

To be a vibrant provider of care



2020-21  
Annual Report

## OUR ROLE

Beaufort and Skipton Health Service is committed to delivering a range of health and community services to improve the health and well-being of the Beaufort and Skipton communities.

## OUR VISION

To be a vibrant provider of care.

## OUR MISSION

To enable all people in our community to be connected, healthy and live well.

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## STRATEGIC GOALS

GOAL  
1

### OUR CONSUMERS

We will engage with our consumers to ensure we deliver services that meet the health and well-being needs of our communities.

GOAL  
2

### OUR QUALITY AND SAFETY

We will deliver safe, high quality, person centred care.

GOAL  
3

### OUR PEOPLE

We will enable a skilled, engaged and motivated workforce.

GOAL  
4

### OUR BUSINESS

We will ensure strong business performance, financial governance and sustainability.

GOAL  
5

### OUR PARTNERS

We will partner to deliver an integrated and connected system.

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## OUR VALUES

TEAMWORK

COMPASSION

ACCOUNTABILITY

RESPECT

EXCELLENCE

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## ESTABLISHMENT OF BEAUFORT AND SKIPTON HEALTH SERVICE:

Beaufort and Skipton Health Service was established on 1 October 1996 and incorporates the Ripon Peace Memorial Hospital and the Skipton and District Memorial Hospital. With the opening of Beaufort Primary Care Facility in 1996, and the Community Health Centre in Skipton in 2001, Beaufort and Skipton Health Service plays a key role in the provision of public health services for the needs of a diverse community.

Beaufort and Skipton Health Service serves nearly 6000 people in the Beaufort, Skipton and surrounding areas.

Our catchment area extends from Derrinallum and Lismore in the south, to Lexton and Amphitheatre in the north, and stretches to include Streatham, Linton and Snake Valley. Beaufort and Skipton Health Service covers portions of the Pyrenees, Corangamite and Golden Plains Shires.

This Annual Report 2020-2021 provides information to all stakeholders about the performance of the Health Service. The report highlights services provided, operational achievements and challenges during the 2020-2021 financial year.

## TRADITIONAL OWNERS

Beaufort and Skipton Health Service acknowledges the traditional owners of the land, the Wadawurrung and the Djab Wurrung community.

Beaufort and Skipton Health Service acknowledges the support of the Victorian and Commonwealth Governments.

## ACKNOWLEDGEMENTS

**Editor:** Narelle Harrison

**Graphic Design:** Digital Outlaw

**Printer:** Sovereign Press

## NATURE AND RANGE OF SERVICES

Beaufort and Skipton Health Service provides programs and services across two campuses. The clinical areas are divided into Acute Health, Residential Aged Care (Nursing Homes and Hostels), Home Based Services (e.g. District Nursing, Transition Care Program and Home Care Packages), Community Programs (e.g. Health Promotion), Community and Allied Health and Medical Practice services.

### CLINICAL

- Acute Inpatient Unit
- Infection Control services to support clinicians
- Palliative Care
- Urgent Care
- Bed Based Transition Care Program

### RESIDENTIAL SERVICES INCLUDING RESPITE

- Beaufort Hostel
- Skipton Hostel
- Beaufort Higher Care Needs
- Skipton Higher Care Needs
- Leisure & Lifestyle Team

### COMMUNITY SERVICES

- Chronic Disease Management
- District Nursing
- Community Transport
- Diabetes Education
- Dietetics
- Health Promotion
- Home Care Packages
- Occupational Therapy
- Physiotherapy
- Podiatry
- Exercise Physiologist
- Social Support Groups (Men's Group, Women's Group, Gait and Balance, Strength Training and Beaufort Blokes)
- Social Work including Mental Health Support
- Transition Care Program

### MEDICAL CLINIC (SKIPTON)

- General Practitioners
- Practice Nurses

### VISITING SERVICES

- Maternal & Child Health (Skipton)
- Speech Pathology

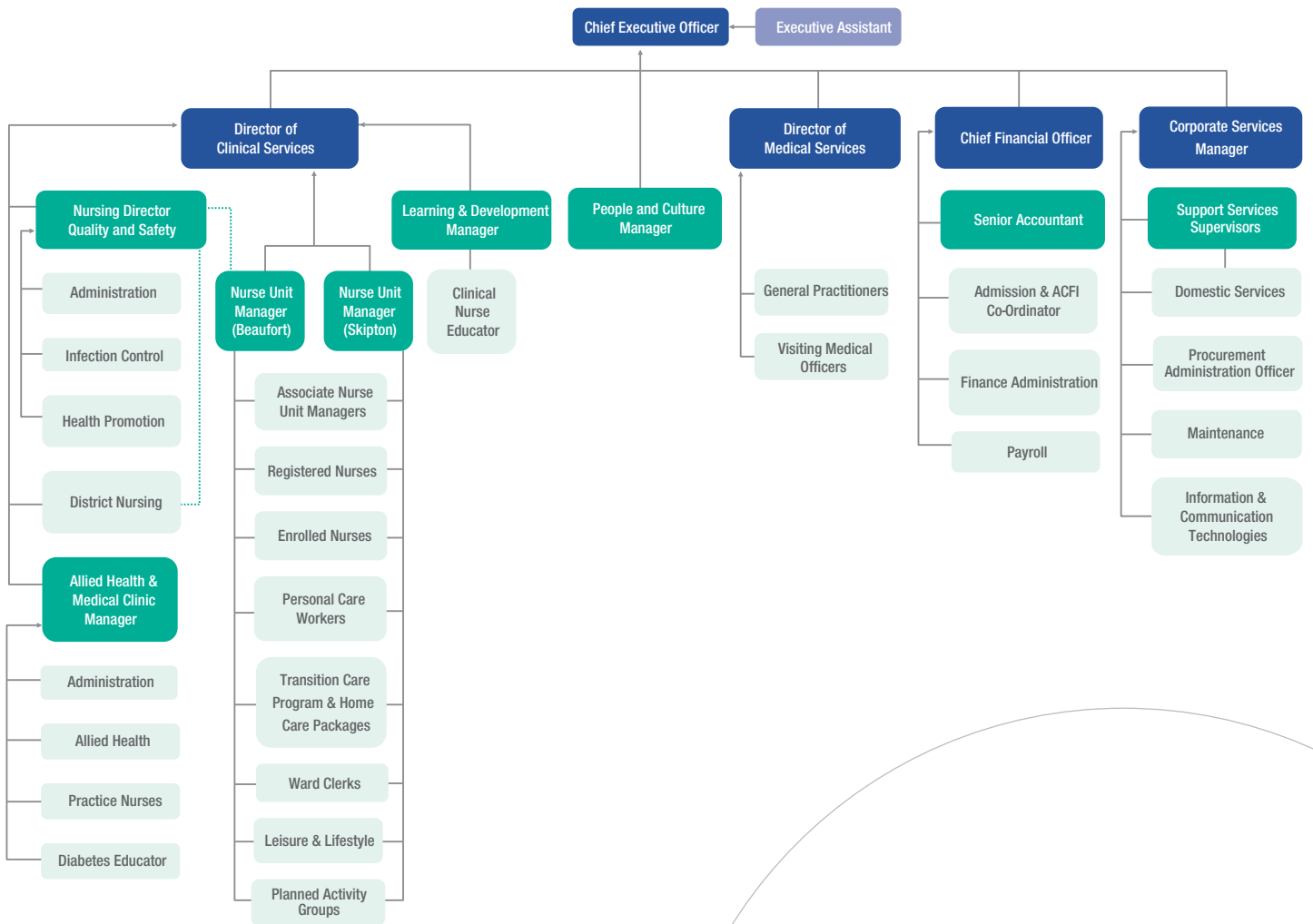
### SUPPORT SERVICES

- Accommodation (staff & students)
- Building Projects
- Catering (internal and Meals on Wheels)
- Cleaning, linen & waste
- Finance and Administration
- Maintenance
- Procurement and Contracts Management / Fleet Vehicles

### DEVELOPMENT & IMPROVEMENT

- Accreditation programs
- Consumer feedback
- Community engagement
- Education, Training and Professional Development
- Information & Communication Technology
- Occupational Health & Safety
- Organisational Development
- Quality & Safety
- People & Culture
- Graduate Nurse Program
- Undergraduate clinical placements

# ORGANISATIONAL STRUCTURE



## BOARD CHAIR AND CHIEF EXECUTIVE OFFICERS REPORT

On behalf of the staff and Board of Directors we are pleased to present the Beaufort and Skipton Health Service Annual Report for 2020–2021.



The COVID-19 pandemic has continued to have a major impact for our community, consumers and staff throughout the year. Our pandemic response included actions such as staff and visitor attestations and temperature checks, QR codes and COVID testing, along with the rollout of the COVID-19 vaccination program in March. The dynamic environment meant that we were constantly responding and adjusting restrictions, based on the latest State and Commonwealth directions to keep our residents, consumers, staff and community safe.

Our sincere gratitude to our staff for the way in which they have faced the challenges and for their resilience during this continued pandemic. Their commitment to ensure that our residents, patients and clients have continued to receive the very best quality safe health care has been exceptional. To our volunteers who have supported the work of staff and have helped to minimise the sense of isolation for our vulnerable residents and clients, our sincere thanks.

During the extended lockdown, the community's resilience was tested. Residents and staff combined to create a "Yarn bombing" display at both campuses. Feedback from the community was positive and the displays certainly gave the community members a smile and lifted their spirits.

Despite the challenging and changing COVID environment, this has been a big year for delivering capital work projects. We have seen the completion of the Beaufort Nursing Home refurbishment, the creation of sensory gardens at the Skipton Nursing Home and Beaufort Hostel, the installation of solar panels on both campuses and progress on the Skipton Bio-Energy Straw Pellet System.

The Health Service has continued to achieve some significant results, which would not have been possible without the valuable contribution of our Board Directors, volunteers and our 185 staff. We would like to recognise the commitment, dedication and expertise of the Beaufort and Skipton Health Service staff and Visiting Medical Officers/General Practitioners.

After six months, locum General Practitioner, Dr. Tibby McKinnon finished on the 18 September, 2020. Dr. McKinnon, provided a smooth transition to Dr. Badrika Kahawatta who commenced as the General Practitioner at Skipton on the 8th September 2020. We also recognize the valuable ongoing contribution of Dr. Malcolm Anderson at the Skipton Medical Practice. Both doctors are valued members of our Visiting Medical Officer team, along with Dr. Chamika Gamage and Dr. Phil Kyaw. In addition, Dr. Pushpa Ravindranayagam continues to provide medical care for residents in our Aged Care Services at the Beaufort campus.

Beaufort and Skipton Health Service value the continued partnership with the Beaufort and Skipton Health Service Foundation Limited. A joint meeting of the two Board's was held to discuss a shared direction for the Health Service. Thank you to the Foundation Directors for their continued support and fund raising efforts.

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We are grateful for the ongoing support and donation of various local organisations and individuals. The Guthrie Family Trust generously donated funds to improve our facilities at the Skipton and Beaufort campuses. The Beaufort Service Group, Rotary Club of Beaufort, Beaufort Community Bank and the Pyrenees Shire supported our “Men’s Health and Wellbeing Forum”.

The Board of Directors has seen Peta Clark and Carita Clancy, step off the board on the 30 June 2020. Peta Clark served on the Board of Directors for three years. Peta was also the Chair of the Finance, Audit and Risk Management Committee, and was a valued member of the Board Development Committee. Carita Clancy served on the Board of Directors for five years and was an active member of the Remuneration Committee and a Board Representative on the Beaufort and Skipton Health Service Foundation Limited. We gratefully thank Peta and Carita for their dedicated service and commitment to Beaufort and Skipton Health Service.

The Board of Directors welcomed Dr. Margaret Way and Nigel Jarvis as new Directors to the Board. Dr. Margaret Way is an experienced Health Service Executive, Researcher and Educator. Marg brings expertise in health service management, corporate and clinical governance, strategic planning and stakeholder engagement in government, not-for-profit and university sectors.

Nigel Jarvis holds a degree in Commerce and is a Certified Practising Accountant. He has extensive experience working in the public and private health sectors, particularly in audit, risk and financial management. Nigel also held the Director of Commercial Operations at St. John of God, Regional Services.

Our condolences go out to the families and colleagues of our following staff members who passed away during the year.

Glenys Williams joined Beaufort and Skipton Health Service in April 2002 as a Food and Domestic Services Assistant. She was a valued member of the Skipton support services team and was extremely loved by both staff and residents. Glenys had a heart of gold and always went above and beyond to help everyone.

Helen Angeles joined Beaufort and Skipton Health Service in January 2007 as a Personal Care Worker and went on to become an Enrolled Nurse, in 2013. She was a cherished member of the Beaufort nursing team and was extremely loved by both staff and residents. Helen was a dedicated nurse and went ‘above and beyond’ to ensure residents received a high level of care.

Whilst improvements have been made this year, the Health Service continues to face challenges to secure Allied Health clinicians, improve staff relationships and achieve financial sustainability.

We are looking forward to continuing to deliver safe and high quality services with our communities in 2021 – 2022.



**David Lenehan**  
*Board Chair*

Beaufort and Skipton Health Service



**Meryn Pease**  
*Chief Executive Officer*

Beaufort and Skipton Health Service

## RESPONSIBLE BODIES DECLARATION AS AT 30 JUNE 2021

In accordance with the Financial Management Act 1994, I am pleased to present the report of operations for Beaufort and Skipton Health Service for the year ending 30 June 2021.



**David Lenehan**  
*Board Chair*  
Beaufort & Skipton Health Service  
8 September 2021

## OBJECTIVES, FUNCTIONS, POWERS AND DUTIES

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### THE GOVERNING BODY

Beaufort and Skipton Health Service is incorporated under the Health Services Act 1988 by the Governor-in-Council, acting under Section 64A and Section 65 of the Health Services Act 1988 (The Act). The incorporation came into effect on 1 October 1996.

### RESPONSIBLE MINISTERS

Responsible Ministers for the reporting period 1 July 2020 – 30 June 2021.

From 1 July 2020 to 26 September 2020

**Jenny Mikakos MP**

Minister for Health

Minister for Ambulance Services

From 26 September 2020 to 30 June 2021

**The Hon Martin Foley MP**

Minister for Health

Minister for Ambulance Services

The Minister for Equality



## 2020-21 YEAR IN REVIEW

There have been significant achievements over the last twelve months that are detailed under the following strategic pillars.

### OUR CONSUMERS

- A successful “Men’s Health and Wellbeing Forum” was held with strong community support. Over 80 community members attended the breakfast forum where the key message was for ‘Mens Health’. Feedback from attendees was overwhelmingly positive, with some attendees booking in with their General Practitioner for a health check, following the event.
- Thank you to our residents, staff and community who got behind our “Yarn Bombing” project. This colourful project gave everyone a lift during the extended COVID-19 lockdown and restrictions.
- With thanks to our community and staff for their generous donations and assistance, we were able to open a hair and beauty salon, aptly named the “Pamper Room”, for our residents at the Skipton campus.
- Our Community Needs Survey results told us that the community want access to local dental, medical, chronic disease management and mental health services.
- Our Home Care Packages program has seen an exceptional uptake from our community which has seen an increase in the staffing required to deliver these services.
- There have been further strategies and activities undertaken to enhance our Aboriginal cultural safety for staff, consumers and the community.

All meeting agendas have had refreshed “Acknowledge of Country” statements and new Australian, Aboriginal and Torres Strait Islander flags have been placed in all building entrances and meeting rooms. Emma Leehane (Aboriginal Team Leader) of Ballarat Health Service presented Aboriginal and Torres Strait Islander Cultural insight training at the annual staff Mandatory Training workshops.



### OUR QUALITY AND SAFETY

- Consumer feedback over the year consisted of 58 compliments and 20 complaints. All feedback is reviewed through our Clinical Governance Committee and our Community Advisory Committee, to ensure improvements are actioned appropriately. This feedback is important in helping us to improve our services.
- Executive Safety Walk Rounds were conducted across the organisation as a means of hearing and responding to staff safety concerns and resident feedback. All feedback has been reviewed and placed into an Action Plan that is presented at our Leadership, Executive and Clinical Governance Committee meetings. Results and actions of these Walk Rounds are also provided in our staff newsletter.
- There has been a substantial amount of clinical equipment purchased as part of our annual capital budget, to ensure resident and staff safety. We received grant funding that allowed us to purchase 15 floor line king single beds with pressure relieving mattresses and two shower chairs. We have made improvements by investing in information technology software and hardware, along with other additional equipment.

#### WE ARE COVID-19 VACCINATED!



The COVID-19 vaccination program has been a focus for resident and staff voluntary vaccination. There has been good uptake from staff, with **over 88%** of staff completing the two dose vaccination program.

Staff supported our flu vaccination program and we are pleased to have **achieved a 100% result** for the year.

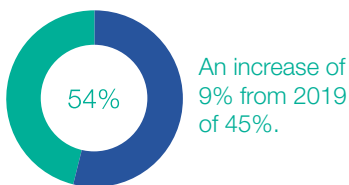
## OUR PEOPLE

### PEOPLE MATTER SURVEY

The 2020 People Matter Survey usually scheduled in May 2020, was postponed due to the COVID-19 pandemic. The 2020 survey was reduced and called the “People Matter Survey – Wellbeing”.

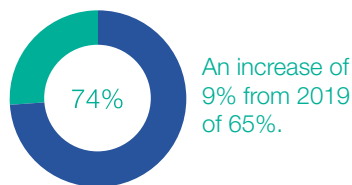
All 185 employees were invited to participate in this survey, with 100 employees responding.

#### Response rate

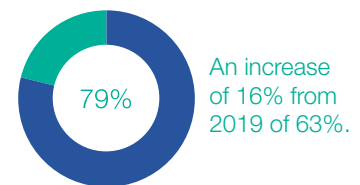


Staff engagement and satisfaction results improved significantly.

#### Engagement score



#### Satisfaction score



**These results indicate an overall improvement in staff relationships and engagement, however we have an ongoing challenge of negative behaviours in the workplace. This remains a focus into the new year.**

- A follow-up independent “Organisational Culture Review” was undertaken and this identified an improvement in the overall workplace culture.
- This year we proudly acknowledged and congratulated 12 staff who achieved recognition of service awards at our Annual General Meeting. These staff were Leanne McBain (30 Years), Marg O’Bree (25 Years), Heather Cocking (20 Years), Leanne Anderson, Joan Williams (15 Years), Georgina Jenkins, Christian Ashby, Sheryl Darken, Francis Cartledge, Billie Anstis, Anna Fay and Joanne Bradbrook (10 Years). We thank our staff for their commitment and dedication in providing excellent care to our community.
- Beaufort and Skipton Health Service have worked with WestVic to employ two school leaver students into the positions of trainee Personal Care Workers. In addition to this, two nursing scholarships were awarded for the “Care of the Older Person” program and two Support Services Staff members received non clinical scholarships for further study. One of the Support Services staff has undertaken procurement studies and the other, a certificate in “Leisure and Lifestyle”. Our two Hotel Services Supervisors continue to complete their “Commercial Cookery” apprenticeships. It was also pleasing that we were able to increase our Registered Nurse graduates from two to three, for the year.
- Four nurses have undertaken the Foundations in Infection Prevention and Control Course to assist our Infection Control Coordinator to ensure compliance with all the required elements to enable best practice and keep our residents, patients and staff safe.
- In May, 2021 we celebrated “Internationals Nurses Day” and “Year of the Health and Care Workers” with a morning tea at Beaufort and an afternoon tea at Skipton. All Health Service employees were recognised for the vital role they play in caring for our residents, clients and the community. Staff were presented with personalised cards along with gift bags, sewn by Erica Smith (People & Culture Manager). The gift bags were filled with products generously donated and sponsored by local businesses.
- The Victorian Government Achievement Program awarded Beaufort and Skipton Health Service the “Foundations Healthy Workplace Certificate of Achievement”, with both sites now meeting the Healthy Choices Guidelines.
- A “Volunteers Recognition Morning Tea” was held in May to celebrate the National Volunteer Week theme of “Recognise, Reconnect and Reimagine”. Volunteers were thanked for the important role that they play within our Health Service. All volunteers were provided with a Certificates of Appreciation, a pen and volunteer badge.
- Our “Inspire” program has continued with a mix of onsite and virtual coaching, with a focus on leader development and clinical safety.
- Staff engagement has continued as a key focus for the year with a range of activities conducted, such as Leader Rounding, Executive Safety Walk Rounds, staff events and health message days.

**The five areas where the response rates increased were as follows:**



**The three areas where the response rates decreased are as follows:**

- My suggestions about patient safety would be acted upon if I expressed them to my manager (decreased by 3% to 71%)
- I am encouraged by my colleagues to report any patient safety concerns I may have (decreased by 2% to 83%)
- The culture in my work area makes it easy to learn from the errors of others (decreased by 1% to 61%)

## OUR BUSINESS

- After eighteen months of construction, the Beaufort Nursing Home refurbishment has concluded. This has seen every room of the facility renovated. Existing resident bedrooms were adapted into five ensuited single rooms and three new single rooms with ensuites were constructed. The refurbishment also included the extension of the dining room and delivered a contemporary environment for resident's to enjoy.
- Our financial position has seen a considerable improvement in reducing our deficit over the year. Procurement processes and contracts have been reviewed and delivered savings as part of our Financial Management Improvement Plan.
- Capital works projects were completed and included the 'Sensory Gardens' at the Beaufort Hostel and Skipton Nursing Home. The installation of solar panels at both campuses should result in considerable savings and efficiency. A new emergency generator was also installed at the Beaufort Campus.
- The Community Health building at the Beaufort campus had considerable restoration works completed, following a storm event.
- Master Planning was undertaken for the Beaufort campus. The final plan provides a strategy for the long-term improvement of facilities on the campus, to ensure we meet the community needs into the future.

## OUR PARTNERS

- We have worked closely with the Grampians Public Health Unit to deliver COVID-19 vaccinations to our residents, staff and vulnerable community members.
- We partnered with the Rotary Club of Beaufort for a project to help end Trachoma. Forty handmade bags were filled with toiletries that were donated by the Rotary Club of Beaufort, staff and members of the community. The bags were delivered to the children at Areyonga School in Northern Territory.
- Programs with the Skipton Kindergarten children and Beaufort Secondary College (Advance Class) students continue to develop. The children and our residents enjoy spending time together and taking part in a variety of activities such as craft, games, singing and reading.
- In partnership with the Pyrenees Shire and Department of Environment, Land, Water and Planning (DEWLP), Beaufort and Skipton Health Service's Bioenergy Straw Pellet system for the Skipton campus progressed to the commissioning stage.

## BOARD OF DIRECTORS AND EXECUTIVE TEAM

### BOARD DIRECTORS

(as at 30 June 2021)

The Beaufort and Skipton Health Service Board of Directors oversees the strategic direction and management of the Health Service and ensures that all services provided are consistent with the Health Service's by-laws, the Health Services Act 1998 and any applicable Victorian and Commonwealth legislation.

#### Board Chair

David Lenehan

#### Deputy Chair

Karlie Tucker

#### Members

David Lenehan

Karlie Tucker

Jenny Trengove

Tony Edney

Tanya Barun

Jo Hall

Dr. Daniel Terry

Dr. Marg Way

Nigel Jarvis

Jim Fletcher (Board Delegate)  
(1 July 2020 – 3 February 2021)

#### Finance Audit and Risk Committee

Nigel Jarvis (Committee Chair)

Tanya Barun

David Lenehan

James Hogan (Independent Non Board Member)

### EXECUTIVE TEAM

(as at 30 June 2021)

#### Chief Executive Officer

Meryn Pease

*RN, RM, Ba Ap.Sc (Nsg), MHA, GAICD, FACN*

#### Director of Medical Services

Dr. Craig Winter

*(MB, BS, FACEM, MBA, GMQ)*

#### Director of Clinical Services

Mary Cushing

*RN, GradDipAdvNurs(CritCare) DipProjMan*

#### Chief Financial Officer

Chris Nykoluk

*BCom (Acct) CPA*

#### Corporate Services Manager

Darren White

# WORKFORCE

## WORKFORCE DATA

Hospitals Labour Category	June Current Month FTE*		Average Monthly FTE**	
	2020	2021	2020	2021
Nursing	53.13	55.20	53.54	55.40
Admin	17.34	18.17	17.54	17.61
Hotel and Allied Services	35.43	39.20	35.59	39.14
Hospital Medical Officers	-	-	-	-
Ancillary Staff	3.42	8.02	3.59	5.11

Recruitment, selection and employment within Beaufort and Skipton Health Service comply with employment conditions as specified in relevant Health Awards and Enterprise Bargaining Agreements.

Policies and procedures are in place to ensure employment related decisions are based on merit, and relevant legislation is complied with. Any complaints, allegations or incidents involving discrimination, vilification, bullying or harassment are taken seriously and addressed.

## OCCUPATIONAL HEALTH AND SAFETY

The *Occupational Health and Safety Act 2004* was established to secure the health, safety and welfare of employees and other people in the workplace.

Beaufort and Skipton Health Service acknowledges its moral, financial and legal responsibility to effectively manage all of its Occupational Health and Safety (OH&S) risks. The Workplace Health, Safety and Wellbeing Framework and policy is in place and provides structure and direction for managing a safe work environment. Our focus has been on improved reporting of occupational health and safety incidents in the workplace. Staff are encouraged to enter incidents into the Victorian Health Incident Management System (VHIMS). Incidents are discussed and appropriate actions are identified at the weekly Clinical Activity Review and Evaluation (CARE) meetings and at the bi-monthly Occupational Health and Safety Committee meetings.

The Health Service's OH&S performance against the established measure is summarised on the right.

Occupational Health and Safety Statistics	2020-21	2019-20	2018-19
The number of reported hazards/ incidents for the year per 100 FTE	75.89	56.23	1.74
The number of 'lost time' standard WorkCover claims for the year per 100 FTE	4.26	2.72	0
The average cost per WorkCover claim for the year	\$2,156	\$81,454	0

## WORKFORCE

### OCCUPATIONAL VIOLENCE

Occupational violence statistics	2020-21
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	27
Number of occupational violence incidents reported per 100 FTE	23.02
Percentage of occupational violence incidents resulting in a staff injury, illness or condition	2.5

#### Definitions of occupational violence:

- Occupational violence – any incident where an employee is abused, threatened or assaulted in circumstances arising out of, or in the course of their employment.
- Incident – an event or circumstance that could have resulted in, or did result in, harm to an employee. Incidents of all severity rating must be included. Code Grey reporting is not included, however, if an incident occurs during the course of a planned or unplanned Code Grey, the incident must be included.
- Accepted Workcover claims – accepted Workcover claims that were lodged in 2020-21.
- 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.

## FINANCIAL OVERVIEW

Beaufort and Skipton Health Service recorded a \$833,947 operating surplus financial result for the financial year ended 30 June 2021. This result was achieved through implementation of financial management improvement strategies and the continued support from the Victorian Department of Health.

In the face of the ongoing disruption of the COVID-19 pandemic, Beaufort and Skipton Health Service has continued to provide its full suite of services. We have increased staffing across infection prevention control, resident activities and implemented a COVID-19 vaccination clinic.

The business development of case management for Home Care Package holders has seen considerable growth throughout the financial year, growing to over 30 package holders that were serviced.

During the year, the \$1.55 million Beaufort Nursing Home refurbishment was completed, providing refreshed rooms, along with expanded and enhanced shared areas and facilities.

Building on the strong financial performance for this financial year, Beaufort and Skipton Health Service will continue to implement financial performance improvement strategies to further strengthen the financial sustainability of the Health Service into the next year.

#### Operational and budgetary objectives and performance against objectives

Each year Beaufort and Skipton Health Service establishes an operational budget, guided by the Health Service's strategic objectives. In addition, the budget takes into account the service delivery profile which has been designed to meet community needs. In 2020-2021 the Health Service aimed to achieve a \$600,000 surplus result before capital and specific items, and achieved a surplus of \$833,947.

#### Significant changes in financial position during the year

There were no significant changes to the financial position of the Health Service during the year.

# FINANCIAL OVERVIEW

## FINANCIAL SUMMARY

	2021 \$000	2020 \$000	2019 \$000	2018 \$000	2017 \$000
*Operating Result	834	598	(1,191)	(1,297)	(728)
Total Revenue	17,434	16,357	15,939	14,209	12,577
Total Expenses	(17,117)	(16,431)	(17,149)	(17,145)	(14,383)
<b>Net Result from Transactions</b>	<b>317</b>	<b>(74)</b>	<b>(1,210)</b>	<b>(2,936)</b>	<b>(1,806)</b>
Total Other Economic Flows	131	(65)	102	3	(133)
<b>Net Result</b>	<b>447</b>	<b>(139)</b>	<b>(1,108)</b>	<b>(2,933)</b>	<b>(1,939)</b>
Total Assets	26,910	25,722	26,505	21,645	21,398
Total Liabilities	(10,631)	(10,094)	(9,624)	(8,956)	(6,890)
<b>Net Assets / Total Equity</b>	<b>16,279</b>	<b>15,628</b>	<b>16,881</b>	<b>12,689</b>	<b>14,508</b>

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

## Reconciliation between the Net result from transactions reported in the model to the Operating result as agreed in the Statement of Priorities

	2021 \$000	2020 \$000	2019 \$000	2018 \$000	2017 \$000
<b>*Net Operating Result</b>	834	598	(1,191)	(1,297,400)	(728,048)
Capital purpose income	1,159	791	1,062	291,384	250,952
Specific income	N/A	N/A	N/A	N/A	N/A
COVID-19 State Supply Arrangements:					
Assets received free of charge or for nil consideration under the State Supply	94	11	N/A	N/A	N/A
State Supply items consumed up to 30 June 2021	(94)	(11)	N/A	N/A	N/A
Assets provided free of charge	N/A	N/A	N/A	N/A	N/A
Assets received free of charge	N/A	N/A	N/A	N/A	N/A
Expenditure for capital purpose	(119)	(23)	(104)	(252,122)	(394,588)
Depreciation and amortisation	(1,556)	(1,440)	(977)	(1,582,141)	(935,158)
Impairment of non financial assets	N/A	N/A	N/A	N/A	N/A
Finance costs (other)	(1)	N/A	N/A	(114,672)	N/A
<b>Net result from transactions</b>	<b>(317)</b>	<b>(74)</b>	<b>(1,210)</b>	<b>(2,954,951)</b>	<b>(1,806,842)</b>

\* The Net operating result is the result which the health service is monitored against in its Statement of Priorities

## FINANCIAL OVERVIEW

### CONSULTANCIES

#### Details of consultancies (under \$10,000)

In 2020-2021, there was one consultancy where the total fees payable to the consultants was less than \$10,000. The total expenditure incurred during 2020-2021 in relation to these consultancies is \$5,000.00 (excl. GST).

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

In 2020-2021, there was one consultancy where the total fees payable to the consultants was \$10,000 or greater. The total expenditure incurred during 2020-2021 in relation to these consultancies is \$47,077.00 (excl. GST).

Consultant	Purpose of Consultancy	Start Date	End Date	Total Approved Project Fee (Ex GST)	Expenditure 2018-19 (Ex GST)	Future Expenditure (Ex GST)
Studer Group Australia Pty Ltd	Coaching Services	01/07/2020	30/06/2021	\$47,077	\$47,077	N/A

### INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) EXPENDITURE

In accordance with FRD 221 (5.17) the following costs have been incurred by Beaufort and Skipton Health Service.

The total ICT expenditure incurred during 2020-2021 is \$0.849m (excluding GST) with the details shown below:

Business As Usual (BAU) ICT expenditure	Non-Business as Usual (non-BAU) ICT expenditure		
	Total expenditure	Operational expenditure (excluding GST)	Capital expenditure (excluding GST)
Total (excluding GST)			
651,234	\$197,281	\$0	\$197,281



# LEGISLATION

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## FREEDOM OF INFORMATION ACT 1982

The Freedom of Information Act provides applicants with the opportunity to request information. Exemptions can apply that relate to privacy or patients and third parties. Requests to Beaufort and Skipton Health Service are handled in accordance with the provision of the Freedom of Information Act 1982.

During 2020-2021, five requests were received by the Health Service, which were satisfactorily resolved. All applications must be made in writing to the Chief Executive Officer who is the designated Freedom of Information officer on the 'Freedom of Information Application Form'.

Legislated fees apply as per the list below:

### Application Fees

- Application fee - \$29.60 (non-refundable unless fee is waived)

### Access Charges

- Search charges - \$20 per hour or part of an hour
- Supervision charges - \$5 per quarter hour
- Photocopying charges - 20c per black and white A4 page

### Providing access in a form other than photocopying

- The reasonable costs incurred by the agency in providing the copy.

Further information may be found on the FOI website, and in the Freedom of Information (FOI) Act 1982.

## BUILDING ACT 1993

Beaufort and Skipton Health Service complies with the *Building Act 1993* and Standards for Publicly Owned Buildings November 1994, as under FRD221 (Section 5.18b). To ensure Beaufort and Skipton Health Service is compliant a Buildings Standards and Condition Assessment Report, a Fire Safety Audit Report and essential safety maintenance measures are maintained.

## PUBLIC INTEREST DISCLOSURE ACT 2012

Alleged improper conduct by the Beaufort and Skipton Health Service, its employees or the Board of Directors is taken very seriously. This can include corrupt conduct, substantial mismanagement of public resources or conduct involving substantial risk to public health or safety.

The *Public Interest Disclosure Act 2012* is designed to protect people who disclose information about serious wrongdoings within the Victorian Public Sector and to provide a framework for the investigation of these matters.

Disclosures of improper conduct by Beaufort and Skipton Health Service or its employees may be made to:

The Public Interest Disclosure Co-Ordinator  
Meryn Pease  
merynp@bshs.org.au

or

The Ombudsman Victoria  
Level 22, 459 Collins Street, Melbourne, 3000  
Tel: 9613 6222 Toll free: 1800 806 314

## NATIONAL COMPETITION POLICY

Any negotiations entered into have been in line with the Government's policy on National Competition as outlined in the Guide to Implementing Competitively Neutral Pricing Principles.

## CARERS RECOGNITION ACT 2012

Carers are valued and are important members of the community. The Health Service actively promotes recognition of their vital role. Policies have been established to ensure employees understand their obligations in relation to this Act, and carry out their duties to reflect the care relationship principles in developing, providing or evaluating support and assistance for persons in care relationships.

## SAFE PATIENT CARE ACT 2015

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

## LEGISLATION

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### LOCAL JOBS ACT 2003

Beaufort and Skipton Health Service complies with the requirements of the *Local Jobs Act 2003*. There were no reportable disclosures during the 2020-2021 reporting period.

### GENDER EQUALITY ACT 2020

As a Victorian Public Sector entity, Beaufort and Skipton Health Service is implementing the recommendations and taking positive action towards achieving the objectives set out in the Gender Equality Act 2020. In April 2021, Beaufort and Skipton Health Service established an internal working group to begin data collection for the gender equity workforce audit. Preparation has also started to plan and implement a gender equity action plan that includes establishing a process for gender impact assessments to ensure that all Beaufort and Skipton Health Service services, programs and procedures promote gender equality by meeting the needs of women, men and gender diverse people.

### INFORMATION PRIVACY ACT 2000 AND HEALTH RECORDS ACT 2001

Policies have been established to ensure that health information of patients, residents and clients remains confidential and secure. All consumers of our service receive a brochure which outlines how their health information will be used and by whom. The Chief Executive is the designated Privacy Officer and manages all enquiries relating to these two Acts. No written requests were received during the reporting period in relation to the Privacy Act.

### EX-GRATIA EXPENSES

Beaufort and Skipton Health Service made no ex-gratia payments during the financial year.

### COMPETITIVE NEUTRALITY

Any negotiations entered into have been in line with the Government's policy on National Competition as outlined in the Guide to Implementing Competitively Neutral Pricing Principles.

### CAR PARKING FEES

Beaufort and Skipton Health Service is not required to comply with the Department of Health and Human Services hospital circular on car parking fees as it does not operate any fee paying car park spaces.

# ASSET MANAGEMENT

## ASSET MANAGEMENT ACCOUNTABILITY FRAMEWORK (AMAF) MATURITY ASSESSMENT

The following sections summarise Beaufort and Skipton Health Service's assessment of maturity against the requirements of the Asset Management Accountability Framework (AMAF). The AMAF is a non-prescriptive, devolved accountability model of asset management that requires compliance with 41 mandatory requirements. These requirements can be found on the DTF website (<https://www.dtf.vic.gov.au/infrastructure-investment/asset-management-accountability-framework>).

The Beaufort and Skipton Health Service target maturity rating is 'competence', meaning systems and processes fully in place, consistently applied and systematically meeting the AMAF requirement, including a continuous improvement process to expand system performance above AMAF minimum requirements.

### Leadership and Accountability (requirements 1-19)

Beaufort and Skipton Health Service has met or exceeded its target maturity level under most requirements within this category.

Beaufort and Skipton Health Service did not comply with some requirements in the area of establishing systems and processes for monitoring the performance of the overall asset management system itself. The Health Service has also targeted improvement in the allocation of asset management responsibility. There is no material non-compliance reported in this category. A plan for improvement is in place to improve the Beaufort and Skipton Health Service maturity rating in these areas.

### Planning (requirements 20-23)

Beaufort and Skipton Health Service has met or exceeded its target maturity level under most requirements within this category. The Health Service has targeted further development of the asset management strategy.

### Acquisition (requirements 24 and 25)

Beaufort and Skipton Health Service has met its target maturity level in this category.

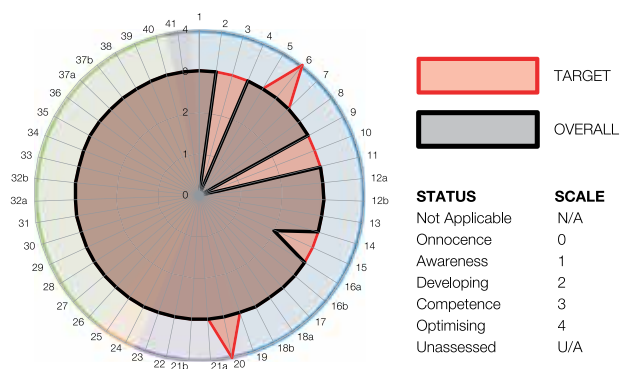
### Operation (requirements 26-40)

Beaufort and Skipton Health Service has met its target maturity level in this category.

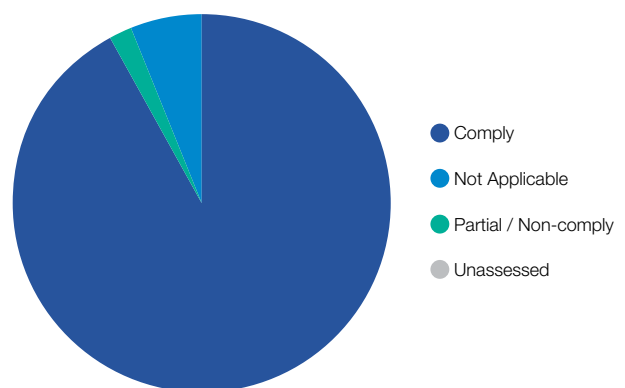
### Disposal (requirement 41)

Beaufort and Skipton Health Service has met its target maturity level in this category.

### COMPLIANCE AND MATURING RATING TOOL



### AMAF COMPLIANCE



## ADDITIONAL INFORMATION

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### ADDITIONAL INFORMATION AVAILABLE ON REQUEST:

**FRD 221 section 5.19 requires agencies to provide the following statement:**

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

- Declarations of pecuniary interests have been duly completed by all relevant officers;
- Details of shares held by senior officers as nominee or held beneficially;
- Details of publications produced by the entity about itself, including annual Aboriginal cultural safety reports and plans, and how these can be obtained;
- Details of changes in prices, fees, charges, rates and levies charged by the Health Service;
- Details of any major external reviews carried out on the Health Service;
- Details of major research and development activities undertaken by the Health Service that are not otherwise covered either in the report of operations or in a document that contains the financial statements and report of operations;
- Details of overseas visits undertaken including a summary of the objectives and outcomes of each visit;
- Details of major promotional, public relations and marketing activities undertaken by the Health Service to develop community awareness of the Health Service and its services;
- Details of assessments and measures undertaken to improve the occupational health and safety of employees;
- A general statement on industrial relations within the Health Service and details of time lost through industrial accidents and disputes, which is not otherwise detailed in the report of operations;
- A list of major committees sponsored by the Health Service, including any Aboriginal advisory or governance committees, the purposes of each committee and the extent to which those purposes have been achieved;
- Details of all consultancies and contractors including consultants/contractors engaged, services provided, and expenditure committed for each engagement.

## ENVIRONMENTAL PERFORMANCE

In 2020-2021 Beaufort and Skipton Health Service continued with improving efficiencies and reducing costs through careful environmental impact management. We continue to reduce our environmental impact through energy saving initiatives including the installation of solar panels at the Beaufort and Skipton campuses. New printers have been installed throughout the Health Service, with a focus on reducing the amount of printing and paper wastage.

Work has continued on the installation of the Skipton Bio-Energy Straw heating system. This system is fuelled by remnant straw stubble sourced from local farms, that is then converted into straw pellets. The Bio-Energy plant will generate enough energy to meet the hot water and hydronic heating requirements of the Skipton hospital, reducing the need for liquefied petroleum gas (LPG) supplies.

### ENVIRONMENTAL IMPACTS & ENERGY USAGE

Energy use	2018-19	2019-20	2020-21
Electricity (MWh)	501	490	417
Liquefied Petroleum Gas (kL)	153	146	174
Boiler Woodchips (t)	96	104	92

Carbon emissions (thousand tonnes of CO <sub>2</sub> e)			
Electricity	0.55	0.54	0.49
Liquefied Petroleum Gas	0.26	0.25	0.28
Total emissions	0.81	0.79	0.77

### FACTORS INFLUENCING ENVIRONMENTAL IMPACTS

	2018-19	2019-20	2020-21
Floor area (m <sup>2</sup> )	4,416	4,416	4,596

### YEAR-ON-YEAR EMISSIONS COMPARISON

Carbon emissions	2018-19	2019-20	2020-21
CO <sub>2</sub> e(t) per m <sup>2</sup>	0.18	0.18	0.17

Utility costs			
Total utility cost	\$242,158	\$238,922	\$189,630
Electricity cost	\$114,721	\$105,654	\$85,740
Liquefied Petroleum Gas cost	\$113,997	\$118,708	\$91,010
Boiler Woodchip cost	\$13,440	\$14,560	\$12,880

Utility costs			
Total utility spend (\$/m <sup>2</sup> )	\$54.84	\$54.10	\$41.26
Elec(\$/kWh)	\$0.23	\$0.22	\$0.21
LPG(\$/kL)	\$0.75	\$0.81	\$0.55

## ATTESTATIONS

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### FINANCIAL MANAGEMENT COMPLIANCE ATTESTATION

I, David Lenehan, on behalf of the Responsible Body, certify that the Beaufort and Skipton Health Service has no Material Compliance Deficiency with respect to the applicable Standing Directions under the Financial Management Act 1994 and Instructions.



**David Lenehan**  
*Board Chair*  
Beaufort and Skipton Health Service  
8 September 2021

### DATA INTEGRITY COMPLIANCE ATTESTATION

I, Meryn Pease, certify that Beaufort and Skipton Health Service has put in place appropriate internal controls and processes to ensure that reported data accurately reflects actual performance. Beaufort and Skipton Health Service has critically reviewed these controls and processes during the year.



**Meryn Pease**  
*Accountable Officer*  
Beaufort and Skipton Health Service  
8 September 2021

### INTEGRITY, FRAUD AND CORRUPTION COMPLIANCE ATTESTATION

I, Meryn Pease certify that Beaufort and Skipton Health Service has put in place appropriate internal controls and processes to ensure that integrity, fraud and corruption risks have been reviewed and addressed at Beaufort and Skipton Health Service during the year.



**Meryn Pease**  
*Accountable Officer*  
Beaufort and Skipton Health Service  
8 September 2021

### CONFLICT OF INTEREST

I, Meryn Pease, certify that Beaufort and Skipton Health Service 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 Beaufort and Skipton Health Service 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.



**Meryn Pease**  
*Accountable Officer*  
Beaufort and Skipton Health Service  
8 September 2021

# REPORTING AGAINST THE STATEMENT OF PRIORITIES 2020-21

In 2020-2021 Beaufort and Skipton Health Service assisted with the following state-wide priorities to develop and implement important system reforms, including modernising our health system through redesigned governance; driving system reforms that deliver better population health, high quality care and improved patient outcomes and experiences; and reforming clinical services to ensure we are delivering our community the best value care.

## STRATEGIC PRIORITY 1

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

### OUTCOMES

- Our pandemic response has been focused on keeping residents, staff and our community safe, and recognizing the importance of social connection while dealing with the restrictions.
- Actions such as staff and visitor attestations and screening, QR codes, COVID testing and the rollout of the COVID-19 vaccination program in March, have taken place. The dynamic environment meant that we were constantly responding and adjusting restrictions based on the latest State and Commonwealth directions, to keep our residents, consumers, staff and community safe.
- Increased communication was essential to keeping our residents, their families and the community informed. This was done through Community Information Bulletins, resident and family letters, newsletters and newspaper advertising, website and social media posts.
- We have revised the organisation's Outbreak Management Plan and Pandemic Sub Plan to ensure alignment with the Grampians Region Pandemic Plan. We have worked closely with the Grampians Public Health Unit, the Pyrenees Shire and Corangamite Shire to ensure that all of our respective outbreak management and response plans align.
- The COVID-19 vaccination program was established in partnership with the Grampians Public Health Unit, enabling resident, staff and community access to this essential vaccination. Thank you to the staff who have undertaken the Vaccinator training to enable an expansion of clinics for residents, staff and vulnerable community members.
- The Victorian Respiratory Response program was commenced for all staff. This program ensures that all Victoria's health workforce is best protected from respiratory hazards like coronavirus (COVID-19). We have established a comprehensive respiratory protection programs (RPP), which includes undertaking fit testing for staff who are required to wear specialised respiratory protective equipment in the event of any respiratory outbreak.
- Our local community have responded to the COVID-19 testing program across both campuses.
- Leisure and Lifestyle hours were increased to provide activities for residents, seven days a week.

## REPORTING AGAINST THE STATEMENT OF PRIORITIES **2020-21**

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### STRATEGIC PRIORITY 2

Engage with the community to address the needs of patients, especially vulnerable Victorians whose care has been delayed due to the pandemic and provide the necessary “catch-up” care to support them to get back on track.

#### OUTCOMES

- Telehealth services were available and utilised for outpatients, allied health and medical appointments.
- Allied Health clinicians revised their patient lists and prioritised vulnerable clients to enable their continued treatment. All patients under went rigorous COVID-19 screening prior to appointments.
- District Nursing and home care services continued to care for clients in community. Strict screening and infection control principles were implemented for each home visit.
- While our social support groups were unable to meet, staff undertook regular phone calls to participants as well as deliver activity packs to foster engagement, social connection and a sense of community.

### STRATEGIC PRIORITY 3

As providers of care, respond to the recommendations of the Royal Commission into Victoria’s Mental Health system and the Royal Commission into Aged Care Quality and Safety.

#### OUTCOMES

- The Mental Health Royal Commission has delivered a total of 74 recommendations to reform the Mental Health system in Victoria. Beaufort and Skipton Health Service role is to support primary care access to mental health services for people in our community with mental illness or psychological distress. We will partner with the Grampians Health Service Partnership to ensure an integrated system for our consumers.
- The Royal Commission into Aged Care Quality and Safety was released by the Commonwealth Government on 1 March 2021. The Commonwealth Government announced a budget package of support on 11 May 2021 and at the same time released their full response to the Royal Commission. As providers of Aged Care services, the Health Service commits to working collaboratively with the Victorian and Commonwealth Governments to respond to the broad range of recommendations to improve outcomes for older Victorians. As a priority, the Health Service will identify, prepare for and comply with changes that come into effect from 1 July 2021



# REPORTING AGAINST THE STATEMENT OF PRIORITIES **2020-21**

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## STRATEGIC PRIORITY 4

Develop and foster local health partner relationships to continue delivering collaborative approaches to planning, procurement and service delivery at scale. Including prioritising innovative ways to deliver health care through shared expertise and workforce models, virtual care, co-commissioning services and surgical outpatient reform.

### OUTCOMES

- There were collaborative tender processes within the region for linen, glucose monitoring devices and the regional e-learning management system.
- Beaufort and Skipton Health Service have actively participated in regional project management forums for the transition to a regional e-learning management system, implementation of Telehealth services across the Grampians region and the “Better at Home” project, which is a three year project aimed at delivering more healthcare within patients’ homes, where appropriate and preferred by the patient, through the use of home-delivered and virtual care.
- Regional project workers were sourced for the implementation and compliance with the Multi-Agency Risk Assessment and Management Framework (or MARAM) which creates the framework and accountability mechanisms required to establish a system-wide approach to, and shared responsibility for, family violence risk assessment and management.
- Another initiative has been the collaboration across the region with planning for the implementation of the Gender Equality Act. There will be significant work, to implement the requirements of this act, over the next 12 months
- Beaufort and Skipton Health Service are pleased to partner in the new position of a joint Aboriginal Hospital Liaison Officer with East Grampians Health Service and Stawell Regional Health.

## KEY 2020-21 HEALTH SERVICE PERFORMANCE PRIORITIES

### HIGH QUALITY AND SAFE CARE

KEY PERFORMANCE MEASURE	TARGET	OUTCOME
<b>Infection prevention and control</b>		
Compliance with the Hand Hygiene Australia program	83%	89%
Percentage of healthcare workers immunised for influenza	90%	100%
<b>Patient experience</b>		
Victorian Healthcare Experience Survey – percentage of positive patient experience responses	95%	No Surveys conducted in 2020-2021
Victorian Healthcare Experience Survey – percentage of very positive responses to questions on discharge care	75%	No Surveys conducted in 2020-2021

### EFFECTIVE FINANCIAL MANAGEMENT

KEY PERFORMANCE MEASURE	TARGET	OUTCOME
Operating result (\$m)	\$0.60	\$0.83
Average number of days to paying Trade Creditors	60 days	21 days
Average number of days to receiving Patient Fee Debtors	60 days	50 days
Adjusted current asset ratio	0.7 or 3% improvement from health service base target	0.83
Actual number of days available cash, measured on the last day of each month	14 days	2.2 days
Measures the accuracy of forecasting the Net result from transactions (NRFT) for the current financial year ending 30 June.	Variance ≤ \$250,000	\$594,000

### ACTIVITIES AND FUNDING

FUNDING TYPE	2020-2021 ACTIVITY ACHIEVEMENT	MEASURE
<b>Small Rural</b>		
Small Rural Primary Health & HACC	184	Service Hours
Small Rural Residential Care	16,073	Bed days
Small Rural HACC	24 (Allied Health) 95 (District Nursing)	Service Hours

# DISCLOSURE INDEX

The annual report of the Beaufort and Skipton Health Service 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 requirement.

Legislation Requirement	Page	Legislation Requirement	Page
<b>Report of Operations</b>		<b>Legislation</b>	
<i>Charter and Purpose</i>		FRD 22I Application and operation of <i>Freedom of Information Act 1982</i>	17
FRD 22I Manner of establishment and the relevant Ministers	03, 08	FRD 22I Compliance with building and maintenance provisions of <i>Building Act 1993</i>	17
FRD 22I Purpose, functions, powers and duties	02, 03	FRD 22I Application and operation of <i>Public Interest Disclosure Act 2012</i>	17
FRD 22I Nature and range of services provided	04	FRD 22I Statement on National Competition Policy	17
FRD 22I Activities, programs and achievements for the reporting period	09-11	FRD 22I Application and operation of <i>Carers Recognition Act 2012</i>	17
FRD 22I Significant changes in key initiatives and expectations for the future	06-07	FRD 22I Summary of the entity's environmental performance	21
<i>Management and Structure</i>		FRD 22I Additional information available on request	20
FRD 22I Organisational structure	05	<b>Other relevant reporting directives</b>	
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FRD 22I Summary of the financial results for the year	15	<b>Attestations</b>	
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FRD 22I Details of consultancies over \$10,000	16	• Reporting of outcomes from Statement of Priorities 2020-21	23-26
FRD 22I Disclosure of ICT expenditure	16	• Occupational Violence reporting	14
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# FINANCIAL REPORT

How this report is structured Beaufort and Skipton Health Service presents its audited general purpose financial statements for the financial year ended 30 June 2021 in the following structure to provide users with the information about Beaufort and Skipton Health Service's stewardship of the resources entrusted to it.

<b>Board member's, accountable officer's, and chief financial officer's declaration</b>	<b>29</b>	<b>Note 5: Other assets and liabilities</b>	<b>53</b>
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## Beaufort and Skipton Health Service

### Financial Statements

### Financial Year ended 30 June 2021

#### Board member's, accountable officer's, and chief financial officer's declaration

The attached financial statements for Beaufort and Skipton Health Service 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 2021 and the financial position of Beaufort and Skipton Health Service at 30 June 2021.

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 8 September 2021.



David Lenehan  
Chair, Board of Directors

Beaufort  
8 September 2021



Meryn Pease  
Chief Executive Officer

Beaufort  
8 September 2021



Chris Nykoluk  
Chief Financial Officer

Beaufort  
8 September 2021

## Independent Auditor's Report

### To the Board of Beaufort and Skipton Health Service

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<b>Opinion</b>	<p>I have audited the financial report of Beaufort and Skipton Health Service (the health service) which comprises the:</p> <ul style="list-style-type: none"><li>• balance sheet as at 30 June 2021</li><li>• comprehensive operating statement for the year then ended</li><li>• statement of changes in equity for the year then ended</li><li>• cash flow statement for the year then ended</li><li>• notes to the financial statements, including significant accounting policies</li><li>• board member's, accountable officer's and chief finance &amp; accounting officer's declaration.</li></ul> <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the health service as at 30 June 2021 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
<b>Basis for Opinion</b>	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the health service in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
<b>Board's responsibilities for the financial report</b>	<p>The Board of the health service is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Board is responsible for assessing the health service's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>

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**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.

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MELBOURNE  
29 September 2021



Dominika Ryan  
*as delegate for the Auditor-General of Victoria*

**BEAUFORT AND SKIPTON HEALTH SERVICES**  
**COMPREHENSIVE OPERATING STATEMENT FOR THE YEAR ENDED 30 JUNE 2021**

	Note	2021 \$	2020 \$
<b>Revenue and Income from Transactions</b>			
Operating Activities	2.1	17,414,091	16,292,682
Non-Operating Activities	2.1	19,784	64,478
<b>Total Revenue and Income from Transactions</b>		<b>17,433,875</b>	<b>16,357,160</b>
<b>Expenses from Transactions</b>			
Employee Expenses	3.1	(12,362,107)	(12,284,678)
Supplies and Consumables	3.1	(964,808)	(723,606)
Finance Costs	3.1	(1,132)	-
Depreciation and Amortisation	3.1	(1,555,545)	(1,439,801)
Other Operating Expenses	3.1	(2,193,361)	(1,983,278)
Other Non-Operating Expenses	3.1	(40,008)	-
<b>Total Expenses from Transactions</b>		<b>(17,116,961)</b>	<b>(16,431,363)</b>
<b>Net Result from Transactions - Net Operating Balance</b>		<b>316,914</b>	<b>(74,203)</b>
<b>Other Economic Flows included in Net Result</b>			
Net Gain/(Loss) on Sale of Non-Financial Assets	3.4	35,285	(222)
Net Gain/(Loss) on Financial Instruments at Fair Value	3.4	(110,307)	(2,408)
Other Gain/(Loss) from Other Economic Flows	3.4	205,552	(62,789)
<b>Total Other Economic Flows included in Net Result</b>		<b>130,530</b>	<b>(65,419)</b>
<b>Net Result for the Year</b>		<b>447,444</b>	<b>(139,622)</b>
<b>Other Comprehensive Income</b>			
<b>Items that will not be reclassified to Net Result</b>			
Changes in Property, Plant and Equipment Revaluation Surplus	4.2(b)	203,522	-
<b>Total Other Comprehensive Income</b>		<b>203,522</b>	<b>-</b>
<b>Comprehensive Result for the Year</b>		<b>650,967</b>	<b>(139,622)</b>

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

**BEAUFORT AND SKIPTON HEALTH SERVICES**  
**BALANCE SHEET FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021**

	Note	2021 \$	2020 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	6.2	6,648,587	6,069,929
Receivables and Contract Assets	5.1	920,499	809,077
Investments and Other Financial Assets	4.1	671,139	477,567
Other Non-Financial Assets	5.2	122,960	107,295
<b>Total Current Assets</b>		<b>8,363,185</b>	<b>7,463,868</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	4.2(a)	18,017,530	17,753,776
Receivables and Contract Assets	5.1	529,055	504,355
<b>Total Non-Current Assets</b>		<b>18,546,585</b>	<b>18,258,131</b>
<b>Total Assets</b>		<b>26,909,770</b>	<b>25,721,999</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables and Contract Liabilities	5.3	1,522,108	1,630,701
Borrowings	6.1	27,190	-
Employee Benefits	3.2	2,720,750	2,881,577
Other Liabilities	5.4	5,885,554	5,224,984
<b>Total Current Liabilities</b>		<b>10,155,602</b>	<b>9,737,262</b>
<b>Non-Current Liabilities</b>			
Borrowings	6.1	142,671	84,203
Employee Benefits	3.2	332,348	272,351
<b>Total Non-Current Liabilities</b>		<b>475,019</b>	<b>356,554</b>
<b>Total Liabilities</b>		<b>10,630,621</b>	<b>10,093,816</b>
<b>Net Assets</b>		<b>16,279,149</b>	<b>15,628,183</b>
<b>EQUITY</b>			
Property, Plant and Equipment Revaluation Surplus	4.2(f)	14,797,529	14,594,007
Restricted Specific Purpose Reserve		75,909	330,105
Contributed Capital		11,378,023	11,378,023
Accumulated Surplus/(Deficit)		(9,972,312)	(10,673,952)
<b>Total Equity</b>		<b>16,279,149</b>	<b>15,628,183</b>

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



**BEAUFORT AND SKIPTON HEALTH SERVICES**  
**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2021**

	Property, Plant & Equipment Revaluation Surplus	Restricted Specific Purpose Reserve	Contributed Capital	Accumulated Surpluses/ (Deficits)	Total
	Note				
<b>Balance as at 30 June 2019</b>	14,594,007	-	11,378,023	(10,204,225)	15,767,805
Net Result for the Year	-	-	-	(139,622)	(139,622)
Other Comprehensive Income for the Year	-	-	-	-	-
Transfer from/(to) accumulated deficits	-	330,105	-	(330,105)	-
<b>Balance as at 30 June 2020</b>	<b>4.2(f) 14,594,007</b>	<b>330,105</b>	<b>11,378,023</b>	<b>(10,673,952)</b>	<b>15,628,183</b>
Net Result for the Year	-	-	-	447,444	447,444
Other Comprehensive Income for the Year	203,522	-	-	-	203,522
Transfer from/(to) accumulated deficits	-	(254,196)	-	254,196	-
<b>Balance as at 30 June 2021</b>	<b>4.2(f) 14,797,529</b>	<b>75,909</b>	<b>11,378,023</b>	<b>(9,972,312)</b>	<b>16,279,149</b>

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

**BEAUFORT AND SKIPTON HEALTH SERVICES**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2021**

	Note	2021 \$	2020 \$
		Inflows/ (Outflows)	Inflows/ (Outflows)
<b>Cash Flows from Operating Activities</b>			
<b>Receipts</b>			
Operating Grants from Government - State		8,351,187	7,279,474
Operating Grants from Government - Commonwealth		4,737,119	4,413,871
Capital Grants from Government - State		409,901	82,231
Capital Donations and Bequests Received		23,310	210,704
Patient Fees Received		1,183,389	1,909,152
Interest Received		19,784	64,478
Other Receipts		1,979,488	2,405,356
Other Capital Receipts		90,630	-
GST Received From ATO		272,952	221,296
<b>Total Receipts</b>		<b>17,067,759</b>	<b>16,586,561</b>
<b>Payments</b>			
Employee Expenses Paid		(12,114,847)	(12,226,533)
Finance Costs		(1,132)	-
Payments for Supplies & Consumables		(3,343,679)	(3,603,353)
<b>Total Payments</b>		<b>(15,459,658)</b>	<b>(15,829,887)</b>
<b>Net Cash flows from/(used in) Operating Activities</b>	<b>8.1</b>	<b>1,608,101</b>	<b>756,674</b>
<b>Cash Flows from Investing Activities</b>			
Purchase of Non-Financial Assets		(1,557,943)	(801,226)
Proceeds from Disposal of Financial Assets		-	-
Proceeds from Disposal of Non-Financial Assets		69,801	2,322
<b>Net Cash flows from/(used in) Investing Activities</b>		<b>(1,488,142)</b>	<b>(798,904)</b>
<b>Cash Flows from Financing Activities</b>			
Receipt of Accommodation Deposits		890,838	2,028,819
Repayment of Accommodation Deposits		(424,933)	(2,359,785)
Proceeds from Borrowings		-	85,262
Repayment of Borrowings		(7,206)	-
<b>Net Cash flows from/(used in) Financing Activities</b>		<b>458,699</b>	<b>(245,704)</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>		<b>578,658</b>	<b>(287,934)</b>
Cash and Cash Equivalents at Beginning of Financial Year		6,069,929	6,357,863
<b>Cash and Cash Equivalents at End of Financial Year</b>	<b>6.2</b>	<b>6,648,587</b>	<b>6,069,929</b>

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

*Beaufort & Skipton Health Service  
Notes to the Financial Statements for the financial year ended 30 June 2021*

## **Note 1: Basis of preparation**

### **Structure**

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

These financial statements represent the audited general purpose financial statements for Beaufort and Skipton Health Service for the year ended 30 June 2021. The report provides users with information about Beaufort and Skipton Health Service's stewardship of the resources entrusted to it.

This section explains the basis of preparing the financial statements and identifies the key accounting estimates and judgements.

#### **Note 1.1: Basis of preparation of the financial statements**

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

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

Beaufort and Skipton Health Service is a not-for-profit entity and therefore applies the additional AUS paragraphs applicable to a "not-for-profit" health service under the Australian Accounting Standards. Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Apart from the changes in accounting policies, standards and interpretations as noted below, material accounting policies adopted in the preparation of these financial statements are the same as those adopted in the previous period.

The Beaufort and Skipton Health Service operates on a fund accounting basis and maintains three funds: Operating, Specific Purpose and Capital Funds. Beaufort and Skipton Health Service's Capital and Specific Purpose Funds include bequest monies to be used to assist the building works for the Beaufort Hospital and Nursing Home.

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

The financial statements have been prepared on a going concern basis (refer to Note 8.9 Economic Dependency).

The financial statements are in Australian dollars.

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

The annual financial statements were authorised for issue by the Board of Beaufort and Skipton Health Service and its controlled entities on Wednesday, 8<sup>th</sup> September 2021.

#### Note 1.2 Impact of COVID-19 pandemic

In March 2020 a state of emergency was declared in Victoria due to the global coronavirus pandemic, known as COVID-19. Since this date, to contain the spread of COVID-19 and prioritise the health and safety of our community, Beaufort and Skipton Health Service was required to comply with various directions announced by the Commonwealth and State Governments, which in turn, has continued to impact the way in which Beaufort and Skipton Health Service operates.

Beaufort and Skipton Health Service introduced a range of measures in both the prior and current year, including:

- introducing restrictions on non-essential visitors
- greater utilisation of telehealth services
- implementing reduced visitor hours
- performing COVID-19 testing
- administering COVID-19 vaccinations
- implementing work from home arrangements where appropriate.

As restrictions have eased towards the end of the financial year Beaufort and Skipton Health Service has been able to revise some measures where appropriate including removing restrictions on non-essential visitors and visitor hours.

The financial impacts of the pandemic are disclosed at:

- Note 2: Funding delivery of our services
- Note 3: The cost of delivering our services
- Note 4: Key assets to support service delivery
- Note 5: Other assets and liabilities
- Note 6: How we finance our operations.

#### Note 1.3 Abbreviations and terminology used in the financial statements

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

Reference	Title
AASB	Australian Accounting Standards Board
AASs	Australian Accounting Standards, which include Interpretations
DH	Department of Health
DTF	Department of Treasury and Finance
FMA	Financial Management Act 1994
FRD	Financial Reporting Direction
SD	Standing Direction
VAGO	Victorian Auditor General's Office
WIES	Weighted Inlier Equivalent Separation
BSHS	Beaufort and Skipton Health Service

#### Note 1.4 Principles of consolidation

Beaufort & Skipton Health Service does not have any consolidated reporting entities.

*Beaufort & Skipton Health Service  
Notes to the Financial Statements for the financial year ended 30 June 2021*

## **Note 1.5 Joint arrangements**

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

Beaufort & Skipton Health Service has an interest in a Jointly Controlled Operation. The Jointly Controlled Operation is Grampians Rural Health Alliance.

Details of the joint arrangements are set out in Note 8.9.

## **Note 1.6 Key accounting estimates and judgements**

Management make estimates and judgements when preparing the financial statements.

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

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

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

## **Note 1.7 Accounting standards issued but not yet effective**

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

Standard	Adoption Date	Impact
AASB 17: Insurance Contracts	Reporting periods on or after 1 January 2023	Adoption of this standard is not expected to have a material impact.
AASB 2020-1: Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current	Reporting periods on or after 1 January 2022.	Adoption of this standard is not expected to have a material impact.
AASB 2020-3: Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments	Reporting periods on or after 1 January 2022.	Adoption of this standard is not expected to have a material impact.
AASB 2020-8: Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2	Reporting periods on or after 1 January 2021.	Adoption of this standard is not expected to have a material impact.

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

## **Note 1.8 Goods and Services Tax (GST)**

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

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

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

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

**Note 1.9 Reporting Entity**

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

Its principal address is:

28 Havelock Street  
Beaufort, Victoria 3373

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

## Note 2: Funding delivery of our services

Beaufort & Skipton Health Service's overall objective is to provide quality health service that delivers person centred care to our patients, residents, community and staff. Beaufort & Skipton Health Service is predominantly funded by grant funding for the provision of outputs. Beaufort & Skipton Health Service also receives income from the supply of services.

### Structure

- 2.1 Revenue and income from transactions
- 2.2 Fair value of assets and services received free of charge or for nominal consideration
- 2.3 Other income

### Telling the COVID-19 story

Revenue recognised to fund the delivery of our services increased during the financial year which was partially attributable to the COVID-19 coronavirus pandemic.

Funding provided included:

- COVID-19 grants to fund community awareness of COVID-19 coronavirus pandemic, additional staff costs due to the pandemic, and the establishment of vaccination clinic to administer vaccines to staff and the community
- Personal protective equipment provided as resources free of charge

### Key judgements and estimates

This section contains the following key judgements and estimates:

Key judgements and estimates	Description
Identifying performance obligations	Beaufort and Skipton Health Service applies significant judgment when reviewing the terms and conditions of funding agreements and contracts to determine whether they contain sufficiently specific and enforceable performance obligations.  If this criteria is met, the contract/funding agreement is treated as a contract with a customer, requiring Beaufort and Skipton Health Service to recognise revenue as or when the health service transfers promised goods or services to customers.
Determining timing of revenue recognition	Beaufort and Skipton Health Service applies significant judgement to determine when a performance obligation has been satisfied and the transaction price that is to be allocated to each performance obligation. A performance obligation is either satisfied at a point in time or over time.
Determining time of capital grant income recognition	Beaufort and Skipton Health Service applies significant judgement to determine when its obligation to construct an asset is satisfied. Costs incurred is used to measure the health service's progress as this is deemed to be the most accurate reflection of the stage of completion.

### Note 2.1(a): Revenue and income from transactions

	Note	2021 \$	2020 \$
<b>Revenue from contracts with customers</b>			
Government Grants (State) - Operating		145,022	158,931
Government Grants (Commonwealth) - Operating		4,570,543	3,475,217
Patient and resident fees		1,238,712	2,001,875
Commercial activities (i)		448,500	1,016,008
<b>Total revenue from contracts with customers</b>		<b>6,402,777</b>	<b>6,652,031</b>
<b>Other sources of income</b>			
Government Grants (State) - Operating		7,990,563	7,568,814
Government Grants (State) - Capital		1,042,937	577,311
Other capital purpose income		90,630	46,163
Capital donations		23,310	164,540
Assets received free of charge or for nominal consideration	2.2	93,951	10,990
Other revenue from operating activities (including non-capital donations)		1,769,923	1,272,833
<b>Total other sources of income</b>		<b>11,011,314</b>	<b>9,640,652</b>
<b>Total revenue and income from operating activities</b>		<b>17,414,091</b>	<b>16,292,682</b>
<b>Non-operating activities</b>			
Other interest	2.3	19,784	64,478
<b>Total income from non-operating activities</b>		<b>19,784</b>	<b>64,478</b>
<b>Total revenue and income from transactions</b>		<b>17,433,875</b>	<b>16,357,160</b>

(i) Commercial activities represent business activities which the health service enter into to support their operations.

**Note 2.1(a): Revenue and income from transactions (cont.)**

**How we recognise revenue and income from transactions**

**Government operating grants**

To recognise revenue, Beaufort and Skipton Health Service assesses whether there is a contract that is enforceable and has sufficiently specific performance obligations in accordance with AASB 15: Revenue from Contracts with Customers.

When both these conditions are satisfied, the health service:

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

Where the contract is not enforceable and/or does not have sufficiently specific performance obligations, in accordance with AASB 1058 – Income for not-for-profit entities, the health service:

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

The types of government grants recognised under AASB 15: Revenue from Contracts with Customers includes:

Government grant	Performance obligation
<ul style="list-style-type: none"> <li>▪ Commonwealth Home Support Programme Grants (CHSP)</li> </ul>	<p>The performance obligations for CHSP grants are the number of hours of care provided to eligible people through Allied Health and Therapy Services, Nursing and Social Support Groups to maximise their independence at home and in the community, in accordance with the grant agreement. Revenue is recognised over time, as and when the services are delivered.</p>
<ul style="list-style-type: none"> <li>▪ Western Victoria Primary Health Network - Chronic Conditions of Care Grant (CCMC)</li> </ul>	<p>The performance obligations for CCMC grants are the number of occasions of care provided through Allied Health and Therapy Services to eligible people living with chronic and complex conditions, in accordance with the grant agreement. Revenue is recognised at a point in time following completion of a patient visit to the Allied Health and Therapy Services.</p>
<ul style="list-style-type: none"> <li>▪ other one-off grants if funding conditions contain enforceable and sufficiently specific performance obligations.</li> </ul>	<p>For other grants with performance obligations the Beaufort and Skipton Health Service exercises judgement over whether the performance obligations have been met, on a grant by grant basis.</p>

**Capital grants**

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

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

**Patient and resident fees**

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

**Commercial activities**

Commercial activity revenue is recognised at a point in time, upon provision of the goods or service to the customer.

**Other income**

Other income is recognised as revenue when received. Other income includes recoveries for salaries and wages and external services provided, and donations and bequests. If donations are for a special purpose, they may be appropriated to a surplus, such as the specific restricted purpose surplus.

Beaufort and Skipton Health Service  
Notes to the Financial Statements for the financial year ended 30 June 2021

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

	2021	2020
	\$	\$
Personal Protective Equipment (PPE) received free of charge under state supply arrangements	93,951	10,990
<b>Total fair value of assets and services received free of charge or for nominal consideration</b>	<b>93,951</b>	<b>10,990</b>

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

#### Personal protective equipment

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

Generally, the State Supply Arrangement stipulates that Health Purchasing Victoria (trading as HealthShare Victoria) sources, secures and agrees terms for the purchase of PPE. The purchases are funded by the Department of Health, while Monash Health takes delivery and distributes an allocation of the products to health services. Beaufort and Skipton Health Service received these resources free of charge and recognised them as income.

#### Voluntary services

Contributions by volunteers, in the form of services, are only recognised when fair value can be reliably measured, and the services would have been purchased if they had not been donated. Beaufort and Skipton Health Service has considered the services provided by volunteers and has determined the value of volunteer services cannot be readily determined and therefore it has not recorded any income related to volunteer services.

#### Non-cash contributions from the Department of Health

The Department of Health makes some payments on behalf of Beaufort and Skipton Health Service as follows:

Supplier	Description
Victorian Managed Insurance Authority	The Department of Health purchases non-medical indemnity insurance for Beaufort and Skipton Health Service which is paid directly to the Victorian Managed Insurance Authority. To record this contribution, such payments are recognised as income with a matching expense in the net result from transactions.
Department of Health	Long Service Leave (LSL) revenue is recognised upon finalisation of movements in LSL liability in line with the long service leave funding arrangements set out in the relevant Department of Health Hospital Circular.
Public Private Partnership (PPP) Consortium	The Department of Health purchases lease arrangements and services which are paid directly to the Public Private Partnership Consortium. To record this contribution, such payments are recognised as income with a matching depreciation and interest expense in the net result from transactions, in accordance with the nature and timing of the monthly or quarterly payment.

## Note 2.3: Other income

	2021	2020
	\$	\$
Other interest	19,784	64,478
<b>Total other income</b>	<b>19,784</b>	<b>64,478</b>

### How we recognise other income

#### Interest income

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



### Note 3: The cost of delivering our services

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

#### Structure

- 3.1 Expenses from transactions
- 3.2 Employee benefits in the balance sheet
- 3.3 Superannuation
- 3.4 Other economic flows

#### Telling the COVID-19 story

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

Additional costs were incurred to:

- implement COVID safe practices throughout Beaufort and Skipton Health Service including increased Infection Prevention Control staffing, increased cleaning, increased security, consumption of personal protective equipment provided as resources free of charge
- establish vaccination clinics to administer vaccines to staff and the community resulting in an increase in employee costs and additional equipment purchased

#### Key judgements and estimates

This section contains the following key judgements and estimates:

Key judgements and estimates	Description
Measuring and classifying employee benefit liabilities	<p>Beaufort and Skipton Health Service applies significant judgment when measuring and classifying its employee benefit liabilities.</p> <p>Employee benefit liabilities are classified as a current liability if Beaufort and Skipton Health Service does not have an unconditional right to defer payment beyond 12 months. Annual leave, accrued days off and long service leave entitlements (for staff who have exceeded the minimum vesting period) fall into this category.</p> <p>Employee benefit liabilities are classified as a non-current liability if Beaufort and Skipton Health Service has a conditional right to defer payment beyond 12 months. Long service leave entitlements (for staff who have not yet exceeded the minimum vesting period) fall into this category.</p> <p>The health service also applies judgement to determine when it expects its employee entitlements to be paid. With reference to historical data, if the health service does not expect entitlements to be paid within 12 months, the entitlement is measured at its present value. All other entitlements are measured at their nominal value.</p>

#### Note 3.1: Expenses from transactions

	2021 \$	2020 \$
Salaries and wages	9,475,473	8,686,676
On-costs	2,055,853	2,119,612
Agency expenses	728,949	1,312,183
Workcover premium	101,832	166,207
<b>Total employee expenses</b>	<b>12,362,107</b>	<b>12,284,678</b>
Drug supplies	29,378	34,741
Medical and surgical supplies	194,531	145,136
Other supplies and consumables	740,899	543,729
<b>Total supplies and consumables</b>	<b>964,808</b>	<b>723,606</b>
Finance costs	1,132	-
<b>Total finance costs</b>	<b>1,132</b>	<b>-</b>
Fuel, light, power and water	230,132	275,427
Repairs and maintenance	190,857	158,216
Maintenance contracts	142,440	144,472
Medical indemnity insurance	18,635	26,671
Other administrative expenses	1,060,867	983,597
Expenditure for capital purposes	550,430	394,895
<b>Total other operating expenses</b>	<b>2,193,361</b>	<b>1,983,278</b>
Depreciation expense	4.3	1,555,545
<b>Total depreciation</b>	<b>1,555,545</b>	<b>1,439,801</b>
Bad and doubtful debt expense	40,008	-
<b>Total other non-operating expenses</b>	<b>40,008</b>	<b>-</b>
<b>Total non-operating expenses</b>	<b>1,595,553</b>	<b>1,439,801</b>
<b>Total expenses from transactions</b>	<b>17,116,961</b>	<b>16,431,363</b>

#### How we recognise expenses from transactions

##### Expense recognition

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

##### Employee expenses

Employee expenses include:

- Salaries and wages (including fringe benefits tax, leave entitlements, termination payments);
- On-costs;
- Agency expenses;
- WorkCover premium

## Note 3.1: Expenses from transactions (cont.)

### How we recognise expenses from transactions (cont.)

#### Supplies and consumables

Supplies and consumables 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; and
- 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 Beaufort & Skipton Health Service. These amounts have been brought to account as grants in determining the operating result for the year by recording them as revenue and also recording the related expense.

#### Non-operating expenses

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

## Note 3.2: Employee benefits in the balance sheet

	2021 \$	2020 \$
<b>Current provisions</b>		
<i>Accrued days off</i>		
- Unconditional and expected to be settled within 12 months	15,048	18,360
<i>Annual leave</i>		
- Unconditional and expected to be settled within 12 months	937,727	855,872
- Unconditional and expected to be settled after 12 months	158,840	146,699
<i>Long service leave</i>		
- Unconditional and expected to be settled within 12 months	235,788	194,873
- Unconditional and expected to be settled after 12 months	1,071,042	1,345,597
	<b>2,418,445</b>	<b>2,561,401</b>
<i>Provisions related to employee benefit on-costs</i>		
- Unconditional and expected to be settled within 12 months	148,570	133,638
- Unconditional and expected to be settled after 12 months	153,735	186,537
<b>Total current employee benefits</b>	<b>2,720,750</b>	<b>2,881,577</b>
<b>Non-current provisions</b>		
Conditional long service leave	295,420	242,090
Provisions related to employee benefit on-costs	36,928	30,261
<b>Total non-current employee benefits</b>	<b>332,348</b>	<b>272,351</b>
<b>Total employee benefits</b>	<b>3,053,098</b>	<b>3,153,928</b>

### How we recognise employee benefits

#### 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 Beaufort & Skipton Health Service has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

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

#### 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 Beaufort & Skipton Health Service does not have an unconditional right to defer settlements of these liabilities.

Depending on the expectation of the timing of settlement, liabilities for annual leave and accrued days off are measured at:

- Nominal value – if Beaufort & Skipton Health Service expects to wholly settle within 12 months; or
- Present value – if Beaufort & Skipton Health Service 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 Beaufort & Skipton Health Service does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months. An unconditional right arises after a qualifying period.

### Note 3.2: Employee benefits in the balance sheet (cont.)

#### How we recognise employee benefits (cont.)

##### Long service leave (cont.)

The components of this current LSL liability are measured at:

- Nominal value – if Beaufort & Skipton Health Service expects to settle wholly within 12 months; or
- Present value – if Beaufort & Skipton Health Service does not expect to settle wholly 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 3.2(a): Employee benefits and related on-costs

	2021	2020
	\$	\$
<b>Current employee benefits and related on-costs</b>		
Unconditional accrued days off	16,929	20,655
Unconditional annual leave entitlements	1,233,638	1,127,893
Unconditional long service leave entitlements	1,470,183	1,733,029
<b>Total current employee benefits and related on-costs</b>	<b>2,720,750</b>	<b>2,881,577</b>
<b>Non-current employee benefits and related on-costs</b>		
Conditional long service leave	332,348	272,351
<b>Total non-current employee benefits and related on-costs</b>	<b>332,348</b>	<b>272,351</b>
<b>Total employee benefits and related on-costs</b>	<b>3,053,098</b>	<b>3,153,928</b>
Carrying amount at the start of the year	3,153,928	2,972,532
Additional provisions recognised	833,009	1,258,159
Amounts incurred during the year	(933,838)	(1,076,763)
<b>Carrying amount at the end of the year</b>	<b>3,053,098</b>	<b>3,153,928</b>

### Note 3.3: Superannuation

	Paid Contribution for the Year		Contribution Outstanding at Year End	
	2021	2020	2021	2020
	\$	\$	\$	\$
<b>Defined contribution plans:</b>				
Aware Super	707,365	716,343	-	-
Hesta	229,220	201,547	-	-
Other	113,226	65,825	-	-
<b>Total</b>	<b>1,049,811</b>	<b>983,715</b>	<b>-</b>	<b>-</b>

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

#### How we recognise superannuation

Employees of Beaufort & Skipton Health Service are entitled to receive superannuation benefits and Beaufort & Skipton Health Service contributes to the defined benefit and defined contribution plans.

##### Defined contribution superannuation plans

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

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

## Note 3.4: Other economic flows

	2021	2020
	\$	\$
Net gain on disposal of property plant and equipment	35,285	(222)
<b>Total net gain/(loss) on non-financial assets</b>	<b>35,285</b>	<b>(222)</b>
Allowance for impairment losses of contractual receivables	(109,791)	(3,467)
Other gains/(losses) from other economic flows	(516)	1,059
<b>Total net gain/(loss) on financial instruments</b>	<b>(110,307)</b>	<b>(2,408)</b>
Net gain/(loss) arising from revaluation of long service liability	205,552	(62,789)
<b>Total other gains/(losses) from other economic flows</b>	<b>205,552</b>	<b>(62,789)</b>
<b>Total other gains/(losses) from economic flows</b>	<b>130,530</b>	<b>(65,419)</b>

### How we recognise other economic flows

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

- the revaluation of the present value of the long service leave liability due to changes in the bond interest rates; and
- reclassified amounts relating to equity instruments from the reserves to retained surplus/(deficit) 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 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 4.1 Investments and other financial assets;
- disposals of financial assets and derecognition of financial liabilities.

#### Note 4: Key assets to support service delivery

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

##### Structure

- 4.1 Investments and other financial assets
- 4.2 Property, plant & equipment
- 4.3 Depreciation

##### Telling the COVID-19 story

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

##### Key judgements and estimates

This section contains the following key judgements and estimates:

Key judgements and estimates	Description
Measuring fair value of property, plant and equipment and investment properties	Beaufort and Skipton Health Service obtains independent valuations for its non-current assets at least once every five years.  If an independent valuation has not been undertaken at balance date, the health service estimates possible changes in fair value since the date of the last independent valuation with reference to Valuer-General of Victoria indices.  Managerial adjustments are recorded if the assessment concludes a material change in fair value has occurred. Where exceptionally large movements are identified, an interim independent valuation is undertaken.
Estimating useful life and residual value of property, plant and equipment	Beaufort and Skipton Health Service assigns an estimated useful life to each item of property, plant and equipment, whilst also estimating the residual value of the asset, if any, at the end of the useful life. This is used to calculate depreciation of the asset.  The health service reviews the useful life, residual value and depreciation rates of all assets at the end of each financial year and where necessary, records a change in accounting estimate.
Estimating useful life of right-of-use assets	The useful life of each right-of-use asset is typically the respective lease term, except where the health service is reasonably certain to exercise a purchase option contained within the lease (if any), in which case the useful life reverts to the estimated useful life of the underlying asset.  Beaufort and Skipton Health Service applies significant judgement to determine whether or not it is reasonably certain to exercise such purchase options.
Estimating restoration costs at the end of a lease	Where a lease agreement requires Beaufort and Skipton Health Service to restore a right-of-use asset to its original condition at the end of a lease, the health service estimates the present value of such restoration costs. This cost is included in the measurement of the right-of-use asset, which is depreciated over the relevant lease term.
Estimating the useful life of intangible assets	Beaufort and Skipton Health Service assigns an estimated useful life to each intangible asset with a finite useful life, which is used to calculate amortisation of the asset.

#### Note 4.1: Investments and other financial assets

	Operating Fund		Total	
	2021	2020	2021	2020
	\$	\$	\$	\$
<b>Current</b>				
Investment in Information Technology Joint Venture Alliance	671,139	477,567	671,139	477,567
<b>Total Current</b>	<b>671,139</b>	<b>477,567</b>	<b>671,139</b>	<b>477,567</b>
<b>Represented by:</b>				
Grampians Rural Health Alliance	671,139	477,567	671,139	477,567
<b>Total</b>	<b>671,139</b>	<b>477,567</b>	<b>671,139</b>	<b>477,567</b>

## **Note 4.1: Investments and other financial assets (cont.)**

### **How we recognise investments and other financial assets**

Beaufort and Skipton's Health Service's investments and other financial assets are made in accordance with Standing Direction 3.7.2 - Treasury Management, including the Central Banking System.

Beaufort and Skipton Health Service manages its investments and other financial assets in accordance with an investment policy approved by the Board.

Investments held by Beaufort and Skipton Health Service Foundation do not fall in the scope of the Standing Directions as they are not public entity funds (i.e. not controlled by the government). However, such investments are consolidated into Beaufort and Skipton Health Service's financial statements as Beaufort and Skipton Health Service has control of Beaufort and Skipton Health Service Foundation. Refer to Note 8.8 for further information.

Investments are recognised when Beaufort and Skipton Health Service enters into a contract to either purchase or sell the investment (i.e. when it becomes a party to the contractual provisions to the investment). Investments are initially measured at fair value, net of transaction costs.

Beaufort and Skipton Health Service 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. Term deposits with original maturity dates of three to twelve months are classified as current, whilst term deposits with original maturity dates in excess of 12 months are classified as non-current.

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

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

## Note 4.2: Property, plant and equipment

### Note 4.2(a): Gross carrying amount and accumulated depreciation

	2021	2020
	\$	\$
Land at fair value - Freehold	1,069,172	865,650
<b>Total land at fair value</b>	<b>1,069,172</b>	<b>865,650</b>
Work in progress	97,134	693,766
Buildings at fair value	18,282,310	16,556,597
Less accumulated depreciation	(2,443,776)	(1,199,820)
<b>Total buildings at fair value</b>	<b>15,935,667</b>	<b>16,050,543</b>
<b>Total land and buildings at fair value</b>	<b>17,004,840</b>	<b>16,916,193</b>
Plant and equipment at fair value	1,639,508.40	1,329,620
Less accumulated depreciation	-1,045,112.30	(817,655)
<b>Total plant and equipment at fair value</b>	<b>594,396.10</b>	<b>511,965</b>
Medical equipment at fair value	352,930	236,408
Less accumulated depreciation	(146,749)	(104,533)
<b>Total medical equipment at fair value</b>	<b>206,181</b>	<b>131,876</b>
Motor vehicles at fair value	411,877	555,038
Less accumulated depreciation	(199,764)	(361,296)
<b>Total motor vehicles at fair value</b>	<b>212,113</b>	<b>193,742</b>
<b>Total plant and equipment</b>	<b>18,017,530</b>	<b>17,753,776</b>

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

	Land	Buildings	Plant and Equipment	Medical Equipment	Motor Vehicles	Total
	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2019</b>	<b>865,650</b>	<b>16,680,217</b>	<b>557,735</b>	<b>148,643</b>	<b>88,046</b>	<b>18,340,291</b>
Additions	-	585,967	129,537	16,151	131,690	863,344
Disposals	-	(7,514)	(2,543)	-	-	(10,057)
Revaluation increments/(decrements)	-	-	-	-	-	-
Net transfers between classes	-	(8,307)	8,307	-	-	-
Depreciation (refer Note 4.3)	-	(1,199,819)	(181,071)	(32,917)	(25,994)	(1,439,801)
<b>Balance at 30 June 2020</b>	<b>865,650</b>	<b>16,050,543</b>	<b>511,965</b>	<b>131,876</b>	<b>193,742</b>	<b>17,753,776</b>
Additions	-	1,181,095	260,326	116,521	92,350	1,650,292
Disposals	-	(2,452)	-	-	(32,063)	(34,515)
Revaluation increments/(decrements)	203,522	-	-	-	-	203,522
Net transfers between classes	-	(49,562)	49,562	-	-	-
Depreciation (refer Note 4.3)	-	(1,243,956)	(227,457)	(42,216)	(41,916)	(1,555,545)
<b>Balance at 30 June 2021</b>	<b>1,069,172</b>	<b>15,935,668</b>	<b>594,396</b>	<b>206,181</b>	<b>212,113</b>	<b>18,017,530</b>

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

The Valuer-General Victoria undertook to re-value all of Beaufort and Skipton Health Service's owned and leased land and buildings as 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.

#### How we recognise property, plant and equipment

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

#### Initial recognition

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

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

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.

## Note 4.2: Property, plant and equipment (cont)

### Subsequent measurement

Items of property, plant and equipment (excluding right-of-use assets) are subsequently measured at fair value less accumulated depreciation and impairment losses where applicable.

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

Further information regarding fair value measurement is disclosed below.

### Revaluation

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

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

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

An independent valuation of Beaufort and Skipton Health Service's land and building property was performed by the VGV on 30 June 2019. The valuation, which complies with Australian Valuation Standards, was determined by reference to the amount for which assets could be exchanged between knowledgeable willing parties in an arm's length transaction. The managerial assessment performed at 30 June 2021 indicated an overall:

- increase in fair value of land of 23% (\$203,522)
- increase in fair value of buildings of 6% (\$1,068,203).

As the cumulative movement was greater than 10% for land since the last revaluation a managerial revaluation adjustment was required as at 30 June 2021.

As the cumulative movement was less than 10% for buildings since the last revaluation a managerial revaluation adjustment was not required as at 30 June 2021.

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

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

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

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

### Impairment

At the end of each financial year, Beaufort and Skipton Health Service assesses if there is any indication that an item of property, plant and equipment may be impaired by considering internal and external sources of information. If an indication exists, Beaufort and Skipton Health Service estimates the recoverable amount of the asset. Where the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised. An impairment loss of a revalued asset is treated as a revaluation decrease as noted above.

Beaufort and Skipton Health Service has concluded that the recoverable amount of property, plant and equipment which are regularly revalued is expected to be materially consistent with the current fair value. As such, there were no indications of property, plant and equipment being impaired at balance date.



## Note 4.2: Property, plant and equipment (cont)

### How we recognise right-of-use assets

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

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

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

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

### Presentation of right-of-use assets

Beaufort and Skipton Health Service 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.

### Initial recognition

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

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

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

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

Beaufort and Skipton Health Service holds lease agreements which contain significantly below-market terms and conditions, which are principally to enable the health service to further its objectives. The health service has applied temporary relief and continues to measure those right-of-use asset at cost. Refer to Note 6.1 for further information regarding the nature and terms of the concessional lease, and Beaufort and Skipton Health Service's dependency on such lease arrangements.

### Subsequent measurement

Right-of-use assets are subsequently measured at cost less accumulated depreciation and accumulated impairment losses where applicable. Right-of-use assets are also adjusted for certain remeasurements of the lease liability (for example, when a variable lease payment based on an index or rate becomes effective).

### Impairment

At the end of each financial year, Beaufort and Skipton Health Service assesses if there is any indication that a right-of-use asset may be impaired by considering internal and external sources of information. If an indication exists, Beaufort and Skipton Health Service estimates the recoverable amount of the asset. Where the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised.

Beaufort and Skipton Health Service performed an impairment assessment and noted there were no indications of its right-of-use assets being impaired at balance date.

Beaufort and Skipton Health Service  
Notes to the Financial Statements for the financial year ended 30 June 2021

## Note 4.2: Property, plant and equipment (cont)

### Note 4.2(c): Fair value measurement hierarchy for assets

	Carrying amount 30 June 2021 \$	Fair value measurement at end of reporting period using:		
		Level 1 <sup>i</sup> \$	Level 2 <sup>i</sup> \$	Level 3 <sup>i</sup> \$
<b>Land at fair value</b>				
Non-specialised land	325,910	-	325,910	-
Specialised land	743,262	-	-	743,262
<b>Total of land at fair value</b>	<b>1,069,172</b>	<b>-</b>	<b>325,910</b>	<b>743,262</b>
<b>Buildings at fair value</b>				
Non-specialised buildings	428,910	-	428,910	-
Specialised buildings	15,409,624	-	-	15,409,624
<b>Total of buildings at fair value</b>	<b>15,838,534</b>	<b>-</b>	<b>428,910</b>	<b>15,409,624</b>
<b>Plant, equipment and vehicles at fair value</b>				
- Motor vehicles at fair value	212,113	-	212,113	-
- Medical equipment at fair value	206,181	-	-	206,181
- Plant and equipment at fair value	594,396	-	-	594,396
<b>Total of plant, equipment and vehicles at fair value</b>	<b>1,012,690</b>	<b>-</b>	<b>212,113</b>	<b>800,577</b>
<b>Total property, plant and equipment at fair value</b>	<b>17,920,396</b>	<b>-</b>	<b>966,933</b>	<b>16,953,463</b>

	Carrying amount 30 June 2020 \$	Fair value measurement at end of reporting period using:		
		Level 1 <sup>i</sup> \$	Level 2 <sup>i</sup> \$	Level 3 <sup>i</sup> \$
<b>Land at fair value</b>				
Non-specialised land	260,000	-	260,000	-
Specialised land	605,650	-	-	605,650
<b>Total of land at fair value</b>	<b>865,650</b>	<b>-</b>	<b>260,000</b>	<b>605,650</b>
<b>Buildings at fair value</b>				
Non-specialised buildings	461,910	-	461,910	-
Specialised buildings	14,894,867	-	-	14,894,867
<b>Total of buildings at fair value</b>	<b>15,356,777</b>	<b>-</b>	<b>461,910</b>	<b>14,894,867</b>
<b>Plant, equipment and vehicles at fair value</b>				
- Motor vehicles at fair value	193,742	-	193,742	-
- Medical equipment at fair value	131,876	-	-	131,876
- Plant and equipment at fair value	511,965	-	-	511,965
<b>Total of plant, equipment and vehicles at fair value</b>	<b>837,583</b>	<b>-</b>	<b>193,742</b>	<b>643,841</b>
<b>Total property, plant and equipment at fair value</b>	<b>17,060,010</b>	<b>-</b>	<b>948,742</b>	<b>16,111,268</b>

<sup>i</sup> Classified in accordance with the fair value hierarchy.

### Note 4.2(d): Reconciliation of level 3 fair value measurement

		Land \$	Buildings \$	Plant and Equipment \$
<b>Balance at 1 July 2019</b>	4.2(b)	605,650	16,037,000	706,377
Additions/(Disposals)	4.2(b)	-	24,597	151,452
Gains or (losses) recognised in net result				
- Depreciation	4.3	-	(1,166,729)	(213,988)
Items recognised in other comprehensive income				
- Revaluation		-	-	-
<b>Balance at 30 June 2020</b>	4.2(c)	<b>605,650</b>	<b>14,894,867</b>	<b>643,841</b>
Additions/(Disposals)	4.2(b)	-	1,725,713	376,847
Gains or (losses) recognised in net result				
- Depreciation	4.3	-	(1,210,956)	(269,674)
Reclassification in/(out) level 3		-	-	49,562
Items recognised in other comprehensive income				
- Revaluation		137,612	-	-
<b>Balance at 30 June 2021</b>	4.2(c)	<b>743,262</b>	<b>15,409,624</b>	<b>800,577</b>

## Note 4.2: Property, plant and equipment (cont)

### Note 4.2(e): Fair value determination

Asset class	Likely valuation approach	Significant inputs (Level 3 only)
Non-specialised land	Market approach	N/A
Specialised land	Market approach	Community Service Obligation adjustments (i)
Non-specialised buildings	Market approach	N/A
Specialised buildings	Depreciated replacement cost approach	Cost per square metre Useful life
Plant and equipment	Depreciated replacement cost approach	Cost per unit Useful life
Vehicles	Market approach	N/A
	Depreciated replacement cost approach	Cost per unit Useful life

(i) A community service obligation (CSO) of 20% and 25% was applied to Beaufort and Skipton Health Service's specialised land in Beaufort and Skipton respectively.

#### How we measure fair value

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

For the purpose of fair value disclosures, Beaufort & Skipton Health Service 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, Beaufort & Skipton Health Service determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

There have been no transfers between levels during the period.

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

#### 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, Beaufort Skipton Health Service 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.

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

#### Non-specialised land, non-specialised buildings

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.

## Note 4.2: Property, plant and equipment (Cont)

### Specialised land and specialised buildings

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

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

The market approach is also used for specialised land 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 Beaufort & Skipton Health Service, the depreciated replacement cost method is used for the majority of specialised buildings, adjusting for the associated depreciation. As depreciation adjustments are considered as significant and unobservable inputs in nature, specialised buildings are classified as Level 3 for fair value measurements.

An independent valuation of Beaufort & Skipton Health Service's specialised land and specialised buildings was performed by the Valuer-General Victoria. The effective date of the valuation is 30 June 2019.

### Vehicles

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

### Plant and equipment

Plant and equipment (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 2021.

### Note 4.2(f): Property, plant and equipment revaluation surplus

	2021 \$	2020 \$
<b>Property, plant and equipment revaluation surplus</b>		
Balance at the beginning of the reporting period	14,594,007	14,594,007
Revaluation Increment		
- Land (refer Note 4.2(b))	203,522	-
- Buildings	-	-
<b>Balance at the end of the reporting period*</b>	<b>14,797,529</b>	<b>14,594,007</b>
<b>* Represented by:</b>		
- Land	786,072	582,550
- Buildings	14,011,457	14,011,457
	<b>14,797,529</b>	<b>14,594,007</b>

## Note 4.3: Depreciation

	2021 \$	2020 \$
Buildings	1,243,956	1,199,819
Plant and equipment	227,458	181,071
Medical equipment	42,216	32,917
Motor vehicles	41,916	25,994
<b>Total depreciation</b>	<b>1,555,546</b>	<b>1,439,801</b>

### How we recognise depreciation

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

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

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

	2021	2020
Buildings		
- Structure Shell Building Fabric	7-40 years	7-40 years
- Site Engineering Services	7-30 years	7-30 years
- Fitout	6-28 years	7-15 years
- Trunk Reticulated Building Systems	7-20 years	7-20 years
Plant and Equipment	3-20 years	3-10 years
Motor Vehicles	5-7 years	5-10 years

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

## Note 5: Other assets and liabilities

This section sets out those assets and liabilities that arose from Beaufort & Skipton Health Service's operations.

### Structure

- 5.1 Receivables and contract assets
- 5.2 Other assets
- 5.3 Payables and contract liabilities
- 5.4 Other liabilities

### Telling the COVID-19 story

The measurement of other assets and liabilities used to support delivery of our services were impacted during the financial year which was partially attributable to the COVID-19 Coronavirus pandemic.

The following items were impacted:

- allowance for impairment losses related to contractual receivables, which increased due to the impact of COVID-19 on the economy

### Key judgements and estimates

This section contains the following key judgements and estimates:

Key judgements and estimates	Description
Estimating the provision for expected credit losses	Beaufort and Skipton Health Service uses a simplified approach to account for the expected credit loss provision. A provision matrix is used, which considers historical experience, external indicators and forward-looking information to determine expected credit loss rates.
Classifying a sub-lease arrangement as either an operating lease or finance lease	<p>Beaufort and Skipton Health Service applies significant judgement to determine if a sub-lease arrangement, where the health service is a lessor, meets the definition of an operating lease or finance lease.</p> <p>The health service considers a range of scenarios when classifying a sub-lease. A sub-lease typically meets the definition of a finance lease if:</p> <ul style="list-style-type: none"> <li>▪ The lease transfers ownership of the asset to the lessee at the end of the term</li> <li>▪ The lessee has an option to purchase the asset for a price that is significantly below fair value at the end of the lease term</li> <li>▪ The lease term is for the majority of the asset's useful life</li> <li>▪ The present value of lease payments amount to the approximate fair value of the leased asset and</li> <li>▪ The leased asset is of a specialised nature that only the lessee can use without significant modification.</li> </ul> <p>All other sub-lease arrangements are classified as an operating lease.</p>
Measuring deferred capital grant income	<p>Where Beaufort and Skipton Health Service has received funding to construct an identifiable non-financial asset, such funding is recognised as deferred capital grant income until the underlying asset is constructed.</p> <p>Beaufort and Skipton Health Service applies significant judgement when measuring the deferred capital grant income balance, which references the estimated stage of completion at the end of each financial year.</p>
Measuring contract liabilities	Beaufort and Skipton Health Service applies significant judgement to measure its progress towards satisfying a performance obligation as detailed in Note 2. Where a performance obligation is yet to be satisfied, the health service assigns funds to the outstanding obligation and records this as a contract liability until the promised good or service is transferred to the customer.
Recognition of other provisions	Other provisions include Beaufort and Skipton Health Service's obligation to restore leased assets to their original condition at the end of a lease term. The health service applies significant judgement and estimate to determine the present value of such restoration costs.

## Note 5.1: Receivables and contract assets

	2021	2020
	\$	\$
<b>Current receivables and contract assets</b>		
<b>Contractual</b>		
Trade debtors	221,080	248,432
Patient fees	436,654	429,695
Contract assets	77,524	43,194
Accrued revenue	109,738	17,816
<b>Total contractual receivables</b>	<b>844,996</b>	<b>739,137</b>
<b>Statutory</b>		
GST receivable	75,503	69,940
<b>Total statutory receivables</b>	<b>75,503</b>	<b>69,940</b>
<b>Total current receivables and contract assets</b>	<b>920,499</b>	<b>809,077</b>
<b>Non-current receivables and contract assets</b>		
<b>Contractual</b>		
Long service leave - Department of Health	529,055	504,355
<b>Total non-current receivables and contract assets</b>	<b>529,055</b>	<b>504,355</b>
<b>Total receivables and contract assets</b>	<b>1,449,554</b>	<b>1,313,432</b>
<i>(i) Financial assets classified as receivables and contract assets (Note 7.1(a))</i>		
Total receivables and contract assets	1,449,554	1,313,432
Provision for impairment	113,489	37,772
GST receivable	(75,503)	(69,940)
<b>Total financial assets</b>	<b>1,487,540</b>	<b>1,281,264</b>

As at 30 June 2021, Beaufort and Skipton Health Service has contract assets of \$844,996 which is net of an allowance for expected credit losses of \$113,489. This is included in the contractual receivable balances presented above.

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

	2021	2020
	\$	\$
<b>Balance at the beginning of year</b>	37,772	34,305
Increase in allowance	113,489	19,834
Amounts written off during the year	(34,172)	-
Reversal of allowance written off during the year as uncollectable	(3,600)	(16,367)
<b>Balance at the end of year</b>	<b>113,489</b>	<b>37,772</b>

### How we recognise receivables

Receivables consist of:

- Contractual receivables, which mostly includes debtors in relation to goods and services. These receivables are classified as financial instruments and categorised as 'financial assets at amortised costs'. They are initially recognised at fair value plus any directly attributable transaction costs. Beaufort & Skipton 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, which mostly includes amounts owing from the Victorian Government and Goods and Services Tax (GST) input tax credits recoverable. Statutory receivables do not arise from contracts and are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments for disclosure purposes. Beaufort & Skipton 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*.

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

### Impairment losses of contractual receivables

Refer to Note 7.1(c) for Beaufort and Skipton Health Service's contractual impairment losses.

### Note 5.1(b): Contract assets

	2021	2020
	\$	\$
<b>Balance at the beginning of year</b>	547,549	651,466
Add: Additional costs incurred that are recoverable from the customer	6,361,512	6,530,298
Less: Transfer to trade receivable or cash at bank	(6,293,039)	(6,634,215)
Less: impairment allowance	(9,443)	-
<b>Total contract assets</b>	<b>606,579</b>	<b>547,549</b>
<b>* Represented by:</b>		
- Current assets	77,524	43,194
- Non-current assets	529,055	504,355
	<b>606,579</b>	<b>547,549</b>

#### How we recognise contract assets

Contract assets relate to the Beaufort and Skipton Health Service's right to consideration in exchange for goods transferred to customers for works completed, but not yet billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional, at this time an invoice is issued. Contract assets are expected to be recovered early next year.

### Note 5.2: Other non-financial assets

	2021	2020
	\$	\$
<b>Current</b>		
Prepayments	122,960	107,295
<b>Total other non-financial assets</b>	<b>122,960</b>	<b>107,295</b>

Other non-financial assets include prepayments which represent payments in advance of receipt of goods or services or that part of expenditure made in prior to 30 June 2021 and covering a term extending beyond that period.

### Note 5.3: Payables and contract liabilities

	2021	2020
	\$	\$
<b>Current payables and contract liabilities</b>		
<b>Contractual</b>		
Trade creditors	64,816	66,199
Accrued salaries and wages	470,722	328,185
Accrued expenses	142,114	182,423
Department of Health(i)	174,363	-
Deferred capital grant revenue	5.3(a) 2,204	618,520
Contract liabilities	5.3(b) 667,889	435,374
<b>Total contractual payables</b>	<b>1,522,108</b>	<b>1,630,701</b>
<b>Total current payables and contract liabilities</b>	<b>1,522,108</b>	<b>1,630,701</b>

(i) Financial liabilities classified as payables and contract liabilities (Note 7.1(a))

Total payables and contract liabilities	1,522,108	1,630,701
Deferred grant income	(2,204)	(618,520)
Contract liabilities	(667,889)	(435,374)
Department of Health	(174,363)	-
<b>Total financial liabilities</b>	<b>7.1(a) 677,652</b>	<b>576,807</b>

#### How we recognise payables and contract liabilities

Payables consist of:

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

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

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Notes to the Financial Statements for the financial year ended 30 June 2021

## Note 5.3(a): Deferred capital grant revenue

	2021 \$	2020 \$
Opening balance of deferred grant income	618,520	1,113,600
Grant consideration for capital works received during the year	195,000	-
Deferred grant revenue recognised as revenue due to completion of capital works	(811,316)	(495,080)
<b>Closing balance of deferred grant consideration received for capital works</b>	<b>2,204</b>	<b>618,520</b>

### How we recognise deferred capital grant revenue

Grant consideration was received from the Victorian Department of Health for the Refurbishment of Beaufort Nursing Home, Sensory Gardens at the Beaufort and Skipton Sites and the Skipton Bioenergy project. Grant revenue is recognised progressively as the asset is constructed, since this is the time when Beaufort and Skipton Health Service satisfies its obligations. The progressive percentage costs incurred is used to recognise income because this most closely reflects the percentage of completion of the building works. As a result, Beaufort and Skipton Health Service has deferred recognition of a portion of the grant consideration received as a liability for the outstanding obligations.

Beaufort and Skipton Health Service expects to recognise all of the remaining deferred capital grant revenue for capital works by 31st August, 2021.

## Note 5.3(b) Contract liabilities

	2021 \$	2020 \$
Opening balance of contract liabilities	435,374	-
Payments received for performance obligations not yet fulfilled	6,635,292	7,087,405
Revenue recognised for the completion of a performance obligation	(6,402,777)	(6,652,031)
<b>Total contract liabilities</b>	<b>667,889</b>	<b>435,374</b>

### How we recognise contract liabilities

Contract liabilities relate to consideration received in advance from customers where services are being provided over a specified timeframe.

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

### Maturity analysis of payables

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

## Note 5.4: Other liabilities

	2021 \$	2020 \$
Current monies held in trust*		
- Refundable Accommodation Deposits and Bonds	5,222,173	5,052,104
- Patient Monies Held in Trust	357,875	62,036
Other liabilities	305,506	110,844
<b>Total Other Liabilities</b>	<b>5,885,554</b>	<b>5,224,984</b>
<b>*Monies held in trust represented by:</b>		
Cash assets	6.2 5,580,048	5,114,140
	<b>5,580,048</b>	<b>5,114,140</b>

### How we recognise other liabilities

#### Refundable Accommodation Deposit (RAD)/Accommodation Bond liabilities

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

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



## Note 6: How we finance our operations

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

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

### Structure

- 6.1 Borrowings
- 6.2 Cash and cash equivalents
- 6.3 Commitments for expenditure

### Telling the COVID-19 story

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

### Key judgements and estimates

This section contains the following key judgements and estimates:

Key judgements and estimates	Description
Determining if a contract is or contains a lease	Beaufort and Skipton Health Service applies significant judgement to determine if a contract is or contains a lease by considering if the health service: <ul style="list-style-type: none"> <li>▪ has the right-to-use an identified asset</li> <li>▪ has the right to obtain substantially all economic benefits from the use of the leased asset, and</li> <li>▪ can decide how and for what purpose the asset is used throughout the lease.</li> </ul>
Determining if a lease meets the short-term or low value asset lease exemption	Beaufort and Skipton Health Service applies significant judgement when determining if a lease meets the short-term or low value lease exemption criteria. <p>The health service estimates the fair value of leased assets when new. Where the estimated fair value is less than \$10,000, the health service applies the low-value lease exemption.</p> <p>The health service also estimates the lease term with reference to remaining lease term and period that the lease remains enforceable. Where the enforceable lease period is less than 12 months the health service applies the short-term lease exemption.</p>
Discount rate applied to future lease payments	Beaufort and Skipton Health Service discounts its lease payments using the interest rate implicit in the lease. If this rate cannot be readily determined, which is generally the case for the health service's lease arrangements, Beaufort and Skipton Health Service uses its incremental borrowing rate, which is the amount the health service would have to pay to borrow funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.
Assessing the lease term	The lease term represents the non-cancellable period of a lease, combined with periods covered by an option to extend or terminate the lease if Beaufort and Skipton Health Service is reasonably certain to exercise such options. <p>Beaufort and Skipton Health Service determines the likelihood of exercising such options on a lease-by-lease basis through consideration of various factors including:</p> <ul style="list-style-type: none"> <li>▪ If there are significant penalties to terminate (or not extend), the health service is typically reasonably certain to extend (or not terminate) the lease.</li> <li>▪ If any leasehold improvements are expected to have a significant remaining value, the health service is typically reasonably certain to extend (or not terminate) the lease.</li> <li>▪ The health service considers historical lease durations and the costs and business disruption to replace such leased assets.</li> </ul>

### Note 6.1: Borrowings

		2021 \$	2020 \$
<b>Current borrowings</b>			
Lease liability (i)	6.1(a)	13,152	-
Victorian Department of Health loan (ii)		14,038	-
<b>Total current borrowings</b>		<b>27,190</b>	<b>-</b>
<b>Non-current borrowings</b>			
Lease liability (i)	6.1(a)	71,990	-
Victorian Department of Health loan (ii)		70,681	84,203
<b>Total non-current borrowings</b>		<b>142,671</b>	<b>84,203</b>
<b>Total borrowings</b>	<b>7.1(a)</b>	<b>169,861</b>	<b>84,203</b>

(i) Secured by the assets leased.

(ii) This is an unsecured loan which bears no interest.

## Note 6: How we finance our operations (cont.)

### How we recognise borrowings

Borrowings refer to interest bearing liabilities mainly raised from advances from the Department of Health and other funds raised through lease liabilities, service concession arrangements and other interest-bearing arrangements.

### Initial recognition

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

### Subsequent measurement

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

### Maturity analysis of borrowings

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

### Defaults and breaches

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

### Note 6.1(a): Lease liabilities

Beaufort and Skipton Health Service's lease liabilities are summarised below:

	2021 \$	2020 \$
Total undiscounted lease liabilities	88,950	-
Less unexpired finance expenses	(3,808)	-
<b>Net lease liabilities</b>	<b>85,142</b>	<b>-</b>

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

	2021 \$	2020 \$
Not longer than one year	14,933	-
Longer than one year but not longer than five years	74,017	-
<b>Minimum future lease liability</b>	<b>88,950</b>	<b>-</b>
Less unexpired finance expenses	(3,808)	-
<b>Present value of lease liability</b>	<b>85,142</b>	<b>-</b>
<b>* Represented by:</b>		
- Current liabilities	13,152	-
- Non-current liabilities	71,990	-
	<b>85,142</b>	<b>-</b>

### How we recognise lease liabilities

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

To apply this definition, Beaufort and Skipton Health Service ensures the contract meets the following criteria:

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

Beaufort and Skipton Health Service's lease arrangements consist of the following:

Type of asset leased	Lease term
Leased vehicles	3 years

#### Separation of lease and non-lease components

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

#### Initial measurement

The lease liability is initially measured at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily determinable or Beaufort and Skipton Health Services incremental borrowing rate. Our lease liability has been discounted by 2.25%.

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.

The following types of lease arrangements, contain extension and termination options:

- Vehicle Leases include extension and termination options up to the maximum lease terms under the Victorian Government Standard Motor Vehicle Policy.

These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the health service and not by the respective lessor.

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

Potential future cash outflows have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

During the current financial year, extension and termination options were not exercised and there was no financial effect to the health service.

#### 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.

#### Note 6.2: Cash and cash equivalents

	2021	2020
	\$	\$
Cash on hand (excluding monies held in trust)	780	780
Cash at bank (excluding monies held in trust)	137,787	729,547
Cash at bank - CBS (excluding monies held in trust)	929,972	225,462
<b>Total cash held for operations</b>	<b>1,068,539</b>	<b>955,789</b>
Cash on hand (monies held in trust)	4,881	2,857
Cash at bank - CBS (monies held in trust)	5,575,167	5,111,283
<b>Total cash held as monies in trust</b>	<b>5,580,048</b>	<b>5,114,140</b>
<b>Total cash and cash equivalents</b>	<b>7.1(a) 6,648,587</b>	<b>6,069,929</b>

## How we recognise cash and cash equivalents

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

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

## Note 6.3: Commitments for expenditure

	2021	2020
	\$	\$
<b>Capital expenditure commitments</b>		
Less than one year	4,504	975,806
Longer than one year but not longer than five years	-	-
<b>Total capital expenditure commitments</b>	<b>4,504</b>	<b>975,806</b>
<b>Operating Expenditure Commitments</b>		
Less than one year	60,499	52,525
<b>Total Operating Expenditure Commitments Payable</b>	<b>60,499</b>	<b>52,525</b>
<b>Operating Leases</b>		
Less than one year	-	-
<b>Total Non-cancellable Operating Leases Payable</b>	<b>-</b>	<b>-</b>
<b>Total Commitments for Expenditure (inclusive of GST)</b>	<b>65,003</b>	<b>1,028,331</b>
Less GST recoverable from the Australian Tax Office	(5,909)	(93,485)
<b>Total Commitments for Expenditure (exclusive of GST)</b>	<b>59,094</b>	<b>934,846</b>

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

## How we disclose our commitments

Our commitments relate to expenditure.

## 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 GST payable. In addition, where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated. These future expenditure cease to be disclosed as commitments once the related liabilities are recognised on the Balance Sheet.

Refer to Note 6.1 for further information.

## Note 7: Risks, contingencies and valuation uncertainties

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

### Structure

- 7.1 Financial instruments
- 7.2 Financial risk management objectives and policies
- 7.3 Contingent assets and contingent liabilities

### Note 7.1: Financial instruments

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

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

2021		Financial Assets at Amortised Cost	Financial Liabilities at	Total
		\$	\$	\$
<b>Contractual financial assets</b>				
Cash and cash equivalents	6.2	6,648,587	-	6,648,587
Receivables and contract assets	5.1	1,487,540	-	1,487,540
<b>Total financial assets (i)</b>		<b>8,136,127</b>	<b>-</b>	<b>8,136,127</b>
<b>Financial liabilities</b>				
Payables	5.3	-	677,652	677,652
Borrowings	6.1	-	169,861	169,861
<b>Total financial liabilities (i)</b>		<b>-</b>	<b>847,513</b>	<b>847,513</b>

2020		Financial Assets at Amortised Cost	Financial Liabilities at Amortised Cost	Total
		\$	\$	\$
<b>Contractual financial assets</b>				
Cash and cash equivalents	6.2	6,069,929	-	6,069,929
Receivables and contract assets	5.1	1,281,264	-	1,281,264
<b>Total financial assets (i)</b>		<b>6,846,838</b>	<b>-</b>	<b>7,351,193</b>
<b>Financial liabilities</b>				
Payables	5.3	-	576,807	576,807
Borrowings	6.1	-	84,203	84,203
<b>Total financial liabilities (i)</b>		<b>-</b>	<b>661,010</b>	<b>661,010</b>

(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).

### How we categorise financial instruments

#### Categories of financial assets

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

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

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

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

#### Financial assets at amortised cost

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

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

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

Beaufort and Skipton Health Service recognises the following assets in this category:

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

## Note 7.1(a): Categorisation of financial instruments (cont.)

### Categories of financial liabilities

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

### Financial liabilities at amortised cost

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

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

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

### Offsetting financial instruments

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

Some master netting arrangements do not result in an offset of balance sheet assets and liabilities. Where Beaufort and Skipton Health Service does not have a legally enforceable right to offset recognised amounts, because the right to offset is enforceable only on the occurrence of future events such as default, insolvency or bankruptcy, they are reported on a gross basis.

### Derecognition of financial assets

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

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

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

### Derecognition of financial liabilities

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

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

### Reclassification of financial instruments

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

A financial liability reclassification is not permitted.

## **Note 7.2: Financial risk management objectives and policies**

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

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

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

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

### **Note 7.2 (a) Credit risk**

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

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

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

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

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

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

There has been no material change to Beaufort and Skipton Health Service's credit risk profile in 2020-21.

#### **Impairment of financial assets under AASB 9 Financial Instruments**

Beaufort & Skipton Health Service records the allowance for expected credit loss for the relevant financial instruments in accordance with AASB 9's "Expected Credit Loss" approach. Subject to AASB 9 Financial Instruments, impairment assessment include Beaufort & Skipton Health Service'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, the identified impairment loss would be immaterial.

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.

Beaufort and Skipton Health Service  
Notes to the Financial Statements for the financial year ended 30 June 2021

## Note 7.2: Financial risk management objectives and policies (cont.)

### Note 7.2 (a) Credit risk (cont.)

#### Contractual receivables at amortised cost

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

On this basis, Beaufort and Skipton Health Service determines the closing loss allowance at the end of the financial year as follows:

		Current	Less than 1 month	1-3 months	3 months - 1 year	1 - 5 years	Total
<b>30 June 2021</b>	<b>Note</b>						
<b>Expected loss rate</b>		7.2%	7.7%	8.2%	18.2%	43.5%	
Gross carrying amount of contractual receivables	5.1	433,042	17,305	38,024	166,486	109,380	764,237
<b>Loss allowance</b>		<b>31,212</b>	<b>1,328</b>	<b>3,130</b>	<b>30,211</b>	<b>47,608</b>	<b>113,489</b>
		Current	Less than 1 month	1-3 months	3 months - 1 year	1 - 5 years	Total
<b>30 June 2020</b>	<b>Note</b>						
<b>Expected loss rate</b>		0.0%	0.0%	0.1%	0.9%	25.6%	
Gross carrying amount of contractual receivables	5.1	196,392	192,336	110,058	136,121	142,002	776,909
<b>Loss allowance</b>		<b>40</b>	<b>45</b>	<b>62</b>	<b>1,238</b>	<b>36,387</b>	<b>37,772</b>

#### Statutory receivables and debt investments at amortised cost

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

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



## Note 7.2: Financial risk management objectives and policies (cont.)

### Note 7.2 (b) Liquidity risk

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

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

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

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

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

	Note	Carrying Amount \$	Nominal Amount \$	Maturity Dates			
				Less than 1 Month \$	1-3 Months \$	3 months 1 Year \$	1-5 Years \$
<b>30 June 2021</b>							
Payables	5.2	677,652	677,652	677,652	-	-	-
Borrowings	6.1	84,719	84,719	-	-	14,038	70,681
Other Financial Liabilities (i)							
- Refundable Accommodation Deposits	5.3	5,222,173	5,222,173	-	313,330	1,399,542	3,509,300
- Other	5.3	1,333,474	1,333,474	-	-	1,333,474	-
<b>Total Financial Liabilities</b>		<b>7,318,018</b>	<b>7,318,018</b>	<b>677,652</b>	<b>313,330</b>	<b>2,747,054</b>	<b>3,579,981</b>
	Note	Carrying Amount \$	Nominal Amount \$	Less than 1 Month \$	1-3 Months \$	3 months 1 Year \$	1-5 Years \$
<b>30 June 2020</b>							
Payables	5.2	248,622	248,622	248,622	-	-	-
Borrowings	6.1	84,203	84,203	-	-	-	84,203
Other Financial Liabilities (i)							
- Refundable Accommodation Deposits	5.3	5,052,104	5,052,104	151,563	303,126	1,353,964	3,243,451
- Other	5.3	1,226,774	1,226,774	-	-	1,226,774	-
<b>Total Financial Liabilities</b>		<b>6,611,703</b>	<b>6,611,703</b>	<b>400,185</b>	<b>303,126</b>	<b>2,580,738</b>	<b>3,327,654</b>

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

### Note 7.2 (c) Market risk

Beaufort and Skipton Health Service's exposures to market risk are primarily through interest rate risk and foreign currency risk. Objectives, policies and processes used to manage these risks are disclosed below.

#### Sensitivity disclosure analysis and assumptions

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

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

#### Interest rate risk

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates.

Beaufort and Skipton Health Service does not hold any interest-bearing financial instruments that are measured at fair value, and therefore has no exposure to fair value interest rate risk.

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

Beaufort and Skipton Health Service has minimal exposure to cash flow interest rate risks through cash and deposits.

#### Foreign currency risk

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction.

Foreign monetary items existing at the end of the reporting period are translated at the closing rate at the date of the end of the reporting period.

Beaufort and Skipton Health Service has minimal exposure to foreign currency risk.

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Notes to the Financial Statements for the financial year ended 30 June 2021*

**Note 7.3: Contingent assets and contingent liabilities**

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

**Note 8: Other Disclosures**

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

**Structure**

- 8.1 Reconciliation of net result for the year to net cash flow from operating activities
- 8.2 Responsible persons disclosure
- 8.3 Remuneration of executives
- 8.4 Related parties
- 8.5 Remuneration of auditors
- 8.6 Events occurring after the balance sheet date
- 8.7 Joint arrangements
- 8.8 Equity
- 8.9 Economic dependency

**Telling the COVID-19 story**

Our other disclosures were not materially impacted by the COVID-19 Coronavirus pandemic and its impact on our economy and the health of our community.

**Note 8.1: Reconciliation of net result for the year to net cash inflow/(outflow) from operating activities**

	2021	2020
	\$	\$
<b>Net result for the year</b>	<b>447,444</b>	<b>(139,622)</b>
<b>Non-cash movements</b>		
Depreciation	1,555,545	1,439,801
Grampians Rural Health Alliance	1,092	(12,284)
(Gain)/Loss on revaluation of long service leave liability	(205,552)	62,789
Adjustment prior years capital work in progress	-	(54,604)
Allowance for impairment losses on contractual receivables	75,717	3,467
Net (gain)/loss on disposal of non-financial assets	(35,285)	222
Gain/(Loss) from investing and financing activities	516	(1,059)
<b>Movements in Assets and Liabilities</b>		
(Increase)/Decrease in receivables and contract assets	(211,840)	4,807
(Increase)/Decrease in prepaid expenses	(15,666)	(15,202)
Increase/(Decrease) in payables and contract liabilities	(108,593)	(650,247)
Increase/(Decrease) in provisions	104,723	118,607
<b>Net cash inflow from operating activities</b>	<b>1,608,101</b>	<b>756,674</b>

Beaufort and Skipton Health Service  
Notes to the Financial Statements for the financial year ended 30 June 2021

## Note 8.2: Responsible persons disclosures

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

	Period	
<b>Responsible Ministers</b>		
The Honourable Martin Foley:		
Minister for Mental Health	1 Jul 2020 - 29 Sep 2020	
Minister for Health	26 Sep 2020 - 30 Jun 2021	
Minister for Ambulance Services	26 Sep 2020 - 30 Jun 2021	
Minister for Coordination of Health and Human Services: COVID-19	26 Sep 2020 - 9 Nov 2020	
The Honourable Jenny Mikakos:		
Minister for Health	1 Jul 2020 - 26 Sep 2020	
Minister for Ambulance Services	1 Jul 2020 - 26 Sep 2020	
Minister for the Coordination of Health and Human Services: COVID-19	1 Jul 2020 - 26 Sep 2020	
The Honourable Luke Donnellan:		
Minister for Child Protection	1 Jul 2020 - 30 Jun 2021	
Minister for Disability, Ageing and Carers	1 Jul 2020 - 30 Jun 2021	
The Honourable James Merlino:		
Minister for Mental Health	29 Sep 2020 - 30 Jun 2021	
<b>Governing Board</b>		
Mr David Lenehan (Chair of the Board)	1 Jul 2020 - 30 Jun 2021	
Mrs Karlie Tucker	1 Jul 2020 - 30 Jun 2021	
Mrs Jenny Trengove	1 Jul 2020 - 30 Jun 2021	
Mr Tony Edney	1 Jul 2020 - 30 Jun 2021	
Ms Tanya Barun	1 Jul 2020 - 30 Jun 2021	
Ms Jo Hall	1 Jul 2020 - 30 Jun 2021	
Dr Daniel Terry	1 Jul 2020 - 30 Jun 2021	
Mr Nigel Jarvis	1 Jul 2020 - 30 Jun 2021	
Dr Margaret Way	1 Jul 2020 - 30 Jun 2021	
<b>Accountable Officer</b>		
Mrs Meryn Pease (Chief Executive Officer)	1 Jul 2020 - 30 Jun 2021	
<b>Remuneration of Responsible Persons</b>		
<b>Income Band</b>	<b>2021</b>	<b>2020</b>
	No.	No.
\$0 - \$9,999	9	9
\$60,000 - \$69,999	-	-
\$70,000 - \$79,999	-	-
\$240,000 - \$249,999	1	1
<b>Total Numbers</b>	<b>10</b>	<b>10</b>
	<b>2021</b>	<b>2020</b>
	\$	\$
<b>Total remuneration received or due and receivable by Responsible Persons from the reporting entity amounted to:</b>	<b>278,958</b>	<b>272,803</b>

Amounts relating to the Governing Board Members and Accountable Officer of Beaufort and Skipton Health Service's controlled entities are disclosed in their own 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 the Accountable Officer, and their total remuneration during the reporting period are shown in the table below. Total annualised employee equivalent provides a measure of full time equivalent executive officers over the reporting period.

	2021	2020
	\$	\$
<b>Remuneration of Executive Officers (including Key Management Personnel Disclosed in Note 8.4)</b>		
Short term benefits	503,267	440,758
Post-employment benefits	46,704	37,548
Other long-term benefits	-	-
Terminations benefits	-	7,044
<b>Total Remuneration (i)</b>	<b>549,971</b>	<b>485,350</b>
<b>Total Number of Executives</b>	<b>5</b>	<b>7</b>
<b>Total Annualised Employee Equivalent (ii)</b>	<b>3.26</b>	<b>3.06</b>

(i) The total number of executive officers includes persons who meet the definition of Key Management Personnel (KMP) of Beaufort & Skipton Health Service 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.

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

Beaufort & Skipton Health Service is a wholly owned and controlled entity of the State of Victoria. Related parties of the health service include:

- All key management personnel and their close family member and personal business interests
- Cabinet ministers and their close family members, and
- All hospitals and public sector entities that are controlled and consolidated into the whole of state consolidated financial statements.

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

The Board of Directors and the Executive Directors of Beaufort & Skipton Health Service are deemed to be KMPs. This includes the following:

	Period
<b>Governing Board</b>	
Mr David Lenehan (Chair of the Board)	1 Jul 2020 - 30 Jun 2021
Mrs Karlie Tucker	1 Jul 2020 - 30 Jun 2021
Mrs Jenny Trengove	1 Jul 2020 - 30 Jun 2021
Mr Tony Edney	1 Jul 2020 - 30 Jun 2021
Ms Tanya Barun	1 Jul 2020 - 30 Jun 2021
Ms Jo Hall	1 Jul 2020 - 30 Jun 2021
Dr Daniel Terry	1 Jul 2020 - 30 Jun 2021
Mr Nigel Jarvis	1 Jul 2020 - 30 Jun 2021
Dr Margaret Way	1 Jul 2020 - 30 Jun 2021
<b>Executive Directors</b>	
Mrs M Pease - Chief Executive Officer	1 Jul 2020 - 30 Jun 2021
Dr C Winter - Director of Medical Services	1 Jul 2020 - 30 Jun 2021
Mrs M Cushing - Director of Clinical Services	1 Jul 2020 - 30 Jun 2021
Mr D White - Corporate Services Manager	1 Jul 2020 - 30 Jun 2021
Mr C Nykoluk - Chief Financial Officer	1 Jul 2020 - 30 Jun 2021

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

	2021	2020
	\$	\$
<b>Compensation - KMPs</b>		
Short term employee benefits (i)	761,691	693,792
Post-employment benefits	67,238	57,317
Other long-term benefits	-	-
Terminations benefits	-	7,044
<b>Total Compensation (ii)</b>	<b>828,929</b>	<b>758,153</b>

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

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

#### Significant transactions with government-related entities

Beaufort & Skipton Health Service received funding from the Department of Health of \$8,685,201 (2020:\$7,840,340) and indirect contributions of \$30,354 (2020: \$11,195).

Expenses incurred by Beaufort & Skipton Health Service 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 Minister for Finance require the Beaufort & Skipton Health Service 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 Victoria unless an exemption has been approved by the Minister for Health and Human Services and the Treasurer.

#### Transactions with key management personnel and other related parties

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

Outside of normal citizen type transactions with the Beaufort & Skipton Health Service, 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 2021 (2020: None).

There were no related party transactions required to be disclosed for the Beaufort & Skipton Service Board of Directors and Executive Officers in 2021 (2020: None).

#### Note 8.5: Remuneration of auditors

	2021	2020
	\$	\$
<b>Victorian Auditor-General's Office</b>		
Audit of the financial statements	20,500	19,950
<b>Total remuneration of auditors</b>	<b>20,500</b>	<b>19,950</b>

Beaufort and Skipton Health Service  
Notes to the Financial Statements for the financial year ended 30 June 2020

## Note 8.6: Events occurring after the balance sheet date

There are no events occurring after the Balance Sheet date.

## Note 8.7: Joint arrangements

Beaufort & Skipton Health Service has an interest in a Jointly Controlled Operation. The Jointly Controlled Operation is Grampians Rural Health Alliance. Details of operations are listed as follows:

In June 2008, the Department of Health issued circular number 17/2008, which outlines government requirements for the operation of rural health Information and Communication Technology (ICT) alliances. The policy outlines the accepted governance model for the operation of the ICT alliances.

The policy requires public hospitals, public health services and multipurpose services which are declared or established under the *Health Services Act 1988*, to enter into the alliance for the region in which they operate, in accordance with a Joint Operation Agreement. Consistent with this policy, the Grampians Rural Health Alliance came into effect on 9th of December 2008.

Beaufort and Skipton Health Services interest in assets and liabilities of the above joint arrangements are detailed below. The amounts are included in the consolidated financial statements under their respective categories:

Grampians Rural Health Alliance	Ownership Interest	
	5.34%	5.34%
	2021	2020
	\$	\$
Revenue	532,701	449,690
Expenses	(533,791)	(437,405)
<b>Net Result</b>	<b>(1,090)</b>	<b>12,285</b>
Assets	671,139	477,567
Liabilities	(305,506)	(110,843)
<b>Net Assets</b>	<b>365,633</b>	<b>366,724</b>
<b>Equity</b>	<b>365,633</b>	<b>366,724</b>

\* Figures obtained from the audited GRHA annual report.

## Investments in Joint Operations

In respect of any interest in joint operations, Beaufort & Skipton Health Service 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 of the output by the operation
- Its expenses including its share of any expenses incurred jointly

## Contingent Liabilities and Capital Commitments

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

## Note 8.8: Equity

### Contributed capital

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

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

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

### Financial assets at fair value through comprehensive income revaluation reserve

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

### Specific restricted purpose reserves

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

## Note 8.9: Economic Dependency

Beaufort & Skipton Health Service is dependent on the Department of Health for the majority of its revenue used to operate the health service. At the date of this report, the Board of Directors has no reason to believe the Department of Health will not continue to support Beaufort & Skipton Health Service.





**Beaufort & Skipton**  
Health Service



## **BEAUFORT CAMPUS**

28 Havelock Street, Beaufort Victoria 3373  
**P:** +61 3 5349 1600

***Incorporating:***

Beaufort Hospital, Beaufort Hostel,  
Beaufort Nursing Home and  
Beaufort and Skipton Community Health

## **SKIPTON CAMPUS**

Blake Street, Skipton Victoria 3361  
**P:** +61 3 5340 1100

***Incorporating:***

Skipton Hospital, Brigadoon Hostel,  
Mackinnon Nursing Home, Skipton Medical Practice  
and Beaufort and Skipton Community Health