



HEYWOOD
Rural Health

Annual
Report
2021/2022

Acknowledgement

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

Pictured Front Cover:

HRH celebrated NAIDOC Week on the 5th July 2022 as an opportunity for our community to learn about the local culture and history of the Gunditjmara, Bunganditj and Jardwadjali people.

We thank the many people that came along to share their stories, wisdom and history as we celebrated the culture and achievements of Aboriginal and Torres Strait Islander peoples.

We welcomed the talented dancers from the Koondoom Yarkeen Karweeyn Aboriginal Dance group for performing their stories.



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Heywood Rural Health comprises of acute services, residential aged care, primary and community health, including a GP clinic and pathology services.

The Health Service is incorporated under the *Health Services Act 1988* and operates under the provisions of the Act.



Contents

Board Chair and Chief Executive Officer's Report	5
Performance at a Glance	12
Board of Directors	13
Committee/Meeting Structure	16
Leadership Team	17
Organisation Chart	18
Our Services	19
Our Community	20
Workforce Data	21
Life Governors and Service Awards	22
Manner of Establishment and Responsible Ministers	23
Attestations	24
Compliance Information	25
Consultancies Information	29
Statement of Priorities: Service Performance 2021-2022	30
Statement of Priorities: Performance Priorities 2021-2022	32
Disclosure Index	33
Financial Report	35

Introduction

It is with great pleasure, on behalf of Heywood Rural Health Board Directors, employees, volunteers and consumers we present the 2021-2022 Annual Report of Heywood Rural Health prepared in accordance with the *Financial Management Act 1994*.

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.



Board Chair and Chief Executive Officer's Report

We begin by acknowledging the traditional custodians of the land on which we work and we pay our respects to Elders past, present and emerging.

Although our primary organisational focus was being ready to respond to changes in the local COVID-19 situation, we are proud to report that Heywood Rural Health delivered a number of significant achievements and activities throughout the 2021-2022 financial year. The Board of Directors and senior leadership team closely monitored the ever-changing circumstances to ensure Heywood Rural Health was proactively able to respond to challenges.

STRATEGIC DIRECTION: Care

Heywood Rural Health continued to keep residents and residents' families informed via traditional methods such as verbal updates at meetings, and by letters either hand delivered or uploaded onto the Heywood Rural Health website.

Early in the year Heywood Rural Health deployed an electronic messaging platform known as *CareApp*. *CareApp* is a powerful communication tool and engagement platform for aged care providers, which Heywood Rural Health embraced in order to provide residents and their loved ones as many options for connection and interaction as possible. The app brings providers, residents, carers and families together to build a wonderful caring community, and support residents to love the way they live.

Moving to the *CareApp* platform enhanced the way in which the Heywood Rural Health communicated with resident families. The app provided Heywood Rural Health with a private and secure instant messaging platform that disseminated messages quickly. Likewise, *CareApp* provides a tool with which the Leisure and Lifestyle staff can share cherished moments occurring within the aged care facility in a similar fashion.

Heywood Rural Health had been prepared for various accreditation visits to take place during the financial year, however due to the pandemic no accreditation visits took place. The Heywood Rural Health Nursing Home has received three six month accreditation extensions and is now accredited until December 2022. Similarly, the Aged Care Quality & Safety Commission wrote to the Health Service and advised that the Heywood Rural Health Hostel accreditation has been extended by eighteen months to February 2024. Accreditation of our Home Care Packages and District Nursing Services have also been delayed to a future date.

The Minister for Health, the Honorable Martin Foley, MP visited the Health Service on 30 March 2022 and inspected the newly refurbished Community Health Hub and reception area

including the *Moorayt* multi-purpose room.

The refurbishment was made possible thanks to \$680K in funding received from the Rural Health Infrastructure Fund (RHIF).

The Minister spent time engaging with staff and members of the Board of Directors and thanked everyone for their significant efforts providing healthcare during one of the most difficult times in recent history.

The Minister concluded his visit by commenting on the excellent efforts and achievements of both the Board and all of the staff of Heywood Rural Health.

STRATEGIC DIRECTION: Community

Heywood Men's Shed celebrated its 10 years onsite at the Heywood Rural Health on 14 July 2021 with in excess of 50 guests attending. The co-location of the Men's shed is a wonderful example of a local collaboration and partnership, whereby both organisations benefit from our close proximity to one another, with Heywood Rural Health receiving many thousands of volunteer hours per year from the Men's shed prior to the pandemic. We look forward to our continued strong relationship with Terry Sparrow and members of the Heywood Men's shed for many years to come.

Board Chair and Chief Executive Officer's Report cont.

In January 2022 Dorevitch Pathology began delivering a much needed blood collection service within the Community Health Hub. Operating on a Wednesday and Friday the service has proven extremely popular with the local community, and by end of the financial year 408 occasions of service had been delivered.

The following month, Heywood Rural Health welcomed Dr. Gopi Patel to the medical practice which doubled the number of GP consulting days from two to four. We take this opportunity to thank both Dr. Erin Gordon and Dr. Gopi Patel for their commitment to providing much needed General Practitioner services to the local community.

Heywood Rural Health also welcomed podiatrist Eve Drew from *Her Health Collective* in February 2022. Eve is a well-respected Podiatrist with many years of experience. The resumption of podiatry service for both members of the community and our residents has been extremely well received.

STRATEGIC DIRECTION: Workforce

Recruitment and retention of clinical staff continued to be difficult throughout the year but this situation is not uncommon in both public and private healthcare settings, particularly in rural settings. Abiding by "workforce mobility" directives from the Chief Health Officer and Department of Health also

provided additional challenges for the Health Service where staff were employed by more than one employer.

To better support staff who travel significant distances to work at Heywood Rural Health, and to reduce the financial impact of engaging agency Nurses, HRH did not renew the tenancy agreement with Ambulance Victoria for the Health Service owned house. Heywood Rural Health refurbished the house and made it available for staff use, with the house consistently in use for staff and agency accommodation since December 2021.

Gender Equality Action Plan

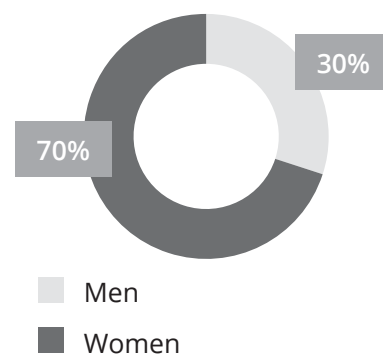
The Gender Equality Act passed through the Victorian Parliament in February 2020 and came into effect on the 31st of March 2021. The Gender Equality Act is the first legislation in Australia that requires the public sector to take positive action toward achieving gender equality in the workplace.

The Heywood Rural Health Gender Equality Action Plan 2021 – 2025 is an outline of our commitment to gender equality for the next four years. The Plan has been submitted to the Gender Equality Commission for review and endorsement. The results of our Workplace Gender Audit have formed a baseline audit analysis of our workplace to help us understand our gender equality barriers and to further build on the actions of this current plan for future Gender Equality Action Plans.

Governing Body:

The Heywood Rural Health Board was comprised of seven women and three men.

Board Directors Gender Segregation



MARAM & Family Violence Framework

Heywood Rural Health recognises that Family Violence is a health issue, and occurs across the lifespan. Over the past 5 years, Heywood Rural Health has participated in the Strengthening Hospital Responses to Family Violence (SHRFV) project, a regional collaborative approach to identifying and responding to Family Violence. As a defined information sharing entity under the Multi-Agency Risk Assessment and Management Framework (MARAM), Heywood Rural Health has aligned staff training and policy to provide guidance for staff related to responsibilities to identify and respond to

family violence. Under legislation, Heywood Rural Health are prescribed to implement MARAM assessment and risk management tools and collaborate with partner Information Sharing Entities at a regional and state level. Heywood Rural Health works to identify people at risk of family violence, sensitively responding to disclosure of family violence, and referring victim survivors to specialist family violence services. This work includes clients, residents and patients using our services together with supporting our workforce who may be experiencing or affected by family violence. By respecting the decisions of victim survivors of family violence and offering a range of options, health professionals have a vital role in ensuring that risk and safety planning are prioritised and inclusive of a person's physical, psychological and cultural safety. Such interventions have the potential to empower victim survivors of family violence, contribute to enhanced health outcomes and potentially save lives. Heywood Rural Health will continue to implement recommendations and update training with further roll out of the MARAM framework in 2023.

A Twelve Month Reflection – People & Culture department

The People and Culture Department has continued to be significantly involved in the day to day activities of Heywood Rural Health, and in particular its involvement in attracting staff

during another year dealing with the COVID-19 pandemic. The organisation has continued to recruit, train, educate and oversee mandatory competencies, monthly staff development days, and throughout the course of the year made a significant contribution to positively supporting our service and our staff. Staff that make up the People and Culture Department have provided ongoing support to the Quality Team in preparing for our Aged Care Accreditation, and have been instrumental in maintaining staff morale and well-being through our Workplace Coach, Lauren Newman.

During the year, Samantha Cottingham, our Pay Global specialist, has taken on the role of Payroll Manager, and is now responsible for our own, predominantly in-house payroll service. In this role Samantha has been able to noticeably improve payroll accounting accuracy and has brought improved oversight to our payroll compliance requirements. Samantha continues to be a most valued member of the People & Culture Team. Samantha has been ably supported with payroll by Julie Frost, Finance Administration Officer, and the team thank her for her invaluable contribution. Similarly, Erin Wilson, our People & Culture Facilitator, in addition to also supporting the Payroll Team, has worked tirelessly throughout the year to maintain staff recruiting quotas, improve SOLLE, our online learning and

development tool, and fine-tune our staff compulsory and mandatory training modules. Erin is presently in the process of developing an e-learning package to enable us to conduct our annual staff development day, online. Erin has continued to go above and beyond to support the leadership team and has also found time to successfully complete the *Certificate IV in Human Resources* through the Australian Human Resources Institute – congratulations Erin!

Workplace Coach

Lauren Newman, our Workplace Coach, has continued to provide training and education services to staff; her never-ending energy and desire to enhance the quality of services to all of our consumers, is to be applauded. During 2021 – 2022 Lauren has also focussed on education for staff to enhance their ability to manage occupational violence and aggression in the workplace.

Lauren has continued to use her enormous wealth of knowledge and energy in supporting Heywood Rural Health to comply with its COVID-19 pandemic commitments and compliance; more importantly, Lauren's initiatives and resourcefulness have provided Heywood Rural Health with the resources and training needed to address work-related stress, workload, calling-out poor performance and bullying/harassment – (see People Matter Survey Note on page 8).



Minister for Health Visit on the 30th March 2022. Photo from left: Phil Saunders (Board Chair, Hon Martin Foley (Minister for Health) and Leigh Parker (Chief Executive Officer)

People Matter Survey

Heywood Rural Health participated in the People Matter Survey in the latter part of 2021; some 54% of staff completed the Survey. At Heywood Rural Health, Workplace Coach Lauren Newman had oversight of this Survey and was kept extremely busy promoting and encouraging staff to participate and have a voice.

A summary of several noteworthy outcomes is detailed as follows:

Question	HRH 2021	HRH 2020	Comparator Group 2021
Gender is not a barrier to success in my organisation	92%	-*	86%
I am able to work effectively with others outside my immediate workgroup	91%	88%	89%
I feel that I can make a worthwhile contribution at work	91%	85%	89%
My organization would support me if I needed to take family violence leave	91%	-*	81%
Age is not a barrier to success in my organisation	89%	-*	81%
My manager treats employees with dignity and respect	88%	-*	82%
My workgroup strives to deliver services in a timely manner	88%	-*	86%
I understand how the Charter of Human Rights and Responsibilities applies to my work	88%	-*	89%

*Not considered: reduced Survey undertaken during COVID - 19.

NOTE: This Survey also highlighted the following matters we needed to address during 2021 - 2022:

- Work-Related stress/workload;
- Instilling in staff the willingness to call-out poor work practices; and
- Bullying & Harassment/Culture Work Plan.

Training

Training continued throughout the year, albeit some Staff Development Days were conducted via the online platform, Teams due to COVID-19 restrictions.

Occupational Health and Safety (OH&S)

The OH&S Committee continued to meet throughout the year; unfortunately, staff pressures resulting from COVID-19 imposts and mobility restrictions continued to cause interruptions to programmed, regular meetings. In the latter half of the year (May 2022), Heywood Rural Health has been successful in employing a dedicated OH&S Co-Ordinator and Support Person.

Industrial Relations

I am pleased to report there were no industrial disputes or industrial unrest throughout the 2021 – 2022 year.

STRATEGIC DIRECTION: Collaborations

Heywood Rural Health enjoys a healthy relationship with the local community and other key stakeholder individuals, groups and organisations.

The Board commissioned consultant Claire Edwards from TAG Health to prepare the 2021-2024 Strategic Plan for the Health Service. Preparation of the plan took into consideration over six hundred individual pieces of feedback from the community and our key stakeholders. Feedback came in many forms ranging from online and telephone based surveys, group meetings and on the spot interviews at the Heywood Bakery.

Heywood Rural Health is aiming to submit its next Strategic Plan to the Victorian Department of Health by September 30th 2022.

Peter's Project – Palliative Care Room – Yana ngathuk-a-wurn I (I'm going home)

Heywood Rural Health was fortunate to receive a donation from the Peter's Project Foundation in 2020 for the refurbishment of RSL room 3 (RSL3) turning it into a warm and caring palliative care space. Timely completion of the project was impeded by various pandemic restrictions in place over the course of the year.

The funding provided by the foundation enabled Heywood Rural Health to completely re-paint RSL3 and ensuite, install new soft furnishings, cabinetry and replace ensuite furniture and fittings.

Fittingly, the refurbishment was opened by Ms Vickie Jellie OAM a founding member of the Peter's Project Foundation on 9 February 2022.

HRH was privileged to welcome Aunty Janice Lovett representing Winda Mara who spoke to those present at the opening ceremony on the local aboriginal meaning of the word gifted by local elders to HRH in the naming of the room – *Yana ngathuk-a-wurn I (I'm going home)*.

STRATEGIC DIRECTION: Sustainability

Despite operating in another challenging year we are pleased to report that the Health Service recorded an operating surplus of \$36K. Once again this financial result was underpinned by the COVID financial support provided by the Department of Health.

This result is the third successive operating surplus for Heywood Rural Health, demonstrating strong financial management and oversight.

Heywood Rural Health continues to maintain a strong Balance Sheet because of our strong focus on financial governance and stewardship. Our disciplined focus on cash flow management has seen total cash and cash equivalents increase during the financial year from \$7.521M to \$9.174M including \$5,653M in monies held in trust.

This increase in cash held provides the Health Service with an opportunity to consider various asset investments that align with our strategic plan.

It is pleasing to report that in the middle of the year, Heywood Rural Health returned to *standard performance* monitoring by the Department having spent in excess of two years on *performance support*.

The return to standard monitoring was in recognition that the Heywood Rural Health Board and Leadership team had addressed the most significant risks and issues previously identified by the Department of Health such as financial viability and accreditation.

Facilities, Equipment and Technology

Construction of the long awaited multi-purpose room within the Community Health Hub and our new reception was completed by Ultrabuild Construction Pty. Ltd. in the first half of the year. We were delighted that Jason Kanoa, Chief Executive Officer of Winda Mara was able to join with us and

officially open the new space at our Annual General Meeting held on 3 December 2021.

The new multi-purpose room has been named the *Moorayt* room meaning “active” or “activity” in the local indigenous language shared with us by the traditional owners of the land on which we operate Heywood Rural Health.

Our thanks go to the entire Community Health team who continued to work whilst construction took place which generated additional noise, dust and disruption.

Aged Care Kitchenette

Ultrabuild Construction Pty. Ltd. also completed the refurbishment of the aged care kitchenette during the year. The final design of the kitchenette was contributed to by resident and staff feedback to ensure it met the needs of all users. The construction team transformed what was a dysfunctional food service area into a modern kitchenette that meets the needs of both residents and staff alike, including being accessible friendly.

Upon completion and first use it was pleasing for the Health Service to receive positive resident comments such as *“I like it all open, we can see what’s going on, the girls finally got some room to move and they are all happy”*.

ICT Refresh

The Health Service commenced a project to overhaul the back of house network equipment thanks to Rural Health Infrastructure

Funding (RHIF) of \$216K from the Victorian Health Building Authority (VHBA).

The project will see the Health Service replace network routers, switches, wireless access points and telephone handsets that have all been deemed past “end of life”.

In addition, the project will deliver new resident telephone handsets that will be incorporated into the Health Service phone system, enabling incoming and outgoing calls to be made by residents with little to no expense.

The pandemic has taught us the health benefits of fresh air, with this in mind Heywood Rural Health will be installing seven outdoor wireless access points that will provide network and internet coverage to our garden and grounds. This future initiative will support staff who may choose to spend some time working outdoors in fresh air and sunlight, as opposed to traditional indoor offices and meeting rooms; which is one benefit learned from the pandemic experience, in addition to all staff and board directors embracing online meeting platforms.

Infrastructure funding opportunities

During the year the Health Service was successful in its submission for RHIF funding for the replacement of old and worn residential aged care beds to the amount of \$30K. This funding allocation enabled fifteen new beds to be purchased and installed. The Asset Management and Planning Committee

oversees planning to improve infrastructure and all works, reporting activity to the Board on a monthly basis.

A second RHIF application to remedy issues with the location of our current lifting rails was also successful, an amount of \$120K was allocated by Victorian Health Building Authority for this project.

We take this opportunity to thank the Department of Health for both of these funding contributions and the \$216K towards the ICT refresh.

Home Care Packages

One of the sustainable success stories has been the 57.5% growth in the number of Home Care Package recipients that the Health Service manages over the past year. The Board made the strategic decision to invest in this area of the organisation by supporting the engagement of a Home Care Packages Lead to grow and develop the home care packages program. Kylie Jenkins was appointed to this role in September 2021 and has contributed along with the rest of this team to the incremental and sustained growth in package numbers. We proudly deliver care services to a growing number of members of the community in the greater Heywood region.

Acknowledgements

On behalf of the Board of Directors we also sincerely thank our donors, local service clubs, General Practitioners, staff, volunteers, contractors, SWARH staff, suppliers and the local community for their continued support and assistance throughout the year.

In particular we acknowledge the continued support of the Department of Health. Our thanks also go to staff within the Victorian Health Building Authority.

It would be remiss not to acknowledge the contributions of Board Director's Phil Saunders, Deb Loraine and Jacki Price for their knowledge, experience and assistance as the Health Services responded to a variety of challenges. A combined eighteen years of Board Director experience retired from the Board as at 30 June 2022.

We look forward to another busy and challenging year as we continue to finalise funded infrastructure projects, undergo various accreditation visits and implement the recommendations of the Royal Commission into Aged Care Quality and Safety to improve resident and consumer experiences and safety at Heywood Rural Health.

Finally, we will continue to focus on our greatest asset, our workforce, to listen to their experiences, ideas and feedback and work with them to improve engagement, safety and wellbeing.



Karyn Cook
Chair
Board of Directors
30 June 2022



Leigh Parker
Chief Executive Officer
30 June 2022



Performance at a glance

	2022	2021	2020	2019	2018
	\$000	\$000	\$000	\$000	\$000
Operating Result*	36	14	5	43	(21)
Total Revenue	11,088	10,500	9,915	9,226	9,524
Total Expenses	11,396	(10,934)	(10,262)	(9,729)	(9,401)
Net Result from transactions	(308)	(434)	(347)	(505)	123
Total other economic flows	(35)	75	(45)	(60)	(19)
Net Result	(343)	(359)	(392)	(563)	104
Total Assets	23,676	21,860	21,449	22,352	21,972
Total Liabilities	8,691	6,701	5,931	6,424	5,786
Net Assets / Total Equity	14,985	15,159	15,518	15,928	16,186

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

Reconciliation of Net Result from Transactions and Operating Result

	2021-22 (\$000)
Net operating result *	36
Capital purpose income	894
Specific income	N/A
COVID 19 State Supply Arrangements - Assets received free of charge or for nil consideration under the State Supply	81
State supply items consumed up to 30 June 2022	(81)
Assets provided free of charge	N/A
Assets received free of charge	N/A
Expenditure for capital purpose	(53)
Depreciation and amortisation	(1,172)
Impairment of non-financial assets	N/A
Finance costs (other)	(13)
Net result from transactions	(308)

* The net operating result is the result which the Health Service is monitored against in its Statement of Priorities.

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 2022.



Karyn Cook
Chair
Board of Directors
23 August 2022



Leigh Parker
Chief Executive Officer
23 August 2022

Board of Directors



BOARD CHAIR

Phil Saunders

Appointed: 1/7/2013
Term Expires: 30/6/2022

Committees:

Finance, Risk & Audit
Asset Management & Planning
Executive Remuneration & Governance (Chair)



DEPUTY CHAIR

Lauren Easson

Appointed: 1/7/2020
Term Expires: 30/6/2023

Committees:

Finance, Risk & Audit (Chair)
Asset Management & Planning
Executive Remuneration & Governance



DIRECTOR

Cathryn Patterson

Appointed: 1/7/2016
Term Expires: 30/6/2022

Committees:

Consumer Advisory



DIRECTOR

Anthony Oxford

Appointed: 1/7/2018
Term Expires: 30/6/2024

Committees:

Clinical Governance



DIRECTOR

Max Oberlander

Appointed: 1/7/2018
Term Expires: 30/6/2024

Committees:

Consumer Advisory



DIRECTOR

Karyn Cook

Appointed: 1/7/2019
Term Expires: 30/6/2022

Committees:

Clinical Governance (Chair)
Asset Management & Planning (Chair)



DIRECTOR

Jackie Price

Appointed: 1/7/2019
Term Expires: 30/6/2022

Committees:

Clinical Governance
Executive Remuneration & Governance



DIRECTOR

Deb Loraine

Appointed: 1/7/2016
Term Expires: 30/6/ 2022

Committees:

Finance, Risk & Audit
Executive Remuneration & Governance



DIRECTOR

Courtney Hoggan

Appointed: 1/7/2020
Term Expires: 30/6/2023

Committees:

Clinical Governance
Consumer Advisory Chair)



DIRECTOR

Jill Warne

Appointed: 1/7/2021
Term Expires: 30/6/2025

Committees:

Clinical Governance



BOARD OF DIRECTORS MEETING ATTENDANCE 2021-2022

Phil Saunders	91%	10/11	Karyn Cook	100%	11/11
Deb Loraine	73%	8/11	Jackie Price	73%	8/11
Cathryn Patterson	82%	9/11	Lauren Easson	73%	8/11
Anthony Oxford	54%	6/11	Courtney Hoggan	82%	9/11
Max Oberlander	45%	5/11	Jill Warne	91%	10/11

The Board of Heywood Rural Health is responsible for governance and legislative compliance and works within the framework of the *Health Services Act 1988* to establish policies and deliver, within its financial limitations, a strategic direction for the management of Heywood Rural Health. Members of the Board of Directors are appointed by the Governor-in-Council on the recommendation of the Minister for Health. The usual term of office is three years, with members able to seek re-appointment.

To ensure the Board maintains its ability to undertake its role, Board Directors participate in ongoing education programs. During the year to improve governance performance, Board Directors participated in a self-assessment process to gauge their knowledge and understanding of governance matters, and the maturity of governance systems and processes using the program; *GovernWith*.

Pecuniary and Conflict of Interest

At the commencement of each Board meeting, Directors are asked to declare pecuniary and conflict of interest. There were three standing pecuniary interests declared at each Board meeting.

Board Meetings

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

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

Finance Risk & Audit Committee

This committee oversees the development and monitoring of the organisation's annual strategic financial plan and risk management systems. The purpose of Finance, Risk & Audit Committee is to assist the Board in the effective discharge of its responsibilities for financial reporting, risk management, internal controls and compliance with statutory requirements. The Finance Committee does not relieve any Board Directors of their responsibilities for these matters.

The Finance, Risk & Audit committee meets on the 3rd Tuesday of each calendar month.



Residents from the Aged Care Facility attending their regular meeting with Quality & Risk Manager to discuss ideas, improvements and what is being done well.

Clinical Governance Committee

Heywood Rural Health’s Clinical Governance Committee’s primary function is to assist the Board of Directors to ensure high standard of quality health care, continuous improvement of service, and an environment that supports clinical excellence across Heywood Rural Health.

The Committee has a Governance role centred on improvement strategy and ensuring that this is translated into effective organisational practice in ensuring safe and high quality care.

The Clinical Governance Committee specifically reviews, monitors and evaluates the effectiveness of initiatives around the following domains within the Clinical Governance Framework:

- Leadership and Culture;
- Risk Management;
- Clinical Practice;
- Effective Workforce; and
- Partnering with Consumers

The Committee is responsible for ensuring the organisation

provides effective clinical governance.

The Clinical Governance committee meets on the 3rd Tuesday of each calendar month.

Executive Remuneration & Governance Committee

The purpose of Executive Remuneration and Governance Committee is to assist the Board in the effective discharge of its responsibilities for oversighting:

- The appointment of a Chief Executive Officer (as and when required);
- Setting and reviewing Executive remuneration; and
- Board appointment recommendations to the Minister for Health.

The Executive Remuneration and Governance Committee meets on an as needs basis.

Consumer Advisory Committee

The purpose of the Consumer Advisory Committee is to improve and enhance person and family driven care for all consumers,

by involving consumers in activities at all levels throughout Heywood Rural Health Service. By working together, the Consumer Advisory Committee provides a mechanism for the consumer voice to be addressed in the spirit of partnership, with the overall goal of providing the best care possible.

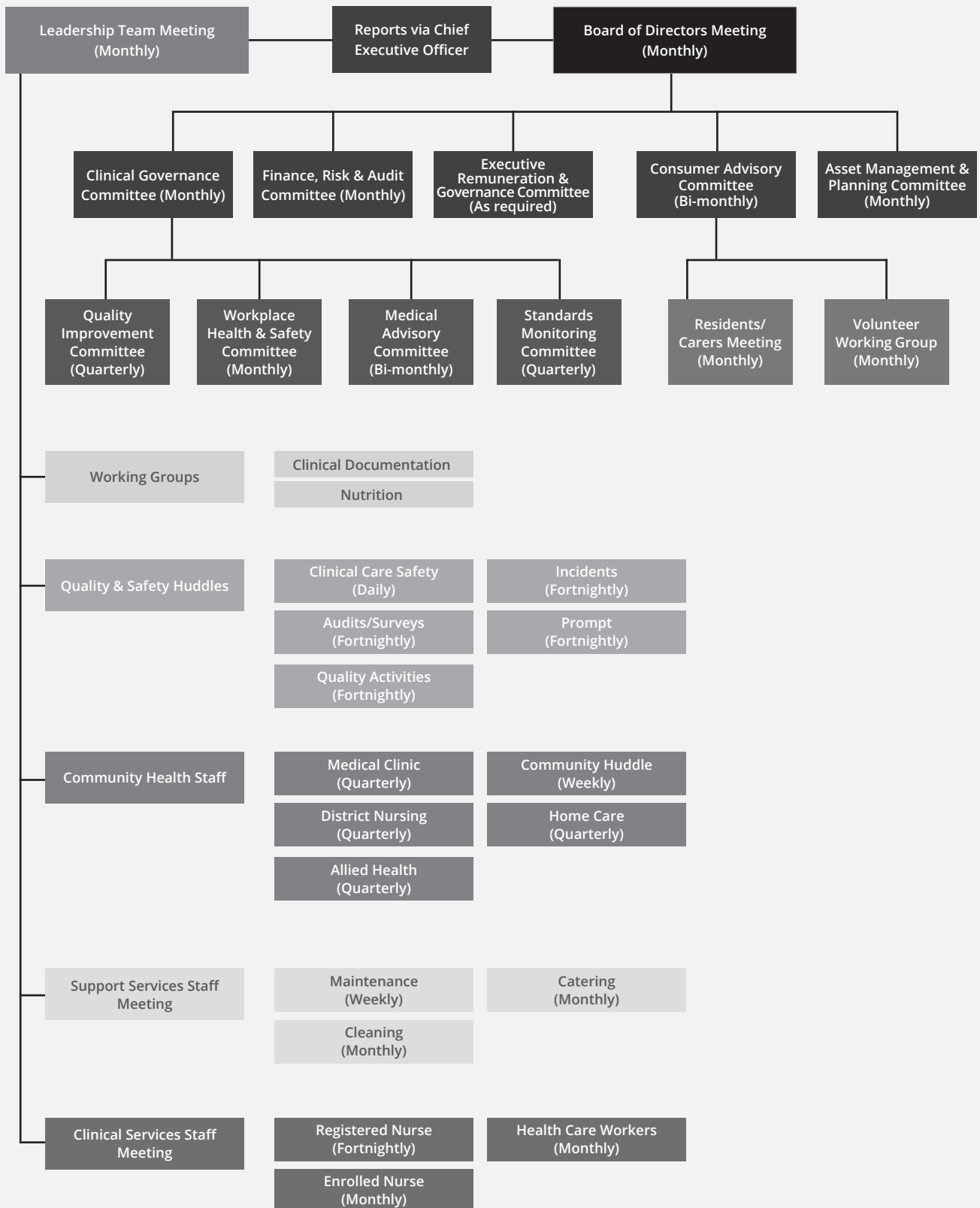
The committee meets on the 2nd Wednesday of each calendar month.

Asset Management and Planning Committee

The Asset Management and Planning Committee (AMPC) is a Committee of Heywood Rural Health. The Committee’s function is to report to the Board and provide advice and recommendations in accordance with the terms of reference. The Committee’s primary objective is to assist the Board of Directors in corporate governance oversight of Heywood Rural Health’s building and infrastructure program.

The committee meets on the 3rd Wednesday of each calendar month.

Committee / Meeting Structure



Leadership Team



Mr Leigh Parker
Chief Executive Officer



Ms Glynis Dean
Director Clinical Services
Commenced: 30th
August 2021



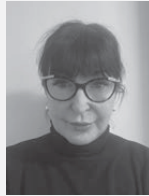
Ms Jennie Stinson
Finance Manager



Mr Peter Davies
People and Culture
Manager



Ms Jacki Barnett
Community Health Hub
Manager



Mrs Katrina Perroud
Quality & Risk Manager



Mrs Rachael Moore
Innovation/Business
Manager



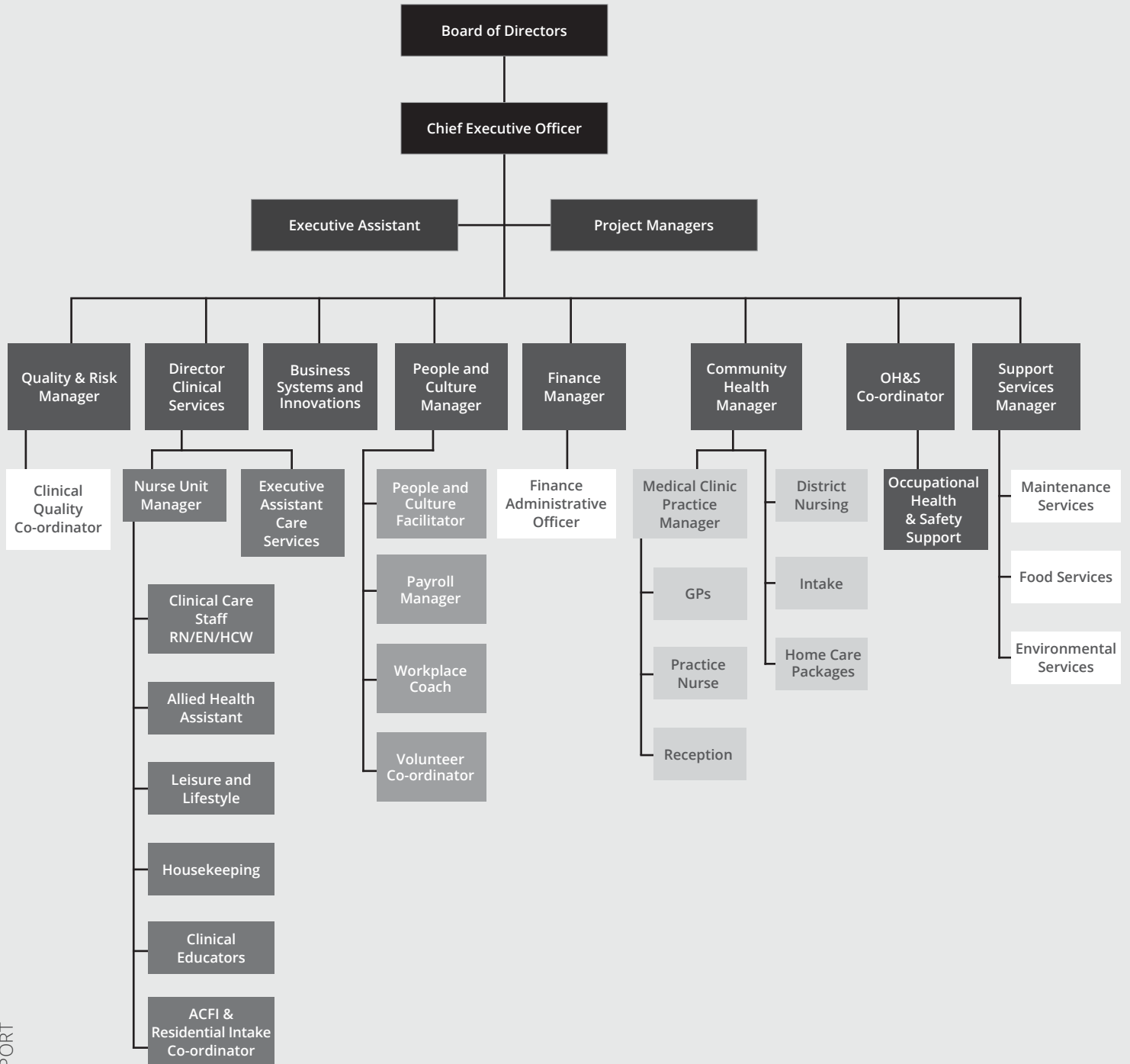
Mr Leigh Beddows
Support Services
Manager



Ms Lauren Newman
Workplace Coach



Organisational Chart



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 low level acute beds, primary and community health programs and residential aged care services. The Health Service has 5 acute inpatient beds; 45 Aged Care beds, comprising a combination of high and low care. Heywood Rural Health also has a Community Health Hub, which includes a medical clinic, allied health and community nursing services, home care, pathology services and meals on wheels.

Heywood Rural Health is funded by the Victorian Department of Health 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.

Our Highlights:

- **Operating surplus of \$36K**
- Visit by the Minister for Health the honorable Martin Foley MP in March 2022
- Completed the construction of the new reception and community health multi-purpose space 'Moorayt room' which was officially opened on 3 December 2021.
- Completed the refurbishment of the Residential Aged Care Kitchenette.
- Creation of a dedicated Palliative Care room in the RSL wing which was completed and officially opened in February 2022.
- Establishment of a residential-in-reach Nurse Practitioner service in collaboration with Portland District Health.
- Commenced the development of the next Strategic Plan in conjunction with staff, residents, consumers, volunteers and members of the local community. Over 600+ pieces of feedback gathered during the consultation phase.
- Development of our first Gender Equality Action Plan
- Increased staff participation rate in the Victorian Public Sector Commission 2021 People Matter Survey from 49% to 54%
- Recorded 57% growth in the number of Home Care Package recipients managed by Heywood Rural Health.

Our Community

2,786 people live in Heywood, a rural town situated in the heart of Victoria's discovery coast, within the Glenelg Shire region and in close proximity to the larger communities of Portland, Warrnambool, Hamilton and Mount Gambier.

Our population comprises 51.3% male and 48.5% female. 4.9% of our population are Aboriginal and/or Torres Strait Islander people.¹ Our median age for the Heywood community is 49 years of age.

Our community consists of 725 families with an average of 1.8 children

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.

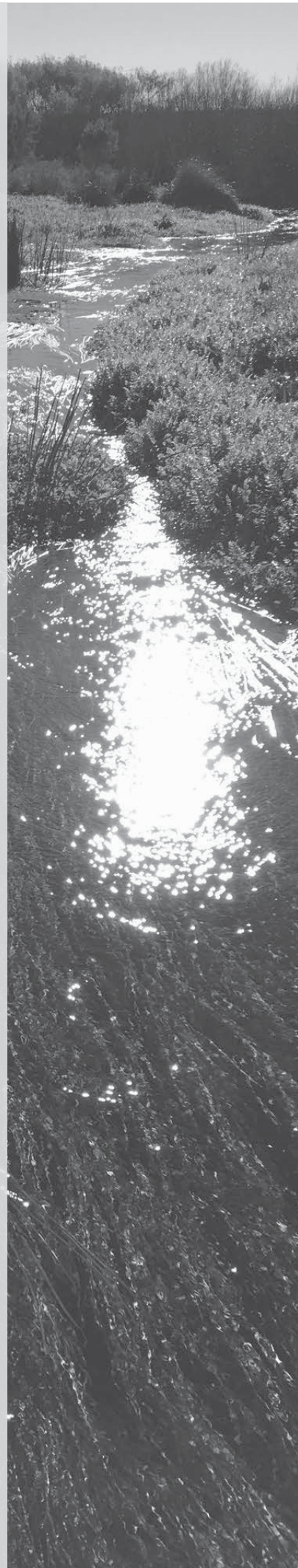
The most common ancestries in Heywood were Australian 40.4%, English 40.1%, Scottish 10.2%, Irish 10.5% and Aboriginal 5.0%.

Cultural diversity statistics indicate 81.6% of people were born in Australia followed by England 2.3%, New Zealand 1.9%, Netherlands 0.8%, Philippines 0.4% and Ireland 0.2%.²

Long term health conditions for the Heywood population include arthritis 13%, mental health (including depression or anxiety) 10.3%, asthma 7.9%, diabetes, 6.7% heart disease 4.8%, cancer 3.8%, lung condition 2.7%, stroke 1.2%, kidney disease 1.1% and dementia 0.9%.

1 Source: 2021 Census QuickStats

2 Source: 2021 Census QuickStats



Workforce Data

Industrial (Workforce) Key Performance Indicators

Labour Category: (FTE) Full Time Equivalent Staff

Labour category	JUNE current month FTE		Average Monthly FTE	
	2021	2022	2021	2022
Nursing	24.55	21.61	24.91	22.45
Administration and Clerical	15.73	18.10	15.90	17.07
Medical Support	0.00	0.00	0.00	0.00
Hotel and Allied Services	31.41	36.00	31.38	33.98
Medical Officers	0.00	0.00	0.00	0.00
Hospital Medical Officers	0.00	0.01	0.00	0.01
Sessional Clinicians	0.00	0.00	0.00	0.00
Ancillary Staff (Allied Health)	2.29	1.06	2.41	1.91

Occupational Health and Safety Data

Occupational Health and Safety Statistics	2021-22	2020-21	2019-20
The number of reported hazards/incidents for the year per 100 FTE	45	35	25
The number of 'lost time' standard WorkCover claims for the year per 100 FTE	6	3	3
The average cost per WorkCover claim for the year ('000)	\$10,066	\$8,865	\$2,059

Occupational Violence

Heywood Rural Health is committed to addressing occupational violence incidences.

During the reporting period, there were 30 incidents with nil WorkCover accepted claims.

Occupational violence statistics	2021-22
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	30
Number of occupational violence incidents reported per 100 FTE	40
Percentage of occupational violence incidents resulting in a staff injury, illness or condition	0

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 Governors

- Mr K.A Carter *
- Mrs P Carter *
- Mr J Cunningham *
- Mrs J Evans *
- Mr E.E Field*
- Mrs H Geier*
- Mrs M Handreck
- Mrs B Heeps
- Mr L.R. Holder
- Mr C Keating
- Mrs R Lane *
- Mr A Lynch *
- Mrs G Matthews *
- Mrs M Parry*
- Mr C.E. Pevitt*
- Mrs J Polkinghorn *
- Mr J.V Price
- Mr J.H Quayle
- Mrs L.B Quayle*
- Mrs E.J Rundell*
- Mr V Sibley*

* Deceased

Distinguished Service Awards

We acknowledged a number of staff and community members for their outstanding and continued long services to our organisation.

CEO Recognition Award

- Jacki Barnett
- Erin Wilson
- Corrina Rose
- Shelley Quinn
- Christine Rogers
- Kirsty Black

Staff Length of Service Awards

10 Years

- Paula Barclay
- Teodorina Wombwell
- Kate Polaski

15 Years

- Shelley Quin

25 years

- Kaye Childs

35 Years

- Kerry Breen
- Rhonda Finch

Manner of Establishment and Responsible Ministers

Heywood Rural Health is an incorporated body under, and regulated by, the Health Services Act 1988.

External Auditors

Victorian Auditor General's Office (VAGO)

Internal Auditors

Moore Australia

Solicitors

Health Legal (Melbourne)

Bank

Bendigo Bank
Westpac Bank

Responsible Persons Disclosure

The responsible Minister is the Minister for Health

1 July 2021 to 27 June 2022

The Hon. Martin Foley MP

Minister for Health
Minister for Ambulance Services
Minister for Equality

27 June 2022 to 30 June 2022

The Hon. Mary-Anne Thomas MP

Minister for Health
Minister for Ambulance Services

Other relevant Ministers

Minister for Mental Health

1 July 2021 to 27 June 2022

The Hon. James Merlino MP

Minister for Mental Health

27 June 2022 to 30 June 2022

The Hon. Gabrielle Williams MP

Minister for Mental Health
Minister for Treaty and First Persons

Minister for Disability, Ageing and Carers

1 July 2021 to 11 October 2021

The Hon. Luke Donnellan MP

Minister for Disability, Ageing and Carers
Minister for Child Protection

11 October 2021 to 6 December 2021

The Hon. James Merlino MP

Minister for Disability, Ageing and Carers

6 December 2021 to 27 June 2022

The Hon. Anthony Carbines MP

Minister for Disability, Ageing and Carers
Minister for Child Protection and Family Service

27 June 2022 to 30 June 2022

The Hon. Colin Brooks MP

Minister for Disability, Ageing and Carers
Minister for Child Protection and Family Services

Attestations

Financial Management Compliance attestation

I, Karyn Cook on behalf of the Responsible Body, certify that Heywood Rural Health has no Material Compliance Deficiency with respect to the applicable Standing Directions under the *Financial Management Act 1994* and Instructions.



Karyn Cook
Board Chair
Heywood Rural Health
23 August 2022

Data Integrity Declaration

I, Leigh Parker 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.



Leigh Parker
Accountable Officer
Heywood Rural Health
23 August 2022

Conflict of Interest Declaration

I, Leigh Parker 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.



Leigh Parker
Accountable Officer
Heywood Rural Health
23 August 2022

Integrity, Fraud and Corruption Declaration

I, Leigh Parker certify that Heywood Rural Health has put in place appropriate internal controls and processes to ensure that Integrity, fraud and corruption risks have been reviewed and addressed at Heywood Rural Health during the year.



Leigh Parker
Accountable Officer
Heywood Rural Health
23 August 2022



Compliance Information

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.

Consumers wishing to access documents should apply in writing to the FOI Officer at Heywood Rural Health.

In the year ended 30 June 2022, five applications for access to documents under the *Freedom of Information Act 1982* were received and acceded to.

For further information on Freedom of Information please visit: <https://www.oaic.gov.au/freedom-of-information>

Building Act 1993

All building works have been designed in accordance with the Department of Health's Capital Development Guidelines and comply with the *Building Act 1993*, Building Regulations 2006 and Building Code of Australia, relevant at the time of works. All contractors are appropriately qualified. There were two occupancy permits issued during the financial year. There was one Building Permit issued during the financial year.

Public Interest Disclosures Act 2012 (Vic)

The *Public Interest Disclosures Act 2012* enables people to make disclosures about improper conduct within the public sector without fear of reprisal. The Act aims to ensure openness and accountability by encouraging people to make disclosures and protecting them when they do. Heywood Rural Health complies with the requirements of the *Public Interest Disclosures Act 2012* and did not receive any disclosures in the 2021-22 financial year.

Statement of National Competition Policy

Heywood Rural Health complied with all government policies regarding competitive neutrality with respect to tender applications. All competitive neutrality requirements were met in accordance with Government costing policies for public hospitals.

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.

Environmental Performance

Heywood Rural Health remains committed to improving our environmental impact and strives to provide health care in an environmentally sound and sustainable manner. Our Leadership Team oversees environmental sustainability initiatives to ensure implementation of sound environmental practices in all areas of its operations.

In 2022 Heywood Rural Health achieved a 3 star NABERS water rating and a 4.5 star NABERS energy rating.

Key environmental achievements for 2021-2022:

- E-Waste disposal day
- Reduction in electricity usage by 17 MWh
- Reduction in LPG usage by 47 KJ
- Total utility spend per M2 -35.5% compared to peer group

Environmental impacts & energy use	2019-20	2020-21	2021-22
Energy use			
Electricity (MWh)	273	261	244
Liquefied Petroleum Gas (kL)	162	125	78
Carbon emissions (thousand tonnes of CO2e)			
Electricity	0.28	0.26	0.22
Liquefied Petroleum Gas	0.25	0.20	0.12
Total emissions	1	0	0.34
Water use (millions litres)			
Potable Water	5	5	6.46

Factors influencing environmental impacts	2019-20	2020-21	2021-22
Floor area (m2)	4,911	4,911	4,911
Separations	14	9	16
In-Patient Bed Days	289	107	178
Aged Care Bed Nights	15,487	14,366	14,075

Benchmarks 2021-22			
	Average for peer group	Your value	% above/below ave.
Carbon emissions			
CO2e(t) per m2	0.15	0.07	-55%
CO2e(t) per OBD	0.07	0.02	-64%
CO2e(t) per Seps	0.40	21.48	5243%
Water use			
kL per m2	1.26	1.32	4%
kL per OBD	0.54	0.45	-16%
kL per Seps	3.30	403.89	12157%
Expenditure rates			
Total utility spend (\$/m2)	42	26.77	-35.5%
Elec(\$/kWh)	0	0.21	0.8%
Gas(\$/gigajoules)	13	-	-100.0%
Potable Water(\$/kL)	4	4.44	17.2%
LPG(\$/kL)	669	666.64	-0.3%
Additional measures (not included in benchmarking chart)			
Total utility spend (\$/Separations)		8,217.10	
Total utility spend (\$/In-Patient Bed Days)		738.62	
Total utility spend (\$/Aged Care Bed Nights)		9.34	

General notes

1. Information in this report is sourced from data provided by retailers and in some cases data manually uploaded by health services into Eden Suite. Data has not been externally validated. All annual values represent a year ending 30 June.
2. Emissions are calculated using the carbon factors for the year in which the emissions were generated. For health services provided with energy (electricity and steam) under the co-generation ESA (energy services agreement) carbon factors provided by the energy retailer are used.
3. Electricity consumption values exclude line losses; some energy retailers include losses in reported values.
4. Occupied bed days (OBD) include both inpatient and aged care data, unless stated otherwise.

Local Jobs First Act 2003

Heywood Rural Health abides by the Local Jobs First Policy Act 2003. In 2021-2022 there were no contracts requiring disclosure under the Local Jobs First Policy.

Gender Equality Act 2020

The *Gender Equality Act 2020* commenced in March 2021 and is the first of its kind in Australia. The Act was developed in response to the 2016 Royal Commission into Family Violence which showed that Victoria needs to address gender inequality in order to reduce family violence and all forms of violence against women. The objectives of the Act are to:

- promote, encourage and facilitate the achievement of gender equality and improvement in the status of women
- support the identification and elimination of systemic causes of gender inequality in policy, programs and delivery of services in workplaces and communities
- recognise that gender inequality may be compounded by other forms of disadvantage or discrimination that a person may experience on the basis of Aboriginality, age, disability, ethnicity, gender identity, race, religion, sexual orientation and other attributes
- redress disadvantage, address stigma, stereotyping, prejudice and violence, and accommodate persons of different genders by way of structural change

- enhance economic and social participation by persons of different genders
- further promote the right to equality set out in the Charter of Human Rights and Responsibilities and the Convention on the Elimination of All Forms of Discrimination against Women

Heywood Rural Health is committed to the implementation of the *Gender Equality Act 2020*, and submitted our Gender Equality Action Plan (GEAP) to the *Commission for Gender Equality in the Public Sector* on the 20th of June 2022.

To inform the strategies and measures of the GEAP a workplace gender audit was conducted from 1st July 2021 to analyse workforce data from Human Resources and payroll, employee experience data from the Victorian public sector's annual People Matter Survey (PMS) and obtaining intersectionality data where available.

The Heywood Rural Health GEAP is currently awaiting approval from the *Commission for Gender Equality in the Public Sector*.

We will conduct a Gender Impact Assessment (GIA) of policies, programs and services that are new or due for review and have a direct and significant impact on the public. As part of this assessment we will review programs such as grants and public events, services such as public infrastructure development and community development and policies such as equal access and community engagement policies.

Heywood Rural Health is committed to removing barriers and to achieving equality, fairness and inclusion. We are in the process of reviewing our Anti-discrimination and Equal Opportunity policy to include Gender Equality and Workforce Inclusion. We are actively engaged in the following activities to meet our legislative requirements:

- Regular review of policies and procedures.
- Providing specific training on equal opportunity and anti-discrimination practices for staff.
- Make arrangements to meet cultural or faith needs as practicable.
- Provide access to materials in a range of languages suitable for our community.
- Provide appropriate training and encouragement for staff returning to work after a period of time discharging domestic or family responsibilities.
- Reinforcement of equal opportunities and discrimination throughout training programs.
- Regular organisational climate reviews to consider direct and indirect discrimination.

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*.

Additional Information available on Request

Details in respect of the items listed below have been retained by the health service and are available to the relevant Ministers, Members of Parliament and the public on request (subject to the freedom of information requirements, if applicable):

- a statement that declarations of pecuniary interests have been duly completed by all relevant officers;
- details of shares held by a senior officer as nominee or held beneficially in a statutory authority or subsidiary;
- details of publications produced by the entity about itself, and how these can be obtained;
- details of changes in prices, fees, charges, rates and levies charged by the entity;
- details of any major external reviews carried out on the entity;
- details of major research and development activities undertaken by the entity;
- details of overseas visits undertaken including a summary of the objectives and outcomes of each visit;
- details of major promotional, public relations and marketing activities undertaken by the entity to develop community awareness of the entity and its services;
- details of assessments and measures undertaken to improve the occupational health and safety of employees;
- a general statement on industrial relations within the entity and details of time lost through industrial accidents and disputes;
- a list of major committees sponsored by the entity, the purposes of each committee and the extent to which the purposes have been achieved; and
- details of all consultancies and contractors including:
 - (i) consultants/contractors engaged;
 - (ii) services provided; and
 - (iii) expenditure committed to for each engagement



Leigh Parker
Chief Executive Officer
23 August 2022

Consultancies Information

Details of Consultancies (Under \$10,000)

In 2021-22, there were 8 consultancies where the total fees payable to the consultants were less than \$10,000. The total expenditure incurred during 2021-22 in relation to these consultancies is \$37,100 (excl. GST).

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

In 2021-22, there were 5 consultancies where the total fees payable to the consultants were \$10,000 or greater. The total expenditure incurred during 2021-22 in relation to these consultancies is \$74,511 (excl. GST). Details of individual consultancies are below:

Consultant	Purpose of consultancy	Start date	End date	Total approved project fee (ex GST)	Expenditure 2021-2022 (ex GST)	Future expenditure (ex GST)
Lorraine Poulos & Associates Pty Ltd	Home Care Package Review	01/03/2022	01/05/2022	\$10,997	\$10,997	0
Cooper Hardiman Pty Ltd	HR Consultants	01/07/2021	30/06/2022	\$24,896	\$24,896	0
Creative Architects	Architect	01/05/2022	30/06/2022	\$12,320	\$12,320	0
The aligned Group Health Pty Ltd	Strategic Plan	01/11/2021	30/04/2022	\$15,300	\$15,300	0
Global Power Design	Project Management	01/07/2021	30/06/2022	\$10,998	\$10,998	0

ICT expenditure

The total ICT expenditure incurred during 2021-2022 is \$0.358 million (excluding GST) with the details shown below:

Business as Usual (BAU) ICT expenditure	NonBusiness as Usual (nonBAU) ICT expenditure		
Total (excluding GST)	Total=Operational expenditure and Capital Expenditure (excluding GST)	Operational expenditure (ex GST)	Capital expenditure (ex GST)
\$0.301 million	\$0.057 million	Nil	\$0.057 million

Statement of Priorities

Part A:

In 2021-2022, Heywood Rural Health assisted with the following state-wide priorities to develop and implement important system reforms, including modernising our health system through redesigned governance; driving system reforms that deliver better population health, high quality care and improved patient outcomes and experiences; and reforming clinical services to ensure we are delivering our community the best value care.

STRATEGIC PRIORITIES	OUTCOMES
<p>Maintain your robust COVID-19 readiness and response, working with my department to ensure we rapidly respond to outbreaks, if and when they occur, which includes providing testing for your community and staff, where necessary and if required. This includes preparing to participate in, and assist with, the implementation of our COVID-19 vaccine immunisation program rollout, ensuring your local community's confidence in the program.</p>	<ul style="list-style-type: none"> - Throughout the year the Health Service continually reviewed and updated Heywood Rural Health COVID-19 outbreak plan. - Heywood Rural Health ensured administration of COVID-19 vaccinations to all Health Service staff and aged care residents occurred in accordance with compliance obligations; - Delivery of COVID-19 vaccinations to members of the community via the Heywood Rural Health Medical clinic. - Provided COVID-19 testing of the community and staff where required.
<p>Actively collaborate on the development and delivery of priorities within your Health Service Partnership, contribute to inclusive and consensus-based decision-making, support optimum utilisation of services, facilities and resources within the Partnership, and be collectively accountable for delivering against Partnership accountabilities as set out in the <i>Health Service Partnership Policy and Guidelines</i></p>	<ul style="list-style-type: none"> - Officers of Heywood Rural Health attended meetings of the Health Service Partnership held throughout the year. - Heywood Rural Health worked in collaboration with other Health Service Partnership agencies and local government in terms of Outbreak readiness.



Staff preparing freshly cooked meal for Meals on Wheels clients.

<p>Engage with your community to address the needs of patients, especially our vulnerable Victorians whose care has been delayed due to the pandemic and provide the necessary “catch-up” care to support them to get back on track. Work collaboratively with your Health Service Partnership to:</p> <ul style="list-style-type: none"> – implement the <i>Better at Home</i> initiative to enhance in-home and virtual models of patient care when it is safe, appropriate and consistent with patient preference. – improve elective surgery performance and ensure that patients who have waited longer than clinically recommended for treatment have their needs addressed as a priority. 	<ul style="list-style-type: none"> – Heywood Rural Health participated in the development and introduction of the 2021-2022 strategic priorities for the Barwon South West region including: <ul style="list-style-type: none"> ○ Implementation of the \$120.9 million <i>Better at Home</i> initiative ○ Support for the Telehealth strategy – Heywood Rural Health worked with other partnership agencies in the sub-region to deliver the <i>Better at Home</i> initiative. – The Better@Home program supports health services to care for more patients at home or closer to home. This collaboration across the Barwon South West region has built upon the range of services delivered at home and via virtual care (telehealth) – video and remote patient monitoring. – The Better@Home program has seen increased access to care across a range of services in the Barwon South West including Hospital in the Home, Rehabilitation, Geriatric Evaluation Management and Hospital Admission Risk Program. Heywood Rural Health will continue to progress the Better@Home initiatives in the local community over the next twelve months.
<p>Address critical mental health demand pressures and support the implementation of mental health system reforms to embed integrated mental health and suicide prevention pathways for people with, or at risk of, mental illness or suicide through a whole-of system approach as an active participant in your Health Service Partnership and through your Partnership’s engagement with Regional Mental Health and Wellbeing Boards.</p>	<ul style="list-style-type: none"> – Heywood Rural Health works with partner agencies in the sub-region to deliver mental health services within its organisational capacity. – The Health Service provides referral services where deemed appropriate and/or necessary.
<p>Embed the Aboriginal and Torres Strait Islander Cultural Safety Framework into your organisation and build a continuous quality improvement approach to improving cultural safety, underpinned by Aboriginal self-determination, to ensure delivery of culturally safe care to Aboriginal patients and families, and to provide culturally safe workplaces for Aboriginal employees.</p>	<ul style="list-style-type: none"> – The Health Service has begun embedding the Aboriginal and Torres Strait Island Cultural Safety Framework throughout the organisation. – All Health Service Board, Committee and internal meetings commence with an acknowledgement to Country. – Significant ceremonial events commence with a representative from Winda Mara Aboriginal Corporation conducting a Welcome to Country.

Part B: Key 2021/22 Health Service Performance Priorities

High quality and safe care

Key performance measure	Target	Outcome
Infection prevention and control		
Compliance with the Hand Hygiene Australia program	85%	86.5%
Percentage of healthcare workers immunised for influenza	92%	93%
Patient experience		
Victorian Healthcare Experience Survey – percentage of positive patient experience responses	95%	*

* Result suppressed due to less than 10 responses.

Strong governance, leadership and culture

Key performance measure	Target	Outcome
Organisational culture		
People matter survey – Percentage of staff with an overall positive response to safety culture survey	62%	73%

Effective financial management

Key performance measure	Target	Outcome
Operating result (\$m)	\$0.00	\$0.04M
Average number of days to pay trade creditors	60 days	25
Average number of days to receive patient fee debtors	60 days	41
Public and Private NWAU activity performance to target	100%	Not Applicable
Adjusted current asset ratio	0.7 or 3% improvement from health service base target	1.27
Actual number of days available cash, measured on the last day of each month.	14 days	117 days
Variance between forecast and actual Net result from transactions (NRFT) for the current financial year ending 30 June.	Variance ≤ \$250,000	0.10

Disclosure Index

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

Ministerial Direction

Report of Operations

Legislation	Requirement	Page Reference
Charter and purpose		
FRD 22	Manner of establishment and the relevant Ministers	23
FRD 22	Purpose, functions, powers and duties	14
FRD 22	Nature and range of services provided	19
FRD 22	Activities, programs and achievements for the reporting period	19
FRD 22	Significant changes in key initiatives and expectations for the future	5
Management and structure		
FRD 22	Organisational structure	18
FRD 22	Workforce data/ employment and conduct principles	21
FRD 22	Occupational Health and Safety	21
Financial information		
FRD 22	Summary of the financial results for the year	12
FRD 22	Significant changes in financial position during the year	32
FRD 22	Operational and budgetary objectives and performance against objectives	32
FRD 22	Subsequent events	Financials
FRD 22	Details of consultancies under \$10,000	29
FRD 22	Details of consultancies over \$10,000	29
FRD 22	Disclosure of ICT expenditure	29

Disclosure Index cont.

Legislation	Requirement	Page Reference
FRD 22	Application and operation of <i>Freedom of Information Act 1982</i>	25
FRD 22	Compliance with building and maintenance provisions of <i>Building Act 1993</i>	25
FRD 22	Application and operation of <i>Public Interest Disclosure Act 2012</i>	25
FRD 22	Statement on National Competition Policy	25
FRD 22	Application and operation of <i>Carers Recognition Act 2012</i>	25
FRD 22	Summary of the entity's environmental performance	25
FRD 22	Additional information available on request	28

Other relevant reporting directives

FRD 25	<i>Local Jobs First Act 2003</i> disclosures	27
SD 5.1.4	Financial Management Compliance attestation	24
SD 5.2.3	Declaration in report of operations	11

Attestations

Attestation on Data Integrity	24
Attestation on managing Conflicts of Interest	24
Attestation on Integrity, fraud and corruption	24

Other reporting requirements

Reporting of outcomes from Statement of Priorities 2021-2022	30
Occupational Violence reporting	21
Gender Equality Act 2020	27
Reporting obligations under the <i>Safe Patient Care Act 2015</i>	27



Financial Report

2021/2022

Statement of Certification

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

Financial Statements Financial Year ended 30 June 2022

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

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

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2022 and the financial position of Heywood Rural Health at 30 June 2022.

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

We authorise the attached financial statements for issue on 23 August 2022.

Board member



Karyn Cook
Board Chair
Heywood Rural Health
23 August 2022

Accountable Officer



Leigh Parker
Chief Executive Officer
Heywood Rural Health
23 August 2022

Chief Finance & Accounting Officer



Jennie Stinson
Chief Finance and Accounting Officer
Heywood Rural Health
23 August 2022



Victorian Auditor-General's Office

Independent Auditor's Report

To the Board of Heywood Rural Health

Opinion	<p>I have audited the financial report of Heywood Rural Health (the health service) which comprises the:</p> <ul style="list-style-type: none">• Balance sheet as at 30 June 2022• Comprehensive Operating Statement for the year then ended• Statement of Changes in Equity for the year then ended• Cash Flow Statement for the year then ended• Notes to the financial statements, including significant accounting policies• Board member's, accountable officer's, and chief finance & accounting officer's declaration. <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the health service as at 30 June 2022 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <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>
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

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

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.



Dominika Ryan

as delegate for the Auditor-General of Victoria

MELBOURNE
19 September 2022

Comprehensive Operating Statement

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

	Note	2022 \$'000	2021 \$'000
Revenue and income from transactions			
Operating activities	2.1	10,711	10,051
Non-operating activities	2.1	36	38
Share of revenue from joint operations	8.7	341	411
Total revenue and income from transactions		11,088	10,500
Expenses from transactions			
Employee expenses	3.1	(8,062)	(7,739)
Supplies and consumables	3.1	(601)	(555)
Finance costs	3.1	(12)	(5)
Depreciation and amortisation	4.4	(1,172)	(1,168)
Share of expenditure from joint operations	8.7	(343)	(374)
Other administrative expenses	3.1	(883)	(758)
Other operating expenses	3.1	(323)	(335)
Total Expenses from transactions		(11,396)	(10,934)
Net result from transactions - net operating balance		(308)	(434)
Other economic flows included in net result			
Net gain/(loss) on sale of non-financial assets	3.2	15	28
Net gain/(loss) on financial instruments	3.2	-	16
Share of other economic flows from joint arrangements	8.7	(1)	2
Other gain/(loss) from other economic flows	3.2	(49)	29
Total other economic flows included in net result		(35)	75
Net result for the year		(343)	(359)
Other economic flows - other comprehensive income			
Items that will not be reclassified to net result			
Changes in property, plant and equipment revaluation surplus	4.1(b)	2,350	-
Total other comprehensive income		2,350	-
Comprehensive result for the year		2,007	(359)

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

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

Balance Sheet

AS AT 30 JUNE 2022

	Note	2022 \$'000	2021 \$'000
Current assets			
Cash and cash equivalents	6.2	9,174	7,521
Receivables and contract assets	5.1	386	355
Investments and other financial assets		2	2
Share of assets in joint operations	8.7	444	280
Prepaid expenses		66	58
Total current assets		10,072	8,216
Non-current assets			
Receivables and contract assets	5.1	274	74
Share of assets in joint operations	8.7	134	175
Property, plant and equipment	4.1(a)	15,544	13,294
Right of use assets	4.2(a)	49	71
Investments accounted for using equity method	8.8	28	30
Total non-current assets		16,029	13,644
Total assets		26,101	21,860
Current liabilities			
Payables and contract liabilities	5.2	584	636
Borrowings	6.1	24	41
Employee benefits	3.3	1,615	1,307
Share of liabilities in joint operations	8.7	432	296
Other liabilities	5.3	5,999	4,086
Total current liabilities		8,654	6,366
Non-current liabilities			
Borrowings	6.1	55	79
Employee benefits	3.3	187	207
Share of liabilities in joint operations	8.7	39	49
Total non-current liabilities		281	335
Total liabilities		8,935	6,701
Net assets		17,166	15,159
Equity			
Revaluation surplus	4.3	17,425	15,075
Restricted specific purpose reserve	SCE	257	257
Contributed capital	SCE	5,774	5,774
Accumulated surplus/(deficit)	SCE	(6,290)	(5,947)
Total equity		17,166	15,159

This balance sheet should be read in conjunction with the accompanying notes.

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

Statement of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

	Property, Plant and Equipment Revaluation Surplus \$'000	Restricted Specific Purpose Reserve \$'000	Contributed Capital \$'000	Accumulated (Deficit) \$'000	Total \$'000
Balance at 1 July 2020	15,075	257	5,774	(5,588)	15,518
Net result for the year	-	-	-	(359)	(359)
Balance at 30 June 2021	15,075	257	5,774	(5,947)	15,159
Net result for the year	-	-	-	(343)	(343)
Other comprehensive income for the year	2,350	-	-	-	2,350
Balance at 30 June 2022	17,425	257	5,774	(6,290)	17,166

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

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

Cash Flow Statement

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

	2022	2021
Note	\$'000	\$'000
Cash Flows from operating activities		
Operating grants from Government	8,227	8,369
Capital grants from State Government	473	118
Patient fees received	934	1,321
Donations and bequests received	-	72
GST received from ATO	7	-
Interest and investment income received	32	24
Other receipts received	713	791
Total receipts	10,386	10,695
Employee expenses	(7,843)	(7,761)
Payments for supplies and consumables	(520)	(484)
Payments for other expenses	(1,252)	(1,170)
Finance costs	(12)	(6)
GST paid to ATO	-	(15)
Payment for share of rural health alliance	-	(205)
Total payments	(9,627)	(9,641)
Net cash flows from/(used in) operating activities	8.1 759	1,054
Cash Flows from investing activities		
Proceeds from sale of non-financial assets	23	44
Purchase of non-financial assets	(1,058)	(697)
Net cash flows from/(used in) investing activities	(1,035)	(653)
Cash flows from financing activities		
Repayment of borrowings	(41)	(32)
Receipt of borrowings	-	72
Repayment of accommodation deposits	(1,665)	(600)
Receipt of accommodation deposits	3,635	1,040
Net cash flows from/(used in) financing activities	1,929	480
Net increase/(decrease) in cash and cash equivalents held	1,653	881
Cash and cash equivalents at beginning of year	7,521	6,640
Cash and cash equivalents at end of year	6.2 9,174	7,521

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

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

Note 1: Basis of preparation

Structure

- 1.1 Basis of preparation of the financial statements**
- 1.2 Impact of COVID-19 pandemic**
- 1.3 Abbreviations and terminology used in the financial statements**
- 1.4 Joint arrangements**
- 1.5 Key accounting estimates and judgements**
- 1.6 Accounting standards issued but not yet effective**
- 1.7 Goods and Services Tax (GST)**
- 1.8 Reporting entity**

These financial statements represent the audited general purpose financial statements for Heywood Rural Health for the year ended 30 June 2022. The report provides users with information about Heywood Rural Health's stewardship of the resources entrusted to it.

This section explains the basis of preparing the financial statements.

Note 1.1: Basis of preparation of the financial statements

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

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

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

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

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

The financial statements have been prepared on a going concern basis (refer to Note 8.10 Economic Dependency). The financial statements are presented in Australian dollars.

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

The annual financial statements were authorised for issue by the Board of Heywood Rural Health on 23 August 2022.

Notes to the financial statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

Note 1.2 Impact of COVID-19 pandemic

In March 2020 a state of emergency was declared in Victoria due to the global coronavirus pandemic, known as COVID-19. On 2 August 2020 a state of disaster was added with both operating concurrently. The state of disaster in Victoria concluded on 28 October 2020 and the state of emergency concluded on 15 December 2021.

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

In response to the ongoing COVID-19 pandemic, Heywood Rural Health has:

- introduced restrictions on non-essential visitors
- greater utilisation of telehealth service
- performed COVID-19 testing
- established and operated vaccine clinics
- changed infection control practices
- implemented work from home arrangements where appropriate.

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

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

Note 1.3 Abbreviations and terminology used in the financial statements

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

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

Note 1.4 Joint arrangements

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

Heywood Rural Health has an interest in SWARH Joint Venture as detailed in Note 8.7.

Note 1.5 Key accounting estimates and judgements

Management makes estimates and judgements when preparing the financial statements.

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

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

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

Note 1.6 Accounting standards issued but not yet effective

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

Standard	Adoption Date	Impact
AASB 17: <i>Insurance Contracts</i>	Reporting periods on or after 1 January 2023.	Adoption of this standard is not expected to have a material impact.
AASB 2020-1: <i>Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current</i>	Reporting periods on or after 1 January 2022.	Adoption of this standard is not expected to have a material impact.

Notes to the financial statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

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

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

Note 1.7 Goods and Services Tax (GST)

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

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

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

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

Note 1.8 Reporting Entity

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

Its principal address is:

21 Barclay Street
Heywood VIC 3304

Note 2: Funding delivery of our services

Heywood Rural Health's overall objective is to provide quality health service that support and have the wellbeing of all Victorians. Heywood Rural Health is predominantly funded by grant funding for the provision of outputs. Heywood Rural Health also receives income from the supply of services.

Structure

2.1 Revenue and income from transactions

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

Telling the COVID-19 story

Additional funding provided by the DH to cover certain direct and indirect COVID-19 related costs, including:

- increased staffing costs to service the vaccination hubs and the in-house contact tracing unit
- pathology testing costs due to COVID-19 tests
- increased personal protective equipment costs
- costs related to the expansion of emergency services

Funding provided included:

- COVID-19 and state repurposing grants
- Local public health unit funding

Key judgements and estimates

This section contains the following key judgements and estimates:

Key judgements and estimates	Description
Identifying performance obligations	Heywood Rural Health applies significant judgment when reviewing the terms and conditions of funding agreements and contracts to determine whether they contain sufficiently specific and enforceable performance obligations. If this criteria is met, the contract/funding agreement is treated as a contract with a customer, requiring Heywood Rural Health to recognise revenue as or when the health service transfers promised goods or services to the beneficiaries. If this criteria is not met, funding is recognised immediately in the net result from operations.
Determining timing of revenue recognition	Heywood Rural Health applies significant judgement to determine when a performance obligation has been satisfied and the transaction price that is to be allocated to each performance obligation. A performance obligation is either satisfied at a point in time or over time.
Determining timing of capital grant income recognition	Heywood Rural Health applies significant judgement to determine when its obligation to construct an asset is satisfied. Costs incurred is used to measure the health service's progress as this is deemed to be the most accurate reflection of the stage of completion.

Notes to the financial statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

Note 2.1: Revenue and income from transactions

Note	2022 \$'000	2021 \$'000
Operating activities		
Revenue from contracts with customers		
	4,608	4,302
	3,937	4,067
	915	892
	255	76
Total revenue from contracts with customers	9,715	9,337
Other sources of income		
	423	118
	27	238
	81	71
	465	287
Total other sources of income	996	714
Total revenue and income from operating activities	10,711	10,051
Non-operating activities		
Income from other sources		
	32	24
	4	14
Total other sources of income	36	38
Total income from non-operating activities	36	38
Total revenue and income from transactions	10,747	10,089

Commercial activities represent business activities which Heywood Rural Health enters into to support its operations.

Note 2.1(a): Timing of revenue from contracts with customers

	2022 \$'000	2021 \$'000
Heywood Rural Health disaggregates revenue by the timing of revenue recognition.		
Goods and services transferred to customers:		
At a point in time	9,460	9,261
Over time	255	76
Total revenue from contracts with customers	9,715	9,337

How we recognise revenue and income from operating activities

Government operating grants

To recognise revenue, Heywood Rural Health assesses each grant to determine whether there is a contract that is enforceable and has sufficiently specific performance obligations in accordance with AASB 15: *Revenue from Contracts with Customers*.

When both these conditions are satisfied, the health service:

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

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

Where the contract is not enforceable and/or does not have sufficiently specific performance obligations, the health service:

- recognises the asset received in accordance with the recognition requirements of other applicable Accounting Standards (for example, AASB 9, AASB 16, AASB 116 and AASB 138)
- recognises related amounts (being contributions by owners, lease liabilities, financial instruments, provisions, revenue or contract liabilities from a contract with a customer), and
- recognises income immediately in profit or loss as the difference between the initial carrying amount of the asset and the related amount in accordance with AASB 1058.

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

Notes to the financial statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

This policy applies to each of Heywood Rural Health’s revenue streams, with information detailed below relating to Heywood Rural Health’s significant revenue streams:

Government grant	Performance obligation
Activity Based Funding (ABF) paid as Weighted Inlier Equivalent Separation (WIES) casemix	<p>The performance obligations for ABF are the number and mix of patients admitted to hospital (defined as ‘casemix’) in accordance with the levels of activity agreed to, with the DH in the annual Statement of Priorities.</p> <p>Revenue is recognised at a point in time, which is when a patient is discharged.</p> <p>WIES activity is a cost weight that is adjusted for time spent in hospital, and represents a relative measure of resource use for each episode of care in a diagnosis related group (DRG).</p> <p>WIES was superseded by NWAU from 1 July 2021, for acute, sub-acute and state-wide (which includes specified grants, state-wide services and teaching and training). Services not transitioning at this time include mental health and small rural services.</p>
Activity Based Funding (ABF) paid as National Weighted Activity Unit (NWAU)	<p>NWAU funding commenced 1 July 2021 and supersedes WIES for acute, sub-acute and state-wide services (which includes specified grants, state-wide services and teaching and training). Services not transitioning at this time include mental health and small rural services.</p> <p>NWAU is a measure of health service activity expressed as a common unit against which the national efficient price (NEP) is paid.</p> <p>The performance obligations for NWAU are the number and mix of admissions, emergency department presentations and outpatient episodes, and is weighted for clinical complexity.</p> <p>Revenue is recognised at point in time, which is when a patient is discharged.</p>
Other one-off grants	<p>If funding conditions contain enforceable and sufficiently specific performance obligations. Heywood Rural Health exercises judgement over whether the performance obligations have been met, on a grant by grant basis.</p>

Capital grants

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

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

Patient and resident fees

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

Commercial activities

Revenue from commercial activities includes items such as meals on wheels. Commercial activity revenue is recognised at a point in time, upon provision of the goods or service to the customer.

How we recognise revenue and income from non-operating activities

Interest Income

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

Note 2.1(b): Fair value of assets and services received free of charge or for nominal consideration

	2022 \$'000	2021 \$'000
Personal protective equipment and other consumables	81	71
Total fair value of assets and services received free of charge or for nominal consideration	81	71

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

Donations and bequests

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

Personal protective equipment

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

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

Notes to the financial statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

Non-cash contributions from the Department of Health

The DH makes some payments on behalf of Heywood Rural Health as follows:

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

Note 3: The cost of delivering our services

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

Structure

3.1 Expenses from transactions

3.2 Other economic flows

3.3 Employee benefits in the balance sheet

3.4 Superannuation

Telling the COVID-19 story

Expenses incurred to deliver our services increased during the financial year which was partially attributable to the COVID-19 Coronavirus pandemic.

Additional costs were incurred to deliver the following additional services:

- establish facilities within Heywood Rural Health for the treatment of suspected and admitted COVID-19 patients resulting in an increase in employee costs and additional equipment purchases
- implement COVID safe practices throughout Heywood Rural Health's including increased cleaning, increased security and consumption of personal protective equipment provided as resources free of charge
- assist with COVID-19 case management, contact tracing and outbreak management contributing to an increase in employee costs
- establish vaccination clinics to administer vaccines to staff and the community resulting in an increase in employee costs and consumables, and
- establish COVID-19 testing facilities for staff and the community, resulting in an increase in employee costs and consumables
- implement work from home arrangements resulting in increased ICT infrastructure costs and additional equipment purchases

Key judgements and estimates

This section contains the following key judgements and estimates:

Key judgements and estimates	Description
Classifying employee benefit liabilities	<p>Heywood Rural Health applies significant judgment when classifying its employee benefit liabilities.</p> <p>Employee benefit liabilities are classified as a current liability if Heywood Rural Health does not have an unconditional right to defer payment beyond 12 months. Annual leave, accrued days off and long service leave entitlements (for staff who have exceeded the minimum vesting period) fall into this category.</p> <p>Employee benefit liabilities are classified as a non-current liability if Heywood Rural Health has a conditional right to defer payment beyond 12 months. Long service leave entitlements (for staff who have not yet exceeded the minimum vesting period) fall into this category.</p>

Notes to the financial statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

Key judgements and estimates	Description
Measuring employee benefit liabilities	<p>Heywood Rural Health applies significant judgment when measuring its employee benefit liabilities.</p> <p>The health service applies judgement to determine when it expects its employee entitlements to be paid.</p> <p>With reference to historical data, if the health service does not expect entitlements to be paid within 12 months, the entitlement is measured at its present value, being the expected future payments to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures, and are discounted at rates determined by reference to market yields on government bonds at the end of the reporting period.</p> <p>All other entitlements are measured at their nominal value.</p>

Notes to the financial statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

Note 3.1: Expenses from transactions

	2022	2021
Note	\$'000	\$'000
Salaries and wages	5,855	5,723
On-costs	1,424	1,321
Agency expenses	493	460
Fee for service medical officer expenses	195	164
Workcover premium	95	71
Total employee expenses	8,062	7,739
Drug supplies	4	2
Medical and surgical supplies (including Prostheses)	177	151
Other supplies and consumables	420	402
Total supplies and consumables	601	555
Finance costs	12	5
Total finance costs	12	5
Other administrative expenses	883	758
Total other administrative expenses	883	758
Fuel, light, power and water	157	147
Repairs and maintenance	107	126
Maintenance contracts	59	42
Medical indemnity insurance	-	15
Expenses related to short term leases	-	5
Total other operating expenses	323	335
Total operating expenses	9,881	9,392
Depreciation and amortisation	4.4 1,172	1,168
Total depreciation and amortisation	1,172	1,168
Total non-operating expenses	1,172	1,168
Total expenses from transactions	11,053	10,560

Notes to the financial statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

How we recognise expenses from transactions

Expense recognition

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

Employee expenses

Employee expenses include:

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

Supplies and consumables

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

Finance costs

Finance costs include:

- interest on bank overdrafts and short-term and long-term borrowings (interest expense is recognised in the period in which it is incurred)
- finance charges in respect of leases which are recognised in accordance with AASB 16 *Leases*.

Other operating expenses

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

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

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

Non-operating expenses

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

Notes to the financial statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

Note 3.2: Other economic flows

	2022 \$'000	2021 \$'000
Net gain/(loss) on disposal of property plant and equipment	15	28
Total net gain/(loss) on non-financial assets	15	28
Allowance for impairment losses of contractual receivables	-	16
Total net gain/(loss) on financial instruments	-	16
Net gain/(loss) arising from revaluation of long service liability	(49)	29
Total other gains/(losses) from other economic flows	(49)	29
Total gains/(losses) from other economic flows	(34)	73

How we recognise other economic flows

Other economic flows are changes in the volume or value of an asset or liability that do not result from transactions. Other gains/(losses) from other economic flows include the gains or losses from:

- the revaluation of the present value of the long service leave liability due to changes in the bond interest rates

Net gain/(loss) on non-financial assets

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

- net gain/(loss) on disposal of non-financial assets
- any gain or loss on the disposal of non-financial assets is recognised at the date of disposal.

Net gain/(loss) on financial instruments

Net gain/(loss) on financial instruments at fair value includes:

- realised and unrealised gains and losses from revaluations of financial instruments at fair value
- impairment and reversal of impairment for financial instruments at amortised cost refer to Note 7.1 Investments and other financial assets and
- disposals of financial assets and derecognition of financial liabilities.

Notes to the financial statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

Note 3.3: Employee benefits and related on-costs

	2022 \$'000	2021 \$'000
Current employee benefits and related on-costs		
<i>Accrued days off</i>		
Unconditional and expected to be settled wholly within 12 months ⁱ	7	7
	7	7
<i>Annual leave</i>		
Unconditional and expected to be settled wholly within 12 months ⁱ	380	332
Unconditional and expected to be settled wholly after 12 months ⁱⁱ	204	179
	584	511
<i>Long service leave</i>		
Unconditional and expected to be settled wholly within 12 months ⁱ	140	104
Unconditional and expected to be settled wholly after 12 months ⁱⁱ	618	472
	758	576
<i>Provisions related to employee benefit on-costs</i>		
Unconditional and expected to be settled within 12 months ⁱ	126	109
Unconditional and expected to be settled after 12 months ⁱⁱ	140	105
	266	214
Total current employee benefits and related on-costs	1,615	1,308
Non-current employee benefits and related on-costs		
Conditional long service leave	166	174
Provisions related to employee benefit on-costs	21	33
Total non-current employee benefits and related on-costs	187	207
Total employee benefits and related on-costs	1,802	1,515

ⁱ The amounts disclosed are nominal amounts.

ⁱⁱ The amounts disclosed are discounted to present values.

Notes to the financial statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

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

	2022 \$'000	2021 \$'000
Current employee benefits and related on-costs		
Unconditional accrued days off	7	7
Unconditional annual leave entitlements	751	662
Unconditional long service leave entitlements	857	638
Total current employee benefits and related on-costs	1,615	1,307
Non-current employee benefits and related on-costs		
Conditional long service leave entitlements	187	207
Total non-current employee benefits and related on-costs	187	207
Total employee benefits and related on-costs	1,802	1,514
Attributable to:		
Employee benefits	1,515	1,268
Provision for related on-costs	287	247
Total employee benefits and related on-costs	1,802	1,514

Note 3.3(b): Provision for employee benefits and related on-costs schedule

	2022 \$'000	2021 \$'000
Carrying amount at start of year	1,514	1,421
Additional provisions recognised	786	595
Amounts incurred during the year	(449)	(488)
Net gain/(loss) arising from revaluation of long service liability	(49)	(14)
Carrying amount at end of year	1,802	1,514

How we recognise employee benefits

Employee benefit recognition

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

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

Notes to the financial statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

Annual leave and accrued days off

Liabilities for annual leave and accrued days off are recognised in the provision for employee benefits as 'current liabilities' because 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 annual leave and accrued days off 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 wholly settle within 12 months.

Long service leave

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

Unconditional LSL is disclosed in the notes to the financial statements as a current liability even where the 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 or
- Present value – if Heywood Rural Health does not expect to wholly settle within 12 months.

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

Provision for on-costs related to employee benefits

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

Note 3.4: Superannuation

	Paid Contribution for the Year		Contribution Outstanding at Year End	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Defined benefit plans:ⁱ				
First State Super	16	31	1	1
Defined contribution plans:				
First State Super	427	415	17	11
Hesta	113	134	4	4
Other	78	45	4	1
Total	634	625	26	17

ⁱ The basis for determining the level of contributions is determined by the various actuaries of the defined benefit superannuation plans.

How we recognise superannuation

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

Defined benefit superannuation plans

The defined benefit plan provides benefits based on years of service and final average salary. 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's 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 unfunded defined benefit liability in respect of the plans because the health service has no legal or constructive obligation to pay future benefits relating to its employees; its only obligation is to pay superannuation contributions as they fall due.

The DTF 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 Heywood Rural Health.

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

Defined contribution superannuation plans

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

The name, details and amounts that have been expensed in relation to the major employee superannuation funds and contributions made by Heywood Rural Health 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 Heywood Rural Health to be utilised for delivery of those outputs.

Structure

4.1 Property, plant & equipment

4.2 Right-of-use assets

4.3 Revaluation surplus

4.4 Depreciation and amortisation

4.5 Impairment of assets

Telling the COVID-19 story

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

Key judgements and estimates

This section contains the following key judgements and estimates:

Key judgements and estimates	Description
Estimating useful life of property, plant and equipment	Heywood Rural Health assigns an estimated useful life to each item of property, plant and equipment. This is used to calculate depreciation of the asset. The health service reviews the useful life and depreciation rates of all assets at the end of each financial year and where necessary, records a change in accounting estimate.
Estimating useful life of right-of-use assets	The useful life of each right-of-use asset is typically the respective lease term, except where the health service is reasonably certain to exercise a purchase option contained within the lease (if any), in which case the useful life reverts to the estimated useful life of the underlying asset. Heywood Rural Health applies significant judgement to determine whether or not it is reasonably certain to exercise such purchase options.
Estimating restoration costs at the end of a lease	Where a lease agreement requires Heywood Rural Health to restore a right-of-use asset to its original condition at the end of a lease, the health service estimates the present value of such restoration costs. This cost is included in the measurement of the right-of-use asset, which is depreciated over the relevant lease term.
Estimating the useful life of intangible assets	Heywood Rural Health assigns an estimated useful life to each intangible asset with a finite useful life, which is used to calculate amortisation of the asset.

Notes to the financial statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

Key judgements and estimates	Description
Identifying indicators of impairment	<p>At the end of each year, Heywood Rural Health assesses impairment by evaluating the conditions and events specific to the health service that may be indicative of impairment triggers. Where an indication exists, the health service tests the asset for impairment.</p> <p>The health service considers a range of information when performing its assessment, including considering:</p> <ul style="list-style-type: none"> ▪ If an asset's value has declined more than expected based on normal use ▪ If a significant change in technological, market, economic or legal environment which adversely impacts the way the health service uses an asset ▪ If an asset is obsolete or damaged ▪ If the asset has become idle or if there are plans to discontinue or dispose of the asset before the end of its useful life ▪ If the performance of the asset is or will be worse than initially expected. <p>Where an impairment trigger exists, the health services applies significant judgement and estimate to determine the recoverable amount of the asset.</p>

Notes to the financial statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

Note 4.1: Property, plant and equipment

Note 4.1(a): Gross carrying amount and accumulated depreciation

	2022 \$'000	2021 \$'000
Land at fair value - Freehold	733	565
Total land at fair value	733	565
Land improvements	334	306
Less accumulated depreciation	(37)	(24)
Total land improvements at fair value	297	282
Buildings at fair value	16,412	13,315
Less accumulated depreciation	(3,103)	(2,069)
Total buildings at fair value	13,309	11,246
Works in progress at cost	187	465
Total land and buildings	14,526	12,558
Plant and equipment at fair value	1,765	1,615
Less accumulated depreciation	(1,108)	(1,038)
Total plant and equipment at fair value	657	577
Motor vehicles at fair value	162	162
Less accumulated depreciation	(134)	(122)
Total motor vehicles at fair value	28	40
Furniture and fittings at fair value	851	605
Less accumulated depreciation	(518)	(486)
Total furniture and fittings at fair value	333	119
Total plant, equipment, furniture, fittings and vehicles at fair value	1,018	736
Total property, plant and equipment	15,544	13,294

Note 4.1(b): Reconciliations of carrying amount by class of asset

	Land & land improvements \$'000	Buildings \$'000	Assets under construction \$'000	Plant & equipment \$'000	Motor vehicles \$'000	Other assets \$'000	Total \$'000
Balance at 1 July 2020	859	12,281	78	599	47	80	13,944
Additions			387	60	25	54	526
Disposals					(16)		(16)
Depreciation	(12)	(1,035)		(82)	(16)	(15)	(1,160)
Balance at 30 June 2021	847	11,246	465	577	40	119	13,294
Additions	25	542	187	121	-	183	1,058
Disposals	-	-	-	-	-	-	-
Revaluation increments/ (decrements)	170	2,180	-	-	-	-	2,350
Net Transfers between classes	-	376	(465)	29	-	60	-
Depreciation	(12)	(1,035)	-	(70)	(12)	(29)	(1,158)
Balance at 30 June 2022	1,030	13,309	187	657	28	333	15,544

Land and Buildings Carried at Valuation

The Valuer-General Victoria undertook to re-value all of Heywood Rural Health's land and buildings to determine their fair value. The valuation, which conforms to Australian Valuation Standards, was determined by reference to the amounts for which assets could be exchanged between knowledgeable willing parties in an arm's length transaction. The valuation was based on independent assessments. An independent valuation of Heywood Rural Health's property, plant and equipment was performed by the VGV on 30 June 2019 and a managerial assessment performed as at 30 June 2022.

Notes to the financial statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

How we recognise property, plant and equipment

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

Initial recognition

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

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

Subsequent measurement

Items of property, plant and equipment are subsequently measured at fair value less accumulated depreciation and impairment losses where applicable.

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

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

Revaluation

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

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

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

An independent valuation of Heywood Rural Health's property, plant and equipment was performed by the VGV on 30 June 2019. The valuation, which complies with Australian Valuation Standards, was determined by reference to the amount for which assets could be exchanged between knowledgeable willing parties in an arm's length transaction. The managerial assessment performed at 30 June 2022 indicated an overall:

- increase in fair value of land and land improvements of 25.35% (\$170,474)
- increase in fair value of buildings of 21.08% (\$2,180,336).

As the cumulative movement was greater than 10% but less than 40% for land and buildings since the last revaluation, a managerial revaluation adjustment was required as at 30 June 2022.

Notes to the financial statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

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

Revaluation increments are recognised in 'Other Comprehensive Income' and are credited directly to the property, plant and equipment 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, in which case the increment is recognised as income in the net result.

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

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

4.2 Right-of-use assets

4.2(a): Gross carrying amount and accumulated depreciation

	2022 \$'000	2021 \$'000
Right of use vehicles at fair value	59	86
Less accumulated depreciation	(10)	(15)
Total right of use assets	49	71

4.2(b): Reconciliations of carrying amount by class of asset

	Right-of-use -	
	Vehicles	Total
	Note	\$'000
Balance at 1 July 2020		20
Additions		59
Depreciation	4.4	(8)
Balance at 30 June 2021	4.2(a)	71
Additions		-
Disposals		(8)
Depreciation	4.4	(14)
Balance at 30 June 2022	4.2(a)	49

How we recognise right-of-use assets

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

Notes to the financial statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

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

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

Class of right-of-use asset	Lease term
Leased vehicles	1 to 3 years

Initial recognition

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

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

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

Subsequent measurement

Right-of-use assets are subsequently measured at fair value, with the exception of right-of-use asset arising from leases with significantly below-market terms and conditions, which are subsequently measured at cost, less accumulated depreciation and accumulated impairment losses where applicable.

Right-of-use assets are also adjusted for certain remeasurements of the lease liability (for example, when a variable lease payment based on an index or rate becomes effective).

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

Note 4.3: Revaluation surplus

	2022	2021
Note	\$'000	\$'000
Balance at the beginning of the reporting period	15,075	15,075
Revaluation increment		
- Land	4.1(b) 170	-
- Buildings	4.1(b) 2,180	-
Balance at the end of the Reporting Period*	17,425	15,075
* Represented by:		
- Land	454	284
- Buildings	16,971	14,791
	17,425	15,075

Note 4.4: Depreciation and amortisation

	2022 \$'000	2021 \$'000
Depreciation		
Property, plant and equipment		
Buildings	1,035	1,035
Land improvements	12	12
Plant and equipment	70	82
Motor vehicles	12	16
Other equipment	29	15
Total depreciation - property, plant and equipment	1,158	1,160
Right-of-use assets		
Right-of-use plant, equipment, furniture, fittings and motor vehicles	14	8
Total depreciation - right-of-use assets	14	8
Total depreciation	1,172	1,168
Total depreciation and amortisation	1,172	1,168

How we recognise depreciation

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

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

Notes to the financial statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

How we recognise amortisation

Amortisation is the systematic allocation of the depreciable amount of an asset over its useful life.

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

	2022	2021
Buildings		
- Structure shell building fabric	7 to 47 years	7 to 47 years
- Site engineering services and central plant	7 to 25 years	7 to 25 years
Central plant		
- Fit out	7 to 15 years	7 to 15 years
- Trunk reticulated building system	7 to 15 years	7 to 15 years
Plant and equipment	3 to 20 years	3 to 20 years
Other equipment	3 to 5 years	3 to 5 years
Furniture and fittings	10 to 13 years	10 to 13 years
Motor vehicles	2 to 3 years	2 to 3 years

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

Note 4.5: Impairment of assets

How we recognise impairment

At the end of each reporting period, Heywood Rural Health reviews the carrying amount of its tangible and intangible assets that have a finite useful life, to determine whether there is any indication that an asset may be impaired.

The assessment will include consideration of external sources of information and internal sources of information.

External sources of information include but are not limited to observable indications that an asset's value has declined during the period by significantly more than would be expected as a result of the passage of time or normal use. Internal sources of information include but are not limited to evidence of obsolescence or physical damage of an asset and significant changes with an adverse effect on Heywood Rural Health which changes the way in which an asset is used or expected to be used.

If such an indication exists, an impairment test is carried out. Assets with indefinite useful lives (and assets not yet available for use) are tested annually for impairment, in addition to where there is an indication that the asset may be impaired.

When performing an impairment test, Heywood Rural Health compares the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in net result, unless the asset is carried at a revalued amount.

Where an impairment loss on a revalued asset is identified, this is recognised against the asset revaluation surplus in respect of the same class of asset to the extent that the impairment loss does not exceed the cumulative balance recorded in the asset revaluation surplus for that class of asset.

Where it is not possible to estimate the recoverable amount of an individual asset, Heywood Rural Health estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Heywood Rural Health did not record any impairment losses for the year ended 30 June 2022.

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 and contract assets

5.2 Payables and contract liabilities

5.3 Other liabilities

Telling the COVID-19 story

The measurement of other assets and liabilities were not materially impacted by the COVID-19 Coronavirus pandemic.

Key judgements and estimates

This section contains the following key judgements and estimates:

Key judgements and estimates	Description
Estimating the provision for expected credit losses	Heywood Rural Health uses a simplified approach to account for the expected credit loss provision. A provision matrix is used, which considers historical experience, external indicators and forward-looking information to determine expected credit loss rates.
Classifying a sub-lease arrangement as either an operating lease or finance lease	<p>Heywood Rural Health applies significant judgement to determine if a sub-lease arrangement, where the health service is a lessor, meets the definition of an operating lease or finance lease.</p> <p>The health service considers a range of scenarios when classifying a sub-lease. A sub-lease typically meets the definition of a finance lease if:</p> <ul style="list-style-type: none"> ▪ The lease transfers ownership of the asset to the lessee at the end of the term ▪ The lessee has an option to purchase the asset for a price that is significantly below fair value at the end of the lease term ▪ The lease term is for the majority of the asset's useful life ▪ The present value of lease payments amount to the approximate fair value of the leased asset and ▪ The leased asset is of a specialised nature that only the lessee can use without significant modification. <p>All other sub-lease arrangements are classified as an operating lease.</p>
Measuring deferred capital grant income	<p>Where Heywood Rural Health has received funding to construct an identifiable non-financial asset, such funding is recognised as deferred capital grant income until the underlying asset is constructed.</p> <p>Heywood Rural Health applies significant judgement when measuring the deferred capital grant income balance, which references the estimated the stage of completion at the end of each financial year.</p>
Recognition of other provisions	Other provisions include Heywood Rural Health's obligation to restore leased assets to their original condition at the end of a lease term. The health service applies significant judgement and estimate to determine the present value of such restoration costs.

Notes to the financial statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

Key judgements and estimates	Description
Measuring contract liabilities	Heywood Rural Health applies significant judgement to measure its progress towards satisfying a performance obligation as detailed in Note 2. Where a performance obligation is yet to be satisfied, the health service assigns funds to the outstanding obligation and records this as a contract liability until the promised good or service is transferred to the customer.

Note 5.1: Receivables and contract assets

	Notes	2022 \$'000	2021 \$'000
Current receivables and contract assets			
Contractual			
Inter hospital debtors		3	-
Trade receivables		208	200
Patient fees		109	101
Allowance for impairment losses	5.1(a)	(17)	(17)
Total contractual receivables		303	284
Statutory			
GST receivable		83	71
Total statutory receivables		83	71
Total current receivables and contract assets		386	355
Non-current receivables and contract assets			
Contractual			
Long service leave - Department of Health		274	74
Total contractual receivables		274	74
Total non-current receivables and contract assets		274	74
Total receivables and contract assets		660	429
<i>(i) Financial assets classified as receivables and contract assets (Note 7.1(a))</i>			
Total receivables and contract assets		660	429
GST receivable		(83)	(71)
Total financial assets	7.1(a)	577	358

As at 30 June 2022, Heywood Rural Health has contract assets of \$576,902 which is net of an allowance for expected credit losses of \$16,710. This is included in the contractual receivable balances presented above.

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

	2022 \$'000	2021 \$'000
Balance at the beginning of the year	(17)	(32)
Increase in allowance	-	-
Amounts written off during the year	-	-
Reversal of allowance written off during the year as uncollectable	-	15
Balance at the end of the year	(17)	(17)

How we recognise receivables

Receivables consist of:

- **Contractual receivables**, which mostly includes debtors in relation to goods and services. These receivables are classified as financial instruments and categorised as 'financial assets at amortised costs'. They are initially recognised at fair value plus any directly attributable transaction costs. The health service holds the contractual receivables with the objective to collect the contractual cash flows and therefore they are subsequently measured at amortised cost using the effective interest method, less any impairment.
- **Statutory receivables**, includes Goods and Services Tax (GST) input tax credits that are recoverable. Statutory receivables do not arise from contracts and are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments for disclosure purposes. The health service applies AASB 9 for initial measurement of the statutory receivables and as a result statutory receivables are initially recognised at fair value plus any directly attributable transaction cost.

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

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

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

Impairment losses of contractual receivables

Refer to Note 7.2(a) for Heywood Rural Health's contractual impairment losses.

Notes to the financial statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

Note 5.2: Payables and contract liabilities

	2022	2021
Note	\$'000	\$'000
Current payables and contract liabilities		
Contractual		
Trade creditors	47	42
Accrued salaries and wages	243	263
Accrued expenses	145	133
Deferred capital grant income	5.2(a) 102	52
Contract liabilities	5.2(b) 28	146
Total contractual payables	565	636
Statutory		
GST payable	19	-
Total statutory payables	19	-
Total current payables and contract liabilities	584	636
<i>(i) Financial liabilities classified as payables and contract liabilities (Note 7.1(a))</i>		
Total payables and contract liabilities	584	636
Deferred grant income	(102)	(52)
Contract liabilities	(28)	(146)
GST payable	(19)	-
Total financial liabilities	7.1(a) 435	438

How we recognise payables and contract liabilities

Payables consist of:

- **Contractual payables**, which mostly includes payables in relation to goods and services. These payables are classified as financial instruments and measured at amortised cost. Accounts payable and salaries and wages payable represent liabilities for goods and services provided to the Heywood Rural Health prior to the end of the financial year that are unpaid.
- **Statutory payables** includes comprises Goods and Services Tax (GST) payable. Statutory payables are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from contracts.

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

Notes to the financial statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

Note 5.2(a): Deferred capital grant income

	2022 \$'000	2021 \$'000
Opening balance of deferred capital grant income	52	-
Grant consideration for capital works received during the year	102	128
Deferred capital grant income recognised as income due to completion of capital works	(52)	(76)
Closing balance of deferred capital grant income	102	52

How we recognise deferred capital grant revenue

Grant consideration was received from Department of Health to support the refurbishment of Residential Aged Care assets. Capital grant revenue is recognised progressively as the asset is constructed, since this is the time when Heywood Rural Health satisfies its obligations. The progressive percentage of costs incurred is used to recognise income because this most closely reflects the percentage of completion of the building works. As a result, Heywood Rural Health has deferred recognition of a portion of the grant consideration received as a liability for the outstanding obligations.

Heywood Rural Health expects to recognise all of the remaining deferred capital grant revenue for capital works by 30 June 2023.

Note 5.2(b): Contract liabilities

	2022 \$'000	2021 \$'000
Opening balance of contract liabilities	146	-
Grant consideration for sufficiently specific performance obligations received during the year	28	310
Revenue recognised for the completion of a performance obligation	(146)	(164)
Total contract liabilities	28	146
* Represented by:		
- Current contract liabilities	28	146
- Non-current contract liabilities	-	-
	28	146

How we recognise contract liabilities

Contract liabilities include consideration received in advance from customers in respect of COVID grant revenue. The balance of contract liabilities was significantly lower than the previous reporting period due to the nature of the funding received.

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

Maturity analysis of payables

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

Notes to the financial statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

Note 5.3: Other liabilities

	2022 \$'000	2021 \$'000
Current monies held in trust		
Patient monies	88	89
Refundable accommodation deposits	5,580	3,609
Other monies	331	388
Total current monies held in trust	5,999	4,086
* Represented by:		
- Cash assets	5,653	3,711
- Investment and other financial assets	-	-
	5,653	3,711

How we recognise other liabilities

Refundable Accommodation Deposit (RAD)/Accommodation Bond liabilities

RADs/accommodation bonds are non-interest-bearing deposits made by some aged care residents to Heywood Rural Health upon admission. These deposits are liabilities which fall due and payable when the resident leaves the home. As there is no unconditional right to defer payment for 12 months, these liabilities are recorded as current liabilities.

RAD/accommodation bond liabilities are recorded at an amount equal to the proceeds received, net of retention and any other amounts deducted from the RAD/accommodation bond in accordance with the *Aged Care Act 1997*.

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 Heywood Rural Health.

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

Telling the COVID-19 story

Our finance and borrowing arrangements were not materially impacted by the COVID-19 Coronavirus pandemic.

Key judgements and estimates

This section contains the following key judgements and estimates:

Key judgements and estimates	Description
Determining if a contract is or contains a lease	<p>Heywood Rural Health applies significant judgement to determine if a contract is or contains a lease by considering if the health service:</p> <ul style="list-style-type: none"> ▪ has the right-to-use an identified asset ▪ has the right to obtain substantially all economic benefits from the use of the leased asset and ▪ can decide how and for what purpose the asset is used throughout the lease.
Determining if a lease meets the short-term or low value asset lease exemption	<p>Heywood Rural Health applies significant judgement when determining if a lease meets the short-term or low value lease exemption criteria. The health service estimates the fair value of leased assets when new. Where the estimated fair value is less than \$10,000, the health service applies the low-value lease exemption.</p> <p>The health service also estimates the lease term with reference to remaining lease term and period that the lease remains enforceable. Where the enforceable lease period is less than 12 months the health service applies the short-term lease exemption.</p>
Discount rate applied to future lease payments	<p>Heywood Rural Health discounts its lease payments using the interest rate implicit in the lease. If this rate cannot be readily determined, which is generally the case for the health service's lease arrangements, Heywood Rural Health uses its incremental borrowing rate, which is the amount the health service would have to pay to borrow funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.</p>

Notes to the financial statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

Key judgements and estimates	Description
Assessing the lease term	<p>The lease term represents the non-cancellable period of a lease, combined with periods covered by an option to extend or terminate the lease if Heywood Rural Health is reasonably certain to exercise such options.</p> <p>Heywood Rural Health determines the likelihood of exercising such options on a lease-by-lease basis through consideration of various factors including:</p> <ul style="list-style-type: none"> ▪ If there are significant penalties to terminate (or not extend), the health service is typically reasonably certain to extend (or not terminate) the lease. ▪ If any leasehold improvements are expected to have a significant remaining value, the health service is typically reasonably certain to extend (or not terminate) the lease. ▪ The health service considers historical lease durations and the costs and business disruption to replace such leased assets.

Note 6.1: Borrowings

	Note	2022 \$'000	2021 \$'000
Current borrowings			
Lease liability ⁽ⁱ⁾	6.1(a)	8	25
Advances from government (ii)		16	16
Total current borrowings		24	41
Non-current borrowings			
Lease liability ⁽ⁱ⁾	6.1(a)	39	46
Advances from government (ii)		16	33
Total non-current borrowings		55	79
Total borrowings	7.1(a)	79	120

the assets leased.

ii These are secured loans which bear no interest.

Secured by

How we recognise borrowings

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

Initial recognition

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

Subsequent measurement

Subsequent to initial recognition, interest bearing borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the net

Notes to the financial statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

result over the period of the borrowing using the effective interest method. Non-interest bearing borrowings are measured at 'fair value through profit or loss'.

Maturity analysis

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

Defaults and breaches

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

Note 6.1(a): Lease liabilities

Heywood Rural Health's lease liabilities are summarised below:

	2022 \$'000	2021 \$'000
Total undiscounted lease liabilities	49	74
Less unexpired finance expenses	(2)	(3)
Net lease liabilities	47	71

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

	2022 \$'000	2021 \$'000
Not longer than one year	8	25
Longer than one year but not longer than five years	41	49
Longer than five years	-	-
Minimum future lease liability	49	74
Less unexpired finance expenses	(2)	(3)
Present value of lease liability	47	71
* Represented by:		
- Current liabilities	8	25
- Non-current liabilities	39	46
	47	71

How we recognise lease liabilities

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

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

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

Notes to the financial statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

Heywood Rural Health's lease arrangements consist of the following:

Type of asset leased	Lease term
Leased vehicles	1 to 3 years

All leases are recognised on the balance sheet, with the exception of low value leases (less than \$10,000 AUD) and short term leases of less than 12 months.

Separation of lease and non-lease components

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

Initial measurement

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

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

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

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term and lease liability if the lease is reasonably certain to be extended (or not terminated).

Subsequent measurement

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

Note 6.2: Cash and cash equivalents

	2022 \$'000	2021 \$'000
Cash at bank (excluding monies held in trust)	3,521	3,810
Total cash held for operations	3,521	3,810
Cash at bank (monies held in trust)	5,653	3,711
Total cash held as monies in trust	5,653	3,711
Total cash and cash equivalents	9,174	7,521

7.1(a)

Notes to the financial statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

How we recognise cash and cash equivalents

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

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

Note 6.3: Commitments for expenditure

	2022 \$'000	2021 \$'000
Capital expenditure commitments		
Less than one year	216	432
Longer than one year but not longer than five years	-	-
Five years or more	-	-
Total capital expenditure commitments	216	432
Total commitments for expenditure (inclusive of GST)	216	432
Less GST recoverable from Australian Tax Office		
Total commitments for expenditure (exclusive of GST)	216	432

How we disclose our commitments

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

Expenditure commitments

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

Note 7: Risks, contingencies and 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 health service is related mainly to fair value determination.

Structure

7.1 Financial instruments

7.2 Financial risk management objectives and policies

7.3 Contingent assets and contingent liabilities

7.4 Fair value determination

Key judgements and estimates

This section contains the following key judgements and estimates:

Key judgements and estimates	Description
Measuring fair value of non-financial assets	<p>Fair value is measured with reference to highest and best use, that is, the use of the asset by a market participant that is physically possible, legally permissible, financially feasible, and which results in the highest value, or to sell it to another market participant that would use the same asset in its highest and best use.</p> <p>In determining the highest and best use, Heywood Rural Health has assumed the current use is its highest and best use. Accordingly, characteristics of the health service's assets are considered, including condition, location and any restrictions on the use and disposal of such assets.</p> <p>Heywood Rural Health uses a range of valuation techniques to estimate fair value, which include the following:</p> <ul style="list-style-type: none"> ▪ Market approach, which uses prices and other relevant information generated by market transactions involving identical or comparable assets and liabilities. The fair value of Heywood Rural Health's specialised land are measured using this approach. ▪ Cost approach, which reflects the amount that would be required to replace the service capacity of the asset (referred to as current replacement cost). The fair value of Heywood Rural Health's specialised buildings, land improvements, furniture, fittings, plant, equipment and vehicles are measured using this approach. ▪ Income approach, which converts future cash flows or income and expenses to a single undiscounted amount. Heywood Rural Health does not this use approach to measure fair value. <p>The health service selects a valuation technique which is considered most appropriate, and for which there is sufficient data available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.</p>

Notes to the financial statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

Key judgements and estimates	Description
	<p>Subsequently, the health service applies significant judgement to categorise and disclose such assets within a fair value hierarchy, which includes:</p> <ul style="list-style-type: none"> ▪ Level 1, using quoted prices (unadjusted) in active markets for identical assets that the health service can access at measurement date. Heywood Rural Health does not categorise any fair values within this level. ▪ Level 2, inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. Heywood Rural Health categorises non-specialised land and right-of-use concessionary land in this level. ▪ Level 3, where inputs are unobservable. Heywood Rural Health categorises specialised land, non-specialised buildings, specialised buildings, plant, equipment, furniture, fittings, vehicles, right-of-use buildings and right-of-use plant, equipment, furniture and fittings in this level.

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 (for example, taxes, fines and penalties). Such financial assets and financial liabilities do not meet the definition of financial instruments in AASB 132 *Financial Instruments: Presentation*.

Note 7.1(a): Categorisation of financial instruments

		Financial Assets at Amortised Cost \$'000	Financial Assets at Fair Value Through Net Result \$'000	Financial Liabilities at Amortised Cost \$'000	Total \$'000
30 June 2022	Note				
Contractual Financial Assets					
Cash and Cash Equivalents	6.2	9,174	-	-	9,174
Receivables and contract assets	5.1	577	-	-	577
Investments and other financial assets	4.1	-	2	-	2
Total Financial Assetsⁱ		9,751	2	-	9,753
Financial Liabilities					
Payables	5.2	-	-	435	435
Borrowings	6.1	-	-	79	79
Other Financial Liabilities - Refundable Accommodation Deposits	5.3	-	-	5,580	5,580
Other Financial Liabilities - Patient monies held in trust	5.3	-	-	88	88
Other monies held in trust	5.3	-	-	331	331
Total Financial Liabilitiesⁱ		-	-	6,513	6,513

Notes to the financial statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

Note 7.1(a): Categorisation of financial instruments (Cont)

		Financial Assets at Amortised Cost	Financial Assets at Fair Value Through Net Result	Financial Liabilities at Amortised Cost	Total
30 June 2021	Note	\$'000	\$'000	\$'000	\$'000
Contractual Financial Assets					
Cash and cash equivalents	6.2	7,521	-	-	7,521
Receivables and contract assets	5.1	358	-	-	358
Investments and other financial assets		-	2	-	2
Total Financial Assetsⁱ		7,879	2	-	7,881
Financial Liabilities					
Payables	5.2	-	-	438	438
Borrowings	6.1	-	-	120	120
Other Financial Liabilities - Refundable Accommodation Deposits	5.3	-	-	3,609	3,609
Other Financial Liabilities - Patient monies held in trust	5.3	-	-	89	89
Other monies held in trust	5.3	-	-	388	388
Total Financial Liabilitiesⁱ		-	-	4,644	4,644

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

How we categorise financial instruments

Categories of financial assets

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

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

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

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

Financial assets at amortised cost

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

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

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

Heywood Rural Health recognises the following assets in this category:

- cash and deposits
- receivables (excluding statutory receivables)

Financial assets at fair value through net result

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

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

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

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

Categories of financial liabilities

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

Financial liabilities at amortised cost

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

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

Heywood Rural Health recognises the following liabilities in this category:

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

Offsetting financial instruments

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

Some master netting arrangements do not result in an offset of balance sheet assets and liabilities. Where Heywood Rural Health does not have a legally enforceable right to offset recognised amounts, because

Notes to the financial statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

the right to offset is enforceable only on the occurrence of future events such as default, insolvency or bankruptcy, they are reported on a gross basis.

Derecognition of financial assets

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

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

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

Derecognition of financial liabilities

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

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

Reclassification of financial instruments

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

A financial liability reclassification is not permitted.

Note 7.2: Financial risk management objectives and policies

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

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

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

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

Note 7.2(a): Credit risk

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

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

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

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

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

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

There has been no material change to Heywood Rural Health's credit risk profile in 2021-22.

Impairment of financial assets under AASB 9

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

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

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

Contractual receivables at amortised cost

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

Notes to the financial statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

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

		Current	Less than 1 month	1-3 months	3 months -1 year	1-5 years	Total
30 June 2022							
Expected loss rate							
Gross carrying amount of contractual receivables	5.1	534	8	1	17	17	577
Loss allowance		-	-	-	-	(17)	(17)
30 June 2021							
Expected loss rate							
	Note	Current	Less than 1 month	1-3 months	3 months -1 year	1-5 years	Total
Gross carrying amount of contractual receivables	5.1	0.0%	0.0%	0.0%	100.0%	0.0%	
Loss allowance		-	-	-	(17)	-	(17)

Statutory receivables and debt investments at amortised cost

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

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

Note 7.2(b): Liquidity risk

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

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

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

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

Notes to the financial statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

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

		Maturity Dates					
		Carrying	Nominal	Less than 1	3 months -		
		Amount	Amount	Month	1-3 Months	1 Year	1-5 Years
30 June 2022	Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Liabilities at amortised cost							
Payables	5.2	435	435	435	-	-	-
Borrowings	6.1	79	79	-	-	24	55
Other Financial Liabilities - Refundable							
Accommodation Deposits	5.3	5,580	5,580	-	-	1,618	3,962
Other Financial Liabilities - Patient monies held in trust	5.3	88	88	-	88	-	-
Other monies held in trust	5.3	331	331	-	-	331	-
Total Financial Liabilities		6,513	6,513	435	88	1,973	4,017

		Maturity Dates					
		Carrying	Nominal	Less than 1	3 months -		
		Amount	Amount	Month	1-3 Months	1 Year	1-5 Years
30 June 2021	Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Liabilities at amortised cost							
Payables	5.2	438	438	438	-	-	-
Borrowings	6.1	120	120	-	-	41	79
Other Financial Liabilities - Refundable							
Accommodation Deposits	5.3	3,609	3,609	-	-	1,038	2,571
Other Financial Liabilities - Patient monies held in trust	5.3	89	89	-	89	-	-
Other monies held in trust	5.3	388	388	-	-	388	-
Total Financial Liabilities		4,644	4,644	438	89	1,467	2,650

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

Note 7.2(c): Market risk

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

Sensitivity disclosure analysis and assumptions

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

- a change in interest rates of 1% up or down

Interest rate risk

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

Notes to the financial statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

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

Note 7.3: Contingent assets and contingent liabilities

At balance date, the Board are not aware of any contingent assets or liabilities.

Note 7.4: Fair value determination

How we measure fair value

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

The following assets and liabilities are carried at fair value:

- Financial assets and liabilities at fair value through net result
- Property, plant and equipment
- Right-of-use assets

In addition, the fair value of other assets and liabilities that are carried at amortised cost, also need to be determined for disclosure.

Valuation hierarchy

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

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

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. There have been no transfers between levels during the period.

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

Identifying unobservable inputs (level 3) fair value measurements

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

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

Notes to the financial statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

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

	Note	Carrying amount	Fair value measurement at end of reporting period using:		
		30 June 2022 \$'000	Level 1 ⁱ \$'000	Level 2 ⁱ \$'000	Level 3 ⁱ \$'000
Land Improvements		297	-	-	297
Specialised land		733	-	-	733
Total land at fair value	4.1(a)	1,030	-	-	1,030
Specialised buildings		11,129	-	-	11,129
Total buildings at fair value	4.1(a)	11,129	-	-	11,129
Plant and equipment	4.1(a)	657	-	-	657
Motor vehicles	4.1(a)	28	-	-	28
Furniture and fittings	4.1(a)	333	-	-	333
Total plant, equipment, furniture, fittings and vehicles at fair value		1,018	-	-	1,018
Right of use vehicles	4.2(a)	49	-	-	49
Total right-of-use assets at fair value		49	-	-	49
Total non-financial physical assets at fair value		13,226	-	-	13,226
		Carrying amount	Fair value measurement at end of reporting period using:		
		30 June 2021 \$'000	Level 1 ⁱ \$'000	Level 2 ⁱ \$'000	Level 3 ⁱ \$'000
Land Improvements		282	-	-	282
Specialised land		565	-	-	565
Total land at fair value	4.1(a)	847	-	-	847
Specialised buildings		11,246	-	-	11,246
Total buildings at fair value	4.1(a)	11,246	-	-	11,246
Plant and equipment	4.1(a)	577	-	-	577
Motor vehicles	4.1(a)	40	-	-	40
Other equipment	4.1(a)	119	-	-	119
Total plant, equipment, furniture, fittings and vehicles at fair value		736	-	-	736
Right of use vehicles	4.2(a)	71	-	-	71
Total right-of-use assets at fair value		71	-	-	71
Total non-financial physical assets at fair value		12,900	-	-	12,900

Notes to the financial statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

How we measure fair value of non-financial physical assets

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

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

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

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.

Non-specialised land and non-specialised buildings

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

For non-specialised land and non-specialised buildings an independent valuation was performed by the Valuer-General Victoria to determine the fair value using the market approach. Valuation of the assets was determined by analysing comparable sales and allowing for share, size, topography, location and other relevant factors specific to the asset being valued. An appropriate rate per square metre has been applied to the subject asset. The effective date of the valuation is 30 June 2019.

Specialised land and specialised buildings

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

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

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

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

Notes to the financial statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

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

Vehicles

The 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 the health service who set relevant depreciation rates during use to reflect the consumption of the vehicles. As a result, the fair value of vehicles does not differ materially from the carrying amount (depreciated cost).

Furniture, fittings, plant and equipment

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

There were no changes in valuation techniques throughout the period to 30 June 2022.

Reconciliation of level 3 fair value measurement

		Land \$'000	Buildings \$'000	Plant, equipment, furniture, fittings and vehicles \$'000	Right-of-use vehicles \$'000
Balance at 1 July 2020		859	12,281	726	20
Additions/(Disposals)		-	-	123	59
<i>Gains/(Losses) recognised in net result</i>					
- Depreciation and amortisation		(12)	(1,035)	(113)	(8)
Balance at 30 June 2021	7.4(b)	847	11,246	736	71
Additions/(Disposals)		24	542	304	(15)
Net Transfers between classes		-	376	89	-
<i>Gains/(Losses) recognised in net result</i>					
- Depreciation and Amortisation		(12)	(1,035)	(111)	(7)
<i>Items recognised in other comprehensive income</i>					
- Revaluation		170	2,180	-	-
Balance at 30 June 2022	7.4(b)	1,029	13,309	1,018	49

Notes to the financial statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

Fair value determination of level 3 fair value measurement

Asset class	Likely valuation approach	Significant inputs (Level 3 only)
Specialised land (Crown/freehold)	Market approach	Community Service Obligations Adjustments ⁽ⁱ⁾
Specialised buildings	Depreciated replacement cost approach	- Cost per square metre - Useful life
Vehicles	Current replacement cost approach	- Cost per unit - Useful life
Plant and equipment	Current replacement cost approach	- Cost per unit - Useful life

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

Note 8: Other disclosures

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

Structure

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

8.2 Responsible persons disclosure

8.3 Remuneration of executives

8.4 Related parties

8.5 Remuneration of auditors

8.6 Events occurring after the balance sheet date

8.7 Jointly controlled operations

8.8 Investments using the equity method

8.9 Equity

8.10 Economic Dependency

Telling the COVID-19 story

Our other disclosures were not materially impacted by the COVID-19 Coronavirus pandemic.

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

	2022	2021
Note	\$'000	\$'000
Net result for the year	(343)	(359)
Non-cash movements:		
(Gain)/Loss on sale or disposal of non-financial assets	(15)	(28)
Depreciation of non-current assets	4.4 1,172	1,201
Loss allowance for receivables	-	(16)
Share of net results in joint venture	-	(205)
Movements in Assets and Liabilities:		
(Increase)/Decrease in receivables and contract assets	(226)	175
(Increase)/Decrease in prepaid expenses	(8)	(37)
Increase/(Decrease) in payables and contract liabilities	(52)	180
Increase/(Decrease) in monies in trust	(57)	34
Increase/(Decrease) in employee benefits	288	93
Net cash inflow from operating activities	759	1,038

Notes to the financial statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

Note 8.2: Responsible persons disclosures

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

Remuneration of Responsible Persons

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

	Period
The Hon. Mary-Anne Thomas MP	
Minister for Health	27 June 2022 to 30 June 2022
Minister for Ambulance Services	27 June 2022 to 30 June 2022
The Honourable Martin Foley:	
Minister for Health	1 July 2021 to 27 June 2022
Minister for Ambulance Services	1 July 2021 to 27 June 2022
The Hon. Gabrielle Williams MP	
Minister for Mental Health	27 June 2022 to 30 June 2022
The Honourable James Merlino:	
Minister for Mental Health	1 July 2021 to 27 June 2022
Minister for Disability, Ageing and Carers	11 October 2021 to 6 December 2021
The Hon. Colin Brooks MP	
Minister for Disability, Ageing and Carers	27 June 2022 to 30 June 2022
The Honourable Anthony Carbines:	
Minister for Disability, Ageing and Carers	6 December 2021 to 27 June 2022
The Hon. Luke Donnellan MP	
Minister for Disability, Ageing and Carers	1 July 2021 to 11 October 2021
Governing Boards	
Mr P Saunders	1 Jul 2021 - 30 Jun 2022
Ms K Cook	1 Jul 2021 - 30 Jun 2022
Mr M Oberlander	1 Jul 2021 - 30 Jun 2022
Mrs C Patterson	1 Jul 2021 - 30 Jun 2022
Mr A Oxford	1 Jul 2021 - 30 Jun 2022
Ms J Price	1 Jul 2021 - 30 Jun 2022
Ms L Easson	1 Jul 2021 - 30 Jun 2022
Ms C Hoggan	1 Jul 2021 - 30 Jun 2022
Ms J Warne	1 Jul 2021 - 30 Jun 2022
Ms D Loraine	1 Jul 2021 - 30 Jun 2022
Accountable Officers	
Mr L Parker	1 Jul 2021 - 30 Jun 2022

Notes to the financial statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

Remuneration of Responsible Persons

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

Income Band	2022	2021
	No	No
\$0 - \$9,999	10	9
\$60,000 - \$69,999	-	1
\$170,000 - \$179,999	-	1
\$210,000 - \$219,999	1	-
	11	11
	2022	2021
	\$'000	\$'000
Total remuneration received or due and receivable by Responsible Persons from the reporting entity amounted to:	252	284

Amounts relating to the Governing Board Members and Accountable Officer of Heywood Rural Health's controlled entities are disclosed in their own financial statements. Amounts relating to Responsible Ministers are reported within the State's Annual Financial Report.

Note 8.3: Remuneration of executives

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

Remuneration of executive officers (including Key Management Personnel disclosed in Note 8.4)	Total Remuneration	
	2022 \$'000	2021 \$'000
Short-term benefits	179	265
Post-employment benefits	30	16
Other long-term benefits	5	3
Total remunerationⁱ	214	284
Total number of executives	1	2
Total annualised employee equivalent ⁱⁱ	1.0	1.8

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

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

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

Notes to the financial statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

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

Short-term employee benefits

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

Post-employment benefits

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

Other long-term benefits

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

Other factors

Several factors affected total remuneration payable to executives over the year. A number of employment contracts were completed and renegotiated, and a number of executive officers retired, resigned or were retrenched in the past year. This has had a significant impact on remuneration figures for the termination benefits category.

Note 8.4: Related parties

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

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

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

Notes to the financial statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

Key management personnel

The Board of Directors and the Executive Directors of the Heywood Rural Health are deemed to be KMPs. This includes the following:

Entity	KMPs	Position Title
Heywood Rural Health	Ms K Cook	Chair of the Board
Heywood Rural Health	Mr P Saunders	Board Member
Heywood Rural Health	Mr M Oberlander	Board Member
Heywood Rural Health	Mrs C Patterson	Board Member
Heywood Rural Health	Mr A Oxford	Board Member
Heywood Rural Health	Ms J Price	Board Member
Heywood Rural Health	Ms L Easson	Board Member
Heywood Rural Health	Ms C Hoggan	Board Member
Heywood Rural Health	Ms J Warne	Board Member
Heywood Rural Health	Ms D Loraine	Board Member
Heywood Rural Health	Mr L Parker	Chief Executive Officer

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

	2022 \$'000	2021 \$'000
Compensation - KMPs		
Short-term Employee Benefits ⁱ	217	265
Post-employment Benefits	30	16
Other Long-term Benefits	5	3
Totalⁱⁱ	252	284

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

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

Significant transactions with government related entities

	2022 \$'000	2021 \$'000
Funding received from DH	5,031	4,288
Interest free loan balance DH	32	49
Receivable from DH	274	74
Payable to DH	130	198

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

Notes to the financial statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

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

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

Transactions with KMPs and other related parties

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

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

There were no related party transactions required to be disclosed for the Heywood Rural Health Board of Directors, Chief Executive Officer and Executive Directors in 2022 (2021: none).

Note 8.5: Remuneration of auditors

	2022 \$'000	2021 \$'000
Victorian Auditor-General's Office		
Audit of the financial statements	17	11
Total remuneration of auditors	17	11

Note 8.6: Events occurring after the balance sheet date

There are no events occurring after the Balance Sheet date.

Note 8.7: Joint arrangements

Principal Activity	Ownership Interest	
	2022 %	2021 %
South West Alliance of Rural Health ICT provision and support	1.61	2.01

Notes to the financial statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

Note 8.7: Joint arrangements (Cont)

Heywood Rural Health's interest in assets and liabilities of the above joint arrangements are detailed below. The amounts are included in the consolidated financial statements under their respective categories:

	2022	2021
	\$'000	\$'000
Current assets		
Cash and cash equivalents	342	205
Receivables	90	62
Prepaid expenses	12	13
Total current assets	444	280
Non-current assets		
Receivables	13	10
Property, plant and equipment	117	165
Intangible assets	4	-
Total non-current assets	134	175
Total assets	578	455
Current liabilities		
Payables	154	195
Other current liabilities	210	42
Lease liabilities	25	24
Employee benefits and related on-cost provisions	43	35
Total current liabilities	432	296
Non-current liabilities		
Other liabilities	3	-
Lease liabilities	32	42
Employee benefits and related on-cost provisions	4	7
Total non-current liabilities	39	49
Total liabilities	471	345
Net assets	107	110
Equity		
Accumulated surplus	107	110
Total equity	107	110

Notes to the financial statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

Heywood Rural Health's interest in revenues and expenses resulting from joint arrangements are detailed below. The amounts are included in the consolidated financial statements under their respective categories:

	2022 \$'000	2021 \$'000
Revenue and income from transactions		
Operating activities	315	364
Non-operating activities	26	47
Total revenue and income from transactions	341	411
Expenses from transactions		
Employee benefits	(147)	(157)
Finance Costs	(1)	(1)
Depreciation	(37)	(38)
Operating expenses	(136)	(178)
Movement in JV % ownership	(22)	-
Total expenses from transactions	(343)	(374)
Net result from transactions	(2)	37
Other economic flows included in the net result		
Revaluation of long service leave	(1)	2
Total other economic flows included in the net result	(1)	2
Comprehensive result for the year	(3)	39

* Figures obtained from the unaudited SWARH Joint Venture annual report.

Contingent liabilities and capital commitments

There are no known contingent liabilities or capital commitments held by the jointly controlled operations at balance date.

Note 8.8: Investments using the equity method

Name of Entity	Principal Activity	Country of Incorporation	Ownership Interest		Published Fair Value	
			2022 %	2021 %	2022 \$'000	2021 \$'000
Associates						
<i>Southern Grampians/Glenelg Shire</i>						
<i>Primary Care Partnership</i> ^{(a)(b)}	Primary Health	Australia	11	11	28	30

(a) As at 30 June 2022, the fair value of the health service's interest in Southern Grampians/Glenelg Shire PCP was based the % share of net assets of the unaudited financial statements.

(b) The financial year end date of Southern Grampians/Glenelg Shire PCP is 30 June.

Note 8.9: Equity

Contributed capital

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

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

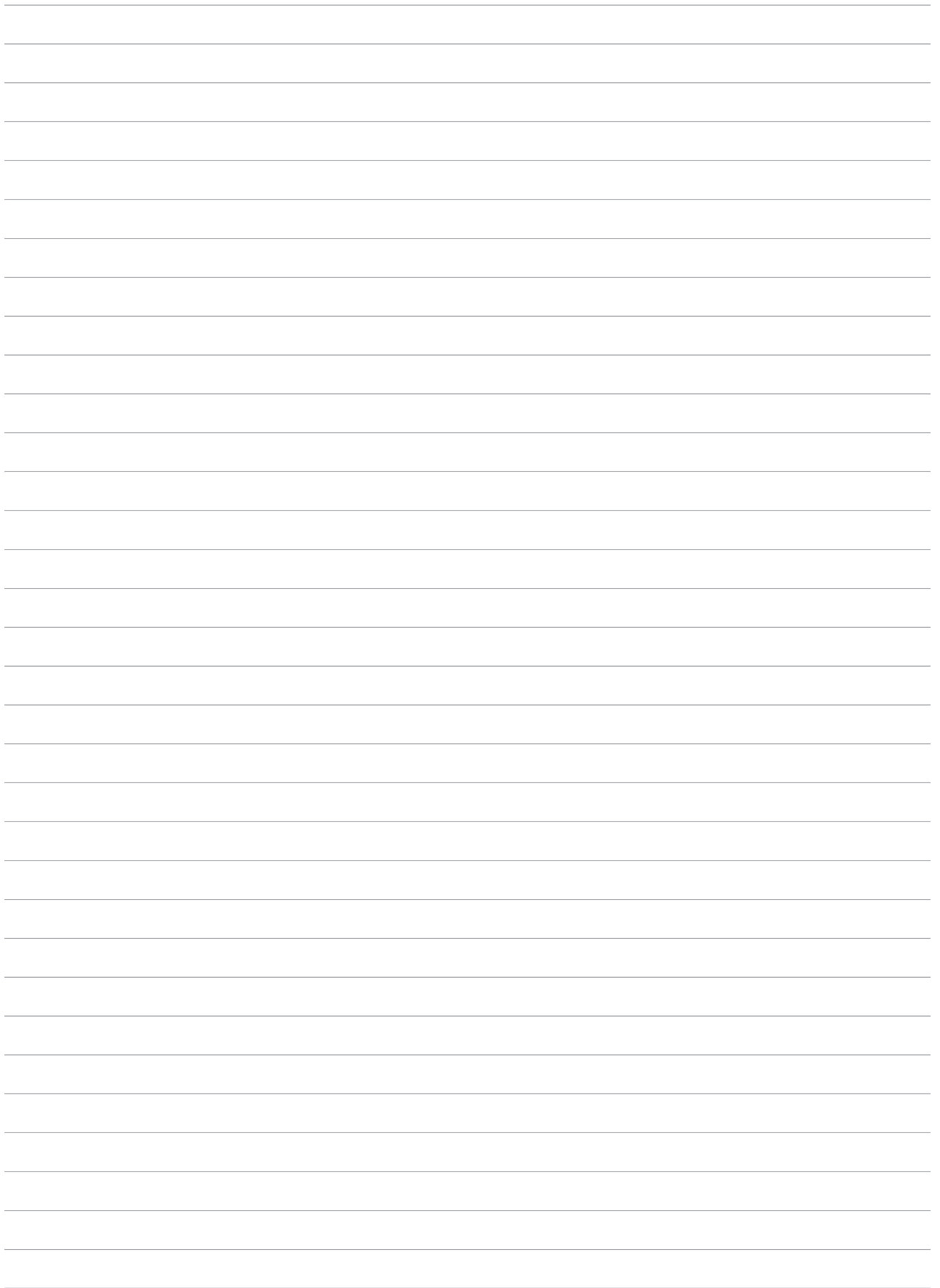
Other transfers that are in the nature of contributions or distributions or that have been designated as contributed capital are also treated as contributed capital.

Restricted specific purpose reserves

The specific restricted purpose reserve 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 8.10: Economic dependency

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









committed
to the health
and wellbeing
of our
community

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