

HEYWOOD

Rural Health



ANNUAL REPORT 2017

committed to the health and wellbeing of our community

RESPECT
RESPECT
RESPECT
RESPECT

Our Vision

Heywood Rural Health is committed to the health and well being of our community

INTEGRITY

Our Values

RESPONSIVENESS CARE

Acknowledgement:

Heywood Rural Health would like to acknowledge the Traditional Owners of the Land in which we reside the Guditj Mirring people and pay our respects to the Elders both past and present.

We would also like to acknowledge all Aboriginal people who reside in the Heywood area and wish to make it a priority to work with them and alongside them to ensure that our organisation is culturally competent and a place where everyone feels welcome and supported.



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*Our theme for this year's Annual Report front cover
reflects our year of community connections.*

Welcome

Heywood Rural Health is pleased to bring you this 2016 / 2017 Annual Report, which showcases our organisation's key initiatives, programs and performance for the financial year. It has been prepared in accordance with the *Financial Management Act 1994* and Standing Directions of the Minister for Finance and Financial Reporting Directions (Specifically, FRD 22E).

How to contact us:

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Heywood VIC 3304

Phone: (03) 5527 0555

Facsimile: (03) 5527 1900

Website: www.swarh2.com.au/hrh

ABN: 13 439 112 909

Heywood Rural Health is an Aged Care facility incorporated under the *Health Services Act 1988* and operates under the provisions of the Act.

Acknowledgement: Thank you to the dedicated staff who have gone above and beyond to ensure a quality and accurate report.

Report of Operations

Responsible Bodies Declaration

In accordance with the *Financial Management Act 1994*, I am pleased to present the Report of Operations for Heywood Rural Health for the year ending 30th June 2017.



Ms. Patricia McLean

Chair
Board of Directors
30th June 2017

BOARD OF MANAGEMENT

The Board of Heywood Rural Health is responsible for the governance of the organisation and ensuring all services provided comply with the requirements of the *Victorian Health Services Act 1988* and Heywood Rural Health's Strategic Objectives.

| Position | Name |
|-----------------|------------------------|
| Chair | Ms. Patricia McLean |
| Vice Chair | Mr. Phil Saunders |
| Board Member | Mrs. Lou Matthews |
| Board Member | Mr. Wayne Frost |
| Board Member | Mrs. Glenda Stanislaw |
| Board Member | Mrs. Cathryn Patterson |
| Board Member | Mrs. Debbie Keiller |

BOARD MEETING ATTENDANCES

The Department of Health requires Board members to attend 75% of Board meetings during the reporting period.

BOARD OF DIRECTORS

The Board of Directors holds its business meeting on the 3rd Monday of each calendar month and is supported by a number of Principal Committees.

FINANCE SUB COMMITTEE

This committee oversees the development and monitoring of the organisation's strategic financial annual plan and risk management systems. This committee meets on the 3rd Monday of each calendar month.

BOARD EXECUTIVE COMMITTEE

This committee has the authority to act on behalf of the Board of Directors, when necessary.

FINANCE AUDIT AND RISK SUB COMMITTEE

This committee is responsible for monitoring the adequacy of risk management, accounting procedures, financial reporting and compliance with statutory requirements. The Audit Sub Committee holds its business meeting quarterly.

QUALITY AND SAFETY SUB COMMITTEE

This committee is responsible for ensuring the organisation provides effective clinical governance and safe patient care. The committee meets on the second Monday of every second calendar month.

REMUNERATION COMMITTEE

This committee is responsible for overseeing the development of the annual performance of the Chief Executive Officer, reviewing progress against these goals.



INTERNAL AUDIT COMMITTEE MEMBERS

Mr. Nigel Paulette (Independent Community Representative)

Ms. Jennifer Todd (Independent Community Representative)

LEADERSHIP TEAM

Chief Executive Officer

Ms. Jacqueline Kelly

Clinical Services Manager / Director Of Nursing

Mrs. Ros Jones

Finance Manager

Ms. Jennie Stinson

Nurse Unit Manager

Mrs. June Morris

People and Culture Manager

Mrs. Hilary King

Community Health Manager

Mrs. Carol Stewart

Intake/Systems Development Manager

Mrs. Rachael Moore

Manager, Marketing / Communications
Executive Services

Mrs. Lisa Baldock

EXTERNAL AUDITORS

Agent, Coffey Hunt & Co. Warrnambool

Appointed by the Victorian Auditor

General's Office

INTERNAL AUDITORS

RSM-Bird Cameron Pty Ltd

Appointed for term 1st July 2016 – 30th June 2017

SOLICITORS

Drew Gleeson (Portland)

Russell Kennedy (Melbourne)

Health Legal (Melbourne)

Health Financial (Melbourne)

BANK

Bendigo Bank (Heywood Branch)

Westpac Bank (Portland/Heywood sub-branch)

RESPONSIBLE PERSONS DISCLOSURE

The Hon. Jill Hennessy MP

Minister for Health; Minister for Ambulance Services

The Hon. Jenny Mikakos MP

Minister for Families and Children; Minister for Youth Affairs

The Hon. Martin Foley MP

Minister for Housing, Disability and Ageing; Minister for Mental Health

Strategic Direction

OUR VISION

Heywood Rural Health is committed to the health and wellbeing of our community.

OUR VALUES

Respect

- We make mutual respect the basis of all interactions
- We respect diversity and respect the dignity of each person
- We embrace the differences in people and perspectives

Responsiveness

- We take actions and opportunities to create results
- We provide services that are person centred and focused on outcomes
- We keep our commitments and promises

Care

- We care about the people and the community within which we work and live
- We care about our colleagues and ourselves
- We support people to develop and build on their strengths

Integrity

- We uphold our professional ethic at all times
- We are honest and fulfil our commitments
- We are accountable for our actions



Our Community

Heywood Rural Health is situated in the town of Heywood, in the Glenelg Shire in the Western District of Victoria and falls within the Barwon Southwest Region of the Department of Health and Human Services. In the 2016 Census, there were 1,726 people in Heywood. Of these 49.5% were male and 50.5% were female. Aboriginal and/or Torres Strait Islander people made up 7.7% of the population.

The most common ancestries in Heywood were Australian 35.7%, English 31.6%, Scottish 7.7%, Irish 6.4% and German 3.1%. Current statistics indicate 84.3% of people were born in Australia. The most common countries of birth were England 2.1%, New Zealand 2.0%, Netherlands 0.9%, Philippines 0.5% and Scotland 0.3%.

Heywood's service catchment area is identified as Heywood and the surrounding district that is served by Heywood Rural Health, including Dartmoor, Casterton, and Merino. Each of these towns have small populations and are relatively isolated from main stream services.

At Heywood Rural Health, we have acute inpatients; 5 beds, Aged Care residents; 45 beds, comprising a combination of high and low care. We also have

a Community Health Service hub, which includes a medical clinic, allied health and community nursing services, home care, meals on wheels and community transport support.

Heywood Rural Health is well supported by residents' families, staff and volunteers and the wider community. Our vision is to continue working with our community to create a positive enriched caring environment.

Heywood Rural Health has been providing health services to our community from this site since 1957, when a six-bed hospital was established to provide invaluable quality health care. The hospital continued to expand its services to include additional residential aged care beds.

Today, Heywood Rural Health supports a workforce of 129 employees, adding to the diversity of services we provide to our community. Our facility is funded by the Victorian Department of Health and Human Services under the Small Rural Health Services flexible funding model. In addition to funding received from the State, we receive funding from the Commonwealth Department of Social Services for aged residential care and community based services.

Our Services

We provide the following services and programmes to our community.

ACUTE CARE

- Urgent Care Service
- Post-Acute Care
- Palliative Care

PRIMARY AND COMMUNITY HEALTH

- GP services
- Physiotherapy
- HACC
- Home Care Packages
- Occupational Therapy
- Podiatry Services
- Dietetics
- Diabetes Education
- Health Promotion
- Community Nursing
- District Nursing
- Australian Hearing Services

RESIDENTIAL AGED CARE

- Residential Care
- Respite High/low care
- Palliative Care

SUPPORT PROGRAMS/SERVICES

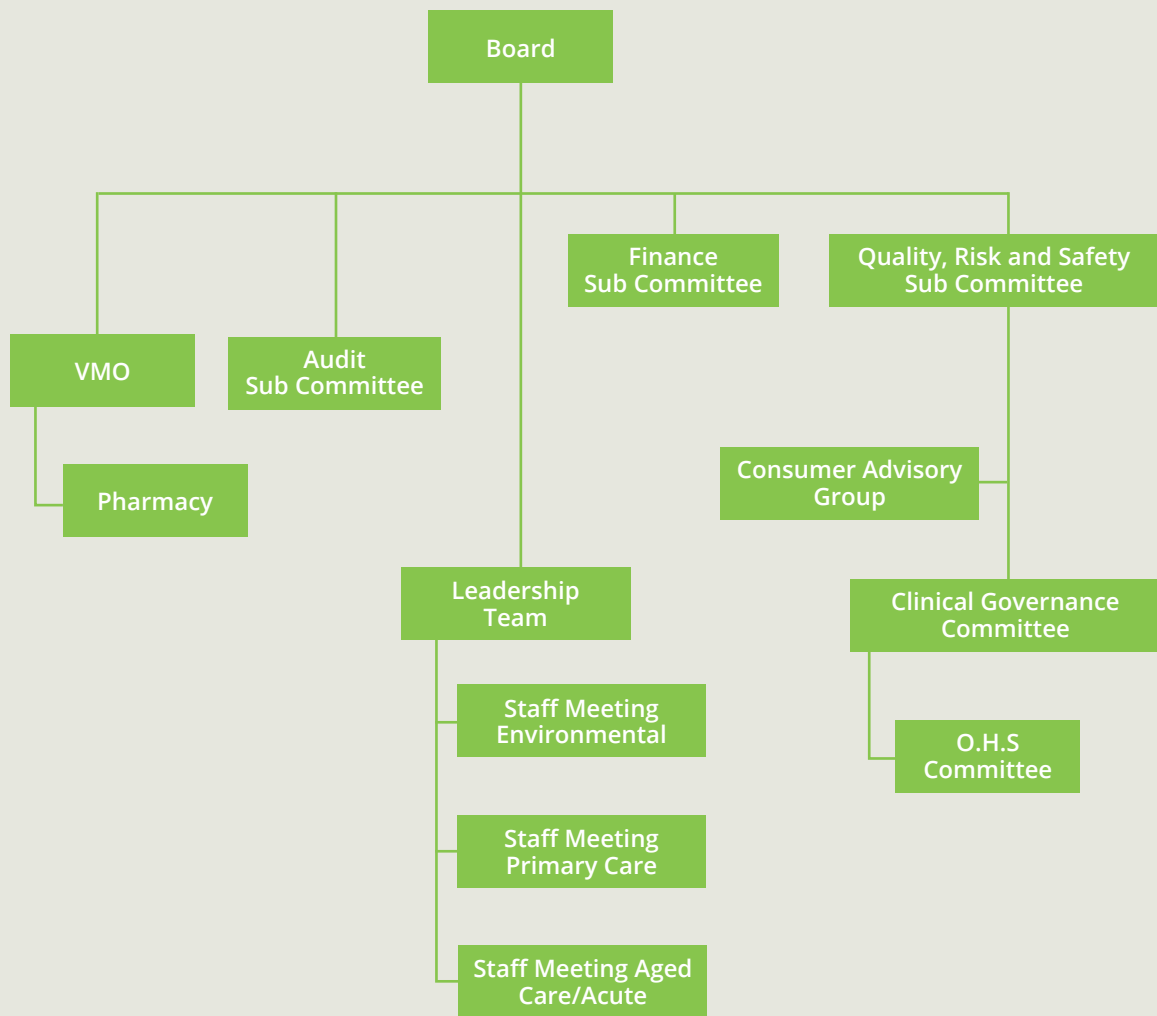
- Volunteer Program
- Meals on Wheels
- Active Program
- Eating with Friends
- Men's Shed Health Forums
- Aged Care Activities
- Delta Dogs

“At Heywood Rural Health, we pride ourselves on delivering person centred care to residents, their friends, families and carers. Our residents play a pivotal role in the planning and delivery of their care and we encourage and look forward to their involvement”.

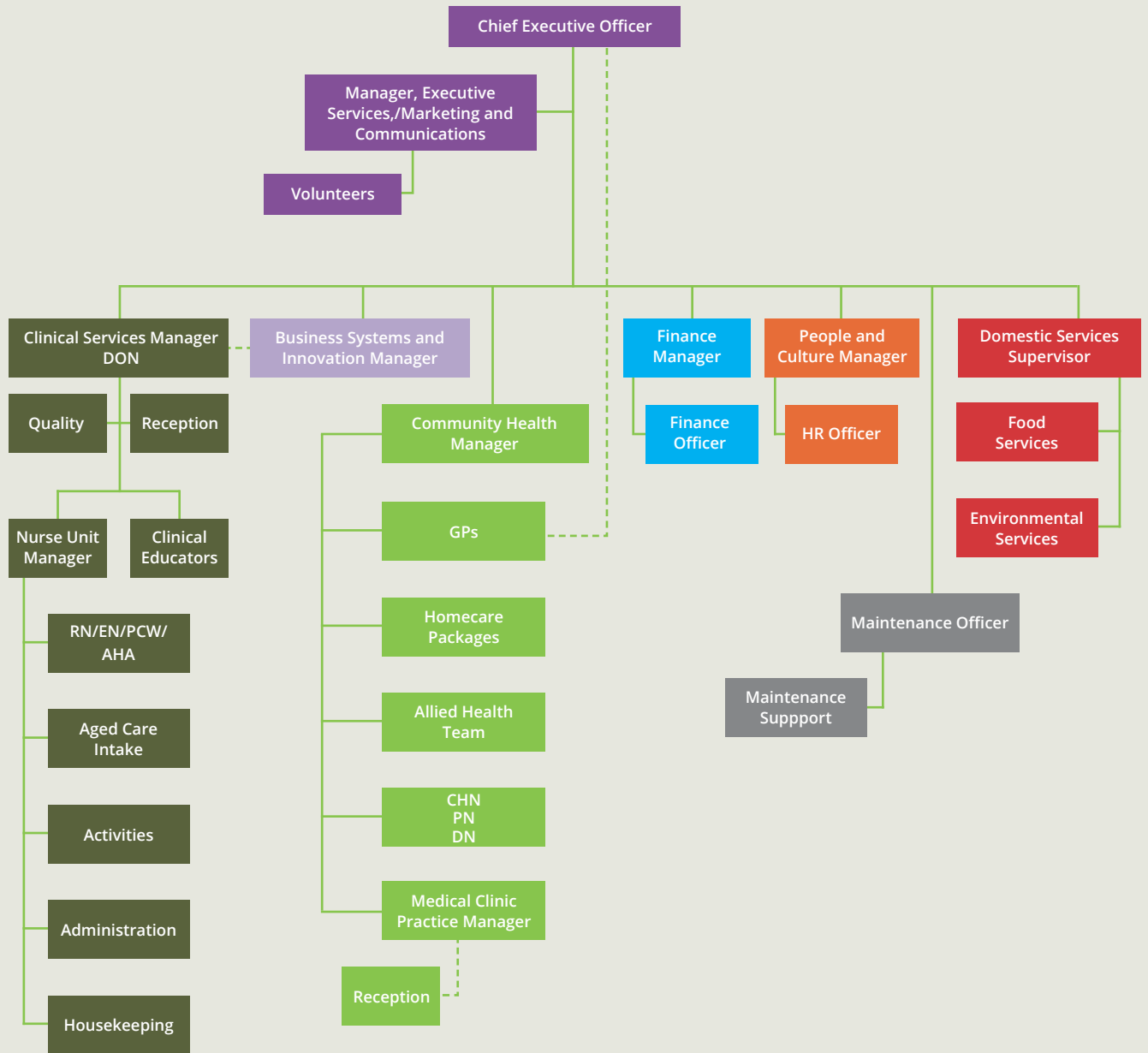
Jan Davey

Endorsed Enrolled Nurse

Committee Structure



Organisation Chart



Message from our Board Chair and Chief Executive Officer

On behalf of the Board of Management, we are pleased to present the 2016/17 Annual Report. In our 2016 – 2017 Annual Report we reflect on a year of innovation as our organisation looks toward the future. We highlight the milestones and achievements as well as the challenges of caring for an ageing population and unprecedented demand for health services across our region, all while working to uphold our vision of being committed to the health and wellbeing of our community.

BUILDING FOR THE FUTURE

This year we saw Heywood Rural Health recognised for its ongoing commitment to improving the quality of care, access to services and ensuring the sustainable use of services, by being awarded the Victorian Healthcare Association (VHA) 2016 Workforce Innovation Award. The initiative was founded on a place-based and person-centred approach, to support locally derived solutions to community needs. The objectives were to align with Commonwealth, State and regional priorities, Heywood Rural Health's transformation comprised; delivery of a place-based health promoting health service, creation of a community health HUB and implementation of innovative ITC systems to support person-directed care into the future.

We were awarded the Primary Health Network (PHN) funding for the support of people who are experiencing chronic disease throughout the South West region. Heywood Rural Health has been named as lead agency and has developed working relationships with Western District Health Service, Casterton Memorial Hospital, Balmoral, Harrow and Dartmoor Bush Nursing Centres. This is an exciting phase for us as an organisation.

An important plank of our Strategic Plan includes our partnership and friendship with Winda-Mara Aboriginal Health Service. This has grown out of mutual respect and a need for Heywood Rural Health to have a better understanding of the history and enriched knowledge of the local Aboriginal community.

We have developed a Reconciliation Action Plan (RAP) which has been endorsed by Reconciliation Australia. The RAP provides Heywood Rural Health with a blue print for working together and supporting each other, to develop programs and initiatives that will support the health and wellbeing of our community. We have also participated in a number of educational and cultural events, which has enabled us to continue our work in developing and understanding improved health initiatives for the betterment of our partners.

Our partnership with Women's Health and Wellbeing B.S.W. has provided us opportunities to work with and support women in the region, particularly around prevention of violence. We have submitted funding applications to support a whole of community approach to developing respectful relationships. We continue to support White Ribbon initiatives and education for all our staff on identifying when Family Violence occurs we are here to support the women of our community.

Our commitment to farmer's health and wellbeing over the last twelve months has seen us become a centre for support and education through developing and supporting women's health groups, Eating with Friends forum, Heywood Men's Shed health days and psychological support for farmers in need. This initiative has been essential for our local community and we have seen an increase in presentation to all our services through these groups.

// Message from our Board Chair and Chief Executive Officer cont.

Over the next twelve months, key priorities for infrastructure development include investment in the refurbishment of our Aged Care services, with the construction of a built for purpose dining and lifestyle area and the development of a master plan for Heywood Rural Health.

EVERYTHING WE DO EVERYDAY

Our workforce is amazing! Their contribution to the community cannot be overstated, and we would like to recognise our employees for their dedication and commitment to our Health Service. From our clinical staff, our environmental and catering services team, our operational and administrative staff, our volunteers, and our consumers. Also, thank you to the Executive Team for their dedication and support, and to the Board of Management for providing the strategic and governance direction for our organisation. Together, all things we do every day make a profound difference to the lives of our consumers, our community and each other.

VOLUNTEERS

The support we receive from our volunteers is outstanding. Their support is greatly valued and appreciated as it is critical to our ongoing success and development as a Health Service. In particular, our volunteers have become a vital part of our team, donating time, energy and expertise to assisting a number of our programs at Heywood Rural Health. We would also like to commend Heywood Men's Shed for their endless abundance of support and enthusiasm as they continue to support our staff and residents. A very warm thank you!

SUSTAINABILITY

During the past year, we have experienced sound financial growth. Heywood Rural Health was committed to maintaining financial sustainability, which was successfully achieved with an end of year result of a small surplus. A number of strategies were implemented to focus on our financial performance and to ensure that the health needs of our community were met. The safety of our patients and staff remains our number one priority as we continue to give due regard to improving efficiencies and organisational practices.

THE EVER-INCREASING DEMAND FOR SERVICES

One of the key challenges still facing our services is the growing and ageing population in the region. Heywood Rural Health's Board are committed to providing services for this increased demand including a focus on organisational performance and sustainability going forward into 2017 – 2018 and beyond.

To address some of the challenges facing our service, it was important to incorporate local innovative solutions that would overcome barriers including; attracting and retaining a skilled clinical workforce, financial security, providing a multidisciplinary range of services to meet the needs across a dispersed population.

Fundamental to the challenge of ensuring a skilled workforce, Heywood Rural Health has developed a People and Culture Strategy and a capability framework which outlines the organisation's commitment to ensuring the retention and recruitment of suitably qualified workforce.

THE YEAR AT A GLANCE

This year has been our community connections year and we are proud to have supported the following community events:

- Our second debutante ball again was a huge success, with funds going towards additional equipment for our Aged Care residents. Our Aged Care residents were delighted to participate in decorating the venue to reflect this year's theme, New York City Lights.
- Our annual fete also raised additional funds to support the Montessori Model of Care for our Aged Care services.
- Once again we were successful in being awarded the overall winner of the Wood Wine and Roses festival organisational displays as our staff, residents and volunteers were recognised for their tireless efforts in constructing displays in our main foyers, Medical Clinic and Activities Department areas.

STAFF ENGAGEMENT

Our People Matter Survey identified this year that our staff are much happier, we have robust systems in place, and the quality and safety of our organisation has improved. We strive to be the best small Rural Health Service we can be for Heywood and surrounding areas as we continue to look at areas to improve moving forward. We value feedback from our consumers, residents and families and look at ways that we can continually connect, discuss and implement suggestions from our staff, residents, consumers and the wider community.

Workforce, recruitment and retention of GP's is an ongoing challenge for Small Rural Health Services like Heywood Rural Health, however we are committed to working with the region to develop a model of care that meets local needs, as well as ensuring we support members of our community in their health needs. We will continue to work towards having the right mix of staff to ensure we are meeting the health and wellbeing needs of our community into the future.

Throughout all of this, we continue to ensure our focus is firmly on our residents, their care and the quality of services provided. We are immensely proud of our staff for the outstanding work they do every day in caring for our residents and members of our community, and thank them sincerely for their dedication and support. Their loyalty and commitment is a comfort to our residents and their families who come in touch with our services on a daily basis.

Personally, as CEO of Heywood Rural Health, I would like to thank the Board for its support and for working to develop a long-term, energised strategic vision for Heywood Rural Health.

On behalf of the Board of Directors, as Chair I would like to stress that our Board's desire is to deliver a health service our community can be proud of and utilise to meet their needs. Together, we will continue to enhance the health and wellbeing of our community in partnership, each and every day.



Patricia McLean

Chair
Board of Directors



Jacqueline Kelly

Chief Executive Officer



Centre back, left to right: the Hon Dan Tehan MP, Member for Wannan and the Hon Ken Wyatt AM, MP Assistant Minister for Health and Aged Care met with staff and members of the Board of Management.

OCCUPATIONAL HEALTH AND SAFETY

Heywood Rural Health maintains its commitment to the health and safety of all employees, residents, staff, visitors, volunteers and contractors, by maintaining compliance to the Occupational Health and Safety Act 2004, and its associated regulations and code of practice to meet the Australian Council of Health Care and Aged Care Standards requirements.

PEOPLE AND CULTURE DEVELOPMENT

Heywood Rural Health faces the challenges of recruitment and retention of suitably qualified health professionals in an isolated rural setting, while meeting the needs of our community.

HRH continues to facilitate training and educational opportunities that motivate and encourage staff to maximise and further develop their skills. A leadership training program for registered nurses has been undertaken. Additionally, scholarships have been awarded from the University of Queensland to two members of our staff to participate in the Rural and Isolated Practice Endorses Registered Nurse (RIPERN) program to contribute to skill development.

INDUSTRIAL RELATIONS

No time was lost to industrial action during 2016 - 2017. Enterprise Bargaining Agreements were finalised for the Nurses, Health and Allied Staff, Administrative Officers, Managers and Health Professionals during 2016/7.

ENVIRONMENTAL MANAGEMENT

In line with the Victorian Government's Department of Health Policy and Funding Guidelines Requirements

and Quality Health Service (NSQHS) Standard 1 – Clinical Governance – Governance for Safety and Quality in Health Service Organisations, our Board of Management, Executive and senior managers at Heywood Rural Health, hereby declare support in reducing the Service's environmental imprint.

Our Service is committed to implementing sound environmental practices in all areas of its operations and recognizes it is essential all energy/water users and producers of waste manage these aspects to minimize both the impact on the environment, as well as cost.

The Service also recognizes it has a responsibility to develop skills and attitudes in its staff and others that will result in a long-term commitment to the nurturing and ongoing sustainability of environmental strategies that add quality of life to our community.

To ensure ongoing commitment and development to our environmental strategies, the Health Service understands the need for these strategies to be integrated in to the business and strategic processes at all levels of the organization.

INFORMATION TECHNOLOGY

Heywood Rural Health continues to ensure our IT infrastructure continues to develop to support efficient and effective operational programs required to support Heywood Rural Health to ensure the delivery of appropriate and safe care. This is achieved through our partnership with the South West Alliance of Rural Health (SWARH) and Heywood Rural Health's Information Communications and Technology Management Group.

Statistics on services provided 2016/2017

| R.S.L. Acute Wing | 2015 - 2016 | 2016 - 2017 |
|---|--------------------|--------------------|
| Available beds | 5 | 5 |
| Inpatient Days | 861 | 711 |
| Number of Inpatients Treated | 83 | 54 |
| In patients treated converted to W.I.E.S. | 94.64 | 114 |
| Dept Veterans Affairs WIES | 40.99 | 10 |
| Daily Average Inpatients | 2.36 | 1.95 |
| Average Length of Stay (days) | 10.37 | 13.17 |
| Ward Occupancy Rate (%) | 47% | 39% |

| Aged Residential Care | 2015 - 2016 | 2016 - 2017 |
|--|--------------------|--------------------|
| Heywood Nursing Home | | |
| Number of available beds | 12 | 12 |
| Resident Days | 3864 | 3984 |
| Daily Average No Residents | 10.59 | 1092 |
| Occupancy Rate (%) | 88% | 90% |
| Sydney-Lynne Quayle and Fitzroy Lodge Hostels | | |
| Number of available beds | 33 | 33 |
| Resident Days | 10598 | 11369 |
| Daily Average No Residents | 29 | 31.15 |
| Occupancy Rate (%) | 88% | 94% |

// Statistics on services provided 2016/2017 cont.

TREASURER'S REPORT.

Full details of the Heywood Rural Health financial results for 2016 – 2017 are contained in the Annual Financial Statements.

EXTERNAL AUDIT PROGRAM

The external audit program continues to be provided by the Office of the Victorian Auditor General (VAGO), who has contracted the audit work to Coffey Hunt & Co (Warrnambool).

Each year the Board of Directors receives a "VAGO Management letter" which provides detailed information and feedback to the Board on the results of the external VAGO audit. The audit letter is assessed each year by our internal audit committee.

INTERNAL AUDIT PROGRAM

Heywood Rural Health has continued to participate in the final year of the joint sub-regional project Internal Audit Program.

Just prior to the closure of the 2016/2017 year the appointed agent, RSM Bird Cameron Pty Ltd (Melbourne) completed one internal audit on Heywood Rural Health's Financial Management Compliance Framework.

On behalf of the Board of Directors we would like to thank all of our staff for their continuing commitment to their duties at Heywood Rural Health.



Patricia McLean

Chair
Board of Directors



Jacqueline Kelly

Chief Executive Officer



// Statistics on services provided 2016/2017 cont.

SOURCE OF FUNDING

Heywood Rural Health is funded by the Victorian Department of Health under the Small Rural Health Services flexible funding model.

Heywood Rural Health also receives a significant amount of funding from the Commonwealth Department of Social Services for aged residential care and other community based services.

MAJOR PUBLICATIONS

The following major publications are available at Heywood Rural Health:

- Heywood Rural Health By-laws
- Heywood Rural Health's Policies and Procedures, which are stored electronically on Heywood Rural Health's database, PROMPT (Protocol Management Tool).

QUALITY AND RISK MANAGEMENT

Heywood Rural Health's Clinical Quality and Safety Sub Committee meets bi-monthly and the committee's primary function is to assist the Board of Management to ensure high standard of health care, continuous improvement of service delivery and an environment that supports clinical excellence across Heywood Rural Health.

MERIT AND EQUITY

Heywood Rural Health is subject to the *Equal Opportunity Act 1995*

The Purpose of the Act is:

- to provide for equal employment opportunity programs in Public Authorities;
- to establish reporting requirements in relation to these programs; and
- to require Public Authorities to observe personnel management principles in employment matters.

Heywood Rural Health has adopted principles and procedures to ensure that recruitment, promotion, and advancement will be determined on the basis of fair and open competition between qualified individuals and decisions to recruit, promote and advance will be made solely on the basis of relative ability, knowledge and skills in relation to the promotion involved.

Heywood Rural Health is further committed to ensuring that all employees will receive fair and equitable treatment in all aspects of personnel management, regardless of political affiliation, race, colour, religion, national origin, sex, marital status or physical disability. Heywood Rural Health has training and policies in place including the code of conduct to support this position.



// Statistics on services provided 2016/2017 cont.

INDUSTRIAL (WORKFORCE) KEY PERFORMANCE INDICATORS

Sick leave as % of Heywood Rural Health's total payroll.

| | |
|-----------|------|
| 2015/2016 | 3.6% |
| 2016/2017 | 4.8% |

NUMBER OF REGISTERED WORK COVER CLAIMS

| | |
|-----------|---|
| 2015/2016 | 6 |
| 2016/2017 | 3 |

LABOUR CATEGORY: (FTE) Full Time Equivalent Staff

| Labour Category | JUNE Current Month FTE | | JUNE YTD FTE | |
|----------------------------|---------------------------|--------------|-----------------|--------------|
| | 2016 | 2017 | 2016 | 2017 |
| Nursing | 26.29 | 23.20 | 23.10 | 22.49 |
| Administration & Clerical | 13.91 | 14.41 | 11.53 | 14.74 |
| Medical Support | 7.32 | 2.06 | 10.06 | 1.42 |
| Hotel & Allied Services | 19.03 | 25.79 | 18.15 | 28.27 |
| Medical Officers | 0.62 | 0.53 | 0.57 | 0.55 |
| Ancillary Support Services | 2.76 | 1.32 | 2.69 | 1.91 |
| TOTAL | 69.93 | 67.31 | 66.09 | 69.37 |

OCCUPATIONAL VIOLENCE

Heywood Rural Health is committed to addressing occupational violence incidences. During the reporting period, there were NIL incidents registered.

| Occupational violence statistics | 2016 - 2017 |
|---|-------------|
| 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 | 0 |
| Number of occupational violence incidents reported per 100 FTE | 0 |
| Percentage of occupational violence incidents resulting in staff injury, illness or condition | 0 |

Compliance Requirements

ATTESTATION ON STATISTICAL DATA ACCURACY
I, Jacqueline Kelly certify that Heywood Rural Health has put in place appropriate internal controls and processes to ensure that the Department of Health is provided with data that reflects the actual performance. Heywood Rural Health has critically reviewed these controls and processes.



Ms. Jacqueline Kelly
Chief Executive Officer

STANDING DIRECTION 3.7.1: RISK MANAGEMENT FRAMEWORK AND PROCESSES.

I, Jacqueline Kelly certify that Heywood Rural Health has complied with the Ministerial Standing Direction 3.7.1.: Risk Management Framework and Processes. The Board of Heywood Rural Health verifies the Risk Management Framework and Processes.



Ms. Jacqueline Kelly
Chief Executive Officer



// Compliance Requirements cont.

BUILDING ACT 1993

Existing buildings comply with the **Building Act (1993)** and building regulations in force at the time of constructions (1999 – 2002).

Heywood Rural Health buildings are subject to a five yearly Fire Safety Audit Risk and Assessment as directed by the Department of Health Capital Management Guidelines. Heywood Rural Health underwent a Fire Safety Audit on 7th August 2012.

FREEDOM OF INFORMATION ACT 1982

The **Freedom of Information Act 1982** provides the right to obtain information held by Heywood Rural Health.

The Chief Executive Officer manages any requests, and reports annually to the Freedom of Information (FOI) section of the Department of Justice in respect of FOI requests received.

In the year ended 30 June 2017, 2 applications for access to documents under the **Freedom of Information Act 1982** were received.

PROTECTED DISCLOSURE ACT 2012

Heywood Rural Health has in place appropriate procedures for disclosures in accordance with the **Protected Disclosure Act 2012**. No protected disclosures were made under the Act in 2016/2017.

CARERS RECOGNITION ACT 2012

The **Carers Recognition Act 2012** recognises, promotes and values the role of people in care relationships.

Heywood Rural Health understands the different needs of persons in care relationships and that care relationships bring benefits to the patients, their carers and to the community.

Heywood Rural Health takes all practicable measures to ensure that its employees, agents and carers have awareness and understanding of the care relationship principles and this is reflected in our commitment

to a model of patient and family centred care and to involving carers in the development and delivery of our services.

NATIONAL COMPETITION POLICY

Heywood Rural Health supports National and State Competition policies and the Victorian Government Competitive neutrality policies (as applicable).

VICTORIAN INDUSTRY PARTICIPATION POLICY ACT 2003

There were no contracts in 2016/2017 to which the **Victorian Industry Participation Policy Act (2003)** applied.

COMPLIANCE WITH DATAVIC ACCESS POLICY

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

SAFE PATIENT CARE ACT 2015

Heywood Rural Health has no matters to report in relation to its obligations under section 40 of the **Safe Patient Care Act 2015**.

HPV ATTESTATION

I, Jacqueline Kelly certify that that Heywood Rural Health has put in place appropriate internal controls and processes to ensure that it has complied with all requirements set out in the HPV Health Purchasing Policies including mandatory HPV collective agreements as required by the Health Services Act 1988 (Vic) and has critically reviewed these controls and processes during the year.

Accountable officer:



Ms. Jacqueline Kelly
Chief Executive Officer

// Compliance Requirements cont.

PECUNIARY & CONFLICTS OF INTEREST DECLARATION

Heywood Rural Health's Board of Directors are invited to declare any pecuniary interest they may have in meeting agenda items prior to the Order of Proceedings commencing.

In addition, the Department of Health Victoria standard condition of funding for registered agencies requires all members of the Board of Directors to declare any interests.

DIRECTIONS OF THE MINISTER FOR FINANCE

Heywood Rural Health is respondent to the *Financial Management Act 1994*. The Act required all public bodies, such as Heywood Rural Health to prepare an Annual Report, which is submitted to the Minister prior to tabling in Parliament by 1 September 2016.

The information in this report addresses the requirements for an accountable business practice and acts as an information tool for the Government and community. Additional information as specified

in FRD 22 is retained by the Accountable Office and is available on request, subject to the provision of the *Freedom of Information Act 1982*.

SHARES HELD HEYWOOD RURAL HEALTH

At June 30th 2017, Heywood Rural Health held the following Company Shares:

| | |
|----------|---|
| Company: | Heywood & District Community Enterprise Ltd (i.e. Bendigo Bank Heywood) Number: 2,000 Value at 30th June 2017: \$2,000 |
|----------|---|

At June 30th 2017, no officers of Heywood Rural Health held shares as a nominee or held shares beneficially on behalf of Heywood Rural Health.



// Compliance Requirements cont.

ADDITIONAL INFORMATION AVAILABLE ON REQUEST

This report acknowledges that the items listed below are available to the relevant Ministers, Members of Parliament and the public on request (subject to the freedom of information requirements, if applicable):

- (a) Declarations of pecuniary interests have been duly completed by all relevant officers
- (b) Details of shares held by senior officers as nominee or held beneficially;
- (c) Details of publications produced by the entity about itself, and how these can be obtained
- (d) Details of changes in prices, fees, charges, rates and levies charged by the Health Service;
- (e) Details of any major external reviews carried out on the Health Service;
- (f) 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;
- (g) Details of overseas visits undertaken including a summary of the objectives and outcomes of each visit;
- (h) Details of major promotional, public relations and marketing activities undertaken by the Health Service to develop community awareness of the Health Service and its services;
- (i) Details of assessments and measures undertaken to improve the occupational health and safety of employees;
- (j) General statement on industrial relations within the Health Service and details of time lost through industrial accidents and disputes, which is not otherwise detailed in the Report of Operations;
- (k) A list of major committees sponsored by the Health Service, the purposes of each committee and the extent to which those purposes have been achieved;
- (l) Details of all consultancies and contractors including consultants/contractors engaged, services provided, and expenditure committed for each engagement.



// Compliance Requirements cont.

CONSULTANCY DISCLOSURE 2015 - 2016

| Consultant | Nature of Consultancy | Amount \$ |
|--------------------------------------|--|---------------|
| Anne Smyth Organisational Consulting | Preparations / facilitation of Board Strategic Plan 2016 | 4,525 |
| Aon Risk Services Australia Limited | Asset Register And Asset Tagging | 7,600 |
| Baade Harbour Australia Pty Ltd | RHIF Funding Application | 4,250 |
| Batman Discretionary Trust | ACFI review | 34,495 |
| Organisations By Design Pty Ltd | Way Forward Workshop | 1,400 |
| Organisations By Design Pty Ltd | Management Reflection And Planning | 2,450 |
| Policy Research and Consulting | Rap Barometer 2016 | 1,900 |
| The Trustee for FMC Trust | Balance Of Board Evaluation | 3,250 |
| Rowena Naylor Photography | HRH Photograph Cost | 2,230 |
| Jody Miller | Welcome Kit | 3,210 |
| Monika Karwan | Leadership Training | 20,000 |
| Genr8 | Annual Report | 3,845 |
| Genr8 | Quality Report | 5,605 |
| TOTAL | | 94,761 |

REVENUE INDICATORS / DEBTORS OUTSTANDING

| Debtors | \$ |
|---------|----------------|
| Total | 943,908 |
| Current | 884,609 |
| 30 | 14,956 |
| 60 | 11,220 |
| 90+ | 33,122 |

INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) EXPENDITURE

During the reporting period, the total ICT Business As Usual (BAU) expenditure (excluding GST) was \$307,134. For the reporting period, there was Non-Business As Usual expenditure (excluding GST) was \$56,177.

Statement of Priorities Part A: Service Performance 2016/2017

| Priority | Action | Deliverable | Comments |
|-----------------------|---|---|---|
| Access and timeliness | Identify opportunities and implement pathways to aid prevention and increase care outside hospital walls by optimising appropriate use of existing programs (i.e. the Health Independence Program or telemedicine). | <p>Improve Service Access and Intake pathways into Primary Care and Meals on Wheels Services by September 2016 to ensure 100% of referrals are received and sent.</p> <p>Establish a Telehealth Program for the Medical Clinic and Acute Services by November 2016.</p> | <p>Complete.</p> <p>All referrals for Allied Health and Meals on Wheels are received via Intake.</p> <p>Telehealth systems utilised - also reviewing options relating to promoting increased uptake by the community and staff.</p> |
| | Develop and implement a strategy to ensure the preparedness of the organisation for the NDIS and HACC transition and reform, with particular consideration to service access, service expectations, workforce and financial management. | <p>Develop and implement a Transition Plan for the NDIS and review HACC transition implementation by Dec 16.</p> <p>Implement remedial action as required.</p> | <p>Completed.</p> <p>Heywood Rural Health attended several community information sessions and workshops in preparation for the NDIS implementation in October 2017.</p> <p>Transition Plan is developed as more information comes to light.</p> <p>Presentation to the Board scheduled to take place on 20 August 2017.</p> |

| Priority | Action | Deliverable | Comments |
|---------------------------|---|---|--|
| Governance and Leadership | Demonstrate implementation of the Victorian Clinical Governance Policy Framework: Governance for the provision of safe, quality healthcare at each level of the organisation, with clearly documented and understood roles and responsibilities. Ensure effective integrated systems, processes, leadership are in place to support the provision of safe, quality, accountable and person centred healthcare. It is an expectation that health services implement to best meet their employees' and community's needs, and that clinical governance arrangements undergo frequent and formal review, evaluation and amendment to drive continuous improvement. | <p>Review the Quality and Safety Governance Framework within six months ensuring that a reporting structure for both clinical and non- clinical performance indicators are in place and supported by terms of reference.</p> <p>Ensure performance appraisals are conducted for all staff within 12 months.</p> | <p>Completed.</p> <p>Quality and Safety Governance Framework and reporting structure reviewed.</p> <p>Terms of Reference for Quality and Safety Board Sub Committee and Clinical Working Group developed and groups established.</p> <p>Performance Review Program reviewed and in place.</p> |
| | Contribute to the development and implementation of Local Region Action Plans under the series of state-wide design, service and infrastructure plans being progressively released from 2016/17. This will require partnerships and active collaboration across regions to ensure plans meet both regional and local service needs. | Actively participate in the development and implementation of strategies within the Local Region Action Plans with a focus on workforce. | <p>Liaising with Placeright (formerly VicPlace) to provide placements for preregistration nursing students.</p> <p>Met with Deakin University in November 2016 to explore possibility of providing places for pre and post grad Allied Health professionals.</p> <p>Working with WDEA (Western District Employment Access) to provide employment opportunities for suitably qualified individuals.</p> <p>Currently Heywood Rural Health has two WDEA participants.</p> <p>Stakeholder in BPCLE framework. Heywood Rural Health continues to work towards full implementation.</p> |

| Priority | Action | Deliverable | Comments |
|---------------------------------|---|--|---|
| Governance and Leadership cont. | Ensure that an anti-bullying and harassment policy exists and includes the identification of appropriate behavior, internal and external support mechanisms for staff and a clear process for reporting, investigation, feedback, consequence and appeal and the policy specifies a regular review schedule. | Review and update the anti-bullying and harassment policy to reflect current legislation by December 2016. | Bullying and harassment policy is current and reflects requirements. |
| | Board and senior management ensure that an organisational wide occupational health and safety risk management approach is in place which includes: A focus on prevention and the strategies used to manage risks, including the regular review of these controls; and Strategies to improve reporting of OHS incidents, risks and controls, with a particular focus on prevention of occupational violence and bullying and harassment, throughout all levels of the organisation, including to the board; and Mechanisms for consulting with, debriefing and communicating with all staff regarding outcomes of investigations and controls following occupational violence and bullying and harassment incidents. | All staff will have training in Riskman by December 2016. All risks will be reviewed by the OHS Committee and the Clinical Governance Committee and Strategies will be developed to mitigate all recorded risks. All staff will receive training in occupational violence, anti-bullying and harassment with by March 2017. | Face to face bullying training completed in March 2017. Bullying Register in place which HR reports presented to the Board and at staff meetings. Heywood Rural Health has developed a Communication Strategy regarding acceptable behaviours, managed by HR. |
| | Implement and monitor workforce plans that: improve industrial relations; promote a learning culture; align with the Best Practice Clinical Learning Environment Framework; promote effective succession planning; increase employment opportunities for Aboriginal and Torres Strait Islander people; ensure the workforce is appropriately qualified and skilled; and support the delivery of high-quality and safe person centred care. | Heywood Rural Health will develop an HR Strategy that includes Leadership training for all Executive Staff and RN'S, based on Heywood Rural Health's Mission, Vision and Values within twelve months. In partnership with the Aboriginal Community implement Heywood Rural Health's Reconciliation Action Plan to encourage and support increased employment of Aboriginal People within twelve months. Implement a training and evaluation framework across all divisions of Heywood Rural Health by January 2017. | HR Leads self, Engages others, Achieves outcomes, Drives innovation, and Shapes systems (LEADS). LEADS capability framework developed and used for recruitment. Position descriptions updated and used within the leadership training at present. Launch of RAP scheduled for September 2017. Heywood Rural Health has developed and implemented an online cultural awareness learning package to support the Reconciliation Action Plan (RAP). |

| Priority | Action | Deliverable | Comments |
|---------------------------------|--|--|--|
| Governance and Leadership cont. | Create a workforce culture that: includes staff in decision making; promotes and supports open communication, raising concerns and respectful behavior across all levels of the organisation; and includes consumers and the community. | Empower Staff involved in the RRIC (Respect, Responsiveness, Care and Integrity) group to implement recommendations and outcomes of the People Matter Survey across the organisation, inclusive of consumers and volunteers. | Respect, Responsiveness, Care and Integrity (RRIC) group continues to meet bi - monthly basis and has had carriage of the 2016 People Matter Action Plan. 90% of recommendations from 2016 People Matter Survey Action Plan have been implemented. |
| | Ensure that the Victorian Child Safe Standards are embedded in everyday thinking and practice to better protect children from abuse, which includes the implementation of: strategies to embed an organisational culture of child safety; a child safe policy or statement of commitment to child safety; a code of conduct that establishes clear expectations for appropriate behaviour with children; screening, supervision, training and other human resources practices that reduce the risk of child abuse; processes for responding to and reporting suspected abuse to children; strategies to identify and reduce or remove the risk of abuse and strategies to promote the participation and empowerment of children. | Adopt the principles outlined in the commission document (March 2015) which includes an organisational code of conduct reflecting child safe principles. | Child safe policy developed and communicated and is available on PROMPT for all staff to access. |
| | Implement policies and procedures to ensure clinical staff have access to vaccination programs and are appropriately vaccinated and/or immunized to protect staff and prevent the transmission of infection to susceptible patients or people in their care. | In collaboration with infection control consultants, review and evaluate the current vaccination program. | Influenza vaccination program for staff completed. HRH participation rate is 75%. |
| Quality & Safety | Implement systems and processes to recognise and support person-centred end of life care in all settings, with a focus on providing support for people who chose to die at home. | Implement Professional Development on Safe and High Quality End of Life Care and Clinical Deterioration. Develop working group TOR for End of Life Care to review health journey of all patients who have experiences end of life care. Review and Evaluation within Twelve Months | Terms of Reference for Palliative Care working group established. End of Life Care planning supports end of life journey aged care for residents. Heywood Rural Health facilitates end of life care in resident's existing environment preventing relocation and disruption for resident and family. |

| Priority | Action | Deliverable | Comments |
|------------------------|---|--|---|
| Quality & Safety cont. | Advance care planning is included as a parameter in an assessment of outcomes including: mortality and morbidity review reports, patient experience, and routine data collection. | Advance Care Planning Working Group to review and update policy and Procedures. Ensure regular reporting of Advance Care Planning performance to Clinical Governance Committee and Quality and Safety Board Sub Committee. | Discussion regarding advanced care planning is now part of the admission process to residential Aged Care and Acute Services, and has been incorporated into routine audits of clinical documentation. |
| | Progress implementation of a whole-of-hospital model for responding to family violence. | Work towards the implementation of Heywood Rural Health's Prevention of Violence against Women's Strategy in Partnership with Barwon South West Women's Health and Glenelg Shire Council. | <p>Heywood Rural Health's C.E.O. is on the Board of the Barwon South West Women's Health & Wellbeing (BSW-WHW).</p> <p>HRH partnering with BSW - WHW in project 'Respect' in November 2017.</p> <p>Partnering with PCP, Councils and other health organisations in the region for women's health project.</p> <p>HR has undertaken family violence training.</p> <p>All HR policies have been aligned with current EBA and best practice expectations in regards to family violence.</p> <p>HRH raised awareness to the community by facilitating the 'take action go orange' program, including White Ribbon Day.</p> <p>HRH has dedicated EFT for Intake, to coordinate referrals.</p> <p>Telehealth systems underutilised.</p> <p>Heywood Rural Health is looking at ways to promote uptake by the community and staff.</p> <p>Currently in discussions with AFDS to have gain access to a wider range of services via Telehealth.</p> |

| Priority | Action | Deliverable | Comments |
|------------------------|---|--|---|
| Quality & Safety cont. | Develop a regional leadership culture that fosters multidisciplinary and multi organisational collaboration to promote learning and the provision of safe, quality care across rural and regional Victoria. | Heywood Rural Health will actively participate in the development and implementation of a regional wide clinical governance framework that will support the provision of safe and effective care to Small Rural Health Services. | Existing role within organisation developed to support and inform healthcare team as per Activity Checklist Victorian Clinical Governance Policy Framework. This role also facilitates connection between clinicians of rural and regional services. |
| | Use patient feedback, including the Victorian Healthcare Experience Survey to drive improved health outcomes and experiences through a strong focus on person and family centred care in the planning, delivery and evaluation of services, and the development of new models for putting patients first. | Review and Evaluate Consumer/Carer/Community Strategy and ensure its implementation across the organisation by Dec 2016. Develop a Skills Matrix for the CAG to ensure effective consumer participation has broad and diverse representation. Develop and implement a Comprehensive Consumer focused Training package on Health Literacy and Consumer Participation for the CAG within six months. | <p>Consumer Advisory Committee (CAC) has commenced the implementation of the CAC Strategy Action Plan.</p> <p>Renamed committee to increase awareness and raised the profile of the importance of consumer engagement.</p> <p>Skills Matrix completed. Current representation from residents, youth, volunteers, men's shed, business owner, community member, person with disability. Training of members in health literacy and consumer engagement is scheduled for September 2017.</p> <p>Presentation by Council Rural Access and Inclusion Officer assisted to clarify the expectations for roles of the advisory committee on health literacy.</p> |

| Priority | Action | Deliverable | Comments |
|--------------------------------|--|--|--|
| Supporting healthy populations | Health services support shared population health and wellbeing planning at a local level - aligning with the Local Government Municipal Public Health and Wellbeing plan and working with other local agencies and Primary Health Networks. | Partner in the planning and implementation of the local projects and networks. Health and wellbeing with Glenelg Shire and Western PHN Strategic Activity | <p>Heywood Rural Health is one of four key stakeholders (GSC, PCP, PDH) partnering to deliver a local "Communities that Care Project". HRH has committed 0.2 EFT to support the development of a Local Drug Action Team.</p> <p>Heywood Rural Health is a member of PCP Community Wellbeing Network.</p> <p>Heywood Rural Health is a member of Regional Farmers Health and Wellbeing Committee.</p> <p>Heywood Rural Health contributed to the Heywood community Municipal Public Health and Wellbeing Plan (MPHWP) consultation.</p> <p>Heywood Rural Health participating in the three MPHWP stakeholder workshops.</p> <p>Community Health Manager is member of Westvic PHN Community Council.</p> <p>Heywood Rural Health is the lead agency in the Westvic PHN Chronic Conditions Model of Care.</p> |
| | That health services focus on primary prevention and aim to impact on large numbers of people in the places where they spend their time adopting a place based, whole of population approach to tackle the multiple risk factors of poor health. | Integrate Medical, Allied Health and Community Health Services into one Primary Health and Health Promotion Hub by December 2016. Register for the Healthy Together Victoria Achievement Program by June 2017. | <p>Community Health Hub established with two new GP's beginning in August 2017.</p> <p>Services continuing to expand with massage therapy the latest addition.</p> <p>Heywood Rural Health registered with Healthy Together Victoria (HTV) Achievement Program and working through smoking cessation section.</p> |
| | Develop and implement strategies that encourage a culturally diverse environment such as partnering with culturally diverse communities, reflecting the diversity of your community in the organisational governance, and having culturally sensitive, safe and inclusive practices. | Implement Heywood Rural Health's Diversity Strategy 2016 by June 2017. | <p>Diversity and Population Plans finalised and formally accepted.</p> <p>Diversity and Population Plans available to all staff.</p> |

| Priority | Action | Deliverable | Comments |
|--------------------------------|--|---|---|
| Supporting healthy populations | Improve the health outcomes of Aboriginal and Torres Strait Islander people by establishing culturally safe practices which recognise and respect their cultural identities and safely meets their needs, expectations and rights. | Partner in the planning and implementation of the local projects and networks. Health and wellbeing with Glenelg Shire and Western PHN Strategic Activity | Contributed to the Heywood community MPHWP consultation. |
| | Drive improvements to Victoria's mental health system through focus and engagement in activity delivering on the 10 Year Plan for Mental Health and active input into consultations on the Design, Service and infrastructure Plan for Victoria's Clinical mental health system. | Contribute to the development of the Mental Health Catchment Planning Steering Group and the Great South Coast. | Member of Regional Farmers Health and Wellbeing Committee. |
| | Using the Government's Rainbow equality Guide, identify and adopt 'actions for inclusive practices' and be more responsive to the health and wellbeing of lesbian, gay, bisexual, transgender and intersex (LGBTI) individuals and communities. | Identify and implement strategies within the Rainbow equality guide by June 2017. | Participated in LGBTI and Ageing training delivered by Department of Health and Human Services in June 2017. Heywood Rural Health is currently reviewing the GLHV Audit Tool in the endeavour to identify gaps in preparation for the implementation of the Rainbow Tick strategies. |
| Financial sustainability | Further enhance cash management strategies to improve cash sustainability and meet financial obligations as they are due. | Drive cash management strategies; timely collection of debtors; payment of creditors within agreed terms; improve relationships with Bendigo bank to ensure competitive interest rates on deposits. Work with the regional procurement to increase buying power to reduce cost of supply items by June 2017 | Heywood Rural Health contracts are now on BIEMS at South West Healthcare and as they are due for renewal Heywood Rural Health will work with SWH to ensure best possible procurement outcomes are achieved for our organisation. Continue to focus on timely collection of debtors and payment of creditors within agreed timeframes. |
| | Actively contribute to the development of the Victorian Government's policy to be net zero carbon by 2050 and improve environmental sustainability by identifying and implementing projects, including workforce education, to reduce material environmental impacts with particular consideration of procurement and waste management, and publicly reporting environmental performance data, including measureable targets related to reduction of clinical, sharps and landfill waste, water and energy use and improved recycling. | Ensure the Master Plan which will include strategies and key performance indicators to reflect the Victorian Government's environmental sustainability targets. The Master Plan will include a communication plan on how the organisation will delivery key messages to a broad range of stakeholders. | Development of an Environmental Management Plan is in progress. Heywood Rural Health participated in the State Government initiative program, VEET, Led lighting replacement. Heywood Rural Health is compliant with HPV general waste and clinical waste contracts. |

Statement of Priorities Part B: Performance Priorities

SAFETY AND QUALITY PERFORMANCE

| Key Performance Indicator | Target | 2016 – 2017 Actuals |
|---|-------------------------|---------------------|
| Victorian Healthcare Experience Survey: data submission | Full compliance | Full compliance |
| Victorian Healthcare Experience Survey: patient experience Quarter 1 | 95% positive experience | 100% |
| Victorian Healthcare Experience Survey: patient experience Quarter 2 | 95% positive experience | *0% |
| Victorian Healthcare Experience Survey: patient experience Quarter 3 | 95% positive experience | 100% |
| <ul style="list-style-type: none"> VHES survey reflects less than target, NIL response reported. | | |
| Health service accreditation | Full compliance | Achieved |
| Residential Aged Aare accreditation | Full compliance | Achieved |
| Cleaning standards | Full compliance | Achieved |
| Submission of data to VICNISS | Full compliance | Achieved |
| Compliance with the Hand Hygiene Australia Program | 80% | 83% |
| Healthcare worker immunisation, influenza | 75% | 75% |

GOVERNANCE, LEADERSHIP AND CULTURE PERFORMANCE

| Key Performance Indicator | Target | 2016 – 2017 Actuals |
|---|--------|---------------------|
| People Matter Survey: percentage of staff with a positive response to safety culture questions. | 80% | 83% |

FINANCIAL SUSTAINABILITY PERFORMANCE

| Key Performance Indicator | Target | 2016 – 2017 Actuals |
|-------------------------------|-----------------|---------------------|
| Finance | | |
| Annual operating result (\$m) | 0.00 | 0.03 |
| Creditors | < 60 days | 39 |
| Debtors | < 60 days | 57 |
| Asset management | | |
| Basic asset management plan | Full compliance | Full compliance |
| Adjusted current asset ratio | 0.70 | 1.32 |
| Days of available cash | 14.0 | 107.6 |

Statement of Priorities Part C: Activity and Funding

| Funding Type | Activity | Budget (\$'000) | Actual (\$'000) |
|------------------------------|---|------------------|------------------|
| Small Rural | | | |
| Small Rural Acute | Acute service - 5 beds | 2,479,781 | 2,814,345 |
| Small Rural Residential Care | Residential Aged Care - 45 beds | 444,073 | 444,073 |
| Small Rural HACC | District Nursing and Allied Health Services | 30,397 | 30,397 |
| Total Funding | | 2,954,251 | 3,288,815 |



Disclosure Index

The annual report of *Heywood Rural Health* 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 | | 4 |
| REPORT OF OPERATIONS | | 5 |
| CHARTER AND PURPOSE | | |
| FRD 22H | Manner of establishment and the relevant Ministers | 7 |
| FRD 22H | Purpose, functions, powers and duties | 6 |
| FRD 22H | Initiatives and key achievements | 9 |
| FRD 22H | Nature and range of services provided | 10 |
| MANAGEMENT AND STRUCTURE | | |
| FRD 22H | Organisational structure | 12 |
| FINANCIAL AND OTHER INFORMATION | | |
| FRD 10A | Disclosure index | |
| FRD 11A | Disclosure of exgratia expenses | |
| FRD 21C | Responsible person and executive officer disclosures | 5 |
| FRD 22H | Application and operation of <i>Protected Disclosure 2012</i> | 22 |
| FRD 22H | Application and operation of <i>Carers Recognition Act 2012</i> | 22 |
| FRD 22H | Application and operation of <i>Freedom of Information Act 1982</i> | 22 |
| FRD 22H | Compliance with building and maintenance provisions of <i>Building Act 1993</i> | 22 |
| FRD 22H | Details of consultancies over \$10,000 | 25 |
| FRD 22H | Details of consultancies under \$10,000 | 25 |
| FRD 22H | Employment and conduct principles | 16 |
| FRD 22H | Information and Communication Technology Expenditure | 25 |
| FRD 22H | Major changes or factors affecting performance | 14 |
| FRD 22H | Occupational violence | 20 |

| Legislation | Requirement | Page Reference |
|---|--|-----------------------|
| FRD 22H | Operational and budgetary objectives and performance against objectives | 34 |
| FRD 24C | Reporting of office-based environmental impacts | 16 |
| FRD 22H | Significant changes in financial position during the year | 35 |
| FRD 22H | Statement on National Competition Policy | 22 |
| FRD 22H | Subsequent events | |
| FRD 22H | Summary of the financial results for the year | |
| FRD 22H | Additional information available on request | 24 |
| FRD 22H | Workforce Data Disclosures including a statement on the application of employment and conduct principles | 20 |
| FRD 25C | Victorian Industry Participation Policy disclosures | 22 |
| FRD 29B | Workforce Data disclosures | 20 |
| FRD 103F | Non-Financial Physical Assets | |
| FRD 110A | Cash flow Statements | |
| FRD 112D | Defined Benefit Superannuation Obligations | |
| SD 5.2.3 | Declaration in report of operations | 5 |
| SD 3.7.1 | Risk management framework and processes. | 19 |
| OTHER REQUIREMENTS UNDER STANDING DIRECTIONS 5.2 | | |
| SD 5.2.2 | Declaration in financial statements | |
| SD 5.2.1(a) | Compliance with Australian accounting standards and other authoritative pronouncements | |
| SD 5.2.1(a) | Compliance with Ministerial Directions | |
| LEGISLATION | | |
| | <i>Freedom of Information Act 1982</i> | 22 |
| | <i>Protected Disclosure Act 2012</i> | 22 |
| | <i>Carers Recognition Act 2012</i> | 22 |
| | <i>Victorian Industry Participation Policy Act 2003</i> | 22 |
| | <i>Building Act 1993</i> | 22 |
| | <i>Financial Management Act 1994</i> | 23 |
| | <i>Safe Patient Care Act 2015</i> | 22 |



Financial Report



Heywood Rural Health Service

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

The attached financial statements for Heywood Rural Health and have been prepared in accordance with Direction 5.2 of the Standing Directions of the Minister for Finance under the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations, and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2017 and the financial position of Heywood Rural Health and at 30 June 2017.

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

We authorise the attached financial statements for issue on 23 August 2017.



Patricia Mclean
Board Member

Heywood
23 August 2017



Ros Jones
Accountable Officer

Heywood
23 August 2017



Jennie Stinson
Chief Finance & Accounting
Officer

Heywood
23 August 2017

Independent Auditor's Report

To the Board of Heywood Rural Health Service

| | |
|--|---|
| Opinion | <p>I have audited the financial report of Heywood Rural Health Service (the health service) which comprises the:</p> <ul style="list-style-type: none"> • balance sheet as at 30 June 2017 • 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 a summary of significant accounting policies • board member's, accountable officer's and chief finance & accounting officer's declaration. <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the health service as at 30 June 2017 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p> |
| Basis for Opinion | <p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. My responsibilities under the Act are further described in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the health service in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Australia. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p> |
| Board's responsibilities for the financial report | <p>The Board of the health service is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Board is responsible for assessing the health service's ability to continue as a going concern, and using the going concern basis of accounting unless it is inappropriate to do so.</p> |

Auditor's responsibilities for the audit of the financial report

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

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

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

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



MELBOURNE
23 August 2017

Ron Mak
as delegate for the Auditor-General of Victoria

Comprehensive operating statement

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

| | Note | 2017 \$ | 2016 \$ |
|--|------|------------------|------------------|
| Revenue from operating activities | 2.1 | 8,705,435 | 7,916,460 |
| Revenue from non-operating activities | 2.1 | 45,122 | 275,156 |
| Employee expenses | 3.1 | (6,623,522) | (5,958,783) |
| Non salary labour costs | 3.1 | (154,493) | (45,958) |
| Supplies and consumables | 3.1 | (298,526) | (332,353) |
| Other expenses | 3.1 | (1,647,777) | (1,462,813) |
| Net result before capital and specific items | | 26,239 | 391,709 |
| Capital purpose income | 2.1 | 423,428 | 242,465 |
| Impairment of non-financial assets | 3.1 | (2,349) | - |
| Depreciation and Amortisation | 4.5 | (971,802) | (863,734) |
| Finance Costs | 3.2 | (27,970) | (15,247) |
| Share of net result of associates and joint ventures accounted for using the Equity Method | 4.3 | 1,030 | (783) |
| Net Result after capital and specific items | | (551,424) | (245,590) |
| Other economic flows included in net result | | | |
| Revaluation of Long Service Leave | | 7,199 | (5,832) |
| Total other economic flows included in net result | | 7,199 | (5,832) |
| Net result from continuing operations | | (544,225) | (251,422) |
| NET RESULT FOR THE YEAR | | (544,225) | (251,422) |
| Comprehensive result | | (544,225) | (251,422) |

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

Balance sheet

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

| | Note | 2017 \$ | 2016 \$ |
|---|------|-------------------|-------------------|
| Cash and cash equivalents | 6.2 | 5,122,687 | 3,709,044 |
| Receivables | 5.1 | 991,141 | 845,025 |
| Prepayments and other assets | 5.3 | 62,015 | 59,085 |
| Total current assets | | 6,175,843 | 4,613,154 |
| Non-current assets | | | |
| Receivables | 5.1 | 130,375 | 70,649 |
| Investments and other financial assets | 4.1 | 2,000 | 2,000 |
| Investments accounted for using the equity | 4.3 | 23,787 | 22,757 |
| Property, plant & equipment | 4.4 | 14,216,313 | 14,870,600 |
| Intangible assets | 4.6 | 991 | - |
| Total non-current assets | | 14,373,466 | 14,966,006 |
| TOTAL ASSETS | | 20,549,309 | 19,579,160 |
| Current liabilities | | | |
| Payables | 5.4 | 1,099,037 | 864,324 |
| Borrowings | 6.1 | 92,448 | 62,723 |
| Provisions | 3.3 | 1,304,475 | 1,040,948 |
| Other current liabilities | 5.2 | 2,754,460 | 1,753,623 |
| Total current liabilities | | 5,250,420 | 3,721,618 |
| Non-current liabilities | | | |
| Borrowings | 6.1 | 112,133 | 117,860 |
| Provisions | 3.3 | 305,702 | 314,403 |
| Total non-current liabilities | | 417,835 | 432,263 |
| TOTAL LIABILITIES | | 5,668,255 | 4,153,881 |
| NET ASSETS | | 14,881,054 | 15,425,279 |
| EQUITY | | | |
| Property, plant & equipment revaluation surplus | 8.1a | 13,567,850 | 13,567,850 |
| Restricted specific purpose surplus | 8.1b | 256,951 | 256,951 |
| Contributed capital | 8.1c | 5,774,313 | 5,774,313 |
| Accumulated surpluses/(deficits) | 8.1c | (4,718,060) | (4,173,836) |
| TOTAL EQUITY | 8.1c | 14,881,054 | 15,425,279 |
| Commitments | 6.3 | | |
| Contingent assets and contingent liabilities | 7.3 | | |

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

Statement of changes in equity

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

| | | Property, Plant & Equipment Revaluation Surplus | Restricted Specific Purpose Surplus | Contributions by Owners | Accumulated Surpluses/ (Deficits) | Total |
|---|------------|---|---|----------------------------|---|-------------------|
| | Note | \$ | \$ | \$ | \$ | \$ |
| Balance at 1 July 2015 | | 13,567,850 | 256,951 | 5,774,802 | (3,921,924) | 15,677,679 |
| Net result for the year as restated | | - | - | - | (251,422) | (251,422) |
| Transfer to accumulated surplus | 8.1a, 8.1c | - | - | (489) | (490) | (979) |
| Restated balance at 30 June 2016 | | 13,567,850 | 256,951 | 5,774,313 | (4,173,836) | 15,425,279 |
| Net result for the year | | - | - | - | (544,225) | (544,225) |
| Balance at 30 June 2017 | | 13,567,850 | 256,951 | 5,774,313 | (4,718,061) | 14,881,054 |

This Statement should be read in conjunction with the accompanying notes

Cash flow statement

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

| | Note | 2017 \$ | 2016 \$ |
|--|------|--------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Operating grants from government | | 6,526,659 | 5,923,897 |
| Capital grants from government | | 161,950 | 229,910 |
| Patient and resident fees received | | 1,267,790 | 825,625 |
| Donations and bequests received | | 16,527 | 16,363 |
| GST received from/(paid to) ATO | | 864 | 1,538 |
| Interest received | | 93,067 | 58,792 |
| Other capital receipts | | | 234,611 |
| Other receipts (<i>disclose material items</i>) | | 846,061 | 489,336 |
| Total receipts | | 8,912,918 | 7,780,073 |
| Employee expenses paid | | (5,798,263) | (5,232,974) |
| Non salary labour costs | | (774,077) | (648,876) |
| Payments for supplies & consumables | | (1,540,487) | (1,385,654) |
| Finance costs | | (27,970) | (15,247) |
| Total payments | | (8,140,797) | (7,282,751) |
| NET CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES | 8.2 | 772,121 | 497,322 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Payments for non-financial assets | | (319,864) | (204,412) |
| Proceeds from sale of non-financial assets | | (528) | 12,555 |
| NET CASH FLOW FROM/(USED IN) INVESTING ACTIVITIES | | (320,393) | (191,858) |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS HELD | | 451,729 | 305,464 |
| Cash and cash equivalents at beginning of financial year | | 1,955,421 | 1,649,957 |
| CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR | 6.2 | 2,407,149 | 1,955,421 |

This Statement should be read in conjunction with the accompanying notes

Notes to the financial statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

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Basis of presentation

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

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

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

Note 1: Summary of significant accounting policies

These annual financial statements represent the audited general purpose financial statements for Heywood Rural Health for the period ending 30 June 2017. The purpose of the report is to provide users with information about the Health Services' stewardship of resources entrusted to it.

(a) Statement of compliance

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

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

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

The annual financial statements were authorised for issue by the Board of Heywood Rural Health on 23 August 2017.

(b) Reporting entity

The financial statements include all the controlled activities of the Health Service.

Its principle address is:

21 Barclay Street

Heywood VIC 3304

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

Note 1: Summary of significant accounting policies (continued)

Objectives and funding

Heywood Rural Health's overall objective is to the health and wellbeing of the community, as well as to improve the quality of life to Victorians.

Heywood Rural Health is predominantly funded by accrual based grant funding for the provision of outputs.

(c) Basis of accounting preparation and measurement

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

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

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

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

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

The Financial Statements are prepared in accordance with the historical cost convention, except for:

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

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

(d) Principles of consolidation

Intersegment Transactions

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

Note 2: Funding delivery of our services

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

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

Structure

2.1 Analysis of revenue by source

Note 2.1: Analysis of revenue by source

| | Admitted Patients 2017 \$ | Residential Aged (RAC) 2017 \$ | Primary Health 2017 \$ | Medical Clinic 2017 \$ | Other 2017 \$ | Total 2017 \$ |
|---|---------------------------------|---|------------------------------|------------------------------|---------------------|---------------------|
| Government Grant | 2,582,620 | 3,231,049 | 686,552 | - | - | 6,500,221 |
| Indirect contributions by Department of Health and Human Services | 71,956 | - | - | - | - | 71,956 |
| Patient & Resident Fees | 12,828 | 763,144 | 2,976 | 418,164 | - | 1,197,112 |
| Commerical Activities | 151 | - | - | - | 43,113 | 43,264 |
| Other Revenue from Operating Activities | 34,612 | 36,409 | 29,694 | 197 | - | 100,912 |
| SWARH JV Revenue | - | - | - | - | 791,970 | 791,970 |
| Total Revenue from Operating Activities | 2,702,167 | 4,030,602 | 719,222 | 418,361 | 835,083 | 8,705,435 |
| Interest | 35,851 | - | - | 35 | - | 35,886 |
| Other Revenue from Non-Operating Activities | 3,085 | 6,151 | - | - | - | 9,236 |
| Total Revenue from Non-Operating Activities | 38,936 | 6,151 | - | 35 | - | 45,122 |
| Capital Purpose Income (excluding Interest) | - | 348,520 | - | - | 18,255 | 366,775 |
| Capital Interest | - | 57,181 | - | - | - | 57,181 |
| Net gain/(loss) on disposal of PP&E | (528) | - | - | - | - | (528) |
| Total Capital Purpose Income | (528) | 405,701 | - | - | 18,255 | 423,428 |
| Share of Net Result of Associates & Joint Ventures Accounted for using the Equity Method (refer note 4.3) | - | - | 1,030 | - | - | 1,030 |
| Total Revenue | 2,740,575 | 4,442,454 | 720,252 | 418,396 | 853,338 | 9,175,015 |

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| | Admitted Patients 2016 \$ | Residential Aged (RAC) 2016 \$ | Primary Health 2016 \$ | Medical Clinic 2016 \$ | Other 2016 \$ | Total 2016 \$ |
|---|---------------------------------|---|------------------------------|------------------------------|---------------------|---------------------|
| Government Grant | 2,399,585 | 2,815,154 | 873,212 | 13,832 | - | 6,101,783 |
| Indirect contributions by Department of Health and Human Services | (4,638) | - | - | - | - | (4,638) |
| Patient & Resident Fees | - | 832,394 | 20,116 | 454,572 | - | 1,307,082 |
| Commerical Activities | - | - | - | - | 47,891 | 47,891 |
| Other Revenue from Operating Activities | 5,484 | 9,638 | 20,388 | - | 16,014 | 51,524 |
| SWARH JV Revenue | - | - | - | - | 412,818 | 412,818 |
| Total Revenue from Operating Activities | 2,400,431 | 3,657,186 | 913,716 | 468,404 | 476,723 | 7,916,460 |
| Interest | 20,544 | 38,248 | - | - | - | 58,792 |
| Other Revenue from Non-Operating Activities | 2,205 | 506 | 2,852 | - | 210,801 | 216,364 |
| Total Revenue from Non-Operating Activities | 22,749 | 38,754 | 2,852 | - | 210,801 | 275,156 |
| Capital Purpose Income (excluding Interest) | - | 229,910 | - | - | - | 229,910 |
| Net gain/(loss) on disposal of PP&E | 12,555 | - | - | - | - | 12,555 |
| Total Capital Purpose Income | 12,555 | 229,910 | - | - | - | 242,465 |
| Share of Net Result of Associates & Joint Ventures Accounted for using the Equity Method (refer note 4.3) | - | - | (783) | - | - | (783) |
| | - | - | (783) | - | - | (783) |
| Total Revenue | 2,435,735 | 3,925,850 | 915,785 | 468,404 | 687,524 | 8,433,298 |

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

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

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

Government Grants and other transfers of income (other than contributions by owners)

In accordance with AASB 1004 *Contributions*, government grants and other transfers of income (other than contributions by owners) are recognised as income when the Health Service gains control of the underlying assets irrespective of whether conditions are imposed on the Health Service's use of the contributions.

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

Indirect Contributions from the Department of Health and Human Services

- Insurance is recognised as revenue following advice from the Department of Health and Human Services.
- Long Service Leave (LSL) – Revenue is recognised upon finalisation of movements in LSL liability in line with the arrangements set out in the Metropolitan Health and Aged Care Services Division Hospital Circular 04/2017 (update for 2016-17).

Patient and Resident Fees

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

Private Practice Fees

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

Revenue from commercial activities

Revenue from commercial activities such as meals on wheels is recognised at the time invoices are raised.

Donations and Other Bequests

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

Interest Revenue

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

Other income

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

Category groups

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

- Admitted Patient Services (Admitted Patients) comprises all acute and subacute admitted patient services, where services are delivered in public hospitals.
- Primary Health comprises a range of home based, community based, community, primary health services including health promotion and counselling, physiotherapy, speech therapy, podiatry and occupational therapy.
- Residential Aged Care (RAC) residential care.
- Medical Clinic comprises general practitioners and practice nurses.
- Other Services not reported elsewhere - (Other) comprises services not separately classified above.

Note 3: The Cost of delivering services

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

Structure

3.1 Analysis of expenses by source

3.2 Finance costs

3.3 Provisions

3.4 Superannuation

Note 3.1: Analysis of expenses by Source

| | Admitted Patients | Residential Aged (RAC) | Primary Health | Medical Clinic | Other | Total |
|--|-------------------|------------------------|------------------|----------------|----------------|------------------|
| | 2017 | 2017 | 2017 | 2017 | 2017 | 2017 |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Employee Expenses | 1,546,943 | 3,662,478 | 748,257 | 483,829 | 182,016 | 6,623,522 |
| Other Operating Expenses | | | | | | |
| Non Salary Labour Costs | (5,028) | 1,600 | - | 157,921 | - | 154,493 |
| Supplies & Consumables | 82,336 | 162,454 | 20,938 | 15,932 | 16,866 | 298,526 |
| Other Expenses | 210,556 | 510,535 | 110,308 | 57,791 | 54,024 | 943,214 |
| SWARH JV Other Expenses | 210,453 | 341,143 | 55,309 | 32,129 | 65,529 | 704,563 |
| Total Expenditure from Operating Activities | 2,045,260 | 4,678,210 | 934,812 | 747,602 | 318,434 | 8,724,318 |
| Finance Costs (refer note 3.2) | - | 123 | - | - | 27,847 | 27,970 |
| Other Non-Operating Expenses | | | | | | |
| Impairment of Non-Financial Assets | - | - | - | - | 2,349 | 2,349 |
| Depreciation & Amortisation (refer note 4.5) | 290,277 | 470,537 | 76,288 | 44,316 | 90,384 | 971,802 |
| Total other expenses | 290,277 | 470,660 | 76,288 | 44,316 | 120,579 | 1,002,121 |
| Total Expenses | 2,335,537 | 5,148,870 | 1,011,100 | 791,918 | 439,014 | 9,726,439 |

Note 3.1: Analysis of expenses by Source (continued)

| | Admitted Patients | Residential Aged (RAC) | Primary Health | Medical Clinic | Other | Total |
|--|--------------------------|-------------------------------|-----------------------|-----------------------|----------------|------------------|
| | 2016 | 2016 | 2016 | 2016 | 2016 | 2016 |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Employee Expenses | 1,377,138 | 2,961,373 | 898,423 | 581,441 | 140,409 | 5,958,783 |
| Other Operating Expenses | | | | | | |
| Non Salary Labour Costs | 44,102 | - | 1,853 | 2 | - | 45,958 |
| Supplies & Consumables | 91,121 | 166,205 | 42,911 | 15,609 | 16,507 | 332,353 |
| Other Expenses | 233,028 | 515,240 | 158,209 | 67,757 | 51,362 | 1,025,597 |
| SWARH JV Other Expenses | 123,237 | 205,497 | 48,010 | 24,522 | 35,952 | 437,216 |
| Total Expenditure from Operating Activities | 1,868,627 | 3,848,314 | 1,149,406 | 689,331 | 244,230 | 7,799,908 |
| Finance Costs (refer note 3.2) | - | 5,889 | - | - | 9,358 | 15,247 |
| Depreciation & Amortisation (refer note 4.5) | 243,459 | 405,965 | 48,443 | 94,844 | 71,024 | 863,734 |
| Total other expenses | 243,459 | 411,854 | 48,443 | 94,844 | 80,382 | 878,981 |
| Total Expenses | 2,112,085 | 4,260,168 | 1,197,849 | 784,175 | 324,612 | 8,678,889 |

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

Employee expenses

Employee expenses include;

- wages and salaries;
- annual leave;
- sick leave;
- long service leave;
- termination payments;
- workcover premiums; and
- superannuation expenses which are reported differently depending upon whether employees are members of defined benefit or defined contribution plans.

Grants and other transfers

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

Note 3.1: Analysis of expenses by Source (continued)

Other operating expenses

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

Supplies and consumables

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

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

Contributions of resources provided free of charge or for nominal consideration are recognised at their fair value when the transferee obtains control over them, irrespective of whether restrictions or conditions are imposed over the use of the contributions, unless received from another agency as a consequence of a restructuring of administrative arrangements. In the latter case, such transfer will be recognised at carrying value. Contributions in the form of services are only recognised when a fair value can be reliably determined and the services would have been purchased if not donated.

Net gain/(loss) on non-financial assets

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

Revaluation gains/(losses) of non-financial physical assets

Refer to Note 4.4 Property plant and equipment.

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

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

Share of net profits/(losses) of associates and jointly controlled entities, excluding dividends.

Refer to Note 1 Basis of consolidation.

Other gains/(losses) from other comprehensive income

Other gains/(losses) include:

- a. the revaluation of the present value of the long service leave liability due to changes in the bond interest rates movements, inflation rate movements and the impact of changes in probability factors; and
- b. transfer of amounts from the reserves to accumulated surplus or net result due to disposal or derecognition or reclassification.

Note 3.2: Finance costs

| | 2017 \$ | 2016 \$ |
|-----------------------------------|---------------|---------------|
| Finance Charges on Finance Leases | 27,970 | 15,247 |
| | 27,970 | 15,247 |
| Total Finance Costs | 27,970 | 15,247 |

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

Finance costs include;

- finance charges in respect of finance leases recognised in accordance with AASB117 Leases
- interest on bank overdrafts and short term and long term borrowings

Note 3.3: Employee benefits in the balance sheet

| | 2017 \$ | 2016 \$ |
|---|------------------|------------------|
| Current Provisions | | |
| Employee Benefits ⁽ⁱ⁾ | | |
| Annual leave | | |
| - Unconditional and expected to be settled wholly within 12 months ⁽ⁱⁱ⁾ | 361,903 | 303,132 |
| - Unconditional and expected to be settled wholly after 12 months ⁽ⁱⁱⁱ⁾ | 90,475 | 75,783 |
| Long service leave | | |
| - Unconditional and expected to be settled wholly within 12 months ⁽ⁱⁱ⁾ | 63,416 | - |
| - Unconditional and expected to be settled wholly after 12 months ⁽ⁱⁱⁱ⁾ | 511,315 | 405,258 |
| Accrued Days off | | |
| - Unconditional and expected to be settled within 12 months ⁽ⁱⁱ⁾ | 8,181 | 8,657 |
| Accrued Salaried and wages | | |
| - Unconditional and expected to be settled within 12 months ⁽ⁱⁱ⁾ | 85,500 | 103,512 |
| | 1,120,790 | 896,342 |
| Provisions related to Employee Benefit On-Costs | | |
| - Unconditional and expected to be settled within 12 months | 108,810 | 115,685 |
| - Unconditional and expected to be settled after 12 months | 74,875 | 28,921 |
| | 183,685 | 144,606 |
| Total Current Provisions | 1,304,475 | 1,040,948 |
| Non-Current Provisions | | |
| Employee Benefits ⁽ⁱ⁾ | | |
| Long Service Leave | 269,980 | 284,921 |
| Provisions related to Employee Benefit On-Costs | 35,722 | 29,482 |
| Total Non-Current Provisions | 305,702 | 314,403 |
| Total Provisions | 1,610,177 | 1,355,351 |
| (a) Employee Benefits and Related On-Costs | | |
| Current Employee Benefits and related on-costs | | |
| Unconditional LSL Entitlement | 570,008 | 385,549 |
| Annual Leave Entitlements | 580,763 | 486,035 |
| Accrued Wages and Salaries | 85,500 | 103,512 |
| Accrued Days Off | 8,181 | 8,657 |
| SWARH | 60,023 | 57,196 |
| Non-Current Employee Benefits and related on-costs | | |
| Conditional Long Service Leave Entitlements | 295,277 | 303,233 |
| SWARH | 10,425 | 11,170 |
| Total Employee Benefits | 1,610,177 | 1,355,352 |
| Total Employee Benefits and Related On-Costs | 1,610,177 | 1,355,352 |
| Notes: | | |
| (i) Provisions for employee benefits consist of amounts for annual leave and long service leave accrued by employees, not including on-costs. | | |
| (ii) The amounts disclosed are nominal amounts | | |
| (iii) The amounts disclosed are discounted to present values | | |

Note 3.3: Employee benefits in the balance sheet (continued)

| | 2017 \$ | 2016 \$ |
|--|----------------|----------------|
| Movements in provisions | | |
| Movement in Long Service Leave: | | |
| Balance at start of year | 757,148 | 749,990 |
| Provision made during the year | | |
| - Revaluations | (7,199) | 5,832 |
| - Expense recognising Employee Service | 218,243 | (72,146) |
| Settlement made during the year | (42,884) | 73,472 |
| Balance at end of year | 925,308 | 757,148 |

Provisions

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

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

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

Employee Benefits

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

Wages and salaries, annual leave, and accrued days off

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

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

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

Long Service Leave (LSL)

Liability for LSL is recognised in the provision for employee benefits.

Note 3.3: Employee benefits in the balance sheet (continued)

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

The components of this current LSL liability are measured at:

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

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

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

On-costs related to employee expense

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

Note 3.4: Superannuation

| | Paid Contribution for the Year | |
|------------------------------------|--------------------------------|----------------|
| | 2017 \$ | 2016 \$ |
| (i) Defined benefit plans: | | |
| Health Super | 10,005 | 5,472 |
| Defined contribution plans: | | |
| Health Super | 419,755 | 373,819 |
| HESTA | 47,351 | 49,486 |
| Other | 13,387 | 2,012 |
| Total | 490,498 | 430,789 |

Nil contributions outstanding at year end (2016 nil).

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

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

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

The name, details and amounts expense in relation to the major employee superannuation funds and contributions made by the Health Services are as follows:

Defined contribution superannuation plans

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

Defined benefit superannuation plans

The amount charged to the comprehensive operating statement in respect of defined benefit superannuation plans represents the contributions made by the Health Service to the superannuation plans in respect of the services of current Health Service staff during the reporting period. Superannuation contributions are made to the plans based on the relevant rules of each plan, and are based upon actuarial advice.

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

Superannuation liabilities

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

Note 4: Key Assets to support service delivery

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

Structure

- 4.1 Investments and other financial assets
- 4.2 Jointly controlled operations and assets
- 4.3 Investments accounted for using the equity method
- 4.4 Property, plant & equipment
- 4.5 Depreciation and amortisation
- 4.6 Intangible assets

Note 4.1: Investments and other financial assets

| | 2017 \$ | 2016 \$ |
|--|--------------|--------------|
| NON CURRENT Shares | 2,000 | 2,000 |
| Total Non Current | 2,000 | 2,000 |
| TOTAL INVESTMENTS AND OTHER FINANCIAL ASSETS | 2,000 | 2,000 |
| Represented by: Health Service Investments | 2,000 | 2,000 |
| TOTAL INVESTMENTS AND OTHER FINANCIAL ASSETS | 2,000 | 2,000 |

(a) Ageing analysis of investments and other financial assets

Please refer to Note 7.1 for the ageing analysis of investments and other financial assets

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

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

Investments and other financial assets

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

Investments are classified in the following categories:

- financial assets at fair value through profit & loss;
- held-to-maturity;
- loans and receivables; and
- available-for-sale financial assets.

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

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

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

Note 4.1: Investments and other financial assets (continued)

Derecognition of financial assets

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

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

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

Impairment of financial assets

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

The allowance is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. In assessing impairment of statutory (non-contractual) financial assets, which are not financial instruments, professional judgement is applied in assessing materiality using estimates, averages and other computational methods in accordance with AASB 136 Impairment of Assets.

Note 4.2: Jointly controlled operations and assets

| Name of Entity | Principal Activity | Ownership Interest | |
|-------------------------------------|---------------------|--------------------|-----------|
| | | 2017 % | 2016 % |
| South West Alliance of Rural Health | Information Systems | 3.49 | 3.18 |

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

| South West Alliance of Rural Health | 2017 \$ | 2016 \$ |
|--------------------------------------|------------------|----------------|
| Current Assets | | |
| Cash at Bank | 183,443 | 66,344 |
| Receivables | 645,178 | 474,825 |
| Inventories | 651 | 2,288 |
| Other Current Assets | - | 9,141 |
| Total Current Assets | 829,272 | 552,598 |
| Non Current Assets | | |
| Property, Plant and Equipment | 18,302 | 7,101 |
| Leased Assets | 190,651 | 180,583 |
| Intangible Assets | 991 | - |
| Total Non Current Assets | 208,953 | 187,684 |
| Total Assets | 1,039,216 | 740,282 |
| Current Liabilities | | |
| Payables | 699,798 | 474,350 |
| Leased Liabilities | 92,448 | 62,723 |
| Employee Benefits | 60,023 | 57,196 |
| Deferred Revenue | 38,923 | - |
| Total Current Liabilities | 891,192 | 594,269 |
| Non Current Liabilities | | |
| Employee Benefits | 10,425 | 11,170 |
| Leased Liabilities | 112,133 | 117,860 |
| Total Non Current Liabilities | 122,558 | 129,030 |
| Total Liabilities | 1,013,750 | 723,299 |

Note 4.2: Jointly controlled operations and assets (continued)

| Heywood Rural Health interest in revenues and expenses resulting from jointly controlled operations and assets is detailed below: | | |
|---|------------------|------------------|
| | 2017 | 2016 |
| | \$'000 | \$'000 |
| Revenues | | |
| Revenue From Operations | 791,970 | 713,859 |
| Total Revenue | 791,970 | 713,859 |
| Expenses | | |
| Employee Benefits | (227,756) | (194,527) |
| Maintenance Contract & IT Support | (366,159) | (424,536) |
| Operating Lease Costs | (16,045) | - |
| Other Expenses from Ordinary Activities | (33,576) | (21,161) |
| Total Expenses | (643,536) | (640,225) |
| Net Operating Result | 148,434 | 73,634 |
| Capital Income | 17,386 | - |
| Finance Costs | (27,847) | (9,358) |
| Depreciation | (128,601) | (63,895) |
| Impairment | (2,349) | - |
| Net Capital Result for the Year | 7,023 | 381 |
| Revaluation of LSL | 1,291 | - |
| Net Result for Year | 8,314 | 381 |

Contingent Liabilities and Capital Commitments

There are no known contingent assets or liabilities for South West Alliance of Rural Health as at the date of this report.

The financials results included for South West Alliance of Rural Health are unaudited at the date of signing the financial statements.

Investments in joint operations

In respect of any interest in joint operations, Heywood Rural Health recognises in the financial statements:

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

Note 4.3: Investments accounted for using the equity method

Summarised financial information in respect of the agency's material joint venture is set below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with AASBs, adjusted by the agency for equity accounting purposes.

| Name of Entity | Principal Activity | Country of Incorporation | Ownership Interest | | Published Fair Value | |
|---|--------------------|--------------------------|--------------------|------------------|----------------------|---------|
| | | | 2017 % | 2016 % | 2017 \$ | 2016 \$ |
| Associates | | | | | | |
| <i>Southern Grampians/Glenelg Shire PCP</i> | Primary Health | Australia | 11 | 11 | 23,787 | 22,757 |
| Summarised Financial Information of Joint Venture: | | | 2017 | 2016 | | |
| Southern Grampians/Glenelg Shire PCP | | | \$ | \$ | | |
| Summarised balance sheet: | | | | | | |
| Current assets | | | 415,021 | 479,214 | | |
| Total current assets | | | 415,021 | 479,214 | | |
| Total Assets | | | 415,021 | 479,214 | | |
| Staff Provisions | | | 53,473 | 74,975 | | |
| Other Liabilities | | | 103,486 | 130,859 | | |
| Total current liabilities | | | 156,959 | 205,834 | | |
| Non-Current Liabilities | | | | | | |
| Staff Provisions | | | 41,817 | 66,497 | | |
| Total Non-Current Liabilities | | | 41,817 | 66,497 | | |
| Total Liabilities | | | 198,776 | 272,331 | | |
| Net Assets | | | 216,245 | 206,883 | | |
| Share of Joint Venture's Net Assets | | | 23,787 | 22,757 | | |
| Summarised operating statement | | | | | | |
| Southern Grampians/Glenelg Shire PCP | | | | | | |
| Revenue | | | | | | |
| Grants | | | 327,909 | 323,063 | | |
| Other Revenue | | | 151,246 | 417,137 | | |
| Total Revenue | | | 479,155 | 740,200 | | |
| Expenses | | | | | | |
| Employee Expenses | | | (323,656) | (444,078) | | |
| Other | | | (146,136) | (303,239) | | |
| Total Expenses | | | (469,792) | (747,317) | | |
| Net Result | | | 9,362 | (7,117) | | |
| Share of Joint Venture's Net Result | | | 1,030 | (783) | | |
| Share of Joint Venture's Other Comprehensive Income | | | | | | |
| Dividends received from jointly controlled entities | | | - | - | | |
| Movements in carrying amount of interests in the Joint Venture | | | 2017 | 2016 | | |
| Southern Grampians/Glenelg Shire PCP | | | \$ | \$ | | |
| Carrying amount at the beginning of the year | | | 22,757 | 23,540 | | |
| Share of the joint venture's net result after tax | | | 1,030 | (783) | | |
| Share of the joint venture's other comprehensive income | | | - | - | | |
| Dividends received/receivable from the joint venture | | | - | - | | |
| Carrying amount at the end of the year | | | 23,787 | 22,757 | | |

Note 4.3: Investments accounted for using the equity method (continued)

Contingent Liabilities and Capital Commitments

There are no known contingent assets or liabilities for Southern Grampians/Glenelg Shire PCP as at the date of this report.

The financials results included for Southern Grampians/Glenelg Shire PCP are unaudited at the date of signing the financial statements.

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Investments accounted for using the equity method

An associate is an entity over which Heywood Rural Health exercises significant influence, but not control.

The investment in the associate is accounted for using the equity method of accounting. Under the equity method for accounting, the investment in the associate is recognised at cost on initial recognition, and the carrying amount is increased or decreased in subsequent years to recognise Heywood Rural Health's share of the profits or losses of the associates after the date of acquisition. Heywood Rural Health's share of the associate's profit or loss is recognised in Heywood Rural Health's net result as 'other economic flows'. The share of post-acquisition changes in revaluation surpluses and any other reserves are recognised in both the comprehensive operating statement and the statement of changes in equity. The cumulative post acquisition movements are adjusted against the carrying amount of the investment, including dividends received or receivable from the associate.

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

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

Interests in joint ventures are accounted for in the financial statements using the equity method, as applied to investments in associates and are disclosed as required by AASB 12.

Note 4.4: Property, plant & equipment

(a) Gross carrying amount and accumulated depreciation

| | 2017 \$ | 2016 \$ |
|--|-------------------|-------------------|
| Land ⁽ⁱ⁾ | | |
| Land at Fair Value | 472,000 | 472,000 |
| Land Improvements at fair value | 347,000 | 347,000 |
| Land improvements at cost | 88,365 | 85,054 |
| Less Acc'd Depreciation | 28,290 | 18,860 |
| Total Land | 879,075 | 885,194 |
| Buildings | | |
| Buildings at Fair Value | 14,668,000 | 14,668,000 |
| Buildings at Cost | 40,563 | 37,097 |
| Less Acc'd Depreciation | 2,109,297 | 1,403,821 |
| Total Buildings | 12,599,266 | 13,301,276 |
| Plant and Equipment | | |
| Plant and Equipment at Fair Value | 1,299,971 | 1,354,960 |
| Less Acc'd Depreciation | 1,006,038 | 969,337 |
| Total Plant and Equipment | 293,933 | 385,623 |
| Other Equipment | | |
| Other Equipment at Fair Value | 659,585 | 675,799 |
| Less Acc'd Depreciation | 563,710 | 629,127 |
| Total Other Equipment | 95,875 | 46,672 |
| Motor Vehicles | | |
| Motor Vehicles at Fair Value | 312,934 | 258,458 |
| Less Acc'd Depreciation | 213,553 | 187,206 |
| Total Motor Vehicles | 99,381 | 71,252 |
| Under construction | | |
| Assets under construction | 39,830 | - |
| Total Assets under construction | 39,830 | - |
| Leased Assets | | |
| Computer Equipment | 337,554 | 244,478 |
| Less Acc'd Amortisation | 128,601 | 63,895 |
| Total Leased Assets | 208,953 | 180,583 |
| TOTAL | 14,216,313 | 14,870,600 |

Note 4.4: Property, plant & equipment (continued)

| (b) Reconciliations of the carrying amounts of each class of asset | | | | | | | | | |
|--|---------|--------------|------------|-----------|----------|----------|-----------|--------------|------------|
| | Land | Land | Buildings | Plant & | Other | Motor | Leased | Assets Under | Total |
| | \$ | Improvements | \$ | Equipment | \$ | Vehicles | Assets | Construction | \$ |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance at 1 July 2015 | 472,000 | 420,674 | 13,989,876 | 312,768 | 64,549 | 67,522 | 202,530 | - | 15,529,919 |
| Additions | - | 1,950 | 14,686 | 138,033 | 7,797 | - | 41,948 | - | 204,414 |
| Depreciation (Note 4.5) | - | (9,430) | (703,286) | (65,178) | (25,674) | 3,730 | (63,895) | - | (863,733) |
| Balance at 1 July 2016 | 472,000 | 413,194 | 13,301,276 | 385,623 | 46,672 | 71,252 | 180,583 | - | 14,870,600 |
| Additions | - | 3,311 | 3,465 | 48,632 | 18,221 | 54,785 | 149,869 | 39,830 | 318,113 |
| South West Alliance of Rural Health | - | - | - | (7,101) | - | - | 7,101 | - | - |
| Transfers | - | - | (468) | (55,341) | 56,118 | (309) | - | - | - |
| Disposals | - | - | - | - | (597) | - | - | - | (597) |
| Depreciation (Note 4.5) | - | (9,430) | (705,006) | (77,880) | (24,539) | (26,347) | (128,601) | - | (971,802) |
| Balance at 30 June 2017 | 472,000 | 407,075 | 12,599,266 | 293,933 | 95,875 | 99,381 | 208,953 | 39,830 | 14,216,313 |

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Land and buildings carried at valuation

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

The effective date of the independent valuation was 30 June 2014

| (c) Fair value measurement hierarchy for assets | | | | |
|--|------------------------------------|--|---------|-------------------|
| | Carrying amount as at 30 June 2017 | Fair value measurement at end of reporting period using: | | |
| | | Level 1 | Level 2 | Level 3 |
| Land at fair value | | | | |
| Specialised land | 472,000 | | | 472,000 |
| Land Improvements | 407,075 | | | 407,075 |
| Total of land at fair value | 879,075 | | | 879,075 |
| Buildings at fair value | | | | |
| Specialised buildings | 12,599,266 | | | 12,599,266 |
| Total of building at fair value | 12,599,266 | | | 12,599,266 |
| Plant and equipment at fair value | | | | |
| - Plant and equipment | 293,933 | | | 293,933 |
| - Motor vehicles | 99,381 | | | 99,381 |
| - Other equipment | 95,875 | | | 95,875 |
| Total of plant, equipment and vehicles at fair value | 489,189 | | | 489,189 |
| Leased assets at fair value | | | | |
| Leased assets at fair value | 208,953 | | | 208,953 |
| Total leased assets at fair value | 208,953 | | | 208,953 |
| Assets under construction at fair value | | | | |
| Assets under construction at fair value | 39,830 | | | 39,830 |
| Total assets under construction at fair value | 39,830 | | | 39,830 |
| | 14,216,313 | - | - | 14,216,313 |

Note 4.4: Property, plant & equipment (continued)

| | Carrying amount as at 30 June 2016 | Fair value measurement at end of reporting period using: | | |
|--|------------------------------------|--|---------|-------------------|
| | | Level 1 | Level 2 | Level 3 |
| Land at fair value | | | | |
| Non-specialised land | | | | |
| Specialised land | 472,000 | | | 472,000 |
| Land Improvements | 413,194 | | | 413,194 |
| Total of land at fair value | 885,194 | | | 885,194 |
| Buildings at fair value | | | | |
| Specialised buildings | 13,301,276 | | | 13,301,276 |
| Total of building at fair value | 13,301,276 | | | 13,301,276 |
| Plant and equipment at fair value | | | | |
| - Plant and equipment | 385,623 | | | 385,623 |
| - Motor vehicles | 71,252 | | | 71,252 |
| - Other equipment | 46,672 | | | 46,672 |
| Total of plant, equipment and vehicles at fair value | 503,547 | | | 503,547 |
| Leased assets at fair value | | | | |
| Leased assets at fair value | 180,583 | | | 180,583 |
| Total leased assets at fair value | 180,583 | | | 180,583 |
| | 14,870,600 | - | - | 14,870,600 |

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

- the fair value of land, buildings, infrastructure, plant and equipment (refer to Note 4.4.);
- superannuation expense (refer to note 3.4); and
- actuarial assumptions for employee benefit provisions based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (refer to Note 3.3)

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

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

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

Note 4.4: Property, plant & equipment (continued)

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

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

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

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

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

Fair value measurement

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

The fair value measurement is based on the following assumptions:

- that the transaction to sell the asset or transfer the liability takes place either in the principal market (or the most advantageous market, in the absence of the principal market), either of which must be accessible to the Health Service at the measurement date;
- that the Health Service uses the same valuation assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.
- The fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

In accordance with paragraph AASB 13.29, Health Services can assume the current use of a non-financial physical asset is its HBU unless market or other factors suggest that a different use by market participants would maximise the value of the asset.

Note 4.4: Property, plant & equipment (continued)

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

These indicators, as a minimum, include:

External factors:

- Changed acts, regulations, local law or such instrument which affects or may affect the use or development of the asset;
- Changes in planning scheme, including zones, reservations, overlays that would affect or remove the restrictions imposed on the asset's use from its past use;
- Evidence that suggest the current use of an asset is no longer core to requirements to deliver a Health Service's service obligation;
- Evidence that suggests that the asset might be sold or demolished at reaching the late stage of an asset's life cycle.

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

Valuation hierarchy

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

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

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

Note 4.4: Property, plant & equipment (continued)

| (d) Reconciliation of Level 3 fair value | | | | | | | |
|---|----------------|-------------------|----------------------------|------------------------|-----------------------|----------------------------------|----------------------|
| 30 June 2017 | Land | Buildings | Plant and equipment | Other equipment | Motor Vehicles | Assets under construction | Leased assets |
| Opening Balance | 885,194 | 13,301,276 | 385,623 | 46,672 | 71,252 | - | 180,583 |
| Purchases (sales) | 3,311 | 2,996 | (6,709) | 73,742 | 54,476 | 39,830 | 149,869 |
| SWARH | | | (7,101) | | | | 7,101 |
| Gains or losses recognised in net result | | | | | | | |
| - Depreciation | (9,430) | (705,006) | (77,880) | (24,539) | (26,347) | | (128,601) |
| Subtotal | 879,075 | 12,599,266 | 293,933 | 95,875 | 99,381 | 39,830 | 208,953 |
| Closing Balance | 879,075 | 12,599,266 | 293,933 | 95,875 | 99,381 | 39,830 | 208,953 |
| | | | | | | | |
| 30 June 2016 | Land | Buildings | Plant and equipment | Other Equipment | Motor Vehicles | Assets under construction | Leased assets |
| Opening Balance | 892,674 | 13,989,876 | 312,768 | 64,549 | 67,522 | - | 202,530 |
| Purchases (sales) | 1,950 | 14,686 | 138,033 | 7,797 | - | - | 41,948 |
| Gains or losses recognised in net result | | | | | | | |
| - Depreciation | (9,430) | (703,286) | (65,178) | (25,674) | 3,730 | - | (63,895) |
| Subtotal | 885,194 | 13,301,276 | 385,623 | 46,672 | 71,252 | - | 180,583 |
| Closing Balance | 885,194 | 13,301,276 | 385,623 | 46,672 | 71,252 | - | 180,583 |

Note 4.4: Property, plant & equipment (continued)

Identifying unobservable inputs (level 3) fair value measurements

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

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

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

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

Non-specialised land, non-specialised buildings and artwork

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

For non-specialised land and non-specialised buildings, an independent valuation was performed by independent valuers to determine the fair value using the market approach. Valuation of the assets was determined by analysing comparable sales and allowing for share, size, topography, location and other relevant factors specific to the asset being valued. An appropriate rate per square metre has been applied to the subject asset. The effective date of the valuation is 30 June 2014.

For artwork, valuation of the assets is determined by a comparison to similar examples of the artist's work in existence throughout Australia and research on price paid for similar examples offered at auction or through art galleries in recent years.

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

Specialised land and specialised buildings

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

Note 4.4: Property, plant & equipment (continued)

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.

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

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

Heritage assets, infrastructure and road infrastructure and earthworks

Heritage assets, infrastructure and road infrastructure and earthworks are valued using the depreciated reproduction cost method. This cost represents the reproduction cost of the building/component after applying depreciation rates on a useful life basis. Reproduction costs relate to costs to replace the current service capacity of the asset.

Where it has not been possible to examine hidden works such as structural frames and floors, the use of reasonable materials and methods of construction have been assumed bearing in mind the age and nature of the building. The estimated cost of reconstruction including structure services and finishes, also factors in any heritage classifications as applicable.

An independent valuation of the Health Service's heritage assets, infrastructure and road infrastructure and earthworks was performed by the Valuer-General Victoria. The valuation was performed based on the depreciated reproduction cost of the assets. The effective date of the valuation is 30 June 2014.

Vehicles

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

Plant and equipment

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

There were no changes in valuation techniques throughout the period to 30 June 2017.

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

Note 4.4: Property, plant & equipment (continued)

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

| Valuation technique ⁽ⁱ⁾ | Significant unobservable inputs ⁽ⁱ⁾ | Range (weighted average) ⁽ⁱ⁾ | Sensitivity of fair value measurement to changes in significant unobservable inputs ⁽ⁱ⁾ |
|--|--|--|--|
| Specialised land | | | |
| Market approach | Community Service Obligation (CSO) adjustment | 50 - 70% (60%) (ii) | A significant increase or decrease in the CSO adjustment would result in a significantly lower (higher) fair value |
| Specialised buildings | | | |
| Depreciated replacement cost | Direct cost per square metre | \$1,000 - \$1,500/m2 (\$1,300) | A significant increase or decrease in direct cost per square meter adjustment would result in a significantly higher or lower fair value |
| | Useful life of specialised buildings | 30 - 60 years (45 years) | A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation. |
| Plant and equipment at fair value | | | |
| Depreciated replacement cost | Cost per unit | \$9,000 - \$10,000 (\$9,500) | A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value |
| | Useful life of PPE | 5-10 years (7 years) | A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation. |
| Vehicles | | | |
| Depreciated replacement cost | Cost per unit | \$9000-\$10000 per unit (\$9500 per unit) | A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value |
| | Useful life of vehicles | 3-5 years (3 years) | A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation. |
| Other equipment at fair value | | | |
| Depreciated replacement cost | Cost per unit | \$6,000 - \$7,000 (\$6,500) | Increase (decrease) in gross replacement cost would result in a significantly higher (lower) fair value |
| | Useful life of cultural assets | 10-15 years (12 years) | Increase (decrease) in useful life would result in a significantly higher (lower) fair value |
| Assets under construction at fair value | | | |
| RAC renovation | Depreciated replacement cost | Cost per unit \$500 - \$600 (\$550) | A significant increase or decrease in direct cost per unit adjustment would result in a significantly higher or lower fair value |

The significant unobservable inputs have remain unchanged from 2016.

Note 4.4: Property, plant & equipment (continued)

Property, Plant and Equipment

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

More details about the valuation techniques and inputs used in determining the fair value of non-financial physical assets are discussed in Note 4.4 *Property, plant and equipment*.

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

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

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

Revaluations of non-current physical assets

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

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

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

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

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

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

Note 4.5: Depreciation and amortisation

| | 2017 | 2016 |
|--|----------------|----------------|
| | \$ | \$ |
| Depreciation | | |
| Land Improvements | 9,430 | 9,430 |
| Buildings | 705,006 | 703,286 |
| Plant & Equipment | 77,880 | 65,178 |
| Motor Vehicles | 26,347 | (3,730) |
| Leased Assets | 128,601 | 63,895 |
| Other Equipment | 24,539 | 25,674 |
| Total Depreciation | 971,802 | 863,734 |
| | | |
| Total Depreciation and Amortisation | 971,802 | 863,734 |

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

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

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

| | 2017 | 2016 |
|--------------------------------------|----------------|----------------|
| Buildings | | |
| - Structure Shell Building Fabric | 15 to 30 Years | 15 to 30 Years |
| - Fit Out | 10 to 25 years | 10 to 25 years |
| - Site Engineering and site works | 15 to 30 years | 15 to 30 years |
| - Trunk Reticulated Building Systems | 15 to 30 years | 15 to 30 years |
| Plant & Equipment | 3 to 20 Years | 3 to 20 Years |
| Motor Vehicles | 2 to 3 Years | 2 to 3 Years |
| Other Equipment | 3 to 5 Years | 3 to 5 Years |

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

Note 4.6: Intangible assets

| | 2017 \$ | 2016 \$ |
|--------------------------------|------------|------------|
| SWARH Joint Venture | 991 | - |
| | 991 | - |
| Total Intangible Assets | 991 | - |

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Reconciliation of the carrying amounts of intangible assets at the beginning and end of the previous and current financial year:

| | SWARH Joint Venture \$ | Total \$ |
|--------------------------------|------------------------------|-------------|
| Balance at 1 July 2016 | - | - |
| Additions | 991 | 991 |
| Balance at 30 June 2017 | 991 | 991 |

(i) The consumption of separately acquired intangible assets is included in the 'amortisation' line item, where the consumption of the internally generated intangible assets is included in 'net gain/(loss) on non-financial assets' line item on the comprehensive operating statement

(ii) Impairment losses are included in the line item 'net gain/(loss) on non-financial assets' in the comprehensive operating statement.

Intangible assets

Intangible assets represent identifiable non-monetary assets without physical substance such as computer software and development costs (where applicable).

Intangible assets are initially recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to the Health Service.

Intangible produced assets with finite lives are depreciated as an expense on a systematic basis over the asset's useful life.

Amortisation

Amortisation is allocated to intangible non-produced assets with finite useful lives on a systematic (typically straight-line) basis over the asset's useful life.

Note 5: Other assets and liabilities

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

Structure

5.1 Receivables

5.2 Other liabilities

5.3 Prepayments and other assets

5.4 Payables

Note 5.1: Receivables

| | 2017 \$ | 2016 \$ |
|---|------------------|----------------|
| CURRENT | | |
| Contractual | | |
| Trade Debtors | 801,018 | 611,412 |
| Patient Fees | 141,867 | 150,054 |
| Accrued Revenue - Other | 13,354 | 16,305 |
| Less Allowance for Doubtful Debts | | |
| Patient Fees | (6,335) | (28,518) |
| | 949,904 | 749,253 |
| Statutory | | |
| GST Receivable | 24,733 | 14,086 |
| Accrued Revenue - Department of Health / Department of Health and Human Services | 16,504 | 81,686 |
| | 41,237 | 95,772 |
| TOTAL CURRENT RECEIVABLES | 991,141 | 845,025 |
| NON CURRENT | | |
| Statutory | | |
| Long Service Leave - Department of Health / Department of Health and Human Services | 130,375 | 70,649 |
| | 130,375 | 70,649 |
| TOTAL NON-CURRENT RECEIVABLES | 130,375 | 70,649 |
| TOTAL RECEIVABLES | 1,121,516 | 915,674 |

Note 5.1: Receivables (continued)

| (a) Movement in the Allowance for doubtful debts | 2017 | 2016 |
|---|----------------|-----------------|
| | \$ | \$ |
| Balance at beginning of year | (28,518) | (50,633) |
| Reversal of receivable written off | | 41,345 |
| Increase/(decrease) in allowance recognised in net result | 22,183 | (19,230) |
| Balance at end of year | (6,335) | (28,518) |

(b) Ageing analysis of receivables

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

(c) Nature and extent of risk arising from receivables

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

Receivables consist of:

- Contractual receivables, which include mainly debtors in relation to goods and services, loans to third parties, accrued investment income and finance lease receivables; and
- Statutory receivables, which includes predominantly amounts owing from the Victorian Government and GST input tax credits recoverable.

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

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

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

Doubtful debts

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

Note 5.2: Other liabilities

| | 2017 \$ | 2016 \$ |
|---|------------------|------------------|
| CURRENT | | |
| Monies Held in Trust | | |
| - Patient Monies Held in Trust | 56,504 | 63,097 |
| - Accommodation Bonds (Refundable Entrance Fees) | 2,659,033 | 1,690,526 |
| South West Alliance of Rural Health share of deferred revenue | 38,923 | - |
| Total Current | 2,754,460 | 1,753,623 |
| Total Other Liabilities | 2,754,460 | 1,753,623 |
| Total Monies Held in Trust | | |
| Represented by the following assets: | | |
| Cash Assets (refer to Note 6.2) | 2,715,537 | 1,753,623 |
| TOTAL | 2,715,537 | 1,753,623 |

Note 5.3: Prepayments and other non-financial assets

| | 2017 \$ | 2016 \$ |
|-----------------------------------|---------------|---------------|
| CURRENT | | |
| Prepayments | 62,015 | 59,085 |
| TOTAL CURRENT OTHER ASSETS | 62,015 | 59,085 |
| TOTAL OTHER ASSETS | 62,015 | 59,085 |

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

Note 5.4: Payables

| | 2017 | 2016 |
|-----------------------|------------------|----------------|
| | \$ | \$ |
| CURRENT | | |
| Contractual | | |
| Trade Creditors | 959,478 | 669,571 |
| Accrued Expenses | 139,559 | 126,977 |
| | 1,099,037 | 796,548 |
| Statutory | | |
| PAYG Payables | - | 67,776 |
| | - | - |
| TOTAL CURRENT | 1,099,037 | 864,324 |
| TOTAL PAYABLES | 1,099,037 | 864,324 |

(a) Maturity analysis of payables

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

(b) Nature and extent of risk arising from payables

Please refer to note 7.1 for the nature and extent of risks arising from contractual payables

Payables consist of:

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

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

Note 6: How we finance our operations

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

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

Structure

6.1 Borrowings

6.2 Cash and cash equivalents

6.3 Commitments for expenditure

Note 6.1: Borrowings

| | 2017 \$ | 2016 \$ |
|--|----------------|----------------|
| CURRENT | | |
| Australian Dollar Borrowings | | |
| – Finance Lease Liability (i) | 92,448 | 62,723 |
| Total Australian Dollars Borrowings | 92,448 | 62,723 |
| Total Current | 92,448 | 62,723 |
| NON CURRENT | | |
| Australian Dollar Borrowings | | |
| – Finance Lease Liability | 112,133 | 117,860 |
| Total Australian Dollars Borrowings | 112,133 | 117,860 |
| Total Non-Current | 112,133 | 117,860 |
| Total Borrowings | 204,581 | 180,583 |

(i) Finance leases are held by South West Alliance of Rural Health and are secured by rights to the leased assets being held by the lessor

(a) Maturity analysis of borrowings

Please refer to Note 7.1 for the ageing analysis of borrowings.

(b) Nature and extent of risk arising from borrowings

Please refer to Note 7.1 for the nature and extent of risks arising from borrowings.

(c) Defaults and breaches

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

Note 6.1: Borrowings (continued)

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

Leases of property, plant and equipment are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

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

Heywood Rural Health has previously recognised the leasing arrangements for local area network equipment, workstations and peripherals (purchased through group buying arrangements with SWARH) as operating leases. These are now correctly reported as finance leases. Finance leases are regarded as a financial accommodation, and under the Section 30 of *Health Services Act 1988*, the Minister for Health and the Treasurer must declare a registered funded agency to be an approved borrower for the purposes of this section. The Minister and the Treasurer have approved the financial accommodation and Heywood Rural Health's approved borrowing limit is \$378,303.

All other leases are classified as operating leases.

Finance leases

Entity as lessee

Finance leases are recognised as assets and liabilities at amounts equal to the fair value of the lease property or, if lower, the present value of the minimum lease payment, each determined at the inception of the lease. The lease asset is accounted for as a non-financial physical asset and is depreciated over the shorter of the estimated useful life of the asset or the term of the lease. If there is certainty that the health service will obtain the ownership of the lease asset by the end of the lease term, the asset shall be depreciated over the useful life of the asset. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life. Minimum lease payments are apportioned between reduction of the outstanding lease liability, and the periodic finance expense which is calculated using the interest rate implicit in the lease, and charged directly to the comprehensive operating statement. Contingent rentals associated with finance leases are recognised as an expense in the period in which they are incurred.

Borrowings

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 borrowings as either, financial liabilities designated at fair value through profit or loss, or financial liabilities at amortised cost. Any difference between the initial recognised amount and the redemption value is recognised in net result over the period of the borrowings using the effective interest method.

The classification depends on the nature and purpose of the borrowing. The Health Service determines the classification of its borrowing at initial recognition.

Note 6.2: Cash and cash equivalents

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

| | 2017 \$ | 2016 \$ |
|---|------------------|------------------|
| Cash on hand | | |
| Cash at bank | 4,251,497 | 2,854,296 |
| Short term money market | 871,190 | 854,748 |
| Total Cash and Cash Equivalents | 5,122,687 | 3,709,044 |
| Represented by: | | |
| Cash for Health Service Operations (as per Cash Flow Statement) | 2,407,149 | 1,955,421 |
| Cash for Monies Held in Trust | | |
| - Cash on Hand | 2,715,537 | 1,753,623 |
| Total Cash and Cash Equivalents | 5,122,687 | 3,709,044 |

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

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

Note 6.3: Commitments for expenditure

| a) Commitments other than public private partnerships | 2017 | 2016 |
|--|----------------|----------------|
| | \$ | \$ |
| Capital expenditure commitments | | |
| <i>Payable:</i> | | |
| Land and buildings | 34,238 | 68,860 |
| Total capital expenditure commitments | 34,238 | 68,860 |
| Lease commitments | | |
| Commitments in relation to leases contracted for at the reporting date: | | |
| Finance leases | 186,783 | 180,583 |
| Total lease commitments | 186,783 | 180,583 |
| Finance Leases | | |
| Commitments in relation to finance leases are payable as follows: | | |
| Current | 84,510 | 62,723 |
| Non-current | 115,347 | 117,860 |
| Minimum Lease Payments | 199,857 | 180,583 |
| Less Future Finance Charges | 13,074 | 13,202 |
| Total finance lease commitments | 186,783 | 167,381 |
| Total lease commitments | 186,783 | 167,381 |
| Total Commitments (inclusive of GST) other than public private partnerships | 221,021 | 249,443 |

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

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed by way of a note at their nominal value and are inclusive of the goods and services tax ("GST") payable. In addition, where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised on the balance sheet.

Note 7: Risks, contingencies & valuation uncertainties

Introduction

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

Structure

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

Note 7.1: Financial instruments

Financial risk management objectives and policies

Heywood Rural Health's principal financial instruments comprise of:

- cash assets
- term deposits
- receivables (excluding statutory receivables)
- investment in equities and managed investment schemes
- payables (excluding statutory payables)
- finance lease payables
- accommodation bonds
- debt securities

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

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

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

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

Categorisation of financial instruments

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

| 2017 | Contractual financial assets/liabilities designated at fair value through profit/loss | Contractual financial assets/liabilities held-for-trading at fair value through profit/loss | Contractual financial assets - loans and receivables | Contractual financial assets - available for sale | Contractual financial liabilities at amortised cost | Total |
|--|---|---|--|---|---|------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Contractual Financial Assets | | | | | | |
| Cash and cash equivalents | - | - | 5,122,687 | - | - | 5,122,687 |
| Receivables | | | | | | |
| - Trade Debtors | - | - | 801,018 | - | - | 801,018 |
| - Other Receivables | - | - | 148,886 | - | - | 148,886 |
| Other Financial Assets | | | | | | |
| - Shares in Other Entities | - | - | - | 2,000 | - | 2,000 |
| Total Financial Assets ⁽ⁱ⁾ | - | - | 6,072,591 | 2,000 | - | 6,074,591 |
| Financial Liabilities | | | | | | |
| Payables | | | | | 1,099,037 | 1,099,037 |
| Borrowings | | | | | 204,581 | 204,581 |
| Other Financial Liabilities | | | | | | |
| - Accomodation bonds | - | - | - | - | 2,715,537 | 2,715,537 |
| - Other | - | - | - | - | 38,923 | 38,923 |
| Total Financial Liabilities ⁽ⁱⁱ⁾ | - | - | - | - | 4,058,078 | 4,058,078 |

Note 7.1: Financial instruments (continued)

| 2016 | Contractual financial assets/liabilities designated at fair value through profit/loss | Contractual financial assets/liabilities held-for-trading at fair value through profit/loss | Contractual financial assets - loans and receivables | Contractual financial assets - available for sale | Contractual financial liabilities at amortised cost | Total |
|--|---|---|--|---|---|------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Contractual Financial Assets | | | | | | |
| Cash and cash equivalents | - | - | 3,709,044 | - | - | 3,709,044 |
| Receivables | | | | | | |
| - Trade Debtors | - | - | 611,412 | - | - | 611,412 |
| - Other Receivables | - | - | 121,536 | - | - | 121,536 |
| Other Financial Assets | | | | | | |
| - Shares in Other Entities | - | - | - | 2,000 | - | 2,000 |
| Total Financial Assets ⁽ⁱ⁾ | - | - | 4,441,992 | 2,000 | - | 4,443,992 |
| Contractual Financial Liabilities | | | | | | |
| Payables | | - | | | 796,548 | 796,548 |
| Borrowings | | - | | | 180,583 | 180,583 |
| Other Financial Liabilities | | - | | | | |
| - Accomodation bonds | - | - | - | - | 1,753,623 | 1,753,623 |
| Total Financial Liabilities ⁽ⁱⁱ⁾ | - | - | - | - | 2,730,754 | 2,730,754 |

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

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

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

| | Net holding gain/(loss) | Total interest income / (expense) | Fee income / (expense) | Impairment loss | Total \$'000 |
|--|-------------------------|-----------------------------------|------------------------|-----------------|---------------|
| | \$ | \$ | \$ | \$ | |
| 2017 | | | | | |
| Financial Assets | | | | | |
| Cash and Cash Equivalents ⁽ⁱ⁾ | - | 35,886 | - | - | 35,886 |
| Total Financial Assets | - | 35,886 | - | - | 35,886 |
| 2016 | | | | | |
| Financial Assets | | | | | |
| Cash and Cash Equivalents ⁽ⁱ⁾ | - | 58,792 | - | - | 58,792 |
| Total Financial Assets | - | 58,792 | - | - | 58,792 |

Note 7.1: Financial instruments (continued)

(c) Credit risk

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

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

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

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

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

Note 7.1: Financial instruments (continued)

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

| | Financial institutions (AA credit rating) | Government agencies (AA credit rating) | Government agencies (BBB credit rating) | Other (min BBB credit rating) | Total |
|-------------------------------|--|---|--|----------------------------------|------------------|
| | \$ | \$ | \$ | \$ | \$ |
| 2017 | | | | | |
| Financial Assets | | | | | |
| Cash and Cash Equivalents | 5,122,687 | - | - | - | 5,122,687 |
| Loans and Receivables | | | | | |
| - Trade Debtors | - | 794,864 | - | 6,154 | 801,018 |
| - Other Receivables (i) | - | - | - | 148,886 | 148,886 |
| Available for sale | | | | | |
| - Shares in Other Entities | - | - | - | 2,000 | 2,000 |
| Total Financial Assets | 5,122,687 | 794,864 | - | 157,040 | 6,074,591 |
| 2016 | | | | | |
| Financial Assets | | | | | |
| Cash and Cash Equivalents | 3,709,044 | - | - | - | 3,709,044 |
| Loans and Receivables | | | | | |
| - Trade Debtors | - | 15,228 | - | 596,184 | 611,412 |
| - Other Receivables | - | - | - | 121,536 | 121,536 |
| - Term Deposit | - | - | - | - | - |
| Available for sale | | | | | |
| - Shares in Other Entities | - | - | - | 2,000 | 2,000 |
| Total Financial Assets | 3,709,044 | 15,228 | - | 719,720 | 4,443,991 |

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

Note 7.1: Financial instruments (continued)

Ageing analysis of Financial Assets as at 30 June

| | Carrying Amount | Not Past Due and Not Impaired | Past Due But Not Impaired | | | | Impaired Financial Assets |
|----------------------------------|------------------|-------------------------------|---------------------------|---------------|-------------------|-----------|---------------------------|
| | | | Less than 1 Month | 1-3 Months | 3 months - 1 Year | 1-5 Years | |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| 2017 | | | | | | | |
| Financial Assets | | | | | | | |
| <i>Cash and Cash Equivalents</i> | 5,122,687 | 5,122,687 | - | - | - | - | - |
| <i>Loans and Receivables</i> | | | | | | | |
| - Trade Debtors | 801,018 | 804,151 | - | 105 | - | - | - |
| - Other Receivables | 148,886 | 75,827 | - | 66,724 | - | - | 6,335 |
| <i>Available for sale</i> | | | | | | | |
| Total Financial Assets | 6,074,591 | - | - | 66,829 | - | - | 6,335 |
| 2016 | | | | | | | |
| Financial Assets | | | | | | | |
| <i>Cash and Cash Equivalents</i> | 3,709,044 | 3,709,044 | - | - | - | - | - |
| <i>Loans and Receivables</i> | | | | | | | |
| - Trade Debtors | 611,412 | 610,549 | - | 863 | - | - | - |
| - Other Receivables | 151,927 | 91,398 | - | 32,011 | - | - | 28,518 |
| <i>Available for sale</i> | | | | | | | |
| - Shares in Other Entities | 2,000 | 2,000 | - | - | - | - | - |
| Total Financial Assets | 4,474,383 | 4,412,991 | - | 32,874 | - | - | 28,518 |

Contractual financial assets that are either past due or impaired

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

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

Note 7.1: Financial instruments (continued)

(d) Liquidity risk

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

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

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

Maturity analysis of Financial Liabilities as at 30 June

| | Carrying Amount \$ | Nominal Amount \$ | Maturity Dates | | | |
|------------------------------------|-----------------------|----------------------|-------------------------|------------------|-------------------------|------------------|
| | | | Less than 1 Month \$ | 1-3 Months \$ | 3 months - 1 Year \$ | 1-5 Years \$ |
| 2017 | | | | | | |
| Financial Liabilities | | | | | | |
| <i>At amortised cost</i> | | | | | | |
| Payables | 1,099,037 | 1,099,037 | 1,099,037 | - | - | - |
| Borrowings | 204,581 | 204,581 | - | - | 92,448 | 112,133 |
| Other Financial Liabilities (i) | | | | | | |
| - Accommodation Bonds | 2,659,033 | 2,659,033 | - | - | - | 2,659,033 |
| - Other | 95,427 | 95,427 | - | - | - | - |
| Total Financial Liabilities | 4,058,078 | 4,058,078 | 1,099,037 | - | 92,448 | 2,771,166 |
| 2016 | | | | | | |
| Financial Liabilities | | | | | | |
| <i>At amortised cost</i> | | | | | | |
| Payables | 864,324 | 864,324 | 864,324 | - | - | - |
| Borrowings | 180,583 | 180,583 | - | - | 62,723 | 117,860 |
| Other Financial Liabilities (i) | | | | | | |
| - Accommodation Bonds | 1,690,526 | 1,690,526 | - | - | - | 1,690,526 |
| - Other | 63,097 | 63,097 | - | 63,097 | - | - |
| Total Financial Liabilities | 2,798,530 | 2,798,530 | 864,324 | 63,097 | 62,723 | 1,808,386 |

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

Note 7.1: Financial instruments (continued)

(e) Market risk

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

Currency risk

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

Interest rate risk

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

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

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

The Health Service manages this risk by mainly undertaking fixed rate or non-interest bearing financial instruments with relatively even maturity profiles, with only insignificant amounts of financial instruments at floating rate. Management has concluded for cash at bank and bank overdraft, as financial assets that can be left at floating rate without

Other price risk

The Health Service is exposed to normal price fluctuations from time to time through market forces. Where adequate notice is provided by suppliers, additional purchases are made for long term good, Supplier contracts are also in place for major product lines purchased by the Health Service on a monthly basis. These contracts have set price arrangements and are reviewed on a regular basis.

Note 7.1: Financial instruments (continued)

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

| | Weighted Average Effective Interest Rate (%) | Carrying Amount \$ | Interest Rate Exposure | | |
|---|--|--------------------------|---------------------------------|------------------------------------|-----------------------------------|
| | | | Fixed Interest Rate \$ | Variable Interest Rate \$ | Non- Interest Bearing \$ |
| 2017 | | | | | |
| Financial Assets | | | | | |
| <i>Cash and Cash Equivalents</i> | 2.03% | 5,122,687 | - | - | - |
| <i>Loans and Receivables ⁽ⁱ⁾</i> | | | | | |
| - Trade Debtors | | 801,018 | - | - | 801,018 |
| - Other Receivables | | 148,886 | (863,734) | - | 148,886 |
| - Term Deposit | | - | - | - | - |
| <i>Available for sale</i> | | | | | |
| - Shares in Other Entities | | 2,000 | - | - | 2,000 |
| | | 6,074,591 | (863,734) | - | 951,904 |
| Financial Liabilities | | | | | |
| <i>At amortised cost</i> | | | | | |
| Payables ⁽ⁱ⁾ | | 1,099,037 | - | - | 1,099,037 |
| Borrowings | 9.40% | 204,581 | - | 204,581 | - |
| Other Financial Liabilities | | | | | |
| - Accommodation Bonds | | 2,659,033 | - | - | 2,659,033 |
| - Other | | 95,427 | - | - | 95,427 |
| | | 4,058,078 | - | 204,581 | 3,853,497 |
| 2016 | | | | | |
| Financial Assets | | | | | |
| <i>Cash and Cash Equivalents</i> | 1.36% | 3,709,044 | 2,608,370 | 1,100,674 | - |
| <i>Loans and Receivables ⁽ⁱ⁾</i> | | | | | |
| - Trade Debtors | | 611,412 | - | - | 611,412 |
| - Other Receivables | | 151,927 | - | - | 151,927 |
| - Term Deposit | | - | - | - | - |
| <i>Available for sale</i> | | | | | |
| - Shares in Other Entities | | 2,000 | - | - | 2,000 |
| | | 4,474,383 | 2,608,370 | 1,100,674 | 765,339 |
| Financial Liabilities | | | | | |
| <i>At amortised cost</i> | | | | | |
| Payables ⁽ⁱ⁾ | | 864,324 | - | - | 864,324 |
| Borrowings | 9.40% | 180,583 | - | 180,583 | - |
| Other Financial Liabilities | | | | | |
| - Accommodation Bonds | | 1,690,526 | - | - | 1,690,526 |
| - Other | | 63,097 | - | - | 63,097 |
| | | 2,798,530 | - | 180,583 | 2,617,947 |

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

Note 7.1: Financial instruments (continued)

Sensitivity disclosure analysis

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

- A shift of 100 basis points up and down in market interest rates (AUD) from year-end rates of 1.75%;
- A parallel shift of +2.5% and -2.5% in inflation rate from year-end rates of 1%

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

| | Carrying Amount | Interest Rate Risk | | | | Other Price Risk | | | |
|----------------------------------|-----------------|--------------------|-----------------|---------------|---------------|------------------|---------------|---------------|---------------|
| | | -1% Profit \$ | -1% Equity \$ | +1% Profit \$ | +1% Equity \$ | -1% Profit \$ | -1% Equity \$ | +1% Profit \$ | +1% Equity \$ |
| 2017 | | | | | | | | | |
| Financial Assets | | | | | | | | | |
| <i>Cash and Cash Equivalents</i> | 5,122,687 | (51,227) | (51,227) | 51,227 | 51,227 | - | - | - | - |
| <i>Loans and Receivables</i> | | | | | | | | | |
| - Trade Debtors | 801,018 | - | - | - | - | - | - | - | - |
| - Other Receivables | 148,886 | - | - | - | - | - | - | - | - |
| <i>Available for sale</i> | | | | | | | | | |
| - Shares in Other Entities | 2,000 | - | - | - | - | - | - | - | - |
| Financial Liabilities | | | | | | | | | |
| <i>At amortised cost</i> | | | | | | | | | |
| Payables | 1,099,037 | - | - | - | - | - | - | - | - |
| Borrowings | 204,581 | 2,046 | 2,046 | (2,046) | (2,046) | - | - | - | - |
| Other Financial Liabilities | | | | | | | | | |
| - Accommodation Bonds | 2,659,033 | - | - | - | - | - | - | - | - |
| - Other | 95,427 | - | - | - | - | - | - | - | - |
| | | (49,181) | (49,181) | 49,181 | 49,181 | - | - | - | - |
| 2016 | | | | | | | | | |
| Financial Assets | | | | | | | | | |
| <i>Cash and Cash Equivalents</i> | 3,709,044 | (37,090) | (37,090) | 37,090 | 37,090 | - | - | - | - |
| <i>Loans and Receivables</i> | | | | | | | | | |
| - Trade Debtors | 611,412 | - | - | - | - | - | - | - | - |
| - Other Receivables | 151,927 | - | - | - | - | - | - | - | - |
| - Term Deposit | - | - | - | - | - | - | - | - | - |
| <i>Available for sale</i> | | | | | | | | | |
| - Shares in Other Entities | 2,000 | - | - | - | - | - | - | - | - |
| Financial Liabilities | | | | | | | | | |
| <i>At amortised cost</i> | | | | | | | | | |
| Payables | 864,324 | - | - | - | - | - | - | - | - |
| Borrowings | 180,583 | - | - | - | - | - | - | - | - |
| Other Financial Liabilities | | | | | | | | | |
| - Accommodation Bonds | 1,690,526 | - | - | - | - | - | - | - | - |
| - Other | 63,097 | - | - | - | - | - | - | - | - |
| | | (37,090) | (37,090) | 37,090 | 37,090 | - | - | - | - |

Note 7.1: Financial instruments (continued)

(f) Fair value

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

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

The financial assets include holdings in unlisted shares.

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

Comparison between carrying amount and fair value

| | Carrying Amount | Fair value | Carrying Amount | Fair value |
|------------------------------------|------------------|------------------|------------------|------------------|
| | 2017 | 2017 | 2016 | 2016 |
| | \$ | \$ | \$ | \$ |
| Financial Assets | | | | |
| <i>Cash and Cash Equivalents</i> | 5,122,687 | 5,122,687 | 3,709,044 | 3,709,044 |
| <i>Loans and Receivables</i> | | | | |
| - Trade Debtors | 801,018 | 801,018 | 611,412 | 611,412 |
| - Other Receivables | 148,886 | 148,886 | 222,576 | 222,576 |
| <i>Available for sale</i> | | | | |
| - Shares in Other Entities | 2,000 | 2,000 | 2,000.00 | 2,000 |
| Total Financial Assets | 6,074,591 | 6,074,591 | 4,545,032 | 4,545,032 |
| Financial Liabilities | | | | |
| <i>At amortised cost</i> | | | | |
| Payables | 1,099,037 | 1,099,037 | 864,324 | 864,324 |
| Borrowings | 204,581 | 204,581 | 180,583 | 180,583 |
| Other Financial Liabilities | | | | |
| - Accommodation Bonds | 2,659,033 | 2,659,033 | 1,690,526 | 1,690,526 |
| - Other | 95,427 | 95,427 | 63,097 | 63,097 |
| Total Financial Liabilities | 4,058,078 | 4,058,078 | 2,798,530 | 2,798,530 |

Note 7.1: Financial instruments (continued)

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

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

The following refers to financial instruments unless otherwise stated.

Categories of non-derivative financial instruments

Loans and receivables

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

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

Held-to-maturity investments

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

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

The heldtomaturity category includes certain term deposits and debt securities for which the entity concerned intends to hold to maturity.

Financial liabilities at amortised cost

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

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

Note 7.2: Net gain/ (loss) on disposal of non-financial assets

| | 2017 \$ | 2016 \$ |
|--|--------------|---------------|
| Proceeds from Disposals of Non-Current Assets | | |
| Plant and Equipment | (528) | 5,100 |
| Motor Vehicles | - | 7,455 |
| Total Proceeds from Disposal of Non-Current Assets | (528) | 12,555 |
| | | |
| Net gain/(loss) on Disposal of Non-Financial Assets | (528) | 12,555 |

Note 7.3: Contingent assets and contingent liabilities

Heywood Rural Health had no contingent assets or contingent liabilities as at 30th June 2017 (2016 : Nil)

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

Note 7.4: Fair value determination

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

Note 8: Other disclosures

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

Structure

8.1 Equity

8.2 Reconciliation of net result for the year to net cash inflow/(outflow) from operating activities

8.3 Operating segments

8.4 Responsible persons disclosures

8.5 Related parties

8.6 Remuneration of auditors

8.7 AASBs issued that are not yet effective

Note 8.1: Equity

| | 2017 \$ | 2016 \$ |
|--|-------------------|-------------------|
| (a) Surpluses | | |
| Property, Plant & Equipment Revaluation Surplus¹ | | |
| Balance at the beginning of the reporting period | 13,567,850 | 13,567,850 |
| Balance at the end of the reporting period* | 13,567,850 | 13,567,850 |
| * Represented by: | | |
| - Land | 272,000 | 272,000 |
| - Buildings | 13,295,850 | 13,295,850 |
| | 13,567,850 | 13,567,850 |

⁽¹⁾The property, plant & equipment asset revaluation surplus arises on the revaluation of property, plant & equipment.

Note 8.1: Equity (continued)

| | 2017 \$ | 2016 \$ |
|---|--------------------|--------------------|
| (b) Restricted Specific Purpose Surplus | | |
| Balance at the beginning of the reporting period | 256,951 | 256,951 |
| Balance at the end of the reporting period | 256,951 | 256,951 |
| Total Surpluses | 13,824,801 | 13,824,801 |
| Contributed Capital | | |
| Balance at the beginning of the reporting period | 5,774,313 | 5,774,802 |
| Transfer to accumulated surpluses to balance | - | (489) |
| Balance at the end of the reporting period | 5,774,313 | 5,774,313 |
| (c) Accumulated Surpluses/(Deficits) | | |
| Balance at the beginning of the reporting period | (4,173,836) | (3,921,924) |
| Net Result for the Year | (544,225) | (251,422) |
| Transfers from contributed capital | - | (490) |
| Balance at the end of the reporting period | (4,718,060) | (4,173,836) |
| Total Equity at end of financial year | 14,881,054 | 15,425,279 |

Contributed capital

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

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

Property, plant & equipment revaluation surplus

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

Specific restricted purpose surplus

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

Note 8.2: Reconciliation of net result for the year to net cash inflow/(outflow) from operating activities

| | 2017 \$ | 2016 \$ |
|---|----------------|----------------|
| Net result for the period | (544,225) | (251,422) |
| Non-cash movements: | | |
| Depreciation and amortisation | 971,802 | 863,734 |
| Impairment of financial and non financial assets | 2,349 | - |
| Provision for doubtful debts | (22,183) | 22,115 |
| Movements included in investing and financing activities | | |
| Net (gain)/loss from disposal of non financial physical assets | 528 | (12,555) |
| Movements in assets and liabilities: | | |
| Change in operating assets and liabilities | | |
| (Increase)/decrease in receivables | (183,659) | (586,056) |
| (Increase)/decrease in other assets | (2,021) | (23,883) |
| (Increase)/decrease in prepayments | (2,929) | (44,295) |
| Increase/(decrease) in payables | 234,713 | 509,129 |
| Increase/(decrease) in provisions | 254,826 | 20,155 |
| Increase/(decrease) in other liabilities | 62,920 | 400 |
| NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES | 772,122 | 497,323 |

Note 8.3: Operating segments

| | Admitted | | RAC | | Primary Health | | Medical Clinic | | Other | | Consol'd | |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|------------------|------------------|------------------|------------------|--------------------|--------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| REVENUE | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| External Segment Revenue | 2,704,724 | 2,415,190 | 4,442,454 | 3,887,602 | 719,222 | 916,567 | 418,361 | 468,404 | 853,338 | 687,526 | 9,138,099 | 8,375,289 |
| Total Revenue | 2,704,724 | 2,415,190 | 4,442,454 | 3,887,602 | 719,222 | 916,567 | 418,361 | 468,404 | 853,338 | 687,526 | 9,138,099 | 8,375,289 |
| EXPENSES | | | | | | | | | | | | |
| External Segment Expenses | (2,335,537) | (2,111,094) | (5,148,870) | (4,256,319) | (1,011,100) | (1,197,266) | (791,918) | (783,767) | (439,014) | (330,443) | (9,726,438) | (8,678,888) |
| Total Expenses | (2,335,537) | (2,111,094) | (5,148,870) | (4,256,319) | (1,011,100) | (1,197,266) | (791,918) | (783,767) | (439,014) | (330,443) | (9,726,439) | (8,678,888) |
| Net Result from ordinary activities | 369,187 | 304,096 | (706,416) | (368,717) | (291,878) | (280,699) | (373,557) | (315,363) | 414,324 | 357,083 | (588,340) | (303,599) |
| Interest Income | 35,851 | 20,544 | - | 38,248 | - | - | 35 | - | - | - | 35,886 | 58,792 |
| Revaluation of Long Service Leave | 1,224 | (991) | 4,751 | (3,849) | 720 | (583) | 504 | (408) | - | - | 7,199 | (5,832) |
| Share of Net Result of Associates & Joint Ventures using Equity Method | - | - | - | - | 1,030 | (783) | - | - | - | - | 1,030 | (783) |
| Net Result for Year | 406,262 | 323,649 | (701,665) | (334,318) | (290,128) | (282,065) | (373,018) | (315,771) | 414,324 | 357,083 | (544,225) | (251,422) |
| OTHER INFORMATION | | | | | | | | | | | | |
| Segment Assets | 2,040,142 | 1,987,555 | 14,320,503 | 13,682,495 | 1,582,688 | 1,643,436 | 1,349,217 | 1,360,432 | 1,232,972 | 905,240 | 20,549,309 | 19,579,160 |
| Unallocated Assets | - | - | - | - | - | - | - | - | - | - | - | - |
| Total Assets | 2,040,142 | 1,987,555 | 14,320,503 | 13,682,495 | 1,582,688 | 1,643,436 | 1,349,217 | 1,360,432 | 1,232,972 | 905,240 | 20,549,309 | 19,579,160 |
| Segment Liabilities | 582,662 | 484,345 | 3,667,218 | 2,534,277 | 155,376 | 182,103 | 97,110 | 93,142 | 1,165,889 | 860,013 | 5,668,255 | 4,153,881 |
| Total Liabilities | 582,662 | 484,345 | 3,667,218 | 2,534,277 | 155,376 | 182,103 | 97,110 | 93,142 | 1,165,889 | 860,013 | 5,668,255 | 4,153,881 |
| Investments in Associates and Joint Venture Partnership | - | - | - | - | 23,787 | 22,757 | - | - | - | - | 23,787 | 22,757 |
| Acquisition of Property, Plant and Equipment and Intangible Assets | 15,433 | 41,120 | 123,357 | 79,509 | 14,727 | 18,544 | 14,727 | 12,397 | 149,869 | 53,555 | 318,113 | 205,126 |
| Depreciation & Amortisation Expense | 290,277 | 243,459 | 470,537 | 405,965 | 76,288 | 48,443 | 44,316 | 94,844 | 90,384 | 71,024 | 971,802 | 863,734 |
| Non Cash Expenses other than Depreciation | - | - | - | - | - | - | - | - | 2,349 | - | 2,349 | - |

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

| | |
|---------------------------------------|--|
| Business Segments | Services |
| Residential Aged Care Services (RACS) | Provider of residential aged care beds |
| Hospital | |
| Primary Health | Provider of primary health services |

Geographical Segment

Heywood Rural Health Service operates predominantly in South West Victoria. More than 90% of revenue, net surplus from ordinary activities relate to operations in Heywood, Victoria.

Note 8.4: Responsible persons disclosures

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

Responsible Ministers:

The Honourable Jill Hennessy, Minister for Health, Minister for Ambulance Services

The Honourable Martin Foley, Minister for Housing, Disability and Ageing, Minister for Mental Health

Governing Boards

Ms Patricia McLean

Mr Wayne Frost

Mrs Lou Matthews

Mr Phil Saunders

Mrs. Debbie Keiller

Mrs. Glenda Stanislaw

Mrs. Cathryn Patterson

Accountable Officers

Ms Jackie Kelly

Remuneration of Responsible Persons

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

| Period |
|----------------------|
| 1/7/2016 - 30/6/2017 |
| 1/7/2016 - 30/6/2017 |
| 1/7/2016 - 30/6/2017 |
| 1/7/2016 - 30/6/2017 |
| 1/7/2016 - 30/6/2017 |
| 1/7/2016 - 30/6/2017 |
| 1/7/2016 - 30/6/2017 |
| 1/7/2016 - 30/6/2017 |
| 1/7/2016 - 30/6/2017 |
| 1/7/2016 - 30/6/2017 |

| Remuneration | 2017 \$ |
|---|----------------|
| Short-term benefits | 183,269 |
| Post-employment benefits | 13,750 |
| Other long-term benefits | 16,244 |
| Total remuneration (b) | 213,263 |
| Total Number of executives (c) | 1 |
| Total annualised employee equivalent (AEE) (d) | 1.0 |

Note 8.4: Responsible persons disclosures (continued)

Notes:

- (a) No comparatives have been reported because remuneration in the prior year was determined in line with the basis and definition under FRD 21B. Remuneration previously excluded non-monetary benefits and comprised any money, consideration or benefit received or receivable, excluding reimbursement of out-of-pocket expenses, including any amount received or receivable from a related party transaction. Refer to the prior year's financial statements for executive remuneration for the 2015-16 reporting period.
- (b) Remuneration represents the expenses incurred by the entity in the current reporting period for the employee, in accordance with AASB 119 Employee benefits
- (c) The total number of executive officers includes persons who meet the definition of Key Management Personnel (KMP) of the entity under AASB 124 Related Party Disclosures and are also reported within the related parties note disclosure (Note 8.5).
- (d) Annualised employee equivalent is based on the time fraction worked over the reporting period. This is calculated as the total number of days the employee is engaged to work during the week by the total number of full-time working days per week (this is generally five full working days per week).

Note 8.5: Related Parties

The hospital is a wholly owned and controlled entity of the State of Victoria. Related parties of the hospital (details in Note 8.4) include:

- all key management personnel and their close family members;
- all cabinet ministers and their close family members; and
- all hospitals and public sector entities that are controlled and consolidated into the whole statements.

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

Key management personnel (KMP) of the hospital include the Portfolio Ministers and Cabinet Ministers and KMP as determined by the hospital. The compensation detailed in Note 8.4 excludes the salaries and benefits the Portfolio Ministers receive. The Minister’s remuneration and allowances is set by the Parliamentary Salaries and Superannuation Act 1968, and is reported within the Department of Parliamentary Services’ Financial Report.

Transactions with key management personnel and other related parties

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

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

Other transactions of Responsible Persons and their Related Parties

There were no transactions with Responsible Persons or their Related Parties.

Significant transactions with government-related entities

Heywood Rural Health received funding from the Department of Health and Human Services of \$6.57 million (2016: \$6.1 million).

Note 8.6: Remuneration of auditors

| | 2017 | 2016 |
|---|--------|-------|
| Victorian Auditor-General's Office | | |
| Audit of financial statement | 10,200 | 9,500 |
| | | |

| | 2017 | 2016 |
|------------------------|-------|------|
| Other Providers | | |
| Internal Audits | 7,500 | - |
| | | |

Note 8.7: AASBs issued that are not yet effective

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

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

| Standard/ Interpretation ¹ | Summary | Applicable for annual reporting periods beginning on | Impact on public sector entity financial statements |
|--|--|--|---|
| AASB 9 <i>Financial Instruments</i> | The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred. | 1 Jan 2018 | The assessment has identified that the amendments are likely to result in earlier recognition of impairment losses and at more regular intervals. While there will be no significant impact arising from AASB 9, there will be a change to the way financial instruments are disclosed. |
| AASB 2010-7 <i>Amendments to Australian Accounting Standards arising from AASB 9</i> (December 2010) | The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows: <ul style="list-style-type: none"> • The change in fair value attributable to changes in credit risk is presented in other comprehensive income (OCI); and • Other fair value changes are presented in profit and loss. If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss. | 1 Jan 2018 | The assessment has identified that the financial impact of available for sale (AFS) assets will now be reported through other comprehensive income (OCI) and no longer recycled to the profit and loss. Changes in own credit risk in respect of liabilities designated at fair value through profit and loss will now be presented within other comprehensive income (OCI). Hedge accounting will be more closely aligned with common risk management practices making it easier to have an effective hedge. For entities with significant lending activities, an overhaul of related systems and processes may be needed. |
| AASB 2014-1 <i>Amendments to Australian Accounting Standards [Part E Financial Instruments]</i> | Amends various AASs to reflect the AASB's decision to defer the mandatory application date of AASB 9 to annual reporting periods beginning on or after 1 January 2018 as a consequence of Chapter 6 Hedge Accounting, and to amend reduced disclosure requirements. | 1 Jan 2018 | This amending standard will defer the application period of AASB 9 to the 2018-19 reporting period in accordance with the transition requirements. |
| AASB 2014-7 <i>Amendments to Australian Accounting Standards arising from AASB 9</i> | Amends various AASs to incorporate the consequential amendments arising from the issuance of AASB 9. | 1 Jan 2018 | The assessment has indicated that there will be no significant impact for the public sector. |

Note 8.7: AASBs issued that are not yet effective (continued)

| Standard/ Interpretation ¹ | Summary | Applicable for annual reporting periods beginning on | Impact on public sector entity financial statements |
|--|--|--|---|
| AASB 15 <i>Revenue from Contracts with Customers</i> | The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer. | 1 Jan 2018 | The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. The Standard will also require additional disclosures on service revenue and contract modifications. |
| AASB 2014-5 <i>Amendments to Australian Accounting Standards arising from AASB 15</i> | Amends the measurement of trade receivables and the recognition of dividends. Trade receivables, that do not have a significant financing component, are to be measured at their transaction price, at initial recognition. Dividends are recognised in the profit and loss only when: <ul style="list-style-type: none"> • the entity's right to receive payment of the dividend is established; • it is probable that the economic benefits associated with the dividend will flow to the entity; and • the amount can be measured reliably. | 1 Jan 2017, except amendments to AASB 9 (Dec 2009) and AASB 9 (Dec 2010) apply from 1 Jan 2018 | The assessment has indicated that there will be no significant impact for the public sector. |
| AASB 2015-8 <i>Amendments to Australian Accounting Standards - Effective Date of AASB 15</i> | This Standard defers the mandatory effective date of AASB 15 from 1 January 2017 to 1 January 2018. | 1 Jan 2018 | This amending standard will defer the application period of AASB 15 for for-profit entities to the 2018-19 reporting period in accordance with the transition requirements. |
| AASB 2016-3 <i>Amendments to Australian Accounting Standards - Clarifications to AASB 15</i> | This Standard amends AASB 15 to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence. The amendments require: <ul style="list-style-type: none"> • A promise to transfer to a customer a good or service that is 'distinct' to be recognised as a separate performance obligation; • For items purchased online, the entity is a principal if it obtains control of the good or service prior to transferring to the customer; and • For licences identified as being distinct from other goods or services in a contract, entities need to determine whether the licence transfers to the customer over time (right to use) or at a point in time (right to access). | 1 Jan 2018 | The assessment has indicated that there will be no significant impact for the public sector, other than the impact identified for AASB 15 above. |

Note 8.7: AASBs issued that are not yet effective (continued)

| Standard/ Interpretation ¹ | Summary | Applicable for annual reporting periods beginning on | Impact on public sector entity financial statements |
|---|---|--|---|
| AASB 2016-7 <i>Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities</i> | This Standard defers the mandatory effective date of AASB 15 for not-for-profit entities from 1 January 2018 to 1 January 2019. | 1 Jan 2019 | This amending standard will defer the application period of AASB 15 for not-for-profit entities to the 2019-20 reporting period. |
| AASB 2016-8 <i>Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities</i> | This Standard amends AASB 9 and AASB 15 to include requirements to assist not-for-profit entities in applying the respective standards to particular transactions and events. The amendments: <ul style="list-style-type: none"> require non-contractual receivables arising from statutory requirements (i.e. taxes, rates and fines) to be initially measured and recognised in accordance with AASB 9 as if those receivables are financial instruments; and clarifies circumstances when a contract with a customer is within the scope of AASB 15. | 1 Jan 2019 | The assessment has indicated that there will be no significant impact for the public sector, other than the impacts identified for AASB 9 and AASB 15 above. |
| AASB 16 <i>Leases</i> | The key changes introduced by AASB 16 include the recognition of most operating leases (which are current not recognised) on balance sheet. | 1 Jan 2019 | The assessment has indicated that as most operating leases will come on balance sheet, recognition of the right-of-use assets and lease liabilities will cause net debt to increase. Rather than expensing the lease payments, depreciation of right-of-use assets and interest on lease liabilities will be recognised in the income statement with marginal impact on the operating surplus. No change for lessors. |
| AASB 2016-4 <i>Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities</i> | The standard amends AASB 136 <i>Impairment of Assets</i> to remove references to using depreciated replacement cost (DRC) as a measure of value in use for not-for-profit entities. | 1 Jan 2017 | The assessment has indicated that there is minimal impact. Given the specialised nature and restrictions of public sector assets, the existing use is presumed to be the highest and best use (HBU), hence current replacement cost under AASB 13 <i>Fair Value Measurement</i> is the same as the depreciated replacement cost concept under AASB 136. |
| AASB 1058 <i>Income of Not-for-Profit Entities</i> | This standard replaces AASB 1004 <i>Contributions</i> and establishes revenue recognition principles for transactions where the consideration to acquire an asset is significantly less than fair value to enable to not-for-profit entity to further its objectives. | 1 Jan 2019 | The assessment has indicated that revenue from capital grants that are provided under an enforceable agreement that have sufficiently specific obligations, will now be deferred and recognised as performance obligations are satisfied. As a result, the timing recognition of revenue will change. |

Note 8.7: AASBs issued that are not yet effective (continued)

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

AASB 2016-1 *Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses* [AASB 112]

AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*

AASB 2016-5 *Amendments to Australian Accounting Standards – Classification and Measurements of Share-based Payment Transactions*

AASB 2016-6 *Amendments to Australian Accounting Standards – Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts*

AASB 2017-1 *Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-16 Cycle and Other Amendments*

AASB 2017-2 *Amendments to Australian Accounting Standards – Further Annual Improvements 2014-16 Cycle*
Notes:

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

Note 8.8: Events occurring after the balance sheet date

There were no events that occurred after balance sheet date.

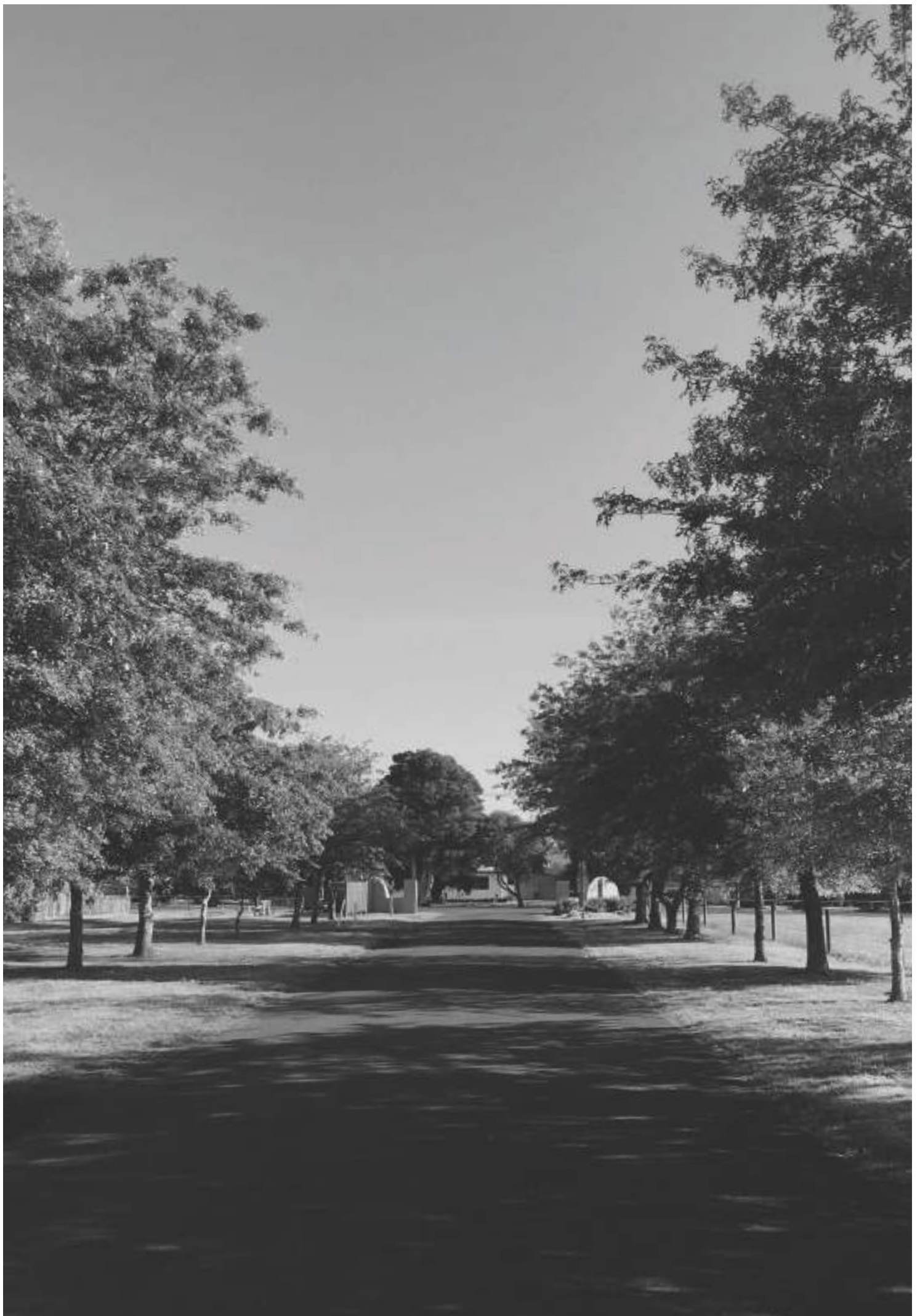
Note 8.9: Alternative presentation of comprehensive operating statement

| | 2017 | 2016 |
|---|------------------|------------------|
| | \$'000 | \$'000 |
| Interest | 93,066 | 58,792 |
| Sales of goods and services | 1,413,082 | 1,351,759 |
| Grants | 6,746,358 | 6,113,400 |
| Other Income | 598,775 | 674,256 |
| Total revenue | 8,851,281 | 8,198,207 |
| Employee expenses | 5,987,713 | 5,355,562 |
| Depreciation | 1,003,951 | 863,734 |
| Interest expense | - | 9,358 |
| Other operating expenses | 2,434,776 | 2,208,468 |
| Total expenses | 9,426,440 | 8,437,122 |
| Net result from transactions - Net operating balance | (575,159) | (238,915) |
| Net gain/ (loss) on sale of non-financial assets | (528) | 12,554 |
| Other gains / (losses) from other economic flows | 31,462 | (25,061) |
| Total other economic flows included in net result | 30,934 | (12,507) |
| Net result | (544,225) | (251,422) |

If financial statements are
absent, please contact:

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