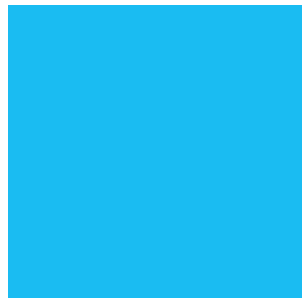


2018 ANNUAL REPORT



CELEBRATING 60 YEARS

committed to the health and wellbeing of our community



Acknowledgement

Heywood Rural Health acknowledges Aboriginal and Torres Strait Islander people as the traditional custodians of the lands and water of Australia. We pay our respect to their Elders, past and present and the Gunditjmara people.

Recognition Signage

Heywood Rural Health has developed a Reconciliation Action Plan (RAP). In line with the priorities of our RAP, we have launched our new welcome signage – Ngatanwarr, as well as Acknowledgement of Country signs, artwork and artefact displays.

How to contact us:

Address: 21 Barclay Street,
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.



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Front cover: this year's Annual Report front cover reflects celebrating 60 years of serving our community (Heywood Rural Health Est. 1957).

Report of Operations

Responsible Bodies Declaration

In accordance with the *Financial Management Act 1994*, we are pleased to present the Report of Operations for Heywood Rural Health for the year ending 30th June 2018.

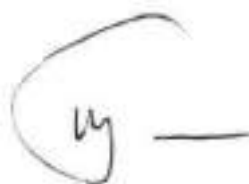


Patricia McLean

Chair

Board of Directors

30 June 2018



Mrs. Roslyn Jones

Chief Executive Officer

30 June 2018

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 Highlights

- > Secured funding through the Western Victoria Primary Health Network for a further two years to continue delivering Chronic Conditions of Care programs
- > Celebration of our 60th anniversary
- > Launch of our Reconciliation Action Plan
- > Construction of our Aged Care Communal / Dining extension
- > Significant development in our Service Planning Exercise
- > Strengthened partnerships and collaborative relationships within the region formalised
- > Procurement and Health Purchasing Victoria policy development and compliance
- > Revitalisation of our Consumer Advisory Committee
- > Continued strong financial performance
- > Re-accreditation of Residential Aged Care
- > Prevention of Violence Against Women and Children Strategy – launched Project Respect Heywood
- > Successful funding submission (RHIF) Medical Clinical refurbishment
- > Risk Management improvement plan completed
- > Rationalisation of Heywood Rural Health's stores

Introduction

In accordance with the *Financial Management Act 1994*, we are pleased to present Heywood Rural Health's Report of Operations for the year ending 30 June 2018.

Board Chair and Chief Executive Officer's Report



In 2017 – 2018 we continued our commitment to meeting the needs of our community, by providing a diverse range of services, ranging from community health support, permanent residential aged care, inpatients, urgent care and medical services.

While working to uphold our vision of being committed to the health and wellbeing of our community, every year brings with it different challenges and rewards, and this year Heywood Rural Health worked on enhancing the Person Centred approach and increasing awareness and access to services for the local community. This report highlights the milestones and achievements as well as the challenges of caring for an ageing population.

One of the most tangible outcomes achieved during the year can be seen through the advanced redevelopment of our Aged Care communal and dining units. This innovative, state-of-the-art redevelopment seeks to enhance the quality of care provided to our residents by delivering a number of outcomes:

- A contemporary dining and lounge area to enhance the dining and communal experience.
- An appropriately sized, accessible and well located communal room.
- An additional smaller dining area for small groups and family gathering.
- An enhanced activities therapy program facility.
- Augmentation of the outdoor area to include paths, landscaping and shaded area to enrich the outdoor experience.
- Alterations to essential services (including underground) impacted by the development.

Our organisation is proud of its heritage, stemming 60 years of servicing our community. On the 3rd October 1957, our

community opened a six-bed facility providing invaluable health care. In 1983 services were expanded to include a fifty bed facility, including an aged residential care hostel, called the Sydney Quayle Hostel, leading into 1992 when the Lynne Quayle Hostel was opened.

We celebrated this milestone at our 2017 Annual General Meeting with one of our first born babies, Kevin 'Grub' Wilson and Life Governor, Mrs M. Handreck keynote guests.

It is with great pride as Chief Executive Officer and Chair of the Board that we say 'thank you' and congratulate everyone involved in this significant occasion. Our 60 year milestone has been a culmination of dedication, hard work and determination of every employee, every resident, every community member and every family member who has supported us on our journey to be the best aged care service we can be.

// Board Chair and Chief Executive Officer's Report cont.

As in previous years, Heywood Rural Health has met its obligations to the Statement of Priorities with the Department of Health and Human Services. This agreement is negotiated annually between Heywood Rural Health and the Department and results in funding for services delivery. The Statement of Priorities is consistent with our Strategic Plan and aligns to government policy, direction and priorities. Heywood Rural Health remains committed to working collaboratively with our Barwon Southwest partners to join up care and connect people to safe high quality care close to home.

We are very proud to say that at Heywood Rural Health we value the support families provide our employees, which in turn supports our commitment to the health and wellbeing of our community. I would like to recognise the role that our staff and their families have played in achieving this milestone and the unseen loyalty they have given to our organisation over this journey.

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

- Our participation in the Murray to Moyne cycling fund raising event was represented by our "Heywood Hero's" cycling. The event raised over \$7000 which will go towards purchasing contemporary furniture for our newly refurbished Aged Care communal areas and redevelopment of our resident hair dressing salon.
- Celebrating Volunteer Week with our dedicated and committed volunteers by hosting a luncheon in their honour and participating in the Glenelg Shire Council Volunteer Recognition Reception.
- Celebrating Reconciliation Week with our Indigenous partners by hosting activities here at Heywood Rural Health to share the learnings of our shared histories, cultures, and achievements, and to explore how each of us

can contribute to achieving reconciliation in Australia. We also launched our new Welcome signage, artwork and artefact display.

- Once again we were successful in being awarded the joint 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.
- Celebrating International Nurses Day was a wonderful opportunity to acknowledge our nursing staff achievements, their profession and colleagues as well as to raise awareness with the general public about what nurses do and how they make a real difference in the lives of so many.

We have continued to support our partnerships with a number of local key service groups including the Heywood Senior Citizen, Heywood Graduate Carers Group, Heywood Exercise Group, Lions Club of Heywood, Heywood Rotary, the Heywood Secondary College – Standing Tall Program and Future Leaders of Industry 2018 Program.

Our partnership with Barwon South West Women's Health and Wellbeing has provided Heywood Rural Health with opportunities to increase the communities understanding of the underlying causes of violence against women and children. We recognise that health services have an important role in identifying and responding to family violence, as well as creating long-term social change through enhancing practices and attitudes towards family violence.

Through Project Respect Heywood, the Strengthening Hospitals Response to family Violence project and White Ribbon initiatives, Heywood Rural Health will continue to work with staff and the community to support a whole of community approach to promote gender equity, respectful relationships and a zero tolerance to violence, to improve health and social wellbeing across the lifespan.

Everything we do everyday

Heywood Rural Health has a diverse team of employees and volunteers who ensure safe, consistent and efficient care across the three domains of community, acute and aged care. Our employees and volunteers work in teams of clinical, catering, environmental, maintenance, community and administration services. Their contribution to our health service and community cannot be overstated, and we would like to acknowledge the continue excellence in service provided and for their dedication and commitment.

The support we receive from our volunteers is invaluable and we acknowledge that they are the glue that holds our community together. Their passion and commitment is truly amazing; from putting a smile on resident's faces, driving our residents to specialist appointments – our volunteers make a real difference. In 2017 a long standing volunteer of Heywood Rural Health, Thelma Hoggan was recognised as a finalist in the 2017 Minister for Health Volunteer Awards.

To ensure our volunteers are passably informed and supported in a way that is both fulfilling and rewarding, this year we have developed a Volunteer Guide. The guide acts as an introduction to our organisation and their involvement as a volunteer with our organisation.

We would also like to commend the 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.

During the past year, we have experienced sound financial growth which is the result of sound financial management, responsible reporting and budget monitoring. Heywood Rural Health was committed to maintaining financial sustainability, which was successfully achieved with an end of year result of a small surplus. This positive result was strengthened by maintaining overall operating expenses within budget and a consistent revenue flow.

Our overall occupancy rate of 95.5% for residential aged care has been a positive contribution and recognises the need for this high care service for our community. Heywood Rural Health has also continued to maintain a solid balance sheet with a current asset ratio of 1.9% and sufficient cash to meet current liabilities.

Building for the future

The future for Heywood Rural Health is an exciting one as our outlook is supported by continued growth and development. Over the next twelve months, key priorities for infrastructure development include further investment in the refurbishment of our Aged Care services, refurbishment of the Medical Clinic and front reception area.

The advent of our very first Service Plan, scheduled to be completed in September 2018, will herald a new chapter for our health service. As Heywood Rural Health is a truly rural service, it is expected that the development of a Service Plan will pave the way for the development of a Master Plan, which will be a blueprint of how Heywood Rural Health responds to the identified health needs of our community.

The Community Health HUB will continue to service our community with continued funding through Western Victoria Primary Health Network (PHN). Heywood Rural Health will continue strong relationships with Western District Health Service, Casterton Memorial Hospital, Balmoral, Harrow and Dartmoor Bush Nursing Centres as the lead agency to support people with complex care needs and their experiencing chronic disease.

We also built on our recent success of partnering 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 and we will continue our journey.

// Board Chair and Chief Executive Officer's Report cont.

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 the future to work with our Indigenous communities as partners and supporting each other, to develop programs and initiatives that will support the health and wellbeing of our community.

In the interests of providing quality, high level reporting, Heywood Rural Health has undertaken training to implement an integrated, systems-driven approach to strategic planning, execution and performance management. The software solution CAMMS will connect our planning across the entire organisation to incorporate a more strategic approach.

Our Board of Management continues its commitment to providing services that meet the needs of our community now and into the future. Key challenges facing our service are the increasing demand for services by the dispersed and ageing and local population. Additionally, attracting and maintaining a suitably qualified workforce continues to pose a challenge. However, Heywood Rural Health is committed to working with our partners with in region to develop a model of care that meets local needs.

Heywood Rural Health is now in the process planning phase of the next Strategic Plan, which will be a 3 year blueprint for 2018 – 2021. The process will also include a discussion around options for embedding the plan into the governance and operational framework of our organization - meaning strategies and day-to-day operations are all directed toward achieving set priorities.

Our immense gratitude is extended to Dr Robert Stewart – Dr Stewart provided services to our residents and community for over 9 ½ years, retiring on 21st December 2017. Dr Stewart was a fundamental member of Heywood Rural Health's community, he was a GP that everyone wishes they had and we will miss him dearly. We wish him well as he enjoys his retirement.

We would like to pay tribute to Director Lou Matthews, whose term ended on 30 June 2018. Lou's wealth of health care knowledge and governance experience was of great benefit to Heywood Rural Health. In particular, Lou provided 10 years of dedicated service to our organisation and continues to advocate on behalf of our organisation. We also acknowledge Glenda Stanislaw who retired from the Board on 3 August 2017. Personally, as CEO of Heywood Rural Health, I would like to thank the Board for your support and working to develop a long-term, energised strategic vision for Heywood Rural Health. I would also like thank the Leadership Team, all staff and volunteers for their input, vision, and support over the past year. The future for Heywood Rural Health will continue to be progressive while we all team together as a cohesive unit and work in collaboration with our partners across the Barwon Southwest.

On behalf of the Board of Directors, as Chair I would like to reassure our community that our Board's desire is to deliver a health service we can be proud of. 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
30 June 2018



Mrs. Roslyn Jones

Chief Executive Officer
30 June 2018



Our Community

1,726 people live in Heywood, a rural town situation in heart of Victoria's discovery coast, within the Glenelg Shire region and within close proximity to the larger communities of Portland, Port Fairy, Warrnambool and Hamilton. Our population comprises, 49.5% male and 50.5% were female. 7.7% of our population are Aboriginal and/or Torres Strait Islander people.

The Heywood area includes many nature reserves and State National Parks to explore. An important cultural element of the area is the Budj Bim National Heritage Landscape that includes both the Tyrendarra area and Mount Eccles Lake Condah area.

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%.

Our Services

As a rural health service, Heywood Rural Health is an important part of the fabric of our community. Our service catchment area is identified as Heywood and the surrounding district.

We have been providing health services from our site since 1957, when a six-bed hospital was established to provide invaluable quality health care. Our facility continues to expand its services to include additional residential aged care beds.

Heywood Rural Health provides an integrated health service which comprises of low level acute beds, primary and community health programs and aged residential care services. 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 Hub, which includes a medical clinic, allied health and community nursing services, home care, meals on wheels and community transport support.

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 Residential Aged Care and community based services.

The success of Heywood Rural Health continues to be underpinned by the dedication and professionalism of our staff. Our workforce of 130 employees adds to the diversity of services we provide to our community. We are well supported by residents' families and volunteers; our ethos is to continue working with our community to create a positive, enriched caring environment.

Board of Management

The Board of Heywood Rural Health primary role is to provide strategic direction and set policy in accordance with Heywood Rural Health's vision, values and government policies. The Board has adopted a Governance Framework document that incorporates best practice corporate governance standards. This framework

includes the Board Charter, Terms of Reference for Board sub-committees, Board Directors Induction Program, annual review of the Board's performance, and an Instrument of Delegation for financial and non-financial decision making.

BOARD CHAIR

Patricia McLean

Appointed: 1st March 2007
Term Expires: 30th June 2018

DIRECTOR - VICE CHAIR

Phil Saunders

Appointed: 1st July 2013
Term Expires: 30th June 2018

Committees:

Finance Sub Committee (Chair)
Audit & Finance Risk Sub Committee

DIRECTOR

Lou Matthews

Appointed: 1st July 2008
Term Expires: 30th June 2018

Committees:

Quality & Safety Sub Committee (Chair)
Consumer Advisory Committee (CAC)

DIRECTOR

Wayne Frost

Appointed: 1st July 2010
Term Expires: 30th June 2019

Committees:

Consumer Advisory Committee (Chair)

DIRECTOR

Cathryn Patterson

Appointed: 1st July 2016
Term Expires: 30th June 2019

Committees:

Quality & Safety Sub Committee

DIRECTOR

Debbie Keiller

Appointed: 1st July 2016
Term Expires: 30th June 2019

Committees:

Finance Sub Committee

DIRECTOR

Sam Carter

Appointed: 1st July 2017
Term Expires: 30th June 2020

Committees:

Quality & Safety Sub Committee

DIRECTOR

Laura Lovett-Murray

Appointed: 1st July 2017
Term Expires: 30th June 2020

Committees:

Finance Sub Committee
Community Advisory Committee (CAC)

DIRECTOR

Glenda Stanislaw

Appointed: 26th July 2016
Term Expires: 30th June 2019

Committees:

Quality & Safety Sub Committee
Resigned from the Board – 3rd August 2017

// Board of Management cont.

Board Meetings

The Department of Health requires Board Directors to attend 75% of Board meetings during the reporting period. The Board of Management holds its business meeting on the 3rd Tuesday 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 Tuesday of each calendar month.

Audit and Risk Management Sub Committee

Heywood Rural Health has been granted an exemption from Direction 3.2.1 (Audit Committee) for the 2017-18 and 2018-19 years.

Quality and Risk Sub Committee

This committee is responsible for ensuring the organisation provides effective clinical governance. The committee meets on the on the 3rd Tuesday - bi-monthly.

Remuneration Committee

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

Leadership Team

CHIEF EXECUTIVE OFFICER

Mrs. Roslyn (Ros) Jones

DIRECTOR, CLINICAL SERVICES

Ms. Janifer Smith

FINANCE MANAGER

Ms. Jennie Stinson

PEOPLE AND CULTURE
MANAGER

Mrs. Hilary King

COMMUNITY HEALTH
MANAGER

Mrs. Carol Stewart

INNOVATION/BUSINESS
MANAGER

Mrs. Rachael Moore

MANAGER, MARKETING /
EXECUTIVE SERVICES

Mrs. Lisa Baldock

SERVICES SUPPORT MANAGER

Mr. Leigh Beddows

The Leadership team met 47 times during the year, providing regular updates to the Board of Management.

External Auditors

Victorian Auditor General's Office
(VAGO) Agent: McLaren Hunt –
Financial Group

Internal Auditors

RSM Bird Cameron Pty Ltd
Appointed for term 1st July 2017
– 30th June 2018

Solicitors

Health Legal (Melbourne)
V.M.I.A. (Melbourne)
Bank
Bendigo Bank
Westpac Bank

Responsible Persons Disclosure

The Hon. Jill Hennessy MP

Minister for Health; Minister for
Ambulance Services

Jenny Mikakos MLC

Minister for Families and Chil-
dren; Minister for Youth Affairs

Martin Foley MP

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

The Hon. John Eren MP

Minister for Sport

The Hon Natalie Hutchins MP

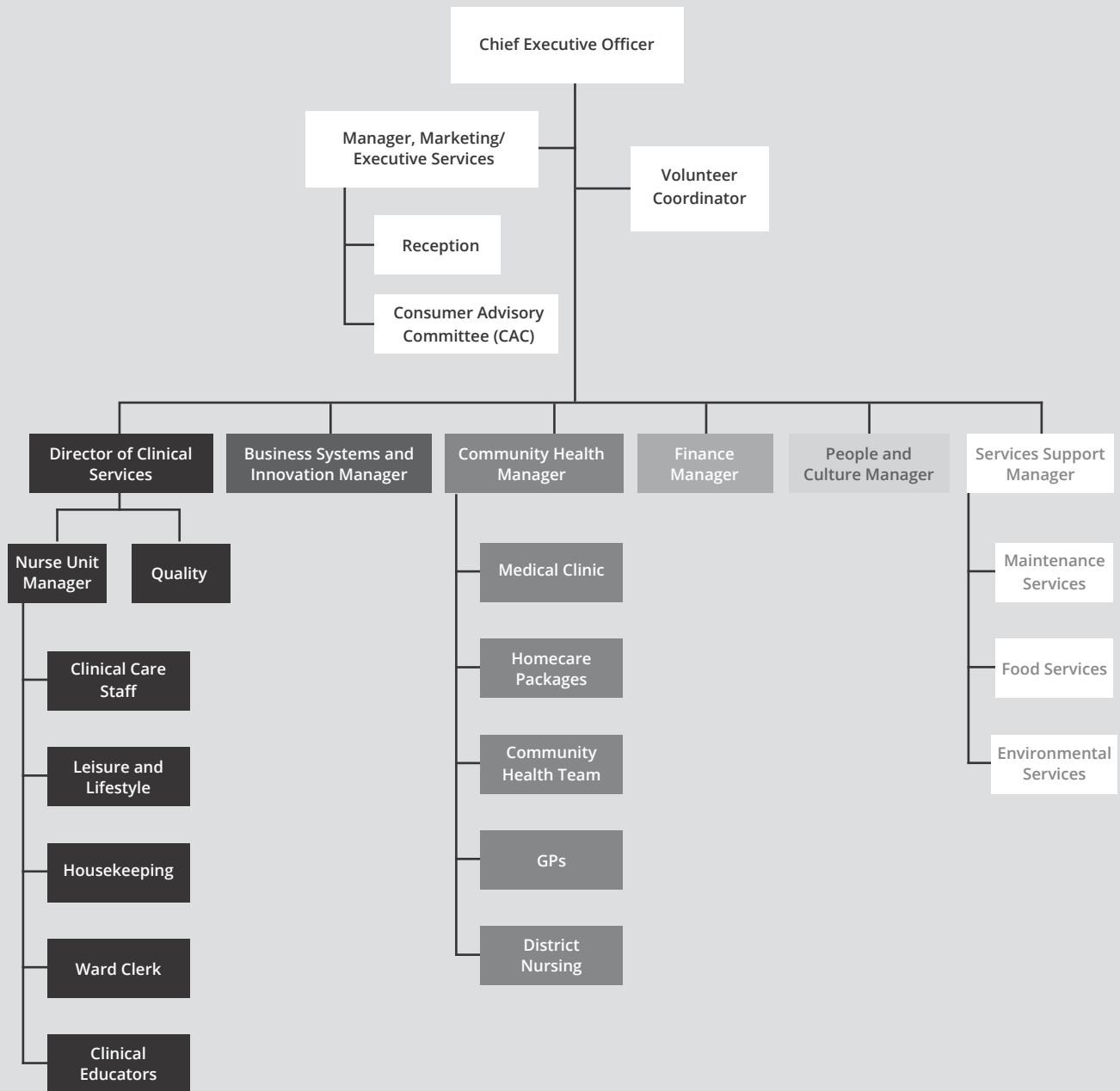
Minister for Women, Minister for
the Prevention of Family Violence

Gavin Jennings MLC

Special Minister of State



Organisation Chart





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.

During the reporting period, there were 51 OH&S incidents / hazards per 100 fulltime equivalent staff members recorded.

INDUSTRIAL RELATIONS

No time was lost to industrial action during 2017 - 2018.

ENVIRONMENTAL MANAGEMENT

In line with the Victorian Government's Department of Health 2017 Policy and Funding Guidelines Requirements and Quality Health Service (NSQHS) Standard 1: Clinical Governance – Governance for Safety and Quality in Health Service Organisations, Heywood Rural Health confirms its support in reducing the organisation's environmental imprint.

Heywood Rural Health 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.

Heywood Rural Health 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, Heywood Rural Health 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.



Treasurer's Report

Full details of the Heywood Rural Health financial results for 2017 – 2018 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 receives communications from VAGO 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.

Prior to the closure of the 2017/2018 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 staff for their continuing commitment to their duties at Heywood Rural Health.



Patricia McLean

Chair
Board of Directors
30 June 2018



Mrs. Roslyn Jones

Chief Executive Officer
30 June 2018

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 to support this position.

Life Governors and Service Awards

A Life Governorship is the highest recognition Heywood Rural Health can bestow. Our recipients have provided significant contributions to the organisation over a prolonged period of time. Additionally, we thank all of our dedicated and valuable volunteers and staff for their many hours of work and support every year to our residents and community.

Life members

Mrs. P. Carter

Mrs. R. Lane

Mr. A. Lynch

Mrs. M. Handreck

Mrs. J. Polkinghorn

Mrs. B. Heeps

Mr. J. Price

Mr. L. Holder

Mr. J. Quayle

Mr. C. Keating

Distinguished Services Awards

At our 2017 Annual General Meeting, we acknowledged a number of staff and community members for their outstanding and continued long services to our organisation.

- Leigh Beddows – Encouragement Award
- The Droplets Team - Innovative Award
- Joy Savill - Volunteer Service Award
- Judy Macpherson – Service Recognition Award

Staff Length of Service Awards

5 years

Kim Johnson

Anthea Morrison

Kate Polaski

Teodorina Wombwell

10 years

Bryan Bowman

Sharyn Dunn

Kerry Finck

Raihi Ngawaka-Thomas

Shelley Quin

Lindy Rawson

20 years

Kaye Childs

Angela Hollis

Barbara Starick

Janine Vaughan

30 years

Kerry Breen

Rhonda Finch

Industrial (Workforce) Key Performance Indicators

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

2016/2017 4.8%
2017/2018 6.43%

Number of Registered Work Cover Claims

2016/2017 3
2017/2018 0

Labour Category: (FTE) Full Time Equivalent Staff

Labour Category	JUNE Current Month FTE		JUNE YTD FTE	
	2017	2018	2017	2018
Nursing	23.20	23.87	22.49	22.60
Administration & Clerical	14.41	15.88	14.74	15.44
Medical Support	2.06	0.00	1.42	0.00
Hotel & Allied Services	25.79	30.39	28.27	31.69
Medical Officers	0.53	0.00	0.55	0.35
Ancillary Support Services	1.32	3.71	1.91	2.58
TOTAL	67.31	73.85	69.37	72.67

Occupational Violence

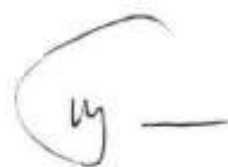
Heywood Rural Health is committed to addressing occupational violence incidences. During the reporting period, there were 13 incidents but nil WorkCover accepted claims.

Occupational violence statistics	2017 – 2018
WorkCover accepted claims with an occupational violence cause per 100 FTE	0
Number of accepted /WorkCover claims with lost time injury with an occupational violence cause per 1,000,000 hours worked	0
Number of occupational violence incidents reported	13
Number of occupational violence incidents reported per 100 FTE	8
Percentage of occupational violence incidents resulting in staff injury, illness or condition	0

Attestations

Data Integrity

I, Roslyn Jones,, certify that Heywood Rural Health has put in place appropriate internal controls and processes to ensure that reported data accurately reflects actual performance. Heywood Rural Health has critically reviewed these controls and processes during the year.



Mrs. Roslyn Jones

Chief Executive Officer

30 June 2018

Conflict of Interest

I, Roslyn Jones, , certify that Heywood Rural Health has put in place appropriate internal controls and processes to ensure that it has complied with the requirements of hospital circular 07/2017 Compliance reporting in health portfolio entities (Revised) and has implemented a 'Conflict of Interest' policy consistent with the minimum accountabilities required by the VPSC.

Declaration of private interest forms have been completed by all executive staff within Heywood Rural Health and members of the board, and all declared conflicts have been addressed and are being managed. Conflict of interest is a standard agenda item for declaration and documenting at each executive board meeting.

Compliance with Health Purchasing Victoria (HPV) Health Purchasing Policies

I, Roslyn Jones, certify 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.

Financial Management Compliance

I, Patricia McLean on behalf of the Responsible Body, certify that Heywood Rural Health has complied with the applicable Standing Directions of the Minister for Finance under the *Financial Management Act 1994* and Instructions. Furthermore, Heywood Rural Health was granted an exemption by the Minister for Finance from Direction 3.2.1 (audit committee) for the 2017-18 and 2018-19 years to provide time to achieve full compliance.



Patricia McLean

Chair Board of Management

30 June 2018

Statutory Requirements

Building Act 1993

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

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 2018, NIL 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.

Victorian Industry Participation Policy Act 2003

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

Victorian Disability Act 2006

Heywood Rural Health has policies and procedures which align with the applicable principles of the *Victorian Disability Act 2006*.

National Competition Policy

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

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.

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 20 September 2018.

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*.

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*.

// Statutory Requirements cont.

Shares held Heywood Rural Health

At 30 June 2018, Heywood Rural Health held the following company shares:

Company:	Heywood & District Community Enterprise Ltd (i.e. Bendigo Bank Heywood) Number: 2,000 Value at 30 June 2018: \$2,000
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At 30 June 2018, no officers of Heywood Rural Health held shares as a nominee or held shares beneficially on behalf of Heywood Rural Health.

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, 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.

Consultancy Disclosure 2017 - 2018

Details of consultancies (under \$10,000)

In 2017-18, there were six consultancies where the total fees payable to the consultants were less than \$10,000. The total expenditure incurred during 2017-18 in relation to these consultancies is \$51,859 (excluding GST).

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

In 2017-18, there were two consultancies where the total fees payable to the consultants were \$10,000 or greater. The total expenditure incurred during 2017-18 in relation to these consultancies is \$22,075 (excluding GST).

Consultant	Nature of Consultancy	Amount \$
The Trustee for Health Recruitment Specialists	Recruitment	10,640
SWARH	SWARH Transformation Project	11,435
Total		22,075

Information and Communication Technology (ICT) expenditure

During the reporting period, the total ICT Business As Usual (BAU) expenditure (excluding GST) was \$395,056. For the reporting period, there was no Non-Business As Usual expenditure (excluding GST).

Statement of Priorities Part A:

Service Performance 2017/2018

Goals	Strategies	Health Service Deliverables	Outcome
<p>Better Health</p> <p>A system geared to prevention as much as treatment</p> <p>Everyone understands their own health and risks</p> <p>Illness is detected and managed early</p> <p>Healthy neighbourhoods and communities encourage healthy lifestyles</p>	<p>Better Health</p> <p>Reduce state-wide risks</p> <p>Build healthy neighbourhoods</p> <p>Help people to stay healthy</p> <p>Target health gaps</p>	<p>Develop a Chronic Disease Management Plan which integrates Primary Healthcare, Advance Care Planning and complex care management.</p>	<p>Achieved</p> <ul style="list-style-type: none"> Chronic Disease Management Plan - aligned to the Wagner Chronic Conditions Model of Care has been developed. Action Plan in place. Community Health Nurse completed Advance Care Planning training. Action Plan finalised for staff training. Building Health Neighbourhoods: Stand Tall Project – Heywood Rural Health are providing in-kind health advocacy and support to the Standing Tall Project in partnership with Heywood Secondary College.
		<p>Implement Heywood Rural Health's Prevention of Violence against Women and Children Strategy Action Plan.</p>	<p>Achieved</p> <ul style="list-style-type: none"> "Project Respect" – Stage 1 completed. Stage 2 – funding application submitted in partnership with Glenelg Shire Council and Barwon South West Women's Health and Wellbeing. "Strengthening Hospital Responses to Family Violence" Project training / Manager training completed. HRH Policies updated in line with Strengthening Hospital Response to Family Violence Project.

Goals	Strategies	Health Service Deliverables	Outcome
		<p>Implement all undelivered actions from the Heywood Rural Health Reconciliation Action Plan in collaboration with Reconciliation Australia.</p>	<p>Achieved</p> <ul style="list-style-type: none"> • Reconciliation Action Plan (RAP) working group established. • RAP Action Plan completed and key tasks identified. • RAP Action Plan endorsed by Reconciliation Australia – revised version updated to reflect key changes in HRH staff. • Informal monthly meetings with WMAC and Gunditj Mirring Traditional Owner Corporation. • Regular attendance at WMAC Community Dinners. HRH are “host chefs” on a quarterly basis. • New ‘Welcome’ signage installed. • Signage launched during National Reconciliation Week June 2018. • “Acknowledgement of Country” placed in all entryways/waiting areas. • Local Indigenous artwork displayed across campus. • Trio of Australian, Aboriginal and Torres Strait Island flags on place, as well as staff lapel badges. • Local Indigenous cultural session included in Staff Development / Orientation monthly events. <p>Achieved</p> <ul style="list-style-type: none"> • New menu post implementation - survey completed. Positive feedback received. • New menu implemented - Model developed in consultation with Dietitian. • New Model of Quality Control developed to monitor food delivery processes.
		<p>Undertake a review of Heywood Rural Health’s Residential Aged Care and acute dietary framework and implement recommendations.</p>	

Statement of Priorities Part A:

Service Performance 2017/2018 cont.

Goals	Strategies	Health Service Deliverables	Outcome
<p>Better Access</p> <p>Care is always there when people need it</p> <p>More access to care in the home and community</p> <p>People are connected to the full range of care and support they need</p> <p>There is equal access to care</p>	<p>Better Access</p> <p>Plan and invest</p> <p>Unlock innovation</p> <p>Provide easier access</p> <p>Ensure fair access</p>	<p>In partnership with Winda-Mara Aboriginal Corporation, develop and implement an education and workforce training package for staff promoting cultural awareness and culturally appropriate service delivery.</p>	<p>Achieved</p> <ul style="list-style-type: none"> Local Indigenous cultural session included in Staff Development / Orientation monthly events to improve awareness of local culture. Communication platforms developed in consultation with Winda Mara to inform/ educate and raise awareness. Standard agenda item noted on monthly General Staff Meetings, inviting staff to upcoming cultural events / education forums.
		<p>Explore, implement and evaluate telehealth models of care for the provision of urgent care services in partnership with South West Healthcare.</p>	<p>Achieved</p> <ul style="list-style-type: none"> Currently awaiting outcome of Barwon/ Otway Urgent Care pilot project. Heywood Rural Health in discussions with South West Health Care. Heywood Rural Health is now a partner agency in the successful Barwon South West EOI telehealth application: Sustaining and embedding telehealth access to specialist clinics: addressing implementation barriers in the Barwon South West region. Successful specialist appointments via Tele - Health in Community Health. Telehealth platform available on local Intranet site.

Goals	Strategies	Health Service Deliverables	Outcome
		Embed and evaluate the mobile health hub model with remote communities, funded through the Western Victoria Primary Health Network.	<p>Achieved</p> <ul style="list-style-type: none"> • Western Victoria Primary Health Network funding targets met and our funding has been extended beyond 2020. • Western Victoria Primary Health Network Board has accepted 2018/2019 plan. • Heywood Rural Health has fully recruited staff to reflect Service Agreement requirements.
		Review inpatient respite services to ensure improved access and community inclusivity.	<p>Achieved</p> <ul style="list-style-type: none"> • Respite admission process review complete. • Information/welcome kit complete. • New resident and tenancy agreement in place via NERA e-tool – complete. • Working party established: <ul style="list-style-type: none"> > Policies and procedures for respite admission complete. > Aged Care Service coordination model identified as a priority to progress in 2018/19.

Statement of Priorities Part A:

Service Performance 2017/2018 cont.

Goals	Strategies	Health Service Deliverables	Outcome
Better Care Target zero avoidable harm Healthcare that focusses on outcomes Patients and carers are active partners in care Care fits together around people's needs	Better Care Put Quality First Join up care Partner with patients Strengthen the workforce Embed evidence Ensure equal care Mandatory actions against the 'Target zero avoidable harm' Goal:	In partnership with Moyne Health Services and Timboon District Health Service, implement the Collins Anderson Murfitt Management Solutions (CAMMS) reporting tool to better inform staff and Board of patient safety trends and quality outcomes (informed by RiskMan data).	Achieved <ul style="list-style-type: none"> • Timboon has withdrawn from partnership. • Heywood Rural Health worked with Moyne Health Services to combine training. • CAMMS implementation at Stage 2 (User Acceptance testing). • Expected Go Live in July 2018.

Goals	Strategies	Health Service Deliverables	Outcome
	Develop and implement a plan to educate staff about obligations to report patient safety concerns.	Develop and implement an education package tailored to the needs of the health service which informs staff across the organisation of their obligations to report patient safety concerns.	<p>Achieved</p> <ul style="list-style-type: none"> • Staff development and Orientation program reviewed and changes implemented. • Reporting patient safety concerns, i.e. RiskMan, TRAK, and Platinum is now included in Staff Development and Orientation days. • SNAP CHAT; short sharp on the spot education in place. • Clinical care meetings process reviewed and consolidated. <ul style="list-style-type: none"> > Outcome – improved streamline approach to patient centred care. > Morning Unit meetings introduced for multidisciplinary input to improve clinical care coordination. > Resident of the Day new process implemented. > Quality of Safe Patient Care Audits conducted by HRH Quality Auditor. > Monthly Incident trending reports tabled at Clinical staff meetings and Board Quality and Safety Sub Committee.

Statement of Priorities Part A:

Service Performance 2017/2018 cont.

Goals	Strategies	Health Service Deliverables	Outcome
	Establish agreements to involve with external specialists in clinical governance processes for each major area of activity (including mortality and morbidity review).	Partner with the Healthshare Clinical Council initiative in the outer south west region to enable improved clinical governance processes for each major area of activity.	<ul style="list-style-type: none"> • CEO is a delegate of Health Accord – Regional Clinical Governance Council. • MOU and TOR endorsed. • Meetings attended. • CEO member of steering group for Better Care Victoria Pharmacy Innovation, Development Committee.
	In partnership with consumers, identify three priority improvement areas using Victorian Healthcare Experience Survey data and establish an improvement plan for each. These should be reviewed every six months to reflect new areas for improvement in patient experience.	<p>In partnership with Heywood Rural Health Consumer Advisory Committee (CAC).</p> <p>Improve clinical handover.</p> <p>Improve how we communicate and explain care and treatment to our patients.</p> <p>Ensure efficient and timely assistance is provided when requested.</p>	<p>Achieved</p> <ul style="list-style-type: none"> • Revitalisation of the Consumer Advisory Committee (CAC). Transition Plan in progress and on track. • Improved focus of CAC as a conduit between HRH and its consumers to inform and advise. • Revised Clinical Handover policy and procedure for Acute and RAC in place – introduced daily multidisciplinary meetings. • ISBAR communication tool has been embedded across the organisation. • Motto adopted, <i>'Feeling worse, call a nurse'</i>. Signage displayed in Acute areas – alerting patients and family to request nursing assistance promptly.

Statement of Priorities Part B:

Performance Priorities.

Quality and Safety Performance

Patient Experience	Target	2017 – 2018 Actuals
Victorian Healthcare Experience Survey (VHES): Data Submission	Full compliance	Achieved
Victorian Healthcare Experience Survey (VHES): Positive Patient Experiences Quarter 1, 2, & 3	95% positive experience	Full Compliance*
Victorian Healthcare Experience Survey (VHES): Discharge Care Quarter 1, 2 & 3	95% positive experience	Full Compliance*
* Less than 42 responses received – no result is recorded		
VHES survey reflects less than target, NIL response reported.		
Health service accreditation	Full compliance	Achieved
Residential Aged Care 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 rates achieved (18 April 2017 to 19 August 2018)	75%	83%

Adverse Events

Number of sentinel events	NIL	NIL
Mortality - number of deaths in low mortality DRGs	NIL	*N/A

DRG = Diagnostic Related Group

* This indicator was withdrawn between 2017-2018 and is currently under review by the Victorian Agency for Health Information.

Statement of Priorities Part B:

Performance Priorities cont.

Governance and Leadership

Key Performance Indicator	Target	2017 – 2018 Actuals
People matter survey: percentage of staff with a positive response to safety culture questions	80%	88%
People matter survey: percentage of staff with a positive response to the question, "I am encouraged by my colleagues to report any patient safety concerns I may have"	80%	94%
People matter survey – percentage of staff with a positive response to the question, "Patient care errors are handled appropriately in my work area"	80%	89%
People matter survey – percentage of staff with a positive response to the question, "My suggestions about patient safety would be acted upon if I expressed them to my manager"	80%	90%
People matter survey – percentage of staff with a positive response to the question, "The culture in my work area makes it easy to learn from the errors of others"	80%	86%
People matter survey – percentage of staff with a positive response to the question, "Management is driving us to be a safety-centred organisation"	80%	92%
People matter survey – percentage of staff with a positive response to the question, "This health service does a good job of training new and existing staff"	80%	77%
People matter survey – percentage of staff with a positive response to the question, "Trainees in my discipline are adequately supervised"	80%	90%
People matter survey – percentage of staff with a positive response to the question, "I would recommend a friend or relative to be treated as a patient here"	80%	83%

Financial Sustainability Performance

Key Performance Indicator	Target	2017 – 2018 Actuals
Finance		
Annual operating result (\$m)	0.00	-0.03
Average number of days to paying creditors	< 60 days	40
Average number of days to receiving patient fees	< 60 days	56
Asset management		
Basic asset management plan	Full compliance	Full compliance
Adjusted current asset ratio	0.70	1.32
Days of available cash	14	76.6

Statement of Priorities Part C:

Activity and Funding

Funding Type	Activity	Budget (\$'000)	Actual (\$'000)
Small Rural			
Small Rural Acute	Acute service	2,681	2,987
Small Rural Residential Care	Residential Aged Care	451	451
Small Rural HACC	District Nursing and Allied Health Services	31	31
Total Funding		3,163	3,469

Service	Activity 2017-18 Occasions of Service
District nursing	318
Other (Occupational Therapy)	35

Disclosure index

The annual report of the **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
Charter and purpose		
FRD 22H	Manner of establishment and the relevant Ministers	15
FRD 22H	Purpose, functions, powers and duties	12
FRD 22H	Initiatives and key achievements	11
FRD 22H	Nature and range of services provided	11
Management and structure		
FRD 22H	Organisational structure	16
Financial and other information		
FRD 10A	Disclosure index	36
FRD 11A	Disclosure of exgratia expenses	
FRD 21C	Responsible person and executive officer disclosures	4
FRD 22H	Application and operation of Protected Disclosure 2012	23
FRD 22H	Application and operation of Carers Recognition Act 2012	23
FRD 22H	Application and operation of Freedom of Information Act 1982	23
FRD 22H	Compliance with building and maintenance provisions of Building Act 1993	23
FRD 22H	Details of consultancies over \$10,000	25
FRD 22H	Details of consultancies under \$10,000	25
FRD 22H	Employment and conduct principles	17
FRD 22H	Information and Communication Technology Expenditure	25
FRD 22H	Major changes or factors affecting performance	
FRD 22H	Occupational violence	21
FRD 22H	Operational and budgetary objectives and performance against objectives	33
FRD 22H	Summary of the entity's environmental performance	17
FRD 22H	Significant changes in financial position during the year	35
FRD 22H	Statement on National Competition Policy	23
FRD 22H	Subsequent events	
FRD 22H	Summary of the financial results for the year	

Legislation	Requirement	Page Reference
FRD 22H	Additional information available on request	24
FRD 22H	Workforce Data Disclosures including a statement on the application of employment and conduct principles	21
FRD 25C	Victorian Industry Participation Policy disclosures	23
FRD 103F	Non-Financial Physical Assets	
FRD 110A	Cash flow Statements	46
FRD 112D	Defined Benefit Superannuation Obligations	61
SD 5.2.3	Declaration in report of operations	4
SD 5.1.4	Financial Management Compliance Attestation	22

Other requirements under Standing Directions 5.2

SD 5.2.2	Declaration in financial statements	40
SD 5.2.1(a)	Compliance with Australian accounting standards and other authoritative pronouncements	40
SD 5.2.1(a)	Compliance with Ministerial Directions	40

Legislation

<i>Freedom of Information Act 1982</i>	23
<i>Protected Disclosure Act 2012</i>	23
<i>Carers Recognition Act 2012</i>	23
<i>Victorian Industry Participation Policy Act 2003</i>	23
<i>Building Act 1993</i>	23
<i>Financial Management Act 1994</i>	23
<i>Safe Patient Care Act 2015</i>	23
<i>Disability Act 2006</i>	23



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 2018 and the financial position of Heywood Rural Health as at 30 June 2018.

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

We authorise the attached financial statements for issue on 18 August 2018.



Patricia Mclean
Board Member

Mt Gambier
18 August 2018



Roslyn Jones
Accountable Officer

Mt Gambier
18 August 2018



Jennie Stinson
Chief Finance & Accounting
Officer

Mt Gambier
18 August 2018

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 2018• comprehensive operating statement for the year then ended• statement of changes in equity for the year then ended• cash flow statement for the year then ended• notes to the financial statements, including significant accounting policies• board member's, accountable officer's and chief finance & accounting officer's declaration. <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the health service as at 30 June 2018 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the health service in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Other Information	<p>The Board of the health service are responsible for the Other Information, which comprises the information in the health service's annual report for the year ended 30 June 2018, but does not include the financial report and my auditor's report thereon.</p> <p>My opinion on the financial report does not cover the Other Information and accordingly, I do not express any form of assurance conclusion on the Other Information. However, in connection with my audit of the financial report, my responsibility is to read the Other Information and in doing so, consider whether it is materially inconsistent with the financial report or the knowledge I obtained during the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude there is a material misstatement of the Other Information, I am required to report that fact. I have nothing to report in this regard.</p>
Board's responsibilities for the financial report	<p>The Board of the health service is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Board is responsible for assessing the health service's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>

Auditor General's Report

Auditor's responsibilities for the audit of the financial report

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

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

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

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



MELBOURNE
22 August 2018

Ron Mak
as delegate for the Auditor-General of Victoria

Comprehensive operating statement

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Note	2018 \$	2017 \$
Revenue from operating activities	2.1	8,442,834	8,705,435
Revenue from non-operating activities	2.1	41,646	45,122
Employee expenses	3.1	(6,042,083)	(6,623,522)
Non salary labour costs	3.1	(689,557)	(154,493)
Supplies and consumables	3.1	(301,611)	(298,526)
Other expenses	3.1	(1,477,032)	(1,647,777)
Net result before capital and specific items		(25,803)	26,239
Capital purpose income	2.1	1,039,124	423,956
Impairment of non-financial assets	3.1	-	(2,349)
Depreciation and Amortisation	4.3	(876,129)	(971,802)
Specific Expenses	3.2	(41,804)	-
Finance Costs	3.3	(3,744)	(27,970)
Expenditure for Capital Purpose	3.1	(11,435)	-
Share of net result of associates and joint ventures accounted for using the Equity Method	4.1	5,097	1,030
Net Result after capital and specific items		85,306	(550,896)
Other economic flows included in net result			
Net gain/(loss) on non-financial assets	2.1	15,553	(528)
Revaluation of Long Service Leave		1,768	7,199
Total other economic flows included in net result		17,321	6,671
Net result from continuing operations		102,627	(544,225)
Net result from discontinued operations		-	-
NET RESULT FOR THE YEAR		102,627	(544,225)
Other comprehensive income			
Items that will not be reclassified to net result			
Changes in physical asset revaluation surplus	8.1	1,202,317	-
Total other comprehensive income		1,202,317	-
Comprehensive result		1,304,944	(544,225)

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

Balance sheet

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Note	2018 \$	2017 \$
Cash and cash equivalents	6.2	6,226,172	5,122,687
Receivables	5.1	400,390	991,141
Prepayments and other assets	5.3	46,649	62,015
Total current assets		6,673,211	6,175,843
Non-current assets			
Receivables	5.1	96,845	130,375
Investments and other financial assets		2,000	2,000
Investments accounted for using the equity	4.1	28,884	23,787
Property, plant & equipment	4.2	15,170,537	14,216,313
Intangible assets		-	991
Total non-current assets		15,298,266	14,373,466
TOTAL ASSETS		21,971,477	20,549,309
Current liabilities			
Payables	5.4	800,939	1,099,037
Borrowings	6.1	66,056	92,448
Provisions	3.4	1,318,550	1,304,475
Other current liabilities	5.2	3,436,592	2,754,460
Total current liabilities		5,622,137	5,250,420
Non-current liabilities			
Borrowings	6.1	-	112,133
Provisions	3.4	163,342	305,702
Total non-current liabilities		163,342	417,835
TOTAL LIABILITIES		5,785,479	5,668,255
NET ASSETS		16,185,998	14,881,054
EQUITY			
Property, plant & equipment revaluation surplus	8.1a	14,770,168	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	(4,615,434)	(4,718,060)
TOTAL EQUITY	8.1c	16,185,998	14,881,054
Commitments	6.3		
Contingent assets and contingent liabilities	7.2		

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

Statement of changes in equity

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

		Property, Plant & Equipment Revaluation Surplus	Restricted Specific Purpose Surplus	Contributions by Owners	Accumulated Surpluses/ (Deficits)	Total
	Note	\$	\$	\$	\$	\$
Balance at 1 July 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
Net result for the year		-	-	-	102,627	102,627
Other comprehensive income for the year	8.1a	1,202,317	-	-	-	1,202,317
Balance at 30 June 2018		14,770,167	256,951	5,774,313	(4,615,434)	16,185,998

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

Cash flow statement

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Note	2018 \$	2017 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating grants from government		7,099,640	6,526,659
Capital grants from government		564,354	161,950
Patient and resident fees received		1,260,181	1,267,790
Donations and bequests received		13,447	16,527
GST received from/(paid to) ATO		(24,460)	864
Interest received		109,805	93,067
Other receipts		1,269,445	846,061
Total receipts		10,292,412	8,912,918
Employee expenses paid		(6,112,489)	(5,798,263)
Non salary labour costs		(689,065)	(774,077)
Payments for supplies & consumables		(2,495,275)	(1,540,487)
Finance costs		(3,744)	(27,970)
Total payments		(9,300,573)	(8,140,797)
NET CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES	8.2	991,838	772,121
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for non-financial assets		(612,482)	(319,864)
Proceeds from sale of non-financial assets		15,553	(528)
NET CASH FLOW FROM/(USED IN) INVESTING ACTIVITIES		(596,929)	(320,393)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS HELD		394,909	451,729
Cash and cash equivalents at beginning of financial year		2,407,149	1,955,421
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	6.2	2,802,059	2,407,149

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

Basis of presentation

The financial statements are prepared in accordance with Australian Accounting Standards and relevant FRDs.

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.

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 applying AAS that have significant effects on the financial statements and estimates are disclosed in the notes under the heading: 'Significant judgement or 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 2018. 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.

Heywood Rural Health 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 18 August 2018.

(b) Reporting Entity

The financial statements include all the controlled activities of Heywood Rural Health.

Its principle address is:
21 Barclay Street
Heywood, Victoria 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.

(c) Basis of Accounting Preparation and Measurement

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2018, and the comparative information presented in these financial statements for the year ended 30 June 2017.

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

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

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

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.

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

- The fair value of land, buildings and plant and equipment (refer to Note 4.2 Property, Plant and Equipment);
- Superannuation expense (refer to Note 3.5 Superannuation);
- Employee benefit provisions are based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (refer to Note 3.4 Employee Benefits in the Balance Sheet).

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.

Goods and Services Tax (GST)

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

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

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

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

(d) 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's operations as a group.

(e) Jointly Controlled Operation

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

In respect of any interest in joint operations, 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.

Heywood Rural Health is a Member of the South West Alliance of Rural Health Joint Venture and retains joint control over the arrangement, which it has classified as a joint operation (refer to Note 8.9 Jointly Controlled Operations).

Note 2: Funding delivery of our services

Heywood Rural Health's overall objective is to deliver programs and services that support and enhance the wellbeing of all Victorians.

Heywood Rural Health is predominantly funded by accrual based grant funding for the provision of outputs. 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 2018 \$	Residential Aged (RAC) 2018 \$	Primary Health 2018 \$	Medical Clinic 2018 \$	Other 2018 \$	Total 2018 \$
Government Grant	2,792,039	3,211,667	689,755	22,919	-	6,716,380
Indirect contributions by Department of Health and Human Services	(21,141)	-	-	-	-	(21,141)
Patient & Resident Fees	4,096	829,435	3,146	250,828	4	1,087,509
Commerical Activities	-	-	-	-	50,405	50,405
Other Revenue from Operating Activities	11,265	16,853	157,545	6,154	1,385	193,202
SWARH JV Revenue	-	-	-	-	416,479	416,479
Total Revenue from Operating Activities	2,786,259	4,057,955	850,446	279,901	468,273	8,442,834
Interest	33,538	-	-	-	-	33,538
Other Revenue from Non-Operating Activities	(351)	7,535	924	-	-	8,108
Total Revenue from Non-Operating Activities	33,187	7,535	924	-	-	41,646
Capital Purpose Income (excluding Interest)	-	974,786	-	-	50,405	1,025,191
Capital Interest	-	13,933	-	-	-	13,933
Capital Dividends	-	-	-	-	-	-
Total Capital Purpose Income	-	988,719	-	-	50,405	1,039,124
Net gain/(loss) on disposal of PP&E	15,553	-	-	-	-	15,553
Share of Net Result of Associates & Joint Ventures Accounted for using the Equity Method (refer note 4.3)	-	-	5,097	-	-	5,097
Total Revenue	2,834,999	5,054,209	856,467	279,901	518,678	9,544,254

	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
Total Capital Purpose Income	-	405,701	-	-	18,255	423,956
Net gain/(loss) on disposal of PP&E	(528)	-	-	-	-	(528)
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

Revenue Recognition

Income is recognised in accordance with AASB 118 *Revenue* and is recognised as to the extent that it is probable that the economic benefits will flow to 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.

Any amounts disclosed as revenue are net of returns, allowances and duties and taxes where applicable

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 Heywood Rural Health 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 Heywood Rural Health 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 Department of Health and Human Services Hospital Circular 04/2017

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 specific 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 recoveries for salaries and wages, non-property rental, forgiveness of liabilities, bad debt reversals and other external services provided.

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 Heywood Rural Health in delivering services and outputs. In Note 2, the funds that enable the provision of services were disclosed and in this note the cost associated with provision of services are recorded.

Structure

3.1 Analysis of Expenses by Source

3.2 Specific Expenses

3.3 Finance Costs

3.4 Employee Benefits in the Balance Sheet

3.5 Superannuation

Note 3.1: Analysis of Expenses by Source

	Admitted Patients 2018 \$	Residential Aged (RAC) 2018 \$	Primary Health 2018 \$	Medical Clinic 2018 \$	Other 2018 \$	Total 2018 \$
Employee Expenses	1,581,883	3,379,892	773,802	284,907	21,599	6,042,083
Other Operating Expenses						
Non Salary Labour Costs	27,646	131,168	232,951	157,907	139,885	689,557
Supplies & Consumables	74,129	178,844	34,718	11,626	2,293	301,610
Other Expenses	359,391	675,345	145,929	54,833	9,647	1,245,145
SWARH JV Other Expenses	80,482	116,051	24,449	7,990	2,917	231,889
Total Expenditure from Operating Activities	2,123,531	4,481,300	1,211,848	517,263	176,342	8,510,284
Finance Costs (refer note 3.3)	-	3,744	-	-	-	3,744
Other Non-Operating Expenses						
Specific Expenses (refer note 3.2)	-	41,804	-	-	-	41,804
Expenditure for Capital Purposes	-	11,435	-	-	-	11,435
Depreciation & Amortisation (refer note 4.3)	304,080	438,468	92,371	30,188	11,022	876,129
Total other expenses	304,080	495,451	92,371	30,188	11,022	933,112
Total Expenses	2,427,611	4,976,751	1,304,219	547,451	187,364	9,443,396

	Admitted Patients 2017 \$	Residential Aged (RAC) 2017 \$	Primary Health 2017 \$	Medical Clinic 2017 \$	Other 2017 \$	Total 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 3.3)	-	123	-	-	27,847	27,970
Other Non-Operating Expenses						
Impairment of Non-Financial Assets	-	-	-	-	2,349	2,349
Depreciation & Amortisation (refer note 4.3)	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

Expense recognition

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

Employee expenses

Employee expenses include;

- Salaries and wages;
- Fringe benefits tax;
- Leave entitlements;
- Termination payments;
- Workcover premiums; and
- Superannuation expenses.

Grants and other transfers

These include transactions such as: grants, subsidies and personal benefit payments made in cash to individuals.

Other operating expenses

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

- Supplies and consumables
Supplies and 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 4.2 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.

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: Specific Expenses

	2018 \$	2017 \$
Specific Expenses		
Bad & Doubtful Debts	41,804	-
Total Specific Expenses	41,804	-

Note 3.3: Finance Costs

	2018 \$	2017 \$
Finance Charges on Finance Leases	3,744	27,970
Total Finance Costs	3,744	27,970

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 3.4: Employee Benefits in the Balance Sheet

	2018 \$	2017 \$
Current Provisions		
Employee Benefits ⁽ⁱ⁾		
Annual leave		
- Unconditional and expected to be settled wholly within 12 months ⁽ⁱⁱ⁾	374,166	361,903
- Unconditional and expected to be settled wholly after 12 months ⁽ⁱⁱⁱ⁾	93,541	90,475
Long service leave		
- Unconditional and expected to be settled wholly within 12 months ⁽ⁱⁱ⁾	97,979	63,416
- Unconditional and expected to be settled wholly after 12 months ⁽ⁱⁱⁱ⁾	458,262	511,315
Accrued Days off		
- Unconditional and expected to be settled within 12 months ⁽ⁱⁱ⁾	17,366	8,181
Accrued Salaried and wages		
- Unconditional and expected to be settled within 12 months ⁽ⁱⁱ⁾	104,274	85,500
	1,145,589	1,120,790
Provisions related to Employee Benefit On-Costs		
- Unconditional and expected to be settled within 12 months	114,138	108,810
- Unconditional and expected to be settled after 12 months	58,823	74,875
	172,961	183,685
Total Current Provisions	1,318,550	1,304,475
Non-Current Provisions		
Long Service Leave	139,422	269,980
Provisions related to Employee Benefit On-Costs	23,920	35,722
Total Non-Current Provisions	163,342	305,702
Total Provisions	1,481,892	1,610,177
(a) Employee Benefits and Related On-Costs		
Current Employee Benefits and related on-costs		
Unconditional LSL Entitlement	615,065	570,008
Annual Leave Entitlements	554,039	580,763
Accrued Wages and Salaries	104,274	85,500
Accrued Days Off	17,366	8,181
SWARH	27,806	60,023
Non-Current Employee Benefits and related on-costs		
Conditional Long Service Leave Entitlements	158,207	295,277
SWARH	5,135	10,425
Total Employee Benefits	1,481,892	1,610,177
Total Employee Benefits and Related On-Costs	1,481,892	1,610,177

- (i) Provisions for employee benefits consist of amounts for annual leave and long service leave accrued by employees, not including on-costs.
- (ii) The amounts disclosed are nominal amounts
- (iii) The amounts disclosed are discounted to present values

	2018 \$	2017 \$
Movements in provisions		
Movement in Long Service Leave:		
Balance at start of year	925,308	757,148
Provision made during the year		
- Revaluations	(1,768)	(7,199)
- Expense recognising Employee Service	8,128	142,197
Transfers within health services	(55,282)	76,046
Settlement made during the year	(97,979)	(42,884)
Balance at end of year	778,407	925,308

Employee Benefit Recognition

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

Provisions

Provisions are recognised when Heywood Rural Health 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.

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.

Salaries and Wages, annual leave, and accrued days off

Liabilities for salaries and wages, including non-monetary benefits, annual leave are all recognised in the provision for employee benefits as 'current liabilities', because Heywood Rural Health 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:

- Nominal value – if Heywood Rural Health expects to wholly settle within 12 months; or
- Present value – if Heywood Rural Health does not expect to settle within 12 months.

Long Service Leave

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

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

The components of this current LSL liability are measured at:

- Nominal value – if Heywood Rural Health expects to wholly settle within 12 months; and
- Present value – if Heywood Rural Health does not expect to settle within 12 months.

Conditional LSL is disclosed as a non-current liability. 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 estimations e.g. bond rate movements, inflation rate movements and changes in probability factors which are then recognised as other economic flows.

Termination Benefits

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

On-costs related to employee expense

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

Note 3.5: Superannuation

	Paid Contribution for the Year		Contribution Outstanding for the Year	
	2018 \$	2017 \$	2018 \$	2017 \$
(i) Defined benefit plans:				
Health Super	31,228	10,005	2,452	-
Defined contribution plans:				
Health Super	428,535	419,755	30,737	-
HESTA	49,721	47,351	6,010	-
Other	17,341	13,387	1,537	-
Total	526,825	490,498	40,737	-

- (i) The bases for determining the level of contributions is determined by the various actuaries of the defined benefit superannuation plans.

Employees of Heywood Rural Health are entitled to receive superannuation benefits and it 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.

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 Heywood Rural Health to the superannuation plans in respect of the services of current Heywood Rural Health 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.

Heywood Rural Health does not recognise any defined benefit liability in respect of the plan(s) because the hospital has no legal or constructive obligation to pay future benefits relating to its employees; its only obligation is to pay superannuation contributions as they fall due. The Department of Treasury & 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 Heywood Rural Health.

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

Note 4: Key Assets to support service delivery

Heywood Rural Health 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 accounted for using the equity method

4.2 Property, plant & equipment

4.3 Depreciation and amortisation

Note 4.1: Investments accounted for using the equity method

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.

			Ownership Interest		Published Fair Value	
Name of Entity	Principal Activity	Country of Incorporation	2018	2017	2018	2017
			%	%	\$	\$
Associates						
Southern Grampians/Glenelg Shire Primary Care Partnership	Primary Health	Australia	11	11	28,884	23,787

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 'Share of net result of associates and joint ventures accounted for using the Equity Method'. 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.

Note 4.2: Property, plant & equipment

(a) Gross carrying amount and accumulated depreciation

	2018 \$	2017 \$
Land		
Land at Fair Value	472,000	472,000
Land Improvements at fair value	433,415	435,365
Less Acc'd Depreciation	44,605	28,290
Total Land	860,810	879,075
Buildings		
Buildings at Fair Value	13,094,532	14,668,000
Buildings at Cost	-	40,563
Less Acc'd Depreciation	-	2,109,297
Total Buildings	13,094,532	12,599,266
Plant and Equipment		
Plant and Equipment at Fair Value	1,339,977	1,299,971
Less Acc'd Depreciation	1,019,833	1,006,038
Total Plant and Equipment	320,144	293,933
Other Equipment		
Other Equipment at Fair Value	725,565	659,585
Less Acc'd Depreciation	633,486	563,710
Total Other Equipment	92,079	95,875
Motor Vehicles		
Motor Vehicles at Fair Value	260,675	312,934
Less Acc'd Depreciation	168,129	213,553
Total Motor Vehicles	92,546	99,381
Under construction		
Assets under construction	650,487	39,830
Total Assets under construction	650,487	39,830
Leased Assets		
Computer Equipment	107,598	337,554
Less Acc'd Amortisation	47,660	128,601
Total Leased Assets	59,938	208,953
TOTAL	15,170,537	14,216,313

(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 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 4.4)	-	(9,430)	(705,006)	(77,880)	(24,539)	(26,347)	(128,601)	-	(971,802)
Balance at 1 July 2017	472,000	407,075	12,599,266	293,933	95,875	99,381	208,953	39,830	14,216,313
Additions	-	-	-	24,907	61,261	39,621	-	610,657	736,446
South West Alliance of Rural Health	-	-	-	9,032	-	-	(9,032)	-	-
Transfers	-	(6,426)	(4,361)	63,361	(52,574)	-	-	-	-
Disposals	-	-	-	-	-	(16,088)	(92,323)	-	(108,411)
Revaluation increments/(decrements)	-	-	1,202,317	-	-	-	-	-	1,202,317
Depreciation (Note 4.4)	-	(11,839)	(702,690)	(71,088)	(12,484)	(30,368)	(47,660)	-	(876,129)
Balance at 30 June 2018	472,000	388,810	13,094,532	320,144	92,079	92,546	59,938	650,487	15,170,537

Land and buildings carried at valuation

An independent valuation of the Heywood Rural Health land and buildings was performed by the Valuer-General Victoria as a 30 June 2014 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.

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

The latest indices required a managerial revaluation in 2018. The indexed value was then compared to individual assets written down book value as at 30 June 2018 to determine the change in their fair values. The Department of Health and Human Services approved a managerial revaluation of the building asset class of \$1.2m.

(c) Fair value measurement hierarchy for assets

	Carrying amount as at 30 June 2018	Fair value measurement at end of reporting period using:		
		Level 1 ⁽ⁱ⁾	Level 2 ⁽ⁱ⁾	Level 3 ⁽ⁱ⁾
Land at fair value				
Specialised land	472,000	-	-	472,000
Land Improvements	388,810	-	-	388,810
Total of land at fair value	860,810	-	-	860,810
Buildings at fair value				
Specialised buildings	13,094,532	-	-	13,094,532
Total of building at fair value	13,094,532	-	-	13,094,532
Plant and equipment at fair value				
- Plant and equipment	320,144	-	-	320,144
- Motor vehicles	92,546	-	92,546	-
- Other equipment	92,079	-	-	92,079
Total of plant, equipment and vehicles at fair value	504,769	-	92,546	412,223
Leased assets at fair value				
Leased assets at fair value	59,938	-	-	59,938
Total leased assets at fair value	59,938	-	-	59,938
Assets under construction at fair value				
Assets under construction at fair value	650,487	-	-	650,487
Total assets under construction at fair value	650,487	-	-	650,487
	15,170,537	-	92,546	15,077,991

(i) Classified in accordance with the fair value hierarchy.

Notes to the financial statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Carrying amount as at 30 June 2017	Fair value measurement at end of reporting period using:		
		Level 1 ⁽ⁱ⁾	Level 2 ⁽ⁱ⁾	Level 3 ⁽ⁱ⁾
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

(i) Classified in accordance with the fair value hierarchy.

(d) Reconciliation of Level 3 Fair Value

30 June 2018	Land	Buildings	Plant and equipment	Other equipment	Motor Vehicles	Assets under construction	Leased assets
Opening Balance	879,075	12,599,266	293,933	95,875	99,381	39,830	208,952
Purchases (sales)	(6,426)	(4,361)	88,268	8,687	23,533	610,657	(92,323)
SWARH	-	-	9,032	-	-	-	(9,032)
Gains or losses recognised in net result							
- Depreciation	(11,839)	(702,690)	(71,088)	(12,484)	(30,368)	-	(47,660)
Subtotal	860,810	11,892,215	320,144	92,079	92,546	650,487	59,938
Items recognised in other comprehensive income							
- Revaluation	-	1,202,317	-	-	-	-	-
Closing Balance	860,810	13,094,532	320,144	92,079	92,546	650,487	59,938

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	208,952
Closing Balance	879,075	12,599,266	293,933	95,875	99,381	39,830	208,952

(e) Fair Value Determination

Asset class	Examples of types of assets	Expected fair value level	Likely valuation approach	Significant inputs (Level 3 only)
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
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
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; If there is no active resale market available	Level 2 Level 3	Market approach Depreciated replacement cost approach	N/A Cost per square metre Useful life

Initial Recognition

Items of property, plant and equipment are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment loss. Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition. Assets transferred as part of a merger/machinery of government change are transferred at their carrying amounts.

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

Crown land is measured at fair value with regard to the property's highest and best use after due consideration is made for any legal or physical restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset.

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

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

Subsequent Measurement

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

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

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

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

The Valuer-General Victoria (VGV) is Heywood Rural Health's independent valuation agency. The estimates and underlying assumptions are reviewed on an ongoing basis.

Fair value measurement

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

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

Judgements about highest and best use (HBU) 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 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.

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.

Internal factors:

- Evidence that suggest the current use of an asset is no longer core to requirements to deliver a Health Service's service obligation;
- Evidence that suggests that the asset might be sold or demolished at reaching the late stage of an asset's life cycle.

Valuation hierarchy

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

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

Identifying unobservable inputs (level 3) fair value measurements

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

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

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

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

Specialised land and specialised buildings

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

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

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

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

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

Vehicles

Heywood Rural Health 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 Heywood Rural Health 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 2018.

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

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, except where an asset is transferred via contributed capital.

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

Note 4.3: Depreciation and Amortisation

	2018 \$	2017 \$
Depreciation		
Land Improvements	11,839	9,430
Buildings	702,690	705,006
Plant & Equipment	71,088	77,880
Motor Vehicles	30,368	26,347
Leased Assets	47,660	128,601
Other Equipment	12,484	24,539
Total Depreciation	876,129	971,802

Depreciation

All infrastructure assets, buildings, plant and equipment and other non-financial physical assets that have finite useful lives are depreciated (i.e. excludes land assets held for sale, and investment properties).

Depreciation 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. 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.

	2018	2017
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 5: Other assets and liabilities

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

Structure

5.1 Receivables

5.2 Other liabilities

5.3 Prepayments and other assets

5.4 Payables

Note 5.1: Receivables

	2018 \$	2017 \$
CURRENT		
Contractual		
Trade Debtors	239,464	801,018
Patient Fees	161,657	141,867
Accrued Revenue - Other	(4,456)	13,354
Patient Fees - doubtful debts	(41,484)	(6,335)
	355,181	949,904
Statutory		
GST Receivable	45,209	24,733
Accrued Revenue - Department of Health / Department of Health and Human Services	-	16,504
	45,209	41,237
TOTAL CURRENT RECEIVABLES	400,390	991,141
NON CURRENT		
Statutory		
Long Service Leave - Department of Health / Department of Health and Human Services	96,845	130,375
TOTAL NON-CURRENT RECEIVABLES	96,845	130,375
TOTAL RECEIVABLES	497,235	1,121,516

Note 5.1 (a) : Movement in the allowance for doubtful debts

	2018 \$	2017 \$
Balance at beginning of year	(6,335)	(28,518)
Increase/(decrease) in allowance recognised in net result	(35,149)	22,183
Balance at end of year	(41,484)	(6,335)

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

	2018	2017
	\$	\$
CURRENT		
Monies Held in Trust		
- Patient Monies Held in Trust	56,865	56,504
- Accommodation Bonds (Refundable Entrance Fees)	3,365,780	2,659,033
South West Alliance of Rural Health share of deferred revenue	13,946	38,923
Total Current	3,436,591	2,754,460
Total Other Liabilities	3,436,591	2,754,460
Total Monies Held in Trust		
Represented by the following assets:		
Cash Assets (refer to Note 6.2)	3,424,113	2,715,537
TOTAL	3,424,113	2,715,537

Note 5.3: Prepayments and other non-financial assets

	2018 \$	2017 \$
CURRENT		
Prepayments	46,649	62,015
TOTAL CURRENT OTHER ASSETS	46,649	62,015
TOTAL OTHER ASSETS	46,649	62,015

Prepayments

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

	2018 \$	2017 \$
CURRENT		
Contractual		
Trade Creditors	597,729	959,478
Accrued Expenses	203,210	139,559
TOTAL CURRENT	800,939	1,099,037
TOTAL PAYABLES	800,939	1,099,037

Payables consist of:

- contractual payables which comprise 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. Contractual payables are classified as financial instruments and are initially recognised at fair value, and then subsequently carried at amortised cost.
- statutory payables, such as goods and services tax and fringe benefits tax payables. Statutory payables are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from contracts.

Note 5.4 (a): Maturity analysis of Financial Liabilities as at 30 June

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.

	Carrying Amount \$'000	Nominal Amount \$'000	Maturity Dates			
			Less than 1 Month \$'000	1-3 Months \$'000	3 months - 1 Year \$'000	1-5 Years \$'000
2018						
Financial Liabilities						
<i>At amortised cost</i>						
Payables	800,939	800,939	800,939	-	-	-
Borrowings	66,056	66,056	-	-	66,056	-
Other Financial Liabilities (i)						
- Accommodation Bonds	3,365,780	3,365,780	-	-	-	3,365,780
- Other	70,811	70,811	-	70,811	-	-
Total Financial Liabilities	4,303,586	4,303,586	800,939	70,811	66,056	3,365,780
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	-	95,427	-	-
Total Financial Liabilities	4,058,078	4,058,078	1,099,037	95,427	92,448	2,771,166

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

Note 6: How we finance our operations

This section provides information on the sources of finance utilised by Heywood Rural Health 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

	2018 \$	2017 \$
CURRENT		
Australian Dollar Borrowings		
– Finance Lease Liability (i)	66,056	92,448
Total Australian Dollars Borrowings	66,056	92,448
Total Current	66,056	92,448
NON CURRENT		
Australian Dollar Borrowings		
– Finance Lease Liability	-	112,133
Total Australian Dollars Borrowings	-	112,133
Total Non-Current	-	112,133
Total Borrowings	66,056	204,581

(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 5.4(a) for the ageing analysis of borrowings.

(b) Defaults and breaches

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

Borrowing Recognition

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

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

All other leases are classified as operating leases, in the manner described in Note 6.3 Commitments.

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.

Finance leases

Entity as lessor

Heywood Rural Health does not hold any finance lease arrangements with other parties.

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.

In respect of Leased ICT and ICT infrastructure Assets through SWARH, Heywood Rural Health is an approved borrower by the Treasurer of the State of Victoria.

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.

	2018 \$	2017 \$
Cash at bank	5,344,222	4,251,497
Short term money market	881,951	871,190
Total Cash and Cash Equivalents	6,226,173	5,122,687
Represented by:		
Cash for Health Service Operations (as per Cash Flow Statement)	2,802,059	2,407,149
Cash for Monies Held in Trust		
- Cash at Bank	3,424,113	2,715,537
Total Cash and Cash Equivalents	6,226,173	5,122,687

Cash and Cash Equivalents

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

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

Note 6.3: Commitments for expenditure

	2018 \$	2017 \$
Capital expenditure commitments		
Payable:		
Land and buildings	21,706	34,238
Total capital expenditure commitments	21,706	34,238
Lease commitments		
Commitments in relation to leases contracted for at the reporting date:		
Finance leases	66,056	186,783
Total lease commitments	66,056	186,783
Finance Leases		
Commitments in relation to finance leases are payable as follows:		
Current	66,056	84,510
Non-current	-	115,347
Minimum Lease Payments	66,056	199,857
Less Future Finance Charges		13,074
Total finance lease commitments	66,056	186,783
Total lease commitments	66,056	186,783
Total Commitments (inclusive of GST) other than public private partnerships	87,762	221,021

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

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

Structure

7.1 Financial Instruments

7.2 Contingent Assets and Contingent Liabilities

Note 7.1: Financial instruments

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Due to the nature of 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*.

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.

(a) Financial Instruments: Categorisation

2018	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	6,226,173	-	-	6,226,173
Receivables				
- Trade Debtors	239,464	-	-	239,464
- Other Receivables	115,717	-	-	115,717
Other Financial Assets				
- Shares in Other Entities	-	2,000	-	2,000
Total Financial Assets ⁽ⁱ⁾	6,581,354	2,000	-	6,583,354
Financial Liabilities				
Payables	-	-	800,939	800,939
Borrowings	-	-	66,056	66,056
Other Financial Liabilities				
- Accommodation bonds	-	-	3,365,780	3,365,780
- Other	-	-	70,811	70,811
Total Financial Liabilities ⁽ⁱ⁾	-	-	4,303,586	4,303,586

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

Notes to the financial statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Contractual financial assets - loans and receivables	Contractual financial assets - available for sale	Contractual financial liabilities at amortised cost	Total
2017	\$	\$	\$	\$
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				
- Accommodation bonds	-	-	2,715,537	2,715,537
- Other	-	-	38,923	38,923
Total Financial Liabilities ⁽ⁱ⁾	-	-	4,058,078	4,058,078

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

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

	Total interest income / (expense) \$	Total \$'000
2018		
Financial Assets		
Cash and Cash Equivalents ⁽ⁱ⁾	33,538	33,538
Total Financial Assets	33,538	33,538
2017		
Financial Assets		
Cash and Cash Equivalents ⁽ⁱ⁾	35,886	35,886
Total Financial Assets	35,886	35,886

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

(ii) For financial liabilities measured at amortised cost, the net gain or loss is calculated by taking the interest expense measured at amortised cost.

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, term deposits with maturity greater than three months, trade receivables, loans and other receivables, but not statutory receivables.

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.

Available-for-sale financial instrument assets

Available-for-sale financial instrument assets are those designated as available-for-sale or not classified in any other category of financial instrument asset. Such assets are initially recognised at fair value. Subsequent to initial recognition, they are measured at fair value with gains and losses arising from changes in fair value, recognised in 'Other economic flows – other comprehensive income' until the investment is disposed. Movements resulting from impairment and foreign currency changes are recognised in the net result as other economic flows. On disposal, the cumulative gain or loss previously recognised in 'Other economic flows – other comprehensive income' is transferred to other economic flows in the net result.

Note 7.2: Contingent assets and contingent liabilities

Heywood Rural Health had no contingent assets or contingent liabilities as at 30th June 2018 (2017 : Nil)

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 Responsible Persons

8.4 Remuneration of Executives

8.5 Related Parties

8.6 Remuneration of Auditors

8.7 AASBs issued that are not yet effective

8.8 Events Occuring after the Balance Sheet Date

8.9 Jointly Controlled Operations

8.10 Economic Dependency

8.11 Alternative Presentation of Comprehensive Operating Statement

Note 8.1: Equity

	2018 \$	2017 \$
(a) Surpluses		
Property, Plant & Equipment Revaluation Surplus ⁽ⁱ⁾		
Balance at the beginning of the reporting period	13,567,850	13,567,850
Revaluation Increment/(Decrements)		
- Buildings	1,202,317	-
Balance at the end of the reporting period*	14,770,167	13,567,850
* Represented by:		
- Land	272,000	272,000
- Buildings	14,498,167	13,295,850
	14,770,167	13,567,850
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	15,027,118	13,824,801
(b) Contributed Capital		
Balance at the beginning of the reporting period	5,774,313	5,774,313
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	(4,718,060)	(4,173,836)
Net Result for the Year	102,627	(544,225)
Balance at the end of the reporting period	(4,615,433)	(4,718,060)
(d) Total Equity at end of financial year	16,185,998	14,881,054

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

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 Heywood Rural Health 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**

	2018	2017
	\$	\$
Net result for the period	102,627	(544,225)
Non-cash movements:		
Depreciation and amortisation	876,129	971,802
Impairment of financial and non financial assets	-	2,349
Provision for doubtful debts	35,149	(22,183)
Movements included in investing and financing activities		
Net (gain)/loss from disposal of non financial physical assets	(15,553)	528
Movements in assets and liabilities:		
Change in operating assets and liabilities		
(Increase)/decrease in receivables	609,940	(183,659)
(Increase)/decrease in other assets	(25,923)	(2,021)
(Increase)/decrease in prepayments	17,639	(2,929)
Increase/(decrease) in payables	(535,996)	234,713
Increase/(decrease) in provisions	(147,059)	254,826
Increase/(decrease) in other liabilities	74,884	62,920
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	991,838	772,122

Note 8.3: Responsible Persons

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. Cathryn Patterson

Mrs. Glenda Stanislaw

Ms. Laura Lovett-Murray

Mr. Sam Carter

Accountable Officers

Ms Jacqueline Kelly (Chief Executive Officer)

Ms Ros Jones (Chief Executive Officer)

Remuneration of Responsible Persons

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

Income Band

\$0 - \$9,999

\$30,000 - \$39,999

\$210,000 - \$219,999

\$220,000 - \$229,999

Total Numbers

Total remuneration received or due and receivable by

Period
1/7/2017 - 30/6/2018
1/7/2017 - 30/6/2018
1/7/2017 - 30/6/2018
1/7/2017 - 30/6/2018
1/7/2017 - 30/6/2018
1/7/2017 - 30/6/2018
1/7/2017 - 30/6/2018
1/7/2017 - 3/8/2017
1/7/2017 - 30/6/2018
1/7/2017 - 30/6/2018
1/7/2017 - 4/8/2017
5/8/2017 - 30/6/2018

2018 No.	2017 No.
9	7
1	-
-	1
1	-
11	8
\$253,709	\$213,263

Note 8.4: Remuneration of Executives

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

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

Short-term Employee Benefits

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

Post-employment Benefits

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

Other Long-term Benefits

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

Heywood Rural Health has no executive officers other than Ministers and Accountable Officers.

Note 8.5: Related Parties

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

- All key management personnel (KMP) and their close family members;
- Cabinet ministers and their close family members;
- Jointly Controlled Operation - A member of the South West Alliance of Rural Health; and
- All hospitals and public sector entities that are controlled and consolidated into the State of Victoria financial statements.

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

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

The Board of Directors and the Executive Directors of Heywood Rural Health are deemed to be KMPs

Entity	KMPs	Position Title
Heywood Rural Health	Ms P McLean	Chair of the Board
Heywood Rural Health	Mr W Frost	Board Member
Heywood Rural Health	Mrs L Matthews	Board Member
Heywood Rural Health	Mr P Saunders	Board Member
Heywood Rural Health	Mrs D Keiller	Board Member
Heywood Rural Health	Mrs C Patterson	Board Member
Heywood Rural Health	Mrs G Stanislaw	Board Member
Heywood Rural Health	Ms L Lovett-Murray	Board Member
Heywood Rural Health	Mr S Carter	Board Member
Heywood Rural Health	Ms J Kelly	Chief Executive Officer
Heywood Rural Health	Ms R Jones	Chief Executive Officer

Remuneration of Key Management Personnel	Total Remuneration	
	2018	2017
	\$	\$
Short-term Benefits	209,615	183,269
Post-employment Benefits	15,493	13,750
Other Long-term Benefits	28,602	16,244
Total Remuneration	253,710	213,263

Heywood Rural Health has no executive officers other than Ministers and Accountable Officers and therefore remuneration of related parties is the same as the remunerations of responsible officers stated in note 8.3 Responsible Persons.

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.

Significant transactions with government-related entities

Heywood Rural Health received funding from the Department of Health and Human Services of \$3.8m (2017: \$3.3m).

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

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

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 of Health and Human Services, all other related party transactions that involved KMPs and their close family members have been entered into on an arm's length basis. Transactions are disclosed when they are considered material to the users of the financial report in making and evaluation decisions about the allocation of scarce resources. No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

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

There were no related party transactions required to be disclosed for Heywood Rural Health key management personnel in 2018.

Note 8.6: Remuneration of Auditors

	2018	2017
Victorian Auditor-General's Office		
Audit of financial statement	10,200	10,200
	2018	2017
Other Providers		
Internal Audits	1,000	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 2018 reporting period. Department of Treasury and Finance assesses the impact of all these new standards and advises Heywood Rural Health of their applicability and early adoption where applicable.

As at 30 June 2018, the following standards and interpretations had been issued by the AASB but were not yet effective. They become effective for the first financial statements for reporting periods commencing after the stated operative dates as detailed in the table below.

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 hedge accounting model and a revised impairment loss model to recognise expected 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. The initial application of AASB 9 is not expected to significantly impact the financial position however there will be a change to the way financial instruments are classified and new disclosure requirements.
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, 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.

Notes to the financial statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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. Note that amending standard AASB 2015-8 <i>Amendments to Australian Accounting Standards – Effective Date of AASB 15</i> has deferred the effective date of AASB 15 to annual reporting periods beginning on or after 1 January 2018, instead of 1 January 2017.	1 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 as follows: 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: 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 2018, 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.

Notes to the financial statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Standard/ Interpretation ¹	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 2016-3 <i>Amendments to Australian Accounting Standards – Clarifications to AASB 15</i>	<p>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:</p> <p>A promise to transfer to a customer a good or service that is 'distinct' to be recognised as a separate performance obligation;</p> <p>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</p> <p>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).</p>	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.
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.

Notes to the financial statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Standard/ Interpretation ¹	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 2016-8 <i>Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities</i>	AASB 2016-8 inserts Australian requirements and authoritative implementation guidance for not-for-profit-entities into AASB 9 and AASB 15. 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.	1 Jan 2019	This standard clarifies the application of AASB 15 and AASB 9 in a not-for-profit context. The areas within these standards that are amended for not-for-profit application include: <i>AASB 9</i> Statutory receivables are recognised and measured similarly to financial assets <i>AASB 15</i> The “customer” does not need to be the recipient of goods and/or services; The “contract” could include an arrangement entered into under the direction of another party; Contracts are enforceable if they are enforceable by legal or “equivalent means”; Contracts do not have to have commercial substance, only economic substance; and Performance obligations need to be “sufficiently specific” to be able to apply AASB 15 to these transactions.
AASB 16 <i>Leases</i>	The key changes introduced by AASB 16 include the recognition of operating leases (which are currently not recognised) on balance sheet.	1 Jan 2019	The assessment has indicated that most operating leases, with the exception of short term and low value leases will come on to the balance sheet and will be recognised as right of use assets with a corresponding lease liability. In the operating statement, the operating lease expense will be replaced by depreciation expense of the asset and an interest charge. There will be no change for lessors as the classification of operating and finance leases remains unchanged.

Standard/ Interpretation ¹	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 1058 <i>Income of Not-for-Profit Entities</i>	AASB 1058 standard will replace the majority of income recognition in relation to government grants and other types of contributions requirements relating to public sector not-for-profit entities, previously in AASB 1004 <i>Contributions</i> . The restructure of administrative arrangement will remain under AASB 1004 and will be restricted to government entities and contributions by owners in a public sector context, AASB 1058 establishes principles for transactions that are not within the scope of AASB 15, where the consideration to acquire an asset is significantly less than fair value to enable not-for-profit entities to further their objective.	1 Jan 2019	<p>The current revenue recognition for grants is to recognise revenue up front upon receipt of the funds.</p> <p>This may change under AASB 1058, as capital grants for the construction of assets will need to be deferred. Income will be recognised over time, upon completion and satisfaction of performance obligations for assets being constructed, or income will be recognised at a point in time for acquisition of assets.</p> <p>The revenue recognition for operating grants will need to be analysed to establish whether the requirements under other applicable standards need to be considered for recognition of liabilities (which will have the effect of deferring the income associated with these grants). Only after that analysis would it be possible to conclude whether there are any changes to operating grants.</p> <p>The impact on current revenue recognition of the changes is the phasing and timing of revenue recorded in the profit and loss statement.</p>
	..		

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

- AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions
- AASB 2016-6 Amendments to Australian Accounting Standards – Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts
- AASB 2017-1 Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments
- AASB 2017-3 Amendments to Australian Accounting Standards – Clarifications to AASB 4
- AASB 2017-4 Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments
- AASB 2017-5 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections

- AASB 2017-6 Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation
- AASB 2017-7 Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures
- AASB 2018-1 Amendments to Australian Accounting Standards – Annual Improvements 2015 – 2017 Cycle
- AASB 2018-2 Amendments to Australian Accounting Standards – Plan Amendments, Curtailment or Settlement

Note 8.8: Events occurring after the balance sheet date

There were no events that occurred after balance sheet date.

Note 8.9: Jointly Controlled Operations

Name of Entity	Principal Activity	Ownership Interest	
		2018 %	2017 %
South West Alliance of Rural Health	Information Systems	1.76	3.49

Heywood Rural Health's interest in the above jointly controlled operations are detailed below. The amounts are included in the consolidated financial statements under their respective categories:

South West Alliance of Rural Health	2018 \$	2017 \$
Current Assets		
Cash at Bank	129,843	183,443
Receivables	33,318	645,178
Inventories	1,463	651
Other Current Assets	1,463	-
Total Current Assets	166,087	829,272
Non Current Assets		
Property, Plant and Equipment	9,032	18,302
Leased Assets	59,938	190,651
Intangible Assets	332	991
Total Non Current Assets	69,302	209,944
Total Assets	235,389	1,039,216
Current Liabilities		
Payables	92,232	699,798
Leased Liabilities	66,056	92,448
Employee Benefits	27,806	60,023
Deferred Revenue	13,946	38,923
Total Current Liabilities	200,040	891,192
Non Current Liabilities		
Employee Benefits	5,135	10,425
Leased Liabilities	-	112,133
Total Non Current Liabilities	5,135	122,558
Total Liabilities	205,175	1,013,750

Notes to the financial statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

Heywood Rural Health interest in revenues and expenses resulting from jointly operations and assets is detailed below:

	2018	2017
	\$	\$
Revenues		
Revenue From Operations	416,479	791,970
Total Revenue	416,479	791,970
Expenses		
Employee Benefits	(139,214)	(227,756)
Maintenance Contract & IT Support	(182,983)	(366,159)
Operating Lease Costs	(2,845)	(16,045)
Other Expenses from Ordinary Activities	(33,461)	(33,576)
Total Expenses	(358,503)	(643,536)
Net Operating Result	57,976	148,434
Capital Income	10,737	17,386
Finance Costs	(3,744)	(27,847)
Depreciation	(47,660)	(128,601)
Impairment	-	(2,349)
Net Capital Result for the Year	17,309	7,023
Revaluation of LSL	38	1,291
Net Result for Year	17,347	8,314

Contingent Liabilities and Capital Commitments

There are no known contingent liabilities or capital commitments held by South West Alliance of Rural Health as at the date of this report.

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

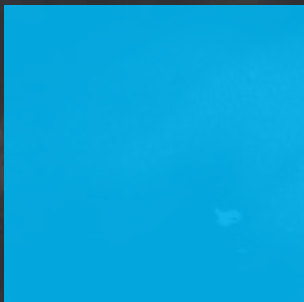
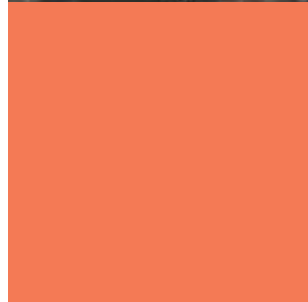
Note 8.10: Economic Dependency

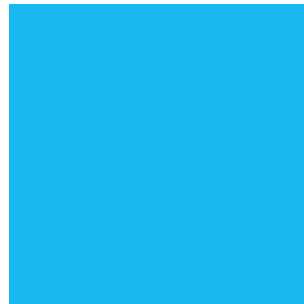
Heywood Rural Health is dependent on the Department of Health and Human Services for the majority of its revenue used to operate the entity. At the date of this report, the Board of Directors has no reason to believe the Department will not continue to support Portland District Health.

Note 8.10: Alternative presentation of comprehensive operating statement

	Note	2018 \$	2017 \$
Grants		7,280,734	6,662,171
Interest and Dividends	2.1	47,471	93,067
Sales of Goods and Services		1,280,711	1,298,024
Other income		914,689	1,121,251
Total Revenue		9,523,605	9,174,513
Employee Expenses	3.1	(6,042,083)	(6,623,522)
Operating Expenses		(2,525,184)	(2,131,115)
Depreciation and Amortisation	4.3	(876,129)	(971,802)
Total Expenses		(9,443,396)	(9,726,439)
Net Result from Transactions - Net Operating Balance		80,209	(551,926)
Net gain/ (loss) on sale of non-financial assets	2.1	15,553	(528)
Other gains/(losses) from other economic flows	2.1	5,097	1,030
Revaluation of Long Service Leave		1,768	7,199
Total Other Economic Flows Included in Net Result		22,418	7,701
Net result from continuing operations		102,627	(544,225)
NET RESULT FOR THE YEAR		102,627	(544,225)
Items that will not be Reclassified Subsequently to Net Result			
Changes in Property, Plant and Equipment Revaluation Surplus		1,202,317	-
Comprehensive Result		1,304,944	(544,225)

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





FOR MORE INFORMATION:

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