

FINANCIAL STATEMENTS 2020-21

SOUTH WEST HEALTHCARE ANNUAL REPORT 2020-21

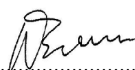
**South West Healthcare
Financial Statements
Financial year ended 30 June 2021
BOARD MEMBER'S, ACCOUNTABLE OFFICER'S AND
CHIEF FINANCE & ACCOUNTING OFFICER'S DECLARATION**

The attached financial statements for South West Healthcare 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 South West Healthcare 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.

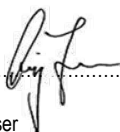
We authorise the attached financial statements for issue on this day.



Mr Bill Brown
Board Chair

Warrnambool

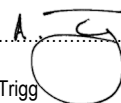
23 September 2021



Craig Fraser
Chief Executive Officer

Warrnambool

23 September 2021



Andrew Trigg
Chief Finance & Accounting Officer

Warrnambool

23 September 2021



Victorian Auditor-General's Office

Independent Auditor's Report

To the Board of South West Healthcare

Opinion	<p>I have audited the financial report of South West Healthcare (the health service) which comprises the:</p> <ul style="list-style-type: none"> • balance sheet as at 30 June 2021 • comprehensive operating statement for the year then ended • statement of changes in equity for the year then ended • cash flow statement for the year then ended • notes to the financial statements, including significant accounting policies • board member's, accountable officer's and chief finance & accounting officer's declaration. <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the health service as at 30 June 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>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the health service in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Board's responsibilities for the financial report	<p>The Board of the health service is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Board is responsible for assessing the health service's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>
Other Information	<p>The Board of the health service is responsible for the Other Information, which comprises the information in the health service's annual report for the year ended 30 June 2021, but does not include the financial report and my auditor's report thereon.</p> <p>My opinion on the financial report does not cover the Other Information and accordingly, I do not express any form of assurance conclusion on the Other Information. However, in connection with my audit of the financial report, my responsibility is to read the Other Information and in doing so, consider whether it is materially inconsistent with the financial report or the knowledge I obtained during the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude there is a material misstatement of the Other Information, I am required to report that fact. I have nothing to report in this regard.</p>

Auditor's responsibilities for the audit of the financial report

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

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

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

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

MELBOURNE
20 October 2021



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

COMPREHENSIVE OPERATING STATEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

	Note	2021 \$ '000	2020 \$ '000
Income from Transactions			
Operating Activities	2.1	227,555	212,239
Non-operating Activities	2.1	137	335
Total Income from Transactions		227,692	212,574
Expenses from Transactions			
Employee Expenses	3.1	159,651	150,858
Supplies and Consumables	3.1	31,320	26,903
Finance Costs	3.1	18	17
Depreciation and Amortisation	3.1	15,462	16,706
Other Operating Expenses	3.1	28,149	26,366
Total Expenses from Transactions		234,600	220,850
Net Result from Transactions - Net Operating Balance		(6,908)	(8,276)
Other Economic Flows Included in Net Result			
Net gain/(loss) on sale of non-financial assets	3.4	186	64
Net gain/(loss) on financial instruments at fair value	3.4	15	(18)
Other gain/(loss) from Other Economic Flows	3.4	1,478	(408)
Total Other Economic Flows Included in Net Result		1,679	(362)
Net Result for the year		(5,229)	(8,638)
Other Comprehensive Income			
Items that will not be classified to Net Result			
Changes in Property, Plant & Equipment Revaluation Surplus	4.1f	2,209	-
Total Other Comprehensive Income		2,209	-
Comprehensive Result for the Year		(3,020)	(8,638)

BALANCE SHEET AS AT 30 JUNE 2021

	Note	2021 \$ '000	2020 \$ '000
Current Assets			
Cash and Cash Equivalents	6.2	39,264	26,740
Receivables and contract assets	5.1	4,370	4,488
Inventories		1,736	1,746
Prepayments and Other assets		698	239
Total Current Assets		46,068	33,213
Non-Current Assets			
Receivables and contract assets	5.1	7,889	7,206
Property, Plant and Equipment	4.1	225,671	231,296
Total Non-Current Assets		233,560	238,502
TOTAL ASSETS		279,628	271,715
Current Liabilities			
Payables and contract liabilities	5.2	24,807	16,964
Borrowings	6.1	424	304
Provisions	3.2	32,034	29,662
Other Current liabilities	5.3	3,172	2,673
Total Current Liabilities		60,437	49,603
Non-Current Liabilities			
Borrowings	6.1	1,119	610
Provisions	3.2	3,490	3,900
Total Non-Current Liabilities		4,609	4,510
TOTAL LIABILITIES		65,046	54,113
NET ASSETS		214,582	217,602
EQUITY			
Property, Plant and Equipment Revaluation Surplus	4.1f	118,110	115,901
Restricted Specific Purpose Reserve	SCE	22	22
Contributed Capital	SCE	77,339	77,339
Accumulated Surpluses	SCE	19,111	24,340
TOTAL EQUITY		214,582	217,602

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

CASHFLOW STATEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

	Note	2021 \$ '000	2020 \$ '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating grants from government		207,564	188,109
Capital grants from State government		2,535	3,647
Patient and resident fees received		4,439	5,035
Private practice fees received		1,514	1,705
GST received from Australian Taxation Office		5,011	4,594
Interest received		137	335
Other receipts		16,651	13,933
Total Receipts		237,851	217,358
Employee Expenses Paid		(147,437)	(139,417)
Non Salary Labour Costs		(11,731)	(11,285)
Payments for Supplies and Consumables		(35,820)	(28,077)
Finance Costs		(18)	(17)
Cash outflow for leases		(91)	(72)
Other Payments		(25,282)	(27,862)
Total Payments		(220,379)	(206,730)
NET CASH FLOW FROM / (USED IN) OPERATING ACTIVITIES	8.1	17,472	10,628
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital donations received		1,342	828
Proceeds from Investments		-	1,000
Purchase of Non-Financial Assets		(7,430)	(5,697)
Proceeds from disposal of Non-Financial Assets		734	403
NET CASH FLOW FROM /(USED IN) INVESTING ACTIVITIES		(5,354)	(3,466)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Government Equity		-	595
Repayment of Borrowings		(92)	(260)
Proceeds from Borrowings		-	-
Repayment of Accommodation Deposits		(95)	(2,012)
Receipt of Accommodation Deposits and Monies in Trust		593	1,797
NET CASH FLOW FROM /(USED IN) FINANCING ACTIVITIES		406	120
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS HELD		12,524	7,282
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		26,740	19,458
CASH AND CASH EQUIVALENTS AT END OF OF FINANCIAL YEAR	6.2	39,264	26,740

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

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

	Note	Property, Plant and Equipment Revaluation Surplus \$ '000	Restricted Specific Purpose Surplus Reserve \$ '000	Contributed Capital \$ '000	Accumulated Surpluses/ (Deficits) \$ '000	Total \$ '000
Balance at 1 July 2019		115,901	22	76,744	33,570	226,237
Effect of adoption of AASB 15, 16 and 1058	8.9				(592)	(592)
Net result for the year		-	-	-	(8,638)	(8,638)
Contribution by owners		-	-	595	-	595
Balance at 30 June 2020		115,901	22	77,339	24,340	217,602
Net result for the year			-	-	(5,229)	(5,229)
Other comprehensive income for the year		2,209	-	-	-	2,209
Balance at 30 June 2021		118,110	22	77,339	19,111	214,582

NOTE 1: BASIS OF PREPARATION

Structure

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

NOTE 1 : BASIS OF PREPARATION

These financial statements represent the audited general purpose financial statements for South West Healthcare (ABN 41 189 754 233) for the year ended 30 June 2021. The report provides users with information about South West Healthcare's stewardship of 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.

South West Healthcare 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.

South West Healthcare operates on a fund accounting basis and maintains three funds: Operating, Specific Purpose and Capital Funds.

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 are prepared on a going concern basis (refer note 8.8 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 South West Healthcare and its controlled entities on 23 September 2021.

NOTE 1.2: IMPACT OF COVID-19 PANADEMIC

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, South West Healthcare 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 South West Healthcare operates.

South West Healthcare 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
- deferring elective surgery and reducing activity
- transferring inpatients to private health facilities
- performing COVID-19 testing
- administering COVID-19 vaccinations
- implementing work from home arrangements where required and appropriate.

As restrictions have eased towards the end of the financial year and South West Healthcare has been able to revise some measures where appropriate including increasing elective surgeries back to full capacity. Many restrictions noted above remain in place.

The financial impacts of the pandemic are disclosed at:

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

Reference	Title
AASB	Australian Accounting Standards Board
AASs	Australian Accounting Standards, which included interpretations
DH	Department of Health
DTF	Department of Treasury and Finance
FMA	Financial Management Act 1994
SD	Standing Direction
SWARH	South West Alliance of Rural Health
VAGO	Victorian Auditor General's Office
WIES	Weighted Inlier Equivalent Separation
SWH	South West Healthcare

NOTE 1.4: JOINT ARRANGEMENTS

Interests in joint arrangements are accounted for by recognising in South West Healthcare's financial statements, its share of assets liabilities and any revenue and expenses of any joint arrangements.

South West Healthcare has the following joint arrangement: SWARH Health Alliance - Joint Venture Agreement

Details of the joint arrangements are set out in Note 8.7

NOTE 1.5: 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 1.6: ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

An assessment of accounting standards and interpretations issued by the AASB that are not yet mandatorily applicable to South West Healthcare 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 South West Healthcare in future periods.

NOTE 1.7: GOODS AND SERVICES TAX (GST)

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

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

Cash flows are included in the Cash Flow Statement on a gross basis, except for the GST components of cash flows arising from investing 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 1.8 REPORTING ENTITY

The financial statements include all the controlled activities of South West Healthcare.

Its principal address is:

Ryot Street
Warrnambool, Victoria 3280

A description of the nature of South West Healthcare 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

South West Healthcare's overall objective is to provide quality health services that support and enhance the wellbeing of all Victorians. South West Healthcare is predominantly funded by accrual based grant funding for the provision of outputs. South West Healthcare 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

Activity Based Funding decreased as the level of activity agreed in the Statement of Priorities couldn't be delivered due to reductions in the number of patients being treated at various times throughout the financial year.

This was offset by funding provided by the Department of Health to compensate for reductions in revenue and to cover certain direct and indirect COVID-19 related costs.

Funding provided included:

- State repurpose grants to fund WIES recall waiver
- Sustainability funding for Mental Health
- Additional elective surgery funding
- Mental health capacity funding

Revenue recognised to fund the delivery of our services during the financial year was not materially impacted by the COVID-19 coronavirus pandemic because the health service's response was limited to implementing COVID safe practices.

Key judgements and estimates

This section contains the following key judgements and estimates:

Key judgements and estimates	Description
Identifying performance obligations	<p>South West Healthcare 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.</p> <p>If this criteria is met, the contract/funding agreement is treated as a contract with a customer, requiring South West Healthcare to recognise revenue as or when the health service transfers promised goods or services to customers.</p> <p>If this criteria is not met, funding is recognised immediately in the net result from operations.</p>
Determining timing of revenue recognition	<p>South West Healthcare 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.</p>
Determining time of capital grant income recognition	<p>South West Healthcare 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.</p>

NOTE 2.1 REVENUE AND INCOME FROM TRANSACTIONS

	2021 \$ '000	2020 \$ '000
Operating activities		
Revenue from contracts with customers		
Government grants (State) - Operating	98,638	96,305
Government grants (Commonwealth) - Operating	16,486	15,615
Patient and Resident Fees	4,116	4,892
Private practice fees	1,683	1,893
Total Revenue from contracts with customers	120,923	118,705
Other sources of income		
Government grants (State) - Operating	83,627	73,509
Government grants (State) - Capital	3,493	3,485
Other Capital Purpose Income	1,513	1,265
Indirect Contributions by Department of Health	1,232	1,066
Assets received free of charge or for nominal consideration	2,036	334
Other Revenue from Operating Activities (including non-capital donations)	14,731	13,875
Total other sources of income from operating activities	106,632	93,534
Total revenue and income from operating activities	227,555	212,239
Non-operating activities		
Income from other services		
Interest	137	335
Total other sources on income	137	335
Total income from non-operating activities	137	335
Total revenue and Income from transactions	227,692	212,574

¹ Commercial activities represent business activities which health service enter into to support their operations.

How we recognise revenue and income from transactions

Government Operating Grants

To recognise revenue, South West Healthcare 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, 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

NOTE 2.1 REVENUE AND INCOME FROM TRANSACTIONS (CONTINUED)

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

Government Grant	Performance Obligation
Activity Based Funding (ABF) paid as Weighted Inlier Equivalent Separation (WIES) casemix	The performance obligations for ABF are the number and mix of patients admitted to hospital (defined as 'casemix') in accordance with the levels of activity agreed to, with the Department of Health in the annual Statement of Priorities. Revenue is recognised at a point in time, which is when a patient is discharged, in accordance with the WIES activity when an episode of care for an admitted patient is completed. WIES activity is a cost weight that is adjusted for time spent in hospital, and represents a relative measure of resource use for each episode of care in a diagnosis related group.
Other one-off grants if funding conditions contain enforceable and sufficiently specific performance obligations	For other grants with performance obligations South West Healthcare exercises judgement over whether the performance obligations have been met, on a grant by grant basis.

Capital Grants

Where South West Healthcare 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 South West Healthcare'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.

Private Practice Fees

Private practice fees include recoupments from various private practice organisations for the use of hospital facilities. Private practice fees are recognised over time as the performance obligation, the provision of facilities, is provided to customers.

Commercial activities

Revenue from commercial activities includes items such as car park income, provision of meals to external users, medical supplies shop, cafés and recoveries for salaries and wages. Commercial activity revenue is recognised at a point in time, upon provision of the goods or service to the customer.

Non-cash contributions from the Department of Health

The Department of Health makes some payments on behalf of South West Healthcare as follows:

Supplier	Description
Victorian Managed Insurance Authority	The Department of Health purchases non-medical indemnity insurance for South West Healthcare 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.

2.2 FAIR VALUE OF ASSETS AND SERVICES RECEIVED FREE OF CHARGE OR FOR NOMINAL CONSIDERATION

	2021 \$ '000	2020 \$ '000
Cash donations and gifts	1,342	828
Assets received free of charge under State supply arrangements	2,036	334
Total fair value of assets and services received free of charge or for nominal consideration	3,378	1,162

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

Donations and bequests

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

Personal Protective equipment

In order to meet the State of Victoria's health system supply needs during the COVID-19 pandemic, 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. South West Healthcare received these resources free of charge and recognised them as income.

Contributions

South West Healthcare may receive assets for nil or nominal consideration to further its objectives. The assets are recognised at their fair value when South West Healthcare obtains control over the asset, irrespective of whether restrictions or conditions are imposed over the use of the contributions.

On initial recognition of the asset, South West Healthcare recognises related amounts being contributions by owners, lease liabilities, financial instruments, provisions and revenue or contract liabilities arising from a contract with a customer.

South West Healthcare recognises income immediately in the profit or loss as the difference between the initial fair value of the asset and the related amounts.

The exception to this policy is when an asset is received from another government agency or department as a consequence of a restructuring of administrative arrangements, in which case the asset will be recognised at its carrying value in the financial statements of South West Healthcare as a capital contribution transfer.

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. South West Healthcare did receive volunteer services which assisted in the non clinical support of service delivery but does not depend on volunteer services.

2.3 OTHER INCOME

	2021	2020
	\$ '000	\$ '000
Interest	137	335
Total other income	137	335

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 South West Healthcare 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

Where there is a material impact:

Expenses incurred to deliver our services increased during the financial year which was partially attributable to the COVID-19 Coronavirus pandemic and its impact on our economy and the health of our community.

Additional costs were incurred to:

- establish facilities within South West Healthcare for the treatment of suspected and admitted COVID patients resulting in an increase in employee costs, additional equipment purchases,
- implement COVID safe practices throughout South West Healthcare including increased cleaning, increased security, consumption of personal protective equipment provided as resources free of charge,
- assist with COVID-19 case management, contact tracing and outbreak management contributing to an increase in employee costs,
- establish vaccination clinics to administer vaccines to staff and the community resulting in an increase in employee costs, additional equipment purchased and other costs.

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>South West Healthcare applies significant judgment when measuring and classifying its employee benefit liabilities.</p> <p>Employee benefit liabilities are classified as a current liability if South West Healthcare 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 South West Healthcare 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>South West Healthcare 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 \$ '000	2020 \$ '000
Salaries and Wages	124,353	116,588
On-costs	15,036	14,790
Agency Expenses	7,405	7,107
Fee for Service Medical Officer Expenses	11,731	11,285
Workcover Premium	1,126	1,088
Total Employee Expenses	159,651	150,858
Drug Supplies	12,560	11,538
Medical & Surgical Supplies (including Prosthesis)	10,171	8,261
Diagnostic and Radiology Supplies	7,016	5,367
Other Supplies and Consumables	1,573	1,737
Total Supplies and Consumables	31,320	26,903
Finance Costs	18	17
Total Finance Costs	18	17
Other Administration Expenses	19,470	18,171
Total Other Administrative Expenses	19,470	18,171
Fuel, Light, Power and Water	2,155	2,160
Repairs and Maintenance	2,033	1,973
Maintenance Contracts	1,294	1,297
Medical Indemnity Insurance	2,564	2,549
Expenditure for Capital Purposes	633	216
Total Other Operating Expenses	8,679	8,195
Depreciation and Amortisation (refer note 4.2)	15,462	16,706
Total Other Non-Operating Expenses	15,462	16,706
Total Expenses from Transactions	234,600	220,850

How we recognise expenses from transactions

Expense recognition

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

Employee Expenses

Employee expenses include:

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

NOTE 3.1: EXPENSES FROM TRANSACTIONS (CONTINUED)

Supplies and consumables

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

Finance costs

Finance costs include:

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

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

The Department of Health also makes certain payments on behalf of South West Healthcare. 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
	\$ '000	\$ '000
Current Provisions		
Employee Benefits (i)		
Annual Leave		
- unconditional and expected to be settled wholly within 12 months ⁽ⁱ⁾	10,849	9,640
- unconditional and expected to be settled wholly after 12 months ⁽ⁱⁱ⁾	571	412
Long Service Leave		
- unconditional and expected to be settled wholly within 12 months ⁽ⁱ⁾	2,190	2,324
- unconditional and expected to be settled wholly after 12 months ⁽ⁱⁱ⁾	14,527	13,706
Accrued Days Off		
- unconditional and expected to be settled wholly within 12 months ⁽ⁱ⁾	337	284
	28,474	26,366
Provisions related to Employee Benefit On-Costs		
- unconditional and expected to be settled wholly within 12 months ⁽ⁱ⁾	1,470	1,292
- unconditional and expected to be settled wholly after 12 months ⁽ⁱⁱ⁾	2,090	2,004
	3,560	3,296
Total current employee benefits	32,034	29,662
Non-current provisions		
Conditional Long Service Leave Entitlements	3,102	3,467
Provisions related to Employee Benefit On-Costs	388	433
Total non-current employee benefits	3,490	3,900
Total employee benefits	35,524	33,562

Notes:

(i) The amounts disclosed are nominal amounts

(ii) The amounts disclosed are discounted to present values

NOTE 3.2(A) EMPLOYEE BENEFITS AND RELATED ON-COSTS CURRENT EMPLOYEE BENEFITS AND RELATED ON-COSTS

	2021	2020
	\$ '000	\$ '000
Unconditional LSL Entitlement	18,808	18,033
Annual Leave Entitlements	12,847	11,309
Accrued Days Off	379	320
	32,034	29,662
Non-Current Employee Benefits and related on-costs		
Conditional Long Service Leave Entitlements ⁽ⁱⁱ⁾	3,490	3,900
Total Employee Benefits and Related On-costs	35,524	33,562
Carrying amount at start of year	33,562	31,298
Additional provisions recognised	14,453	14,878
Amounts incurred during the year	(12,491)	(12,614)
Balance at end of year	35,524	33,562

NOTE 3.2: EMPLOYEE BENEFITS IN THE BALANCE SHEET (CONTINUED)

How we recognise employee benefits

Employee benefit recognition

Provision is made for benefits accruing to employees in respect of wages and salaries, 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 South West Healthcare 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 all recognised in the provision for employee benefits as 'current liabilities', because the health service does not have an unconditional right to defer settlements of these liabilities.

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

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

Long Service Leave (LSL)

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

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

The components of this current LSL liability are measured at

- Nominal value – if South West Healthcare expects to wholly settle within 12 months; or
- Present value – if South West Healthcare does not expect to wholly settle within 12 months

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

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 3.3: SUPERANNUATION

Fund	Paid Contributions for the year		Outstanding Contributions at Year End	
	2021	2020	2021	2020
	\$ '000	\$ '000	\$ '000	\$ '000
Defined Benefit Plans ⁽ⁱ⁾ :				
First State Super	276	274	27	35
State Super Fund	101	133	12	-
Defined Contribution Plans:				
First State Super	6,992	7,360	801	799
HESTA	2,870	2,677	329	326
Australian Super	194	96		
Host Plus	215	134		
Accumulation				
Other	1,165	719	173	151
Total	11,813	11,393	1,342	1,311

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

How we recognise superannuation

Employees of South West Healthcare are entitled to receive superannuation benefits and the Health Service contributes to both defined benefit and defined contribution plans.

Defined benefit superannuation plans

The defined benefit plan(s) provides benefits based on years of service and final average salary.

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

South West Healthcare does not recognise any defined benefit liability in respect of the plans because the hospital has no legal or constructive obligation to pay future benefits relating to its employees; its only obligation is to pay superannuation contributions as they fall due. The Department of Treasury and Finance discloses the State's defined benefits liabilities in its disclosure for administered items.

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

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

Defined contribution superannuation plans

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

NOTE 3.4: OTHER ECONOMIC FLOWS INCLUDED IN OPERATING RESULT

	2021 \$ '000	2020 \$ '000
<u>Net gain/(loss) on sale of non-financial assets</u>		
Net gain on disposal of property plant and equipment	186	64
Total net gain/(loss) on non-financial assets	186	64
<u>Net gain/(loss) on financial instruments at fair value</u>		
<u>Net gain/(loss) on financial instruments</u>		
Allowance for Impairment losses for contractual receivables	15	(18)
Total net gain/(loss) on financial instruments at fair value	15	(18)
<u>Other gains/(losses) from other economic flows</u>		
Net gain/(loss) arising from revaluation of long service liability	1,478	(408)
Total other gains/(losses) from other economic flows	1,478	(408)
Total other gains/(losses) from economic flows	1,679	(362)

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:

Net Gain /(loss) on non-financial assets

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

Net gain/(loss) on 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 Other financial assets; and
- disposals of financial assets and derecognition of financial liabilities

NOTE 4: KEY ASSETS TO SUPPORT SERVICE DELIVERY

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

Structure

- 4.1 Property, plant & equipment
- 4.2 Depreciation and amortisation

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 and its impact on our economy and the health of our community.

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	<p>South West Healthcare 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.</p> <p>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.</p>
Estimating useful life and residual value of property, plant and equipment	<p>South West Healthcare 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.</p> <p>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.</p>
Estimating useful life of right-of-use assets	<p>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.</p> <p>South West Healthcare applies significant judgement to determine whether or not it is reasonably certain to exercise such purchase options.</p> <p>Where a lease agreement requires South West Healthcare 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.</p>
Identifying indicators of impairment	<p>At the end of each year, South West Healthcare assesses impairment by evaluating the conditions and events specific to the health service that may be indicative of impairment triggers. Where an indication exists, the health service tests the asset for impairment.</p> <p>The health service considers a range of information when performing its assessment, including considering:</p> <ul style="list-style-type: none"> › If an asset's value has declined more than expected based on normal use › If a significant change in technological, market, economic or legal environment which adversely impacts the way the health service uses an asset › If an asset is obsolete or damaged › If the asset has become idle or if there are plans to discontinue or dispose of the asset before the end of its useful life › If the performance of the asset is or will be worse than initially expected. <p>Where an impairment trigger exists, the health services applies significant judgement and estimate to determine the recoverable amount of the asset.</p>

NOTE 4.1: PROPERTY, PLANT AND EQUIPMENT**(A) GROSS CARRYING AMOUNT AND ACCUMULATED DEPRECIATION**

	2021	2020
	\$ '000	\$ '000
Land		
- Land at Fair Value	15,777	12,234
- Land at Cost	0	1,119
- Land Improvements at fair value	1,233	1,390
Less Accumulated Depreciation	(74)	(40)
Total Land	16,936	14,703
Buildings		
- Buildings Under Construction at Cost	1,225	1,910
- Buildings at Fair Value	209,318	216,075
Less Accumulated Depreciation	(24,880)	(13,371)
	184,438	202,704
- Buildings at Cost	5,077	1,286
Less Accumulated Depreciation	(409)	(96)
	4,668	1,190
- Buildings - Leasehold Improvements at fair Value	0	342
Less Accumulated Depreciation	0	(337)
	0	5
Total Buildings	190,331	205,809
Plant and Equipment		
- Plant and Equipment at Fair Value	9,597	9,338
Less Accumulated Depreciation	(8,171)	(7,714)
Total Plant and Equipment	1,426	1,624
Medical Equipment		
- Medical Equipment at Fair Value	18,819	17,436
Less Accumulated Depreciation	(13,703)	(12,779)
Total Medical Equipment	5,116	4,657
Computers & Communications		
- Computers & Communications at fair value	8,309	8,020
Less Accumulated Depreciation	(7,341)	(6,332)
Total Computers & Communications	968	1,688
Furniture and Fittings		
-Furniture and Fittings at Fair Value	4,165	4,073
Less Accumulated Depreciation	(3,568)	(3,927)
Total Furniture and Fittings	597	146
Motor Vehicles		
- Motor Vehicles at Fair Value	2,598	3,147
Less Accumulated Depreciation	(1,650)	(1,629)
Total Motor Vehicles	948	1,518
Right of Use Assets		
- Information Technology	4,638	4,461
Less Accumulated Depreciation	(3,426)	(3,626)
	1,212	835
- Properties	8,065	379
Less Accumulated Depreciation	(784)	(63)
	7,281	316
- Motor Vehicles	898	0
Less Accumulated Depreciation	(42)	0
	856	0
Total Right of Use Assets	9,349	1,151
TOTAL	225,671	231,296

NOTE 4.1: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

NOTE 4.1(B) RECONCILIATIONS OF THE CARRYING AMOUNTS OF EACH CLASS OF ASSET

	Note	Buildings & Buildings under construction	Land \$ '000	Plant & Equipment \$ '000	Medical Equipment \$ '000	Computers & Comms \$ '000	Furniture & Fittings \$ '000	Motor Vehicles \$ '000	Right of Use Assets \$ '000	Total \$ '000
Balance at 1 July 2019		217,344	13,624	1,814	4,359	2,069	198	1,978	1,265	242,651
Additions		2,111	1,119	243	1,300	375	7	0	213	5,368
Disposals		0	0	0	0	0	0	(17)	0	(17)
Depreciation (Refer note 4.2)		(13,646)	(40)	(433)	(1,002)	(756)	(59)	(443)	(327)	(16,706)
Balance at 1 July 2020		205,809	14,703	1,624	4,657	1,688	146	1,518	1,151	231,296
Additions		2,822	1,755	249	1,567	402	93	0	1,553	8,441
Disposals		(219)	(154)	0	(7)	0	0	(160)	(273)	(813)
Net Transfers between classes		(6,277)	(1,540)	(12)	3	(631)	637	0	7,820	0
Revaluation Increments			2,209							2,209
Depreciation (Refer note 4.2)		(11,804)	(37)	(435)	(1,104)	(491)	(279)	(410)	(902)	(15,462)
Balance at 30 June 2021		190,331	16,936	1,426	5,116	968	597	948	9,349	225,671

NOTE 4.1: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Land and buildings carried at valuation

A full revaluation of South West Healthcare's land and buildings was performed by the Valuer-General of Victoria (VGV) in May 2019 in accordance with the requirements of Financial Reporting Direction (FRD) 103H Non-Financial Physical Assets. 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 effective date of the valuation for both land and buildings was 30 June 2019.

How we recognise property, plant and equipment

Property, plant and equipment are tangible items that are used by South West Healthcare 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.

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, South West Healthcare 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%, South West Healthcare would obtain an interim independent valuation prior to the next scheduled independent valuation.

An independent valuation of South West Healthcare's property, plant and equipment was performed by the VGV on May 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 increase in buildings of 6% and an increase in land of 16.63%. As the cumulative movement for buildings was less than 10% since the last revaluation a managerial revaluation adjustment was not required as at 30 June 2021. As the cumulative movement for land was greater than 10% since the last revaluation a managerial revaluation adjustment was required at 30 June 2021.

NOTE 4.1: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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, South West Healthcare 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, South West Healthcare 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.

Southwest Healthcare 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.

How we recognise right-of-use assets

Where South West Healthcare 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. South West Healthcare 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 land	4 to 10 years
Leased buildings	4 to 10 years
Leased plant, equipment, furniture fittings and vehicles	3 to 5 years

Presentation of right-of-use assets

South West Healthcare 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, South West Healthcare 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.

NOTE 4.1: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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, South West Healthcare 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, South West Healthcare estimates the recoverable amount of the asset. Where the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised.

NOTE 4.1(C) FAIR VALUE MEASUREMENT HIERARCHY FOR ASSETS

	Carrying amount as at 30 June 2021 \$ '000	Fair value measurement at end of reporting period using:		
		Level 1 ⁽ⁱ⁾ \$ '000	Level 2 ⁽ⁱ⁾ \$ '000	Level 3 ⁽ⁱ⁾ \$ '000
Land at fair value				
Non-Specialised land	8,628	-	8,628	-
Specialised land	8,308	-	-	8,308
Total of land at fair value	16,936	-	8,628	8,308
Buildings at fair value				
Non-Specialised buildings	8,500	-	8,500	-
Specialised buildings	180,606	-	-	180,606
Total of building at fair value	189,106	-	8,500	180,606
Plant and equipment at fair value				
Plant equipment and vehicles at fair value				
- Plant and equipment	1,426	-	-	1,426
- Medical Equipment	5,116	-	-	5,116
- Computers & Communications	968	-	-	968
- Furniture and Fittings	597	-	-	597
- Motor Vehicles	948	-	948	-
Total of plant, equipment and vehicles at fair value	9,055	-	948	8,107
TOTAL	215,097	-	948	197,021
	Carrying amount as at 30 June 2020 \$ '000	Fair value measurement at end of reporting period using:		
		Level 1 \$ '000	Level 2 \$ '000	Level 3 \$ '000
Land at fair value				
Specialised land	14,703	-	-	14,703
Total of land at fair value	14,703	-	-	14,703
Buildings at fair value				
Specialised buildings	203,899	-	-	203,899
Total of building at fair value	203,899	-	-	203,899
Plant and equipment at fair value				
Plant equipment and vehicles at fair value				
- Plant and equipment	1,624	-	-	1,624
- Medical Equipment	4,657	-	-	4,657
- Computers & Communications	1,688	-	-	1,688
- Furniture and Fittings	146	-	-	146
- Motor Vehicles	1,518	-	1,518	-
Total of plant, equipment and vehicles at fair value	9,633	-	1,518	8,115
TOTAL	228,235	-	1,518	226,717

Note (i) Classified in accordance with the fair value hierarchy. There have been transfers between levels during the period.

NOTE 4.1: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

NOTE 4.1(D) RECONCILIATION OF LEVEL 3 FAIR VALUE

30-Jun-21	Land \$ '000	Buildings \$ '000	Plant and Equipment \$ '000	Medical Equipment \$ '000	Computers & Comms \$ '000	Furniture & Fittings \$ '000
Balance at 1 July 2020	14,703	203,899	1,624	4,657	1,688	146
Purchases (sales) & reclassifications	1,601	3,288	249	1,560	402	93
- Transfer to held for sale	-	-	-	-	-	-
- Net Transfers between classes	(10,168)	(14,777)	(12)	3	(631)	637
Gains or losses recognised in net result						
- Depreciation	(37)	(11,804)	(435)	(1,104)	(491)	(279)
Subtotal	6,099	180,606	1,426	5,116	968	597
Items recognised in other comprehensive income						
- Revaluation	2,209	-	-	-	-	-
Subtotal	2,209	-	-	-	-	-
Balance at 30 June 2021	8,308	180,606	1,426	5,116	968	597

30-Jun-20	Land \$ '000	Buildings \$ '000	Plant and Equipment \$ '000	Medical Equipment \$ '000	Computers & Comms \$ '000	Furniture & Fittings \$ '000
Balance at 1 July 2019	13,624	216,259	1,814	4,359	2,069	198
Purchases (sales) & reclassifications	1,119	1,286	243	1,300	375	7
- Transfer to held for sale	-	-	-	-	-	-
- Net Transfers between classes	-	-	-	-	-	-
Gains or losses recognised in net result						
- Depreciation	(40)	(13,646)	(433)	(1,002)	(756)	(59)
Subtotal	14,703	203,899	1,624	4,657	1,688	146
Items recognised in other comprehensive income						
- Revaluation	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-
Balance at 30 June 2020	14,703	203,899	1,624	4,657	1,688	146

(i) Classified in accordance with the fair value hierarchy, refer Note 4.1(c)

NOTE 4.1: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**NOTE 4.1(E) FAIR VALUE DETERMINATION**

Asset Class	Examples of types assets	Expected fair value level	Likely valuation approach	Significant inputs (Level 3 only)
Specialised land (Crown/Freehold)	- Land subject to restriction as to use and/or sale - Land in areas where there is not an active market	Level 3	Market approach	Community Service Obligations Adjustments
Specialised Buildings	Specialised buildings with limited alternative uses and/or substantial customisation eg. Hospitals	Level 3	Current replacement cost	- Cost per square metre - Useful life
Vehicles	If there is an active resale market available	Level 2	Market approach	n.a.
Plant and equipment Medical Equipment Computers & Communications Furniture and Fittings	Specialised items with limited alternative uses and/or substantial customisation	Level 3	Current replacement cost approach	- Cost per unit - Useful life
Non- specialised land	Freehold land with no restrictions on use	Level 3	Market approach	n.a.
Non-specialised buildings	Residential buildings without substantial customization or restrictions of use	Level 3	Market approach	n.a.

(a) A community Service Obligation (CSO) of 20% to 30% was applied to the health services specialised land Classified in accordance with the fair value hierarchy.

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, South West Healthcare has determined classes of assets on the basis of the nature, characteristics and risks of the asset and the level of fair value hierarchy as explained above.

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

The Valuer-General Victoria (VGV) is South West Healthcare 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.

NOTE 4.1: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

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

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

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

Vehicles

South West Healthcare 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 value (depreciated cost).

Furniture, fittings, plant and equipment

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

There were no changes in valuation techniques throughout the period to 30 June 2021.

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

NOTE 4.1: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

NOTE 4.1(F) PROPERTY, PLANT AND EQUIPMENT REVALUATION SURPLUS

	2021 \$ '000	2020 \$ '000
Property, Plant and Equipment Revaluation Surplus		
Balance at the beginning of the reporting period	115,901	115,901
Revaluation Increment		
- Land	2,209	-
- Buildings	-	-
Balance at the end of the reporting period*	<u>118,110</u>	<u>115,901</u>
*Represented by:		
- Land	11,551	9,342
- Buildings	106,559	106,559
Total	<u>118,110</u>	<u>115,901</u>

NOTE 4.2: DEPRECIATION AND AMORTISATION

	2021 \$ '000	2020 \$ '000
Depreciation		
Buildings	11,841	13,686
Plant & Equipment	435	433
Medical Equipment	1,104	1,002
Computers & Communications	491	756
Furniture & Fittings	279	59
Motor Vehicles	410	443
Right of Use Assets	902	327
Total Depreciation	<u>15,462</u>	<u>16,706</u>

How we recognise depreciation

All infrastructure assets, buildings, plant and equipment and other non-financial physical assets that have finite useful lives are depreciated (i.e. excludes land assets held for sale, and investment properties). Depreciation is generally calculated on a straight-line basis at 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	6 to 52 Years	6 to 52 Years
- Site Engineering Services and Central Plant	4 to 47 years	4 to 47 years
Central Plant		
- Fit Out	1 to 47 years	1 to 47 years
- Trunk Reticulated Building Systems	2 to 47 years	2 to 47 years
Plant and Equipment	Up to 20 years	Up to 20 years
Medical Equipment	Up to 15 years	Up to 15 years
Computers and Communication	Up to 5 years	Up to 5 years
Furniture and Fittings	Up to 20 years	Up to 20 years
Motor Vehicles	Up to 10 years	Up to 10 years
Leasehold Improvements	Up to 10 years	Up to 10 years
Land Improvements	10 years	10 years

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

NOTE 5: OTHER ASSETS AND LIABILITIES

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

Structure

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

Telling the COVID-19 story

The measurement of other assets and liabilities were not materially impacted by the COVID-19 Coronavirus pandemic and its impact on our economy and the health of our community.

Key judgements and estimates

Key judgements and estimates	Description
Estimating the provision for expected credit losses	South West Healthcare 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.
Measuring deferred capital grant income	Where South West Healthcare 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. South West Healthcare applies significant judgement when measuring the deferred capital grant income balance, which references the estimated the stage of completion at the end of each financial year.
Measuring contract liabilities	South West Healthcare applies significant judgement to measure its progress towards satisfying a performance obligation as detailed in Note 2. Where a performance obligation is yet to be satisfied, the health service assigns funds to the outstanding obligation and records this as a contract liability until the promised good or service is transferred to the customer.

NOTE 5.1: RECEIVABLES AND CONTRACT ASSETS

	2021	2020
	\$ '000	\$ '000
CURRENT RECEIVABLES AND CONTRACT ASSETS		
Contractual		
Patient Fees and Resident Debtors	606	493
Trade Debtors	2,545	2,395
Receivables - South West Alliance of Rural Health	453	937
Accrued Revenue	35	14
Accrued Grants - Department of Health & Human Services	263	310
Accrued Grants - Commonwealth Department of Health	88	-
Provision for impairment	(46)	(62)
Total contractual receivables	3,944	4,087
Statutory		
GST Receivable - Health Service	426	401
Total statutory receivables	426	401
TOTAL CURRENT RECEIVABLES AND CONTRACT ASSETS	4,370	4,488

NOTE 5.1: RECEIVABLES AND CONTRACT ASSETS (CONTINUED)**NON CURRENT RECEIVABLES AND CONTRACT ASSETS****Contractual**

Long Service Leave - Department of Health and Human Services

7,889 7,206

TOTAL NON-CURRENT RECEIVABLES AND**CONTRACT ASSETS**

7,889 7,206

TOTAL RECEIVABLES AND CONTRACT ASSETS

12,259 11,694

(i) Financial assets classified as receivables and contract assets (Note 7.1(a))

Total receivables and contract assets

12,259 11,694

GST Receivable

(426) (401)

Total financial assets

7.1(a)

11,833 11,293**NOTE 5.1 (A) MOVEMENT IN THE ALLOWANCE FOR IMPAIRMENT LOSSES OF CONTRACTUAL RECEIVABLES****Balance at beginning of the year**

62 44

Increase in allowance

- 26

Decrease in allowance

(4) -

Amounts written off during the year

(11) (8)

Reversal of allowance written off during the year as uncollectable

- -

Balance at end of the year**47 62****How we recognise receivables**

Receivables consist of:

- Contractual receivables, which mostly includes debtors in relation to goods and services. These receivables are classified as financial instruments and categorised as 'financial assets at amortised costs'. They are initially recognised at fair value plus any directly attributable transaction costs. The Health Service holds the contractual receivables with the objective to collect the contractual cash flows and therefore 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 that are recoverable. Statutory receivables do not arise from contracts and are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments for disclosure purposes. The Health Service applies AASB 9 for initial measurement of the statutory receivables and as a result statutory receivables are initially recognised at fair value plus any directly attributable transaction cost.

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

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

South West Healthcare 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(A) for South West Healthcare's contractual impairment losses.

NOTE 5.2: PAYABLES & CONTRACT LIABILITIES

	Notes	2021 \$ '000	2020 \$ '000
CURRENT PAYABLES & CONTRACT LIABILITIES			
Contractual			
Trade Creditors ⁽ⁱ⁾		2,361	1,203
Accrued Salaries & Wages		2,107	3,326
Accrued Expenses		6,496	6,007
Payables - South West Alliance of Rural Health		1,434	1,372
Amounts Payable to governments and agencies		-	608
Deferred grant income	5.2 (a)	-	609
Contract liabilities- Income in Advance	5.2 (b)	12,098	3,148
Income in Advance - South West Alliance of Rural Health	5.2 (b)	311	691
TOTAL CURRENT PAYABLES & CONTRACT LIABILITIES		24,807	16,964

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

Total payables and contract liabilities		24,807	16,964
Deferred grant income		-	(609)
Contract liabilities		(12,409)	(3,148)
Department of Health		-	(608)
Total financial liabilities	7.1(a)	12,398	12,599

How we recognise payables and contract liabilities

Payables consist of:

- Contractual payables, which mostly includes payables in relation to goods and services. These payables are classified as financial instruments and measured at amortised cost. Accounts payable and salaries and wages payable represent liabilities for goods and services provided to the Health Service prior to the end of the financial year that are unpaid.
- Statutory payables, which most 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 nett 30 days.

NOTE 5.2 (A): DEFERRED CAPITAL GRANT REVENUE

	2021 \$ '000	2020 \$ '000
Opening balance of deferred grant income	609	447
Grant consideration for capital works received during the year	-	670
Deferred Grant Revenue recognised as revenue due to the completion of the capital works	(609)	(508)
Closing balance of deferred grant income	0	609

How we recognise deferred capital grant revenue

Grant consideration was received from Department of Health & Human Services for the Portland Community Mental Health Service Project. Capital Grant revenue is recognised progressively as the asset is constructed, since this is the time when South West Healthcare satisfies its obligations under the transfer by controlling the asset as and when it is constructed. The progressive percentage costs incurred is used to recognise income because this most closely reflects the progress to completion as costs are incurred as the works are done. As a result, South West Healthcare has deferred recognition of a portion of the grant consideration received as a liability for the outstanding obligations.

NOTE 5.2: PAYABLES & CONTRACT LIABILITIES (CONTINUED)

NOTE 5.2 (B): CONTRACT LIABILITIES

	2021 \$ '000	2020 \$ '000
Opening balance of contract liabilities	3,839	
Adjustment for initial adoption of AASB 15	-	145
Grant Consideration received	12,409	3,694
Revenue recognised for the completion of a performance obligation	(3,839)	-
Total contract liabilities	12,409	3,839
* Represented by:		
- Current contract liabilities	12,409	3,839
-Non-current contract liabilities	-	-
	12,409	3,839

How we recognise contract liabilities

Contract liabilities include grant consideration received from the State Government in support of COVID 19, consideration received in advance from customers in respect of regional grants and share of SWARH income in advance. Income is recognised once the goods and services are delivered provided.

The balance of contract liabilities was significantly higher than the previous reporting period due a reallocation of current year COVID Grants by the Department of Health.

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 7.1(b) for the maturity analysis of payables

NOTE 5.3: OTHER LIABILITIES

	2021 \$ '000	2020 \$ '000
CURRENT		
Patient Monies Held in Trust	81	97
Accommodation Bonds (Refundable Entrance Fees)	2,738	2,208
Other monies held in trust	353	368
TOTAL CURRENT	3,172	2,673
Represented by the following assets:		
Cash Assets (refer to Note 6.2)	3,172	2,673
TOTAL OTHER LIABILITIES	3,172	2,673

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 the Group 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 the South West Healthcare during its operations, along with interest expenses (the cost of borrowings) and other information related to financing activities of Southwest Healthcare.

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 and its impact on our economy and the health of our community.

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	South West Healthcare 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"> - has the right-to-use an identified asset - has the right to obtain substantially all economic benefits from the use of the leased asset and - can decide how and for what purpose the asset is used throughout the lease.
Determining if a lease meets the short-term or low value asset lease exemption	South West Healthcare applies significant judgement when determining if a lease meets the short-term or low value lease exemption criteria. The health service estimates the fair value of leased assets when new. Where the estimated fair value is less than \$10,000, the health service applies the low-value lease exemption. 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.
Discount rate applied to future lease payments	South West Healthcare 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, South West Healthcare 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 South West Healthcare is reasonably certain to exercise such options. South West Healthcare determines the likelihood of exercising such options on a lease-by-lease basis through consideration of various factors including: <ul style="list-style-type: none"> › If there are significant penalties to terminate (or not extend), the health service is typically reasonably certain to extend (or not terminate) the lease. › If any leasehold improvements are expected to have a significant remaining value, the health service is typically reasonably certain to extend (or not terminate) the lease. › The health service considers historical lease durations and the costs and business disruption to replace such leased assets.

NOTE 6.1: BORROWINGS

	2021 \$ '000	2020 \$ '000
Current Borrowings		
Finance Lease Liability - South West Alliance of Rural Health ⁽ⁱⁱⁱ⁾	174	141
Department of Health Loan ⁽ⁱ⁾	92	92
Lease liability ⁽ⁱⁱ⁾	158	71
Total Current Borrowings	424	304
Non Current Borrowings		
Finance Lease Liability - South West Alliance of Rural Health ⁽ⁱⁱⁱ⁾	311	188
Department of Health Loan ⁽ⁱ⁾	92	183
Lease liability ⁽ⁱⁱ⁾	716	239
Total Non-Current Borrowings	1,119	610
Total Borrowings	1,543	914

(i) These are unsecured loans which bear no interest

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

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

How we recognise borrowings

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

Initial recognition

All borrowings are initially recognised at fair value of the consideration received, less directly attributable transaction costs. The measurement basis subsequent to initial recognition depends on whether the South West Healthcare 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

Please refer to Note 7.1(b) for the maturity analysis of borrowings

Defaults and breaches

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

NOTE: 6.1(A) LEASE LIABILITIES

South West Healthcare's lease liabilities are summarised below:

	2021 \$'000	2020 \$'000
Total undiscounted lease liabilities	1,359	641
Less unexpired finance expenses	(42)	(5)
Net lease liabilities	1,317	639

NOTE 6.1: BORROWINGS (CONTINUED)

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

	Minimum future lease payments	
	2021	2020
	\$'000	\$'000
Not later than one year	332	212
Later than 1 year and not later than 5 years	1,027	432
Later than 5 years	-	-
Minimum future lease liability	1,359	644
Less future finance charges	(42)	(5)
TOTAL	1,317	639
	Present value of minimum future lease payments	
	2021	2020
	\$'000	\$'000
	332	212
	985	427
TOTAL	1,317	639

*** Represented by:**

- Current liabilities
- Non-current liabilities

TOTAL

How we recognise lease liabilities

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

To apply this definition, South West Healthcare 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 South West Healthcare and for which the supplier does not have substantive substitution rights;
- South West Healthcare 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 South West Healthcare has the right to direct the use of the identified asset throughout the period of use; and
- South West Healthcare has the right to take decisions in respect of 'how and for what purpose' the asset is used throughout the period of use.

South West Healthcare's lease arrangements consist of the following:

Type of asset Leased	Leased Term
Leased land	10 years
Leased buildings	10 years
Leased plant, equipment, furniture, fittings and vehicles	3 to 5 years

All leases are recognised on the balance sheet, with the exception of low value leases (less than \$10,000 AUD) and short term leases of less than 12 months. The following low value, short term and variable lease payments are recognised in profit or loss:

Type of payment	Description of payment	Type of leases captured
Low value lease payments	Leases where the underlying asset's fair value, when new, is no more than \$10,000	Equipment leases
Short-term lease payments	Leases with a term less than 12 months	Building lease

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

NOTE 6.1: BORROWINGS (CONTINUED)

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 South West Healthcare incremental borrowing rate. Our lease liability has been discounted by 2.2%

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

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

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

Subsequent measurement

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

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.

Leases with significantly below market terms and conditions

South West Healthcare holds lease arrangements which contain significantly below-market terms and conditions, which are principally to enable the health service to further its objectives. These are commonly referred to as a peppercorn or concessionary lease arrangement.

The nature and terms of such lease arrangements, including South West Healthcare's dependency on such lease arrangements is described below:

Description of leased asset	Our dependence on lease	Nature and terms of lease
Properties - Accomodation and specialised program accomodation.	The leased properties is used for accomodation and mental health programs. South West Healthcare's dependence on this lease is considered low. Although properties leased are fully utilised and are some are specialised they do not represent a material operating risk.	Lease payments of \$104 per property are required per annum. The lease commenced in 2014 and has a lease term of 10 years. Restrictions placed on the use of the asset include approval for any non maintenance changes.

NOTE 6.2: CASH AND CASH EQUIVALENTS

	2021	2020
	\$ '000	\$ '000
Cash on hand (excluding monies held in trust)	7	9
Cash at bank (excluding monies held in trust)	36,074	24,046
Deposits at Call (excluding monies held in trust)	12	12
Total cash held for operations	<u>36,093</u>	<u>24,067</u>
Cash at Bank (monies held in trust)	3,171	2,673
Total cash held as monies in trust	<u>3,171</u>	<u>2,673</u>
Total cash and cash equivalents	<u>39,264</u>	<u>26,740</u>

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
	\$ '000	\$ '000
Capital expenditure commitments payable		
Less than 1 year	354	1,507
Total Capital expenditure commitments	<u>354</u>	<u>1,507</u>
Other operating Commitments		
Share of SWARH Maintenance, Software Agreement & Network Obligations		
Less than 1 year	469	1,108
Longer than 1 year but not longer than 5 years	685	122
Total Non-cancellable Lease Commitments	<u>1,154</u>	<u>1,230</u>
Total Commitments (inclusive of GST)	1,508	2,737
Less GST recoverable from the Australian Tax Office	137	249
Total Commitments (exclusive of GST)	<u>1,371</u>	<u>2,488</u>

How we disclose our commitments

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

Expenditure commitments

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

NOTE 7: RISKS, CONTINGENCIES & VALUATION UNCERTAINTIES

South West Healthcare 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 South West Healthcare'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.

(A) CATEGORISATION OF FINANCIAL INSTRUMENTS

	Financial Assets at Amortised Cost \$ '000	Financial Liabilities at Amortised Cost \$ '000	Total \$ '000
2021			
Contractual Financial Assets			
Cash and cash equivalents	39,264	-	39,264
Receivables and contract assets	11,833	-	11,833
Total Financial Assets	51,097	-	51,097
Financial Liabilities			
Payables	-	12,398	12,599
Borrowings	-	669	669
Other Financial Liabilities			
- Accommodation Bonds	-	2,738	2,738
- Other	-	434	434
Total Financial Liabilities	-	16,239	16,440

NOTE 7.1: FINANCIAL INSTRUMENTS (CONTINUED)

(A) CATEGORISATION OF FINANCIAL INSTRUMENTS (CONTINUED)

2020	Contractual financial assets - loans and receivables \$ '000	Contractual financial liabilities at amortised cost \$ '000	Total \$ '000
Contractual Financial Assets			
Cash and cash equivalents	26,740	-	26,740
Receivables and contract assets	11,293	-	11,293
Total Financial Assets	38,033	-	38,033
Financial Liabilities			
Payables	-	12,516	12,516
Borrowings	-	604	604
Other Financial Liabilities			
- Accommodation Bonds	-	2,208	2,208
- Other	-	465	465
Total Financial Liabilities	-	15,793	15,793

(i) The carrying amount excludes statutory receivables (i.e. GST Receivable) and statutory payables (i.e. Revenue in advance).

How we categorise financial instruments

Categories of financial assets

Financial assets are recognised when South West Healthcare becomes party to the contractual provisions to the instrument. For financial assets, this is at the date South West Healthcare 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 South West Healthcare solely to collect the contractual cash flows and
- the assets' contractual terms give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specific dates.

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

South West Healthcare recognises the following assets in this category:

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

NOTE 7.1: FINANCIAL INSTRUMENTS (CONTINUED)

Categories of financial liabilities

Financial liabilities are recognised when South West Healthcare 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.

South West Healthcare recognises the following liabilities in this category:

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

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
- South West Healthcare 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
- South West Healthcare 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 South West Healthcare has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of South West Healthcare'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, South West Healthcare'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, South West Healthcare 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

South West Healthcare's main financial risks include credit risk, liquidity risk and interest rate risk. South West Healthcare manages these financial risks in accordance with its financial risk management policy.

South West Healthcare 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. South West Healthcare's exposure to credit risk arises from the potential default of a counter party on their contractual obligations resulting in financial loss to South West Healthcare. Credit risk is measured at fair value and is monitored on a regular basis.

Credit risk associated with South West Healthcare'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, South West Healthcare 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, South West Healthcare'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 South West Healthcare 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 South West Healthcare's maximum exposure to credit risk without taking account of the value of any collateral obtained.

There has been no material change to South West Healthcare's credit risk profile in 2020-21.

Impairment of financial assets under AASB 9

South West Healthcare records the allowance for expected credit loss for the relevant financial instruments, in accordance with AASB 9 Financial Instruments 'Expected Credit Loss' approach. Subject to AASB 9 Financial Instruments, impairment assessment includes South West Healthcare's contractual receivables, statutory receivables and its investment in debt instruments.

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

NOTE 7.2: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Contractual receivables at amortised cost

South West Healthcare 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. South West Healthcare has grouped contractual receivables on shared credit risk characteristics and days past due and select the expected credit loss rate based on South West Healthcare's past history, existing market conditions, as well as forward looking estimates at the end of the financial year.

On this bases, South West Healthcare determines the closing loss allowance at the end of the financial year as follows:

		Less					
	Current	than 1 month	1-3 months	3 months - 1 year	1-5 years	Total	
30-Jun-20							
Expected loss rate	0%	0%	10%	3%	3%		
Gross carrying amount of contractual receivables	2,526	697	376	121	105	3,825	
Loss allowance	0	0	19	6	37	62	
	Current	than 1 month	1-3 months	3 months - 1 year	1-5 years	Total	
30-Jun-21							
Expected loss rate	0%	0%	5%	8%	40%		
Gross carrying amount of contractual receivables	3,376	214	138	147	69	3,944	
Loss allowance	0	0	7	12	28	46	

Statutory receivables and debt investments at amortised cost

The 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 the result, the loss allowance recognised for these financial assets during the period was limited to 12 months expected losses.

NOTE 7.2 (B) LIQUIDITY RISK

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

South West Healthcare 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
- 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.

South West Healthcare'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.

NOTE 7.2: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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

NOTE 7.2 (B) LIQUIDITY RISK

Note	Total Carrying Amount	Nominal Amount	Maturity Dates			
			Less than 1 Month	1 - 3 Months	3 Months - 1 Year	1 - 5 Years
2021	\$	\$	\$	\$	\$	\$
Financial Liabilities						
<i>At amortised cost</i>						
Payables ⁽ⁱ⁾	5.2	24,807	24,807	24,807	0	0
Borrowings	6.1	669	669	22	66	178
Other Financial Liabilities						
- Accommodation Deposits	5.3	2,738	2,738	0	137	1,561
- Other	5.3	434	434	0	434	0
Total Financial Liabilities		28,648	28,648	24,829	637	1,739
2020						
Financial Liabilities						
<i>At amortised cost</i>						
Payables ⁽ⁱ⁾	5.2	16,964	16,964	16,964	0	0
Borrowings	6.1	604	604	20	60	153
Other Financial Liabilities						
- Accommodation Deposits	5.3	2,208	2,208	0	110	1,259
- Other	5.3	465	465	0	465	0
Total Financial Liabilities		20,241	20,241	16,984	635	1,412

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

NOTE 7.2 (C) MARKET RISK

South West Healthcare's exposures to market risk are primarily through interest rate risk, foreign currency risk and equity price risk. Objectives, policies and processes used to manage each of these risks are disclosed below.

Sensitivity disclosure analysis and assumptions

South West Healthcare's sensitivity to market risk is determined based on the observed range of actual historical data for the preceding five-year period. South West Healthcare 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 and

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. South West Healthcare 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. South West Healthcare has minimal exposure to cash flow interest rate risks through cash and deposits.

NOTE 7.3: CONTINGENT ASSETS AND CONTINGENT LIABILITIES

There are no known contingent assets or contingent liabilities for South West Healthcare at the date of this report. (Nil 2020)

How we measure and disclose contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet but are disclosed and, if quantifiable, are measured at nominal value.

Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

Contingent assets

Contingent assets are possible assets that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the health service.

These are classified as either quantifiable, where the potential economic benefit is known, or non-quantifiable.

Contingent liabilities

Contingent liabilities are:

- possible obligations that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within
- present obligations that arise from past events but are not recognised because:
 - It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligations or
 - the amount of the obligations cannot be measured with sufficient reliability.

Contingent liabilities are also classified as either quantifiable or non-quantifiable.

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 Executive Officers
- 8.4 Related Parties
- 8.5 Remuneration of auditors
- 8.6 Events occurring after the balance sheet date
- 8.7 Jointly Controlled Operations
- 8.8 Economic Dependency
- 8.9 Equity

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 FLOW FROM OPERATING ACTIVITIES

	2021 \$ '000	2020 \$ '000
NET RESULT FOR THE YEAR	(5,229)	(8,638)
Non-cash movements		
Non Cash Revenue - Assets received from Department of Health & Human Services (DHHS)	(174)	-
Depreciation	15,462	16,706
Allowance for impairment losses of contractual receivables	(15)	18
Movements included in investing and financing activities		
Net (gain)/loss from disposal of non financial physical assets	(186)	(64)
Less cash inflow/outflow from investing and financing activities		260
Less capital donations	(1,342)	(828)
Movements in assets and liabilities		
Change in Operating Assets & Liabilities		
(Increase)/Decrease in Receivables	118	1,026
(Increase)/Decrease in Other Assets	(958)	95
Increase/(Decrease) in Payables	924	(7,305)
Increase/(Decrease) in Provisions	559	(557)
Increase/(Decrease) in Other Liabilities	8,302	9,931
Increase/(Decrease) Change in Inventories	11	(16)
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	17,472	10,628

NOTE 8.2: RESPONSIBLE PERSON 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
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 the 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

NOTE 8.2: RESPONSIBLE PERSON DISCLOSURES (CONTINUED)

Governing Boards

Mrs. N. Allen	1 Jul 2020 - 30 Jun 2021
Dr G. Toogood	1 Jul 2020 - 30 Jun 2021
Mr. B. Brown	1 Jul 2020 - 30 Jun 2021
Mrs. J. Waterhouse	1 Jul 2020 - 30 Jun 2021
Dr. B. Northeast	1 Jul 2020 - 30 Jun 2021
Ms. K. Gaston	1 Jul 2020 - 30 Jun 2021
Ms. A. Patchett	1 Jul 2020 - 30 Jun 2021
Mr A. Gillan	1 Jul 2020 - 30 Jun 2021
Mr. R. Montgomery	1 Jul 2020 - 26 July 2020
Ms. R. Held	1 Jul 2020 - 30 Jun 2021

Accountable Officers

Mr C. Fraser (Chief Executive Officer)	1 Jul 2020 - 30 Jun 2021
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Remuneration of Responsible Persons

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

Income Band	2021	2020
	No:	No:
\$0 - \$9,999	1	0
\$10,000 - \$19,999	8	7
\$20,000 - \$29,999	1	2
\$330,000 - \$339,999	0	1
\$370,000 - \$379,999	1	0
Total Numbers	11	10
	2021	2020
	\$ '000	\$ '000
Total remuneration received or due and receivable by Responsible Persons from the reporting entity amounted to:	547	482

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

NOTE 8.3: REMUNERATION OF EXECUTIVES

Remuneration of executives

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

Remuneration of executive officers	2021	2020
	\$ '000	\$ '000
Short-term employee benefits	1,604	1,539
Post-employment benefits	145	128
Other long-term benefits	35	10
Total Remuneration	1,784	1,677
Total Number of executives ⁽ⁱ⁾	11	8
Total annualised employee equivalent (AEE) ⁽ⁱⁱ⁾	7.75	7.00

Notes:

- The total number of executive officers includes persons who meet the definition of Key Management Personnel (KMP) of the entity under AASB 124 Related Party Disclosures and are also reported within the related parties note disclosure (Note 8.4)
- Annualised employee equivalent is based on working 38 ordinary hours per week over the reporting

NOTE 8.3: REMUNERATION OF EXECUTIVES (CONTINUED)

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

Wages and salaries, annual leave or sick leave that are usually paid or payable on a regular basis,

Post-employment benefits

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

Other long-term benefits

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

Termination benefits

Termination of employment payments, such as severance packages.

NOTE 8.4: RELATED PARTIES

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

- all key management personnel and their close family members;
- all cabinet ministers and their close family members;
- Jointly Controlled Operation - A member of the Southwest Alliance of Rural Health; and
- all hospitals and public sector entities that are controlled and consolidated into the whole of state consolidated financial statements.

KMP's are those people with the authority and responsibility for planning, directing and controlling the activities of South West Healthcare, directly or indirectly.

NOTE 8.4: RELATED PARTIES (CONTINUED)

Key management personnel

The Board of Directors, Accountable Officer and the Executive Directors of South West Healthcare are deemed to be KMPs.

Entity	Key Management Personnel	Position Title	Period
South West Healthcare	Mr. B.Brown	Chair of the Board	01/07/20 - 30/06/21
South West Healthcare	Mrs. N. Allen	Board Member	01/07/20 - 30/06/21
South West Healthcare	Dr. G.Toogood	Board Member	01/07/20 - 30/06/21
South West Healthcare	Mr. R.Montgomery	Board Member	01/07/20 - 26/07/20
South West Healthcare	Mrs. J.Waterhouse	Board Member	01/07/20 - 30/06/21
South West Healthcare	Dr. B.Northeast	Board Member	01/07/20 - 30/06/21
South West Healthcare	Ms. K. Gaston	Board Member	01/07/20 - 30/06/21
South West Healthcare	Ms. A. Patchett	Board Member	01/07/20 - 30/06/21
South West Healthcare	Mr. A. Gillan	Board Member	01/07/20 - 30/06/21
South West Healthcare	Ms. R. Held	Board Member	01/07/20 - 30/06/21
South West Healthcare	Mr C.Fraser	Chief Executive Officer	01/07/20 - 30/06/21
South West Healthcare	Mr. A.Trigg	Chief Operating Officer	01/07/20 - 30/06/21
South West Healthcare	Dr. G. Sousa	Interim Executive Director Medical Services	01/07/20 - 16/04/21
South West Healthcare	Ms. G. Stevenson	Executive Director Nursing & Midwifery	01/07/20 - 30/06/21
South West Healthcare	Mr. J. Brennan	Executive Director Service Development	01/07/20 - 30/06/21
South West Healthcare	Ms. K. Cook	Executive Director Mental Health Services	01/07/20 - 20/08/20
South West Healthcare	Mr. R. Champion	Executive Director Mental Health Services	09/11/20 - 30/06/21
South West Healthcare	Ms. K. Anderson	Executive Director Primary and Community Services	01/07/20 - 30/06/21
South West Healthcare	Ms. L. Viljoen	Executive Director People and Culture	01/07/20 - 09/02/21
South West Healthcare	Dr. K. McConnon	Executive Director Medical Services	10/05/21 - 30/06/21
South West Healthcare	Ms. E. Holley	Executive Director People and Culture	22/03/21 - 30/06/21

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

COMPENSATION	2021	2020
	\$ '000	\$ '000
Short term employee benefits	2,102	1,974
Post-employment benefits	184	166
Other long-term benefits	46	19
Total	2,332	2,159

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

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

Significant transactions with government-related entities

Transactions	2021	2020
	\$ '000	\$ '000
Department of Health & Human Services	188,628	171,907
Indirect Contributions (DHHS)	1,232	1,066
Assets received free of charge	2,036	334
Contributed Capital	-	595
Repayment of Funding - Interest free loan	92	69
Total	191,988	173,971

NOTE 8.4: RELATED PARTIES (CONTINUED)

Balances Outstanding

Funding Outstanding	2021 \$ '000	2020 \$ '000
Department of Health & Human Services LSL Debtor	7,889	7,206
Interest free loan balance	184	277

Expenses incurred by the 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 a Victorian Public Financial Corporation.

The Standing Directions of the Assistant Treasurer require the 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 Victorian 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 Department of Health and Human Services, all other related party transactions that involved KMPs and their close family members have been entered into on an arm's length basis. Transactions are disclosed when they are considered material to the users of the financial report in making and evaluation decisions about the allocation of scarce resources.

There were no related party transactions with Cabinet Ministers required to be disclosed in 2021.

NOTE 8.5: REMUNERATION OF AUDITORS

	2021 \$ '000	2020 \$ '000
Victorian Auditor-General's Office		
Audit of financial statements	47	48
	<u>47</u>	<u>48</u>

NOTE 8.6: EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

No matters or circumstances have arisen since the end of the financial year which significantly affected or may affect the operations of South West Healthcare, the results of the operations or the state of affairs of South West Healthcare in the future financial years.

NOTE 8.7: JOINT ARRANGEMENTS

Name of Entity	Principal Activity	Ownership Interest	
		2021 %	2020 %
Southwest Alliance of Rural Health	Information Systems	14.73	14.52

South West Healthcare's interest in assets employed in the above jointly controlled operations and assets is detailed below. The amounts are included in the financial statements and consolidated financial statements under their respective categories:

	2021 \$ '000	2020 \$ '000
Current Assets		
Cash and Cash Equivalents	1,506	1,265
Receivables	453	937
Inventories	3	7
Prepayments	97	78
Total Current Assets	<u>2,059</u>	<u>2,287</u>
Non Current Assets		
Property, Plant and Equipment	1,209	838
DHS LSL Debtors	72	83
Total Non Current Assets	<u>1,281</u>	<u>921</u>
Total Assets	<u>3,340</u>	<u>3,208</u>
Current Liabilities		
Payables	1,434	1,371
Deferred Income	311	691
Provisions	256	249
Lease Liabilities	141	141
Total Current Liabilities	<u>2,142</u>	<u>2,452</u>
Non Current Liabilities		
Employee Provisions	50	47
Lease Liabilities	311	188
Total Non Current Liabilities	<u>361</u>	<u>235</u>
Total Liabilities	<u>2,503</u>	<u>2,687</u>
Net Assets	<u>837</u>	<u>521</u>

South West Healthcare interest in revenues and expenses resulting from jointly controlled operations and assets is detailed below:

Revenues

Operating Activities	2,669	2,825
Non Operating Activities	350	285
	<u>3,019</u>	<u>3,110</u>

Expenses

Employee Expenses	1,140	1,339
Maintenance Contracts and IT Support	1,067	1,223
Other Expenses	249	143
Finance Costs	11	15
Depreciation and Amortisation	280	264
Total Operating Expenses	<u>2,747</u>	<u>2,984</u>

Other Economic Flows included in the result

Revaluation of Long Service Leave	13	(23)
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Net Result

	<u>285</u>	<u>103</u>
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* Figures obtained from the unaudited SWARH financial statements

Contingent Liabilities and Capital Commitments

There are no known contingent assets or liabilities for South West Alliance of Rural Health as at the date of this report. The financial results included for SWARH are unaudited at the date of signing the financial statements.

NOTE 8.8 ECONOMIC DEPENDENCY

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

NOTE 8.9 EQUITY

Contributed capital

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

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 South West Healthcare has possession or title to the funds but has no discretion to amend or vary the restriction and/or condition underlying the funds received.