
# 149th Annual Report 2019/2020

ALEXANDRA
DISTRICT HEALTH

# Our History

**1870**

In 1870, the local Council purchased two buildings for two pounds. They spend a further 50 pounds, converting an old hotel into a courthouse and the other section into a hospital.

**1871**

In December 1871 Alexandra Cottage Hospital was incorporated and registered as a Public Hospital.

**1957**

A fire destroyed a major part of the hospital destroying all records prior to that point.

**1993**

A redevelopment of the old hospital facility took place including a new urgent care and operating theatre

**2004**

Alexandra District Health redeveloped its Community Health building at Alexandra and took on community health services at sites in Eildon and Marysville.

**2008**

Alexandra District Health was awarded the Rural Health Service of the Year award in the Victorian Public Healthcare Awards.

**2009**

In 2009 the Black Saturday fires devastated the community. Alexandra District Health was directly involved in both the medical response and the rebuilding process including our facility in Marysville that was relocated to Buxton until Marysville was rebuilt.

**2010**

Construction commenced for the new hospital on the corner of Cooper and Wattle Streets.

**2011**

Alexandra District Health was awarded the Rural Health Service of the Year award in the Victorian Public Healthcare Awards.
Construction was completed and the hospital relocated to its new home in October 2011.

**2015**

On the 18th of June 2015 the name of our health service formerly changed from Alexandra District Hospital to Alexandra District Health.

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# Mission Statement

**Our Mission**

To partner with our community so together we achieve excellence in rural healthcare.

**Our Values**

The following values underpin all interactions between Alexandra District Health patients, staff, other service providers, supporters and the communities in which ADH operates. The values were developed and are owned by our staff and enthusiastically supported by the Board.

| | | We will: |
|---|---|---|
| **A** | Accessible | create a welcoming environment for all |
| **D** | Dedicated | strive to do our best each and every time |
| **H** | Holistic | consider the treatment of the whole person, considering mental and social factors, rather than just symptoms of a disease |
| **C** | Compassionate | be sympathetic and show care and kindness to patients, visitors and each other |
| **A** | Accountable | take responsibility for our actions |
| **R** | Respect | maintain the privacy and confidentiality of others |
| **E** | Excellent | continuously strive to do better, learning from our mistakes |
| **S** | Safe | ensure a safe Health Service for all patients, staff and visitors |

**Strategic Goals and Objectives**

Service Profile and Clinical Excellence

- Services adapt to the changing needs of our community and are appropriate for the future needs of our community.
- Care that is safe, evidence based, proactive and contemporary.

Communication, Partnerships and Engagement

- Excellence in rural health care through mutually beneficial partnerships with our community, our staff and our service partners.

Governance and Leadership

- Board and executive providing strong leadership and direction.
- A resilient Health Service.

Workforce

- Engaged, outstanding people providing great healthcare locally within a safe and healthy work environment.

Resourcing and Sustainability

- A sustainable financial base to deliver present and future services.
- Our buildings and equipment are well planned, well maintained and fit for purpose.
- Our outreach services are delivered in fit for purpose facilities.

# Our Profile

**Board of Directors Chair**
Ms Lorna Gelbert

**Finance, Audit and Risk Committee Chair**
Mr Kim Flanagan

**Quality and Clinical Governance Committee Chair**
Ms Cheryle Royle

**Chief Executive Officer**
Mrs Deborah Rogers

**Responsible Ministers**
Jenny Mikakos MP, Minister for Health and Minister for Ambulance Services
Martin Foley MP, Minister for Mental Health

**Originally Established**
Incorporated December 11th 1871 – Hospital and Charities Act (6274)

**Accreditation Status**
Fully Accredited to 9th March 2021

**Approved Beds**
25 acute
6 day procedure

**Board of Directors**

| | |
|---|---|
| Chair | Ms Lorna Gelbert |
| Deputy Chair | Ms Cheryle Royle |
| Board Members | Mr Paul Denham |
| | Ms Megan Buntine |
| | Mr Kim Flanagan |
| | Mr Steven Hogan |
| | Ms Erin Wilson |
| | Ms Jenny Branton (deceased) |
| Auditor | HLB Mann Judd (Internal Auditor) |
| | Richmond, Sinnott & Delahunty |
| | VAGO (Victorian Auditor Generals Office) |
| Bankers | Westpac (CBS), NAB |
| Solicitors | Health Legal |

**Responsible Bodies Declaration**
In accordance with the *Financial Management Act 1994*, I am pleased to present the Report of Operations for Alexandra District Health for the year ending 30th June 2020.

Lorna Gelbert
Chair – Board of Directors
Alexandra
30th June 2020

# About Us

Alexandra District Health employs a team of approximately 110 staff who work across our clinical and corporate services.

We provide a range of inpatient (medical and surgical) and primary health services in Alexandra. Primary Health services are also provided at our campuses in Marysville and Eildon.

**Our Services:**

- Acute Ward
- Advance Care Planning Clinic
- Asthma Education
- Cardiac Rehabilitation
- Childbirth Education
- Counselling services
- Heart Health Program
- Continence Management
- Diabetes Education
- Dietetics
- District Nursing Service
- Meals on Wheels
- Occupational Therapy
- Physiotherapy
- Pulmonary Rehabilitation Program
- Peer-led Support Groups
- Social Work
- Speech Pathology
- Surgery including: General, Gynaecology, Ear, Nose and Throat, Orthopaedic, Endoscopy, Urology, Ophthalmology
- Urgent Care
- Wound Management Clinic

Exercise Programs

- Gymnasium
- Stall the fall
- Gentle exercise
- Strength training
- Fit for birth
- Bounce Back with Babes

Private Services

- Hearing Clinic
- Echocardiography
- Lung Function Testing
- Private Specialist Services:
  General Surgeon, Gynaecologist, Urologist, Ear, Nose and Throat Surgeon, Orthopaedic Surgeon, Paediatrician, Gastroenterologist, Ophthalmologist, Renal Specialist, Cardiologist Respiratory Specialist
- Pathology
- Podiatry
- Radiology
- Ultrasound (NHW)

**Medical Staff:**

**Director of Medical Services**
Dr S Chandrasiri MBBS, RACMA (to November 2019)
Assoc. Prof. Colin Feekery MBBS, RACMA, RACP

**General Practitioners**
Dr T Chuah MBBS
Dr L Fraser MBBS, RACGP
Dr T Kyaw MBBS (to April 2020)
Dr M Lowe MBBS, RACGP
Dr A Taheri MBBS
Dr R Vohra MBBS
Dr E Zadneprovskaya, MBBS (to December 2019)

**General Surgeon**
Mr R Masters MBBS, FRACS

**Gynaecologist**
Dr A Lawrence B.Sc. (Hons), MBBS (Hons), FRANZCOG, MRCOG

**Gastroenterologist**
Dr P Mahindra MBBS, FRACGP

**Anaesthetists**
Dr E Beasley MBBS, FANZCA
Dr T Callahan BMBS (Hons), BSc (Hons), FANZCA
Dr F Desmond MBBS, FANZCA (to March 2020)
Dr M Keane, MBBS, FANZCA
Dr S Mahjoob, MBBS, FANZCA
Dr J Monagle, MBBS, FANZCA
Dr C Noonan, MBBS, FANZCA
Dr D Stanzsus, MBBS, FANZCA

**Orthopaedic Surgeons**
Mr J Harvey, MBBS, FRACS
Mr C Kondogiannis, MBBS, FRACS

**Ear, Nose, Throat Surgeon**
Mr A Guiney, MBBS, FRACS

**Urologist**
Dr P Ruljancich MBBS, FRACS

**Ophthalmologist**
Dr R Bunting MBBS, RANZCO, FRCOphth

**Cardiologist**
Dr E Kotschet MBBS (Hons) FRACP

**Paediatrician**
Dr D Cutting MBBS, FRACP

**Nephrologist**
Dr P Branley MBBS, BPharm

**Respiratory Physician**
Dr M Clarence, MBBS Surgery

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The annual report of Alexandra District 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.

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# Board Chair and Chief Executive Officer Report

In accordance with the *Financial Management Act 1994,* it gives us great pleasure to present our Annual Report for the 2019/20 financial year. This 149th Annual Report highlights the excellent work, commitment and achievements of our organisation and our people over the last twelve months. The second half of the year was significantly interrupted by the COVID-19 global pandemic. However, despite this Alexandra District Health (ADH) continued to provide safe, person focused care.

Some of our achievements this year include:

- Commenced a unique metropolitan/rural graduate nurse program in collaboration with Eastern Health. ADH welcomes and supports 4 graduate nurses each year as they undertake the 6-month rural component of their graduate program.
- Developed and implemented the new ADH branding, which pays homage to our past and is fit for the future.
- Through an extensive staff consultation process the new Vision, Mission and Values were developed and endorsed by the Board of Directors.
- Our new Strategic Plan 2020-2024 was developed and released.
- We held our inaugural Great Community Fair, which attracted over 200 community members.
- The establishment of the Better Health Murrindindi Group. This is a partnership between ADH, Yea and District Memorial Hospital, Darlingford Upper Goulburn Nursing Home and Murrindindi Shire Council.
- Reinvigoration of Consumer Engagement Committee who were instrumental in our branding and website projects.
- Development of an access and inclusion committee, ensuring our health service is welcoming to all.
- Exceeded the state-wide targets in hand hygiene compliance, health worker immunisation rates and in all patient experience performance indicators.
- Development of our surgical capability manual to ensure our surgical services are safe and evidence informed.
- Establishment of a waste warriors committee to ensure environmental sustainability.
- Compliance with all directives and guidance from DHHS regarding COVID-19, ensuring our workforce, patients and community were safe.

**Our Board:**

ADH has a dedicated Board providing governance oversight and strategic direction for the Health Service. In 2019/2020 we welcomed four new Directors, Kim Flanagan, Steven Hogan, Jenny Branton, and Erin Wilson. Sadly, Jenny Branton passed away suddenly in October, having only served 4 months of her 3 year term. Jenny had already made a significant contribution to the Health Service through her Director role and is sadly missed. Erin Wilson resigned her Director role during the year and accepted a role as Director of Allied Health at St John of God in Perth, Western Australia. Paul Denham retired from the Board on June 30th. Paul was chair of our Consumer Engagement Committee and we thank him for his service to ADH as a Board Director over the past 3 years.

**Director of Medical Services:**

Dr. Sidney Chandrasiri joined the executive team at ADH in June 2019 until November 2019, as Director Medical Services. Unfortunately, due to her commitments at Epworth Health Care she was unable to continue to provide services to ADH.

Associate Professor Colin Feekery joined our team in November 2019. Colin also works at Alfred Health and we are very lucky to have his expertise, particularly in the clinical governance field at ADH.

**Financial Performance:**

When assessing the financial results for 2019-20, and prior to the inclusion of capital and specific items, the result indicated a slight deterioration in the financial performance of the Health Service compared to the prior year.

The operating position reflects a reduction in inpatient revenue due to reduced fees collected from private medical and surgical patients of $30,000, and Primary Health client fees of $11,000, due to reduced activity which has been attributed to COVID-19 restrictions. These reductions were partially offset by corresponding reductions in the cost of medical services and general health service delivery costs.

Overall, the level of activity across all areas of the Health Service have been affected by the Coronavirus pandemic. Despite this, the overall financial result for the year was a small operating surplus. These low activity levels are expected to continue at ADH into the new financial year until the COVID-19 restrictions ease.

**The Future:**

The future is bright for ADH as we look forward to implementing our Strategic Plan and the Murrindindi Clinical Services Plan, which will bring improvements and expansion of our services to meet the needs of the community now and into the future, and ensuring services are provided locally.

Our focus on training and development will continue with the introduction of a ‘Transition to Practice’ program for Enrolled Nurses. This new program will compliment the Graduate Nurse Program introduced in 2019 and reflects the ADH commitment to developing our workforce.

The ‘Old Myrtle Street Clinic’ will be transformed into our Learning and Development hub with our vision to establish a ‘simulation lab’ which will be used to promote clinical skills, both at ADH and for other providers in our community, thereby achieving our vision of great health care, locally.

Our success depends on the strong governance and commitment of our Board Directors, effective leadership from our executive, and the skills, knowledge and dedication of our staff, in partnership with our community advisors. We would also like to acknowledge the generosity of our volunteers and community whose contributions greatly assist in the purchase of new equipment. We also thank our patients and clients who have shared their journey to health with us.

We acknowledge the support of the Victorian Government, Department of Health and Human Services and the Federal Government in the funding of our operations and initiatives.

This year has been a challenging year for Alexandra District Health as we navigate the health environment during a pandemic. However, we are proud to lead the Health Service into the future. We hope that you enjoy reading our 2019/2020 Annual Report and learning more about our achievements in the past year.

# Executive Team

**Chief Executive Officer**
**Deborah Rogers**

The CEO is responsible for the operational, financial and human resource management of Alexandra District Health. Additionally, this position holds full responsibility for legislative compliance and organisational performance together with organisational development and enhancement.

**Director of Corporate Services / Chief Finance Officer / Chief Procurement Officer**
**Andrew Lowe**

The Director of Corporate Services / Chief Financial Officer (CFO) / Chief Procurement Officer (CPO) is a member of the Executive Team having responsibility for the leadership and management of the Corporate Services Division. The Director of Corporate Services is responsible for the overall finance and accounting function, assisting in the formation of financial and budgeting policies and procedures.

**Director of Medical Services**
**Dr Sidney Chandrasiri (to November 2019)**
**Associate Professor Colin Feekery (from November 2019)**

The Director of Medical Services (DMS) acts on behalf of Alexandra District Health (ADH), in overseeing the professional performance of all employed Visiting Medical Officers (VMO's) to enhance and develop medical service provision. The DMS is responsible for ensuring a safe medical care environment for patients of ADH.

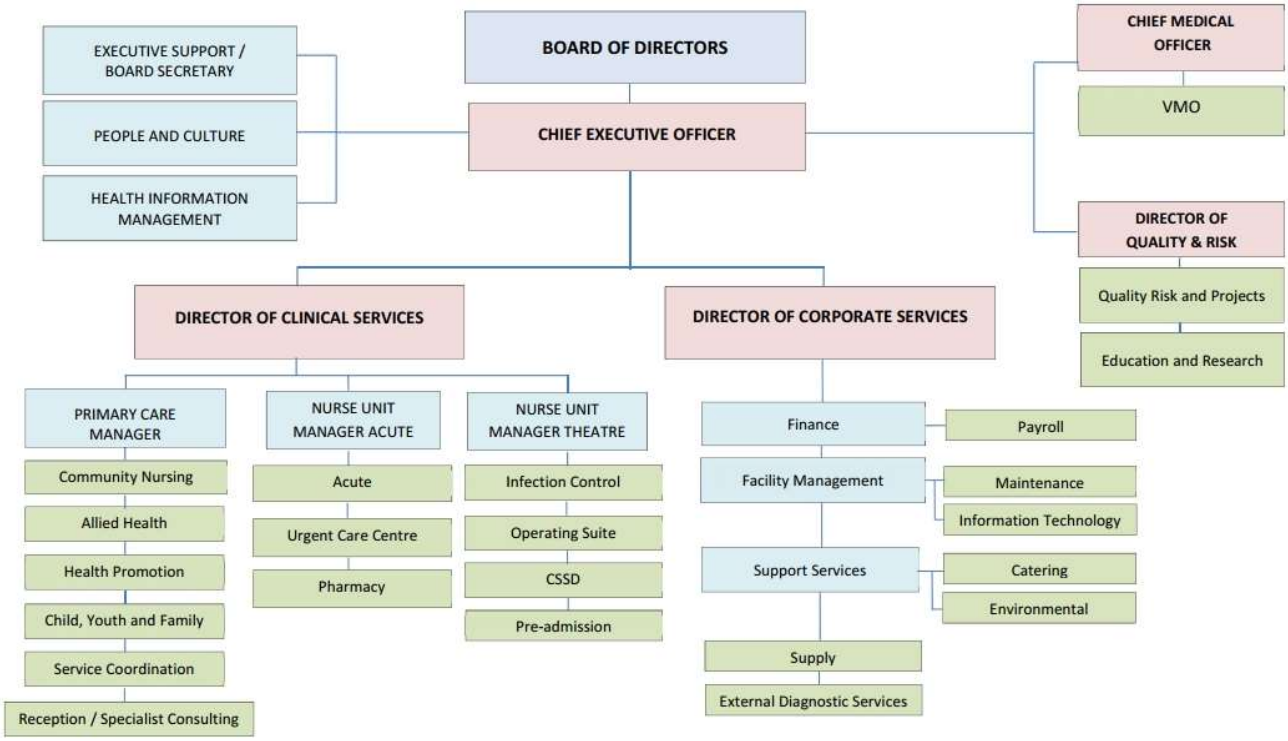
**Director of Clinical Services**
**Kerrie Myer (to January 2020)**
**Claire Palmer (from January 2020)**

The Director of Clinical Services (DoCS) provides strategic direction to clinical (nursing and ambulatory care) services and primary health streams. The DoCS Strategically manages the performance of the clinical services areas including targets, budgets, people, and resources and planning to ensure compliance and quality service delivery.

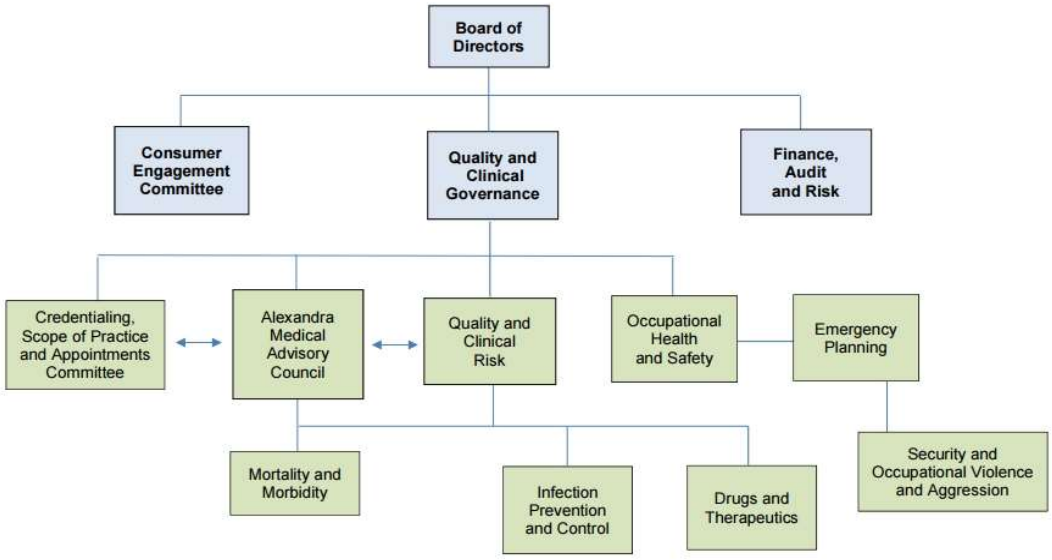
**Director of Quality and Risk**
**Claire Palmer (to January 2020)**

The Director Quality and Risk works in collaboration with the Chief Executive Officer and the Executive team to lead the quality improvement and risk management program at Alexandra District Health (ADH). The Director works collaboratively with the senior leadership team, clinical and non-clinical staff and consumers to ensure that ADH has an effective, coordinated, organisation-wide approach to the provision of quality improvement, incident and risk management, management of policies and procedures, emergency management systems and accreditation process across all areas of ADH.

# Organisational Structure




# Committee Reporting Structure



# Board of Directors

**Ms Lorna Gelbert – Chair**

Lorna is a practicing lawyer and is an Accredited Property Law Specialist. Until the end of 2013, Lorna was a partner with a medium sized law firm in the Melbourne CBD but, since then, has operated a small practice in Buxton in partnership with her husband. Lorna has previously been a Board Director of Places Victoria, Women's Legal Service Victoria and Family Law Legal Service. She is the former Chair of the Law Institute of Victoria Specialisation Board's Property and Commercial Tenancy Committee. In addition to her role as Board Chair, Lorna is also a member of the Finance, Audit and Risk Committee and the Quality and Clinical Governance Committee.

**Ms Cheryle Royle – Deputy Chair**

In addition to being Board Deputy Chair, Cheryle is Chair of the Quality and Clinical Governance Committee and is a member of the Finance, Audit and Risk Committee. Cheryle has an extensive background in healthcare management, having been the CEO of a number of hospitals in Victoria, and prior to retiring/semi-retiring was the CEO of St Vincent's Hospital Brisbane. As a previous Nurse and Midwife, Cheryle progressed through the leadership ladder from Director of Nursing to being a CEO of both single and multiple hospital sites.

Her achievements include being a previous winner of the Telstra Business Woman's Award (VIC) for the private sector with more than 100 employees and represented Victoria as a national finalist that year.

Cheryle is a passionate advocate for Safety & Quality in Healthcare and was invited to join the Board of The Australian Commission for Safety & Quality in Healthcare where her term of five years has just been completed. During that time, she was a member of the National Model Clinical Governance Advisory Panel for the Commission. She has served on two other Boards and brings much experience in the broader health agenda.

**Mr Kim Flanagan**

Kim is Chair of the Finance, Audit and Risk Committee and a member of the Quality and Clinical Governance Committee. He is also a Non-Executive Director of The Lost Dogs home and the Chief Operating Officer of New Age HSE Services a respected management consulting company. Previously he was a Non-Executive Director for AGECOM Enterprises Limited (Bendigo Community Bank), Chair of their People, Performance, Governance and Risk Committee.

Kim has worked in both Federal and State Government Business Enterprises and departments such as the Department of Health and Human Services and the Westgate Tunnel Authority. He has also been an Executive in the private sector with companies such as BHP, Finemore Holdings Limited, the Ford Motor Company of Australia, UGL Limited and NBN Co.

Kim has a Bachelor's Degree in Social Science majoring in Human Physiology and Sociology as well as a Diploma of Business Management. He is trained in Six Sigma and Lean philosophy, Six Sigma Project Champion and is an accredited Exemplar Global Master Auditor. He is also a Fellow of the Institute of Logistics and Transport Member of Australian Institute of Company Directors and a Fellow of the International Safety, Quality & Environment Management Association.

**Mr Paul Denham**
(retired 30th June 2020)

Paul has many years' experience in the Building and Construction industry as well as Emergency Management and Recovery sectors. With a background in contracts management, Paul has considerable knowledge of building life safety systems and building services, having worked on major construction projects in both the public and private sectors. He holds a Masters of Engineering Project Management along with a number of other graduate qualifications and is an endorsed fire ground commander in the emergency services. Paul is a member of the Finance, Audit and Risk Committee and the Quality and Clinical Governance Committee, and is Chair of the Consumer Engagement Committee.

# Board of Directors continued

**Mr Steven Hogan**

Recently retired, Steven has had an extensive career in Senior executive roles in Retail, Finance, Health, & Manufacturing and most recently, in not for profit associations in the Insurance and Construction sectors. While most of his roles have been supporting organisations at a strategic executive level, his area of specialisation is in the area of Human Resources where he has been a certified member of the Australian Human Resources Institute for over 35 years.

Based in Melbourne, and with a number of family and friends in Marysville, Buxton and Eildon, Steven feels a good affiliation with the area and brings a strong focus on strategy and the importance of people and culture to the success of organisations. Steven is a member of the Finance, Audit and Risk Committee and the Quality and Clinical Governance Committee.

**Ms Megan Buntine**

Megan is the principal consultant of Megan J Buntine Consulting Services where her mission is to build the capability of organisations and individuals through the work she does. She specialises in supporting non-profit organisations, small businesses, and individuals with goal setting, strategic planning and good governance, and she does this work across Victoria and also interstate.

Megan has worked and volunteered across the human services and broader community sectors for more than 30 years, as well as running her own businesses over the past 20 years. She has been a member of a number of community organisation's boards and committees, in both executive and ordinary roles. Most recently she was the Secretary of Rivers and Ranges Community Leadership Incorporated's Board, a member of the Victorian Public Tenants' Association Inc's Board, and a Director on the Board of the Kinglake Ranges Foundation. She is also currently an independent Non-executive Director for a private company which provides support in the aged and disability sectors. Megan is a member of the Finance, Audit and Risk Committee, the Quality and Clinical Governance Committee and the Consumer Engagement Committee.

**Ms Erin Wilson**
(resigned 30th June 2020)

Erin is Director of Allied Health, Outpatients and Aboriginal Health at St John of God in Perth Western Australia. She is responsible for the professional and operational performance for a large suite of services across emergency, acute, subacute, mental health and outpatient services. Erin's passion is empowering caregivers to provide safe, high quality care in partnership with our patients at the right time and right place. Erin is a member of the Finance, Audit and Risk Committee and the Quality and Clinical Governance Committee.

**Ms Jenny Branton**
(deceased 30th October 2019)

Jenny has had many years experience working in community services with Murrindindi Shire Council and Menzies Support Services. During her time with the local council, she was involved with the 2009 bushfire memorial project. Her background includes work as a practitioner with children, people with disabilities and rehabilitation. Jenny has a high degree of commitment to equity, access and quality. During her time as a Board Director with ADH, Jenny was a member of the Finance, Audit and Risk Committee and the Quality and Clinical Governance Committee.

# Attestations

## Financial Management Compliance

I, Lorna Gelbert, on behalf of the Responsible Body, certify that the Alexandra District Health has no Material Compliance Deficiency with respect to the applicable Standing Directions under the *Financial Management Act 1994* and Instructions.

Lorna Gelbert
Board Chair
Alexandra District Health
30th June 2020

## Data Integrity Declaration

I, Deborah Rogers, certify that Alexandra District Health has put in place appropriate internal controls and processes to ensure that reported data accurately reflects actual performance. Alexandra District Health has critically reviewed these controls and processes during the year.

Deborah Rogers
Chief Executive Officer
Alexandra District Health
30th June 2020

## Conflict of Interest Declaration

I, Deborah Rogers, certify that Alexandra District 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 Alexandra District 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.

Deborah Rogers
Chief Executive Officer
Alexandra District Health
30th June 2020

## Integrity, Fraud and Corruption Declaration

I, Deborah Rogers, certify that Alexandra District Health has put in place appropriate internal controls and processes to ensure that Integrity, fraud and corruption risks have been reviewed and addressed at Alexandra District Health during the year.

Deborah Rogers
Chief Executive Officer
Alexandra District Health
30th June 2020

# Workforce Data

**Employment and Conduct Principles**

All employees are correctly classified in the workforce data collections and are required to comply with the Alexandra District Health Code of Conduct under their respective employment agreements. Alexandra District Health is committed to applying the public sector employment principles and upholds the key principles of merit and equity in all aspects of the employment relationship. To this end we have policies and practices in place to ensure all employment related decisions, including recruitment and retention, are based on merit.

| Hospitals labour category | JUNE current month FTE* | | Average Monthly FTE** | |
|---|---|---|---|---|
| | 2019 | 2020 | 2019 | 2020 |
| Nursing | 25.20 | 25.72 | 23.95 | 25.94 |
| Administration and Clerical | 14.20 | 12.98 | 12.92 | 13.59 |
| Medical Support | 0.57 | 0.56 | 0.53 | 0.53 |
| Hotel and Allied Services | 8.96 | 9.16 | 8.93 | 9.40 |
| Medical Officers | 0.29 | 0.21 | 0.23 | 0.27 |
| Hospital Medical Officers | 0.00 | 0.00 | 0.00 | 0.00 |
| Sessional Clinicians | 0.05 | 0.18 | 0.14 | 0.14 |
| Ancillary Staff (Allied Health) | 8.19 | 6.68 | 8.42 | 6.12 |
| **Total** | 57.46 | 55.49 | 55.12 | 55.99 |

# Financial Performance

| | 2020 $000 | 2019 $000 | 2018 $000 | 2017 $000 | 2016 $000 |
|---|---|---|---|---|---|
| OPERATING RESULT* | **38** | **85** | **88** | **33** | **182** |
| Total revenue | 9,601 | 8,652 | 8,305 | 7,824 | 7,657 |
| Total expenses | (9,927) | (9,502) | (9,388) | (8,876) | (8,552) |
| **Net result from transactions** | **(326)** | **(850)** | **(1,083)** | **(1,052)** | **(895)** |
| Total other economic flows | 8 | (63) | 4 | (11) | 28 |
| **Net result** | **(318)** | **(913)** | **(1,079)** | **(1,063)** | **(867)** |
| Total assets | 31,305 | 31,446 | 28,233 | 26,670 | 27,733 |
| Total liabilities | (2,653) | (2,476) | (2,191) | (1,730) | (1,730) |
| **Net assets/Total equity** | **28,652** | **28,970** | **26,042** | **24,940** | **26,000** |

| | 2019-20 $000 |
|---|---|
| **Net operating result** * | **38** |
| Capital purpose income | 45 |
| Specific income | 140 |
| COVID 19 State Supply Arrangements<br>- Assets received free of charge or for nil consideration under the State Supply | N/A |
| State supply items consumed up to 30 June 2020 | N/A |
| Assets provided free of charge | N/A |
| Assets received free of charge | 789 |
| Expenditure for capital purpose | (19) |
| Depreciation and amortisation | (1,316) |
| Impairment of non-financial assets | (3) |
| Finance costs (other) | 0 |
| **Net result from transactions** | **(326)** |

* The Operating Result is the result for which the Health Service is monitored in its Statement of Priorities.

**Subsequent Events**
Alexandra District Health is unaware of any subsequent events occurring after the balance sheet date.

# Statutory Reporting

Alexandra District Health's Annual Report has been compiled to meet the requirements of the Public Administration Act, Financial Management Act and other requirements.

Disclosures required under Legislation but not recorded elsewhere in this annual report is summarised below.

**Freedom of Information Act, 1982**
The Freedom of Information Officer is the Chief Executive Officer (CEO). Persons wishing to access information under the *Freedom of Information Act 1982* should apply in writing to the CEO.

During 2019/2020 there were 17 Freedom of Information requests. 14 were granted in full, 3 found no documents on file.

**Building Standards**
Alexandra District Health complies with Regulation 1209 and 1215 of the *Building Act 1993*. The Alexandra District Health engages an independent contractor to perform an assessment of all buildings in accordance with Section 22E of the Act. A current Annual Safety Measures Report is on display at the Urgent Care entry.

**Public Interest Disclosure Act, 2012**
Alexandra District Health complied with the *Public Interest Disclosure Act 2012* for the year 2019/2020. There are no disclosures to report.

Complaints regarding improper conduct and corruption in the Victorian public sector can be reported to the Independent Broad-based Anticorruption Commission (IBAC).
www.ibac.vic.gov.au

**Fees and Charges**
Alexandra District Health charges fees in accordance with the Department of Health Fee Schedule.

**Pecuniary Interests**
The Board of Directors members are required to notify the Chair of the Board of any pecuniary interests. All members have completed a statement of pecuniary interests.

**Carers Recognition Act 2012**
Alexandra District Health complied with the *Carers Recognition Act 2012* for the year 2019/2020.
Our organisation is aware of its responsibilities under the Act.

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

**Local Jobs Act 2003**
Alexandra District Health has no contracts required to be reported under the Local Jobs First Disclosure in 2019/2020.

**National Competition Policy**
Alexandra District Health has a policy in place for the implementation of the Victorian Government's policy on Competitive Neutrality.

**Industrial Disputes**
No time lost through industrial disputes.

**Overseas Travel**
Nil.

**Publications**
The following publications dealing with the functions, powers, duties and activities of the hospital were produced in 2019/2020 and may be viewed at the health service upon request:

- Alexandra District Health 148th Annual Report.

**Additional information available on request**
Details of the items listed before have been retained by Alexandra District Health and are available to the relevant Ministers, Members of Parliament and the public on request (subject to the freedom of information requirements, if applicable):

- Details of shares held by senior officers as nominee or held beneficially.
- Details of changes in prices, fees, charges, rates and levies charged by the Health Service.
- Details of any major external reviews carried out on the Health Service.
- Details of major promotional, public relations and marketing activities undertaken by the Health Service to develop community awareness of the Health Service and its services.
- A list of major committees sponsored by the Health Service, the purpose of each committee and the extent to which those purposes have been achieved.
- Details of all consultancies and contractors, including all consultants / contractors engaged, services provided, and expenditure committed for each engagement.

# Statutory Reporting continued

**Details of consultancies (under $10,000)**

In 2019-20, there were 9 consultancies where the total fees payable to the consultants were less than $10,000. The total expenditure incurred during 2019-20 in relation to these consultancies is $34,099.09 (excl. GST).

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

In 2019-20, there was 1 consultancy where the total fees payable to the consultants were $10,000 or greater. The total expenditure incurred during 2019-20 in relation to this consultancy is $21,876.00 (excl. GST). Details of individual consultancies are listed in the table below.

**Consultancies over $10,000**

| Consultant | Purpose of consultancy | Start date | End date | Total approved project fee (excluding GST) | Expenditure 2019-20 (excluding GST) | Future expenditure (excluding GST) |
|---|---|---|---|---|---|---|
| Taylor & Grace | Re-branding and website design and development | 18th November 2019 | Ongoing | $26,126.00 | $21,876.00 | $4,250.00 |

**Information and Communication Technology (ICT) Expenditure**

The total ICT expenditure incurred during 2019-20 is $0.32 million (excluding GST) with the details shown below:

| Business as Usual (BAU) ICT expenditure | Non-Business as Usual (non-BAU) ICT expenditure | | |
|---|---|---|---|
| Total (excluding GST) | Total=Operational expenditure and Capital Expenditure (excluding GST) (a) + (b) | Operational expenditure (excluding GST) (a) | Capital expenditure (excluding GST) (b) |
| $0.26 million | **$0.06 million** | $0 million | $0.06 million |

# Statutory Reporting continued

**Occupational Health and Safety**

Alexandra District Health has an Occupational Health and Safety (OH&S) Committee which meets regularly. Staff report incidents, accidents and near misses which are then assessed at monthly meetings and appropriate action is taken.

During 2019/20 Alexandra District Health has continued to provide:

- Ongoing mandatory manual handling and occupational violence training for all staff.
- Face to face and online training on anti-bullying and harassment to all staff.
- Annual fire and emergency management training.

Occupational Health and Safety Data

| Occupational Health and Safety Statistics | 2019-20 | 2018-19 | 2017-18 |
|---|---|---|---|
| The number of reported hazards/incidents | 23 | 14 | 16 |
| The number of reported hazards/incidents per 100 FTE | 0.41 | 0.25 | 0.30 |
| The number of 'lost time' standard WorkCover claims | 1 | 0 | 1 |
| The average cost per WorkCover claim | $6,765 | $0.00 | $25,485 |

Occupational Violence Statistics

| Occupational violence statistics | 2019-20 |
|---|---|
| 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 | 5 |
| Number of occupational violence incidents reported per 100 FTE | 8.93 |
| Percentage of occupational violence incidents resulting in a staff injury, illness or condition | 0 |

**Definitions**

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

*Incident* – an event or circumstance that could have resulted in, or did result in, harm to an employee. Incidents of all severity rating must be included. Code Grey reporting is not included.

*Accepted Workcover claims* – Accepted Workcover claims that were lodged in 2019-20.

*Lost time* – is defined as greater than one day.

*Injury, illness or condition* – This includes all reported harm as a result of the incident, regardless of whether the employee required time off work or submitted a claim.

# Environment and Sustainability

Alexandra District Health strives to provide a sustainable environment for the community and continues to work to reduce our carbon footprint.

**How do we perform?**
We continue to monitor our solar production and have seen an ongoing reduction in the electricity purchased, especially in the summer months.

In 2019/20 we produced 125840 KWs of electricity utilising our solar power system (marginally above last year) resulting in a carbon offset of 869.60 tonnes or the equivalent of 2236 trees.

An ongoing commitment to encourage staff on reducing clinical waste has seen continuation of a sustained level of clinical waste produced.

Our theatre department continue to participate in a sterile wrap and PVC recycling project which results in these products no longer ending up in landfill.

We continue working on an “End of Life” replacement program to upgrade our halogen & fluorescent lighting with LED replacements throughout the hospital site, currently work on the kitchen and staff change room areas is being carried out.

Our overall general waste contributing to landfill has recorded an increase from 9335kg to 9591kgs. General waste has been impacted by COVID-19:

- Changed process in patient food (portion-controlled and individually packaged items, bottled water, cutlery/crockery/foils etc).
- Increased staff bringing packaged lunch to eat in offices, rather than ordering meals to eat in staff room.

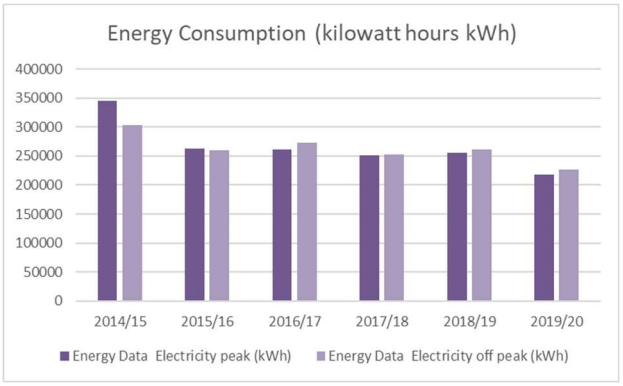
**Initiatives**
ADH will again look at options and feasibility of the possibility of further expansion of the electrical solar generation system, along with investigating the viability of battery storage for the site in 2020/21.

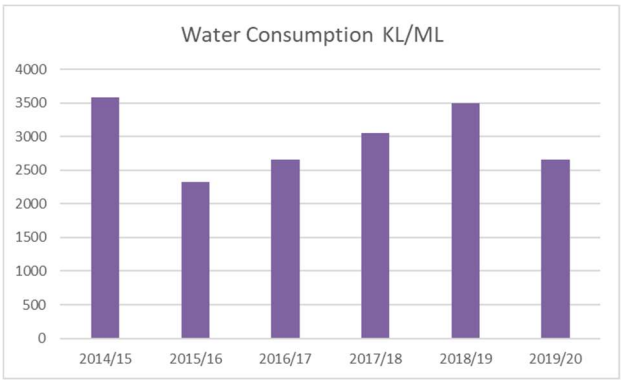
An ongoing LED light replacement program will continue to have some focus in foyers and carparks.

The co-mingle skip located on site to facilitate recycling direct into the skip continues to be a successful initiative, including reducing a labour component of removal.

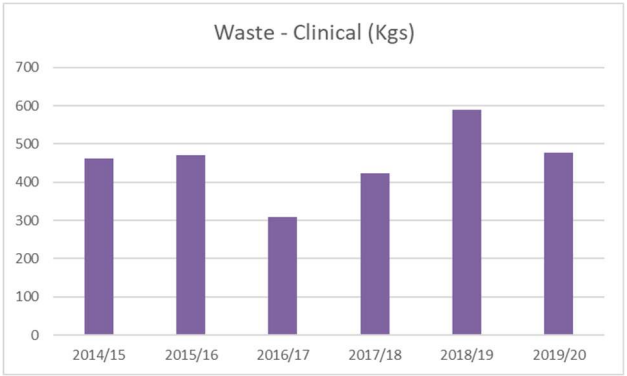
Replanting of the front garden areas with more drought resistant plant species has assisted with minimising water usage over warmer periods along with timely rainfall. Utilisation of good quality top soil and the addition of organic mulch assists with moisture retention.

A ‘Waste Warriors’ committee has been established with an aim to increase recycling, reduce waste, and re-use and repurpose items where possible.







# Statement of Priorities

## Part A: Strategic priorities

| Goals | Strategies |
|---|---|
| **Better Health** | **Better Health** |
| A system geared to prevention as much as treatment | Reduce Statewide Risks |
| Everyone understands their own health and risks | Build Healthy Neighbourhoods |
| Illness is detected and managed early | Help people to stay healthy |
| Healthy neighbourhoods and communities encourage healthy lifestyles | Target health gaps |

**Deliverables**

- Alexandra District Health will engage with and empower the community to lead actions that improve healthy eating and active lifestyle as part of the Murrindindi RESPOND project. Alexandra District Health will hold the "Great Community Fair" in November 2019 which will bring together the community at an event which celebrates healthy living. Attendance and participation in the event will exceed that of the 2018 event by 50%.
- At least one community education event will be conducted each year by Alexandra District Health and partners (e.g. Ambulance Victoria) with at least 20 community members attending the education sessions. The Alexandra District Health Community Engagement Committee will be instrumental in developing the education topics and engaging with the community.

**Outcome**

Achieved

Active participation by community members in healthy living initiatives and education. 200 people attended the 'Great Community Fair'. 100 people attended the ADH / AV snake bite education session.

| Goals | Strategies |
|---|---|
| **Better Access** | **Better Access** |
| Care is always being there when people need it | Plan and invest |
| Better access to care in the home and community | Unlock innovation |
| People are connected to the full range of care and support they need | Provide easier access |
| Equal access to care | Ensure fair access |

**Deliverables**

- Alexandra District Health will continue to provide the Advance Care Planning Clinic (ACP), which is the only one in Victoria. We will continue to support other organisations such as neighbouring residential aged care facilities and community organisations ensuring access to our community to end of life planning. Clinic attendances will be no less than 75% of appointments booked.
- Explore options of telehealth with Eastern Health to improve access to specialist outpatient services. Additional clinics will be commenced in 19/20.

**Outcome**

Partially achieved

Unsuccessful telehealth funding application. However, due to COVID-19, telehealth was implemented in private consulting and in Primary Health.
ACP clinic attendance was 93% prior to the clinic being placed on hold in April 2020 due to COVID-19.

| Goals | Strategies |
|---|---|
| **Better Care** | **Better Care** |
| Targeting zero avoidable harm | Put quality First |
| Healthcare that focusses on outcomes | Join up care |
| Patients and carers are active partners in care | Partner with patients |
| Care fits together around people's needs | Strengthen the workforce |
| | Embed evidence |
| | Ensure equal care |

**Deliverables**

- Actively involve consumers and cares in the patients care by encouraging patients to participate in hourly rounding in the acute ware. Patient participation will improve by 10% by April 2020, and the process will be evaluated by patients and staff in 2020.
- Alexandra District Health will support staff to undertake further learning/study/qualifications especially in the support services division. By June 2020 there will be an increase of 10% of staff undertaking additional training.

**Outcome**

Achieved

Implementation of guidelines to improve bedside handover and increase in patient participation achieved. Staff supported to undertake RIPERN, preceptor courses, advanced paediatric skills and advanced life support.

## Specific Priorities

**Supporting the Mental Health System**
Improve service access to mental health treatment to address the physical and mental health needs of consumers.

**Deliverables:**

- As an active member of the Lower Hume Primary Care Partnership, ADH will partner with other agencies to develop an integrated service plan for mental health which is aligned to the stepped care model. Alexandra District Health will investigate the feasibility of Alcohol and Other Drugs (AOD) inpatient beds in partnership with Eastern Health. By June 2020 Alexandra District Health will have prepared a business case for a new service.
- Alexandra District Health will engage in and respond to the recommendations from the Royal Commission into Mental Health. By June 2020, Alexandra District Health will have developed an action plan detailing the ADH actions to address the recommendations.
- Alexandra District Health will conduct Mental Health First Aid training for staff and community by June 2020.

**Outcome:** partially achieved, progress impacted by COVID-19. Virtual training options continue to be explored.

---

**Addressing Occupational Violence**
Foster an organisational wide occupational health and safety risk management approach, including identifying security risks and implementing controls, with a focus on prevention and improved reporting and consultation.
Implement the department's security training principles to address identified security risks.

**Deliverables:**

- Alexandra District Health will review, update and implement our code grey response by June 2020. All occupational violence incidents will be reported to the Alexandra District Health Board. ADH emergency response system will be evaluated by June 2020.

**Outcome:** partially achieved, code grey training impacted by COVID-19. All occupational violence incidents are reported to ADH Board.

***Addressing Bullying and Harassment***
Actively promote positive workplace behaviours, encourage reporting and action on all reports.
Implement the department's *Framework for promoting a positive workplace culture: preventing bullying, harassment and discrimination* and *Workplace culture and bullying, harassment and discrimination training: guiding principles for Victorian health services*.

**Deliverables:**

- Alexandra District Health will continue to implement the department's *Framework for promoting a positive workplace culture: preventing bullying, harassment and discrimination* ensuring staff attend annual antibullying and Harassment training. By 2020 all Alexandra District Health staff will have attended face to face training and completed online training to prevent bullying and harassment in the workplace. Alexandra District Health will achieve 100% compliance.

**Outcome:** partially achieved. Training attendance was 99% for the financial year. Face to face training was suspended due to COVID-19 restrictions.

---

**Supporting Vulnerable Patients**
Partner with patients to develop strategies that build capability within the organisation to address the health needs of communities and consumers at risk of poor access to health care.

**Deliverables:**

- Consumers with a disability will participate in the Alexandra District Health staff mandatory training ensuring the Alexandra District Health staff and facilities are welcoming and safe. By June 2020 50% of staff will have undertaken disability training. An evaluation of the training will be undertaken in 2021.

**Outcome:** partially achieved, progress impacted by COVID-19. Consumers participated in mandatory staff training until January 2020. As of 2020, 'In Their Shoes' patient story is discussed at all operational meetings. Formation of an access and inclusion working party and action plan developed and implemented.

---

**Supporting Aboriginal Cultural Safety**
Improve the health outcomes of Aboriginal and Torres Strait Islander (ATSI) people by establishing culturally safe practices across all parts of the organisation to recognise and respect Aboriginal culture and deliver services that meet the needs, expectations and rights of Aboriginal patients, their families, and Aboriginal staff.

**Deliverables:**

- Alexandra District Health will continue to actively support the health of ATSI people by developing a whole of organisation Cultural Improvement Plan with clear timelines by June 2020, including a memorandum of understanding (MOU) with Rumbalara.
- By March 2020 Alexandra District Health will develop an engagement process that leads to the provision of an annual health check for ATSI people.

**Outcome:** partially achieved, incorporated into mandatory training and orientation programs. ADH hosted 'Health Check Day' in partnership with Eastern Health Aboriginal Health Team, RIAC – ATSI Advocacy Program and Lower Hume PCP Aboriginal Health and Wellbeing Program in October 2019, with 16 people attending.

---

**Addressing Family Violence**
Strengthen responses to family violence in line with the *Multiagency Risk Assessment and Risk Management Framework* (MARAM) and assist the government in understanding workforce capabilities by championing participation in the census of workforces that intersect with family violence.

**Deliverables:**

- Alexandra District Health will continue to work with Goulburn Valley Health in the implementation of Strengthening Health Services Response to Family Violence (SHRFV). 100% of staff will have undertaken the training by June 2020.

**Outcome:** partially achieved, incorporated into orientation and mandatory training programs. Impacted by COVID-19.

---

**Implementing Disability Action Plans**
Continue to build upon last year's action by ensuring implementation and embedding of a disability action plan which seeks to reduce barriers, promote inclusion and change attitudes and practices to improve the quality of care and employment opportunities for people with disability.

**Deliverables:**

- Alexandra District Health will implement and embed the Alexandra District Health Disability Action Plan, building on our partnership with Menzies Support Services to provide opportunities for volunteering/employment with Alexandra District Health for people with disability. By June 2020 Alexandra District Health will have implemented at least 2 volunteer opportunities for people with disability. The program will be evaluated by June 2021.

**Outcome:** achieved prior to COVID-19. Menzies Support Services volunteers providing mail service and gardening.

---

**Supporting Environmental Sustainability**
Contribute to improving the environmental sustainability of the health system by identifying and implementing projects and/or processes to reduce carbon emissions.

**Deliverables:**

- Alexandra District Health will continue to identify opportunities as part of our Environmental Sustainability Plan, to participate in projects which will reduce our environmental impact. Our waste will be reduced by 10%.

**Outcome:** partially achieved, progress impacted by COVID-19 and staff working from home. Waste Warriors committee developed to progress projects and improve sustainability. Committee provides a monthly report to the Consumer Engagement Committee.

---

# Statement of Priorities

## Part B: Performance priorities

## High quality and safe care

| Key performance indicator | Target | Result |
|---|---|---|
| **Infection prevention and control** | | |
| Compliance with Hand Hygiene Australia Program | 83% | 87.7%* |
| Percentage of healthcare workers immunised for influenza | 84% | 96% |
| **Patient experience** | | |
| Victorian Healthcare Experience Survey – percentage of positive patient experience – Quarter 1 | 95% | 98.4% |
| Victorian Healthcare Experience Survey – percentage of positive patient experience responses – Quarter 2 | 95% | 97.3% |
| Victorian Healthcare Experience Survey – percentage of positive patient experience responses – Quarter 3 | 95% | 98.3% |
| Victorian Healthcare Experience Survey – percentage of very positive responses to questions on discharge care – Quarter 1 | 75% | 88.1% |
| Victorian Healthcare Experience Survey – percentage of very positive responses to questions on discharge care – Quarter 2 | 75% | 92.3% |
| Victorian Healthcare Experience Survey – percentage of very positive responses to questions on discharge care – Quarter 3 | 75% | 90.1% |
| Victorian Healthcare Experience Survey – patients perception of cleanliness – Quarter 1 | 70% | 96.6% |
| Victorian Healthcare Experience Survey – patients perception of cleanliness – Quarter 2 | 70% | 98.6% |
| Victorian Healthcare Experience Survey – patients perception of cleanliness – Quarter 3 | 70% | 93.6% |
| **Adverse events** | | |
| Sentinel events – root cause analysis (RCA) reporting | All RCA reports submitted within 30 business days | Full compliance |

**Hand hygiene result data taken from ADH Small Rural Health Service Performance Monitor. Quarter 4 data is not available due to COVID-19 and result is based on available data.*

## Part B: Performance priorities
## Strong governance, leadership and culture

| Key performance indicator | Target | Result |
|---|---|---|
| **Organisational culture** | | |
| People matter survey – percentage of staff with an overall positive response to safety and culture questions | 80% | 95% |
| People matter survey – percentage of staff with a positive response to the question, “I am encouraged by my colleagues to report any patient safety concerns I may have” | 80% | 100% |
| People matter survey – percentage of staff with a positive response to the question, “Patient care errors are handled appropriately in my work area” | 80% | 96% |
| People matter survey – percentage of staff with a positive response to the question, “My suggestions about patient safety would be acted upon if I expressed them to my manager” | 80% | 96% |
| People matter survey – percentage of staff with a positive response to the question, “The culture in my work area makes it easy to learn from the errors of others” | 80% | 92% |
| People matter survey – percentage of staff with a positive response to the question, “Management is driving us to be a safety-centred organisation” | 80% | 98% |
| People matter survey – percentage of staff with a positive response to the question, “This health service does a good job of training new and existing staff” | 80% | 92% |
| People matter survey – percentage of staff with a positive response to the question, “Trainees in my discipline are adequately supervised” | 80% | 85% |
| People matter survey – percentage of staff with a positive response to the question, “I would recommend a friend or relative to be treated as a patient here” | 80% | 100% |

## Part B: Performance priorities
## Effective financial management

| Key performance indicator | Target | 2019-20 result |
|---|---|---|
| Operating result ($m) | -0.13 | 0.03 |
| Average number of days to paying trade creditors | 60 days | 68 days |
| Average number of days to receiving patient fee debtors | 60 days | 27 days |
| Adjusted current asset ratio | 0.7 or 3% improvement from health service base target | 2.44 |
| Forecast number of days a health service can maintain its operations with unrestricted available cash (based on end of year forecast) | 14 days | 147.7 days* |
| Actual number of days a health service can maintain its operations with unrestricted available cash, measured on the last day of each month. | 14 days | 165 days |
| Measures the accuracy of forecasting the Net result from transactions (NRFT) for the current financial year ending 30 June. | Variance ≤ $250,000 | Achieved |

**Data taken from April 2020 ADH Small Rural Health Service Performance Monitor as at 30th April 2020.*

## Part C: Funding and activity

| Small Rural | 2019-20 Activity achievement | Units |
|---|---|---|
| Small Rural Acute | 621 | WIES Equivalents |
| **Small Rural Primary Health & HACC** | | |
| Nursing | 832 | Service hrs |
| Initial needs identification | 911 | Service hrs |
| **Allied Health** | | |
| Care Coordination | 11 | Service hrs |
| Counselling/casework | 1637 | Service hrs |
| Dietetics | 624 | Service hrs |
| Occupational Therapy | 51 | Service hrs |
| Physiotherapy | 2525 | Service hrs |
| Speech Pathology | 663 | Service hrs |

ALEXANDRA
DISTRICT HEALTH

# Financial Report 2019-20

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

The attached financial statements for Alexandra District 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 2020 and the financial position of Alexandra District Health at 30 June 2020.

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 25th September 2020.

| **Member of Responsible Body** | **Accountable Officer** | **Chief Finance and Accountable Officer** |
|---|---|---|
| ..... | ..... | ..... |
| Ms Lorna Gelbert | Ms Deborah Rogers | Mr Andrew Lowe |
| Board Chair | Chief Executive Officer | Chief Finance and Accounting Officer |
| Alexandra District Health | Alexandra District Health | Alexandra District Health |
| 25th September 2020 | 25th September 2020 | 25th September 2020 |

# Independent Auditor's Report

Victorian Auditor-General's Office

***To the Board of Alexandra Health Service***

| | |
|---|---|
| **Opinion** | I have audited the financial report of Alexandra Health Service (the health service) which comprises the:<br>• balance sheet as at 30 June 2020<br>• comprehensive operating statement for the year then ended<br>• statement of changes in equity for the year then ended<br>• cash flow statement for the year then ended<br>• notes to the financial statements, including significant accounting policies<br>• board member's, accountable officer's and chief finance & accounting officer's declaration.<br>In my opinion the financial report presents fairly, in all material respects, the financial position of the health service as at 30 June 2020 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the *Financial Management Act 1994* and applicable Australian Accounting Standards. |
| **Basis for Opinion** | I have conducted my audit in accordance with the *Audit Act 1994* which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report.<br>My independence is established by the *Constitution Act 1975.* My staff and I are independent of the health service in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.<br>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion. |
| **Board's responsibilities for the financial report** | The Board of the health service is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Financial Management Act 1994*, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.<br>In preparing the financial report, the Board is responsible for assessing the health service's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so. |

**Auditor's responsibilities for the audit of the financial report**

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

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

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

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

MELBOURNE
29 September 2020

Travis Derricott
*as delegate for the Auditor-General of Victoria*

# Alexandra District Health

## Comprehensive Operating Statement

## For the year ended 30 June 2020

| | | Total 2020 $'000 | Total 2019 $'000 |
|---|---|---|---|
| **Income from Transactions** | | | |
| Operating activities | 2.1 | 9,558 | 8,591 |
| Non-operating activities | 2.1 | 43 | 61 |
| **Total Income from Transactions** | | **9,601** | **8,652** |
| | | | |
| **Expenses from Transactions** | | | |
| Employee expenses | 3.1 | (6,604) | (6,275) |
| Supplies and consumables | 3.1 | (716) | (780) |
| Finance costs | 3.1 | - | (1) |
| Depreciation and amortisation | 4.4 | (1,316) | (1,020) |
| Other administrative expenses | 3.1 | (760) | (927) |
| Other operating expenses | 3.1 | (531) | (499) |
| **Total Expenses from Transactions** | | **(9,927)** | **(9,502)** |
| | | | |
| **Net Result from Transactions - Net Operating Balance** | | **(326)** | **(850)** |
| | | | |
| **Other Economic Flows included in Net Result** | | | |
| Net Gain/(Loss) on sale of non-financial assets | 3.2 | 7 | (2) |
| Net Gain/(Loss) on financial instruments at fair value | 3.2 | (3) | (4) |
| Other Gain/(Loss) from other economic flows | 3.2 | 4 | (57) |
| **Total Other Economic Flows included in Net Result** | | **8** | **(63)** |
| | | | |
| **Net Result for the year** | | **(318)** | **(913)** |
| | | | |
| **Other Comprehensive Income** | | | |
| | | | |
| **Items that will not be reclassified to Net Result** | | | |
| Changes in property, plant and equipment revaluation surplus | 4.2(b) | - | 3,841 |
| | | | |
| **Total Other Comprehensive Income** | | **-** | **3,841** |
| | | | |
| **Comprehensive Result for the Year** | | **(318)** | **2,928** |

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

# Alexandra District Health
# Balance Sheet as at 30 June 2020

| | Note | Total 2020 $'000 | Total 2019 $'000 |
|---|---|---|---|
| **Current Assets** | | | |
| Cash and cash Equivalents | 6.2 | 3,465 | 3,103 |
| Receivables | 5.1 | 146 | 171 |
| Inventories | 4.5 | 15 | 12 |
| Other financial assets | 4.1 | 767 | 250 |
| Other Assets | | 132 | 136 |
| **Total Current Assets** | | **4,525** | **3,672** |
| | | | |
| **Non-Current Assets** | | | |
| Receivables | 5.1 | 140 | 201 |
| Property, plant and equipment | 4.2 (a) | 26,628 | 27,559 |
| Intangible assets | 4.3 | 12 | 14 |
| **Total Non-Current Assets** | | **26,780** | **27,774** |
| **TOTAL ASSETS** | | **31,305** | **31,446** |
| | | | |
| **Current Liabilities** | | | |
| Payables | 5.2 | 1,051 | 1,015 |
| Borrowings | 6.1 | 10 | 10 |
| Provisions | 3.4 | 1,321 | 1,164 |
| **Total Current Liabilities** | | **2,382** | **2,189** |
| | | | |
| **Non-Current Liabilities** | | | |
| Borrowings | 6.1 | 35 | 8 |
| Provisions | 3.4 | 236 | 279 |
| **Total Non-Current Liabilities** | | **271** | **287** |
| **TOTAL LIABILITIES** | | **2,653** | **2,476** |
| **NET ASSETS** | | **28,652** | **28,970** |
| | | | |
| **EQUITY** | | | |
| Property, plant and equipment revaluation surplus | 4.2(f) | 13,507 | 13,507 |
| Restricted specific purpose surplus | SCE | 24 | 24 |
| Contributed capital | SCE | 3,592 | 3,592 |
| Accumulated deficits | SCE | 11,529 | 11,847 |
| **TOTAL EQUITY** | | **28,652** | **28,970** |

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

# Alexandra District Health
# Statement of Changes in Equity
## For the Financial Year Ended 30 June 2020

| Total | Note | Property, Plant and Equipment Revaluation Surplus $'000 | Restricted Specific Purpose Surplus $'000 | Contributed Capital $'000 | Accumulated Deficits $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **Balance at 1 July 2018** | **4.2 (f)** | **9,666** | **24** | **3,592** | **12,760** | **26,042** |
| Net result for the year | | - | - | - | (913) | (913) |
| Other comprehensive income for the year | | 3,841 | - | - | - | 3,841 |
| **Balance at 30 June 2019** | | **13,507** | **24** | **3,592** | **11,847** | **28,970** |
| Net result for the year | | - | - | - | (318) | (318) |
| **Balance at 30 June 2020** | | **13,507** | **24** | **3,592** | **11,529** | **28,652** |

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

# Alexandra District Health
# Cash Flow Statement
## For the Financial Year Ended 30 June 2020

| | Note | Total 2020 $'000 | Total 2019 $'000 |
|---|---|---|---|
| **Cash Flows from Operating Activities** | | | |
| Operating grants from government | | 7,696 | 7,664 |
| Capital grants from government - State | | 134 | 43 |
| Patient fees received | | 298 | 303 |
| Private practice fees received | | 20 | - |
| Interest and investment income received | | 49 | 73 |
| Commercial Income Received | | 140 | - |
| Other Receipts | | 453 | 584 |
| **Total Receipts** | | **8,790** | **8,667** |
| Employee expenses paid | | (6,541) | (6,123) |
| Payments for supplies and consumables | | (509) | (707) |
| Payments for medical indemnity insurance | | (99) | (106) |
| Payments for repairs and Maintenance | | (264) | (266) |
| Finance Costs | | - | (1) |
| GST paid to ATO | | (7) | - |
| Other payments | | (931) | (1,085) |
| **Total Payments** | | **(8,351)** | **(8,288)** |
| **Net Cash Flows from/(used in) Operating Activities** | 8.1 | **439** | **379** |
| **Cash Flows from Investing Activities** | | | |
| Purchase of investments | | (517) | - |
| Purchase of non-financial assets | | (351) | (107) |
| Capital Donations and Bequests Received | | 789 | 44 |
| Purchase of Intangible assets | | 2 | (5) |
| Proceeds from disposal of non-financial assets | | 7 | - |
| Proceeds from disposal of investments | | - | 1,250 |
| **Net Cash Flows from/(used in) Investing Activities** | | **(70)** | **1,182** |
| **Cash Flows from Financing Activities** | | | |
| Repayment of Borrowings | | (7) | (3) |
| **Net Cash Flows from /(used in) Financing Activities** | | **(7)** | **(3)** |
| **Net Increase/(Decrease) in Cash and Cash Equivalents Held** | | **362** | **1,558** |
| Cash and cash equivalents at beginning of year | | **3,103** | **1,545** |
| **Cash and Cash Equivalents at End of Year** | 6.2 | **3,465** | **3,103** |

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

# Alexandra District Health
# Notes to the Financial Statements
# For the Financial Year Ended 30 June 2020
## Basis of preparation

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

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

## Note 1 – Summary of Significant Accounting Policies

These annual financial statements represent the audited general purpose financial statements for Alexandra District Health for the year ended 30 June 2020. The report provides users with information about Alexandra District Health's stewardship of resources entrusted to it.

### *(a) Statement of Compliance*

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

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

Alexandra District Health is a not-for-profit entity and therefore applies the additional AUS paragraphs applicable to "not-for-profit" Health Service under the AAS's.

### *(b) Reporting Entity*

The financial statements include all the controlled activities of Alexandra District Health.
Its principal address is:
12 Cooper Street
Alexandra, Victoria 3714

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

### *(c) Basis of Accounting Preparation and Measurement*

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

The accounting policies have been applied in preparing the financial statements for the year ended 30 June 2020, and the comparative information presented in these financial statements for the year ended 30 June 2019.

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

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

All amounts shown in the financial statements have been rounded to the nearest thousand dollars, unless otherwise stated. Minor discrepancies in tables between totals and sum of components are due to rounding.

The Alexandra District Health operates on a fund accounting basis and maintains three funds: Operating, Specific Purpose and Capital Funds.

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

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

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

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

### *Covid-19*

The global health pandemic Covid-19, has impacted Australia and the World in a significant manner. Victoria was originally declared a State of Emergency and subsequently moved to a State of Disaster prior to signing these financial statements. The impact on communities and businesses has been varied, with Government policies put in place to provide support to those who are most in need. State Government entities have also been instructed to provide 100% rent relief to tenants and to ensure trade creditor payments are made more regularly, with a target of net 5 days from invoice.

Regional areas have generally been less impacted by the pandemic, however the changed conditions continue to provide uncertainty and a reluctance from the community to engage as regularly with the Health Sector. The State Government have recognised the importance of a strong public health system and are providing ongoing support to ensure we remain financially viable and we can continue to support our staff who are at the front line of defence should the pandemic impact our community even more directly going forward.

From a financial perspective, the Health Service expects there will be a negative impact in the following areas:

- Private Patient Revenue due to restrictions on surgical activity.
- Recoveries from clinicians for use of hospital facilities as they have not been able to provide them.
- Recoveries from clients for services normally provided directly, but are no longer able to be provided.
- Activity based funding areas where there is no dispensation or reduced dispensation made available by the provider.
- Specific costs incurred in the prevention and/or treatment of Covid-19.

For further details refer to Note 2.1 Funding delivery of our services and Note 4.2 Property, Plant and Equipment.

The following account balances have been considered by Management but we remain satisfied that Covid-19 has not required a change to the judgement and/or assumptions in the disclosure of any balances.

- Fair value of receivable balances,
- Fair value of non-financial assets,
- Impairment of non-financial assets,
- Superannuation Defined benefit assets and liabilities,
- Going concern.

### Goods and Services Tax (GST)

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

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

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

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

### *(d) Jointly Controlled Operation*

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

In respect of any interest in joint operations, Alexandra District Health recognises in the financial statements:

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

Alexandra District Health is a member of the Hume Region Health Alliance Joint Venture and retains joint control over the arrangement, which it has classified as a joint operation (refer to Note 8.7 Jointly Controlled Operations)

### *(e) Equity*

### *Contributed Capital*

Consistent with the requirements of AASB 1004 Contributions, 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 Alexandra District 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.

### *Specific Restricted Purpose Surplus*

The Specific Restricted Purpose Surplus is established where Alexandra District 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: 2 Funding delivery of our services

The Health Service's overall objective is to provide quality health service that support and enhance the wellbeing of all Victorians. Alexandra District Health is predominantly funded by accrual based grant funding for the provision of outputs. Alexandra District Health also receives income from the supply of services.

**Structure**
2.1 Income from Transactions

## Note 2.1: Income from Transactions

| | Total 2020 $'000 | Total 2019 $'000 |
|---|---|---|
| Government grants (state) - Operating [1] | 7,576 | 7,462 |
| Government grants (Commonwealth) - Operating | 170 | 162 |
| Government grants (State) - Capital | 134 | 43 |
| Patient and resident fees | 294 | 312 |
| Private practice fees | 20 | 19 |
| Commercial activities [2] | 140 | 142 |
| Assets received free of charge or for nominal consideration | 789 | 40 |
| Other revenue from operating activities (including non-capital donations) | 435 | 411 |
| **Total Income from Operating Activities** | **9,558** | **8,591** |
| Other interest | 43 | 61 |
| **Total Income from Non-Operating Activities** | **43** | **61** |
| **Total Income from Transactions** | **9,601** | **8,652** |

[1.] Government Grants (State) - Operating includes $0.14m of funding support for COVID-19 impact on health service operations.

[2.] Commercial activities represent business activities which health services enter into to support their operations.

***Revenue Recognition***

***Impact of COVID-19 on revenue and income***

As indicated at Note 1, Alexandra District Health's response to the pandemic included introduction of restrictions for entry and reduced activity. This resulted in Alexandra District Health incurring lost revenue as well as direct and indirect COVID-19 costs. The Department of Health and Human Services provided funding which was spent due to COVID-19 impacts on Alexandra District Health. Alexandra District Health also received essential personal protective equipment free of charge under the state supply arrangement.

***Government Grants***

Income from grants that are enforceable and with sufficiently specific performance obligations are accounted for under AASB 15 as revenue from contracts with customers, with revenue recognised as these performance obligations are met.

Income from grants without any sufficiently specific performance obligations, or that are not enforceable, is recognised when Alexandra District Health gains control of the asset. On initial recognition of the asset, the Alexandra District Health recognises any related contributions by owners, increases in liabilities, decreases in assets, and revenue ('related amounts') in accordance with other Australian Accounting Standards.

Income from grants without any sufficiently specific performance obligations, or that are not enforceable, is recognised when Alexandra District Health has an unconditional right to receive the cash which usually coincides with receipt of cash. On initial recognition of the asset, Alexandra District Health recognises any related contributions by owners, increases in liabilities, decreases in assets, and revenue ('related amounts') in accordance with other Australian Accounting Standards. Related amounts may take the form of:

(a) contributions by owners, in accordance with AASB 1004;
(b) revenue or a contract liability arising from a contract with a customer, in accordance with AASB 15;
(c) a lease liability in accordance with AASB 16;
(d) a financial instrument, in accordance with AASB 9; or
(e) a provision, in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets.*

# Note 2.1: Income from Transactions

As a result of the transitional impacts of adopting AASB 15 and AASB 1058, as portion of the grant revenue has been deferred. If the grant income is accounted for in accordance with AASB 15, the deferred grant revenue has been recognised in contract liabilities whereas grant revenue in relation to the construction of capital assets which the health service controls has been recognised in accordance with AASB 1058 and recognised as deferred grant revenue (refer note 5.2).

### *Performance obligations*

The types of government grants recognised under AASB15 *Revenue from Contracts with Customers* includes:

- Activity based funding with identifiable targets,
- Grants requiring acquittal of services and/or expenditure

For activity based funding, revenue is recognised as target levels are met. These performance obligations have been selected as they align with the terms and conditions of the funding provided. For this type of funding, there is minimal judgement required, as performance is measured in accordance with DHHS Policy and Funding Guidelines.

For grants requiring acquittal of services and/or expenditure, revenue is recognised in accordance with the funding agreement. Alexandra District Health exercises judgement over whether performance obligations are met, which includes assessment of total expenditure incurred and whether key performance indicators have been met.

**Previous accounting policy for 30 June 2019**

Grant income arises from transactions in which a party provides goods or assets (or extinguishes a liability) to Alexandra District Health without receiving approximately equal value in return. While grants may result in the provision of some goods or services to the transferring party, they do not provide a claim to receive benefits directly of approximately equal value (and are termed 'non-reciprocal' transfers). Receipt and sacrifice of approximately equal value may occur, but only by coincidence.

Some grants are reciprocal in nature (i.e. equal value is given back by the recipient of the grant to the provider). Alexandra District Health recognises income when it has satisfied its performance obligations under the terms of the grant.

For non-reciprocal grants, Alexandra District Health recognises revenue when the grant is received.

Grants can be received as general purpose grants, which refers to grants which are not subject to conditions regarding their use. Alternatively, they may be received as specific purpose grants, which are paid for a particular purpose and/or have conditions attached regarding their use.

The following are transactions that Alexandra District Health has determined to be classified as revenue from contracts with customers in accordance with AASB 15. Due to the modified retrospective transition method chosen in applying AASB 15, comparative information has not been restated to reflect the new requirements.

### *Patient Fees*

The performance obligations related to patient fees are based on the delivery of services. These performance obligations have been selected as they align with the terms and conditions of providing the services. Revenue is recognised as these performance obligations are met.

### *Commercial activities*

Revenue from commercial activities includes items such as provision of meals, property rental and fundraising activities.

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

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Cash donations and gifts | 789 | 40 |
| **Total fair value of assets and services received free of charge or for nominal consideration** | 789 | 40 |

Contributions of resources provided free of charge or for nominal consideration are recognised at their fair value when the recipient obtains control over the resources, irrespective of whether restrictions or conditions are imposed over the use of the contributions.

The exception to this would be when the resource is received from another government department (or agency) as a consequence of a restructuring of administrative arrangements, in which case such a transfer will be recognised at its carrying value in the transferring department or agency as a capital contribution transfer.

**Voluntary Services:** Contributions in the form of services are only recognised when a fair value can be reliably determined, and the services would have been purchased if not donated. Alexandra District Health operates with minimal volunteer services and does not consider a reliable fair value can be determined.

**Non-cash contributions from the Department of Health and Human Services**
The Department of Health and Human Services makes some payments on behalf of health services as follows:

- The Victorian Managed Insurance Authority non-medical indemnity insurance payments are recognised as revenue following advice from the Department of Health and Human Services
- Long Service Leave (LSL) revenue is recognised upon finalisation of movements in LSL liability in line with the long service leave funding arrangements set out in the relevant Department of Health and Human Services Hospital Circular
- Fair value of assets and services received free of charge or for nominal consideration

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

### *Performance obligations and revenue recognition policies*

Revenue is measured based on the consideration specified in the contract with the customer. Alexandra District Health recognises revenue when it transfers control of a good or service to the customer i.e. revenue is recognised when, or as, the performance obligations for the sale of goods and services to the customer are satisfied.

- Customers obtain control of the supplies and consumables at a point in time when the goods are delivered to and have been accepted at their premises.
- Income from the sale of goods are recognised when the goods are delivered and have been accepted by the customer at their premises

- Revenue from the rendering of services is recognised at a point in time when the performance obligation is satisfied when the service is completed; and over time when the customer simultaneously receives and consumes the services as it is provided.

Consideration received in advance of recognising the associated revenue from the customer is recorded as a contract liability (Note 5.2). Where the performance obligations is satisfied but not yet billed, a contract asset is recorded (Note 5.1).

## 2.1 (c) Other non operating income

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Other interest | 43 | 61 |
| **Total other income** | 43 | 61 |

### *Interest Income*

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

# Note 3: The cost of delivering our services

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

**Structure**

3.1 Expenses from Transactions
3.2 Other Economic Flows
3.3 Analysis of expenses and revenue by internally managed and restricted specific purpose funds
3.4 Employee benefits in the Balance Sheet
3.5 Superannuation

## Note 3.1: Expenses from Transactions

| | Total 2020 $'000 | Total 2019 $'000 |
|---|---|---|
| Salaries and wages | 5,515 | 5,226 |
| On-costs | 493 | 463 |
| Agency expenses | 38 | 99 |
| Fee for service medical officer expenses | 502 | 450 |
| Workcover premium | 56 | 37 |
| **Total Employee Expenses** | **6,604** | **6,275** |
| Drug supplies | 75 | 81 |
| Medical and surgical supplies (including Prostheses) | 371 | 425 |
| Diagnostic and radiology supplies | 106 | 105 |
| Other supplies and consumables | 164 | 169 |
| **Total Supplies and Consumables** | **716** | **780** |
| Finance costs | - | 1 |
| **Total Finance Costs** | **-** | **1** |
| Other administrative expenses | 760 | 927 |
| **Total Other Administrative Expenses** | **760** | **927** |
| Fuel, light, power and water | 149 | 142 |
| Repairs and maintenance | 66 | 65 |
| Maintenance contracts | 198 | 201 |
| Medical indemnity insurance | 99 | 90 |
| Expenditure for capital purposes | 19 | 1 |
| **Total Other Operating Expenses** | **531** | **499** |
| **Total Operating Expense** | **8,611** | **8,482** |
| Depreciation and amortisation (refer Note 4.4) | 1,316 | 1,020 |
| **Total Depreciation and Amortisation** | **1,316** | **1,020** |
| **Total Non-Operating Expense** | **1,316** | **1,020** |
| **Total Expenses from Transactions** | **9,927** | **9,502** |

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

***Impact of Covid-19 on expenses***

As indicated at Note 1(c), Alexandra District Health's daily activities were impacted by the pandemic. This resulted in direct and indirect costs being incurred, such as additional medical supplies, maintenance of salary levels for casual and part-time employees, acquisition of minor equipment for testing purposes and redeployment of staff where activities have been impacted by shutdowns.

Alexandra District Health has had no patient admissions relating directly to Covid-19, therefore the impact on the Health Service has been in preventative and preparatory costs only.

# Note 3.1: Expenses from Transactions

### *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 premium.

### *Supplies and consumables*

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

### *Finance costs*

Finance costs include:

- interest on bank overdrafts and short-term and long-term borrowings (Interest expense is recognised in the period in which it is incurred);
- amortisation of discounts or premiums relating to borrowings;
- amortisation of ancillary costs incurred in connection with the arrangement of borrowings; and
- finance charges in respect of leases which are recognised in accordance with AASB 16 *Leases*.

### *Other Operating Expenses*

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

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

The Department of Health and Human Services also makes certain payments on behalf of Alexandra District 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.

### *Operating lease payments*

Operating lease payments up until 30 June 2019 (including contingent rentals) were recognised on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset.

From 1 July 2019, the following lease payments are recognised on a straight-line basis:

- Short-term leases – leases with a term less than 12 months; and
- Low value leases – leases with the underlying asset's fair value (when new, regardless of the age of the asset being leased) is no more than $10,000.

Variable lease payments not included in the measurement of the lease liability (i.e. variable lease payments that do not depend on an index or a rate, initially measured using the index or rate as at the commencement date). These payments are recognised in the period in which the event or condition that triggers those payments occur.

# Note 3.2: Other economic flows included in net result

| | Total 2020 $'000 | Total 2019 $'000 |
|---|---|---|
| *Net gain/(loss) on non-financial assets* | | |
| Net gain on disposal of property plant and equipment | 7 | (2) |
| **Total Net Gain/(Loss) on Non-Financial Assets** | **7** | **(2)** |
| *Net gain/(loss) on financial instruments* | | |
| Allowance for impairment losses of contractual receivables | (3) | (4) |
| **Total Net Gain/(Loss) on Financial Instruments** | **(3)** | **(4)** |
| *Other gains/(losses) from other economic flows* | | |
| Net gain/(loss) arising from revaluation of long service liability | 4 | (57) |
| **Total other Gains/(Losses) from Other Economic Flows** | **4** | **(57)** |
| **Total Gains/(Losses) From Other Economic Flows** | **8** | **(63)** |

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

- the revaluation of the present value of the long service leave liability due to changes in the bond interest rates; and
- reclassified amounts relating to available-for-sale financial instruments from the reserves to net result due to a disposal or derecognition of the financial instrument. This does not include reclassification between equity accounts due to machinery of government changes or 'other transfers' of assets.

### *Net gain/ (loss) on non-financial assets*

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

- Revaluation gains/ (losses) of non-financial physical assets (Refer to Note 4.2 Property plant and equipment.)
- Net gain/ (loss) on disposal of non-financial assets
- Any gain or loss on the disposal of non-financial assets is recognised at the date of disposal.

### *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.

### *Other gains/ (losses) from other economic flows*

Other gains/ (losses) include:

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

# Note 3.3: Analysis of Expenses and Revenue by Internally Managed and Restricted Specific Purpose Funds

| | Expense | | Revenue | |
|---|---|---|---|---|
| | Total 2020 $'000 | Total 2019 $'000 | Total 2020 $'000 | Total 2019 $'000 |
| **Commercial Activities** | | | | |
| Catering | 53 | 52 | 57 | 64 |
| Cafeteria | - | - | 9 | - |
| Property | 10 | 16 | 74 | 78 |
| **Total Commercial Activities** | **63** | **68** | **140** | **142** |
| **TOTAL** | **63** | **68** | **140** | **142** |

# Note 3.4: Employee Benefits in the Balance Sheet

| | Total 2020 $'000 | Total 2019 $'000 |
|---|---|---|
| **CURRENT PROVISIONS** | | |
| Employee Benefits [i] | | |
| *Accrued days off* | | |
| - unconditional and expected to be settled wholly within 12 months [ii] | 6 | 8 |
| *Annual leave* | | |
| - unconditional and expected to be settled wholly within 12 months [ii] | 545 | 467 |
| *Long service leave* | | |
| - unconditional and expected to be settled wholly within 12 months [ii] | 133 | 118 |
| - unconditional and expected to be settled wholly after 12 months [iii] | 562 | 504 |
| | **1,246** | **1,097** |
| **Provisions related to Employee Benefit On-Costs** | | |
| Unconditional and expected to be settled within 12 months [ii] | 14 | 13 |
| Unconditional and expected to be settled after 12 months [iii] | 61 | 54 |
| | **75** | **67** |
| **TOTAL CURRENT PROVISIONS** | **1,321** | **1,164** |
| **NON-CURRENT PROVISIONS** | | |
| Conditional long service leave [iii] | 213 | 252 |
| Provisions related to employee benefit on-costs [iii] | 23 | 27 |
| **TOTAL NON-CURRENT PROVISIONS** | **236** | **279** |
| **TOTAL PROVISIONS** | **1,557** | **1,443** |

[i] Employee benefits consist of amounts for accrued days off, annual leave and long service leave accrued by employees, not including on-costs.
[ii] The amounts disclosed are nominal amounts.
[iii] The amounts disclosed are discounted to present values.

# Note 3.4: Employee Benefits in the Balance Sheet

## (a) Employee Benefits and Related On-Costs

| | Total 2020 $'000 | Total 2019 $'000 |
|---|---|---|
| **Current Employee Benefits and Related On-Costs** | | |
| Unconditional long service leave entitlements | 770 | 689 |
| Annual leave entitlements | 545 | 467 |
| Accrued days off | 6 | 8 |
| **Total Current Employee Benefits and Related On-Costs** | **1,321** | **1,164** |
| **Non-Current Employee Benefits and Related On-Costs** | | |
| Conditional long service leave entitlements | 236 | 279 |
| **Total Non-Current Employee Benefits and Related On-Costs** | **236** | **279** |
| **TOTAL EMPLOYEE BENEFITS AND RELATED ON-COSTS** | **1,557** | **1,443** |

## (b) Movement in On-Costs Provision

| | Total 2020 $'000 | Total 2019 $'000 |
|---|---|---|
| **Balance at start of year** | **94** | **84** |
| Additional provisions recognised | 68 | 134 |
| Unwinding of discount and effect of changes in the discount rate | 4 | (57) |
| Reduction due to transfer out | (68) | (67) |
| **Balance at end of year** | **98** | **94** |

### *Employee Benefit Recognition*

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

### *Provisions*

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

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

# Note 3.4: Employee Benefits in the Balance Sheet

### *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 Alexandra District 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 Alexandra District Health expects to wholly settle within 12 months; or

Present value – if Alexandra District 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 Alexandra District 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 Alexandra District Health expects to wholly settle within 12 months; or
- Present value – if Alexandra District Health does not expect to wholly settle within 12 months.

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

### *Termination Benefits*

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

### *On-Costs Related to Employee Benefits*

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

# Note 3.5: Superannuation

| | Paid Contribution for the Year | | Contribution Outstanding at Year End | |
|---|---|---|---|---|
| | Total 2020 $'000 | Total 2019 $'000 | Total 2020 $'000 | Total 2019 $'000 |
| **Defined Benefit Plans:**[i] | | | | |
| First State Super | 7 | 9 | - | - |
| **Defined Contribution Plans:** | | | | |
| First State Super | 372 | 409 | - | - |
| Hesta | 44 | 42 | - | - |
| Other | 70 | - | - | - |
| **Total** | **493** | **460** | **-** | **-** |

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

Employees of Alexandra District Health are entitled to receive superannuation benefits and it contributes to both defined benefit an defined contribution plans. The defined benefit plan provides benefits based on years of service and final average salary.

# Note 3.5: Superannuation

### *Defined Benefit Superannuation Plans*

The amount charged to the Comprehensive Operating Statement in respect of defined benefit superannuation plans represents the contributions made by Alexandra District Health to the superannuation plans in respect of the services of current Alexandra District 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.

Alexandra District 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 Department of Treasury and Finance discloses the State's defined benefits liabilities in its disclosure for administered items.

However superannuation contributions paid or payable for the reporting period are included as part of employee benefits in the Comprehensive Operating Statement of Alexandra District Health.

The name, details and amounts that have been expensed in relation to the major employee superannuation funds and contributions made by Alexandra District 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.

# Note 4: Key Assets to support service delivery

Alexandra District 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 Alexandra District Health to be utilised for delivery of those outputs.

**Structure**

4.1 Investments and other financial assets
4.2 Property, plant & equipment
4.3 Intangible assets
4.4 Depreciation and amortisation
4.5 Inventories

# Note 4.1: Other Financial Assets

| | Operating Fund | | Total | |
|---|---|---|---|---|
| | 2020 $'000 | 2019 $'000 | 2020 $'000 | 2019 $'000 |
| **CURRENT** | | | | |
| Term deposits > 3 months | 767 | 250 | 767 | 250 |
| **TOTAL CURRENT** | **767** | **250** | **767** | **250** |
| **TOTAL INVESTMENTS AND OTHER FINANCIAL ASSETS** | **767** | **250** | **767** | **250** |
| **Represented by:** | | | | |
| Health service investments | 767 | 250 | 767 | 250 |
| **TOTAL INVESTMENTS AND OTHER FINANCIAL ASSETS** | **767** | **250** | **767** | **250** |

### *Investment Recognition*

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

The Alexandra District Health classifies its other financial assets between current and non-current assets based on the Board's intention at balance date with respect to the timing of disposal of each asset. Alexandra District Health assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Alexandra District Health's investments must comply with Standing Direction 3.7.2 - Treasury Management, including Central Banking System.

All financial assets, except for those measured at fair value through the Comprehensive Operating Statement are subject to annual review for impairment.

### *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
- Alexandra District 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

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

### *Impairment of Financial Assets*

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

In order to determine an appropriate fair value as at 30 June 2020 for its portfolio of financial assets, Alexandra District Health and its controlled entities used the market value of investments held provided by the portfolio managers.

The above valuation process was used to quantify the level of impairment (if any) on the portfolio of financial assets as at year end.

## Note 4.2: Property, plant and equipment

### *Initial Recognition*

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

The cost of constructed non-financial physical assets includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads. The cost of a leasehold improvement is capitalised as an asset and depreciated over the shorter of the remaining term of the lease or the estimated useful life of the improvements.

The initial cost for non-financial physical assets under a lease (refer to Note 6.1) is measured at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease.

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

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

### *Right-of-use asset acquired by lessees (Under AASB 16 – Leases from 1 July 2019) – Initial measurement*

Alexandra District Health recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for:

- any lease payments made at or before the commencement date; plus
- 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**: Property, plant and equipment (PPE) as well as right-of-use assets under leases and service concession assets are subsequently measured at fair value less accumulated depreciation and impairment. Fair value is determined with regard 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) and is summarised on the following page by asset category.

### *Right-of-use asset – Subsequent measurement*

Alexandra District Health depreciates the right-of-use assets on a straight line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful life of the right-of-use assets are determined on the same basis as property, plant and equipment, other than where the lease term is lower than the otherwise assigned useful life. The right-of-use assets are also subject to revaluation as required by FRD 103H however as at 30 June 2020 right-of-use assets have not been revalued.

In addition, the right-of-use asset is periodically reduced by impairment losses, if any and adjusted for certain remeasurements of the lease liability.

### *Revaluations of Non-Current Physical Assets*

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

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

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

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

Revaluation surplus is not transferred to accumulated funds on de-recognition of the relevant asset, except where an asset is transferred via contributed capital.

In accordance with FRD 103H Non-financial physical assets, Alexandra District Health's non-current physical assets were assessed to determine whether revaluation of the non-current physical assets was required.

### *Fair value measurement*

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

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

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

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

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

### *Valuation hierarchy*

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

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

### *Identifying unobservable inputs (level 3) fair value measurements*

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

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

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

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

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

### *Non-Specialised Land, Non-Specialised Buildings and Cultural Assets*

Non-specialised land, non-specialised buildings and cultural assets 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.

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

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

For Alexandra District 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 Alexandra District Health's specialised land and specialised buildings was performed by the Valuer-General Victoria. The valuation was performed using the market approach adjusted for CSO. The effective date of the valuation is 30 June 2019.

### *Vehicles*

The Alexandra District 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).

### *Plant and Equipment*

Plant and equipment (including medical equipment, computers and communication equipment and furniture and fittings) 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 2020.

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

# Note 4.2: Property, Plant and Equipment

**(a) Gross carrying amount and accumulated depreciation**

| | Total 2020 $'000 | Total 2019 $'000 |
|---|---|---|
| Land - Right of use | 870 | - |
| Land - Freehold | 254 | 1,124 |
| **TOTAL LAND AT FAIR VALUE** | **1,124** | **1,124** |
| | | |
| Buildings at fair value | 25,920 | 25,920 |
| Less accumulated depreciation | (1,104) | - |
| **TOTAL BUILDINGS** | **24,816** | **25,920** |
| | | |
| Plant and equipment at fair value | 1,030 | 1,007 |
| Less accumulated depreciation | (909) | (875) |
| **TOTAL PLANT AND EQUIPMENT** | **121** | **132** |
| | | |
| Motor vehicles at fair value | 173 | 203 |
| Less accumulated depreciation | (169) | (182) |
| **TOTAL MOTOR VEHICLES** | **4** | **21** |
| | | |
| Medical equipment at fair value | 1,657 | 1,585 |
| Less Accumulated Depreciation | (1,373) | (1,313) |
| **TOTAL MEDICAL EQUIPMENT** | **284** | **272** |
| | | |
| Computers and communication equipment at fair value | 262 | 249 |
| Less accumulated depreciation | (185) | (203) |
| **TOTAL COMPUTERS AND COMMUNICATION EQUIPMENT** | **77** | **46** |
| | | |
| Furniture and fittings at fair value | 241 | 227 |
| Less accumulated depreciation | (208) | (201) |
| **TOTAL FURNITURE AND FITTINGS** | **33** | **26** |
| | | |
| Right of use- plant, equipment and vehicles | 49 | 62 |
| Less accumulated depreciation | (3) | (44) |
| **TOTAL RIGHT OF USE - PLANT, EQUIPMENT AND VEHICLES** | **46** | **18** |
| | | |
| **OTHER ASSETS UNDER CONSTRUCTION AT COST** | **123** | **-** |
| | | |
| **TOTAL PROPERTY, PLANT AND EQUIPMENT** | **26,628** | **27,559** |

## Note 4.2: Property, Plant and Equipment (Continued)

### (b) Reconciliations of the carrying amounts of each class of asset

| Total | Note | Land $'000 | Right of Use - Land $'000 | Buildings $'000 | Plant & equipment $'000 | Motor vehicles $'000 | Medical Equipment $'000 | Computers & Communication Equipment $'000 | Furniture & Fittings $'000 | Right of use - PPE &V | Assets under construction | Total $'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at 1 July 2018** | | **1,184** | **-** | **22,846** | **157** | **24** | **333** | **31** | **34** | **21** | **-** | **24,630** |
| Additions | | - | - | - | 13 | - | 44 | 40 | - | 10 | - | 107 |
| Disposals | | - | - | - | - | - | - | - | (2) | - | - | (2) |
| Revaluation increments/(decrements) | | (56) | - | 3,897 | - | - | - | - | - | - | - | 3,841 |
| Depreciation | 4.4 | (4) | - | (823) | (38) | (3) | (105) | (25) | (6) | (13) | - | (1,017) |
| **Balance at 30 June 2019** | 4.2 (a) | **1,124** | - | **25,920** | **132** | **21** | **272** | **46** | **26** | **18** | **-** | **27,559** |
| Recognition of right-of-use assets on initial application of AASB 16 * | | (870) | 870 | - | - | - | - | - | - | - | - | - |
| **Adjusted balance at 1 July 2019** | | **254** | **870** | **25,920** | **132** | **21** | **272** | **46** | **26** | **18** | **-** | **27,559** |
| Additions | | - | - | - | 25 | - | 123 | 63 | 13 | 34 | 123 | 381 |
| Depreciation | 4.4 | - | - | (1,104) | (36) | (17) | (111) | (32) | (6) | (6) | - | (1,312) |
| **Balance at 30 June 2020** | 4.2 (a) | **254** | **870** | **24,816** | **121** | **4** | **284** | **77** | **33** | **46** | **123** | **26,628** |

**Land and Buildings and Leased Assets Carried at Valuation**

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

In compliance with FRD 103H, in the year ended 30 June 2020, Alexandra District Health's management conducted an annual assessment of the fair value of land and buildings and leased buildings. To facilitate this, management obtained from the Department of Treasury and Finance the Valuer General Victoria indices for the financial year ended 30 June 2020.

The VGV indices, which are based on data to March 2020, indicate 4% movement across all land parcels and a 3% increase in buildings.

Management regards the VGV indices to be a reliable and relevant data set to form the basis of their estimates. Whilst these indices are applicable at 30 June 2020, the fair value of land and buildings will continue to be subjected to the impacts of Covid-19 in future accounting periods.

As the accumulative movement was less than 10% for land and buildings, no managerial revaluation was required.

* Refer note 6.1 - Below market/peppercorn lease

# Note 4.2: Property, Plant and Equipment (Continued)

**(c) Fair value measurement hierarchy for assets**

| | Note | Total Carrying Amount | Fair value measurement at end of reporting period using: Level 1 [i] | Level 2 [i] | Level 3 [i] |
|---|---|---|---|---|---|
| **Balance at 30 June 2020** | | **$'000** | **$'000** | **$'000** | **$'000** |
| - Non-specialised land | | 225 | - | 225 | - |
| - Specialised land | | 29 | - | - | 29 |
| **Total Land at Fair Value** | 4.2 (a) | **254** | **-** | **225** | **29** |
| - Specialised buildings | | 24,816 | - | - | 24,816 |
| **Total Building at Fair Value** | 4.2 (a) | **24,816** | **-** | **-** | **24,816** |
| Plant and equipment at fair value | 4.2 (a) | 121 | - | - | 121 |
| Motor vehicles at fair value | 4.2 (a) | 4 | - | - | 4 |
| Medical equipment at Fair Value | 4.2 (a) | 284 | - | - | 284 |
| Computers and communication equipment at fair value | 4.2 (a) | 77 | - | - | 77 |
| Furniture and fittings at fair value | 4.2 (a) | 33 | - | - | 33 |
| **Total Other Plant and Equipment at Fair Value** | | **519** | **-** | **-** | **519** |
| **Total Property, Plant and Equipment** | | **25,589** | **-** | **225** | **25,364** |

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

## Note 4.2: Property, Plant and Equipment (Continued)

| | | Total Carrying Amount | Fair value measurement at end of reporting period using: | | |
|---|---|---|---|---|---|
| | | | Level 1 [i] | Level 2 [i] | Level 3 [i] |
| **Balance at 30 June 2019** | | **$'000** | **$'000** | **$'000** | **$'000** |
| - Non-specialised land | | 225 | - | 225 | - |
| - Specialised land | | 899 | - | - | 899 |
| **Total Land at Fair Value** | 4.2 (a) | **1,124** | **-** | **225** | **899** |
| - Specialised buildings | | 25,920 | - | - | 25,920 |
| **Total Building at Fair Value** | 4.2 (a) | **25,920** | **-** | **-** | **25,920** |
| | | | | | |
| Plant and equipment at fair value | 4.2 (a) | 132 | - | - | 132 |
| Motor vehicles at fair value | 4.2 (a) | 21 | - | - | 21 |
| Medical equipment at Fair Value | 4.2 (a) | 272 | - | - | 272 |
| Computers and communication equipment at fair value | 4.2 (a) | 46 | - | - | 46 |
| Furniture and fittings at fair value | 4.2 (a) | 26 | - | - | 26 |
| Leased Assets | 4.2 (a) | 18 | - | - | 18 |
| **Total other plant and equipment at fair value** | | **515** | **-** | **-** | **515** |
| **Total Property, Plant and Equipment** | | **27,559** | **-** | **225** | **27,334** |

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

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

# Note 4.2: Property, Plant and Equipment (Continued)

**(d) Reconciliation of Level 3 Fair Value [i]**

| Total | Note | Land $'000 | Buildings $'000 | Plant & Equipment $'000 | Motor Vehicles $'000 | Medical Equipment $'000 | Computers & Comm $'000 | Furniture & Fittings $'000 | Leased Assets $'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Balance at 1 July 2018** | 4.2 (b) | **895** | **22,846** | **157** | **24** | **333** | **31** | **34** | **21** |
| Additions/(Disposals) | 4.2 (b) | - | - | 13 | - | 44 | 40 | (2) | 10 |
| Gains/(Losses) recognised in net result | | | | | | | | | |
| - Depreciation and amortisation | 4.4 | - | (823) | (38) | (3) | (105) | (25) | (6) | (13) |
| Items recognised in other comprehensive income | | | | | | | | | |
| - Revaluation | | 4 | 3,897 | - | - | - | - | - | - |
| **Balance at 30 June 2019** | 4.2 ( c ) | **899** | **25,920** | **132** | **21** | **272** | **46** | **26** | **18** |
| Additions/(Disposals) | 4.2 (b) | - | - | 25 | - | 123 | 63 | 13 | 34 |
| Net Transfers between classes | 4.2 (b) | (870) | - | - | - | - | - | - | - |
| Gains/(Losses) recognised in net result | | | | | | | | | |
| - Depreciation and Amortisation | 4.4 | - | (1,104) | (36) | (17) | (111) | (32) | (6) | (6) |
| - Impairment loss | | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| Items recognised in other comprehensive income | | | | | | | | | |
| - Revaluation | | - | - | - | - | - | - | - | - |
| **Balance at 30 June 2020** | 4.2 ( c ) | **29** | **24,816** | **121** | **4** | **284** | **77** | **33** | **46** |

[i] Classified in accordance with the fair value hierarchy, refer Note 4.2(c).

# Note 4.2: Property, Plant and Equipment (Continued)

**Note 4.2 (e): Property, Plant and Equipment (Fair value determination)**

| Asset class | | Likely valuation approach | Significant inputs (Level 3 only)[(c)] |
|---|---|---|---|
| Non-specialised land | | Market approach | n.a. |
| Specialised land (Crown / Freehold) | | Market approach | Community Service Obligations Adjustments [(a)] |
| Specialised buildings | | Depreciated replacement cost approach | - Cost per square metre<br>- Useful life |
| Vehicles | | Market approach | n.a. |
| | | Depreciated replacement cost approach | - Cost per unit<br>- Useful life |
| Plant and equipment | | Depreciated replacement cost approach | - Cost per unit<br>- Useful life |

[a] A community Service Obligation (CSO) of 25% was applied to the health services specialised land Classified in accordance with the fair value hierarchy.

**Note 4.2 (f): Property, Plant and Equipment Revaluation Surplus**

| | Note | Total 2020 $'000 | Total 2019 $'000 |
|---|---|---|---|
| **Property, Plant and Equipment Revaluation Surplus** | | | |
| Balance at the beginning of the reporting period | | 13,507 | 9,666 |
| **Revaluation Increment/(Decrement)** | | | |
| - Land | 4.2 (b) | - | (56) |
| - Buildings | 4.2 (b) | - | 3,897 |
| **Balance at the end of the Reporting Period*** | | **13,507** | **13,507** |
| | | | |
| *** Represented by:** | | | |
| - Land | | 648 | 648 |
| - Buildings | | 12,859 | 12,859 |
| | | **13,507** | **13,507** |

# Note 4.3: Intangible Assets

## (a) Intangible assets - Gross carrying amount and accumulated amortisation

| | Note | 2020 $'000 | 2019 $'000 |
|---|---|---|---|
| Intangible Produced Assets - Software | | 24 | 16 |
| Less Accumulated Amortisation | | (12) | (2) |
| | | **12** | **14** |
| **TOTAL INTANGIBLE ASSETS** | | **12** | **14** |

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

| **Consolidated** | Note | Software $'000 | Total $'000 |
|---|---|---|---|
| **Balance at 1 July 2018** | | **12** | **12** |
| Additions | | 5 | **5** |
| Amortisation | 4.4 | (3) | (3) |
| **Balance at 1 July 2019** | | **14** | **14** |
| Additions | | 2 | 2 |
| Amortisation | 4.4 | (4) | (4) |
| **Balance at 30 June 2020** | | **12** | **12** |

Intangible assets represent identifiable non-monetary assets without physical substance such as computer software.

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

## Note 4.4: Depreciation and Amortisation

| | Total 2020 $'000 | Total 2019 $'000 |
|---|---|---|
| **Depreciation** | | |
| Buildings | 1,104 | 823 |
| Land Improvements | - | 4 |
| Plant and equipment | 36 | 38 |
| Motor vehicles | 17 | 3 |
| Medical equipment | 111 | 105 |
| Computers and communication equipment | 32 | 25 |
| Furniture and fittings | 6 | 6 |
| Right of use plant, equipment and vehicles | 6 | 13 |
| **Total Depreciation** | **1,312** | **1,017** |
| **Amortisation** | | |
| Software | 4 | 3 |
| **Total Amortisation** | **4** | **3** |
| **Total Depreciation and Amortisation** | **1,316** | **1,020** |

***Depreciation***

All infrastructure assets, buildings, plant and equipment and other non-financial physical assets (excluding items under operating leases, 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 shorter of the asset's useful life and the lease term. Where Alexandra District Health obtains ownership of the underlying leased asset or if the cost of the right-of-use asset reflects that the entity will exercise a purchase option, the entity depreciates the right-of-use asset overs its useful life.

***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.

## Note 4.4 (a): useful life of non-current assets

| | 2020 | 2019 |
|---|---|---|
| Buildings | | |
| - Structure shell building fabric | 4 to 42 years | 5 to 47 years |
| - Site engineering services and central plant | 25 to 42 years | 2 to 20 years |
| Central Plant | | |
| - Fit out | 17 years | 2 to 3 years |
| - Trunk reticulated building system | 3 to 5 years | 3 to 5 years |
| Plant and equipment | 2 to 25 years | 2 to 25 years |
| Medical equipment | 3 to 20 years | 3 to 20 years |
| Computers and communication | 2 to 20 years | 2 to 20 years |
| Furniture and fitting | 4 to 25 years | 4 to 25 years |
| Motor vehicles | 3 to 5 years | 2 to 3 years |
| Intangible assets | 3 to 4 years | 3 to 4 years |

The change in remaining useful life for Buildings and central plant, was a result of revaluation of land and buildings completed in 2019. The Valuer is required to reassess the estimated useful life based on the current building conditions. The change in remaining useful life has resulted in an increase in depreciation expense of $0.28M for buildings.

# Note 4.5: Inventories

| | Total 2020 $'000 | Total 2019 $'000 |
|---|---|---|
| Pharmacy supplies at cost | 15 | 12 |
| **Total Inventories** | **15** | **12** |

***Inventories***

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

# Note 5: Other assets and liabilities

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

Structure
5.1 Receivables and contract assets
5.2 Payables

# Note 5.1: Receivables

| | Notes | Total 2020 $'000 | Total 2019 $'000 |
|---|---|---|---|
| **CURRENT** | | | |
| **Contractual** | | | |
| Inter Hospital Debtors | | 31 | - |
| Trade Debtors | | 62 | 72 |
| Patient Fees | | 20 | 24 |
| Accrued Investment Income | | - | 6 |
| Accrued Revenue | | 2 | 41 |
| *Allowance for Impairment* | 5.1(a) | | |
| Patient Fees | 7.1(c ) | (2) | (3) |
| **Sub-Total Contractual Receivables** | | **113** | **140** |
| **Statutory** | | | |
| Accrued Revenue - Department of Health and Human Services | | - | 5 |
| GST Receivable | | 33 | 26 |
| **Sub-Total Statutory Receivables** | | **33** | **31** |
| **TOTAL CURRENT RECEIVABLES** | | **146** | **171** |
| | | | |
| **NON-CURRENT** | | | |
| **Statutory** | | | |
| Long service leave - Department of Health and Human Services | | 140 | 201 |
| **Sub-Total Statutory Receivables** | | **140** | **201** |
| **TOTAL NON-CURRENT RECEIVABLES** | | **140** | **201** |
| **TOTAL RECEIVABLES** | | **286** | **372** |

# Note 5.1: Receivables

## (a) Movement in the Allowance for impairment losses of contractual receivables

| | Total 2020 $'000 | Total 2019 $'000 |
|---|---|---|
| Balance at beginning of year | (3) | - |
| Amounts written off during the year | - | - |
| Increase in allowance recognised in the net result | 1 | (3) |
| **Balance at end of year** | **(2)** | **(3)** |

***Receivables recognition***

Receivables consist of:

**Contractual 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 subsequently measured at amortised cost using the effective interest method, less any impairment.

**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*.

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

**Impairment losses of contractual receivables**

Refer to Note 7.1(c) Contractual receivables at amortised costs for Alexandra District Health's contractual impairment losses.

# Note 5.2: Payables

| | Notes | Total 2020 $'000 | Total 2019 $'000 |
|---|---|---|---|
| **CURRENT** | | | |
| **Contractual** | | | |
| Trade creditors | | 334 | 210 |
| Accrued salaries and wages | | 149 | 124 |
| Accrued expenses | | 291 | 208 |
| Contract Liabilities - income received in advance | 5.2(a) | 277 | 393 |
| | | **1,051** | **935** |
| **Statutory** | | | |
| Australian Taxation Office | | - | 80 |
| | | **-** | **80** |
| **TOTAL CURRENT PAYABLES** | | **1,051** | **1,015** |
| **TOTAL PAYABLES** | | **1,051** | **1,015** |

Payables consist of:

- **contractual payables**, 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 Alexandra District Health prior to the end of the financial year that are unpaid; and
- **statutory payables**, that 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 Nett 60 days.

## Note 5.2 (a) Contract liabilities

| | 2020 $'000 |
|---|---|
| Opening balance brought forward from 30 June 2019 adjusted for AASB 15 | 393 |
| Less: Revenue recognised in the reporting period for the completion of a performance obligation | (116) |
| **Total contract liabilities** | **277** |
| **Represented by** | |
| Current contract liabilities | 277 |

Contract liabilities include consideration received in advance from customers in respect of specified targets and outcomes. Invoices are raised once the goods and services are delivered/provided.

### Maturity analysis of payables

Please refer to Note 7.1(b) for the ageing analysis of payables.

# Note 6: How we finance our operations

This section provides information on the sources of finance utilised by Alexandra District Health during its operations, along with interest expenses (the cost of borrowings) and other information related to financing activities of Alexandra District 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
6.4 Non-cash financing and investing activities

## Note 6.1: Borrowings

| | Total 2020 $'000 | Total 2019 $'000 |
|---|---|---|
| **CURRENT** | | |
| Lease liability [(i)] | 10 | 10 |
| **Total Current Borrowings** | **10** | **10** |
| **NON CURRENT** | | |
| Lease liability [(i)] | 35 | 8 |
| **Total Non Current Borrowings** | **35** | **8** |
| **Total Borrowings** | **45** | **18** |

(i) Secured by the assets leased. Leases are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

**(a) Maturity Analysis of Borrowings**
Please refer to Note 7.1 for the ageing analysis of borrowings.

**(b) Defaults and Breaches**
During the current and prior year, there were no defaults and breaches of any of the borrowings.

**(c) Lease Liabilities**
Repayments in relation to leases are payable as follows:

| | Minimum future lease payments | | Present value of minimum future lease payments | |
|---|---|---|---|---|
| | 2020 $'000 | 2019 $'000 | 2020 $'000 | 2019 $'000 |
| Not later than one year | 11 | 11 | 11 | 11 |
| Later than 1 year and not later than 5 years | 38 | 8 | 34 | 7 |
| Minimum lease payments | **49** | **19** | **45** | **18** |
| Less future finance charges | (4) | (1) | - | - |
| **TOTAL** | **45** | **18** | **45** | **18** |
| | | | | |
| Included in the financial statements as: | | | | |
| Current borrowings - lease liability | 10 | 10 | 10 | 10 |
| Non-current borrowings - lease liability | 35 | 8 | 35 | 8 |
| **TOTAL** | **45** | **18** | **45** | **18** |

The weighted average interest rate implicit in the finance lease is 3.25% (2019: 5%).

# Note 6.1: Borrowings (continued)

## Leases

A lease is a right to use an asset for an agreed period of time in exchange for payment. 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.

**Alexandra District Health's leasing activities**

Alexandra District Health has entered into leases related to office equipment and motor vehicles.

For any new contracts entered into on or after 1 July 2019, Alexandra District Health considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition Alexandra District Health assesses whether the contract meets three key evaluations which are whether:

- 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 Alexandra District Health and for which the supplier does not have substantive substitution rights;
- Alexandra District 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 Alexandra District Health has the right to direct the use of the identified asset throughout the period of use; and
- Alexandra District Health has the right to take decisions in respect of 'how and for what purpose' the asset is used throughout the period of use.

This policy is applied to contracts entered into, or changed, on or after 1 July 2019.

**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.

**Recognition and measurement of leases as a lessee (under AASB 16 from 1 July 2019)**

**Lease Liability – 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 Alexandra District Health's incremental borrowing rate.

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.

**Lease Liability – subsequent measurement**

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

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

**Short-term leases and leases of low value assets**

Alexandra District Health has elected to account for short-term leases and leases of low value assets using the practical expedients. Instead of recognising a right of use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight line basis over the lease term.

**Below market/Peppercorn lease**

Alexandra District Health has no material liability for below market/peppercorn leases.

Right-of-use assets under leases at significantly below-market terms and conditions that are entered into principally to enable Alexandra District Health to further its objectives, are initially and subsequently measured at cost.

These right-of-use assets are depreciated on a straight line basis over the shorter of the lease term and the estimated useful lives of the assets.

Alexandra District Health has recognised a right of use asset for land owned by the Department of Health and Human Services, which has been previously recognised as Land at Fair Value at 30 June 2019. Upon transition to AASB 16, the value of land has been transferred to Right of Use Asset - Land as disclosed at Note 4.2(b).

The peppercorn lease is applicable from 23rd Feburary 2016 and continues until 23rd February 2056 at a rate of $104pa. The calculated value of the liability outstanding at 30 June 2020 amounts to less than $5,000 and has not been brought to account as it is not material.

# Note 6.1: Borrowings (continued)

**Presentation of right-of-use assets and lease liabilities**

Alexandra District Health presents right-of-use assets as ‘property plant equipment’ unless they meet the definition of investment property, in which case they are disclosed as ‘investment property’ in the balance sheet. Lease liabilities are presented as ‘borrowings’ in the balance sheet.

**Recognition and measurement of leases (under AASB 117 until 30 June 2019)**

In the comparative period, leases of property, plant and equipment were classified as either finance lease or operating leases.

Alexandra District Health  determined whether an arrangement was or contained a lease based on the substance of the arrangement and required an assessment of whether fulfilment of the arrangement is dependent on the use of the specific asset(s); and the arrangement conveyed a right to use the asset(s).

Leases of property, plant and equipment where Alexandra District Health as a lessee had substantially all of the risks and rewards of ownership were classified as finance leases. finance leases were initially recognised as assets and liabilities at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payment, each determined at the inception of the lease. The leased asset is accounted for as a non-financial physical asset and depreciated over the shorter of the estimated useful life of the asset or the term of the lease. Minimum finance lease payments were apportioned between the reduction of the outstanding lease liability and the periodic finance expense, which is calculated using the interest rate implicit in the lease and charged directly to the consolidated comprehensive operating statement.

Contingent rentals associated with finance leases were recognised as an expense in the period in which they are incurred.

Assets held under other leases were classified as operating leases and were not recognised in Alexandra District Health's balance sheet. Operating lease payments were recognised as an operating expense in the Statement of Comprehensive Income on a straight-line basis over the lease term.

**Operating lease payments up until 30 June 2019** (including contingent rentals) are recognised on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset.

From 1 July 2019, the following lease payments are recognised on a straight-line basis:

· Short-term leases – leases with a term less than 12 months; and

· Low value leases – leases with the underlying asset’s fair value (when new, regardless of the age of the asset being leased) is no more than $10,000.

Variable lease payments not included in the measurement of the lease liability (i.e. variable lease payments that do not depend on an index or a rate, initially measured using the index or rate as at the commencement date). These payments are recognised in the period in which the event or condition that triggers those payments occur.

### *Entity as lessee*

Leases are recognised as assets and liabilities at amounts equal to the fair value of the lease property or, if lower, the present value of the minimum lease payment, each determined at the inception of the lease. The lease assets under the arrangement are accounted for as a non-financial physical asset and is depreciated over the term of the lease plus five years. Minimum lease payments are apportioned between reduction of the outstanding lease liability, and the periodic finance expense which is calculated using the interest rate implicit in the lease, and charged directly to the Comprehensive Operating Statement. Contingent rentals associated with leases are recognised as an expense in the period in which they are incurred.

# Note 6.2: Cash and Cash Equivalents

| | Total 2020 $'000 | Total 2019 $'000 |
|---|---|---|
| Cash on hand (excluding monies held in trust) | 1 | 1 |
| Cash at Bank (excluding monies held in trust) | 595 | 218 |
| Cash at Bank - CBS (excluding monies held in trust) | 2,869 | 2,884 |
| **TOTAL CASH AND CASH EQUIVALENTS** | **3,465** | **3,103** |

**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

**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.

There are no capital or operating commitments at the date of this report (2019 $Nil)

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

# Note 6.5: Non-cash financing and investing activities

| | Total 2020 $'000 | Total 2019 $'000 |
|---|---|---|
| Acquisition of plant and equipment by means of Finance Leases | 34 | - |
| **Total Non-Cash Financing and Investing Activities** | **34** | **-** |

## Note 7: Risks, contingencies and valuation uncertainties

Alexandra District 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 Contingent Assets and Contingent Liabilities

## Note 7.1 (a): 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 Alexandra District Health's activities, certain financial assets and financial liabilities arise under statute rather than a contract. Such financial assets and financial liabilities do not meet the definition of financial instruments in AASB 132 Financial Instruments: Presentation

**(a) Categorisation of financial instruments**

| Total 2020 | Note | Financial Assets at Amortised Cost $'000 | Financial Liabilities at Amortised Cost $'000 | Total $'000 |
|---|---|---|---|---|
| **Contractual Financial Assets** | | | | |
| Cash and Cash Equivalents | 6.2 | 3,465 | - | 3,465 |
| Receivables - Trade Debtors | 5.1 | 62 | - | 62 |
| Other Receivables | 5.1 | 53 | - | 53 |
| Investments and Other Financial Assets - Term Deposits | 4.1 | 767 | - | 767 |
| **Total Financial Assets** [i] | | **4,347** | **-** | **4,347** |
| | | | | |
| **Financial Liabilities** | | | | |
| Payables | 5.2 | - | 774 | 774 |
| Borrowings | 6.1 | - | 45 | 45 |
| **Total Financial Liabilities** [i] | | **-** | **819** | **819** |

# Note 7.1 (a): Financial Instruments

**(a) Categorisation of financial instruments**

| Total 2019 | Note | Financial Assets at Amortised Cost $'000 | Financial Liabilities at Amortised Cost $'000 | Total $'000 |
|---|---|---|---|---|
| **Contractual Financial Assets** | | | | |
| Cash and Cash Equivalents | 6.2 | 3,103 | - | 3,103 |
| Receivables - Trade Debtors | 5.1 | 72 | - | 72 |
| Other Receivables | 5.1 | 71 | - | 71 |
| Investments and Other Financial Assets - Term Deposits | 4.1 | 250 | - | 250 |
| **Total Financial Assets** [i] | | **3,496** | **-** | **3,496** |
| | | | | |
| **Financial Liabilities** | | | | |
| Payables | 5.2 | - | 542 | 542 |
| Borrowings | 6.1 | - | 18 | 18 |
| **Total Financial Liabilities** [i] | | **-** | **560** | **560** |

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

### Categories of Non-Derivative Financial Instruments

**Financial assets at amortised cost**

Financial assets are measured at amortised costs 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 Alexandra District Health to collect the contractual cash flows, and
- the assets' contractual terms give rise to cash flows that are solely payments of principal and interests.

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

Alexandra District Health recognises the following assets in this category:

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

# Note 7.1 (a): Financial Instruments (continued)

## Categories of Non-Derivative Financial Instruments

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

- payables (excluding statutory payables); and
- borrowings (including lease liabilities).

**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

Alexandra District 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

Alexandra District 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 Alexandra District Health has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of Alexandra District 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:** Subsequent to initial recognition reclassification of financial liabilities is not permitted. Financial assets are required to reclassified between fair value through net result, fair value through other comprehensive income and amortised cost when and only when Alexandra District Health Service's business model for managing its financial assets has changes such that its previous model would no longer apply.

## Note 7.1 (b): Payables and Borrowings Maturity Analysis

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

**Maturity analysis of Financial Liabilities as at 30 June**

| 2020 | Note | Carrying Amount $'000 | Nominal Amount $'000 | Maturity Dates: Less than 1 Month $'000 | 1-3 Months $'000 | 3 months - 1 Year $'000 | 1-5 Years $'000 | Over 5 years $'000 |
|---|---|---|---|---|---|---|---|---|
| **Financial Liabilities at amortised cost** | | | | | | | | |
| Payables | **5.2** | 774 | 774 | 497 | - | 277 | - | - |
| Borrowings | **6.1** | 45 | 45 | 1 | 3 | 6 | 35 | - |
| **Total Financial Liabilities** | | **819** | **819** | **498** | **3** | **283** | **35** | **-** |
| | | | | | | | | |
| **2019** | | | | | | | | |
| **Financial Liabilities at amortised cost** | | | | | | | | |
| Payables | **5.2** | 542 | 542 | 149 | - | 393 | - | - |
| Borrowings | **6.1** | 18 | 18 | 1 | 3 | 7 | 7 | - |
| **Total Financial Liabilities** | | **560** | **560** | **150** | **3** | **400** | **7** | **-** |

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

## Note 7.1 (c ) Contractual receivables at amortised cost

| 1-Jul-19 | Note | $'000 | *Current* | *Less than 1 month* | *1–3 months* | *3 months –1 year* | *1–5 years* | *Total* |
|---|---|---|---|---|---|---|---|---|
| **Expected loss rate** | | | 0.0% | 0.0% | 0.0% | 100.0% | | |
| Gross carrying amount of contractual receivables ($'000s) | 5.1 | 143 | 131 | 8 | 1 | 3 | 0 | **143** |
| **Loss allowance** | | | **-** | **-** | **-** | **(3)** | **-** | **(3)** |

| 30-Jun-20 | | $'000 | *Current* | *Less than 1 month* | *1–3 months* | *3 months –1 year* | *1–5 years* | *Total* |
|---|---|---|---|---|---|---|---|---|
| **Expected loss rate** | | | 0.0% | 0.0% | 0.0% | 100.0% | 0.0% | |
| Gross carrying amount of contractual receivables | 5.1 | 115 | 106 | 7 | 0 | 2 | 0 | **115** |
| **Loss allowance** | | | **-** | **-** | **-** | **(2)** | **-** | **(2)** |

## Note 7.1 (c ) Contractual receivables at amortised cost (continued)

**Impairment of financial assets under AASB 9 *Financial Instruments***
Alexandra District Health records the allowance for expected credit loss for the relevant financial instruments, in accordance with AASB 9 Financial Instruments 'Expected Credit Loss' approach. Subject to AASB 9 Financial Instruments, impairment assessment includes the Alexandra District Health's contractual receivables, statutory receivables and its investment in debt instruments.

Equity instruments are not subject to impairment under AASB 9 *Financial Instruments*. Other financial assets mandatorily measured or designated at fair value through net result are not subject to impairment assessment under AASB 9 *Financial Instruments*. While cash and cash equivalents are also subject to the impairment requirements of AASB 9 *Financial Instruments*, any identified impairment loss would be immaterial.

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

On this basis, the Alexandra District Health determines the opening loss allowance and the closing loss allowance at end of the financial year as disclosed above.

Reconciliation of the movement in the loss allowance for contractual receivables

| | Note | *2020* | *2019* |
|---|---|---|---|
| **Balance at beginning of the year ($'000s)** | | **(3)** | **-** |
| Increase in provision recognised in the net result | 3.1 | 1 | (3) |
| **Balance at end of the year** | 5.1 | **(2)** | **(3)** |

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.

In prior years, a provision for doubtful debts is recognised when there is objective evidence that the debts may not be collected and bad debts are written off when identified. A provision is made for estimated irrecoverable amounts from the sale of goods when there is objective evidence that an individual receivable is impaired. Bad debts considered as written off by mutual consent.

**Statutory receivables and debt investments at amortised cost**
The Alexandra District 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 Financial Instruments 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, the loss allowance recognised for these financial assets during the period was limited to 12 months expected losses.

## Note 7.2: Contingent assets and contingent liabilities

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

There are no known contingent assets or contingent liabilities for Alexandra District Health at the date of this report.

# Note 8: Other disclosures

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

**Structure**



# Note 8.1: Reconciliation of Net Result for the Year to Net Cash Flow from Operating Activities

| | Note | | Total 2020 $'000 | Total 2019 $'000 |
|---|---|---|---|---|
| **Net Result for the Year** | | **OS** | (318) | (913) |
| **Non-Cash Movements:** | | | | |
| Depreciation and amortisation | | 4.4 | 1,312 | 1,017 |
| Amortisation of Intangible Non-Produced Assets | | 4.4 | 4 | 3 |
| Provision for Doubtful Debts | | 5.1 (a) | (1) | 3 |
| **Movements included in Investing and Financing Activities:** | | | | |
| Net (Gain)/Loss from Disposal of Non-Financial Physical Assets | | | (7) | 2 |
| Less cash inflow/outflow from investing and financing activities | | | (789) | (44) |
| **Movements in Assets and Liabilities:** | | | | |
| *Change in Operating Assets and Liabilities* | | | | |
| (Increase)/Decrease in Receivables | | 5.1 | 87 | (46) |
| (Increase)/Decrease in Prepayments | | | 4 | (4) |
| Increase/(Decrease) in Payables | | 5.2 | 36 | 135 |
| (Increase)/Decrease in Inventories | | | (3) | 73 |
| (Increase)/Decrease in employee benefits | | | 114 | 153 |
| **NET CASH INFLOW FROM OPERATING ACTIVITIES** | | | **439** | **379** |

# Note 8.2: Responsible Persons

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.

| | Period |
|---|---|
| **Responsible Ministers:** | |
| The Honourable Jenny Mikakos, Minister for Health and Minister for Ambulance | 01/07/2019 - 30/06/2020 |
| The Honourable Luke Donnellan, Minister for Child Protection, Minister for Disability, Ageing and Carers | 01/07/2019 - 30/06/2020 |
| **Governing Boards** | |
| Ms Lorna Gelbert | 01/07/2019 - 30/06/2020 |
| Mr Paul Denham | 01/07/2019 - 30/06/2020 |
| Ms Cheryle Royle | 01/07/2019 - 30/06/2020 |
| Ms Megan Buntine | 01/07/2019 - 30/06/2020 |
| Mr Kim Flanagan | 01/07/2019 - 30/06/2020 |
| Ms Erin Wilson | 01/07/2019 - 30/06/2020 |
| Mr Steven Hogan | 01/07/2019 - 30/06/2020 |
| Ms Jenny Branton | 01/07/2019 - 30/10/2019 |
| **Accountable Officers** | |
| Ms Deborah Rogers | 01/07/2019 - 30/06/2020 |

**Remuneration of Responsible Persons**

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

| **Income Band** | **Total 2020 No.** | **Total 2019 No.** |
|---|---|---|
| $0,000 - $9,999 | 8 | 7 |
| $190,000 - $199,999 | - | 1 |
| $200,000 - $209,999 | 1 | - |
| **Total Numbers** | **9** | **8** |

| | **2020 $'000** | **2019 $'000** |
|---|---|---|
| **Total remuneration received or due and receivable by Responsible Persons from the reporting entity amounted to:** | **$229** | **$217** |

Amounts relating to the Governing Board Members and Accountable Officer are disclosed in Alexandra District Healths' financial statements.

Amounts relating to Responsible Ministers are reported within the Department of Parliamentary Services' Financial Report.

# Note 8.3: Remuneration of Executives

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

| **Remuneration of Executive Officers (including Key Management Personnel Disclosed in Note 8.4)** | **Total Remuneration** | |
|---|---|---|
| | **2020 $'000** | **2019 $'000** |
| Short-term Benefits | 133 | 130 |
| Post-employment Benefits | 12 | 12 |
| Other Long-term Benefits | 3 | 3 |
| Termination Benefits | - | - |
| **Total Remuneration** [i] | **148** | **145** |
| | | |
| Total Number of Executives | 1 | 1 |
| Total Annualised Employee Equivalent [ii] | 1.0 | 1.0 |

i The total number of executive officers includes persons who meet the definition of Key Management Personnel (KMP) of Alexandra District 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.

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

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

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

***Other Long-term Benefits***
Long service leave, other long-service benefit or deferred compensation.

***Termination Benefits***
Termination of employment payments, such as severance packages.

# Note 8.4: Related Parties

Alexandra District Health is a wholly owned and controlled entity of the State of Victoria. Related parties of the Alexandra District Health include:

- All key management personnel (KMP) and their close family members;
- Cabinet ministers (where applicable) and their close family members;
- Jointly Controlled Operation - A member of a regional Information Technology Joint Venture; and
- All hospitals 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 Alexandra District Health, directly or indirectly.

The Board of Directors, Chief Executive Officer and the Executive Directors of Alexandra District Health are deemed to be KMPs.

| **KMPs** | **Position Title** |
|---|---|
| Ms Lorna Gelbert | Chair of the Board |
| Ms Carole Staley | Board Member |
| Mr Geoff Hyland | Board Member |
| Mr Paul Denham | Board Member |
| Ms Cheryle Royle | Board Member |
| Ms Megan Buntine | Board Member |
| Ms Alison Wastie | Board Member |
| Ms Deborah Rogers | Chief Executive Officer |
| Mr Andrew Lowe | Director of Corporate Services |

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

| | **Total 2020 $'000** | **Total 2019 $'000** |
|---|---|---|
| **Compensation - KMPs** | | |
| Short-term Employee Benefits [i] | 339 | 326 |
| Post-employment Benefits | 30 | 29 |
| Other Long-term Benefits | 8 | 8 |
| Termination Benefits | - | - |
| **Total [ii]** | **377** | **363** |

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

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

# Note 8.4: Related Parties

***Significant Transactions with Government Related Entities***

The Alexandra District Health received funding from the Department of Health and Human Services of $7.6m (2019: $7.5m). Balances outstanding as year end are $0.01m (2019 $0.05m)

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

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

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

Outside of normal citizen type transactions with the Alexandra District Health, there were no related party transactions that involved key management personnel, their close family members and 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 2020.

There were no related party transactions required to be disclosed for the Alexandra District Health Board of Directors, Chief Executive Officer and Executive Directors in 2020.

# Note 8.5: Remuneration of Auditors

| | Total 2020 $'000 | Total 2019 $'000 |
|---|---|---|
| **Victorian Auditor-General's Office** | | |
| Audit of the Financial Statements | 21 | 20 |
| **TOTAL RENUMERATION OF AUDITORS** | **21** | **20** |

# Note 8.6: Events Occurring after the Balance Sheet Date

Assets, liabilities, income or expenses arise from past transactions or other past events. Where the transactions result from an agreement between Alexandra District Health and other parties, the transactions are only recognised when the agreement is irrevocable at or before the end of the reporting period.

Adjustments are made to amounts recognised in the financial statements for events which occur between the end of the reporting period and the date when the financial statements are authorised for issue, where those events provide information about conditions which existed at the reporting date. Note disclosure is made about events between the end of the reporting period and the date the financial statements are authorised for issue where the events relate to conditions which arose after the end of the reporting period that are considered to be of material interest.

The Covid-19 pandemic has created unprecedented economic uncertainty. Actual economic events and conditions in the future may be materially different from those estimated by Alexandra District Health at the reporting date. As responses by government continue to evolve, management recognises it is difficult to reliably estimate with any degree of certainty the potential impact of the pandemic after the reporting date on Alexandra District Health, its operations, its future results and financial position. The state of emergency in Victoria was extended on 13 September 2020 until 11 October 2020 and the state of disaster remains in place.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may affect the operations of Alexandra District Health, the results of the operations or the state of affairs of Alexandra District Health in the future financial years.

# Note 8.7: Jointly Controlled Operations

| Name of Entity | Principal Activity | Ownership Interest 2020 % | Ownership Interest 2019 % |
|---|---|---|---|
| Hume Rural Health Alliance | Information Systems | 2.68 | 2.46 |

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

| | 2020 $'000 * | 2019 $'000 * |
|---|---|---|
| **CURRENT ASSETS** | | |
| Cash and Cash Equivalents | 233 | 166 |
| Receivables | 22 | 31 |
| Prepayments | 3 | 6 |
| **TOTAL CURRENT ASSETS** | **258** | **203** |
| | | |
| **NON-CURRENT ASSETS** | | |
| Intangible Assets | 12 | 14 |
| Property, Plant and Equipment | 16 | 27 |
| **TOTAL NON-CURRENT ASSETS** | **28** | **41** |
| **TOTAL ASSETS** | **286** | **244** |
| | | |
| **CURRENT LIABILITIES** | | |
| Payables | 112 | 88 |
| Borrowings | 4 | 10 |
| **TOTAL CURRENT LIABILITIES** | **116** | **98** |
| | | |
| **NON-CURRENT LIABILITIES** | | |
| Borrowings | 7 | 8 |
| **TOTAL NON-CURRENT LIABILITIES** | **7** | **8** |
| **TOTAL LIABILITIES** | **123** | **106** |
| | | |
| **NET ASSETS** | **163** | **138** |
| | | |
| **EQUITY** | | |
| Accumulated Surpluses/(Deficits) | 163 | 138 |
| **TOTAL EQUITY** | **163** | **138** |

Alexandra District Health's interest in revenues and expenses resulting from jointly controlled operations are detailed below:

| | 2020 $'000 * | 2019 $'000 * |
|---|---|---|
| **REVENUE** | | |
| Operating Revenue | 176 | 216 |
| Non Operating Revenue | 1 | 2 |
| Capital Purpose Income | 45 | - |
| **TOTAL REVENUE** | **222** | **218** |
| | | |
| **EXPENSES** | | |
| Employee Benefits | 52 | 43 |
| Other Expenses from Continuing Operations | 110 | 148 |
| Expenditure using Capital Income | 24 | 2 |
| Depreciation | 16 | 20 |
| **TOTAL EXPENSES** | **202** | **213** |
| **NET RESULT** | **20** | **5** |

* Figures obtained from the unaudited Hume Rural Health Alliance 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: Economic Dependency

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

# Note 8.9: Changes in accounting policy and revision of estimates

**Changes in accounting policy**

**Leases**

This note explains the impact of the adoption of AASB 16 Leases on Alexandra District Health's financial statements.

Alexandra District Health has applied AASB 16 with a date of initial application of 1 July 2019. Alexandra District Health has elected to apply AASB 16 using the modified retrospective approach, as per the transitional provisions of AASB 16 for all leases for which it is a lessee. The cumulative effect of initial application is recognised in retained earnings as at 1 July 2019. Accordingly, the comparative information presented is not restated and is reported under AASB 117 and related interpretations.

Previously, Alexandra District Health determined at contract inception whether an arrangement is or contains a lease under AASB 117 and Interpretation 4 – 'Determining whether an arrangement contains a Lease'. Under AASB 16, Alexandra District Health assesses whether a contract is or contains a lease based on the definition of a lease as explained in note 6.1.

On transition to AASB 16, Alexandra District Health has elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied AASB 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under AASB 117 and Interpretation 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under AASB 16 was applied to contracts entered into or changed on or after 1 July 2019.

*Leases classified as operating leases under AASB 117*

As a lessee, Alexandra District Health previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to Alexandra District Health. Under AASB 16, Alexandra District Health recognises right-of-use assets and lease liabilities for all leases except where exemption is availed in respect of short-term and low value leases.

On adoption of AASB 16, Alexandra District Health recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of AASB 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using Alexandra District Health's incremental borrowing rate as of 1 July 2019. On transition, right-of-use assets are measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 June 2019.

Alexandra District Health has elected to apply the following practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117:

- Applied a single discount rate to a portfolio of leases with similar characteristics;
- Adjusted the right-of-use assets by the amount of AASB 137 onerous contracts provision immediately before the date of initial application, as an alternative to an impairment review;
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term;
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

For leases that were classified as finance leases under AASB 117, the carrying amount of the right-of-use asset and lease liability at 1 July 2019 are determined as the carrying amount of the lease asset and lease liability under AASB 117 immediately before that date.

***Leases as a Lessor***

Alexandra District Health is not required to make any adjustments on transition to AASB 16 for leases in which it acts as a lessor. Alexandra District Health accounted for its leases in accordance with AASB 16 from the date of initial application.

***Impacts on financial statements***

On transition to AASB 16, Alexandra District Health recognised $870,000 of right-of-use assets and $Nil of lease liabilities. When measuring lease liabilities, Alexandra District Health discounted lease payments using its incremental borrowing rate at 1 July 2019. The calculated liability was considered not material as the lease agreement is based on a peppercorn rate only.

# Note 8.9: Changes in accounting policy and revision of estimates

**Revenue from Contracts with Customers**
In accordance with FRD 121 requirements, the Alexandra District Health has applied the transitional provision of AASB 15, under modified retrospective method with the cumulative effect of initially applying this standard against the opening retained earnings at 1 July 2019. Under this transition method, Alexandra District Health applied this standard retrospectively only to contracts that are not 'completed contracts' at the date of initial application. Alexandra District Health has not applied the fair value measurement requirements for right-of-use assets arising from leases with significantly below-market terms and conditions principally to enable the entity to further its objectives as allowed under temporary option under AASB 16 and as mandated by FRD 122.

Comparative information has not been restated.

Note 2.1.1 – Sales of goods and services includes details about the transitional application of AASB 15 and how the standard has been applied to revenue transactions.
The adoption of AASB 15 did not have an impact on Other Comprehensive Income or Statement of Cash Flows.

**Income of Not-for-Profit Entities**
In accordance with FRD 122 requirements, Alexandra District Health has applied the transitional provision of AASB 1058, under modified retrospective method with the cumulative effect of initially applying this standard against the opening retained earnings at 1 July 2019. Under this transition method, Alexandra District Health applied this standard retrospectively only to contracts and transactions that are not completed contracts at the date of initial application.

Comparative information has not been restated.

Note 2.1.2 – Grants includes details about the transitional application of AASB 1058 and how the standard has been applied to revenue transactions.

The adoption of AASB 1058 did not have an impact on Other comprehensive income and the Statement of Cash flows for the financial year.

**Transition impact on financial statements.**

There was no impact from the adoption of AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Non-for-profit Entities on prior period results.

# Note 8.10: AASBs Issued that are not yet Effective

Certain new Australian accounting standards have been published that are not mandatory for the 30 June 2020 reporting period. Department of Treasury and Finance assesses the impact of all these new standards and advises Alexandra District Health of their applicability and early adoption where applicable.

As at 30 June 2020, the following standards and interpretations had been issued by the AASB but were not yet effective. They become effective for the first financial statements for reporting periods commencing after the stated operative dates as detailed in the table below. Alexandra District Health has not and does not intend to adopt these standards early.

| *Standard/Interpretation* | *Summary* | *Applicable for annual reporting periods beginning on* | *Impact on public sector entity financial statements* |
|---|---|---|---|
| AASB 2018-7 *Amendments to Australian Accounting Standards – Definition of Material* | This Standard principally amends AASB 101 *Presentation of Financial Statements* and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendments refine and clarify the definition of material in AASB 101 and its application by improving the wording and aligning the definition across AASB Standards and other publications. The amendments also include some supporting requirements in AASB 101 in the definition to give it more prominence and clarify the explanation accompanying the definition of material. | 1 January 2020 | The standard is not expected to have a significant impact on the public sector. |
| AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current* | This Standard amends AASB 101 to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. A liability is classified as non-current if an entity has the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period. The meaning of settlement of a liability is also clarified. | 1 January 2022. However, ED 301 has been issued with the intention to defer application to 1 January 2023. | The standard is not expected to have a significant impact on the public sector. |

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In addition to the new standards and amendments above, the AASB has issued a list of other amending standards that are not effective for the 2019-20 reporting period (as listed below). In general, these amending standards include editorial and reference changes that are expected to have insignificant impacts on public sector reporting.

- AASB 2018-6 *Amendments to Australian Accounting Standards – Definition of a Business.*
- AASB 2019-1 *Amendments to Australian Accounting Standards – References to the Conceptual Framework.*
- AASB 2019-3 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform.*
- AASB 2019-5 *Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia.*
- AASB 2019-4 *Amendments to Australian Accounting Standards – Disclosure in Special Purpose Financial Statements of Not-for-Profit Private Sector Entities on Compliance with Recognition and Measurement Requirements.*
- AASB 2020-2 *Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities.*
- AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities (Appendix C).*