ANNUAL REPORT
2021-2022

South Gippsland **Hospital**

Adaptability Trust Excellence Accountability Mutual respect

Our People Matter

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SOUTH GIPPSLAND HOSPITAL
87 Station Road
Foster Vic 3960
Tel: 03 5683 9777
Fax: 03 5683 9743
Email: sghosp@sghs.com.au
Website: https://southgippslandhospital.com.au/

Overview

Acknowledgements

South Gippsland Hospital acknowledges Aboriginal and Torres Strait Islander people as the Traditional Custodians of the land and acknowledges and pays respect to their Elders, past and present.

South Gippsland Hospital celebrates, values and includes people of all backgrounds, genders, sexualities, cultures, bodies and abilities.

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 (Vic).*

The hospital building has 16 inpatient beds, a 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 Centre Based Respite Program.

During the reporting period the responsible ministers were:

From 1 July 2021 to 27 June 2022
The Hon Martin Foley MP,
Minister for Health
Minister for Ambulance Services
Minister for Equality

The Hon James Merlino
Minister for Mental Health

From 27 June 2022 to 30 June 2022
The Hon Mary-Anne Thomas MP,
Minister for Health
Minister for Ambulance Services

The Hon Gabrielle Williams MP
Minister for Mental Health
Minister for Treaty and First Persons

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

Maternity Care

Medical Imaging

Medical Inpatient Care

Palliative Care

Pathology

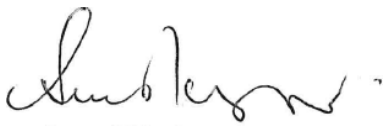
Pre-Anaesthetic Clinic

Surgical Care including Obstetrics and Gynaecology, Urology, Endoscopy and General Surgery

Urgent Care Centre

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 2022.



Susan Pilkington
Board Chair
Foster, Victoria
5 September 2022

Community Care

Transition Care Program

Home Care Package Program

Intake Service

Allied Health Services

- Allied Health Assistants
- Counselling
- Dietetics
- Exercise Physiology
- Falls Prevention
- General Rehabilitation Group
- Mobility and Exercise Groups (Moovers)
- Occupational Therapy
- Physiotherapy
- Podiatry
- Social Work
- Social Support Group

Community Nursing

- Centre-based respite program
- Chronic Disease Management
- Diabetes Education
- District Nursing
- McGrath Breast Care Nurse
- Regional Continence Nurse
- Regional Wound Nurse

Clinics

- Foot Care
- Sexual and Reproductive Health
- Stoma
- Wound
- Youth Assist

Overview

Chair's & CEO's Combined Report

Person-centered care underpins safe, high quality health care at South Gippsland Hospital. Our approach is based on clear purpose, strategy and strong leadership. We have strong partnerships with our community, key stakeholders and health service partners. We value our people and their wellbeing and invest in developing their capability. We focus on great outcomes that support the individual needs and choices of our patients, staff and our community.

The year in review.

Our strong financial and operational performance in 2021 – 2022 has supported delivery of an exceptional level of safe acute care and community health services. Our quality and clinical governance performance again bettered the benchmarks against which we are assessed, as did measures of our organisational culture and patient satisfaction. We secured funding from various sources that allowed us to invest in a number of significant improvements to buildings and infrastructure.

South Gippsland Hospital has again delivered great outcomes for our patients, our staff and the community in a year of continued challenges in the health sector. The details of our performance in 2021 – 2022 can be found in this Annual Report.

Organisational changes:

The Board was pleased to see stability in our Executive team, with the addition of Emmah Welsh joining the team as Business Manager. We welcome two new Board members at 1st July 2021: Ms Ali Wastie and Mr Damon Stynes and we farewelled Board Members Dawn Allan, Jan Bull and Dr Peter Longmore at 30th June 2022, and thank them for their service to South Gippsland Hospital during their respective tenures.

Highlights of our work in 2021-2022:

Our focus on supporting our community by providing care close to home has seen rapid expansion of our respite program to include home based care, in addition to our centre-based service. At the same time, we've seen sustained growth in our Home Care Package programme as we continue our active involvement in the Statewide 'Better at Home' initiative.

Our upgraded theatre facilities have allowed us to increase our surgical services, as well as contributing to a reduction in waiting times for elective surgery by undertaking surgical lists for the Latrobe Regional Hospital.

We were successful in securing funding totaling almost $900,000 during the year, which allowed us to undertake a range of upgrades. Key projects include improvement in staff and patient amenity in our acute ward; further improvements in fire safety in our buildings; installation of a new Sterilizer and Reverse Osmosis Unit; upgrades to our Hospital Ventilation and Air-conditioning system in several rooms; a new Urgent Care triage room; an information technology upgrade for all three buildings and the establishment of an Ultrasound Room in our medical imaging area. We were also able to improve our hospital grounds with new signage, enhanced car parking and the establishment of a healing garden.

South Gippsland Hospital and its staff again played a key role in preparedness and response to COVID-19. Our staff stepped into roles assisting other health services with COVID vaccinations, testing and contact tracing while other staff members stepped into different roles to allow that to happen. A community engagement campaign *#idoitbecause* to promote the benefits of a third (booster) vaccination was devised by our executive management team and featured members of our community promoting the third vaccination dose and outlining why they did it. Not only was it a great initiative that was well received in the community, it was a finalist in the South Gippsland Shire Council Australia Day Film Awards.

Our organisational culture and practice of continuous improvement has been confirmed by the results of the Victorian Government's *People Matters Survey* and the *Victorian Health Experience Survey*. With results consistently above 90% in both surveys our performance betters that of many of our peer health services and State averages for health service performance.

Our continued successful collaboration within the South Gippsland Coast Partnership and the Gippsland Regional Health Service Partnership delivers benefit to all health services in the region and our patients. The

opportunity to work together and share services and expertise supports us in responding to local and sub-regional needs as well as State Government's health reform initiatives.

Looking forward:

Good strategy at South Gippsland Hospital (SGH) has driven some of our biggest achievements in recent years, all of which allow us to deliver the services our community needs, close to home. In the space of just three years that forward planning gave us an operating theatre upgrade, refurbishment of our maternity suite, Home Care Packages, a Seniors Day Stay programme and a range of carer support services.

Now we look to shaping the SGH of the next three years and beyond with our new Strategic Plan (2023 – 2025). The Board and our Executive team are finalising a strategy that provides clear focus on the health and community services that will meet the growing and changing needs of our rural community.

Acknowledgements

We express our appreciation and give thanks to the following individuals and groups for their valued contribution to our health service:

- Our executive management team for their expert leadership and management in another challenging year: Claire Kent, Director of Nursing; Samantha Park, Director of Community Care; Martin Schack, Facilities Manager; Shianne Murray, Human Resources Manager; Paul Greco Quality & Risk Coordinator and Emmah Welsh, Business Manager 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 (Peter Tilley, Chief Finance Officer) and Monash Pathology;
- Our health precinct partners Foster Medical Centre and Prom Country Aged Care;
- Our volunteers for their support of our health service, our patients and our staff;
- Members of our community and our service and other local organisations for their generous financial support;
- South Gippsland Hospital Community Foundation for their donation of $47,000 to upgrade our information and communications technology across three buildings;
- The Hospital Auxiliary for their outstanding and continued contribution. This year the members of the Auxiliary funded $58,114 worth of equipment;
- The members of the Board of Management for their leadership and for contributing their time and expertise to our continued focus on ensuring a high standard of health services for our community.
- Our community, for putting their trust in us to deliver an exceptional level of safe and high-quality care.

Finally, in another year of extraordinary challenges in delivering health care, we particularly acknowledge the work of our staff. Their ability to respond quickly to change while continuing our day-to-day work has been vital to our success. Their work for our health service and this community in 2021-2022 has been exceptional and our sincere thanks is extended to every member of staff and their family and friends for supporting them through difficult times.

On behalf of the Board of Management and the Executive Management Team we are pleased to present the Annual Report for South Gippsland Hospital for 2021 – 2022.

Susan Pilkington
Chair, Board of Management
2021-2022

Paul Greenhalgh
Chief Executive Officer
2021-2022

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 2022)

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

Dawn Allan,
BCom
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
MBBS(Hons), FRACP, MSc Evidence Based Health Care, MD
Appointed 2017

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

Dr 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

Damon Stynes
BCom, BA, FTIA
Appointed 2021

Jamie Sutherland
BPD, BPC, GAICD, AAMC
Appointed 2018

Ali Wastie
BA, GradDipEd(Sec), MDip & Trade, GAICD
Appointed 2021

Audit and Risk Management Committee

(as at 30 June 2022)

Graeme Baxter
Susan Pilkington
Judith Bennett
Dr David Pollard, Treasurer
Meg Knight
(Independent Member)
Marie Larkin
(Independent Member)

Executive Management Team

(as at 30 June 2022)

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

Chief Medical Officer
Dr Umesh Gupta
MBBS, MS, MBA, GAICD, FCHSM, AFRACMA, FACS, FISQuA, FACA, CPHQ, CSSBB

Director of Nursing
Claire Kent
Masters Int Health Mgmt, B Nsg, G Cert Critical Care (Emergency)

Director of Community Care
Samantha Park, BSc, MS (Prelim), Grad Dip Adolescent Health and Welfare

HR Manager
Shianne Murray

Business Manager
Emmah Welsh

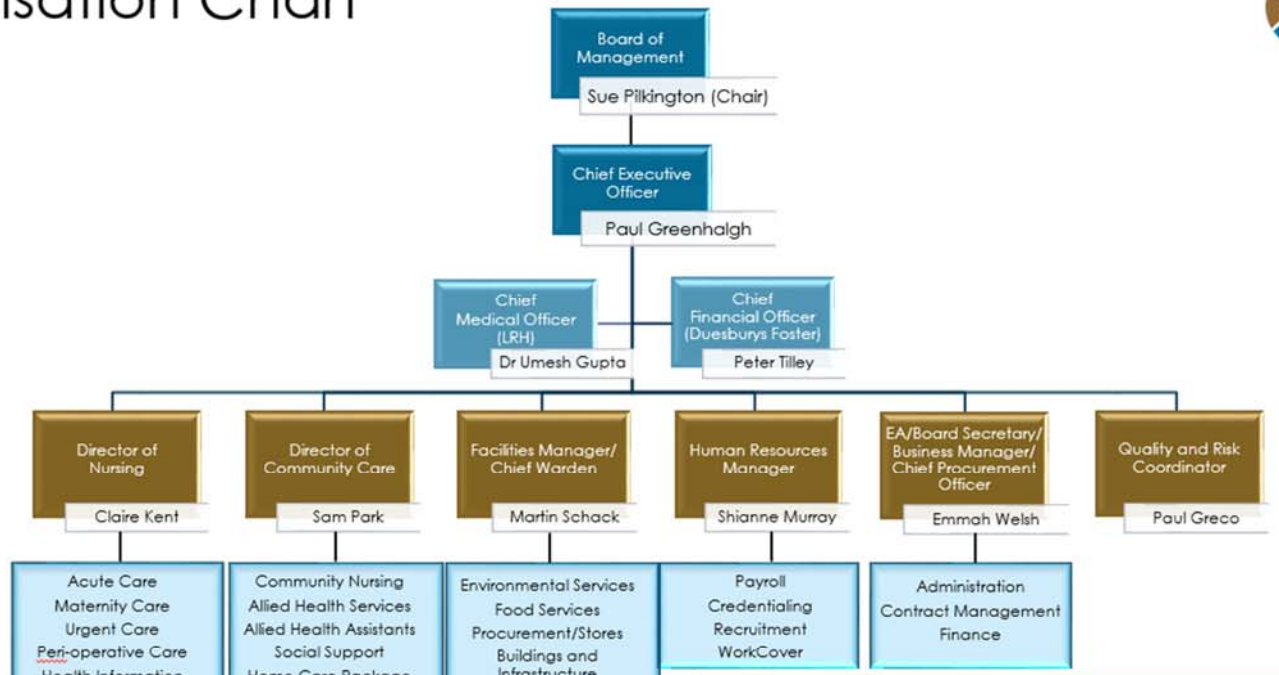
Quality & Risk Coordinator
Judie Brennan (Acting)
(July 2021 to December 2021)
MA Comms

Paul Greco, BSc Hons
(December 2021 to June 2022)

Governance and Management

Organisation Chart

June 2022



Portfolios			
CEO	EA/CPO	DCC	DON
Standing Directions Risk Management Framework Asset Management Framework Legislative Compliance Credentialing Insurance Health Service Partnerships Capital Projects Standards 1 - 2	Heath Share Victoria Gender Equality	Health Literacy Primary Health Network Healthcare that counts My Aged Care Environmental Sustainability Diversity Palliative Care Aged Care Standards	COVID-19 Clinical Governance MARAM My Health Record End of Life/VAD/ACP Telehealth Disability Action Plan Child Safe Standards Standards 3 - 8

Statement of Priorities Outcomes

Part A – Strategic Priorities

ALL ACHIEVED

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

- South Gippsland Hospital participated, and engaged fully, in Local Area (Sub regional), and Regional Partnership planning and responses to address the ever changing needs of the Pandemic response. This included, but not limited to, our staff providing community vaccination and testing
- Full compliance with all Personal Protective Equipment and Clinical guidelines across all settings
- Full compliance with Chief Health Officer directions, and the Minister Pandemic Orders
- Coming online within the Streaming Model, to become a Tier 2 site as required
- Full compliance with the Respiratory Protection Program for staff
- Full compliance with COVID-19 vaccination roll out for staff
- Implementation of Rapid Antigen Testing Surveillance program for staff
- Adoption of surge model during the State-wide Code brown period
- Active ambassador for COVID-19 vaccination with community engagement and promotion, most notably through the hosting of an on line event and the successful *#idoitbeacuase* campaign
- South Gippsland Hospital developed service specific CovidSafe plans to direct Covid safe measures in each area.
- Full compliance with Department of Health Covid 19 reporting requirements

Actively collaborate on the development and delivery of priorities within your Health Service Partnership, contribute to inclusive and consensus-based decision-making, support optimum utilisation of services, facilities and resources within the Partnership, and be collectively accountable for delivering against Partnership accountabilities as set out in the Health Service Partnership Policy and Guidelines.

- South Gippsland Hospital is an active member within the Gippsland Health Service Partnership
  - The executive team are engaged in working groups, to achieve the deliverables within the agreed work plan which directly aligns with shared priorities
  - 100% attendance by the South Gippsland Hospital CEO at Health Service Partnership Governance Meetings
  - CEO completed the Gippsland Health Service Partnership survey
- South Gippsland Hospital assisted with the development and roll out of the COVID-19 positive pathways in collaboration with the Regional Health Service (lead of the Gippsland Health Service Partnership)

Engage with your community to address the needs of patients, especially our vulnerable Victorians whose care has been delayed due to the pandemic and provide the necessary "catch-up" care to support them to get back on track. Work collaboratively with your Health Service Partnership to implement the Better at Home initiative to enhance in-home and virtual models of patient care when it is safe, appropriate and consistent with patient preference, and improve elective surgery performance and ensure that patients who have waited longer than clinically recommended for treatment have their needs addressed as a priority.

- South Gippsland Hospital conducted catch up elective surgery lists, for patients that were on the waitlist at the Regional Health Service
- South Gippsland Hospital participated in the development and roll out of the Better at Home initiative through the establishment of a Sub Regional service agreement and Model of care
- Community Survey undertaken through strategic planning process to understand community views about service needs
- South Gippsland Hospital recruited a Community Engagement Officer to support and promote engagement with our community

Statement of Priorities Outcomes

Part A – Strategic Priorities.....cont.

ALL ACHIEVED

Address critical mental health demand pressures and support the implementation of mental health system reforms to embed integrated mental health and suicide prevention pathways for people with, or at risk of, mental illness or suicide through a whole-of- system approach as an active participant in your Health Service Partnership and through your Partnership's engagement with Regional Mental Health and Wellbeing Boards.

- The executive team provided feedback into Health Service Partnership led Mental Health Reform model
- A working group was established to monitor implementation of the Mental Health reform recommendations, to work towards ensuring the needs of South Gippsland Coast Local Area Partnership are met.

Embed the Aboriginal and Torres Strait Islander Cultural Safety Framework into your organisation and build a continuous quality improvement approach to improving cultural safety, underpinned by Aboriginal self-determination, to ensure delivery of culturally safe care to Aboriginal patients and families, and to provide culturally safe workplaces for Aboriginal employees.

- South Gippsland Hospital is exempt from the requirement to embed the Framework; however, South Gippsland Hospital has implemented many actions from within the 2021-2025 Diversity Action Plan
    - Cultural Awareness Training
    - Indigenous Art Project within the newly established Healing Garden
    - Exploring opportunities with partner health service to share a Liaison Officer
    - Regular engagement with local Aboriginal elder and with the Aboriginal Regional Development Officer at Sub Regional Health Service
    - Regular communication and promotion to staff and the community about significant Aboriginal And Torres Strait Islander events/days

Part B: Key Performance Measures

High quality and safe care

Key performance measure	Target	Result
Infection prevention and control		
Compliance with the Hand Hygiene Australia program	85%	87%
Percentage of healthcare workers immunised for influenza	92%	94%
Patient experience		
Victorian Healthcare Experience Survey – percentage of positive patient experience responses Quarter 1	95%	83%
Victorian Healthcare Experience Survey – percentage of positive patient experience responses Quarter 2	95%	100%
Victorian Healthcare Experience Survey – percentage of positive patient experience responses Quarter 3	95%	100%
Maternity and Newborn		
Rate of singleton term infants without birth anomalies with APGAR score <7 to 5 minutes	≤ 1.4%	2.2%
Rate of severe fetal growth restriction (FGR) in singleton pregnancy undelivered by 40 weeks	≤ 28.6%	0%

Part B: Key Performance Measures.....cont.

People Matters Survey

Key performance indicator	Target	Result
Governance, Leadership and Culture		
Safety Culture Among Healthcare Workers	62%	86%

Effective financial management

Key performance measure	Target	Result
Operating result ($m)	$0.00	$0.24
Average number of days to pay trade creditors	60 days	31
Average number of days to receive patient fee debtors	60 days	45
Adjusted current asset ratio	0.7 or 3% improvement from health service base target	1.5
Actual number of days available cash, measured on the last day of each month.	14 days	29 days
Variance between forecast and actual Net result from transactions (NRFT) for the current financial year ending 30 June.	Variance ≤ $250,000	Not Achieved

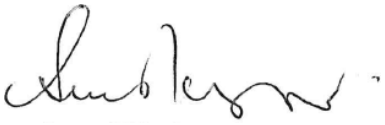
Part C: Activity

Funding type	2021-2022 Activity	Units
Small Rural		
Small Rural Acute	661.35	NWAU Equivalent
Small Rural Primary Health	990	Hours
Small Rural HACC - PYP – Nursing	592	Hours
Small Rural HACC – PYP Occupational Therapy	87	Hours
Small Rural HACC – PYP Podiatry	82	Hours

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
Board Chair
South Gippsland Hospital, Foster
5 September 2022

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
Chief Executive Officer
South Gippsland Hospital, Foster
5 September 2022

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
Chief Executive Officer
South Gippsland Hospital, Foster
5 September 2022

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
Chief Executive Officer
South Gippsland Hospital, Foster
5 September 2022

Workforce

Workforce data

Hospitals labour category	**JUNE current month FTE**		**Average Monthly FTE**	
	2021	**2022**	**2021**	**2022**
Nursing	49.95	37.81	36.99	40.88
Administration and Clerical	19.82	15.99	13.43	16.35
Medical Support	1.2	0.53	0.69	0.55
Hotel and Allied Services	18.55	12.03	16.24	12.71
Medical Officers	0	0	0	0
Hospital Medical Officers	0	0	0	0
Sessional Clinicians	0	0	0	0
Ancillary Staff (Allied Health)	17.62	16.49	12.43	16.01

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.

Workforce *(continued...)*

Occupational health and safety

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

Occupational Health and Safety Statistics	**2021-2022**	**2020-21**	**2019-20**
The number of reported hazards/incidents for the year per 100 FTE	23.1	28	44
The number of 'lost time' standard WorkCover claims for the year per 100 FTE	1	1	2
The average cost per WorkCover claim for the year	$10,825	$1,582	$4,058

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	**2021-2022**
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	1
Number of occupational violence incidents reported per 100 FTE	1.15
Percentage of occupational violence incidents resulting in a staff injury, illness or condition	0

Definitions of occupational violence

- Occupational violence - any incident where an employee is abused, threatened or assaulted in circumstances arising out of, or in the course of their employment.
- Incident - an event or circumstance that could have resulted in, or did result in, harm to an employee. Incidents of all severity rating must be included. Code Grey reporting is not included, however, if an incident occurs during the course of a planned or unplanned Code Grey, the incident must be included.
- Accepted Workcover claims - accepted Workcover claims that were lodged in 2021-2022.
- Lost time - is defined as greater than one day.
- Injury, illness or condition - this includes all reported harm as a result of the incident, regardless of whether the employee required time off work or submitted a claim.

Summary of Financial Results

Summary of operational and budgetary objectives

In 2021-2022, SGH achieved the targets established under the Statement of Priorities. The hospital recorded a surplus of $ 713,258 after capital items. The operating result is $236,600 before capital purpose income and depreciation. Capital purpose income of $744,527, was received during the financial year with depreciation write-offs totaling $530,151.

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

	2022 $	2021 $	2020 $	2019 $	2018 $
OPERATING RESULT*					
Total revenue	14,186,293	10,905,428	11,477,604	9,664,552	9,265,732
Total expenses	13,482,076	10,892,830	10,438,879	9,272,290	8,598,676
Net result from transactions	704,217	12,598	1,038,725	392,262	667,056
Total other economic flows	9,041	2,357	3,081	11,979	-2,976
Net result	713,258	14,955	1,041,806	404,241	664,080
Total assets	13,179,240	12,555,678	11,885,796	10,418,663	9,381,624
Total liabilities	3,088,184	3,657,694	3,062,953	2,637,626	2,258,279
Net assets/Total equity	10,091,056	8,897,984	8,822,843	7,781,037	7,123,345

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

2021-2022	**$**
Operating result*	236,600
Capital purpose income	744,527
Specific income	10,909
COVID 19 State Supply Arrangements - Assets received free of charge or for nil consideration under the State Supply	111,081
State supply items consumed up to 30 June 2022	(111,081)
Assets provided free of charge	0
Assets received free of charge	242,332
Expenditure for capital purpose	0
Depreciation and amortisation	(530,151)
Impairment of non-financial assets	0
Finance costs (other)	0
Net result from transactions	704,217

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

Consultancies

Details of consultancies (under $10,000)

In 2021-2022, there were no consultancies where the total fees payable to the consultants were less than $10,000.

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

In 2021-2022, there were no consultancies where the total fees payable to the consultants were $10,000 or greater.

Information and Communication Technology (ICT)

The total ICT expenditure incurred during 2021-2022 is $467,880 (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)
$467,880	$42,314	$0	$42,314

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 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 Chief Medical Officer 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) = $30.10
- 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 2021-2022

There were SIX (6) requests for information at South Gippsland Hospital in 2021-2022 – 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.

Other information and disclosures *(continued)*

Building Act 1993

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

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.

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.

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'.

Environmental Performance

South Gippsland Hospital (SGH) consistently uses less energy and water and produces less carbon emissions per floor area and separations than peer-like facilities. SGH has an active Environmental Program and regularly reminds staff to turn off lights when not needed, shut down computers at night, use half flush in all toilets, utilise reusable utensils and crockery and recycle where ever possible. There have been multiple small-scale projects throughout the facility including updating insulation, maintenance of solar panels to ensure maximum efficiency, upscaling recycling and regulation of heating and cooling devices. 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.

Environmental impacts & energy usage

	2019-2020	2020-2021	2021-2022
Energy use			
Electricity (MWh)	321*	317*	366^
Liquefied Petroleum Gas (kL)	n/a	18.7	25.2
Carbon emissions (thousand tonnes of CO_2e)			
Electricity	n/a	280*	407^
Liquefied Petroleum Gas	n/a	n/a	n/a
Total emissions		0.28*	0.40^
Recycling	n/a	234m^3	234m^3
Water use (kL)			
Potable Water	**3052**	**2344**	**2361**

*Data did not include the Community Health building

^Data now includes the Community Health building

Factors influencing environmental impacts

	2019-2020	2020-2021	2021-2022
Floor area (m2)	4733	5096	5096
Separations	500	519	529
In-Patient Bed Days	2620	2742	3421

Benchmarks | 2021-2022

	Average for peer group	Your value	% above/ below ave.
Carbon emissions			
CO2e(t) per m2	0.11	0.08	-27.3%
CO2e(t) per OBD	0.04	0.11	175%
CO2e(t) per Seps	1.33	0.76	-42.8%
Water use			
kL per m2	0.90	0.46	-48.9%
kL per OBD	0.34	0.55	69.0%
kL per Seps	11.01	4.46	-59.4%
Expenditure rates			
Total utility spend ($/m2)	27	24.5	-9.2%
Elec($/kWh)	0	0.25	n/a
Potable Water($/kL)	3	5.5	83.3%
LPG($/kL)	698	694	-0.5%

2. Emissions are calculated using the carbon factors for the year in which the emissions were generated. For health services provided with energy (electricity and steam) under the co-generation ESA (energy services agreement) carbon factors provided by the energy retailer are used.
3. Electricity consumption values exclude line losses; some energy retailers include losses in reported values.
4. Occupied bed days (OBD) include both inpatient and aged care data, unless stated otherwise. Please note SGH has no residential aged care beds so OBD is only inpatient data.

Safe Patient Care Act 2015

The South Gippsland Hospital has no matters to report in relation to its obligations under section 40 of the Safe Patient Care Act 2015.

Legislation

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

- *Gender Equality Act 2020*
- *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 22)

In compliance with the requirements of FRD 22 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 in a statutory authority or subsidiary;
- 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 2021-22 there were no contracts requiring disclosure under the Local Jobs First Act 2003.

Gender Equality Act 2020

South Gippsland Hospital as a defined entity understands its role in gender equality and welcomes these legislative obligations to address known issues within the sphere of gender equality.

Our 2021–2025 Gender Equality Action Plan represents a commitment to strengthen our existing workplace culture, where diversity and equality is respected and valued. We have worked, and will continue to work, with representatives from across the organisation to consider and make recommendations to the SGH Board, relating to gender equality.

We commenced this important journey when the 2021 People Matter Survey results were released, alongside our Gender Audit data, and acknowledge that there is a need for ongoing monitoring and review of the actions within the plan.

SGH recognises that gender equality in the workplace has a flow on effect to our consumers and more broadly throughout the community we serve. By continuing to build a vibrant and inclusive workplace culture that values difference and diversity, we are investing in the wellbeing of our staff and the local community.

Other information and disclosures *(continued)*

Disclosure Index

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

Legislation	Requirement	Page Reference
Ministerial Directions		
Report of Operations		
Charter and purpose		
FRD 22	Manner of establishment and the relevant Ministers	4
FRD 22	Purpose, functions, powers and duties	4
FRD 22	Nature and range of services provided	5
FRD 22	Activities, programs and achievements for the reporting period	6
FRD 22	Significant changes in key initiatives and expectations for the future	6
Management and structure		
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Financial information		
FRD 22	Summary of the financial results for the year	16
FRD 22	Significant changes in financial position during the year	16
FRD 22	Operational and budgetary objectives and performance against objectives	16
FRD 22	Subsequent events	16
FRD 22	Details of consultancies under $10,000	17
FRD 22	Details of consultancies over $10,000	17
FRD 22	Disclosure of ICT expenditure	17
Legislation		
FRD 22	Application and operation of Freedom of Information Act 1982	18
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Other information and disclosures *(continued)*

Legislation	Requirement	Page Reference
Attestations		
	Attestation on Data Integrity	13
	Attestation on managing Conflicts of Interest	14
	Attestation on Integrity, fraud and corruption	13
Other reporting requirements		
	Reporting of outcomes from Statement of Priorities 2021-2022	10
	Occupational Violence Reporting	15
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	Reporting obligations under the Safe Patient Care Act 2015	20

Independent Auditor's Report

Victorian Auditor-General's Office

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 2022
- 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 2022 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.

Other Information

My opinion on the financial report does not cover the Other Information and accordingly, I do not express any form of assurance conclusion on the Other Information. However, in connection with my audit of the financial report, my responsibility is to read the Other Information and in doing so, consider whether it is materially inconsistent with the financial report or the knowledge I obtained during the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude there is a material misstatement of the Other Information, I am required to report that fact. I have nothing to report in this regard.

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
30 September 2022

Dominika Ryan
as delegate for the Auditor-General of Victoria

Financial Statements for the year ended 30 June 2022

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 2022 and the financial position of South Gippsland Hospital at 30 June 2022.

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 5 September 2022.

Susan Pilkington	Paul Greenhalgh	Peter Tilley
Board Chair	Accountable Officer	Chief Finance & Accounting Officer
Foster	Foster	Foster
5 September 2022	5 September 2022	5 September 2022

South Gippsland Hospital for the financial year ended 30 June 2022

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South Gippsland Hospital
Comprehensive Operating Statement
For the Financial Year Ended 30 June 2022

	Note	2022 $	2021 $
Revenue and income from transactions			
Operating activities	2.1	13,352,290	10,896,893
Non-operating activities	2.1	10,826	8,535
Share of revenue from joint operations	8.7	823,177	694,943
Total revenue and income from transactions		**14,186,293**	**11,600,371**
Expenses from transactions			
Employee expenses	3.1	(9,546,970)	(8,243,921)
Supplies and consumables	3.1	(894,120)	(711,996)
Finance costs	3.1	(8,038)	(7,151)
Depreciation and amortisation	4.4	(530,151)	(519,673)
Share of expenditure from joint operations	8.7	(867,270)	(688,072)
Other administrative expenses	3.1	(958,676)	(815,001)
Other operating expenses	3.1	(674,016)	(594,572)
Other non-operating expenses	3.1	(2,835)	(516)
Total Expenses from transactions		**(13,482,076)**	**(11,580,902)**
Net result from transactions - net operating balance		**704,217**	**19,469**
Other economic flows included in net result			
Net (loss)/gain on sale of non-financial assets	3.2	(17,268)	(87)
Other gain/(loss) from other economic flows	3.2	26,309	(4,427)
Total other economic flows included in net result		**9,041**	**(4,514)**
Net result for the year		**713,258**	**14,955**
Other economic flows - other comprehensive income			
Items that will not be reclassified to net result			
Changes in property, plant and equipment revaluation surplus	4.3	479,814	60,186
Total other comprehensive income		**479,814**	**60,186**
Comprehensive result for the year		**1,193,072**	**75,141**

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

South Gippsland Hospital
Balance Sheet
As at 30 June 2022

	Note	2022 $	2021 $
Current assets			
Cash and cash equivalents	6.2	2,680,030	3,134,060
Receivables and contract assets	5.1	433,680	318,458
Inventories	4.5	71,512	71,232
Share of assets in joint operations	8.7	317,123	383,935
Total current assets		**3,502,345**	**3,907,685**
Non-current assets			
Receivables and contract assets	5.1	603,967	613,120
Share of assets in joint operations	8.7	41,506	47,704
Property, plant and equipment	4.1(a)	8,904,416	7,829,305
Right of use assets	4.2(a)	127,006	157,864
Total non-current assets		**9,676,895**	**8,647,993**
Total assets		**13,179,240**	**12,555,678**
Current liabilities			
Payables and contract liabilities	5.2	785,888	1,010,154
Borrowings	6.1	107,273	43,776
Employee benefits	3.3	1,831,541	1,721,442
Share of liabilities in joint operations	8.7	50,802	61,771
Other liabilities	5.3	84,948	482,288
Total current liabilities		**2,860,452**	**3,319,431**
Non-current liabilities			
Borrowings	6.1	19,944	115,068
Employee benefits	3.3	190,569	203,946
Share of liabilities in joint operations	8.7	17,219	19,249
Total non-current liabilities		**227,732**	**338,263**
Total liabilities		**3,088,184**	**3,657,694**
Net assets		**10,091,056**	**8,897,984**
Equity			
Revaluation surplus	4.3	4,086,608	3,606,794
Contributed capital	SCE	3,086,756	3,086,756
Accumulated surplus/(deficit)	SCE	2,917,692	2,204,434
Total equity		**10,091,056**	**8,897,984**

This Balance Sheet should be read in conjunction with the accompanying notes.

South Gippsland Hospital
Statement of Changes in Equity
For the Financial Year Ended 30 June 2022

	Property, Plant and Equipment Revaluation Surplus	Contributed Capital	Accumulated Surplus/(Deficit)	Total
	$	$	$	$
Balance at 1 July 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**
Net result for the year	-	-	713,258	713,258
Other comprehensive income for the year	479,814	-	-	479,814
Balance at 30 June 2022	**4,086,608**	**3,086,756**	**2,917,692**	**10,091,056**

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

South Gippsland Hospital
Cash Flow Statement
For the Financial Year Ended 30 June 2022

	Note	2022 $	2021 $
Cash Flows from operating activities			
Operating grants from State Government		8,596,093	7,796,434
Operating grants from Commonwealth Government		1,025,539	1,032,737
Capital grants from State Government		416,972	419,023
Patient fees received		376,201	344,011
Donations and bequests received		66,183	89,423
GST received from ATO		160,725	306,273
Interest and investment income received		10,826	14,219
Receipts for share of rural health alliance		823,177	694,943
Other receipts received		1,795,991	1,806,141
Total receipts		**13,271,707**	**12,503,204**
Employee expenses		(9,377,748)	(7,582,022)
Payments for service of medical officers		(88,526)	(359,041)
Payments for supplies and consumables		(771,789)	(814,452)
Payments for repairs and maintenance		(68,014)	(57,894)
Finance costs		(8,038)	(7,151)
GST paid to ATO		(298,051)	(236,366)
Payment for share of rural health alliance		(867,270)	(688,072)
Other payments		(1,464,127)	(1,608,087)
Total payments		**(12,943,563)**	**(11,353,085)**
Net cash flows from/(used in) operating activities	8.1	**328,144**	**1,150,119**
Cash Flows from investing activities			
Proceeds from sale of non-financial assets		-	-
Purchase of non-financial assets		(842,699)	(510,544)
Proceeds from financial assets		-	46,563
Purchase of financial assets		(24,964)	-
Capital donations and bequests received		117,116	-
Net cash flows from/(used in) investing activities		**(750,547)**	**(463,981)**
Cash flows from financing activities			
Repayment of borrowings		(31,627)	-
Proceeds from borrowings		-	15,800
Net cash flows from/(used in) financing activities		**(31,627)**	**15,800**
Net increase/(decrease) in cash and cash equivalents held		**(454,030)**	**701,938**
Cash and cash equivalents at beginning of year		3,134,060	2,432,122
Cash and cash equivalents at end of year	6.2	**2,680,030**	**3,134,060**

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 2022

Note 1: Basis of preparation

Structure

Notes to the Financial Statements
South Gippsland Hospital for the financial year ended 30 June 2022

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 2022. 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.

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 5th September 2022.

Notes to the Financial Statements
South Gippsland Hospital for the financial year ended 30 June 2022

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. On 2 August 2020 a state of disaster was added with both operating concurrently.

The state of disaster in Victoria concluded on 28 October 2020 and the state of emergency concluded on 15 December 2021.

The COVID-19 pandemic has created economic uncertainty. Actual economic events and conditions in the future may be materially different from those estimated by the health service at the reporting date. Management recognises that is difficult to reliably estimate with certainty, the potential impact of the pandemic after the reporting date on the health service, its operations, its future results and financial position.

In response to the ongoing COVID-19 pandemic, the Health Service has:
- introduced restrictions on non-essential visitors
- utilised telehealth service
- deferred elective surgery and reduced activity
- performed COVID-19 testing
- changed infection control practices
- implemented work from home arrangements where appropriate.

Where financial impacts of the pandemic are material to the Health Service, they are disclosed in the explanatory notes. For the Health Service, this includes:

- Note 2: Funding delivery of our services
- Note 3: The cost of delivering services.

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
NWAU	National Weighted Activity Unit
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 8.7.

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: *Insurance Contracts*	Reporting periods on or after 1 January 2023.	Adoption of this standard is not expected to have a material impact.
AASB 2020-1: Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current	Reporting periods on or after 1 January 2022.	Adoption of this standard is not expected to have a material impact.
AASB 2020-3: Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments	Reporting periods on or after 1 January 2022.	Adoption of this standard is not expected to have a material impact.
AASB 2021-2: Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definitions of Accounting Estimates	Reporting periods on or after 1 January 2023.	Adoption of this standard is not expected to have a material impact.
AASB 2021-5: Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	Reporting periods on or after 1 January 2023.	Adoption of this standard is not expected to have a material impact.
AASB 2021-6: Amendments to Australian Accounting Standards – Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards	Reporting periods on or after 1 January 2023.	Adoption of this standard is not expected to have a material impact.
AASB 2021-7: Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections	Reporting periods on or after 1 January 2023.	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 2022

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

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.

Funding provided included:

- COVID-19 quarters 1 to 4 reimbursements
- COVID-19 capital funding
- COVID-19 free of charge consumables and equipment

For the year ended 30 June 2022, the COVID-19 pandemic has impacted the Health Service's ability to satisfy its performance obligations contained within its contracts with customers. The Health Service received confirmation there would be no obligation to return funds to each relevant funding body where performance obligations had not been met.

This resulted in $68,312 being recognised as income for the year ended 30 June 2022 (2021: $nil) which would have otherwise been recognised as a contract liability in the Balance Sheet until subsequent years when underlying performance obligations were fulfilled. The impact of contract modifications obtained for the Health Service's most material revenue streams, where applicable, is disclosed within this note.

Notes to the Financial Statements
South Gippsland Hospital for the financial year ended 30 June 2022

Note 2.1 Revenue and income from transactions

	Note	2022 $	2021 $
Operating activities			
Revenue from contracts with customers			
Government grants (Commonwealth) - Operating		1,025,539	1,000,093
Patient and resident fees		386,595	367,976
Catering		65,020	72,564
Management fees		1,071,796	579,930
Transitional Care Program		461,005	429,747
Total revenue from contracts with customers		**3,009,955**	**2,450,310**
Other sources of income			
Government grants (State) - Operating		8,670,513	7,627,915
Government grants (State) - Capital		627,411	148,482
Capital donations		117,116	89,423
Assets received free of charge or for nominal consideration	2.2	430,506	191,515
Other income from operating activities		496,789	389,248
Total other sources of income		**10,342,335**	**8,446,583**
Total revenue and income from operating activities		**13,352,290**	**10,896,893**
Non-operating activities			
Income from other sources			
Capital interest		10,826	8,535
Total other sources of income		**10,826**	**8,535**
Total income from non-operating activities		**10,826**	**8,535**
Total revenue and income from transactions		**13,363,116**	**10,905,428**

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

Notes to the Financial Statements
South Gippsland Hospital for the financial year ended 30 June 2022

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.

If a contract liability is recognised, the Health Service recognises revenue in profit or loss as and when it satisfies its obligations under the contract, unless a contract modification is entered into between all parties. A contract modification may be obtained in writing, by oral agreement or implied by customary business practices.

Where the contract is not enforceable and/or does not have sufficiently specific performance obligations, 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 in accordance with AASB 1058.

In contracts with customers, the 'customer' is typically a funding body, who is the party that promises funding in exchange for the Health Service's goods or services. The Health Services funding bodies often direct that goods or services are to be provided to third party beneficiaries, including individuals or the community at large. In such instances, the customer remains the funding body that has funded the program or activity, however the delivery of goods or services to third party beneficiaries is a characteristic of the promised good or service being transferred to the funding body.

This policy applies to each of the Health Service's revenue streams, with information detailed below relating to the Health Service's significant revenue streams:

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	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.

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

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

	2022 $	2021 $
Cash donations and gifts	66,184	96,598
Plant and equipment	10,909	31,909
Personal protective equipment and other consumables	111,081	63,008
Building (Banksia) [i]	242,332	-
Total fair value of assets and services received free of charge or for nominal consideration	**430,506**	**191,515**

[i] refer to note 4.1(b)

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, arrangements were put in place to centralise the purchasing of essential personal protective equipment (PPE) and other essential plant and equipment.

The general principles of the State Supply Arrangement were that Health Share Victoria sourced, secured and agreed terms for the purchase of the PPE products, funded by the DH, while Monash Health took delivery, and distributed an allocation of the products to the Health Service as resources provided free of charge. Health Share Victoria and Monash Health were acting as an agent of the Department of Health under this arrangement.

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.

Non-cash contributions from the Department of Health
The DH makes some payments on behalf of the Health Service as follows:

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

Notes to the Financial Statements
South Gippsland Hospital for the financial year ended 30 June 2022

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 Other economic flows
3.3 Employee benefits in the balance sheet
3.4 Superannuation

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
- implement work from home arrangements resulting in increased ICT infrastructure costs and additional equipment purchases.

Notes to the Financial Statements
South Gippsland Hospital for the financial year ended 30 June 2022

Note 3.1 Expenses from transactions

	Note	2022 $	2021 $
Salaries and wages		7,658,478	6,344,740
On-costs		1,686,157	1,455,268
Fee for service medical officer expenses		101,874	320,969
Workcover premium		100,461	122,944
Total employee expenses		**9,546,970**	**8,243,921**
Drug supplies		65,875	60,336
Medical and surgical supplies (including Prostheses)		365,434	255,313
Diagnostic and radiology supplies		86,923	90,774
Other supplies and consumables		375,888	305,573
Total supplies and consumables		**894,120**	**711,996**
Finance costs		8,038	7,151
Total finance costs		**8,038**	**7,151**
IT expenses		467,880	443,588
Other administrative expenses		490,796	371,413
Total other administrative expenses		**958,676**	**815,001**
Fuel, light, power and water		122,644	115,698
Repairs and maintenance		68,014	57,894
Maintenance contracts		178,244	102,589
Medical indemnity insurance		134,097	138,189
Expenditure for capital purposes		15,677	30,862
Other operating expenses		155,340	149,340
Total other operating expenses		**674,016**	**594,572**
Total operating expenses		**12,081,820**	**10,372,641**
Depreciation and amortisation	4.4	530,151	519,673
Total depreciation and amortisation		**530,151**	**519,673**
Bad and doubtful debt expense		2,835	516
Total other non-operating expenses		**2,835**	**516**
Total non-operating expenses		**532,986**	**520,189**
Total expenses from transactions		**12,614,806**	**10,892,830**

Notes to the Financial Statements
South Gippsland Hospital for the financial year ended 30 June 2022

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 DH 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.

Note 3.2 Other economic flows

	2022 $	2021 $
Net (loss)/gain on disposal of property plant and equipment	(17,268)	(87)
Total net gain/(loss) on non-financial assets	**(17,268)**	**(87)**
Net gain/(loss) arising from revaluation of long service liability	26,309	(4,427)
Total other gain/(loss) from other economic flows	**26,309**	**(4,427)**
Total gains/(losses) from other economic flows	**9,041**	**(4,514)**

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 gain/(loss) from other economic flows include the gains or losses from:
- the revaluation of the present value of the long service leave liability due to changes in the bond interest rates.

Net gain/(loss) on non-financial assets
Net gain/(loss) on non-financial assets and liabilities includes realised and unrealised gains and losses as follows:
- net gain/(loss) on disposal of non-financial assets
- any gain or loss on the disposal of non-financial assets is recognised at the date of disposal.

Net gain/(loss) on financial instruments
Net gain/(loss) on financial instruments at fair value includes:
- realised and unrealised gains and losses from revaluations of financial instruments at fair value and
- disposals of financial assets and derecognition of financial liabilities.

Notes to the Financial Statements
South Gippsland Hospital for the financial year ended 30 June 2022

Note 3.3 Employee benefits in the balance sheet

	2022 $	2021 $
Current employee benefits and related on-costs		
Accrued days off		
Unconditional and expected to be settled wholly within 12 months [i]	2,002	1,996
	2,002	**1,996**
Annual leave		
Unconditional and expected to be settled wholly within 12 months [i]	483,997	464,478
Unconditional and expected to be settled wholly after 12 months [ii]	243,537	196,635
	727,534	**661,113**
Long service leave		
Unconditional and expected to be settled wholly within 12 months [i]	230,126	222,564
Unconditional and expected to be settled wholly after 12 months [ii]	690,380	667,691
	920,506	**890,255**
Provisions related to employee benefit on-costs		
Unconditional and expected to be settled within 12 months i	64,872	59,053
Unconditional and expected to be settled after 12 months ii	116,627	109,025
	181,499	**168,078**
Total current employee benefits and related on-costs	**1,831,541**	**1,721,442**
Non-current employee benefits and related on-costs		
Conditional long service leave	171,782	184,519
Provisions related to employee benefit on-costs	18,787	19,427
Total non-current employee benefits and related on-costs	**190,569**	**203,946**
Total employee benefits and related on-costs	**2,022,110**	**1,925,388**

[i] The amounts disclosed are nominal amounts.

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

Note 3.3(a) Consolidated employee benefits and related on-costs

	2022 $	2021 $
Current employee benefits and related on-costs		
Unconditional accrued days off	2,002	1,996
Unconditional annual leave entitlements	805,522	729,247
Unconditional long service leave entitlements	1,024,017	990,199
Total current employee benefits and related on-costs	**1,831,541**	**1,721,442**
Non-current employee benefits and related on-costs		
Conditional long service leave entitlements	190,569	203,946
Total non-current employee benefits and related on-costs	**190,569**	**203,946**
Total employee benefits and related on-costs	**2,022,110**	**1,925,388**
Attributable to:		
Employee benefits	1,821,824	1,737,883
Provision for related on-costs	200,286	187,505
Total employee benefits and related on-costs	**2,022,110**	**1,925,388**

Note 3.3(b) Provision for related on-costs movement schedule

	2022 $	2021 $
Carrying amount at start of year	1,925,388	1,670,549
Additional provisions recognised	857,735	784,059
Amounts incurred during the year	(787,322)	(524,793)
Net gain/(loss) arising from revaluation of long service liability	26,309	(4,427)
Carrying amount at end of year	**2,022,110**	**1,925,388**

How we recognise employee benefits

Employee benefit recognition
Employee benefits are accrued for 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.

No provision has been made for sick leave as all sick leave is non-vesting and it is not considered probable that the average sick leave taken in the future will be greater than the benefits accrued in the future. As sick leave is non-vesting, an expense is recognised in the Statement of Comprehensive Income as it is taken.

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.

Note 3.3(b) Provision for related on-costs movement schedule

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

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

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

Conditional LSL is measured at present value and is disclosed as a non-current liability. Any gain or loss 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.

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

Notes to the Financial Statements
South Gippsland Hospital for the financial year ended 30 June 2022

Note 3.4 Superannuation

	Paid Contribution for the Year		Contribution Outstanding at Year End	
	2022	2021	2022	2021
	$	$	$	$
Defined contribution plans:				
First State Super	434,695	399,240	37,280	70,741
Hesta	183,783	145,164	15,191	28,949
Other	186,664	89,458	15,472	30,036
Total	**805,142**	**633,862**	**67,943**	**129,726**

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 2022

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 Right-of-use assets
4.3 Revaluation surplus
4.4 Depreciation and amortisation
4.5 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 2022

Note 4.1: Property, plant and equipment

Note 4.1(a) Gross carrying amount and accumulated depreciation

	2022	2021
Land at fair value - Freehold	960,000	480,186
Total land at fair value	**960,000**	**480,186**
Buildings at fair value	6,893,767	6,435,414
Less accumulated depreciation	(691,458)	(445,403)
Buildings work in progress	44,060	17,409
Total buildings at fair value	**6,246,369**	**6,007,420**
Total land and buildings	**7,206,369**	**6,487,606**
Plant and equipment at fair value	191,016	210,280
Less accumulated depreciation	(182,488)	(195,185)
Plant and equipment work in progress	-	6,075
Total plant and equipment at fair value	**8,528**	**21,170**
Motor vehicles at fair value	74,555	74,555
Less accumulated depreciation	(47,278)	(37,959)
Total motor vehicles at fair value	**27,277**	**36,596**
Medical equipment at fair value	1,934,507	1,804,573
Less accumulated depreciation	(1,159,651)	(1,324,877)
Total medical equipment at fair value	**774,856**	**479,696**
Other equipment at fair value	575,522	691,909
Less accumulated depreciation	(374,142)	(481,321)
Other equipment work in progress	-	1,500
Total computer equipment at fair value	**201,380**	**212,088**
Furniture and fittings at fair value	982,049	818,861
Less accumulated depreciation	(296,043)	(226,712)
Total furniture and fittings at fair value	**686,006**	**592,149**
Total plant, equipment, furniture, fittings and vehicles at fair value	**1,698,047**	**1,341,699**
Total property, plant and equipment	**8,904,416**	**7,829,305**

Notes to the Financial Statements
South Gippsland Hospital for the financial year ended 30 June 2022

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

	Note	Land $	Buildings $	Plant & equipment $	Medical Equipment $	Furniture & Fittings $	Other Equipment $	Motor vehicles $	Total $
Balance at 1 July 2020		**420,000**	**6,068,455**	**75,586**	**341,477**	**651,784**	**244,653**	**45,915**	**7,847,870**
Additions		-	182,018	5,903	240,098	14,001	2,228	-	444,248
Disposals		-	-	(46,300)	-	-	(350)	-	(46,650)
Revaluation increments/(decrements)		60,186	-	-	-	-	-	-	60,186
Depreciation	4.4	-	(243,053)	(14,019)	(101,879)	(73,636)	(34,443)	(9,319)	(476,349)
Balance at 30 June 2021	4.1(a)	**480,186**	**6,007,420**	**21,170**	**479,696**	**592,149**	**212,088**	**36,596**	**7,829,305**
Additions		-	242,672	-	398,664	171,458	40,814	-	853,608
Assets received free of charge		-	242,332	-	-	-	-	-	242,332
Disposals		-	-	(1,505)	(25)	-	(15,738)	-	(17,268)
Revaluation increments/(decrements)		479,814	-	-	-	-	-	-	479,814
Net transfers between classes		-	-	(6,075)	6,075	-	-	-	-
Depreciation	4.4	-	(246,055)	(5,062)	(109,554)	(77,601)	(35,784)	(9,319)	(483,375)
Balance at 30 June 2022	4.1(a)	**960,000**	**6,246,369**	**8,528**	**774,856**	**686,006**	**201,380**	**27,277**	**8,904,416**

Land Carried at Valuation

The Valuer-General Victoria was requested to revalue all of the Health Service's land to determine their fair value due to recent price increases. The valuation, which conforms to Australian Valuation Standards, was determined by reference to the amounts for which assets could be exchanged between knowledgeable and willing parties in an arm's length transaction. The valuation was based on independent assessments. The effective date of the valuation was 30th June, 2022.

How we recognise property, plant and equipment

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

Initial recognition

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

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

Building received free of charge

The South Gippsland Hospital Community Foundation Ltd exercise a clause in their lease agreement with the Health Service to enable the Foundation to end the lease agreement and transfer the leased building to the Health Service. The building value recognised initially was the written down value at the time of transfer.

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 in Note 7.4.

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 land was performed by the VGV on 30th June, 2022. 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 2022 indicated an overall:
- increase in fair value of land of 19% ($91,235)
- decrease in fair value of buildings of 5% ($530,702).

As the cumulative movement for land was greater than 40% since the last independent revaluation, an interim independent valuation was required as at 30 June 2022 and an adjustment was recorded.

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.

Note 4.2 Right-of-use-assets

Note 4.2(a) Gross carrying amount and accumulated depreciation

	2022 $	2021 $
Right of use vehicles at fair value	214,594	214,594
Less accumulated depreciation	(87,588)	(56,730)
Total right of use vehicles at fair value	**127,006**	**157,864**
Total right of use vehicles at fair value	**127,006**	**157,864**
Total right of use assets	**127,006**	**157,864**

Note 4.2 Right-of-use-assets
Note 4.2(b) Reconciliations of the carrying amounts of each class of asset

	Note	Right-of-use - Vehicles $	Total $
Balance at 1 July 2020		**152,773**	**152,773**
Additions		35,504	35,504
Depreciation	4.4	(30,413)	(30,413)
Balance at 30 June 2021	4.2(a)	**157,864**	**157,864**
Depreciation	4.4	(30,858)	(30,858)
Balance at 30 June 2022	4.2(a)	**127,006**	**127,006**

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 vehicles (VicFleet)	1 to 5 years

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

The right-of-use asset is initially measured at cost and comprises the initial measurement of the corresponding lease liability, adjusted for:
- any lease payments made at or before the commencement date
- any initial direct costs incurred and
- an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received.

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

Subsequent measurement
Right-of-use assets are subsequently measured at fair value, with the exception of right-of-use asset arising from leases with significantly below-market terms and conditions, which 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).

Further information regarding fair value measurement is disclosed in Note 7.4.

Notes to the Financial Statements
South Gippsland Hospital for the financial year ended 30 June 2022

Note 4.3 Revaluation surplus

	Note	2022 $	2021 $
Balance at the beginning of the reporting period		3,606,794	3,546,608
Revaluation increment			
- Land	4.1(b)	479,814	60,186
Balance at the end of the Reporting Period*		**4,086,608**	**3,606,794**
*** Represented by:**			
- Land		746,586	266,772
- Buildings		3,340,022	3,340,022
		4,086,608	**3,606,794**

Note 4.4 Depreciation and amortisation

	2022 $	2021 $
Depreciation		
Property, plant and equipment		
Buildings	246,055	243,053
Plant and equipment	5,062	14,019
Motor vehicles	9,319	9,319
Medical equipment	109,554	101,879
Other equipment	35,784	34,443
Furniture and fittings	77,601	73,636
Total depreciation property, plant and equipment	483,375	476,349
Share of depreciation from joint ventures		
Share of depreciation from joint ventures	15,918	12,911
Total share of depreciation from joint ventures	15,918	12,911
Total depreciation - property, plant and equipment	**499,293**	**489,260**
Right-of-use assets		
Right of-use motor vehicles (VicFleet)	30,858	30,413
Total depreciation - right-of-use assets	**30,858**	**30,413**
Total depreciation	**530,151**	**519,673**

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.

Note 4.5 Inventories

	2022 $	2021 $
Medical and surgical consumables at cost	51,733	47,019
Pharmacy supplies at cost	12,263	15,012
Catering supplies at cost	4,549	5,569
Engineering stores at cost	2,967	3,632
Total inventories	**71,512**	**71,232**

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 2022

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.

Note 5.1 Receivables and contract assets

	Note	2022 $	2021 $
Current receivables and contract assets			
Contractual			
Inter hospital debtors		87,814	32,561
Trade receivables		229,053	197,700
Patient fees		42,429	52,693
Allowance for impairment losses	5.1(a)	(4,246)	(2,476)
Accrued revenue		29,288	9,695
Total contractual receivables		**384,338**	**290,173**
Statutory			
GST receivable		49,342	28,285
Total statutory receivables		**49,342**	**28,285**
Total current receivables and contract assets		**433,680**	**318,458**
Non-current receivables and contract assets			
Contractual			
Long service leave - Department of Health		603,967	613,120
Total contractual receivables		**603,967**	**613,120**
Total non-current receivables and contract assets		**603,967**	**613,120**
Total receivables and contract assets		**1,037,647**	**931,578**
(i) Financial assets classified as receivables and contract assets (Note 7.1(a))			
Total receivables and contract assets		1,037,647	931,578
GST receivable		(49,342)	(28,285)
Provision for impairment		4,246	2,476
Total financial assets	7.1(a)	**992,551**	**905,769**

As at 30 June 2022, the Health Service has contract assets of $384,338 which is net of an allowance for expected credit losses of $4,246. This is included in the contractual receivable balances presented above.

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

	2022 $	2021 $
Balance at the beginning of the year	2,476	1,901
Increase in allowance	1,770	575
Balance at the end of the year	**4,246**	**2,476**

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.

Note 5.2 Payables and contract liabilities

	Note	2022 $	2021 $
Current payables and contract liabilities			
Contractual			
Trade creditors		175,399	50,430
Accrued salaries and wages		262,163	256,063
Accrued expenses		127,744	127,854
Deferred capital grant income	5.2(a)	-	270,541
Contract liabilities	5.2(b)	-	89,394
Superannuation		67,943	129,726
Inter hospital creditors		9,187	8,617
Amounts payable to governments and agencies		143,452	77,529
Total contractual payables		**785,888**	**1,010,154**
Total current payables and contract liabilities		**785,888**	**1,010,154**
Non-current payables and contract liabilities			
Contract liabilities	5.2(b)	-	-
Total non-current payables and contract liabilities		**-**	**-**
Total payables and contract liabilities		**785,888**	**1,010,154**
(i) Financial liabilities classified as payables and contract liabilities (Note 7.1(a))			
Total payables and contract liabilities		785,888	1,010,154
Deferred grant income		-	(270,541)
Contract liabilities		-	(89,394)
Total financial liabilties	7.1(a)	**785,888**	**650,219**

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 2022

Note 5.2(a) Deferred capital grant income

	2022 $	2021 $
Opening balance of deferred capital grant income	270,541	-
Grant consideration for capital works received during the year	-	287,950
Deferred capital grant income recognised as income due to completion of capital works	(270,541)	(17,409)
Closing balance of deferred capital grant income	**-**	**270,541**

How we recognise deferred capital grant revenue

Grant consideration was received from the State Government in the 2021 year 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's opening deferred grant income was fully recognised during the current year.

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

Note 5.2(b) Contract liabilities

	2022 $	2021 $
Opening balance of contract liabilities	89,394	-
Revenue recognised for the completion of a performance obligation	(89,394)	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.

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.

Note 5.3 Other liabilities

	2022 $	2021 $
Current monies held it trust		
Monies held in trust*:HCP monies held in trust	84,948	482,288
Total current monies held in trust	**84,948**	**482,288**
Total other liabilities	**84,948**	**482,288**
*** Represented by:**		
- Cash assets	84,948	482,288
	84,948	**482,288**

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.

This model was changed during the current year with the Health Service no longer being asked to hold funds on behalf of individuals and the year end balance represents the remaining funds held by the Health Service which are expected to be fully expensed in the short term.

Notes to the Financial Statements
South Gippsland Hospital for the financial year ended 30 June 2022

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

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

Note 6.1 Borrowings

	Note	2022 $	2021 $
Current borrowings			
Lease liability [(i)]	6.1(a)	107,273	43,776
Total current borrowings		**107,273**	**43,776**
Non-current borrowings			
Lease liability [(i)]	6.1(a)	19,944	115,068
Total non-current borrowings		**19,944**	**115,068**
Total borrowings	7.1(a)	**127,217**	**158,844**

[i] Secured by the assets leased.

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

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

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

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

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

Notes to the Financial Statements
South Gippsland Hospital for the financial year ended 30 June 2022

Note 6.1(a) Lease liabilities

The Health Service's lease liabilities are summarised below:

	2022 $	2021 $
Total undiscounted lease liabilities	129,214	164,835
Less unexpired finance expenses	(1,997)	(5,991)
Net lease liabilities	**127,217**	**158,844**

	2022 $	2021 $
Not longer than one year	109,232	47,811
Longer than one year but not longer than five years	19,982	117,024
Longer than five years	-	-
Minimum future lease liability	**129,214**	**164,835**
Less unexpired finance expenses	(1,997)	(5,991)
Present value of lease liability	**127,217**	**158,844**
*** Represented by:**		
- Current liabilities	19,945	44,815
- Non-current liabilities	107,272	114,029
	127,217	**158,844**

How we recognise lease liabilities

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

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

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

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

Note 6.1(a) Lease liabilities

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 2022

Note 6.2 Cash and Cash Equivalents

	Note	2022 $	2021 $
Cash on hand (excluding monies held in trust)		200	400
Cash at bank (excluding monies held in trust)		293,660	186,813
Cash at bank - CBS (excluding monies held in trust)		2,301,222	2,464,559
Total cash held for operations		**2,595,082**	**2,651,772**
Cash on hand (monies held in trust)		84,948	482,288
Total cash held as monies in trust		**84,948**	**482,288**
Total cash and cash equivalents (excluding joint operations)		**2,680,030**	**3,134,060**
Cash at bank (monies held jointly controlled operation) GHA		120,127	189,184
Total cash held in jointly controlled operation		**120,127**	**189,184**
Total cash and cash equivalents (including joint operations)	7.1(a)	**2,800,157**	**3,323,244**

How we recognise cash and cash equivalents

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

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

Note 6.3 Commitments for expenditure

	2022 $	2021 $
Capital expenditure commitments		
Less than one year	-	287,950
Total capital expenditure commitments	**-**	**287,950**
Operating expenditure commitments		
Less than one year	-	27,134
Total operating expenditure commitments	**-**	**27,134**
Total commitments for expenditure (inclusive of GST)	**-**	**315,084**
Less GST recoverable from Australian Tax Office	-	(28,644)
Total commitments for expenditure (exclusive of GST)	**-**	**286,440**

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.

Note 6.4 Non-cash financing and investing activities

	2022 $	2021 $
Assumption of liabilities		
Acquisition of plant and equipment by means of Leases		
VicFleet	-	35,504
Total non-cash financing and investing activities	**-**	**35,504**

Notes to the Financial Statements
South Gippsland Hospital for the financial year ended 30 June 2022

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

Note 7.1: Financial instruments

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

Note 7.1(a) Categorisation of financial instruments

30 June 2022	Note	Financial Assets at Amortised Cost $	Financial Liabilities at Amortised Cost $	Total $
Contractual Financial Assets				
Cash and Cash Equivalents	6.2	2,800,157	-	2,800,157
Receivables and contract assets	5.1	992,551	-	992,551
Total Financial Assets [i]		**3,792,708**	**-**	**3,792,708**
Financial Liabilities				
Payables	5.2	-	785,888	785,888
Borrowings	6.1	-	127,217	127,217
Other Financial Liabilities - Patient monies held in trust	5.3	-	84,948	84,948
Total Financial Liabilities [i]		**-**	**998,053**	**998,053**

30 June 2021	Note	Financial Assets at Amortised Cost $	Financial Liabilities at Amortised Cost $	Total $
Contractual Financial Assets				
Cash and cash equivalents	6.2	3,323,244	-	3,323,244
Receivables and contract assets	5.1	905,769	-	905,769
Total Financial Assets [i]		**4,229,013**	**-**	**4,229,013**
Financial Liabilities				
Payables	5.2	-	650,219	650,219
Borrowings	6.1	-	158,844	158,844
Other Financial Liabilities - Patient monies held in trust	5.3	-	482,288	482,288
Total Financial Liabilities [i]		**-**	**1,291,351**	**1,291,351**

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.

Note 7.1: Financial instruments

The Health Service recognises the following assets in this category:
- cash and deposits and
- receivables (exluding statutory receivables)

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.

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.

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.

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 2021-22.

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 2022

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:

30 June 2022		**Current**	**Less than 1 month**	**1–3 months**	**3 months –1 year**	**1–5 years**	**Total**
Expected loss rate		35.9%	0.0%	1.9%	0.9%	61.3%	
Gross carrying amount of contractual receivables	5.1	355,929	0	19,057	9,231	608,335	**992,551**
Loss allowance		**(4,246)**	**-**	**-**	**-**	**-**	**(4,246)**

30 June 2021	**Note**	**Current**	**Less than 1 month**	**1–3 months**	**3 months –1 year**	**1–5 years**	**Total**
Expected loss rate		31.5%	0.0%	0.8%	0.0%	67.7%	
Gross carrying amount of contractual receivables	5.1	285,118	0	7,518	18	613,115	**905,769**
Loss allowance		**(2,476)**	**-**	**-**	**-**	**-**	**(2,476)**

Statutory receivables and debt investments at amortised cost

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

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

Note 7.2(b) Liquidity risk

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

The Health Service is exposed to liquidity risk mainly through the financial liabilities as disclosed in the face of the balance sheet and the amounts related to financial guarantees. The health service manages its liquidity risk by:
- close monitoring of its short-term and long-term borrowings by senior management, including monthly reviews on current and future borrowing levels and requirements
- maintaining an adequate level of uncommitted funds that can be drawn at short notice to meet its short-term obligations
- holding investments and other contractual financial assets that are readily tradeable in the financial markets and
- careful maturity planning of its financial obligations based on forecasts of future cash flows.

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

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
30 June 2022	**Note**	**$**	**$**	**$**	**$**	**$**	**$**
Financial Liabilities at amortised cost							
Payables	5.2	785,888	785,888	782,166	3,400	322	-
Borrowings	6.1	127,217	127,217	35,740	3,854	69,639	17,984
Other Financial Liabilities - Patient monies held in trust	5.3	84,948	84,948	84,948	-	-	-
Total Financial Liabilities		**998,053**	**998,053**	**902,854**	**7,254**	**69,961**	**17,984**

				Maturity Dates			
		Carrying Amount	Nominal Amount	Less than 1 Month	1-3 Months	3 months - 1 Year	1-5 Years
30 June 2021	**Note**	**$**	**$**	**$**	**$**	**$**	**$**
Financial Liabilities at amortised cost							
Payables	5.2	1,010,154	1,010,154	1,009,102	1,052	-	-
Borrowings	6.1	158,844	158,844	19,505	5,146	23,157	111,035
Other Financial Liabilities - Patient monies held in trust	5.3	482,288	482,288	482,288	-	-	-
Total Financial Liabilities		**1,651,286**	**1,651,286**	**1,510,895**	**6,198**	**23,157**	**111,035**

[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 2% 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 that are at floating rate.

Note 7.3: Contingent assets and contingent liabilities

At balance date, the Board are not aware of any contingent assets or liabilities. (2021: Nil)

Note 7.4 Fair value determination

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.

The following assets and liabilities are carried at fair value:
- Financial assets and liabilities at fair value through net result
- Financial assets and liabilities at fair value through other comprehensive income
- Property, plant and equipment
- Right-of-use assets

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.

The Health Service determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. There have been no transfers between levels during the period.

The Health Service monitors changes in the fair value of each asset and liability through relevant data sources to determine whether revaluation is required. The Valuer-General Victoria (VGV) is the Health Service's independent valuation agency for property, plant and equipment.

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.

Note 7.4(a): Fair value determination of non-financial physical assets

	Note	Consolidated carrying amount 30 June 2022 $	Fair value measurement at end of reporting period using: Level 1 [i] $	Level 2 [i] $	Level 3 [i] $
Specialised land		960,000	-	-	960,000
Total land at fair value	4.1(a)	**960,000**	**-**	**-**	**960,000**
Specialised buildings		6,246,369	-	-	6,246,369
Total buildings at fair value	4.1(a)	**6,246,369**	**-**	**-**	**6,246,369**
Plant and equipment	4.1(a)	8,528	-	-	8,528
Motor vehicles	4.1(a)	27,277	-	-	27,277
Medical equipment	4.1(a)	774,856	-	-	774,856
Computer equipment	4.1(a)	201,380	-	-	201,380
Furniture and fittings	4.1(a)	686,006	-	-	686,006
Total plant, equipment, furniture, fittings and vehicles at fair value		**1,698,047**	**-**	**-**	**1,698,047**
Right of use motor vehicles (VicFleet)	4.2(a)	127,006	-	-	127,006
Total right-of-use assets at fair value		**127,006**	**-**	**-**	**127,006**
Total non-financial physical assets at fair value		**9,031,422**	**-**	**-**	**9,031,422**

	Note	Consolidated carrying amount 30 June 2021 $	Fair value measurement at end of reporting period using: Level 1 [i] $	Level 2 [i] $	Level 3 [i] $
Specialised land		480,186	-	-	480,186
Total land at fair value	4.1(a)	**480,186**	**-**	**-**	**480,186**
Non-specialised buildings		-	-	-	-
Specialised buildings		6,007,420	-	-	6,007,420
Total buildings at fair value	4.1(a)	**6,007,420**	**-**	**-**	**6,007,420**
Plant and equipment	4.1(a)	21,170	-	-	21,170
Motor vehicles	4.1(a)	36,596	-	-	36,596
Medical equipment	4.1(a)	479,696	-	-	479,696
Computer equipment	4.1(a)	212,088	-	-	212,088
Furniture and fittings	4.1(a)	592,149	-	-	592,149
Total plant, equipment, furniture, fittings and vehicles at fair value		**1,341,699**	**-**	**-**	**1,341,699**
Right of use motor vehicles (VicFleet)	4.2(a)	157,864	-	-	157,864
Total right-of-use assets at fair value		**157,864**	**-**	**-**	**157,864**
Total non-financial physical assets at fair value		**7,987,169**	**-**	**-**	**7,987,169**

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

How we measure fair value of non-financial physical assets

The fair value measurement of non-financial physical assets takes into account the market participant's ability to use the asset in its highest and best use, or to sell it to another market participant that would use the same asset in its highest and best use.

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 highest and best use unless market or other factors suggest that a different use by market participants would maximise the value of the asset.

Note 7.4(a): Fair value determination of non-financial physical assets

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

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

The market approach is also used for specialised land 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 was performed by the Valuer-General Victoria. The effective date of the valuation is 30 June 2022.

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 2022.

Reconciliation of level 3 fair value measurement

	Note	Land $	Buildings $	Plant and equipment $	Medical equipment $	Furniture and fittings $	Other equipment $	Motor vehicles $	Right-of-use - motor vehicles $
Balance at 1 July 2020		**420,000**	**6,068,455**	**75,586**	**341,477**	**651,784**	**244,653**	**45,915**	**152,773**
Additions/(Disposals)		-	182,018	(40,397)	208,898	14,001	1,878	-	35,504
Assets provided free of charge		-	-	-	31,200	-	-	-	-
Gains/(Losses) recognised in net result									
- Depreciation and amortisation		-	(243,053)	(14,019)	(101,879)	(73,636)	(34,443)	(9,319)	(30,413)
Items recognised in other comprehensive income									
- Revaluation		60,186	-	-	-	-	-	-	-
Balance at 30 June 2021	7.4(a)	**480,186**	**6,007,420**	**21,170**	**479,696**	**592,149**	**212,088**	**36,596**	**157,864**
Additions/(Disposals)		-	242,672	(7,580)	393,805	171,458	25,076	-	-
Assets provided free of charge		-	242,332	-	10,909	-	-	-	-
Gains/(Losses) recognised in net result									
- Depreciation and Amortisation		-	(246,055)	(5,062)	(109,554)	(77,601)	(35,784)	(9,319)	(30,858)
Items recognised in other comprehensive income									
- Revaluation		479,814	-	-	-	-	-	-	-
Balance at 30 June 2022	7.4(a)	**960,000**	**6,246,369**	**8,528**	**774,856**	**686,006**	**201,380**	**27,277**	**127,006**

[i] Classified in accordance with the fair value hierarchy, refer Note 7.4.

Fair value determination of level 3 fair value measurement

Asset class	Likely valuation approach	Significant inputs (Level 3 only)
Specialised land (Freehold) - Station Road, Foster	Market approach Current	Community Service Obligations Adjustments[(i)] - Useful life
Furniture and fittings	Current replacement cost	- Cost per unit - Useful life
Other equipment	Current replacement cost	- Cost per unit - Useful life

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

Notes to the Financial Statements
South Gippsland Hospital for the financial year ended 30 June 2022

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 Events occurring after the balance sheet date
8.7 Joint arrangements
8.8 Equity
8.9 Economic dependency

Our other disclosures 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 2022

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

	Note	2022 $	2021 $
Net result for the year		713,258	14,955
Non-cash movements:			
(Gain)/Loss on sale or disposal of non-financial assets	3.2	17,268	87
Depreciation of non-current assets	4.4	530,151	519,673
Free of Charge Consumables Funding	2.2	111,081	
Consumables received Free of Charge	2.2	(10,909)	
Assets received Free of Charge	2.2	(111,081)	-
Capital donations received		(359,448)	-
(Increase)/Decrease in receivables and contract assets	5.1	(106,069)	261
Decrease/(Increase) in GHA cash	8.7	69,057	29,666
(Increase)/Decrease in inventories	4.5	(280)	6,536
(Decrease)/Increase in payables and contract liabilities	5.2	(224,266)	135,976
(Decrease)/Increase in other liabilities	5.3	(397,340)	188,127
Increase/(Decrease) in employee benefits	3.3	96,722	254,838
Net cash inflow from operating activities		**328,144**	**1,150,119**

Notes to the Financial Statements
South Gippsland Hospital for the financial year ended 30 June 2022

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
Minister for Health	The Hon. Mary-Anne Thomas MP	27 June 2022 to 30 June 2022
Minister for Ambulance Services	The Hon. Mary-Anne Thomas MP	27 June 2022 to 30 June 2022
Minister for Mental Health	The Hon. Gabrielle Williams MP	27 June 2022 to 30 June 2022
Minister for Disability, Ageing and Carers	The Hon. Colin Brooks MP	27 June 2022 to 30 June 2022
Former Minister for Health	The Hon. Martin Foley MP	1 July 2021 to 27 June 2022
Former Minister for Ambulance Services	The Hon. Martin Foley MP	1 July 2021 to 27 June 2022
Former Minister for Mental Health	The Hon. James Merlino MP	1 July 2021 to 27 June 2022
Former Minister for Disability, Ageing and Carers	The Hon. Luke Donnellan MP	1 July 2021 to 11 October 2021
Former Minister for Disability, Ageing and Carers	The Hon. James Merlino MP	11 October 2021 to 6 December 2021
Former Minister for Disability, Ageing and Carers	The Hon. Anthony Carbines MP	6 December 2021 to 27 June 2022

Governing Boards

Ms. Susan Pilkington (appointed 2014) (Chair of the Board)	1 Jul 2021 - 30 Jun 2022
Dr. Priscilla Robinson (appointed 2014)	1 Jul 2021 - 30 Jun 2022
Ms. Janyce Bull (appointed 2014)	1 Jul 2021 - 30 Jun 2022
Mr. Graeme Baxter (appointed 2016)	1 Jul 2021 - 30 Jun 2022
Ms. Dawn Allan (appointed 2017)	1 Jul 2021 - 30 Jun 2022
Dr. Peter Longmore (appointed 2017)	1 Jul 2021 - 30 Jun 2022
Dr. Jim Buttery (appointed 2017)	1 Jul 2021 - 30 Jun 2022
Mr. Jamie Sutherland (appointed 2018)	1 Jul 2021 - 30 Jun 2022
Mr David Pollard (appointed 2018)	1 Jul 2021 - 30 Jun 2022
Ms. Judith Bennett (appointed 2019)	1 Jul 2021 - 30 Jun 2022
Mr. Damon Stynes (appointed 2021)	1 Jul 2021 - 30 Jun 2022
Ms. Ali Wastie (appointed 2021)	1 Jul 2021 - 30 Jun 2022

Accountable Officers

Mr. Paul Greenhalgh (Chief Executive Officer)	1 Jul 2021 - 30 Jun 2022

Remuneration of Responsible Persons

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

	2022	2021
Income Band	**No**	**No**
$0,000 - $9,999	12	11
$160,000 - $169,999	1	1
Total Numbers	**13**	**12**

	2022	2021
	$	**$**
Total remuneration received or due and receivable by Responsible Persons from the reporting entity	**210,390**	**195,376**

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 State's Annual Financial Report.

Notes to the Financial Statements
South Gippsland Hospital for the financial year ended 30 June 2022

Note 8.3 Remuneration of executives

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

Remuneration of executive officers (including Key Management Personnel disclosed in Note 8.4)	**Total Remuneration**	
	2022	**2021**
	$	**$**
Short-term benefits	209,959	170,740
Post-employment benefits	38,223	32,726
Other long term benefits	17,400	5,632
Total remuneration [i]	**265,581**	**209,098**
Total number of executives	2	3
Total annualised employee equivalent [ii]	2.0	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
There are no other factors.

Notes to the Financial Statements
South Gippsland Hospital for the financial year ended 30 June 2022

Note 8.4: Related Parties

The Health Service is a wholly owned and controlled entity of the State of Victoria. Related parties of the health service include:
- all key management personnel (KMP) and their close family members and personal business interests
- cabinet ministers (where applicable) and their close family members
- jointly controlled operations – A member of the Gippsland Health Alliance and
- all health services and public sector entities that are controlled and consolidated into the State of Victoria financial statements.

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

Key management personnel

The Board of Directors, Chief Executive Officer and the Executive Directors of the Health Services and it's 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. Jamie Sutherland	Board Member
South Gippsland Hospital	Mr. David Pollard	Board Member
South Gippsland Hospital	Mr. Damon Stynes	Board Member
South Gippsland Hospital	Ms. Ali Wastie	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 State's Annual Financial Report.

	2022 $	2021 $
Compensation - KMPs		
Short-term Employee Benefits [i]	403,349	350,799
Post-employment Benefits	55,222	48,043
Other long term benefits	17,400	5,632
Total [ii]	**475,972**	**404,474**

[i] Total remuneration paid to KMPs employed as a contractor, if any, 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 $8,629,729 (2021: $8,120,268) and indirect contributions of $144,441 (2021: $194,046).

The Health Service received funding from the Latrobe Regional Hospital of $461,005 (2021: $429,747) 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.

Note 8.4: Related Parties

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

Transactions with KMPs and other related parties

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

Outside of normal citizen type transactions with the Health Service, there were no related party transactions that involved key management personnel, their close family members or their personal business interests. No provision has been required, nor any expense recognised, for impairment of receivables from related parties. There were no related party transactions with Cabinet Ministers required to be disclosed in 2022 (2021: 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 2022 (2021: none).

Note 8.5: Remuneration of Auditors

	2022 $	2021 $
Victorian Auditor-General's Office		
Audit of the financial statements	22,550	22,550
Total remuneration of auditors	**22,550**	**22,550**

Note 8.6: Events occurring after the balance sheet date

There are no events occurring after the Balance Sheet date.

Note 8.7 Joint arrangements

	Principal Activity	Ownership Interest 2022 %	Ownership Interest 2021 %
Gippsland Health Alliance	Information Technology	3.82	3.77

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:

	2022 $	2021 $
Current assets		
Cash and cash equivalents	120,127	189,184
Receivables	94,200	30,898
Other current assets	102,796	163,853
Total current assets	**317,123**	**383,935**
Non-current assets		
Other non-current assets	41,506	47,704
Total non-current assets	**41,506**	**47,704**
Total assets	**358,629**	**431,639**
Current liabilities		
Other current liabilities	42,336	54,666
Right of use lease liabilities	8,466	7,105
Total current liabilities	**50,802**	**61,771**
Non-current liabilities		
Right of use lease liabilities	17,219	19,249
Total non-current liabilities	**17,219**	**19,249**
Total liabilities	**68,021**	**81,020**
Net assets	**290,608**	**350,619**
Equity		
Accumulated surplus	290,608	350,619
Total equity	**290,608**	**350,619**

	2022 $	2021 $
Revenue and income from transactions		
GHA revenue	823,177	694,943
Total revenue and income from transactions	**823,177**	**694,943**
Expenses from transactions		
Operating expenses	(867,270)	(688,072)
Depreciation	(15,918)	(12,911)
Total expenses from transactions	**(883,188)**	**(700,983)**
Net result from transactions	**(60,011)**	**(6,040)**
Comprehensive result for the year	**(60,011)**	**(6,040)**

* 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.

Note 8.8 Equity

Contributed capital

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

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

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

Financial assets at fair value through comprehensive income revaluation reserve

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

Specific restricted purpose reserves

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

Note 8.9 Economic dependency

The Health Service is dependent on the DH 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 DH will not continue to support the Health Service.