598,676	8,331,578
Net result from transactions	12,598	1,038,725	392,262	667,056	-199,584
Total other economic flows	2,357	3,081	11,979	-2,976	4,089
Net result	14,955	1,041,806	404,241	664,080	-195,495
Total assets	12,555,678	11,885,796	10,418,663	9,381,624	8,170,685
Total liabilities	3,657,694	3,062,953	2,637,626	2,258,279	2,147,017
Net assets/Total equity	8,897,984	8,822,843	7,781,037	7,123,345	6,023,668

Reconciliation between the Net result from transactions to the Statement of Priorities

2020-21	\$
Net operating result *	199,449
Capital purpose income	237,905
Specific income	0
COVID 19 State Supply Arrangements - Assets received free of charge or for nil consideration under the State Supply	31,909
State supply items consumed up to 30 June 2021	63,008
Assets provided free of charge	0
Assets received free of charge	0
Expenditure for capital purpose	0
Depreciation and amortisation	519,673
Impairment of non-financial assets	0
Finance costs (other)	0
Net result from transactions	12,598

Consultancies

Details of consultancies (under \$10,000)

In 2020-21, there were no consultancies where the total fees payable to the consultants were less than \$10,000. The total expenditure incurred during 2020-21 in relation to these consultancies is zero.

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

In 2020-21, there were no consultancies where the total fees payable to the consultants were \$10,000 or greater. The total expenditure incurred during 2020-21 in relation to these consultancies is zero.

Information and Communication Technology (ICT)

The total ICT expenditure incurred during 2020-21 is \$445,816 (excluding GST) with the details shown below:

Business As Usual (BAU) ICT expenditure	Non-Business As Usual (non-BAU) ICT expenditure		
Total (excluding GST)	Total = Operational Expenditure and Capital Expenditure (excluding GST)	Operational Expenditure (excluding GST)	Capital expenditure (excluding GST)
\$443,588	\$2,228	\$0	\$2,228

Other information and disclosures

The Annual Report of South Gippsland Hospital is prepared in accordance with Victorian legislation.

A summary of the legislative obligations and required disclosures of South Gippsland Hospital is detailed below.

Freedom of Information Act 1982

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. South Gippsland Hospital has in place a corporate policy and procedure which complies with the FOI Act.

Disclosures made under this policy will be investigated swiftly, professionally and discreetly.

What can I access?

Access may be in the form of requesting access to copies of patient records or inspecting the patient record (in the presence of the Director of Medical Services or delegate).

How do I access information?

Applications must be made in writing to the Health Information Manager on an Application Form submitted to South Gippsland Hospital.

Your request to either view the record or obtain a copy must be clear.

Records will only be provided to a person other than the patient if written authority from the patient is given, or if you can provide evidence you have been named as Power of Attorney, have been appointed Legal Guardian, or are the direct Next of Kin (in the case of a deceased person).

Records may also be made available in accordance with due legal process, eg as evidence in a legal action before a court.

Costs & Requirements

Application under the FOI Act, the person making an application must pay certain costs, all subject to change.

These costs are:

- Application fee (non-refundable) = \$29.60
- Supervision charges = \$5.00 per quarter hour or part thereof
- Photocopy charges – 20c per page

If you are the holder of a current health care/pension card, please ensure a copy of your entitlement card is provided.

Applications must be sent with proof of your identity (eg a copy of your driver's license or passport).

Summary of requestors for 2020 - 2021

There were EIGHT (8) requests for information at South Gippsland Hospital in 2020-2021 – all were for patient details.

How can you request a review of a decision?

If you are not satisfied with the decision, you have the right to seek a review from the [Freedom of Information Commissioner](#).

If you wish to appeal the Commissioner's decision, you can apply to the [Victorian Civil and Administrative Tribunal](#).

The Freedom of Information Commissioner can hear complaints about an agency's handling of a request. If the request involves health information, you can also contact the [Health Services Commissioner](#).

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 material ex-gratia payments made in 2020-2021.

Other information and disclosures (*continued*)

Carers Recognition Act 2012

South Gippsland Hospital endorses the Carers Recognition Act 2012 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 Interest Disclosure Act 2012

South Gippsland Hospital endorses the provisions of the *Protected Interest 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.

Statement on National Competition Policy

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, including compliance with the requirements of the policy statement 'Competitive Neutrality Policy Victoria' and any subsequent reforms.

Environmental Performance

South Gippsland Hospital has an active Environmental Program and monitors the usage of energy and water to avoid unnecessary waste. Landfill waste has been reduced over 2020-21 with the diversion of all cardboard to recycling. This represents 234m³ over FY21 and represents a 156m³ reduction in landfill over the past two years; an averaged 25% reduction in SGH's landfill waste over the past two years. Electricity usage in FY19 was equivalent to 70kWh/m² (metered area 2483 m²), compared with FY20 68kWh/m² (metered area 4733 m²) and FY21 71kWh/m² (metered area 5096 m²). This represents a 1% increase over the past two years although SGH has increased floor area (m²) by 100% over this time. Water usage in FY19 was equivalent to 1.18kL potable water/m² (metered area 2483 m²), compared with FY20 0.74kL/m² (metered area 4733 m²) and FY20 0.46kL/m² (metered area 5096 m²). This represents an averaged 38% reduction in water usage over the past two years. Liquefied Petroleum Gas usage is being reported for the first time in FY21. SGH used 18.7kL LPG over 2020-21 representing an averaged expenditure rate of \$663/kL compared with \$698/kL for a peer group health service.

The environmental impact of all proposed developments is reviewed to ensure that they meet key performance standards. SGH encourages a culture of environmental sustainability across the organisation.

Safe Patient Care Act 2015

The South Gippsland Hospital has been compliant with the Act, and has introduced additional staffing on the evening ward shift to comply with amendments to the Act in March 2021.

Legislation

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

- *Financial Management Act 1994*
- *Protected Interest Disclosure Act 2012*
- *Carers Recognition Act 2012*
- *Local Jobs First Act 2003*
- *Freedom of Information Act 1982*
- *Safe Patient Care Act 2015*
- *Disability Act*

Other information and disclosures *(continued)*

Additional information available on request (FRD 22I)

In compliance with the requirements of FRD 22I Section 5.19, *Standard Disclosures in the Report of Operations*, details in respect of the items listed below have been retained by South Gippsland Hospital (the Health Service) and are available to the relevant Ministers, Members of Parliament and the public on request (subject to the Freedom of Information requirements, if applicable):

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

Local Jobs First Act 2003

In 2020-21 there were no contracts requiring disclosure under the Local Jobs First Act 2003.

Gender Equality Act 2020

South Gippsland Hospital has commenced implementation of actions to meet obligations under the Gender Equality Act 2020.

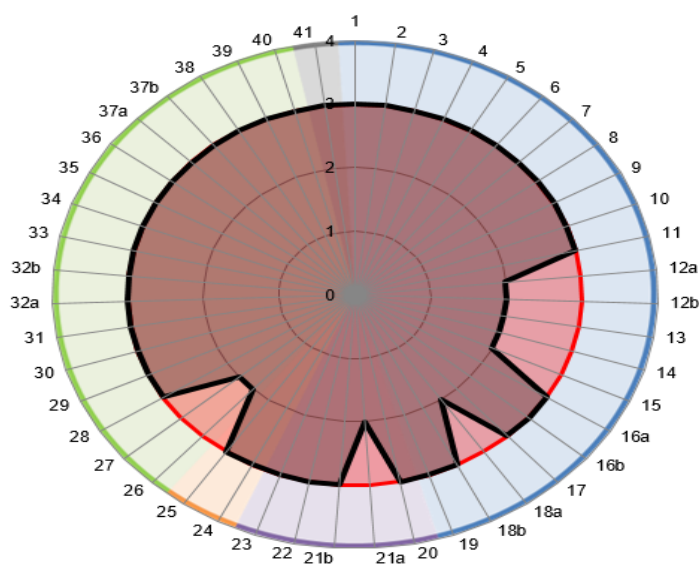
Asset Management Accountability Framework

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

The South Gippsland Hospital target maturity rating is 'competence', meaning systems and processes fully in place, consistently applied and systematically meeting the AMAF requirement, including a continuous improvement process to expand system performance above AMAF minimum requirements. Below is the rating tool

Other information and disclosures *(continued)*

Legend	
Status	Scale
Not Applicable	N/A
Innocence	0
Awareness	1
Developing	2
Competence	3
Optimizing	4
Unassessed	U/A



Leadership and Accountability (requirements 1-19)

The South Gippsland Hospital has met its target maturity level under most requirements within this category.

The South Gippsland Hospital did not comply with some requirements in the areas of allocating asset performance and asset management system performance. There is no material non-compliance reported in this category. A plan for improvement is in place to improve the South Gippsland Hospital's maturity rating in these areas.

Planning (requirements 20-23)

The South Gippsland Hospital has met its target maturity level under most requirements within this category. The South Gippsland Hospital did not comply with a requirement in the area of asset management strategy. There is no material non-compliance reported in this category. A plan for improvement is in place to improve the South Gippsland Hospital's maturity rating in this area.

Acquisition (requirements 24 and 25)

The South Gippsland Hospital has met its target maturity level in this category.

Operation (requirements 26-40)

The South Gippsland Hospital has met its target maturity level under most requirements within this category. The South Gippsland Hospital did not comply with some requirements in the area of monitoring and prevention action. There is no material non-compliance reported in this category. A plan for improvement is in place to improve the South Gippsland Hospital's maturity rating in these areas.

Disposal (requirement 41)

The South Gippsland Hospital has met its target maturity level in this category.

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.

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Legislation	Requirement	Page Reference
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Independent Auditor's Report

To the Board of South Gippsland Hospital

Opinion I have audited the financial report of South Gippsland Hospital (the health service) which comprises the:

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

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

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

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

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

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

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

Auditor's responsibilities for the audit of the financial report

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

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

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

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



MELBOURNE
27 October 2021

Dominika Ryan
as delegate for the Auditor-General of Victoria

Financial Statements for the year ended 30 June 2021

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 Direction 5.2 of the Standing Directions of the Assistant Treasurer under the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations, and other mandatory professional reporting requirements.

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

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

We authorise the attached financial statements for issue on 22 October 2021.



Susan Pilkington

Board Chair

Foster

22 October 2021



Paul Greenhalgh

Accountable Officer

Foster

22 October 2021



Peter Tilley

Chief Finance &
Accounting Officer

Foster

22 October 2021

South Gippsland Hospital for the financial year ended 30 June 2021

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**South Gippsland Hospital
Comprehensive Operating Statement 2021**

		2021	2020
	Note	\$	\$
Revenue and income from transactions			
Operating activities	2.1	10,896,893	10,814,390
Non-operating activities	2.1	8,535	33,597
Total revenue and income from transactions		10,905,428	10,847,987
Expenses from transactions			
Employee expenses	3.1	(8,243,921)	(7,610,596)
Supplies and consumables	3.1	(711,996)	(607,448)
Finance costs	3.1	(7,151)	(6,407)
Depreciation and amortisation	3.1	(519,673)	(404,692)
Other administrative expenses	3.1	(815,001)	(709,294)
Other operating expenses	3.1	(594,572)	(520,867)
Other non-operating expenses	3.1	(516)	923
Total Expenses from transactions		(10,892,830)	(9,858,381)
Net result from transactions - net operating balance		12,598	989,606
Other economic flows included in net result			
Net gain/(loss) on sale of non-financial assets	3.4	(87)	3,081
Share of other economic flows from joint arrangements	3.4	6,871	29,837
Other gain/(loss) from other economic flows	3.4	(4,427)	19,282
Total other economic flows included in net result		2,357	52,200
Net result for the year		14,955	1,041,806
Other comprehensive income			
Items that will not be reclassified to net result			
Changes in property, plant and equipment revaluation surplus	4.1 (b)	60,186	-
Items that may be reclassified subsequently to net result			
Changes to financial assets revaluation surplus		-	-
Total other comprehensive income		60,186	-
Comprehensive result for the year		75,141	1,041,806

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

**South Gippsland Hospital
Balance Sheet
As at 30 June 2021**

		2021	2020
	Note	\$	\$
Current assets			
Cash and cash equivalents	6.2	3,323,244	2,650,972
Receivables and contract assets	5.1	513,209	511,874
Inventories	4.3	71,232	77,768
Total current assets		3,907,685	3,240,614
Non-current assets			
Receivables and contract assets	5.1	613,120	614,716
Property, plant and equipment	4.1 (a)	8,034,873	8,030,466
Total non-current assets		8,647,993	8,645,182
Total assets		12,555,678	11,885,796
Current liabilities			
Payables and contract liabilities	5.2	1,010,154	874,178
Borrowings	6.1	50,881	31,373
Employee benefits	3.2	1,721,442	1,349,167
Other liabilities	5.3	536,954	348,827
Total current liabilities		3,319,431	2,603,545
Non-current liabilities			
Borrowings	6.1	134,317	138,025
Employee benefits	3.2	203,946	321,383
Total non-current liabilities		338,263	459,408
Total liabilities		3,657,694	3,062,953
Net assets		8,897,984	8,822,843
Equity			
Property, plant and equipment revaluation surplus	4.1 (f)	3,606,794	3,546,608
Contributed capital	SCE	3,086,756	3,086,756
Accumulated surplus/(deficit)	SCE	2,204,434	2,189,479
Total equity		8,897,984	8,822,843

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

**South Gippsland Hospital
Statement of Changes in Equity
For the Financial Year Ended 30 June 2021**

	Property, Plant and Equipment Revaluation Surplus	Contributed Capital	Accumulated Surplus/(Deficits)	Total
	\$	\$	\$	\$
Balance at 30 June 2019	3,546,608	3,086,756	1,147,673	7,781,037
Net result for the year	-	-	1,041,806	1,041,806
Balance at 30 June 2020	3,546,608	3,086,756	2,189,479	8,822,843
Net result for the year	-	-	14,955	14,955
Other comprehensive income for the year	60,186	-	-	60,186
Balance at 30 June 2021	3,606,794	3,086,756	2,204,434	8,897,984

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

South Gippsland Hospital
Cash Flow Statement
For the Financial Year Ended 30 June 2021

	2021	2020
Note	\$	\$
Cash Flows from operating activities		
Operating grants from government - State	7,796,434	7,049,006
Operating grants from government - Commonwealth	1,032,737	650,345
Capital grants from government - State	419,023	790,355
Capital grants from government - Commonwealth	-	329,412
Patient fees received	344,011	460,906
Donations and bequests received	89,423	110,232
GST received from ATO	306,273	306,674
Interest and investment income received	15,586	26,322
Other receipts	2,499,717	2,196,992
Total receipts	12,503,204	11,920,244
Employee expenses paid	(7,582,022)	(7,216,744)
Payments for service of medical officers	(359,041)	(434,427)
Payments for supplies and consumables	(814,452)	(466,639)
Payments for repairs and maintenance	(57,894)	(96,037)
Finance Costs	(7,151)	-
GST paid to ATO	(236,366)	(381,992)
Other payments	(2,296,159)	(1,617,077)
Total payments	(11,353,085)	(10,212,916)
Net cash flows from/(used in) operating activities	1,150,119	1,707,328
8.1		
Cash Flows from investing activities		
Purchase of non-financial assets	(510,544)	(2,365,441)
Proceeds from disposal of non-financial assets	-	69,859
Proceeds from disposal of property, plant and equipment	46,563	-
Proceeds from disposal of investments	-	2,614,663
Net cash flows from/(used in) investing activities	(463,981)	319,081
Cash flows from financing activities		
Proceeds from borrowings	15,800	56,107
Net cash flows from/(used in) financing activities	15,800	56,107
Net increase/(decrease) in cash and cash equivalents held		
	701,938	2,082,516
Cash and cash equivalents at beginning of year	2,432,122	349,606
Cash and cash equivalents at end of year	3,134,060	2,432,122
6.2		

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

Notes to the Financial Statements
South Gippsland Hospital for the financial year ended 30 June 2021

Note 1: Basis of preparation

Structure

- 1.1 Basis of preparation of the financial statements
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Notes to the Financial Statements South Gippsland Hospital for the financial year ended 30 June 2021

Note 1 Basis of preparation

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

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

Note 1.1 Basis of preparation of the financial statements

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

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

The Health Service is a not-for-profit entity and therefore applies the additional AUS paragraphs applicable to a "not-for-profit" health service under the Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Apart from the changes in accounting policies, standards and interpretations as noted below, material accounting policies adopted in the preparation of these financial statements are the same as those adopted in the previous period.

The Health Service operates a single Operating fund and has no other specific purpose or capital funds.

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

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

The financial statements are in Australian dollars.

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

The annual financial statements were authorised for issue by the Board of the Health Service and its controlled entities on 22nd October 2021.

Notes to the Financial Statements South Gippsland Hospital for the financial year ended 30 June 2021

Note 1.2 Impact of COVID-19 pandemic

In March 2020 a state of emergency was declared in Victoria due to the global coronavirus pandemic, known as COVID-19. Since this date, to contain the spread of COVID-19 and prioritise the health and safety of our community, the Health Service was required to comply with various directions announced by the Commonwealth and State Governments, which in turn, has continued to impact the way in which the Health Service operates.

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

- introducing restrictions on non-essential visitors
- implementing reduced visitor hours
- deferring elective surgery and reducing activity
- administering COVID-19 vaccinations
- implementing work from home arrangements, where appropriate.

As restrictions eased towards the end of the financial year the Health Service has revised some measures where appropriate including

- revision restrictions on non-essential visitors
- revision of reduced visitor hours
- commenced elective surgery and activity at normal levels
- moved towards increased staff working on site, where appropriate.

Further information on the impacts of the pandemic are disclosed at:

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

Note 1.3 Abbreviations and terminology used in the financial statements

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

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

Note 1.4 Joint arrangements

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

The Health Service has the following joint arrangements:

- Gippsland Health Alliance (joint operation)

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

Notes to the Financial Statements South Gippsland Hospital for the financial year ended 30 June 2021

Note 1.5 Key accounting estimates and judgements

Management make estimates and judgements when preparing the financial statements.

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

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

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

Note 1.6 Accounting standards issued but not yet effective

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

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

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

Note 1.7 Goods and Services Tax (GST)

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

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

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

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

Note 1.8 Reporting Entity

The financial statements include 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 Health Service's operations and its principal activities is included in the report of operations, which does not form part of these financial statements.

Notes to the Financial Statements South Gippsland Hospital for the financial year ended 30 June 2021

Note 2: Funding delivery of our services

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

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

Structure

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

Revenue recognised to fund the delivery of our services during the financial year was not materially impacted by the COVID-19 coronavirus pandemic because the health service's response was limited to implementing COVID safe practices.

Additional revenue was received to fund:

- COVID-19 quarters 1 to 4 reimbursements
- COVID-19 capital funding
- COVID-19 free of charge consumables and equipment
- COVID-19 additional elective surgery funding to assist with the backlog

Notes to the Financial Statements
South Gippsland Hospital for the financial year ended 30 June 2021

Note 2.1 Revenue and income from transactions

	2021	2020
Note	\$	\$
Operating activities		
Revenue from contracts with customers		
Government grants (Commonwealth) - Operating	1,000,093	650,345
Patient and resident fees	367,976	435,573
Catering	72,564	51,642
Management fees	579,930	382,448
Transitional Care Program	429,747	437,027
Total revenue from contracts with customers	2,450,310	1,957,035
Other sources of income		
Government grants (State) - Operating	7,627,915	7,181,344
Government grants (State) - Capital	148,482	790,355
Government grants (Commonwealth) - Capital	-	329,412
Capital donations	89,423	110,232
Assets received free of charge or for nominal consideration	2.2 31,909	-
Other revenue from operating activities (including non-capital donations)	548,854	446,012
Total other sources of income	8,446,583	8,857,355
Total revenue and income from operating activities	10,896,893	10,814,390
Non-operating activities		
Income from other sources		
Capital interest	2.3 8,535	33,597
Total other sources of income	8,535	33,597
Total income from non-operating activities	8,535	33,597
Total revenue and income from transactions	10,905,428	10,847,987

**Notes to the Financial Statements
South Gippsland Hospital for the financial year ended 30 June 2021**

Note 2.1 Revenue and income from transactions

How we recognise revenue and income from transactions

Government operating grants

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

When both these conditions are satisfied, the health service:

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

Where the contract is not enforceable and/or does not have sufficiently specific performance obligations, in accordance with AASB 1058 - *Income for not-for-profit entities*, the health service:

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

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

Government grant	Performance obligation
Operational Commonwealth Grants for Home Support Programs	The performance obligations for the funding are to provide adequate assistance to enable patients to continue to live independently at home. Revenue is recognised on receipt of the grant.
Home Care Package (HCP) Management Fees	Funds are received on behalf of clients under the HCP scheme. The performance obligations are to manage their package funds, organise relevant services required. The Health Service charges a management fee to the clients for this service. Revenue is recognised when the service is delivered.

Capital grants

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

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

Patient and resident fees

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

Non-cash contributions from the Department of Health

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

Supplier	Description
Victorian Managed Insurance Authority	The Department of Health purchases non-medical indemnity insurance for the Health Service which is paid directly to the Victorian Managed Insurance Authority. To record this contribution, such payments are recognised as income with a matching expense in the net result from transactions. Revenue is recognised at a point in time, which is when a patient is discharged, in accordance with the WIES activity when an episode of care for an admitted patient is completed. WIES activity is a cost weight that is adjusted for time spent in hospital, and represents a relative measure of resource use for each episode of care in a diagnosis related group.
Department of Health	Long Service Leave (LSL) revenue is recognised upon finalisation of movements in LSL liability in line with the long service leave funding arrangements set out in the relevant Department of Health Hospital Circular.

Notes to the Financial Statements
South Gippsland Hospital for the financial year ended 30 June 2021

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

	2021	2020
	\$	\$
Cash donations and gifts	96,598	78,406
Plant and equipment	31,909	-
Personal protective equipment	63,008	11,371
Total fair value of assets and services received free of charge or for nominal consideration	191,515	89,777

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

Donations and bequests

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

Personal protective equipment

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

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

Contributions

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

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

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

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

Voluntary Services

Contributions by volunteers, in the form of services, are only recognised when fair value can be reliably measured, and the services would have been purchased if they had not been donated.

The Health Service has considered the services provided by volunteers and has determined the value of volunteer services cannot be readily determined and therefore it has not recorded any income related to volunteer services.

Notes to the Financial Statements
South Gippsland Hospital for the financial year ended 30 June 2021

Note 2.3 Other income

	<u>2021</u>	<u>2020</u>
	<u>\$</u>	<u>\$</u>
Interest	8,535	33,597
Total other income	<u>8,535</u>	<u>33,597</u>

How we recognise other income

Interest income

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

Notes to the Financial Statements South Gippsland Hospital for the financial year ended 30 June 2021

Note 3: The cost of delivering our services

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

Structure

- 3.1 Expenses from transactions
- 3.2 Employee benefits in the balance sheet
- 3.3 Superannuation
- 3.4 Other economic flows included in net result

Expenses incurred to deliver our services increased during the financial year which was partially attributable to the COVID-19 Coronavirus pandemic and its impact on our economy and the health of our community.

Additional costs were incurred to:

- implement COVID-19 safe practices throughout the health service including increased cleaning, increased security, consumption of personal protective equipment provided as resources free of charge and additional staffing and roster rotations

Notes to the Financial Statements
South Gippsland Hospital for the financial year ended 30 June 2021

Note 3.1 Expenses from transactions

	2021	2020
Note	\$	\$
Salaries and wages	6,344,740	5,776,351
On-costs	1,455,268	1,327,349
Fee for service medical officer expenses	320,969	434,882
Workcover premium	122,944	72,014
Total employee expenses	8,243,921	7,610,596
Drug supplies	60,336	64,279
Medical and surgical supplies (including Prostheses)	255,313	179,881
Diagnostic and radiology supplies	90,774	68,721
Other supplies and consumables	305,573	294,567
Total supplies and consumables	711,996	607,448
Finance costs	7,151	6,407
Total finance costs	7,151	6,407
IT expenses	443,588	390,176
Other administrative	371,413	319,118
Total other administrative expenses	815,001	709,294
Fuel, light, power and water	115,698	122,031
Repairs and maintenance	57,894	58,409
Maintenance contracts	102,589	37,628
Medical indemnity insurance	138,189	123,146
Other expenses	149,340	161,275
Expenditure for capital purposes	30,862	18,378
Total other operating expenses	594,572	520,867
Depreciation and amortisation	4.2 519,673	404,692
Total depreciation and amortisation	519,673	404,692
Total operating expenses	10,892,314	9,859,304
Bad and doubtful debt expense	516	(923)
Total other non-operating expenses	516	(923)
Total non-operating expenses	516	(923)
Total expenses from transactions	10,892,830	9,858,381

Notes to the Financial Statements South Gippsland Hospital for the financial year ended 30 June 2021

Note 3.1 Expenses from transactions

How we recognise expenses from transactions

Expense recognition

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

Employee expenses

Employee expenses include:

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

Supplies and consumables

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

Finance costs

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)
- amortisation of discounts or premiums relating to borrowings
- amortisation of ancillary costs incurred in connection with the arrangement of borrowings and
- finance charges in respect of leases which are recognised in accordance with AASB 16 *Leases*.

Other operating expenses

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

- Fuel, light and power
- Repairs and maintenance
- Other administrative expenses
- Expenditure for capital purposes (represents expenditure related to the purchase of assets that are below the capitalisation threshold of \$1,000).

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

Non-operating expenses

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

Notes to the Financial Statements
South Gippsland Hospital for the financial year ended 30 June 2021

Note 3.2 Employee benefits in the balance sheet

	2021	2020
	\$	\$
Current provisions		
<i>Accrued days off</i>		
Unconditional and expected to be settled wholly within 12 months ⁱ	1,996	5,043
	1,996	5,043
<i>Annual leave</i>		
Unconditional and expected to be settled wholly within 12 months ⁱ	464,478	332,930
Unconditional and expected to be settled wholly after 12 months ⁱⁱ	196,635	199,656
	661,113	532,586
<i>Long service leave</i>		
Unconditional and expected to be settled wholly within 12 months ⁱ	222,564	169,844
Unconditional and expected to be settled wholly after 12 months ⁱⁱ	667,691	509,531
	890,255	679,375
<i>Provisions related to employee benefit on-costs</i>		
Unconditional and expected to be settled within 12 months ⁱ	59,053	46,974
Unconditional and expected to be settled after 12 months ⁱⁱ	109,025	85,189
	168,078	132,163
Total current employee benefits	1,721,442	1,349,167
Non-current provisions		
Conditional long service leave	184,519	292,412
Provisions related to employee benefit on-costs	19,427	28,971
Total non-current employee benefits	203,946	321,383
Total employee benefits	1,925,388	1,670,550

ⁱ The amounts disclosed are nominal amounts.

ⁱⁱ The amounts disclosed are discounted to present values.

How we recognise employee benefits

Employee benefit recognition

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

Provisions

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

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

Annual leave and accrued days off

Liabilities for annual leave and accrued days off are recognised in the provision for employee benefits as 'current liabilities' because the Health Service does not have an unconditional right to defer settlements of these liabilities.

Depending on the expectation of the timing of settlement, liabilities for annual leave and accrued days off are measured at:

- Nominal value – if the Health Service expects to wholly settle within 12 months or
- Present value – if the Health Service does not expect to wholly settle within 12 months.

Notes to the Financial Statements
South Gippsland Hospital for the financial year ended 30 June 2021

Note 3.2 Employee benefits in the balance sheet

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 the Health Service does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months. An unconditional right arises after a qualifying period.

The components of this current LSL liability are measured at:

- Nominal value – if the Health Service expects to wholly settle within 12 months or
- Present value – if the Health Service does not expect to wholly settle within 12 months.

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

Termination benefits

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

On-costs related to employee benefits

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

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

	2021	2020
	\$	\$
Unconditional accrued days off	1,996	5,043
Unconditional annual leave entitlements	729,247	588,320
Unconditional long service leave entitlements	990,199	755,803
Total current employee benefits and related on-costs	1,721,442	1,349,166
Conditional long service leave entitlements	203,946	321,383
Total non-current employee benefits and related on-costs	203,946	321,383
Total employee benefits and related on-costs	1,925,388	1,670,549
Carrying amount at start of year	1,670,549	1,654,222
Additional provisions recognised	779,632	611,320
Amounts incurred during the year	(524,793)	(594,993)
Carrying amount of on-costs at end of year	1,925,388	1,670,549

**Notes to the Financial Statements
South Gippsland Hospital for the financial year ended 30 June 2021**

Note 3.3 Superannuation

	Paid Contribution for the Year		Contribution Outstanding at Year End	
	2021	2020	2021	2020
	\$	\$	\$	\$
Defined benefit contribution plans:				
First State Super	399,240	359,956	4,898	3,122
Hesta	145,164	130,880	1,781	1,135
Other	89,458	80,656	1,098	699
Total	633,862	571,492	7,777	4,956

How we recognise superannuation

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

Defined benefits contribution superannuation plans

In relation to defined benefit 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 benefits contribution superannuation plans are expensed when incurred.

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

Notes to the Financial Statements
South Gippsland Hospital for the financial year ended 30 June 2021

Note 3.4 Other economic flows included in net result

	2021	2020
	\$	\$
Net gain/(loss) on disposal of property plant and equipment	(87)	3,081
Total net gain/(loss) on non-financial assets	(87)	3,081
Share of other economic flows from joint arrangements	6,871	29,837
Net gain/(loss) arising from revaluation of long service liability	(4,427)	19,282
Total other gains/(losses) from other economic flows	2,444	49,119
Total gains/(losses) from other economic flows	2,357	52,200

How we recognise other economic flows

Other economic flows are changes in the volume or value of an asset or liability that do not result from transactions.

Other gains/(losses) from other economic flows include the gains or losses from:

- the revaluation of the present value of the long service leave liability due to changes in the bond interest rates and
- reclassified amounts relating to equity instruments from the reserves to retained surplus/(deficit) due to a disposal or derecognition of the financial instrument. This does not include reclassification between equity accounts due to machinery of government changes or 'other transfers' of assets.

Net gain/(loss) on non-financial assets

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

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

Notes to the Financial Statements
South Gippsland Hospital for the financial year ended 30 June 2021

Note 4: Key assets to support service delivery

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

Structure

- 4.1 Property, plant & equipment
- 4.2 Depreciation and amortisation
- 4.3 Inventories

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

Notes to the Financial Statements
South Gippsland Hospital for the financial year ended 30 June 2021

Note 4.1 Property, plant and equipment

Note 4.1 (a) Gross carrying amount and accumulated depreciation

	2021	2020
	\$	\$
Land at fair value - Freehold	480,186	420,000
Total land at fair value	480,186	420,000
Buildings at fair value	6,435,414	6,270,805
Less accumulated depreciation	(445,403)	(202,350)
Buildings work in progress	17,409	-
Total buildings at fair value	6,007,420	6,068,455
Works in progress at fair value	-	-
Total land and buildings	6,487,606	6,488,455
Plant and equipment at fair value	210,280	210,280
Less accumulated depreciation	(195,185)	(180,994)
Plant and equipment work in progress	6,075	46,300
Total plant and equipment at fair value	21,170	75,586
Motor vehicles at fair value	74,555	74,554
Less accumulated depreciation	(37,959)	(28,639)
Total motor vehicles at fair value	36,596	45,915
Medical equipment at fair value	1,804,573	1,564,475
Less accumulated depreciation	(1,324,877)	(1,222,998)
Total medical equipment at fair value	479,696	341,477
Other equipment at fair value	691,909	692,407
Less accumulated depreciation	(481,321)	(449,254)
Other equipment work in progress	1,500	1,500
Total computer equipment at fair value	212,088	244,653
Furniture and fittings at fair value	818,861	804,860
Less accumulated depreciation	(226,712)	(153,076)
Total furniture and fittings at fair value	592,149	651,784
Right of use motor vehicles	214,594	179,090
Less accumulated depreciation	(56,730)	(26,317)
Total right of use motor vehicles	157,864	152,773
Right of use plant, equipment, furniture, fittings and vehicles at fair value (GHA)	47,704	29,823
Total right of use plant, equipment, furniture, fittings and vehicles at fair value (GHA)	47,704	29,823
Total plant, equipment, furniture, fittings and vehicles at fair value	1,547,267	1,542,011
Total property, plant and equipment	8,034,873	8,030,466

**Notes to the Financial Statements
South Gippsland Hospital for the financial year ended 30 June 2021**

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

Note	Land \$	Buildings \$	Plant & equipment \$	Medical equipment \$	Furniture & fittings \$	Other equipment \$	Right of use - PPE, F&V (GHA) \$	Motor vehicles \$	Right of use - motor vehicles \$	Total \$
Balance at 1 July 2019	420,000	4,774,634	44,122	325,580	108,977	258,934	2,916	88,808	112,524	6,136,495
Additions	-	1,496,171	49,225	99,738	564,277	20,330	34,600	-	101,100	2,365,441
Disposals	-	-	-	-	-	-	-	(27,999)	(38,779)	(66,778)
Depreciation	-	(202,350)	(17,761)	(83,841)	(21,470)	(34,611)	(7,693)	(14,894)	(22,072)	(404,692)
Balance at 30 June 2020	420,000	6,068,455	75,586	341,477	651,784	244,653	29,823	45,915	152,773	8,030,466
Additions	-	182,018	5,903	240,098	14,001	2,228	30,792	-	35,504	510,544
Disposals	60,186	-	(46,300)	-	-	(350)	-	-	-	(46,650)
Revaluation increments/(decrements)	-	-	-	-	-	-	-	-	-	60,186
Depreciation	-	(243,053)	(14,019)	(101,879)	(73,636)	(34,443)	(12,911)	(9,319)	(30,413)	(519,673)
Balance at 30 June 2021	480,186	6,007,420	21,170	479,696	592,149	212,088	47,704	36,596	157,864	8,034,873

Land and Buildings and Leased Assets Carried at Valuation

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

How we recognise other economic flows

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

Initial recognition

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

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

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

Subsequent measurement

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

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

Further information regarding fair value measurement is disclosed below.

Notes to the Financial Statements South Gippsland Hospital for the financial year ended 30 June 2021

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

Revaluation

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

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

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

An independent valuation of the Health Service's property, plant and equipment was performed by the VGV on 30 June 2019. The valuation, which complies with Australian Valuation Standards, was determined by reference to the amount for which assets could be exchanged between knowledgeable willing parties in an arm's length transaction. The managerial assessment performed at 30 June 2021 indicated an overall increase in fair value of land of 14% (\$60,186)

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

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

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

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

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

Impairment

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

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

How we recognise right-of-use assets

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

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

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

Class of right-of-use asset	Lease term
Leased plant, equipment, furniture, fittings and vehicles (GHA)	1 to 5 years
Leased vehicles (VicFleet)	1 to 5 years

Notes to the Financial Statements South Gippsland Hospital for the financial year ended 30 June 2021

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

Presentation of right-of-use assets

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

Initial recognition

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

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

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

The Health Service holds lease agreements which contain significantly below-market terms and conditions, which are principally to enable the health service to further its objectives. The health service has applied temporary relief and continues to measure those right-of-use asset at cost. Refer to Note 6.1(a) for further information regarding the nature and terms of the concessional lease, and the Health Service's dependency on such lease arrangements.

Subsequent measurement

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

Impairment

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

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

**Notes to the Financial Statements
South Gippsland Hospital for the financial year ended 30 June 2021**

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

	Note	Land \$	Buildings \$	Plant and equipment \$	Medical equipment \$	Furniture & fittings \$	Other equipment \$	Right of use - PPE, F&V (GHA) \$	Motor vehicles \$	Right of use - motor vehicles \$
Balance at 1 July 2019	4.1 (b)	420,000	4,774,634	44,122	325,580	108,977	258,934	2,916	88,808	112,524
Additions/(Disposals)	4.1 (b)	-	1,496,171	49,225	99,738	564,277	20,330	34,600	(27,999)	62,321
Gains/(Losses) recognised in net result		-	-	-	-	-	-	-	-	-
- Depreciation and amortisation	4.2	-	(202,350)	(17,761)	(83,841)	(21,470)	(34,611)	(7,693)	(14,894)	(22,072)
Balance at 30 June 2020	4.1 (c)	420,000	6,068,455	75,586	341,477	651,784	244,653	29,823	45,915	152,773
Additions/(Disposals)	4.1 (b)	-	182,018	(40,397)	208,898	14,001	1,878	30,792	-	35,504
Assets provided free of charge		-	-	-	31,200	-	-	-	-	-
Gains/(Losses) recognised in net result		-	-	-	-	-	-	-	-	-
- Depreciation and Amortisation	4.2	-	(243,053)	(14,019)	(101,879)	(73,636)	(34,443)	(12,911)	(9,319)	(30,413)
Items recognised in other comprehensive income		-	-	-	-	-	-	-	-	-
- Revaluation		60,186	-	-	-	-	-	-	-	-
Balance at 30 June 2021	4.1 (c)	480,186	6,007,420	21,170	479,696	592,149	212,088	47,704	36,596	157,864

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

**Notes to the Financial Statements
South Gippsland Hospital for the financial year ended 30 June 2021**

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

Asset class	Likely valuation approach	Significant inputs (Level 3 only)
Specialised land (Freehold) - Station Road, Foster	Market approach	Community Service Obligations Adjustments ⁽¹⁾
Specialised buildings - Station Road, Foster	Depreciated replacement cost approach	- Cost per square metre - Useful life
Plant and equipment	Depreciated replacement cost approach	- Cost per square metre - Useful life
Medical equipment	Market approach	N/A
	Depreciated replacement cost approach	- Cost per square metre - Useful life
Furniture and fittings	Market approach	N/A
	Depreciated replacement cost approach	- Cost per unit - Useful life
Other equipment	Depreciated replacement cost approach	- Cost per unit - Useful life

⁽¹⁾ A community service obligation (CSO) of 20% was applied to the Health Service's specialised land.

How we measure fair value

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

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

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

There have been no transfers between levels during the period. In the prior year, there is a transfer between non-specialised land and specialised land to reflect the correct fair value as per the independent revaluation in 2019.

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

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

Valuation hierarchy

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

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

Identifying unobservable inputs (level 3) fair value measurements

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

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

Notes to the Financial Statements

South Gippsland Hospital for the financial year ended 30 June 2021

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

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

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

In accordance with AASB 13 *Fair Value Measurement* paragraph 29, the Health Service has assumed the current use of a non-financial physical asset is its HBU unless market or other factors suggest that a different use by market participants would maximise the value of the asset.

Theoretical opportunities that may be available in relation to the asset(s) are not taken into account until it is virtually certain that any restrictions will no longer apply. Therefore, unless otherwise disclosed, the current use of these non-financial physical assets will be their highest and best uses.

Specialised land and specialised buildings

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

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

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

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

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

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

Vehicles

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

Furniture, fittings, plant and equipment

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

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

Notes to the Financial Statements
South Gippsland Hospital for the financial year ended 30 June 2021

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

	2021	2020
Note	\$	\$
Balance at the beginning of the reporting period	3,546,608	3,546,608
Revaluation increment		
- Land	4.1 (b) 60,186	-
- Buildings	4.1 (b) -	-
Balance at the end of the Reporting Period*	<u>3,606,794</u>	<u>3,546,608</u>
* Represented by:		
- Land	266,772	206,586
- Buildings	3,340,022	3,340,022
	<u>3,606,794</u>	<u>3,546,608</u>

Notes to the Financial Statements
South Gippsland Hospital for the financial year ended 30 June 2021

Note 4.2 Depreciation and amortisation

	2021	2020
	\$	\$
Depreciation		
Buildings	243,053	202,350
Plant and equipment	14,019	17,761
Motor vehicles	9,319	14,894
Medical equipment	101,879	83,841
Other equipment	34,443	34,611
Furniture and fittings	73,636	21,470
Right of use plant, equipment, furniture, fittings and motor vehicles (GHA)	12,911	7,693
Right of use motor vehicles	30,413	22,072
Total depreciation	519,673	404,692

How we recognise depreciation

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

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

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

	2021	2020
Buildings		
- Structure Shell Building Fabric	50 years	50 years
- Fitout	25 years	25 years
- Combined Fitout and Trunk Reticulated Building System	30 years	30 years
- Site Engineering Services and Central Plant	35 to 40 years	35 to 40 years
Plant & Equipment	10 to 20 years	10 to 20 years
Motor Vehicles	3 to 10 years	3 to 10 years
Medical Equipment	5 to 15 years	5 to 15 years
Furniture & Fittings	10 to 20 years	10 to 20 years
Other Equipment	5 to 15 years	5 to 15 years

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

Notes to the Financial Statements
South Gippsland Hospital for the financial year ended 30 June 2021

Note 4.3 Inventories

	2021	2020
	\$	\$
Medical and surgical consumables at cost	47,019	52,602
Pharmacy supplies at cost	15,012	15,603
Catering supplies at cost	5,569	5,788
Engineering stores at cost	3,632	3,775
Total inventories	71,232	77,768

How we recognise inventories

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

Notes to the Financial Statements
South Gippsland Hospital for the financial year ended 30 June 2021

Note 5: Other assets and liabilities

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

Structure

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

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

Notes to the Financial Statements
South Gippsland Hospital for the financial year ended 30 June 2021

Note 5.1 Receivables and contract assets

	2021	2020
Notes	\$	\$
Current receivables and contract assets		
Contractual		
Inter hospital debtors	32,561	45,161
Trade debtors	197,700	140,986
Patient fees	52,693	28,153
Provision for impairment	(2,476)	(1,901)
GHA receivables	194,751	151,893
Accrued revenue	9,695	16,746
Amounts receivable from governments and agencies	-	32,644
Total contractual receivables	484,924	413,682
Statutory		
GST receivable	28,285	98,192
Total statutory receivables	28,285	98,192
Total current receivables and contract assets	513,209	511,874
Non-current receivables and contract assets		
Contractual		
Long service leave - Department of Health	613,120	614,716
Total contractual receivables	613,120	614,716
Total non-current receivables and contract assets	613,120	614,716
Total receivables and contract assets	1,126,329	1,126,590
<i>(i) Financial assets classified as receivables and contract assets (Note 7.1(a))</i>		
Total receivables and contract assets	1,126,329	1,126,590
Provision for impairment	2,476	1,901
GST receivable	(28,285)	(98,192)
Total financial assets	7.1 (a) 1,100,520	1,030,299

As at 30 June 2021, the Health Service has contract assets of \$484,924 which is net of an allowance for expected credit losses of \$2,476. This is included in the contractual receivable balances presented above.

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

	2021	2020
	\$	\$
Balance at the beginning of the year	1,901	3,155
Increase in allowance	-	-
Amounts written off during the year	-	-
Reversal of allowance written off during the year as uncollectable	575	(1,254)
Balance at the end of the year	2,476	1,901

Notes to the Financial Statements South Gippsland Hospital for the financial year ended 30 June 2021

Note 5.1 Receivables and contract assets

How we recognise receivables

Receivables consist of:

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

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

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

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

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

Impairment losses of contractual receivables

Refer to Note 7.2(a) for the Health Service's contractual impairment losses.

**Notes to the Financial Statements
South Gippsland Hospital for the financial year ended 30 June 2021**

Note 5.2 Payables and contract liabilities

	2021	2020
Note	\$	\$
Current payables and contract liabilities		
Contractual		
Trade creditors	50,430	494,594
Accrued salaries and wages	385,789	295,269
Accrued expenses	127,854	51,337
Deferred capital grant income	5.2(a) 270,541	-
Contract liabilities	5.2(b) 89,394	-
Inter hospital creditors	8,617	32,978
Department of Health	77,529	-
Total contractual payables	1,010,154	874,178
Total current payables and contract liabilities	1,010,154	874,178
Total payables and contract liabilities	1,010,154	874,178

(i) Financial liabilities classified as payables and contract liabilities (Note 7.1(a))

Total payables and contract liabilities	1,010,154	874,178
Deferred grant income	(270,541)	-
Contract liabilities	(89,394)	-
Total financial liabilities	7.1(a) 650,219	874,178

How we recognise payables and contract liabilities

Payables consist of:

- Contractual payables, which mostly includes payables in relation to goods and services. These payables are classified as financial instruments and measured at amortised cost. Accounts payable and salaries and wages payable represent liabilities for goods and services provided to the Health Service prior to the end of the financial year that are unpaid.

- Statutory payables, which most includes amount payable to the Victorian Government and Goods and Services Tax (GST) payable. Statutory payables are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from contracts.

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

Notes to the Financial Statements
South Gippsland Hospital for the financial year ended 30 June 2021

Note 5.2 (a) Deferred grant income

	2021	2020
	\$	\$
Opening balance of deferred grant income	-	-
Grant consideration for capital works received during the year	287,950	-
Deferred grant revenue recognised as revenue due to completion of capital works	(17,409)	-
Closing balance of deferred grant income	270,541	-

How we recognise deferred capital grant revenue

Grant consideration was received from the State Government to support the construction of redesigning the Acute Ward. Capital grant revenue is recognised progressively as the asset is constructed, since this is the time when the Health Service satisfies its obligations. The progressive percentage of costs incurred is used to recognise income because this most closely reflects the percentage of completion of the building works. As a result, the Health Service has deferred recognition of a portion of the grant consideration received as a liability for the outstanding obligations.

The Health Service expects to recognise all of the remaining deferred capital grant revenue for capital works by 30 June 2022.

Notes to the Financial Statements
South Gippsland Hospital for the financial year ended 30 June 2021

Note 5.2 (b) Contract liabilities

	2021	2020
	\$	\$
Opening balance of contract liabilities	-	-
Payments received for performance obligations not yet fulfilled	89,394	-
Total contract liabilities	89,394	-
* Represented by:		
- Current contract liabilities	89,394	-
	89,394	-

How we recognise contract liabilities

Contract liabilities include consideration received in advance from customers in respect of Elective Surgery Blitz. The balance of contract liabilities was significantly higher than the previous reporting period due to COVID-19.

Contract liabilities are derecognised and recorded as revenue when promised goods and services are transferred to the customer. Refer to Note 2.1.

Financial guarantees

Payments that are contingent under financial guarantee contracts are recognised as a liability, at fair value, at the time the guarantee is issued. Subsequently, should there be a material increase in the likelihood that the guarantee may have to be exercised, the liability is recognised at the higher of the amount determined in accordance with the expected credit loss model under AASB 9 Financial Instruments and the amount initially recognised less, when appropriate, cumulative amortisation recognised.

In the determination of fair value, consideration is given to factors including the overall capital management/prudential supervision framework in operation, the protection provided by the Department of Health by way of funding should the probability of default increase, probability of default by the guaranteed party and the likely loss to the health service in the event of default.

Maturity analysis of payables

Please refer to Note 7.2(b) for the ageing analysis of payables.

**Notes to the Financial Statements
South Gippsland Hospital for the financial year ended 30 June 2021**

Note 5.3 Other liabilities

	2021	2020
Notes	\$	\$
Current monies held in trust		
Monies held in trust*:HCP monies held in trust	482,288	246,143
Monies held in trust*:HCP monies paid in advance	-	72,390
Paid parental leave	-	2,221
GHA other current liabilities	54,666	28,073
Total current monies held in trust	536,954	348,827
Total other liabilities	536,954	348,827
* Represented by:		
- Cash assets	6.2 482,288	318,533
	482,288	318,533

How we recognise other liabilities

Home Care Package Program

The State Government has instituted a program that assists individuals in staying in their homes. The funds are paid to the Health Service on behalf of the individuals within the community to provide and manage various services to allow them to continue to reside in their homes.

Notes to the Financial Statements South Gippsland Hospital for the financial year ended 30 June 2021

Note 6: How we finance our operations

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

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

Structure

- 6.1 Borrowings
- 6.2 Cash and cash equivalents
- 6.3 Commitments for expenditure
- 6.4 Non-cash financing and investing activities

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

Notes to the Financial Statements
South Gippsland Hospital for the financial year ended 30 June 2021

Note 6.1 Borrowings

	2021	2020
Note	\$	\$
Current borrowings		
Lease liability ⁽ⁱⁱ⁾	6.1 (a) 50,881	31,373
Total current borrowings	50,881	31,373
Non-current borrowings		
Lease liability ⁽ⁱⁱ⁾	6.1 (a) 134,317	138,025
Total non-current borrowings	134,317	138,025
Total borrowings	185,198	169,398

ⁱ These are unsecured loans with a weighted average interest rate of 3.13% (2020: 3.47%).

ⁱⁱ Secured by the assets leased.

ⁱⁱⁱ These are secured loans which bear no interest.

How we recognise borrowings

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

Initial recognition

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

Subsequent measurement

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

Maturity analysis

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

Defaults and breaches

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

Notes to the Financial Statements
South Gippsland Hospital for the financial year ended 30 June 2021

Note 6.1 (a) Lease liabilities

The Health Service's lease liabilities are summarised below:

	2021	2020
	\$	\$
Total undiscounted lease liabilities	191,878	180,389
Less unexpired finance expenses	(6,708)	(8,446)
Net lease liabilities	185,170	171,943

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

	2021	2020
	\$	\$
Not longer than one year	55,241	36,526
Longer than one year but not longer than five years	136,637	143,863
Longer than five years	-	-
Minimum future lease liability	191,878	180,389
Less unexpired finance expenses	(6,708)	(8,446)
Present value of lease liability	185,170	171,943

*** Represented by:**

- Current liabilities	51,887	31,373
- Non-current liabilities	133,283	138,025
	185,170	169,398

How we recognise lease liabilities

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

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

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

Notes to the Financial Statements
South Gippsland Hospital for the financial year ended 30 June 2021

Note 6.1 (a) Lease liabilities

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

Type of asset leased	Lease term
Leased plant, equipment, furniture, fittings and vehicles	1 to 5 years

All leases are recognised on the balance sheet, with the exception of low value leases (less than \$10,000 AUD) and short term leases of less than 12 months. The following low value, short term and variable lease payments are recognised in profit or loss:

Type of payment	Description of payment	Type of leases captured
Low value lease payments	Leases where the underlying asset's fair value, when new, is no more than \$10,000	Operating Leases
Short-term lease payments	Leases with a term less than 12 months	Operating Leases

Separation of lease and non-lease components

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

Initial measurement

The lease liability is initially measured at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily determinable or the Health Services incremental borrowing rate. Our lease liability has been discounted by rates of between 2% to 5%.

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

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

Subsequent measurement

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

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

Notes to the Financial Statements
South Gippsland Hospital for the financial year ended 30 June 2021

Note 6.2 Cash and Cash Equivalents

	2021	2020
Note	\$	\$
Cash on hand (excluding monies held in trust)	400	400
Cash at bank (excluding monies held in trust)	186,813	388,156
Cash at bank (including monies held in trust)	482,288	318,533
Cash at bank - CBS (excluding monies held in trust)	2,464,559	1,725,033
	3,134,060	2,432,122
Cash at bank (monies held jointly controlled operation) GHA	189,184	218,850
Total cash and cash equivalents	7.1 (a) 3,323,244	2,650,972

How we recognise cash and cash equivalents

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

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

Notes to the Financial Statements
South Gippsland Hospital for the financial year ended 30 June 2021

Note 6.3 Commitments for expenditure

	2021	2020
	\$	\$
Capital expenditure commitments		
Less than one year	287,950	181,070
Longer than one year but not longer than five years	-	-
Five years or more	-	-
Total capital expenditure commitments	287,950	181,070
Operating expenditure commitments		
Less than one year	27,134	27,134
Longer than one year but not longer than five years	-	27,134
Five years or more	-	-
Total operating expenditure commitments	27,134	54,268
Total commitments for expenditure (exclusive of GST)	315,084	235,338
Less GST recoverable from Australian Tax Office	(28,644)	(21,394)
Total commitments for expenditure (exclusive of GST)	286,440	213,944

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

How we disclose our commitments

Our commitments relate to expenditure and short term and low value leases.

Expenditure commitments

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

Short term and low value leases

The Health Service discloses short term and low value lease commitments which are excluded from the measurement of right-of-use assets and lease liabilities. Refer to Note 6.1 for further information.

Notes to the Financial Statements
South Gippsland Hospital for the financial year ended 30 June 2021

Note 6.4 Non-cash financing and investing activities

	<u>2021</u>	<u>2020</u>
	\$	\$
Assumption of liabilities		
Acquisition of plant and equipment by means of Leases VicFleet	35,504	101,100
Total non-cash financing and investing activities	<u>35,504</u>	<u>101,100</u>

Notes to the Financial Statements
South Gippsland Hospital for the financial year ended 30 June 2021

Note 7: Risks, contingencies and valuation uncertainties

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

Structure

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

Notes to the Financial Statements South Gippsland Hospital for the financial year ended 30 June 2021

Note 7.1: Financial instruments

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

Note 7.1 (a) Categorisation of financial instruments

		Financial Assets at Amortised Cost	Financial Liabilities at Amortised Cost	Total
	Note	\$	\$	\$
30 June 2021				
Contractual Financial Assets				
Cash and Cash Equivalents	6.2	3,323,244	-	3,323,244
Receivables and contract assets	5.1	1,100,520	-	1,100,520
Total Financial Assets ¹		4,423,764	-	4,423,764
Financial Liabilities				
Payables	5.2	-	650,219	650,219
Borrowings	6.1	-	185,198	185,198
Other Financial Liabilities - Patient monies held in trust	5.3	-	482,288	482,288
Total Financial Liabilities ¹		-	1,317,705	1,317,705
30 June 2020				
Contractual Financial Assets				
Cash and cash equivalents	6.2	2,650,972	-	2,650,972
Receivables and contract assets	5.1	1,030,299	-	1,030,299
Total Financial Assets ¹		3,681,271	-	3,681,271
Financial Liabilities				
Payables	5.2	-	874,178	874,178
Borrowings	6.1	-	171,943	171,943
Other Financial Liabilities - Patient monies held in trust	5.3	-	318,533	318,533
Total Financial Liabilities ¹		-	1,364,654	1,364,654

How we categorise financial instruments

Categories of financial assets

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

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

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

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

Financial assets at amortised cost

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

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

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

Notes to the Financial Statements South Gippsland Hospital for the financial year ended 30 June 2021

Note 7.1: Financial instruments

The Health Service recognises the following assets in this category:

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

Financial assets at fair value through other comprehensive income

A financial asset that meets the following conditions is subsequently measured at fair value through other comprehensive income:

- the assets are held by the Health Service to achieve its objective both by collecting the contractual cash flows and by selling the financial assets and
- the assets' contractual terms give rise to cash flows that are solely payments of principal and interest.

Equity investments are measured at fair value through other comprehensive income if the assets are not held for trading and the Health Service has irrevocably elected at initial recognition to recognise in this category.

The Health Service recognises the following assets in this category:

- investments in equity instruments.

Financial assets at fair value through net result

The Health Service initially designates a financial instrument as measured at fair value through net result if:

- it eliminates or significantly reduces a measurement or recognition inconsistency (often referred to as an "accounting mismatch") that would otherwise arise from measuring assets or recognising the gains and losses on them, on a different basis
- it is in accordance with the documented risk management or investment strategy and information about the groupings was documented appropriately, so the performance of the financial asset can be managed and evaluated consistently on a fair value basis or
- it is a hybrid contract that contains an embedded derivative that significantly modifies the cash flows otherwise required by the contract.

The initial designation of the financial instruments to measure at fair value through net result is a one-time option on initial classification and is irrevocable until the financial asset is derecognised.

The Health Service recognises listed equity securities as mandatorily measured at fair value through net result and has designated all managed investment schemes as well as certain 5-year government bonds as fair value through net result.

Categories of financial liabilities

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

Financial liabilities at fair value through net result

A financial liability is measured at fair value through net result if the financial liability is:

- held for trading or
- initially designated as at fair value through net result.

Changes in fair value are recognised in the net results as other economic flows, unless the changes in fair value relate to changes in the Health Service's own credit risk. In this case, the portion of the change attributable to changes in the Health Service's own credit risk is recognised in other comprehensive income with no subsequent recycling to net result when the financial liability is derecognised.

Financial liabilities at amortised cost

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

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

Notes to the Financial Statements South Gippsland Hospital for the financial year ended 30 June 2021

Note 7.1: Financial instruments

The Health Service recognises the following liabilities in this category:

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

Derivative financial instruments

A derivative financial instrument is classified as a held for trading financial asset or financial liability. They are initially recognised at fair value on the date on which a derivative contract is entered.

Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Any gains or losses arising from changes in the fair value of derivatives after initial recognition, are recognised in the consolidated comprehensive operating statement as an other economic flow included in the net result.

Offsetting financial instruments

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

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

Derecognition of financial assets

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

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

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

Derecognition of financial liabilities

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

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

Reclassification of financial instruments

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

A financial liability reclassification is not permitted.

Notes to the Financial Statements

South Gippsland Hospital for the financial year ended 30 June 2021

Note 7.2: Financial risk management objectives and policies

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

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

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

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

Note 7.2 (a) Credit risk

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

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

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

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

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

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

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

Impairment of financial assets under AASB 9

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

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

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

Notes to the Financial Statements
South Gippsland Hospital for the financial year ended 30 June 2021

Note 7.2 (a) Credit risk

Contractual receivables at amortised cost

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

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

	Current	Less than 1 month	1-3 months	3 months -1 year	1-5 years	Total
30 June 2021						
Expected loss rate	0.7%	0.0%	0.0%	0.0%	0.0%	
Gross carrying amount of contractual receivables	770,364	77,036	0	220,104	33,016	1,100,520
Loss allowance	(5,591)	-	-	-	-	(5,591)
30 June 2020						
Expected loss rate	0.6%	0.0%	0.0%	0.0%	0.0%	
Gross carrying amount of contractual receivables	772,724	51,515	0	61,818	144,242	1,030,299
Loss allowance	(4,714)	-	-	-	-	(4,714)

Statutory receivables and debt investments at amortised cost

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

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

Notes to the Financial Statements

South Gippsland Hospital for the financial year ended 30 June 2021

Note 7.2 (b) Liquidity risk

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

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

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

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

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

		Maturity Dates					
	Carrying Amount	Nominal Amount	Less than 1 Month	1-3 Months	3 months - 1 Year	1-5 Years	
Note	\$	\$	\$	\$	\$	\$	
30 June 2021							
Payables	5.2	1,010,154	1,010,154	1,009,102	1,052	-	
Borrowings	6.1 (a)	185,170	185,170	19,844	6,163	26,208	
Other Financial Liabilities - Patient monies held in trust	5.3	482,288	482,288	482,288	-	-	
Total Financial Liabilities		1,677,612	1,677,612	1,511,234	7,215	26,208	
						132,956	

		Maturity Dates					
	Carrying Amount	Nominal Amount	Less than 1 Month	1-3 Months	3 months - 1 Year	1-5 Years	
Note	\$	\$	\$	\$	\$	\$	
30 June 2020							
Payables	5.2	874,178	874,178	669,352	204,826	-	
Borrowings	6.1 (a)	171,943	171,943	30,384	31,886	34,461	
Other Financial Liabilities - Patient monies held in trust	5.3	318,533	318,533	318,533	-	-	
Total Financial Liabilities		1,364,654	1,364,654	1,018,269	236,712	34,461	
						75,212	

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

Note 7.2 (c) Market risk

The Health Service's exposures to market risk are primarily through interest rate risk, foreign currency risk and equity price risk. Objectives, policies and processes used to manage each of these risks are disclosed below.

Sensitivity disclosure analysis and assumptions

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

- a change in interest rates of 1% up or down and
- a change in the top ASX 200 index of 15% up or down.

Interest rate risk

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

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

**Notes to the Financial Statements
South Gippsland Hospital for the financial year ended 30 June 2021**

Note 7.3: Contingent assets and contingent liabilities

At balance date, the Board are not aware of any contingent assets or liabilities. (2020: Nil)

Notes to the Financial Statements
South Gippsland Hospital for the financial year ended 30 June 2021

Note 8: Other disclosures

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

Structure

- 8.1 Reconciliation of net result for the year to net cash flow from operating activities
- 8.2 Responsible persons disclosures
- 8.3 Remuneration of executives
- 8.4 Related parties
- 8.5 Remuneration of auditors
- 8.6 Joint arrangements
- 8.7 Equity
- 8.8 Economic dependency

Notes to the Financial Statements
South Gippsland Hospital for the financial year ended 30 June 2021

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

		2021	2020
	Note	\$	\$
Net result for the year		14,955	1,041,806
Non-cash movements:			
(Gain)/Loss on sale or disposal of non-financial assets	3.4	87	(3,081)
Depreciation of non-current assets	4.2	519,673	404,692
Movements in Assets and Liabilities:			
(Increase)/Decrease in receivables and contract assets	5.1	261	(120,432)
(Increase)/Decrease in inventories	4.3	6,536	(8,750)
Increase/(Decrease) in payables and contract liabilities	5.2	135,976	140,998
Increase/(Decrease) in other provisions	3.2	254,838	16,328
Increase/(Decrease) in other liabilities	5.3	188,127	211,894
Increase/(Decrease) in GHA Cash	8.6	29,666	23,873
Net cash inflow from operating activities		<u>1,150,119</u>	<u>1,707,328</u>

Notes to the Financial Statements South Gippsland Hospital for the financial year ended 30 June 2021

Note 8.2 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
The Honourable Martin Foley:	
Minister for Mental Health	1 Jul 2020 - 29 Sep 2020
Minister for Health	26 Sep 2020 - 30 Jun 2021
Minister for Ambulance Services	26 Sep 2020 - 30 Jun 2021
Minister for the Coordination of Health and Human Services: COVID-19	26 Sep 2020 - 9 Nov 2020
The Honourable Jenny Mikakos:	
Minister for Health	1 Jul 2020 - 26 Sep 2020
Minister for Ambulance Services	1 Jul 2020 - 26 Sep 2020
Minister for the Coordination of Health and Human Services: COVID-19	1 Jul 2020 - 26 Sep 2020
The Honourable Luke Donnellan:	
Minister for Child Protection	1 Jul 2020 - 30 Jun 2021
Minister for Disability, Ageing and Carers	1 Jul 2020 - 30 Jun 2021
The Honourable James Merlino:	
Minister for Mental Health	29 Sep 2020 - 30 Jun 2021

Governing Boards

Ms. Susan Pilkington (appointed 2014) (Chair of the Board)	1 Jul 2020 - 30 Jun 2021
Dr. Priscilla Robinson (appointed 2014)	1 Jul 2020 - 30 Jun 2021
Ms. Janyce Bull (appointed 2014)	1 Jul 2020 - 30 Jun 2021
Mr. Graeme Baxter (appointed 2016)	1 Jul 2020 - 30 Jun 2021
Ms. Dawn Allan (appointed 2017)	1 Jul 2020 - 30 Jun 2021
Dr. Peter Longmore (appointed 2017)	1 Jul 2020 - 30 Jun 2021
Dr. Jim Buttery (appointed 2017)	1 Jul 2020 - 30 Jun 2021
Mr Duncan Davies (appointed 2018)	1 Jul 2020 - 30 Jun 2021
Mr. Jamie Sutherland (appointed 2018)	1 Jul 2020 - 30 Jun 2021
Mr David Pollard (appointed 2018)	1 Jul 2020 - 30 Jun 2021
Ms. Judith Bennett (appointed 2019)	1 Jul 2020 - 30 Jun 2021

Accountable Officers

Mr. Paul Greenhalgh (Chief Executive Officer)	1 Jul 2020 - 30 Jun 2021
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Remuneration of Responsible Persons

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

Income Band	2021	2020
	No	No
\$0,000 - \$9,999	11	12
\$30,000 - \$39,999	-	1
\$160,000 - \$169,999	1	1
Total Numbers	12	14

Total remuneration received or due and receivable by Responsible Persons from the reporting entity amounted to:	2021	2020
	\$	\$
	\$195,376	\$240,010

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

**Notes to the Financial Statements
South Gippsland Hospital for the financial year ended 30 June 2021**

Note 8.3 Remuneration of executives

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

	Total Remuneration	
	2021	2020
	\$	\$
Remuneration of executive officers (including Key Management Personnel disclosed in Note 8.4)		
Short-term benefits	170,740	198,187
Post-employment benefits	32,726	27,185
Total remunerationⁱ	203,466	225,372
Total number of executives	3	3
Total annualised employee equivalent ⁱⁱ	3.0	3.0

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

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

Total remuneration payable to executives during the year included additional executive officers and a number of executives who received bonus payments during the year. These bonus payments depend on the terms of individual employment contracts.

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

Short-term employee benefits

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

Post-employment benefits

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

Other long-term benefits

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

Termination benefits

Termination of employment payments, such as severance packages.

Other factors

Employment contracts were completed and renegotiated, and a executive officer resigned in the past year. This has had a significant impact on remuneration figures.

Notes to the Financial Statements South Gippsland Hospital for the financial year ended 30 June 2021

Note 8.4: Related Parties

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

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

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

Key management personnel

The Board of Directors, Chief Executive Officer and the Executive Directors of the Health Services and its controlled entities are deemed to be KMPs. This includes the following:

Entity	KMPs	Position Title
South Gippsland Hospital	Ms. Susan Pilkington	Chair of the Board
South Gippsland Hospital	Dr. Priscilla Robinson	Board Member
South Gippsland Hospital	Ms. Janyce Bull	Board Member
South Gippsland Hospital	Ms. Dawn Allan	Board Member
South Gippsland Hospital	Dr. Jim Buttery	Board Member
South Gippsland Hospital	Mr. Graeme Baxter	Board Member
South Gippsland Hospital	Dr. Peter Longmore	Board Member
South Gippsland Hospital	Mr. Duncan Davies	Board Member
South Gippsland Hospital	Mr. Jamie Sutherland	Board Member
South Gippsland Hospital	Mr. David Pollard	Board Member
South Gippsland Hospital	Ms. Judith Bennett	Board Member
South Gippsland Hospital	Mr. Paul Greenhalgh	Chief Executive Officer
South Gippsland Hospital	Ms. Claire Kent	Director of Nursing
South Gippsland Hospital	Ms. Samantha Park	Director of Community Health

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

	2021 \$	2020 \$
Compensation - KMPs		
Short-term Employee Benefits ⁱ	350,799	416,384
Post-employment Benefits	48,043	48,997
Totalⁱⁱ	398,842	465,381

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

ⁱⁱ KMPs are also reported in Note 8.2 Responsible Persons or Note 8.3 Remuneration of Executives.

Significant transactions with government related entities

The Health Service received funding from the Department of Health of \$8,120,268 (2020: \$7,136,585) and indirect contributions of \$194,046 (2020: \$153,795).

The Health Service received funding from the Latrobe Regional Hospital of \$429,747 (2020: \$437,027) for the Transitional Care Program.

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

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

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

**Notes to the Financial Statements
South Gippsland Hospital for the financial year ended 30 June 2021**

Note 8.4: Related Parties

Transactions with KMPs and other related parties

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

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

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

Notes to the Financial Statements
South Gippsland Hospital for the financial year ended 30 June 2021

Note 8.5: Remuneration of Auditors

	<u>2021</u>	<u>2020</u>
	<u>\$</u>	<u>\$</u>
Victorian Auditor-General's Office		
Audit of the financial statements	22,550	23,200
Total remuneration of auditors	<u>22,550</u>	<u>23,200</u>

Notes to the Financial Statements
South Gippsland Hospital for the financial year ended 30 June 2021

Note 8.6 Joint arrangements

Name of Entry	Principal Activity	Ownership Interest	
		2021	2020
		%	%
Gippsland Health Alliance	Information Technology	3.77	3.57

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

	2021	2020
	\$	\$
Current assets		
Cash and cash equivalents	189,184	218,850
Receivables	30,898	-
Other current assets	163,853	151,893
Total current assets	383,935	370,743
Non-current assets		
Other non-current assets	47,704	29,823
Total non-current assets	47,704	29,823
Total assets	431,639	400,566
Current liabilities		
Other current liabilities	54,666	28,073
Right of use lease	7,105	5,931
Total current liabilities	61,771	34,004
Non-current liabilities		
Right of use lease	19,249	9,903
Total non-current liabilities	19,249	9,903
Total liabilities	81,020	43,907
Net assets	350,619	356,659
Equity		
Accumulated surplus	350,619	356,659
Total equity	350,619	356,659
	2021	2020
	\$	\$
Revenue		
GHA Revenue	694,943	629,617
Total revenue	694,943	629,617
Expenses		
GHA Expenses	688,072	599,780
Depreciation	12,911	7,693
Total expenses	700,983	607,473
Net result	(6,040)	22,144

* Figures obtained from the audited GHA Joint Venture annual reports.

Contingent liabilities and capital commitments

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

Notes to the Financial Statements South Gippsland Hospital for the financial year ended 30 June 2021

Note 8.7 Equity

Contributed capital

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

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

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

Financial assets at fair value through comprehensive income revaluation reserve

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

Specific restricted purpose reserves

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

Notes to the Financial Statements
South Gippsland Hospital for the financial year ended 30 June 2021

Note 8.8 Economic dependency

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