



COLAC AREA HEALTH

ANNUAL REPORT

2019 - 2020





Vision, Mission and Organisational Values

Vision

A trusted leader in complete community care

Mission

We will promote the health and wellbeing of the community by providing accessible integrated high quality services

Values

Respect

To have due regard for each other's differences, choices and rights

Integrity

To act in an open, honest and reliable manner that promotes quality and excellence in all things we do

Compassion

To demonstrate empathy, care and concern for others in a nurturing, non-judgemental manner



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Message from the Board Chair and Chief Executive

Colac Area Health offers a unique, integrated model of care across acute and community health services, enabling our patients, residents and clients to access care close to home. However, we recognise that we cannot do this alone - Colac Area Health has valued the development and consolidation of partnering with other health services to provide a broader range of care to our community.

The 2019/20 financial year has been the year of change in so many ways - a new Board Chair; a new Chief Executive; closure of the pathology laboratory; the Cyber-attack in September 2019 affecting the Barwon South West and Gippsland regions; and finally - Pandemic planning for and response to COVID 19.

The introduction of a robust *Emergency Management Framework* supported the management of the Cyber-attack. The staff and community responded with enormous energy, demonstrating their ability to adapt to new ways of delivering and receiving services throughout the health service setting.

Pandemic planning provided further opportunity to apply *Emergency Management Principles* and refine processes and skills. Decisions were made that were challenging but necessary to support the most vulnerable in our community including our residents in Corangamarah. The restriction of visitors and closure of planned activity groups were extremely difficult decisions to make, knowing we all thrive when connected to family and friends. Telehealth was integrated into service delivery across the organisation allowing clinicians to continue delivering care to the community.

The resilience of staff from both the cyber-attack and COVID-19 has been evident as we have adapted and changed

service delivery throughout these times. The strength and innovative thinking of our staff has enabled many to demonstrate their talents and leadership.

2020 will be etched in the memories of this generation and in our history as a year marked by the impact of the COVID-19 pandemic. Its impact touching the lives of everyone - locally, nationally and internationally. The model of Clinical Governance that drives Colac Area Health service, which is centred around safe, effective person-centred care was tested to its limits. The success of Colac Area Health's leadership, partnerships, resourcing, integration with community through local Business leaders, Local, State and Federal Government Agencies and Services, Colac Area Health developed a strategy based on emergency management planning that has been recognised for its success, adopted and replicated within other regional areas of the state to fight this pandemic.

The COVID-19 Pandemic Plan was tested with two outbreaks peaking at 104 and 39 positive COVID-19 cases in Colac Otway Shire. Over 10,000 tests were conducted by health service staff within the community.

Other highlights to be proud of at Colac Area Health include:

1. The attainment of successful accreditation under The National Safety and Quality Health Service Standards (NSQHS) Version 2, in September 2019.
2. After reviewing its Governance practices, the Board has further strengthened clinical governance in alignment with the Victorian Clinical Governance Framework.
3. The appointment of an Associate Director of Research (Dr Laura Alston) supported by the Western

Alliance, Deakin University and the National Heart Foundation to grow research at Colac in conjunction with regional partners. The successful grant applications support the work being undertaken giving rise to a healthy acknowledgment of research capability in a rural setting.

The 2019/20 year has been a year of transition farewelling long standing Board members and Executive.

We have conducted a full financial review of our service, examining our service profile which will influence the strategic direction of Colac Area Health.

This review revealed a deteriorating cash position that was negative and inefficiencies that needed to be corrected. In operating on a set of values that are inclusive, transparent, and accountable and with a commitment to work in partnership, Colac Area Health recognised a surplus of \$3.8 million. This result was only made possible due to the support given by the Department of Health and Human Services.

The financial review highlighted a number of areas for improvement across the organisation and together, a Financial Management Improvement Plan has been developed to move towards a financially viable state into the future. This process of renewal will take some years to be fully operational.

With the support of the Department of Health and Human Services the Board of Directors have commenced the development of a new strategic plan recognising Colac Area Health is part of a health system, where we are both a provider and a recipient of services from respected partners. Much of this work will be influenced from the *G21 Barwon Locality Health Plan* developed in conjunction with Barwon Health; Hesse Rural Health; Great Ocean Road Health and Bellarine Community Health and Department of Health and Human Services.

Feedback received from our community in response to changes with external partners (Maternity Services, Aged Care

Services and National Disability Insurance Scheme) has provided opportunities for us to review and improve our services to the community of Colac Otway Shire.

Through the support provided by the Department of Health and Human Services, Colac Area Health has been successful in receiving a grant for an upgrade to the aged care facilities. This will improve daily living experiences for residents in Corangamarah. Additionally, Colac Area Health received a grant from the Department of Health and Human Services to upgrade aging infrastructure by the proposed replacement of a generator and main switchboard.

Finally, our organisation is only as good as its people – our staff; our volunteers and our auxiliaries – whose commitment and dedication make it possible to provide safe, effective Person Centred Care.

We are proud to provide this overview of the year in review at Colac Area Health.



Fiona Brew
Chief Executive

Timothy Greene
Board Chair

Responsible Bodies Declaration

In accordance with the *Financial Management Act 1994*, I am pleased to present the Report of Operations for Colac Area Health for the year ending 30 June 2020.

Timothy Greene
Board Chair
Colac, Victoria
21 October 2020

Administrative Structure | Colac Area Health

Board of Directors

Chair | John De Lorenzo (July 2011 – November 2019)

Chair | Timothy Greene (November 2019 – current)

- > Anne-Marie Leslie
- > Leanne Witcombe
- > Shelly Pascoe
- > Dr Catherine Mandel
- > Donald Gordon
- > Dr Amir Rahimi
- > Kate Anderson
- > Jeffrey Lomas
- > David Shelton (Resigned in April 2020)

Committees

Finance Risk and Audit

Chair | Jeffrey Lomas

Members

- > Ken King
- > Timothy Greene
- > David Shelton
- > Dr Amir Rahimi

Clinical Governance Committee

Chair | Leanne Witcombe

Members

- > Kate Anderson
- > Dr Catherine Mandel
- > Timothy Greene
- > John DeLorenzo

Consumer Care and Engagement Committee

Chair | Anne-Marie Leslie

Members

- > Shelly Pascoe
- > Donald Gordon
- > Timothy Greene

Community Advisory Committee

Chair | Phillip Johnson

Members

- > Colleen Stephens
- > Megan Nelson
- > Shirley Carew
- > Lorraine Mahoney
- > Shane Murphy
- > Paul Durr
- > Robyn Alexander
- > Allen Biggins
- > Caz Gatti
- > Simon Oldfield
- > Maggie Matthews

Board Representatives

- > David Shelton (Resigned in April 2020)
- > Anne-Marie Leslie

Executive Team | Colac Area Health

Chief Executive

Fiona Brew

RN, Perioperative Certificate, Grad Dip Acute Care Nursing, MACN, MBA, GAICD

District Director Medical Administration

Dr Didir Imran

MBBS, MHS

Director, Nursing and Clinical Care

Jennifer Salkeld

RN, RM

Director, Clinical Enterprise and Pharmacy and Acting Director Community Care

David Walters

BPharm (VCP), MBA (SCU), MGMT (USQ), DipOrthTh (NJ), Grad Dip Clin Edu (Flinders)

(Acting January – March 2020)

Director of Community Care

Marg White

BA (Soc Sci), Grad Dip Management (February 1999 – December 2019)

Acting Director, Human Resources

Leanne Klahsen

B Commerce (Deakin University) Human Resource Management and Marketing Major Studies

(Acting October 2019 – current)

Director, Finance and Business Services

Jennifer Labourne

BBus, FCPA, CA

(September 2009 – March 2020)

Acting Director, Community Care

Lise Pittman

BA, BSW, Masters of Applied Science Org Dynamics

(March-August 2020)

Acting Director, Finance and Business Services

Gaye McCulloch

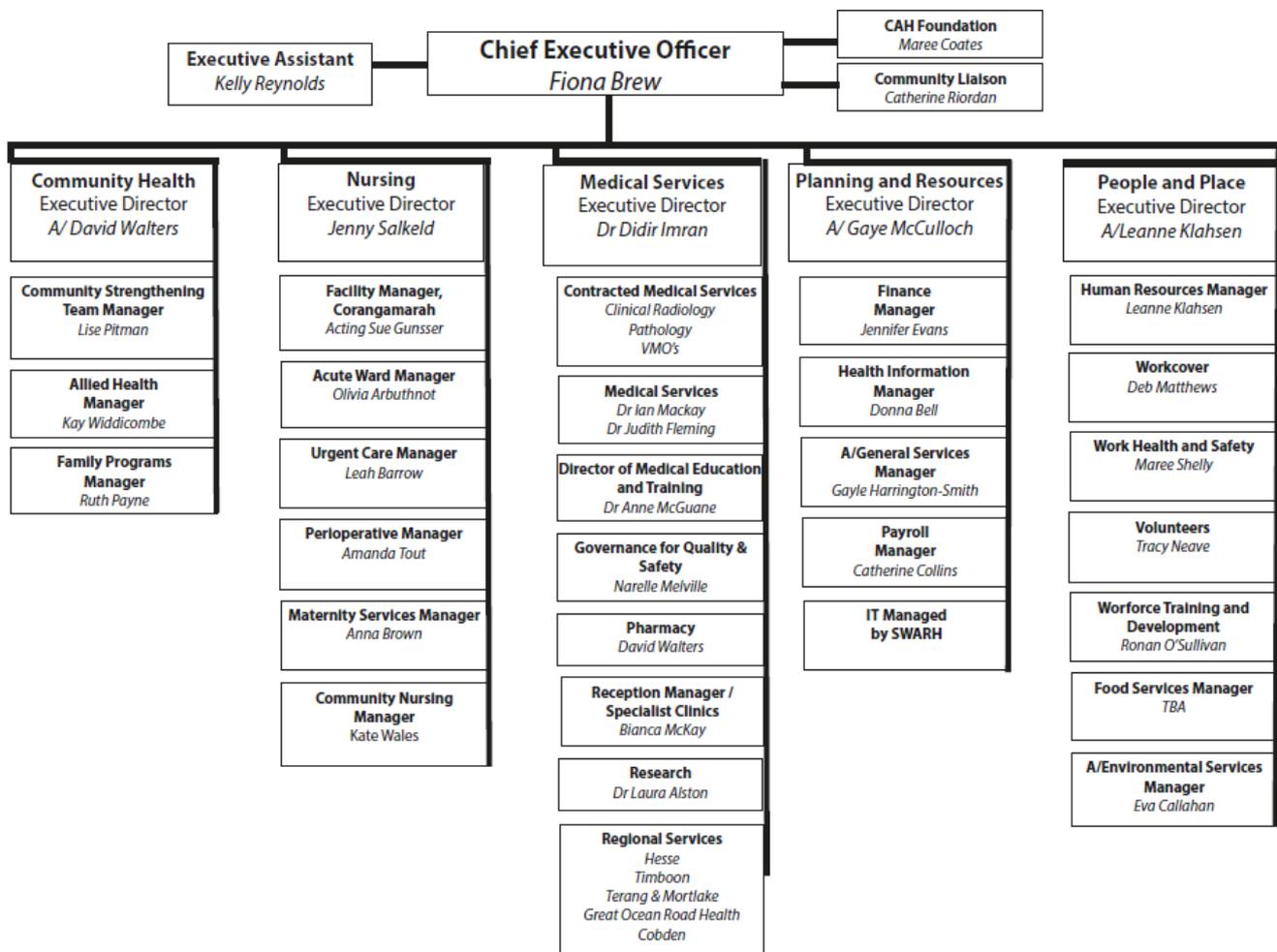
CPA; M.Acct (RMIT) Grad Dip Mgmt (RMIT); B.Ed (UTas)

(March 2020 – current)

Colac Area Health

Organisational Structure

At 30 June 2020





Colac Area Health cares for the health and wellbeing of more than 32,000 people in the Corangamite, Colac Otway, and Surf Coast Shires. Colac Area Health provides unique, integrated health services encompassing, Urgent Care, Acute Care, Community Care, Allied Health and other services.



COVID-19 Screening was offered to all staff across the organisation during the 100,000 Testing Blitz in April 2020

Our Services | Year in Review

COVID-19

Colac Area Health responded swiftly to the COVID-19 Pandemic in early March. The Pandemic plan was operationalised as our highest priority across all our services to ensure the safety of all our staff and consumers.

Colac Area Health played a leadership role within our community, working with business and community leaders to provide a united and targeted response. This response placed the region in a very strong position to respond to the pandemic when the region received the first positive COVID-19 result.

The COVID-19 response forecast impacts on all our staff and resources across our services. Colac Area Health staff worked well above and beyond to ensure challenges could be met head on, responded to, and managed with the safety of our services and community at the forefront of their efforts.

Urgent Care Centre

The Hospital Medical Officer model continues to support the Urgent Care service. This provides our Urgent Care with 24/7 medical cover and is supported by the Emergency Registrar two days per week which ensures our

patients receive the best possible emergency care.

The COVID-19 pandemic has brought about significant change in how Urgent Care staff provide care to the Colac community. Staff have been supported with ongoing education of new and constantly evolving COVID-19 clinical guidelines.

The safety of our staff and patients has been paramount and all have adapted well to the constant changes. Without a designated isolation room, caring for patients requiring precautions has been challenging but managed within the space available. The Colac Area Health screening clinic commenced operation in Urgent Care but due to demand changes were made to its location and resourcing. Creation of a separate waiting area was achieved through using co-located ward cubicles for a COVID-19 waiting room and patient assessments.

Further improvements were introduced including: installation of an intercom allowing patients to be screened for COVID-19 prior to entering Urgent Care; installation of viewing windows in closed cubicles to improve patient visibility and reduce risk to staff and other patients; significant changes in advanced life support procedures and intubation;

changes to handover practices in line with distancing requirements and many other changes to staff behaviours and care provision. Plans for installation of a central cardiac monitor to improve safety are underway.

Urgent Care developed a COVID-19 pathway that has been integrated and embedded across all services including the COVID-19 screening clinic.

Acute Care

The Acute Ward continues to be focused on delivering a high standard of care to our consumers during their health care journey at Colac Area Health. We are currently reviewing and updating our risk screening processes to ensure a thorough assessment of each patient is completed with timely activation of referrals and clinical pathways. This has included development of a specialised delirium pathway and post fall pathway to ensure consistent, comprehensive assessment and management of these patients.

Through shared decision making our staff support patients and their family in the formulation of patient centred goals to ensure we are able to fulfil the health care needs of our patients whilst they are in our care.

The Acute Care Team are experienced, knowledgeable, caring and adaptable to the ever changing environment in which we work. We have faced significant challenges over the last 12 months including the regional cyber-attack and the current COVID-19 pandemic.

The staff demonstrated a high level of resilience in supporting the organisation to continue delivering patient centred care to our community.

Haemodialysis

The Colac Area Health Haemodialysis unit trained two additional specialist staff to accommodate increases in demand for treatment hours and accommodate patient needs.

The unit responded to the challenges presented by COVID-19 by introducing

strict screening processes and isolating patients during their treatment if exhibiting any symptoms ensuring their treatment was uninterrupted.

Patient's expressed gratitude that they were able to remain in the local community, be treated by staff who were often known to them through their interactions in other parts of their day-to-day community life.



Residential Aged Care

We care for our residents with a skilled and proficient workforce which has ensured a consistently high level of occupancy.

Being situated in a central location in town, our residents feel a part of the broader community and are able to continue to participate in their daily lifestyle.

Corangamarah offers a range of activities and events for our residents tailored to meet their individual preferences and needs.

Corangamarah is co-located within Colac Area Health which provides residents with access to a wide range of hospital services.

COVID-19 provided many challenges for Residential Care. It was necessary to reduce visiting hours to safeguard our Residents. Our lifestyle program was reviewed and broadened to meet the social needs of our Residents.

Residents have access to Complex Pain Management programs which have been very effective in reducing pain and improving physical function to assist in daily living.

In 2020/21 Residential Aged Care will undergo a major refurbishment which will further expand our facilities in all areas and improve our Residents daily living experiences.

Colac Area Health continues to offer Restorative Care, Respite Care, and Dementia specific accommodation.



Community Public Dental Services

Despite the challenges faced during the cyber-attack and COVID-19 the dental clinic remained open and provided emergency care during this time and achieved 95.8% of the annual activity target, 763 new patients registered with the service, 1,087 children and 1,167 adults receiving dental care (530 less than in 2018/19).

The clinic has hosted more Charles Sturt University Bachelor of Oral Health undergraduates for clinical placements providing much needed clinical experience, supervision, support and mentorship. One of the 2019 students was employed by Barwon Health. This program has been successful in growing the clinical workforce in Colac.

Wait list and the Wait time for general care have significantly decreased with 575 adults now waiting 14 months for

care. Fifty-two patients are waiting up to 18 months for dentures. The State benchmarks are 23 and 22 months respectively as per Dental Health Services Victoria Scorecard 2019/20.

The morning emergency care sessions introduced in March 2019 continued to be successful with Category 1 triage compliance of 99.3% ensuring that anybody experiencing pain or a lost filling is assured of being seen within 24 hours.

Cancer Treatment Centre

The Frank Minchinton Centre provides a vital service for the people of the Colac community and surrounds, reaching as far as the coast, allowing patients the option to receive treatment close to home.

The highly skilled, friendly staff administer low risk chemotherapy treatments, supportive therapies such as blood product transfusions, iron infusions, radiotherapy skin checks, dressing changes and central line management.

They also offer support, education and advice. A visiting radiotherapist consults once a fortnight, and a medical oncologist runs a monthly review clinic and weekly Telehealth clinic.

COVID-19 brought a range of new challenges to our patients who are already facing a life altering illness and are particularly vulnerable. Staff employed ways to protect our patients and the centre. Strict screening for symptoms and exposure, both staff and patients wearing masks and ensuring appointments were staggered as much as possible to limit the amount of people being in the treatment area or waiting room at once.

The staff are very aware of the added stress our patients are feeling and offer extra emotional support and guidance. Many of our patients have expressed they are extremely grateful for a friendly, familiar face and feel very safe and comfortable in the centre.

Perioperative Services

In June 2020, the 32-year-old Operating Theatre Lights were replaced through a grant received from the Department of Health and Human Services.

The upgrade included replacement of two sets of existing operating lights with advanced crisp, clear, shadow-free illumination technology. In addition, a relocatable camera for each theatre for educational purposes was also installed. Wall mounted control panels allow easy access to operating functionality.

The state-of-the-art equipment has been welcomed by visiting surgeons and staff at Colac Area Health.



Maternity Services

Working with key stakeholders including consumers utilising our maternity services, a review of the maternity model of care was commenced. This work is progressing with implementation planned for the 2020/21 financial year.

More than 80% of our maternity clinicians participated in multidisciplinary training. The training covers three areas:

1. Fetal Surveillance Education Program (FSEP)
2. Neonatal Resuscitation (PIPER First Response Neonatal Resuscitation)
3. Multidisciplinary training (Practical Obstetric Multi-professional

Training & Maternity and Newborn Emergencies Program)

Maternity Services were quick to implement changes to ensure advice and care was based on the latest information about the effects of COVID-19 for pregnant women and their babies.

Changes made were based on recommendations received through the DHHS and the Royal Australian and New Zealand College of Obstetricians and Gynaecologists, including suspension of water immersion for labour and birth, reducing support person numbers for labour and birth to one person, reducing visitors to the hospital in the postnatal period and increasing the amount of personal protective equipment worn by our maternity clinicians during active labour and birth.

During the 2019/20 financial year, 134 babies were born at Colac Area Health.



Advanced Care Planning

Advance Care Planning is a national program that enables all Australians to make best health choices for their future life and healthcare.

At Colac Area Health all Advanced Care Planning documents and education have been developed utilizing the *Medical Treatment Planning and Decision Act*.

Advanced Care Planning education has been developed to assist staff delivering care.

A process has been established to monitor documents and ensure that all documents follow current legislation.

All new Advanced Care Planning documents uploaded to the electronic patient management system are reviewed to ensure they align with the *Medical Treatment Planning and Decision Act*.

A Goals of Care form has been developed which documents a patient's wishes for every admission to the Acute Ward. The Goals of Care form will reflect the Advanced Care Directive wishes, not replace Advance Care Plan, allowing time for the patient to make the best choices about their future health care.

Main Reception

Main Reception is the central point for COVID-19 screening, account payments, general enquiries, call centre switchboard, communication of the emergency announcement system and Community Health appointments. These appointments include Family and Community Programs, Allied Health and Community Nursing.

The introduction of a contemporary switchboard system has enabled our call centre team to quickly, professionally, and efficiently manage and dispatch interactions to the correct person within the organisation.

Due to COVID-19 our Reception staff have been integral in the introduction of screening for all staff, patients, clients and visitors. The screening process involves being asked a series of questions along with having their temperature taken and personal details recorded for contact tracing. This additional safety measure has resulted in a further Concierge Reception being established inside the Galvin McCarthy building.

Administration support is provided for the following Visiting Medical Clinics: Paediatrics, Neurology, Gynaecology,

Urology, Orthopaedics, Ophthalmology Victorian Infant Hearing, Cardiology, Nephrology, Pre-Anaesthetic Clinic and Skin Cancer Clinics. As a result of COVID-19 restrictions, onsite clinics have changed their mode of service delivery offering Telehealth services ensuring safety of patients and staff while continuing to deliver the care required.

With increased use of Telehealth consultations, our community has continued to receive care from their Medical Specialists without having to leave the safety of their home.

Allied Health Services

The Allied Health Team offers a range of programs and services including Physiotherapy, Occupational Therapy, Speech Pathology, Podiatry, Nutrition, Diabetes Education, Welfare, Exercise Physiology, Nicotine Addiction Management, Health Coaching, Community Rehabilitation Centre, and Social Support. Our aim is to provide assessment, treatment and care to protect, restore and to assist achieving positive outcomes.

The Allied Health team continue to work on ensuring we are responding and prioritising our clinical care. We are working towards ensuring all clients that are categorised as high receive an appointment at the point of receiving a referral.

The Dietitians received a research grant investigating the malnutrition rates of our inpatients and the risk indicators that may contribute to changes in care and management leading to improved health outcomes. This research indicated that a high number of our inpatients are at risk of malnutrition, which has prompted a review of our malnutrition screening process to ensure that all at-risk inpatients are referred for assessment from a Dietitian. This research is now being translated into clinical practice at Colac Area Health.

The research paper was presented at the Western Alliance Research Symposium this year and was published in the International Journal of Environmental Research and Public Health 2020.

Allied Health have introduced some additional specialist outpatient clinics in partnership with Barwon Health this year including a monthly Cachexia Clinic, weekly High-Risk Foot Clinic, and an Osteoarthritis Related Pain Clinic. Our Osteoarthritis Related Pain Clinic runs in 6-week blocks and aims to prevent or delay osteoarthritis joint replacement surgery and demonstrates our compliance with the Australian Commission on Safety and Quality in Health Care/Osteoarthritis of the Knee Clinical Care Standard. The team continue to provide a high level of care with the support of Barwon Health, utilising a multi-disciplinary team and some shared care with these clinics.

Miller House

South West Do Care integrated with Colac Area Health on the 1st July 2019. Miller House celebrated its first birthday in July and are recognised by the community as a key provider of social support services for older people. The range of programs provide opportunities for social, emotional, physical and cognitive wellbeing for participants and their carers to remain active and independent at home.

During COVID-19 the group activities have been adapted to a range of programs including twice weekly Chat Rooms, Gentle Exercises and Gardening Group conference calls.

Community Health

Colac Area Health provides a broad range of community services that aim to keep people well and in their homes. These services include more traditional health service delivery such as nursing in the community. There is a strong focus on wellbeing in the programs on offer within Community Health with services such as Orange Door who work in the space of family violence and Social Support Programs for those needing support to access community activities.

The changing environment of 2020 has required clinical teams to consider their service delivery models. These new models developed around evidence-based practice with consumers often

involved in co-design and new practice skills were further expanded when working in the rapid response testing teams for COVID-19.

The activity table below reflects the number of contacts staff responded to in our services.

Services 2019/20	Clients	Contacts
Community Health	3,236	45,121
Dental	2254	4824
Family Services	240	5738
Financial Counselling	359	1961
Homelessness	368	8015
Palliative Care	84	2167
Total	6541	67826

Figures reported are less than reported in 2018/19 due to the impact of COVID-19 on client numbers and contacts

Community Advisory Committee

The Colac Area Health Community Advisory Committee was established in 2013.

The Community Advisory Committee was established to strengthen the partnership between the health service and consumers, and to assist in providing advice on issues from a consumer, carer and community perspective through lived experience in the health system.

The Community Advisory Committee mission statement is "To be the voice for our community".

The committee membership during the 2019/20 financial year consisted of eleven community members and five ex officio members including the Chief Executive and a member of the Colac Area Health Board. The Community Advisory Committee is supported by a dedicated resource to assist with secretariat responsibilities.

In 2019/20 the Community Advisory Committee has matured into a cohesive group confident in providing consumer perspectives to provide a more balanced approach to health information to help meet the needs of consumers across the services delivered by Colac Area Health.

Volunteers

Last year Colac Area Health volunteers contributed 7232.38 hours to our organisation and the community. The end

of year Volunteer Recognition Award win was shared by three Volunteers out of the many nominations received. New Volunteer roles, including the concierge and maintenance role, were developed to assist Miller House following the amalgamation with Do Care.

During March all on site volunteering ceased in line with COVID-19 restrictions for the health and wellbeing of our volunteers and consumers as our priority. Volunteers were encouraged to continue supporting Miller House, Palliative Care and Bereavement so people in need remained connected during the pandemic.

Over this time Colac Area Health has kept in touch with Volunteers via emails, newsletters, personal phone calls and a survey. All volunteers received masks and hand sanitiser. To further support our volunteers, links to wellbeing websites, puzzles, games and recipes were sent out on a regular basis.

Volunteers were encouraged to be involved in a project to make 'Hearts for our Health Care Workers'.

National Volunteer Week was celebrated by acknowledging volunteers with seeded paper hearts with a note pad saying 'Volunteers - Heart of our Community' as recognition to the valuable effort our Volunteers make.

We are very much looking forward to welcoming our volunteers back to Colac Area Health.



In 2019/20, Colac Area Health recognised volunteers their years of service;

10 years:

Joan Taylor
Miller House Volunteer

Irene Lawrence
Birregurra Auxiliary

Janice Richardson
Birregurra Auxiliary

Lynette Bolton
Neighbourhood House

15 years:

Christine Nicolls
Birregurra Auxiliary

20 years:

Les Rosevear
Palliative Care Volunteer

25 years:

Leona Pekin
Palliative Care Volunteer

Vonnie Henderson; Birregurra Advisory Committee

Energy and Environment

Colac Area Health recognises its corporate citizenship responsibilities in environmental sustainability reducing our carbon footprint.

Over the last 12 months we have successfully installed;

- Solar panels on our Connor Street and Birregurra campuses
- LED lighting at our Birregurra campus

This initiative has contributed to a decline in electricity usage by 23.5%. Gas usage has increased by 13.2% and water use is up by 9.5%, possibly influenced by the number of COVID-19 cleans in the second part of the financial year. Overall, carbon emissions have reduced by 16.5%.

Environmental Services

Environmental Services are essential to maintaining the cleanliness and presentation of Colac Area Health.

Environmental Services staff include porters who are responsible for patient transport, onsite mail delivery, office relocation, linen and waste collection and delivery throughout the organisation, and additional requests as required.

Environmental Services were a key support in our COVID-19 response. Staff adapted and responded to the many challenges presented and were the unsung heroes in supporting frontline staff.

All staff have participated in ongoing education regarding the correct use of Personal Protective Equipment (PPE) and the cleaning requirements for infectious cleans. Staffing shifts have increased to provide a seven day a week service in vulnerable areas such as Residential Aged Care.

Clinical waste increased dramatically during COVID-19. Increased collections were arranged with our provider which enabled improved management for the duration of the outbreaks.

Responsibility for maintaining the cleanliness of Colac Area Health to a very high standard lies with the Environmental

Services team. Our monthly audits indicate we are well above the Acceptable Quality Level (AQL) required in the "Cleaning Standards for Victorian Health Facilities 2011".

The required Acceptable Quality Level is:

- Very High Risk (VHR) 90%
- High Risk (HR) 85%
- Moderate Risk (MR) 85%
- Overall Hospital Score (OHS) 85%

Colac Area Health are fortunate to have two QVCSA auditors on site. Internal audits are conducted monthly and our results are consistently above the standard required. Audits are completed using a software program developed by Infection Prevention Australia. This is an effective tool that enables us to provide feedback to staff and data to ensure we are achieving the relevant AQL for the relevant risk categories.

As per Department of Health requirements, an annual audit must be completed by an External Auditor from Infection Prevention Australia (IPA). The Cleaning Audit is conducted utilising the "Cleaning Standards for Victorian Health Facilities 2011".

The results of the annual external audit for 2020 is tabled below.

Area	2019 Score	2020 Score
Very High Risk- AQL 90% Operating Suite and CSSD	98%	99%
High Risk - AQL 85% Sterile supply areas, Urgent Care, Pharmacy Wards Cancer Centre.	98%	98%
Moderate Risk- AQL 85% Laboratories, Mortuary, Medical Imaging, Waiting Rooms, Administration	96%	95%
Overall Facility Score-AQL 85%	97%	97%

The results for all risk categories for the period 1 July 2019 to 30 June 2020



Report of Operations

Workforce Information

Workforce Data

Hospitals Labour Category	JUNE Current Month FTE*		Average Monthly FTE*	
	2019	2020	2019	2020
Nursing	163	161	155	157
Administration and Clerical	44	47	42	46
Medical Support	31	29	32	29
Hotel and Allied Services	47	49	46	47
Medical Officers	2	2	1	2
Hospital Medical Officers	0	0	0	0
Sessional Clinicians	0	0	0	0
Ancillary Staff (Allied Health)	43	40	42	42

*FTE figures in the table are those excluding overtime. These do not include contracted staff (e.g. Agency nurses, Fee-for-Service Visiting Medical Officers) who are not regarded as employees for this purpose.

Occupational Health and Safety Data

Occupational Health and Safety Statistics	2019-20	2018-19	2017-18
The number of reported hazards/incidents for the year per 100 FTE	49.8	36.5	51.8
The number of 'lost time' standard WorkCover claims for the year per 100 FTE	2.167	0.943	0.673
The average cost per WorkCover claim for the year ('000)	\$23 272	\$122 086	\$84 780

Occupational Violence Statistics

Occupational Violence Statistics	2019-20
Workcover accepted claims with an occupational violence cause per 100 FTE	0
Number of accepted Workcover claims with lost time injury with an occupational violence cause per 1,000,000 hours worked.	0
Number of occupational violence incidents reported	52
Number of occupational violence incidents reported per 100 FTE	16.1
Percentage of occupational violence incidents resulting in a staff injury, illness or condition	0%

Five Year Comparison Performance

Five Year Comparison Performance	2019-20	2018-19	2017-18	2016-17	2015-16
Staff					
Full Time Equivalent	328	329	299	281	275
Bed Days	13,050	13,538	13,263	12,265	12,341
Average Length of Stay	1.93	1.99	1.7	1.99	2.3
Aged Care					
Resident Days	21,197	21,142	21,559	22,576	21,503
Births	134	113	135	152	195
Operations*	2,699	2,952	3,077	2,990	3,172
Inpatient Statistics					
Same Day	4,449	4,431	4,271	3,986	3,848
Multi Day	2,299	2,378	2,256	2,191	2,225
TOTAL ACUTE SEPARATIONS*	6,530	6,580	6,527	6,177	6,073
Total Separations	6,513	6,561	6,413	5,916	5,773
Total WIES*	3,477.21	3,713.85	3,737	3,359	3,232
Urgent Care Centre					
Urgent Care Attendances	10,592	9,782	9,165	8,481	8,048
Community Services					
Total Contacts	67,826	75,882	59,230	60,183	58,469
Total Clients	6,541	7,774	6,207	7,060	6,969
*Lower activity reported for 19/20 reflects the impact of cyber security COVID-19 pandemic and theatre closure to replace theatre lights.					

Financial Results

Comprehensive Financial Review

Colac Area Health has experienced cash flow difficulties for several years. The 2018/19 operating result, a deficit of \$1.95m, led to a comprehensive financial review being undertaken by the Board early in this financial year. This review identified significant structural and financial issues including:

- A projected operating deficit in 2019/20 of \$3m
- A projected cash deficiency of \$6.5m for 2019/20
- Failing Engineering Infrastructure and obsolete Medical Equipment requiring urgent replacement at a cost of \$5-7m, and
- A lack of alignment between resource allocation and funded activity with significant inefficiencies.

In partnership with the Department of Health and Human Services a comprehensive Financial Management Improvement Plan was developed, with specific targets and priorities identified to deliver the improvements required over the next 3 years.

COVID-19 Impact

Significant progress was being made towards targets in the Financial Management Improvement Plan in the first 6 months of the financial year, however the COVID-19 pandemic impacted significantly on the priorities of the health service.

While regional areas were generally less impacted by the pandemic, the Colac-Otway Shire experienced two significant regional COVID-19 outbreaks. This required significant resource reorientation to allow Colac Area Health to immediately respond by establishing robust surveillance testing of the community and specific high risk industries, assisting with accommodation arrangements and importantly protecting aged care residents, health service patients and staff.

The State Government is committed to a strong public health system and is continuing to provide support to ensure Colac Area Health remains financially viable and can continue to support staff who are at the front line should the pandemic further impact our community.

The direct financial impact of the pandemic on the health service financial performance was \$2.27m which has been funded by additional State Government Grants. There has also been a significant impact on service delivery with inpatient services for the year achieving 94% of the Statement of Priorities (SOP) target.

Financial Performance Summary | 5 Years

Reconciliation between the Net result from transactions in the financial statements and the Operating result as agreed in the Statement of Priorities

	2020	2019	2018	2017	2016
	\$000	\$000	\$000	\$000	\$000
Operating Result	3,855	(1,954)	(208)	(563)	271
Total revenue	58,475	49,514	45,195	40,295	39,530
Total expenses	56,246	52,635	47,163	42,969	41,049
Net result from transactions	2,229	(3,121)	(1,968)	(2,674)	(1,519)
Total other economic flows	64	(111)	(180)	26	0
Net result	2,293	(3,232)	(2,148)	(2,648)	(1,519)
Total assets	63,809	61,544	57,968	54,748	54,383
Total liabilities	25,629	25,657	20,718	19,260	13,840
Net assets / Total equity	38,180	35,887	37,250	35,488	40,543

	2020	2019	2018	2017	2016
	\$000	\$000	\$000	\$000	\$000
Net operating result *	3,855	(1,954)	(208)	(563)	271
Capital and specific items					
Capital purpose income	1,092	1,217	1,124	1,136	1,281
Specific revenue	226				
Assets provided free of charge	0				
Assets received free of charge	240				
Expenditure for capital purposes	(9)				
Depreciation and amortisation	(3,169)	(2,384)	(2,809)	(3,208)	(3,071)
Impairment of non-financial assets	0		(62)	(6)	
Finance costs	(6)		(13)	(33)	
Net result from transactions	2,229	(3,121)	(1,968)	(2,674)	(1,519)

* The net operating result is the performance result the health service is monitored against in its Statement of Priorities

Operating Performance

The Net Operating Result for 2019/20 was a surplus of \$3,855,000 (2019: \$1,954,000 deficit) which was \$4,755,000 favourable to the deficit of \$900,000 in the Statement of Priorities. Additional State Government Grants of \$5,800,000 which included \$2,270,000 for the COVID-19 impact contributed significantly to the improvement.

Additional grant revenue over and above the COVID-19 funding was required to support the health service's cash position. Without additional grants the health service would have delivered a deficit of \$1,945,000 in 2019/2020.

Despite the current and potential future COVID-19 impacts, the health service is working through the Financial Management Improvement Plan to deliver further improvements and move towards a sustainable position within the next three years.

Liquidity

The most significant challenge for the health service at the commencement of the year was the management of liquidity. While the cash balances appear adequate, most of the cash reported in the annual accounts is restricted funds associated with Aged Care Accommodation Deposits or other restricted purpose funds not available to be used to support the health service's operating requirements.

At year end the health service had \$13,300,000 in cash. This cash total includes, \$10,800,000 held as Aged Care Accommodation Deposits with a further \$1,223,000 in restricted purpose funds including capital grants for Aged Care Refurbishment and Capital Grant for Generator Replacement. Total available cash to the health service at year end was \$1,800,000, an improvement on the prior year of a cash deficit of \$219,000 and unpaid creditors totalling \$4,500,000.

The substantial improvement in liquidity is attributable to the health service

operating surplus of \$3,855,000 which was achieved after the receipt of additional State Government support together with improvements made in accordance with the Financial Management Improvement Plan.

Asset Management

The cash position in the last few years has severely limited the capacity of the health service to invest and maintain the asset base which in turn impacts on service delivery quality and efficiency. Investment has been limited to works and equipment fully funded by government grants, interest free loans from government and community fundraising.

The financial review identified critical engineering infrastructure and medical equipment requiring an urgent investment of \$5-7m.

During the year Colac Area Health was advised of \$1,779,000 funding from the State-wide Infrastructure Fund to replace the emergency generator and upgrade associated electrical infrastructure. In addition, \$490,000 has been received to fund refurbishment works in Corangamarah Aged Care Facility. Both projects were planned for completion during the year but have been substantially delayed due to the COVID-19 pandemic. The replacement of operating theatre lights at a total cost of \$160,000 was completed in June.

Priorities for the next year include replacement of obsolete endoscopy equipment, CT scanner and completion of an infrastructure assessment which will include planning for replacement of the chiller.

The Future

The COVID-19 pandemic will continue to have a significant impact in 2020/21 and in this uncertain environment the health service must continue to work closely in partnership with Department of Health and Human Services, other health service providers, staff and the community to improve the health service performance. The substantial improvements already achieved in the current year provide a

strong foundation to deliver the outcomes of the Financial Management Improvement Plan. It is with optimism we look forward to making steady progress to return to sustainable financial

performance and are able to make the necessary investment in equipment and infrastructure required to support the delivery of safe, high quality care.

ICT expenditure

Business as Usual (BAU) ICT expenditure	Non-Business as Usual (non-BAU) ICT expenditure		
Total (excluding GST)	Total=Operational expenditure and Capital Expenditure (excluding GST) (a) + (b)	Operational expenditure (excluding GST) (a)	Capital expenditure (excluding GST) (b)
\$2.1 million	\$0	\$0	\$0

Use of Consultants | Details of individual consultancies

In 2019/20 Colac Area Health engaged seven consultancies listed below with a total expenditure of \$115,000. No ex-gratia payments were made during the year.

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

In 2019-20, there were four consultancies where the total fees payable to the consultants were \$10,000 or greater. The total expenditure incurred during 2019-20 in relation to these consultancies is \$95,317 (excl. GST).

Consultant	Purpose of Consultancy	Start Date	End Date	Total Approved Project Fee (excluding GST)	Expenditure 2019-20 (excluding GST)	Future Expenditure (excluding GST)
Grant Solutions	Executive	Jul-19	Jun-20	\$16,500	\$16,500	\$50,000
Ros Pearson Consulting	Governance	Aug-19	Aug-19	\$11,317	\$11,317	\$0
Michael Rhook	Executive	Oct-19	Jun-20	\$50,000	\$37,000	\$70,000
Stopping Family Violence	Family Support	Sep-19	Sep-19	\$17,500	\$17,500	\$0
			Total	\$95,317		

Details of consultancies (under \$10,000)

In 2019-20, there were three consultancies where the total fees payable to the consultants were less than \$10,000. The total expenditure incurred during 2019-20 in relation to these consultancies is \$19,683 (excl. GST).

Consultant	Purpose of Consultancy	Start Date	End Date	Total Approved Project Fee (excluding GST)	Expenditure 2019-20 (excluding GST)	Future Expenditure (excluding GST)
BRT Consulting	Engineering	Jul-19	Jun-20	\$8,000	\$8,000	\$0
Jenny Locke	Human Resources	Jul-19	Jun-20	\$6,867	\$6,867	\$0
D.K. Sonin & Associates Pty Ltd	HR	Jul-19	Jun-20	\$4,816	\$4,816	\$6,000
			Total	\$19,683		

Disclosures Required Under Legislation

Manner of establishment and the relevant Minister

Colac Area Health is a public hospital established under the Health Services Act 1988. Colac Area Health provides a range of health, aged and community based services as authorised under the Act and operates aged residential care services under the Aged Care Act 1997.

The annual report is prepared in accordance with Ministerial Directions issued by the Minister for Finance under the Financial Management Act 1994. The following disclosures are made regarding responsible persons for the reporting period.

Responsible Ministers Objectives, functions, powers and duties

Jenny Mikakos MP

Minister for Health
Minister for Ambulance Services

Martin Foley MP

Minister for Mental Health

The Honourable Luke Donnellan MP

Minister for Child Protection
Minister for Disability, Ageing and Carers

Building Act 1993

Colac Area Health complies with the building and maintenance provisions of the *Building Act 1993*.

Public Interest Disclosure Act 2012

Colac Area Health has in place policies for disclosure in accordance with the Protected Disclosure Act 2012. No protected disclosures were made under the Act in 2019/2020.

National Competition Policy

Colac Area Health has complied with the requirements of the Government policy statement under the National Competition policy.

Carers Recognition Act 2012

The *Carers Recognition Act 2012* recognises, promotes and values the role of people in care relationships. Colac Area Health understands the different needs of persons in care relationships and that care relationships bring benefits to the patients, their carers and to the community. Colac Area Health takes all practicable measures to ensure that its employees, agents and carers have an awareness and understanding of the care relationship principles and this is reflected in our commitment to a model of patient and family centred care and to involving carers in the development and delivery of our services.

Safe Patient Care Act 2015

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

Local Jobs First Act 2003

The *Local Jobs First Act 2003* introduced in August 2018 brings together the Victorian Industry Participation Policy (VIPP) and Major Project Skills Guarantee (MPSG) policy which were previously administered separately.

Departments and public sector bodies are required to apply the Local Job first policy in all projects valued at \$3 million or more in metropolitan Melbourne or for state-wide projects, or \$1 million or more for projects in regional Victoria.

MPSG applies to all construction projects valued at \$20 million or more.

The MPSG guidelines and VIPP guidelines will continue to apply to MPSG applicable and VIPP applicable projects respectively where contracts have been entered prior to 15 August 2018.

Colac Area Health abides by the principles of the *Local Jobs First Act 2003*. In 2019-2020 there were no contracts completed by Colac Area Health under this Act.

Additional information available on request

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

- a. Declarations of pecuniary interests have been duly completed by all relevant officers;
- b. Details of shares held by senior officers as nominee or held beneficially;
- c. Details of publications produced by the entity about itself, and how these can be obtained;
- d. Details of changes in prices, fees, charges, rates and levies charged by the Health Service;
- e. Details of any major external reviews carried out on the Health Service;
- f. Details of major research and development activities undertaken by the Health Service that are not otherwise covered either in the report of operations or in a document that contains the financial statements and report of operations;
- g. Details of overseas visits undertaken including a summary of the objectives and outcomes of each visit;
- h. Details of major promotional, public relations and marketing activities undertaken by the Health Service to develop community awareness of the Health Service and its services;
- i. Details of assessments and measures undertaken to improve the occupational health and safety of employees.

Freedom of Information Act 1982

The Freedom of Information Act 1982 allows the public a right of access to documents held by the Health Service. If you wish to access your information contact the Freedom of Information Officer on telephone 5232 5253 or email healthinfo@cah.vic.gov.au

The application fee is \$29.60 but this can be waived on the basis of hardship. For further information please access the following links.

<https://ovic.vic.gov.au/freedom-of-information/for-the-public/make-a-freedom-of-information-request/>

For the 12 months ending 30 June 2020 Colac Area Health received 45 valid applications.

Attestations and Declarations

Subsequent Events

No events occurred after balance date which would significantly affect Colac Area Health operations in subsequent reporting periods.

Financial Management Compliance Attestation

I Timothy Greene, on behalf of the Responsible Body, certify that Colac Area Health has no Material Compliance Deficiency with respect to the applicable Standing Directions 2018 under the Financial Management Act 1994 and Instructions.



Timothy Greene
Board Chair
Colac, Victoria
21 October 2020

Integrity, fraud and corruption

I Fiona Brew certify that Colac Area Health has put in place appropriate internal controls and processes to ensure that Integrity, Fraud and Corruption risks have been reviewed and addressed at Colac Area Health during the year.

Data Integrity

I, Fiona Brew certify that the Colac Area Health has put in place appropriate internal controls and processes to ensure that reported data accurately reflects actual performance. Colac Area Health has critically reviewed these controls and processes during the year.

Conflict of Interest

I, Fiona Brew, certify that Colac Area Health has put in place appropriate internal controls and processes to ensure that it has complied with the requirements of hospital circular 07/2017 *Compliance reporting in health portfolio entities (Revised)* and has implemented a 'Conflict of Interest' policy consistent with the minimum accountabilities required by the VPSC. Declaration of private interest forms have been completed by all executive staff within Colac Area Health and members of the board, and all declared conflicts have been addressed and are being managed. Conflict of interest is a standard agenda item for declaration and documenting at each executive board meeting.



Fiona Brew
Chief Executive
Colac Area Health
21 October 2020



Key Financial And Service Performance Reporting

Strategic Priorities – Health 2040

In 2019-20 Colac Area Health will contribute to the achievement of the Government's commitments within *Health 2040: Advancing health, access and care* by:

Better Health

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

Deliverables:

- Review the health coach led multidisciplinary team approach for chronic disease to embed this approach to improve patient self-management of chronic disease. **Complete**
 - Review of data and anecdotal consumer feedback from previous 2 years of the WVPHN health coaching model indicated health outcomes improved and there was an improve multi-disciplinary approach to chronic disease
 - Based on this evidence embedding this model of wellness and coaching within allied health disciplines in their management of chronic disease was supported
 - Online access to health coach training has been made available to all allied health clinicians to increase capacity and skills in a wellness approach to intervention. 7 Staff have completed this training and one health coach has completed a formal Certificate in Well Coaches supported by the Colac Area Health Foundation
 - The tools, skills and approach have enhanced the approach provided through motivational interviewing training. Consumers are engaged and have been able to sustain lifestyle changes to improve their health outcomes and disease management. This will move to a transdisciplinary model of service as staff gain confidence in using this approach
- Implement 100% nicotine screening in pre-anaesthetic clinic to improve multi-day admitted patient management. **Complete**
 - Nicotine screening introduced into pre- anaesthetic clinic - audit in April to monitor compliance showed 100% of patients are asked the question and provided with information regarding Colac Area Health nicotine management clinic

Better Access

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

- Review the Hospital Admission Risk Program to increase timely and easier access for the most vulnerable clients to reduce unnecessary presentations to the Urgent Care Centre. **In Progress**
 - HARP Model of Care under review with systems and monitoring tools under development.
 - Documentation reviewed by nurse unit manager (NUM) in consultation with health information management (HIM) and new recording process developed and implemented.
 - GP re-engagement identified opportunities to improve management of patients to better improve patient outcomes and reach goals of care.
 - Continues as a standing agenda item on the Urgent Care Review Working Party. – Due to COVID-19 the working party has not met to progress this work – to date there has been no increase in referrals and overall referrals to community services has reduced during this time.
 - Collaboration with Primary Health Network (PHN) to improve accessibility to the right care in the right place commenced. Data around Chronic Disease Management and Health Coaching service activity to be analysed.
- Review Hospital in The Home program to reduce Length of Stay and increase referrals. **In Progress**
 - Unplanned readmissions and Extended Length of Stay monitored and reviewed by Patient Flow Liaison Officer with actions developed to manage. Reports to Clinical Risk and Reducing Harm Committee provided monthly which have shown that further work is required to increase referrals

Better Care

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

- Introduce an electronic Patient Journey Board to improve management of patient journey and discharge planning. **Complete**
 - Electronic Board implemented successfully September 2019. Proving to be effective tool for all Multidisciplinary Team

- Review Colac Area Health Maternity Model to improve the care model and the patient experience. Investigate need to establish a Breastfeeding clinic as part of the review. **In Progress**
 - Maternity Model review commenced November 2019. Financial Modelling underway by District Director Medical Administration and Interim Director of Finance and Business Services.
 - Breast Feeding Clinic established 2019. One day per week. Successful implementation – Lactation Consultant fully booked each week.

Specific priorities for 2019-20

In 2019-20 Colac Area Health will contribute to the achievement of the Government's priorities by:

Supporting the Mental Health System

Improve service access to mental health treatment to address the physical and mental health needs of consumers.

Deliverables:

- A review of access and referral processes to reduce the need for young people to have to repeat their story to multiple services/practitioners has occurred. Agreement has been reached with the visiting Sexual Assault and Family Violence service to enable seamless referral processes. **Complete**
 - In partnership with Barwon Health Mental Health additional support exists for Youth Health Hub General Practitioner. The lead psychiatrist is available to assist with triaging clients to enable a smoother/timely referral process. The Psychiatric Registrar is available to discuss clients currently receiving support from the YHH General Practitioner.

Addressing Occupational Violence

Foster an organisational wide occupational health and safety risk management approach, including identifying security risks and implementing controls, with a focus on prevention and improved reporting and consultation.

Implement the department's security training principles to address identified security risks.

Deliverables:

- Deliver a basic training package on Occupational Violence and Aggression (OVA), with input from Ambulance Victoria and Victoria Police, including recognising early warning signs and de-escalation strategies. **Complete**
 - Code Grey training delivered to first cohort of priority staff.
- Introduce the WorkSafe Occupational Violence Investigation tool for all OVA incidents reported. **Complete**
 - Process implemented involving WH&S Coordinator, Manager and employee and documented in RiskMan.
- Priority actions from the security audit across work locations. **Complete**
 - Maintenance requests completed (e.g. Light globe changes); second round of security audits formed part of COVID-19 preparations and response e.g. Lock down of facility entrances; installation of safety/security screens; phone tips developed for abusive callers

Addressing Bullying and Harassment

Actively promote positive workplace behaviours, encourage reporting and action on all reports.

Implement the department's *Framework for promoting a positive workplace culture: preventing bullying, harassment and discrimination* and *Workplace culture and bullying, harassment and discrimination training: guiding principles for Victorian health services*.

Deliverables:

- In line with the department's framework for promoting a positive workplace culture: **Complete**
 - Continue the principles of our "Creating a Positive Culture" (from Safer Care Victoria & Proteus Leadership) work and ensure new employees are provided relevant information and education as part of orientation.
 - In place as part of orientation program and continuing participation in the Safer Care Victoria, Leadership Team Coaching program.
 - Know Better, Be Better campaign elements also being used as part of Health and Safety focus.
 - Utilise People Matter data to focus on areas of strength regarding positive workplace behaviours as well as areas for targeted improvement.
 - Results disseminated across the organisation and action plans developed. Overt direct actions less evident due to *COVID-19* activity, however mechanisms have been put in place to respond to concerns of stress (staff identified priority area, such as establishing regular psychological support sessions for staff).

Supporting Vulnerable Patients

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

Deliverables:

- Identify priority staff groups for Dementia specific training – target of 80% staff to receive training in twelve months. **In Progress**
 - Process of identifying work groups and individuals.
 - Education program was provided by Dementia Australia remotely in May and due to *COVID-19* only 25% of identified staff completed the training. Training will be reinstated once *COVID-19* restrictions are lifted.

Supporting Aboriginal Cultural Safety

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

Deliverables:

- Audit organisational entry points and implement improvements to ensure a welcoming environment and culturally safe messaging to Aboriginal and Torres Strait Islander people. **Complete**

- The audit of organisational entry points has been completed. Work has commenced on the most appropriate communication of a welcoming environment to our Aboriginal and Torres Strait Islander people.
- Partner with local Aboriginal and/or Torres Strait Islander (ATSI) community to implement cultural safety training to all staff. **In Progress**
 - An additional 9 community staff have been trained across 5 sessions on cultural safety in the context of family violence and aboriginal communities with Professor Judy Atkinson.
 - Beginning steps project – Colac Area Health is a partner in this pilot and the Deep Listening (Dadirri) project.
 - Family services and Maternity are part of the reference group for Beginning Steps (Department of Health and Human Services/Colac-Otway Shire partnership) to strengthen linkages for aboriginal families with Early Years. This will include a learning circle that will have an aboriginal reflective lens with elders supporting as well as offering country visits. This is planned for later in the year. A worker has been appointed.
 - There is a commitment by Colac Area Health and our local Aboriginal and Torres Strait Islander (ATSI) community to progress training however has been delayed due to COVID-19.

Addressing Family Violence

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

Deliverables:

- Develop a working group to introduce the Multiagency Risk Assessment and Risk Management framework and implement the tier 4 component of the framework.

In Progress

- MARAM education for senior leadership team conducted 28 November 2019. Membership of Strengthening Health Responses to Family Violence (SHRFV) Implementation Committee increased to ensure organisational wide representation for requirements under MARAM Framework (Jan 2020)
- MARAM responsibilities 1, 2 and 5 for tier 4 staff – these are well underway via SHRFV training modules (Module 1 – Family Violence: A Shared understanding, Module 2 – Identify and Respond to Family Violence).
- Process and procedure development started for the implementation of information-sharing schemes (MARAM Responsibility 6). Health service prescribed as an Information Sharing Entity in the first half of 2021
- Complete workforce training and education in identifying and responding to Family Violence with a target of 80%. **Complete**
 - Workforce training and education on Family Violence is progressing with 85% of clinical staff having completed module 2 – Identify and Respond to Family Violence
 - 85% of all Colac Area Health staff have completed some level of family violence training.
 - Ability to complete training has been greatly impacted this financial year through the cybersecurity incident in the second half of 2019 and the COVID-19 outbreak in 2020.
 - Colac Area Health participated as a joint partner in the 16 day of activism (4/12/2019) to raise awareness and promote further education for staff.

Implementing Disability Action Plans

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

Deliverables:

- Develop a consumer and staff engagement strategy to enhance consultation with consumers and staff on the Disability Action Plan. **Complete**
 - First draft of Disability Action Plan presented to Community Advisory Committee.
- Ensure governance and oversight of the Disability Action Plan is embedded within the Board Consumer Care and Engagement Committee. **Complete**
 - Executive Sponsor oversight of plan identified.
 - Work plan for committee developed to ensure oversight of Disability Action Plan.
- Implement two goals from each of the four Disability Action Plan priority areas. - **Complete**
 - Work has commenced on the priority areas of the Action plan and with community consultation - occurred in August 2019.

Supporting Environmental Sustainability

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

Deliverables:

- Develop and distribute environmental waste reports to measure the impact of recycling initiatives. - **In Progress**
 - Reports reviewed and determined to be fit for purpose for distribution. Further analysis to be completed.
- Solar panels and LED lights installed at Birregurra Community Health. - **Complete**

High Quality and Safe Care

Key performance measure	Target	Result
Accreditation		
Compliance with the Aged Care Standards	Full compliance	Achieved
Infection prevention and control		
Compliance with the Hand Hygiene Australia program	83%	89.1%
Percentage of healthcare workers immunised for influenza	84%	86%
Organisational Culture		
People matter survey - percentage of staff with an overall positive response to safety and culture questions	80%	92%
People matter survey – percentage of staff with a positive response to the question, “I am encouraged by my colleagues to report any patient safety concerns I may have”	80%	97%
People matter survey – percentage of staff with a positive response to the question, “Patient care errors are handled appropriately in my work area”	80%	96%
People matter survey – percentage of staff with a positive response to the question, “My suggestions about patient safety would be acted upon if I expressed them to my manager”	80%	97%
People matter survey – percentage of staff with a positive response to the question, “The culture in my work area makes it easy to learn from the errors of others”	80%	93%
People matter survey – percentage of staff with a positive response to the question, “Management is driving us to be a safety-centred organisation”	80%	94%
People matter survey – percentage of staff with a positive response to the question, “This health service does a good job of training new and existing staff”	80%	86%
People matter survey – percentage of staff with a positive response to the question, “Trainees in my discipline are adequately supervised”	80%	81%
People matter survey – percentage of staff with a positive response to the question, “I would recommend a friend or relative to be treated as a patient here”	80%	95%

Patient Experience		
Victorian Healthcare Experience Survey – percentage of positive patient experience responses	95%	98.6%
Victorian Healthcare Experience Survey – percentage of very positive responses to questions on discharge care	75%	88.3%
Victorian Healthcare Experience Survey – patient’s perception of cleanliness	70%	90.9%

* Note: Hand hygiene: Quarter 4 data is not available due to COVID-19. Result is based on available data.

Key performance measure	Target	Result
Adverse events		
Sentinel events – root cause analysis (RCA) reporting	All RCA reports submitted within 30 business days	0% Compliant
Maternity and Newborn		
Rate of singleton term infants without birth anomalies with APGAR score <7 to 5 minutes	≤ 1.4%	0%
Rate of severe fetal growth restriction (FGR) in singleton pregnancy undelivered by 40 weeks	≤ 28.6%	N/A*

* Less than 10 cases of severe fetal growth restriction in singleton pregnancy recorded.

Financial Reporting

Key performance measure	Target	Result
Operating result (\$m)	-0.9	3,865
Average number of days to pay trade creditors	60 days	69 days
Average number of days to receive patient fee debtors	60 days	40 days
Public and Private WIES ¹ activity performance to target*	100%	94%
Adjusted current asset ratio	0.7 or 3% improvement from health service base target	0.89
Forecast number of days available cash (based on end of year forecast)	14 days	12.7 days
Actual number of days available cash, measured on the last day of each month.	14 days	Not Achieved
Variance between forecast and actual Net result from transactions (NRFT) for the current financial year ending 30 June.	Variance +/- 0.25	-0.04

*In 2019-20, Colac Area Health was required to respond to the COVID-19 pandemic, and in doing so was unable to achieve its Statement of Priorities Public/Private WIES target.

Activity

Funding type	2019/2020 Activity Achievement
Acute Admitted	
Acute WIES	3,415
WIES DVA	56
WIES TAC	6
Acute Non-Admitted	
Emergency Services	10,592
Home Enteral Nutrition	25
Specialist Clinics	6,671
Subacute & Non-Acute Admitted	
Maintenance Public	38
Subacute WIES - Palliative Care Public	21
Subacute WIES - Palliative Care Private	1
Subacute Non-Admitted	
Palliative Care Non-admitted	2,167
Health Independence Program - Public	6574
Residential Aged Care	21,197
HACC	2,199
Community Health / Primary Care Programs	4,452

*WIES is a Weighted Inlier Equivalent Separation

Disclosure Index

The Annual Report of Colac Area Health is prepared in accordance with all relevant Victorian legislation. This index has been prepared to facilitate identification of the Department's compliance with statutory disclosure requirements.

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Independent Auditor's Report

To the Board of Colac Area Health

Opinion	<p>I have audited the financial report of Colac Area Health (the health service) which comprises the:</p> <ul style="list-style-type: none"> • balance sheet as at 30 June 2020 • 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 and 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 2020 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the health service in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Board's responsibilities for the financial report	<p>The Board of the health service is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Board is responsible for assessing the health service's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>

Auditor'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
28 October 2020


Travis Derricott
as delegate for the Auditor-General of Victoria

COLAC AREA HEALTH
FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2020

**Colac Area Health
Financial Report
For the Financial Year Ended 30 June 2020**

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Colac Area Health

Financial Statements

Year ended 30 June 2020

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

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

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2020 and the financial position Colac Area Health at 30 June 2020.

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

We authorise the attached financial statements for issue on 21 October 2020.



Timothy Greene
Chair

Colac
21 October 2020



Fiona Brew
Chief Executive

Colac
21 October 2020



Gaye McCulloch
Interim Director Planning
and Resources

Colac
21 October 2020

Colac Area Health
Comprehensive Operating Statement
For the Financial Year Ended 30 June 2020

	Note	Total 2020 \$'000	Total 2019 \$'000
Income from Transactions			
Operating activities	2.1	58,249	49,304
Non-operating activities	2.1	226	210
Total Income from Transactions		58,475	49,514
Expenses from Transactions			
Employee expenses	3.1	(41,558)	(38,541)
Supplies and consumables	3.1	(4,876)	(5,223)
Depreciation	4.3	(3,169)	(2,384)
Finance costs	3.1	(6)	(18)
Administration costs	3.1	(4,256)	(4,218)
Other operating expenses	3.1	(2,347)	(2,251)
Other non-operating expenses	3.1	(34)	0
Total Expenses from Transactions		(56,246)	(52,635)
Net Result from Transactions - Net Operating Balance		2,229	(3,121)
Other Economic Flows included in Net Result			
Net gain/(loss) on financial instruments at fair value	3.2	(26)	6
Other gains/(losses) from other economic flows	3.2	90	(117)
		64	(111)
Net Result for the Year		2,293	(3,232)
Other Comprehensive Income			
Items that will not be Reclassified to Net Result			
Changes in property, plant and equipment revaluation surplus	4.1	0	1,869
Total Other Comprehensive Income		0	1,869
Comprehensive Result for the Year		2,293	(1,363)

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

**Colac Area Health
Balance Sheet
as at 30 June 2020**

	Note	Total 2020 \$'000	Total 2019 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	6.2	13,900	10,216
Receivables	5.1	1,096	1,570
Inventories	4.4	55	49
Prepayments and other assets		135	26
Total Current Assets		15,186	11,861
Non-Current Assets			
Receivables	5.1	3,240	1,961
Property, plant and equipment	4.1	45,382	47,721
Intangible assets	4.2	1	1
Total Non-Current Assets		48,623	49,683
TOTAL ASSETS		63,809	61,544
LIABILITIES			
Current Liabilities			
Payables	5.2	2,488	6,925
Provisions	3.3	8,073	7,317
Other current liabilities	5.3	10,828	9,362
Borrowings	6.1	2,288	291
Total Current Liabilities		23,677	23,895
Non-Current Liabilities			
Provisions	3.3	1,343	894
Borrowings	6.1	609	868
Total Non-Current Liabilities		1,952	1,762
TOTAL LIABILITIES		25,629	25,657
NET ASSETS		38,180	35,887
EQUITY			
Property, plant & equipment revaluation surplus	4.1(f)	26,833	26,833
Restricted specific purpose surplus	SCE	1,223	0
Contributed capital	SCE	14,253	14,253
Accumulated deficits	SCE	(4,129)	(5,199)
TOTAL EQUITY		38,180	35,887

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

Colac Area Health
Statement of Changes in Equity
For the Financial Year Ended 30 June 2020

	Note	Property, Plant & Equipment Revaluation Reserve \$'000	Contributed Capital \$'000	Restricted Specific Purpose Reserve \$'000	Accumulated Surpluses/ (Deficits) \$'000	Total \$'000
Balance at 1 July 2018	4.1 (f)	24,964	14,253	0	(1,967)	37,250
Net result for the year		0	0	0	(3,232)	(3,232)
Other comprehensive income for the year		1,869	0	0	0	1,869
Transfers from/(to) accumulated deficits		0	0	0	0	0
Balance at 30 June 2019		<u>26,833</u>	<u>14,253</u>	<u>0</u>	<u>(5,199)</u>	<u>35,887</u>
Net result for the year		0	0	0	2,293	2,293
Transfers from/(to) accumulated deficits		0	0	1,530	(1,530)	0
Expenditure from restricted purpose funds		0	0	(307)	307	0
Balance at 30 June 2020		<u>26,833</u>	<u>14,253</u>	<u>1,223</u>	<u>(4,129)</u>	<u>38,180</u>

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

Colac Area Health
Cash Flow Statement
For the Financial Year Ended 30 June 2020

	Note	Total 2020 \$'000	Total 2019 \$'000
Cash Flows from Operating Activities			
Operating grants from government - State		45,475	32,943
Operating grants from government - Commonwealth		6,111	6,456
Capital grants from government		1,082	987
Patient fees received		2,767	2,667
GST received from ATO		1,013	795
Donations and bequests received		75	234
Interest received		125	180
Other receipts		1,796	6,716
Total Receipts		58,444	50,978
Employee expenses paid		(38,523)	(37,855)
Payments for supplies and consumables		(4,092)	(4,350)
Payments for medical idemnity insurance		(586)	(597)
Payments for repairs and maintenance		(594)	(546)
Finance costs		(6)	(30)
Other payments		(13,434)	(5,850)
Total Payments		(57,235)	(49,228)
Net Cash Flows from/(used in) Operating Activities	8.1	1,209	1,750
Cash Flows from Investing Activities			
Purchase of non-financial assets		(830)	(1,779)
Proceeds from disposal of investments		0	4,610
Other Capital Revenue		101	0
Net Cash Flows from/(used in) Investing Activities		(729)	2,831
Cash Flows from Financing Activities			
Repayment of borrowings		(233)	(160)
Proceeds from loans		41	345
Advances from government		2,000	0
Receipt of accommodation deposits		4,760	3,810
Repayment of accommodation deposits		(3,294)	(2,130)
Repayment of leases		(70)	(29)
		3,204	1,836
Net Increase/(Decrease) in Cash and Cash Equivalent Held		3,684	6,417
Cash and cash equivalents at beginning of financial year		10,216	3,799
Cash and Cash Equivalents at End of Year	6.2	13,900	10,216

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

Colac Area Health
Notes to the Financial Statements
For the Financial Year Ended 30 June 2020

Basis of preparation

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

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

Note 1 – Summary of Significant Accounting Policies

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

(a) Statement of Compliance

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

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

Colac Area Health is a not-for-profit entity and therefore applies the additional AUS paragraphs applicable to "not-for-profit" Health Services under the AAS's.

(b) Reporting Entity

The financial statements include all the controlled activities of Colac Area Health.

Its principal address is:
2-28 Connor Street
Colac, Victoria 3250

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

(c) Basis of Accounting Preparation and Measurement

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

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

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

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

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

Colac Area Health operates on a fund accounting basis and maintains three funds: Operating, Specific Purpose and Capital Funds. The Health Service's Capital and Specific Purpose Funds include unspent capital grants and unspent grants provided for regional projects.

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

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

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

- The fair value of land, buildings and plant and equipment (refer to Note 4.1 Property, Plant and Equipment); and
- Employee benefit provisions are based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (refer to Note 3.3 Employee Benefits in the Balance Sheet).

Goods and Services Tax (GST)

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

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

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

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

(d) Jointly Controlled Operation

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

In respect of any interest in joint operations, Colac Area Health recognises in the financial statements:

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

Colac Area Health is a member of the South West Alliance of Rural Health Joint Venture and retains joint control over the arrangement, which it has classified as a joint operation (refer to Note 8.7 Jointly Controlled Operations)

(e) Covid-19

A state of emergency was declared in Victoria on 16 March 2020 due to the global coronavirus pandemic, known as COVID-19. This has been extended to March 2021. A state of disaster was subsequently declared on 2 August 2020.

To contain the spread of the virus and to prioritise the health and safety of our communities various restrictions have been announced and implemented by the state government, which in turn has impacted the manner in which businesses operate, including Colac Area Health.

In response, Colac Area Health placed restrictions on non-essential visitors, implemented reduced visitor hours, deferred elective surgery and reduced activity, performed COVID-19 testing and implemented work from home arrangements where appropriate. For further details refer to Note 2.1 Revenue and income that funds the delivery of our services and Note 4.1 Property, plant and equipment.

While regional areas have generally been less impacted by the pandemic, the Colac Otway Shire has experienced two significant regional Covid-19 outbreaks. This has required significant resources of Colac Area Health to immediately respond to establish surveillance testing of the community and specific industries, as assist with accommodation arrangements.

The State Government has recognised the importance of a strong public health system and are providing ongoing support to ensure we remain financially viable and we can continue to support our staff who are at the front line of defence should the pandemic impact our community even more directly going forward.

(f) Equity

Contributed Capital

Consistent with the requirements of AASB 1004 *Contributions*, contributions by owners (that is, contributed capital and its repayment) are treated as equity transactions and, therefore, do not form part of the income and expenses of the Colac Area Health.

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

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

Specific Restricted Purpose Surplus

The Specific Restricted Purpose Surplus is established where Colac Area Health has possession or title to the funds but has no discretion to amend or vary the restriction and/or condition underlying the funds received.

Note 2 – Funding Delivery of our Services

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

Structure

2.1 Revenue and income that funds the delivery of our services

Note 2.1: Revenue and Income that funds the delivery of our services**(a): Income from Transactions**

	Total	Total
	2020	2019
	\$'000	\$'000
Government grants (state) - operating ⁽¹⁾	42,504	33,141
Government grant (commonwealth) - operating	5,965	6,254
Government grants (state) - capital	743	987
Government grants (commonwealth) - capital	348	0
Patient and resident fees	2,863	2,876
Commercial activities ⁽²⁾	235	241
Assets received Free of Charge and for Nominal Consideration	240	309
Other revenue from operating activities	5,351	5,496
Total Income from Operating Activities	58,249	49,304
Interest	125	210
Capital from South West Do Care Inc ⁽³⁾	101	0
Total Income from Non-Operating Activities	226	210
Total Income from Transactions	58,475	49,514

(1) Government Grant (State) – Operating includes funding of \$2.27m which was spent due to the impacts of COVID-19

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

(3) In July 2019, Colac Area Health assumed the operations of South West Do Care Inc. This included the transfer of remaining funds to Colac Area Health.

Impact of COVID-19 on revenue and income

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

Accounting Policies**Government Grants**

Income from grants to undertake projects such as Corangamarah Aged Care Redevelopment, and Generator/Switchboard Upgrade is recognised when (or as) Colac Area Health satisfies its obligations under the transfer. This aligns with Colac Area Health's obligation to construct the asset. The progressive percentage costs incurred is used to recognise income because this most closely reflects the construction's progress as costs are incurred as the works are done.

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

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

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

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

If the grant revenue was accounted for under the previous accounting standard AASB 1004 in 2019-20, the total grant revenue received would have been recognised in full.

Performance obligations

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

- Activity Based Funding (ABF) paid as WIES casemix
- Acute and Sub-Acute Funding (ABF)
- Primary Care, DHHS Aged Care and Commonwealth Aged Care Funding
- Other one-off grants if funding conditions contain enforceable and sufficiently specific performance obligations.

The performance obligations for ABF are the number and mix of patients admitted to hospital (casemix) in accordance with levels of activity agreed to with the Department of Health and Human Services (DHHS) in the annual Statement of Priorities (SoP). Revenue is recognised when a patient is discharged and in accordance with the WIES activity for each separation. The performance obligations have been selected as they align with funding conditions set out in the Policy and funding guidelines issued by the DHHS.

The performance obligations around Aged Care funding is around levels of occupancy and agreed funding around care needs assessments of individuals residents as determined by the agreed complexities of individuals and the associated costs of achieving adequate levels of care and outcomes.

The performance obligations around Primary Care funding can be a mixture of agreed targets and outcomes. Targets can be a mixture of contacts, cases loads, internally generated targets around funding parameters, externally set targets for outcomes and through acquittal processes.

For other grants with performance obligations Colac Area Health exercises judgement over whether the performance obligations have been met, on a grant by grant basis.

Previous accounting policy for 30 June 2019

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

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

For non-reciprocal grants, Colac Area Health recognises revenue when the grant is received.

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

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

Patient and Resident Fees

The performance obligations related to patient fees are the provision of medical services, which includes, but is not limited to, the provision of medical services. These performance obligations have been selected as they align with the terms and conditions of the providing services. Revenue is recognised as these performance obligations are met. Colac Area Health exercises judgement over whether the performance obligations related to medical service is met. This is measured by the delivery of the medical services, and the discharge of the patient.

Resident fees are recognised as revenue over time as Colac Area Health provides accommodation. This is calculated on a daily basis and invoiced monthly or upon discharge from the facility.

Commercial Activities

Revenue from commercial activities includes items such as property rental income are recognised on an accrual basis.

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

	Total	Total
	2020	2019
	\$'000	\$'000
Cash donations and gifts	75	229
Insurance - VMIA	165	80
Total Income from fair value of assets and services received free of charge or for nominal consideration	240	309

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

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

In response to the Covid-19 pandemic, Victorian Health Services received essential personal protective equipment under the State Supply Arrangement, which were sourced by Health Purchasing Victoria. These essential supplies, that Colac Area Health received, were organised via South West Healthcare and are not included in the financial statements of Colac Area Health.

Non-cash contributions from the Department of Health and Human Services

The Department of Health and Human Services makes some payments on behalf of health services as follows:

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

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

Donations and bequests

Donations and bequests are recognised as revenue when received. Corporate donations are recognised as revenue at the time the invoice is raised.

2.1 (b) Other income

	Total	Total
	2020	2019
	\$'000	\$'000
Capital interest	125	210
Capital from South West Do Care Inc	101	0
Total other income	226	210

Interest Revenue

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

Other Capital Income

In July 2019, Colac Area Health assumed the operations of South West Do Care Inc. This included the transfer of remaining funds to Colac Area Health.

Note 3: The Cost of Delivering our Services

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

Structure

- 3.1 Expenses from Transactions
- 3.2 Other Economic Flows
- 3.3 Employee benefits in the Balance Sheet
- 3.4 Superannuation

Note 3.1: Expenses from Transactions

	Total	Total
	2020	2019
	\$'000	\$'000
Salaries and wages	26,666	24,936
On-costs	8,154	6,809
Agency expenses	1,255	1,161
Fee for service medical officer expenses	5,141	5,329
Workcover premium	342	306
Total Employee Expenses	41,558	38,541
Drug supplies	1,004	1,082
Medical and surgical supplies	2,032	2,155
Diagnostic and radiology supplies	239	188
Other supplies and consumables	1,601	1,798
Total Supplies and Consumables	4,876	5,223
Finance costs	6	18
Total Finance Costs	6	18
Other administrative expenses	4,256	4,218
Total Other Administrative Expenses	4,256	4,218
Fuel, light, power and water	617	716
Repairs and maintenance	770	685
Maintenance contracts	334	253
Medical indemnity insurance	617	597
Expenditure for capital purposes	9	0
Total Other Operating Expenses	2,347	2,251
Total Operating Expense	53,043	50,251
Depreciation (refer Note 4.3)	3,169	2,384
Total Depreciation	3,169	2,384
Bad and doubtful debt expense	34	0
Total Expenses from Non-Operating Activities	34	0
Total Non-Operating Expense	34	0
Total Expenses from Transactions	56,246	52,635

Impact of COVID-19 on expenses

As indicated at Note 1, Colac Area Health's daily activities were impacted by the pandemic. This resulted in direct and indirect costs being incurred, such as the formation and staffing of testing clinics and acute wards dedicated to symptomatic patients; and capital infrastructure expenditure around the installation of safe reception and clinical spaces for staff. Staffing of clinical and administration functions related to pandemic issues and the provision of large volumes of PPE have impacted on costs.

Expense recognition

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

Employee Expenses

Employee expenses include:

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

Supplies and Consumables

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

Other Operating Expenses

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

- Fuel, light and power
- Repairs and maintenance
- Other administrative expenses.

Expenditure for capital purposes (represents expenditure relating the purchase of assets that are below the capitalisation threshold of \$1,000).

The Department of Health and Human Services (DHHS) also makes certain payments on behalf of Colac Area Health. These amounts have been bought 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: Other Economic Flows

	Total 2020 \$'000	Total 2019 \$'000
Net gain/(loss) on financial instruments		
Allowance for impairment losses of contractual receivables	(26)	36
Future value movement in interest free loans	0	(30)
Total net gain/(loss) on financial instruments	(26)	6
<u>Other gains/(losses) from other economic flows</u>		
Net gain/(loss) arising from revaluation of long service liability	90	(117)
Total other gains/(losses) from other economic flows	90	(117)
Total other gains/(losses) from economic flows	64	(111)

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

- the revaluation of the present value of the long service leave liability due to changes in the bond interest rates; and
- revaluation gains/ (losses) of non-financial physical assets (Refer to Note 4.1 Property plant and equipment.)

Net gain/ (loss) on non-financial assets

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

- Revaluation gains/ (losses) of non-financial physical assets (Refer to Note 4.1 Property plant and equipment.)
- Net gain/ (loss) on disposal of non-financial assets
- Any gain or loss on the disposal of non-financial assets is recognised at the date of disposal.

Net gain/ (loss) on financial instruments

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

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

Other gains/ (losses) from other economic flows

Other gains/ (losses) include the revaluation of the present value of the long service leave liability due to changes in the bond rate movements, inflation rate movements and the impact of changes in probability factors.

Note 3.3: Employee Benefits in the Balance Sheet

	Total 2020 \$'000	Total 2019 \$'000
Current Provisions		
Employee Benefits (i)		
<i>Accrued Days Off</i>		
- Unconditional and expected to be settled wholly within 12	21	117
<i>Annual leave</i>		
- Unconditional and expected to be settled wholly within 12	2,726	2,270
- Unconditional and expected to be settled wholly after 12	303	242
<i>Long Service Leave</i>		
- Unconditional and expected to be settled wholly within 12	686	660
- Unconditional and expected to be settled wholly after 12	3,884	3,034
	<u>7,620</u>	<u>6,323</u>
Provisions Related to Employee Benefit On-Costs		
- Unconditional and expected to be settled within 12 months (ii)	64	398
- Unconditional and expected to be settled after 12 months (iii)	389	596
	<u>453</u>	<u>994</u>
Total Current Provisions	<u>8,073</u>	<u>7,317</u>
Non-Current Provisions		
Conditional long service leave	1,235	769
Employer benefit on-costs	108	125
	<u>1,343</u>	<u>894</u>
Total Non-Current Provisions	<u>1,343</u>	<u>894</u>
Total Provisions	<u>9,416</u>	<u>8,211</u>

ⁱ Employee benefits consist of amounts for accrued days off, annual leave and long service leave accrued by employees, not including on-costs.

ⁱⁱ The amounts disclosed are nominal amounts.

ⁱⁱⁱ The amounts disclosed are discounted to present values.

	Total 2020 \$'000	Total 2019 \$'000
(a) Employee Benefits and Related On-Costs		
Current Employee Benefits and Related On-Costs		
Unconditional long service leave entitlements	5,023	4,295
Annual leave entitlements	3,029	2,905
Accrued days off	21	117
Total Current Employee Benefits and Related On-Costs	<u>8,073</u>	<u>7,317</u>
Non-Current Employee Benefits and Related On-Costs		
Conditional long service leave entitlements	1,343	894
Total Non-Current Employee Benefits and Related On-Costs	<u>1,343</u>	<u>894</u>
Total Employee Benefits and Related On-Costs	<u>9,416</u>	<u>8,211</u>
(b) Movement in On-Costs Provision		
Balance at start of year	1,119	888
Additional provisions recognised	1,008	1,336
Unwinding of discount and effect of changes in the discount rate	9	(117)
Reduction due to transfer out	(1,575)	(988)
Balance at End of Year	<u>561</u>	<u>1,119</u>

Employee Benefit Recognition

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

Provisions

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

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

Annual leave and accrued days off

Liabilities for annual leave and accrued days off are recognised in the provision for employee benefits as 'current liabilities' because 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 annual leave and accrued days off are measured at:

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

Long Service Leave

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

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

The components of this current LSL liability are measured at:

- Nominal value – if Colac Area Health expects to wholly settle within 12 months; or
- Present value – if Colac Area Health does not expect to wholly settle within 12 months

Conditional LSL is disclosed as a non-current liability. Any gain or loss followed revaluation of the present value of non-current LSL liability is recognised as a transaction, except to the extent that a gain or loss arises due to changes in estimations eg. 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 3.4 Superannuation

	Paid Contribution for the year		Contribution Outstanding at Year End	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Defined Contribution Plans:				
First State Superannuation Trustee Corporation	1,754	1,654	131	98
Health Employees Super Trust Australia	711	645	53	0
Other Funds	178	119	13	0
Defined Benefit Plans (i)				
First State Superannuation Trustee Corporation	113	118	0	0
Total	2,756	2,536	197	98

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

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

Defined Benefit Superannuation Plans

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 Colac Area Health's staff during the reporting period. Superannuation contributions are made to the plans based on the relevant rules of each plan and are based upon actuarial advice.

Colac Area Health does not recognise any unfunded 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 Colac Area Health.

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

Defined Contribution Superannuation Plans

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

Note 4: Key Assets to Support Service Delivery

The health service controls infrastructure and other investments that are utilised in fulfilling its objectives and conducting its activities. They represent the key resources that have been entrusted to Colac Area Health to be utilised for delivery of those outputs.

Structure

- 4.1 Property, plant and equipment
- 4.2 Intangible assets
- 4.3 Depreciation
- 4.4 Inventories

Note 4.1: Property, Plant and Equipment

Initial Recognition

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

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

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

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

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

Revaluations of Non-Current Physical Assets

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

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

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

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

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

In accordance with FRD 103H *Non-financial physical assets*, Colac Area Health non-current physical assets were assessed to determine whether revaluation of the non-current physical assets was required.

Fair value measurement

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

For the purpose of fair value disclosures, Colac Area Health has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained below.

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

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

Valuation hierarchy

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

The levels are as follows:

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

Identifying unobservable inputs (level 3) fair value measurements

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

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

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

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

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

Non-specialised land and non-specialised buildings

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

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

Specialised land and specialised buildings

Specialised land includes Crown Land which is measured at fair value with regard to the property's highest and best use after due consideration is made for any legal or physical restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset. Theoretical opportunities that maybe 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, Colac Area Health held Crown Land. The nature of this asset means that there are certain limitations and restrictions imposed on its use and/or disposal that may impact their fair value.

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

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

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

An independent valuation of Colac Area Health 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

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

Plant and equipment

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

There were no changes in valuation techniques throughout the period to 30 June 2020.

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

Note 4.1 (a) Gross carrying amount and accumulated depreciation

	Total 2020 \$'000	Total 2019 \$'000
Land		
Land - crown	882	882
Land - freehold	1,936	1,936
Total Land at Fair Value	<u>2,818</u>	<u>2,818</u>
Buildings		
Buildings Under Construction - at Cost	222	694
Sub-totals Buildings Under Construction - at Cost	<u>222</u>	<u>694</u>
Buildings		
Buildings at fair value	42,614	41,517
Less accumulated depreciation	(2,574)	0
Sub-totals Buildings at Fair Value	<u>40,040</u>	<u>41,517</u>
Total Buildings	<u>40,262</u>	<u>42,211</u>
Plant and Equipment		
Plant and equipment at fair value	9,037	9,018
Less accumulated depreciation	(6,887)	(6,541)
Total Plant and Equipment	<u>2,150</u>	<u>2,477</u>
Motor Vehicles		
Motor vehicles at fair value	792	792
Less accumulated depreciation	(640)	(577)
Total Motor Vehicles	<u>152</u>	<u>215</u>
TOTAL PROPERTY, PLANT AND EQUIPMENT	<u>45,382</u>	<u>47,721</u>

4.1 (b) Reconciliation of the carrying amounts of each class of asset

	Land and Land Improvements \$'000	Buildings \$'000	Plant and Equipment \$'000	Motor Vehicles \$'000	Total \$'000
Balance at 30 June 2018	4,251	39,908	1,991	308	46,458
Additions	0	753	1,026	0	1,779
Revaluation increments (decrements)	(1,424)	3,293	0	0	1,869
Disposals	0	0	(1)	0	(1)
Depreciation	(9)	(1,743)	(539)	(93)	(2,384)
Balance at 30 June 2019	2,818	42,211	2,477	215	47,721
Additions	0	625	205	0	830
Depreciation	0	(2,574)	(532)	(63)	(3,169)
Balance at 30 June 2020	2,818	40,262	2,150	152	45,382

Land and building carried at valuation

A full revaluation of Colac Area Health'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.

In compliance with FRD 103H, in the year ended 30 June 2020, management conducted an annual assessment of the fair value of land and buildings. To facilitate this, management obtained from the Department of Treasury and Finance the VGV indices for the financial year ended 30 June 2020.

The VGV indices, which are based on data to March 2020, indicate an average increase of 5% across all land parcels and a 2% increase in buildings.

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

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

The land and building balances are considered to be sensitive to market conditions. To trigger a managerial revaluation a decrease in the land indice of 15% and a decrease in the building indice of 12% would be required.

4.1 (c) Fair Value Measurement Hierarchy for Assets

	Note	Fair value measurement at end of reporting period using:			
		Carrying Amount \$'000	Level 1 ⁽ⁱ⁾ \$'000	Level 2 ⁽ⁱ⁾ \$'000	Level 3 ⁽ⁱ⁾ \$'000
Balance at 30th June 2020					
Land at fair value					
Non-specialised land		1,536	0	1,536	0
Specialised land		1,282	0	0	1,282
Total land at fair value	4.1 (a)	2,818	0	1,536	1,282
Buildings at fair value					
Non-specialised buildings		2,703	0	2,703	0
Specialised buildings		37,337	0	0	37,337
Total buildings at fair value	4.1 (a)	40,040	0	2,703	37,337
Plant and equipment at fair value	4.1 (a)	2,150	0	0	2,150
Motor Vehicles at fair value	4.1 (a)	152	0	0	152
Total Property, Plant and Equipment		45,160	0	4,239	40,921
Balance at 30th June 2019					
Land at Fair Value					
Non-specialised land		1,536	0	1,536	0
Specialised land		1,282	0	0	1,282
Total Land at Fair Value	4.1 (a)	2,818	0	1,536	1,282
Buildings at Fair Value					
Non-specialised buildings		2,765	0	2,765	0
Specialised buildings		38,752	0	0	38,752
Total Buildings at Fair Value	4.1 (a)	41,517	0	2,765	38,752
Plant and equipment at fair value	4.1 (a)	2,477	0	0	2,477
Motor vehicles at fair value	4.1 (a)	215	0	0	215
Total Property, Plant and Equipment		47,027	0	4,301	42,726

Note

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

There have been no transfers between levels during the period.

4.1 (d) Reconciliation of Level 3 fair value measurement

	Note	Land	Buildings	Plant and equipment	Motor Vehicles
		\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2018		3,070	36,830	1,494	308
Additions/(disposals)	4.1 (b)	0	753	1,719	0
Transfer to/(from) level 2		185	(702)	0	0
Gains or losses recognised in net result					
- Depreciation		(8)	(1,679)	(736)	(93)
- Impairment loss		0	0	0	0
Items recognised in other comprehensive income					
- Revaluation		(1,965)	3,550	0	0
Balance at 30 June 2019		1,282	38,752	2,477	215
Additions/(Disposals)/Transfers from Work in Progress		0	949	101	0
Transfer to/(from) level 2		0	0	0	0
Gains or losses recognised in net result					
- Depreciation		0	(2,364)	(428)	(63)
- Impairment loss					
Items recognised in other comprehensive income					
- Revaluation		0	0	0	0
Balance at 30 June 2020		1,282	37,337	2,150	152

4.1 (e) Description of significant unobservable inputs to Level 3 Valuations

Asset Class	Likely Valuation Approach	Significant inputs (Level 3 only)
Non-specialised land	Market approach	n.a.
Specialised land (crown/freehold)	Market approach	Community Service Obligations Adjustments (a)
Non-specialised buildings	Market approach	n.a.
Specialised buildings	Depreciated replacement cost approach	- Cost per sqm - useful life
Vehicles	Depreciated replacement cost approach	- Cost price - Useful life
Plant and equipment	Depreciated replacement cost approach	- Cost per sqm - useful life

(a) A Community Service Obligation (CSO) of 20% was applied to the health services' specialised land, classified in accordance with the fair value hierarchy.

4.1 (f) Property, plant and equipment revaluation surplus

	Note	Total 2020 \$'000	Total 2019 \$'000
Property, Plant and Equipment Revaluation Surplus			
Balance at the beginning of the reporting period		26,833	24,964
Revaluation increment			
- Land	4.1 (b)	0	(1,424)
- Buildings	4.1 (b)	0	3,293
Balance at the End of the Reporting Period		26,833	26,833
Represented by:			
- Land		1,181	1,181
- Buildings		25,652	25,652
		26,833	26,833

Note 4.2: Intangible Assets

(a) Intangible assets - gross carrying amount

	Total 2020 \$'000	Total 2019 \$'000
Current		
Intangible assets (SWARH)	1	1
Total Other Assets	1	1

Intangible Assets

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

Purchased intangible assets are initially recognised at cost. When the recognition criteria in AASB 138 Intangible Assets is met, internally generated intangible assets are recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Depreciation and amortisation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Note 4.3: Depreciation

	Total 2020 \$'000	Total 2019 \$'000
Depreciation		
Buildings	2,574	1,743
Land improvements	0	9
Motor vehicles	63	93
Plant and equipment	532	539
	<hr/>	<hr/>
Total Depreciation	3,169	2,384

Depreciation

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

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

	2020	2019
Land Improvements	20 to 30 years	20 to 30 years
Buildings		
- Structure Shell Building Fabric	45 to 60 years	45 to 60 years
- Site Engineering Services and Central Plant	20 to 30 years	20 to 30 years
Plant & Equipment	4 to 50 years	4 to 50 years
Motor Vehicles	4 to 5 years	4 to 5 years

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

Note 4.4 Inventories

	Total 2020 \$'000	Total 2019 \$'000
Catering supplies at cost	13	12
Pharmacy supplies at cost	39	34
SWARH inventory at cost	3	4
	<hr/>	<hr/>
Total Inventories	55	50

Inventories

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

Note 5: Other Assets and Liabilities

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

Structure

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

Note 5.1: Receivables

	Total 2020 \$'000	Total 2019 \$'000
Current		
Contractual		
Patient and Resident Fees	296	337
Trade Debtors	758	747
Less: Allowance for impairment losses of contractual receivables		
Trade Debtors	(50)	(24)
	<u>1,004</u>	<u>1,060</u>
Statutory		
GST Receivable	92	191
Accrued Revenue - Department of Health and Human Services	0	319
Commonwealth of Australia	0	0
	<u>92</u>	<u>510</u>
Total Current Receivables	<u>1,096</u>	<u>1,570</u>
Non-Current		
Statutory		
Department of Health and Human Services - Long Service Leave	3,240	1,961
Total Non-Current Receivables	<u>3,240</u>	<u>1,961</u>
Total Receivables	<u>4,336</u>	<u>3,531</u>
(a) Movement in the Allowance for impairment losses of contractual receivables		
	Total 2020 \$'000	Total 2019 \$'000
Balance at beginning of year	24	60
Increase/(decrease) in allowance recognised in net result	26	(36)
Balance at end of year	<u>50</u>	<u>24</u>

Receivables recognition

Receivables consist of:

- **Contractual receivables** are classified as financial instruments and categorised as 'financial assets at amortised costs'. They are initially recognised at fair value plus any directly attributable transaction costs. Colac Area Health holds the contractual receivables with the objective to collect the contractual cash flows and therefore subsequently measured at amortised cost using the effective interest method, less any impairment.
- **Statutory receivables** do not arise from contracts and are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments for disclosure purposes. Colac Area Health 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.

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

Impairment losses of contractual receivables

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

Note 5.2: Payables

	Notes	Total 2020 \$'000	Total 2019 \$'000
Current Contractual			
Trade Creditors		1,219	5,042
Accrued salaries and wages		440	1,125
Deferred grant revenue		0	37
Contract Liabilities - income received in advance	5.2(a)	524	0
Inter- hospital creditors		305	721
		<u>2,488</u>	<u>6,925</u>
Total Current Payables		<u>2,488</u>	<u>6,925</u>
Total Payables		<u>2,488</u>	<u>6,925</u>

Payables recognition

Payables consist of:

- **Contractual payables** – classified as financial instruments and measured at amortised cost. Accounts payable and salaries and wages payable represent liabilities for goods and services provided to the Colac Area Health prior to the end of the financial year that are unpaid; and
- **Statutory payables** – that are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from contracts.

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

Note 5.2 (a) Contract liabilities

	Total 2020 \$'000
Opening balance brought forward from 30 June 2019 adjusted for AASB 15	0
Add: Payments received for performance obligations yet to be completed during the period	254
Add: Grant consideration for sufficiently specific performance obligations received during the year	270
Less: Revenue recognised in the reporting period for the completion of a performance obligation	0
Less: Grant revenue for sufficiently specific performance obligations works recognised consistent with the performance obligations met during the year	0
Total contract liabilities	<u>524</u>
Represented by	
Current contract liabilities	524
Non-current contract liabilities	<u>0</u>

Maturity analysis of payables

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

Note 5.3: Other Liabilities

	Total 2020 \$'000	Total 2019 \$'000
Current		
Monies Held in Trust*: Patient monies held in trust	42	23
Monies Held in Trust*: Refundable accommodation deposits	<u>10,786</u>	<u>9,339</u>
Total Other Liabilities	<u>10,828</u>	<u>9,362</u>
*Total Monies Held in Trust Represented by the Following Assets:		
Cash assets	<u>10,828</u>	<u>9,362</u>
TOTAL	<u>10,828</u>	<u>9,362</u>

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 Colac Area Health during its operations, along with interest expenses (the cost of borrowings) and other information related to financing activities of the health service.

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

Structure

- 6.1 Borrowings
- 6.2 Cash and Cash Equivalents
- 6.3 Commitments for Expenditure

Note 6.1: Borrowings

	Total 2020 \$'000	Total 2019 \$'000
Current		
Finance Lease Liability (i)	55	79
Advances from government	2,000	0
Loans from government (ii)	233	212
Total Current Borrowings	2,288	291
Total Current	2,288	291
Non Current		
Finance Lease Liability (i)	73	119
Loans from government (ii)	536	749
Total Non Current Borrowings	609	868
Total Borrowings	2,897	1,159

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

(ii) These are unsecured loans which bear no interest.

Maturity analysis of borrowings

Refer to Note 7.1 (b) for maturity analysis of borrowings.

Defaults and breaches

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

Lease Liabilities

Repayments in relation to leases are payable as follows:

	Minimum future lease payments		Present value of minimum future lease payments	
	Total 2020 \$'000	Total 2019 \$'000	Total 2020 \$'000	Total 2019 \$'000
Finance Leases				
Repayments in relation to finance leases are payable as follows:				
Not later than one year	55	81	54	79
Later than year and not later than 5 years	75	122	74	119
Minimum lease payments	130	203	128	198
Less future finance charges	(2)	(5)	-	-
TOTAL	128	198	128	198
Included in the financial statements as:				
Current borrowings - lease liability	54	79	54	79
Non-Current borrowings - lease liability	74	119	74	119
TOTAL	128	198	128	198

The weighted average interest rate implicit in the finance lease is 11% (2019: 11%).

Leases

A lease is a right to use an asset for an agreed period of time in exchange for payment. All leases are recognised on the balance sheet, with the exception of low value leases (less than \$10,000 AUD) and short term leases of less than 12 months.

Colac Area Health's leasing activities

Colac Area Health has entered into lease related to the provision of IT equipment through their joint venture with SWARH.

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

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

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

Separation of lease and non-lease components

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

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

Lease Liability – initial measurement

The lease liability is initially measured at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily determinable or Colac Area Health incremental borrowing rate.

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

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

Lease Liability – subsequent measurement

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

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

Short-term leases and leases of low value assets

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

Presentation of right-of-use assets and lease liabilities

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

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

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

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

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

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

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

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

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

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

Entity as lessee

Leases are recognised as assets and liabilities at amounts equal to the fair value of the lease property or, if lower, the present value of the minimum lease payment, each determined at the inception of the lease. Minimum lease payments are apportioned between reduction of the outstanding lease liability, and the periodic finance expense which is calculated using the interest rate implicit in the lease, and charged directly to the Comprehensive Operating Statement.

Colac Area Health recognises the leasing arrangements for local area network equipment, workstations and peripherals (purchased through group buying arrangements with SWARH) as finance leases. Finance leases are regarded as a financial accommodation and under Section 30 of the *Health Services Act 1988*, the Minister for Health and the Treasurer must declare a registered funded agency to be an approved borrower for the purposes of this section. An approved borrower may, with the approval of the Minister and the Treasurer, obtain financial accommodation, whether within or outside Victoria, secured or arranged in a manner and for a period approved by the Treasurer. Colac Area Health has been declared an approved borrower in relation to these finance leases.

Borrowings

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

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'.

Note 6.2: Cash and Cash Equivalents

	Total 2020 \$'000	Total 2019 \$'000
Cash on Hand (excluding Monies held in trust)	2	2
Cash at Bank (excluding Monies held in trust)	3,070	852
Cash at Bank (Monies held in trust)	10,828	9,362
Total Cash and Cash Equivalents	13,900	10,216

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.

The cash flow statement includes monies held in trust.

Note 6.3: Commitments for Expenditure

Lease payments are recognised on the balance sheet, refer to note 6.1 Borrowings.

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.

Colac Area Health does not hold any commitments that are not disclosed on the balance sheet.

Note 7: Risks, Contingencies and Valuations Uncertainties

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

Structure

- 7.1 Financial instruments
- 7.2 Contingent assets and 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 Colac Area Health's activities, certain financial assets and financial liabilities arise under statute rather than a contract. Such financial assets and financial liabilities do not meet the definition of financial instruments in AASB 132 *Financial Instruments: Presentation*.

Note 7.1 (a) Financial Instruments: Categorisation

	Note	Financial Assets at Amortised Cost \$'000	Financial Liabilities at Amortised Cost \$'000	Financial Liabilities at Fair Value Through Net Result \$'000	Total \$'000
2020					
Contractual Financial Assets					
Cash and cash equivalents	6.2	13,900	0	0	13,900
Receivables - Trade Debtors	5.1	1,054	0	0	1,054
Total Financial Assets ⁽¹⁾		14,954	0	0	14,954
Financial Liabilities					
Payables	5.2	0	1,964	0	1,964
Other Financial Liabilities - Refundable Accommodation Deposits	5.3	0	10,786	0	10,786
Other Financial Liabilities - Money Held in Trust	5.3	0	42	0	42
Borrowings	6.1	0	128	2,769	2,897
Total Financial Liabilities ⁽¹⁾		0	12,920	2,769	15,689

	Note	Financial Assets at Amortised Cost \$'000	Financial Liabilities at Amortised Cost \$'000	Financial Liabilities at Fair Value Through Net Result \$'000	Total \$'000
2019					
Contractual Financial Assets					
Cash and cash equivalents	6.2	10,216	0	0	10,216
Receivables - Trade Debtors	5.1	1,084	0	0	1,084
Total Financial Assets ⁽¹⁾		11,300	0	0	11,300
Financial Liabilities					
Payables	5.2	0	6,925	0	6,925
Other Financial Liabilities - Refundable Accommodation Deposits	5.3	0	9,339	0	9,339
Other Financial Liabilities - Money Held in Trust	5.3	0	23	0	23
Borrowings	6.1	0	198	961	1,159
Total Financial Liabilities ⁽¹⁾		0	16,485	961	17,446

Financial assets at amortised cost

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

- the assets are held by Colac Area Health to collect the contractual cash flows, and
- the assets' contractual terms give rise to cash flows that are solely payments of principal and interests.

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

Colac Area Health recognises the following assets in this category:

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

Financial assets and liabilities at fair value through net result are categorised as such at trade date, or if they are classified as held for trading or designated as such upon initial recognition. Financial instrument assets are designated at fair value through net result on the basis that the financial assets form part of a group of financial assets that are managed based on their fair values and have their performance evaluated in accordance with documented risk management and investment strategies. Financial instruments at fair value through net result are initially measured at fair value; attributable transaction costs are expensed as incurred. Subsequently, any changes in fair value are recognised in the net result as other economic flows unless the changes in fair value relate to changes in the Colac Area Health's own credit risk. In this case, the portion of the change attributable to changes in Colac Area Health's own credit risk is recognised in other comprehensive income with no subsequent recycling to net result when the financial liability is derecognised.

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

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.

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

Derecognition of financial liabilities: A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially

modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised as an 'other economic flow' in the comprehensive operating statement.

Reclassification of financial instruments: Subsequent to initial recognition reclassification of financial liabilities is not permitted. Financial assets are required to be reclassified between fair value through net result, fair value through other comprehensive income and amortised cost when and only when Colac Area Health's business model for managing its financial assets has changes such that its previous model would no longer apply.

Note 7.1 (b): Maturity Analysis of Financial Liabilities

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

Note	Carrying Amount	Nominal Amounts	Maturity Dates			
			Less Than 1 Month	1 to 3 Months	3 Months to 1 Year	1 to 5 Years
2020	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Liabilities						
<i>At amortised cost</i>						
Payables	5.2	1,964	1,964	0	0	0
Other Financial Liabilities (i)						
- Monies Held in Trust	5.3	10,828	349	1,049	2,099	7,330
- Borrowings - Lease Liabilities	6.1	128	128	0	55	73
<i>At fair value through net result</i>						
- Borrowings - DHHS Loan	6.1	2,769	2,773	0	0	2,233
Total Financial Liabilities		15,689	15,693	2,313	1,049	4,387
2019	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Liabilities						
<i>At amortised cost</i>						
Payables	5.2	6,925	6,925	0	0	0
Other Financial Liabilities (i)						
- Monies Held in Trust	5.3	9,362	9,362	302	907	1,815
- Borrowings - Lease Liabilities	6.1	198	198	0	0	79
<i>At fair value through net result</i>						
- Borrowings - DHHS Loan	6.1	961	985	0	0	212
Total Financial Liabilities		17,446	17,470	7,227	907	2,106

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

Note 7.1 (c): Contractual Receivables at Amortised Cost

30-Jun-19	Current	Less than 1 month	1-3 months	3 months - 1 year	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Expected loss rate	0%	4%	30%	70%	
Gross carrying amount of contractual receivables	1,032	28	2	22	1,084
Loss allowance	0	8	1	15	24
30-Jun-20	Current	Less than 1 month	1-3 months	3 months - 1 year	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Expected loss rate	4%	25%	30%	60%	
Gross carrying amount of contractual receivables	1,026	19	4	5	1,054
Loss allowance	41	5	1	3	50

Reconciliation of the movement in the loss allowance for contractual receivables

	2020 \$'000	2019 \$'000
Balance at beginning of the year	24	60
Opening retained earnings adjustment on adoption of AASB 9	0	0
Opening Loss Allowance	24	60
Increase in provision recognised in the net result	60	(10)
Reversal of provision of receivables written off during the year as uncollectable (refer Note 5.1 (a))	(34)	(26)
Balance at end of the year	50	24

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 Person Disclosures
- 8.3 Remuneration of Executives
- 8.4 Related Parties
- 8.5 Remuneration of Auditors
- 8.6 Subsequent Events
- 8.7 Jointly Controlled Operations
- 8.8 Economic Dependency
- 8.9 Changes in Accounting Policy and Revision of Estimates
- 8.10 AASBs Issued That are not yet Effective

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

	Total 2020 \$'000	Total 2019 \$'000
Net Result for the Year	2,293	(3,232)
Non Cash Movements		
Depreciation	3,169	2,384
Net movement in joint venture equity	(115)	26
Discount (interest)/expenses on loan	14	0
Movements in Assets and Liabilities		
Decrease/(Increase) in Receivables	(805)	(585)
Decrease/(Increase) in Prepayments	(109)	82
Decrease/(Increase) in Inventories	(6)	(3)
Increase/(Decrease) in Payables	(4,437)	2,063
Increase/(Decrease) in Employee Benefits	1,205	1,015
	<hr/>	<hr/>
Net Cash Inflow/(Outflow) from Operating Activities	1,209	1,750

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.

Responsible Ministers:

The Honourable Jenny Mikakos, Minister for Health and Minister for Ambulance Services
01/07/2019 – 30/06/2020

The Honourable Luke Donnellan, Minister for Child Protection, Minister for Disability, Ageing and Carers -01/07/2019 – 30/06/2020

Governing Boards

Mr J DeLorenzo (Board Chair to 30/11/2019)	01/07/2019 – 30/06/2020
Mr T Greene (Board Chair from 1/12/2019)	01/07/2019 – 30/06/2020
Mr D Shelton (Senior Vice Chair)	01/07/2019 – 29/04/2020
Mrs L Witcombe (Junior Vice Chair)	01/07/2019 – 30/06/2020
M D Gordon	01/07/2019 – 30/06/2020
Ms A Leslie	01/07/2019 – 30/06/2020
Dr C Mandel	01/07/2019 – 30/06/2020
Ms S Pascoe	01/07/2019 – 30/06/2020
Dr A Rahimi	01/07/2019 – 30/06/2020
Ms K Anderson	01/07/2019 – 30/06/2020
Mr J Lomas	01/07/2019 – 30/06/2020

Accountable Officer

Ms F Brew – Chief Executive	01/07/2019 – 30/06/2020
Mr M Iles – Chief Executive	01/07/2019 – 16/07/2019

Remuneration of Responsible Persons

	2020 No.	2019 No.
Income Band		
\$0-\$9,999	11	12
\$10,000-\$20,000	0	1
\$220,000-\$229,999	2	1
Total Numbers	13	14
	2020 \$'000	2019 \$'000
Total remuneration received or due and receivable by Responsible Persons from the reporting entity amounted to:	\$ 406	\$ 226

There was a change in Chief Executive of Colac Area Health in 2019, with the former Chief Executive officially ceasing in July 2019 after the new Chief Executive commenced. The former Chief Executive received a substantial post-employment payment in July 2019.

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

Note 8.3: Remuneration of Executives

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

Remuneration of executive officers

	Total Remuneration	
	Total 2020 \$'000	Total 2019 \$'000
Short-term employee benefits	756	798
Post-employment benefits	196	76
Other Long-term benefits	65	20
Total Remuneration ⁽ⁱ⁾	1,017	894
Total number of executives	6	5
Total annualised employee equivalents ⁽ⁱⁱ⁾	6	5

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

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

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

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

Short-term employee benefits

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

Post-employee benefits

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

Other long term benefits

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

Termination benefits

Termination of employment payments, such as severance packages.

Other factors

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

Note 8.4: Related Parties

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

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

KMPs are those people with the authority and responsibility for planning, directing and controlling the activities of Colac Area Health, directly or indirectly.

The Board of Directors and the Chief Executive and Director of Finance and Business Services of Colac Area Health are deemed to be KMPs.

Entity	KMPs	Position Title
Colac Area Health	Mr J. DeLorenzo	Chair of the Board
Colac Area Health	Mr D. Shelton	Board Member and Senior Vice Chair
Colac Area Health	Mrs L. Witcombe	Board Member and Junior Vice Chair
Colac Area Health	Mr J Lomas	Board Member
Colac Area Health	Mr D. Gordon	Board Member
Colac Area Health	Mr T. Greene	Board Member
Colac Area Health	Ms A. Leslie	Board Member
Colac Area Health	Dr C. Mandel	Board Member
Colac Area Health	Ms S Pasco	Board Member
Colac Area Health	Dr A Rahimi	Board Member
Colac Area Health	Ms K Anderson	Board Member

Colac Area Health	Mrs F Brew	Chief Executive
Colac Area Health	Ms J Labourne	Director of Finance and Business Services
Colac Area Health	Ms G McCulloch	Interim Director of Finance and Business Services

The compensation detailed below is reported in \$'000 and 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 - KMPs	2020 (\$'000)	2019 (\$'000)
Short term employee benefits	444	1,019
Post-employment benefits	102	96
Other long-term benefits	34	26
Total⁽ⁱ⁾	580	1,141

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

In 2019-20, the definition of KMP was amended to include only the Chief Executive and Director of Finance and Business. All other executives were assessed not to meet the definition of Key Management Personnel under AABS 124.

Significant transactions with government related entities

Colac Area Health received funding from the Department of Health and Human Services of \$42.7m (2019: \$33.2 m) plus capital.

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 the Victorian Managed Insurance Authority.

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

Transactions with KMPs and other related parties

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

Outside of normal citizen type transactions with the Health Service, there were no related party transactions that involved key management personnel, their close family members and their personal business interests. No provision has been required, nor any expense

recognised, for impairment of receivables from related parties. There were no related party transactions with Cabinet Ministers required to be disclosed in 2020.

Except for the transactions listed below, there were no other related party transactions required to be disclosed for the Colac Area Health Board of Directors, Chief Executive and Executive Directors in 2020:

- Revenue for services provided to Barwon Health: of which Gaye McCulloch’s partner is CEO – \$381,000
- Services have been provided by Barwon Health: of which Gaye McCulloch’s partner is CEO – \$3,072,000.

Note 8.5: Remuneration of Auditors

	Total 2020 \$'000	Total 2019 \$'000
Victorian Auditor-General's Office		
Audit of the financial statements	16	17
TOTAL REMUNERATION OF AUDITORS	16	17

Note 8.6: Subsequent events

The COVID-19 pandemic has created unprecedented economic uncertainty. Actual economic events and conditions in the future may be materially different from those estimated by Colac Area Health at the reporting date. As responses by government continue to evolve, management recognises that it is difficult to reliably estimate with any degree of certainty the potential impact of the pandemic after the reporting date on Colac Area Health, its operations, its future results and financial position. The state of emergency in Victoria was extended on 11 October 2020 until 8 November 2020.

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

Note 8.7: Jointly Controlled Operations

Name of Entity	Principal Activity	Ownership Interest	
		2020 %	2019 %
SWARH	Information Systems	5.68	5.70

Colac Area Health interest in the above jointly controlled operations are detailed below. The amounts are included in the consolidated financial statements under their respective categories:

	2020 \$'000	2019 \$'000
Current Assets		
Cash and Cash Equivalents	495	82
Receivables	366	357
Inventories	3	4
Other Current Assets	31	27
Total Current Assets	895	470
Non Current Assets		
Property, Plant and Equipment	0	0
Leased Assets	327	338
Other Receivables	32	0
Intangible Assets	1	1
Total Non Current Assets	360	339
Total Assets	1,255	809
Current Liabilities		
Payables	537	247
Deferred Income	270	37
Finance Lease Liability	55	198
Provisions	98	98
Total Current Liabilities	960	580
Non Current Liabilities		
Finance Lease Liability	73	0
Provisions	18	14
Total Non Current Liabilities	91	14
Total Liabilities	1,051	594
NET ASSETS	204	215
EQUITY		
Accumulated surpluses	204	215
TOTAL EQUITY	204	215

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

Revenues	2020	2019
	\$'000	\$'000
Revenue from Operating Activities	1,154	1,422
Total Revenue	1,154	1,422
Expenses		
Employee Benefits	498	476
Other Expenses from Continuing Operations	539	672
Depreciation	103	162
Total Expenses	1,140	1,310
Net result	14	112

Contingent liabilities and capital commitments

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

Note 8.8: Economic Dependency

Colac Area Health is dependent on the Department of Health and Human Services (DHHS) 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 DHHS will not continue to support Colac Area Health.

Note 8.9: Changes in Accounting Policy

Leases

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

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

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

On transition to AASB 16, Colac Area Health has elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied AASB 16 only to

contracts that were previously identified as leases. Contracts that were not identified as leases under AASB 117 and Interpretation 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under AASB 16 was applied to contracts entered into or changed on or after 1 July 2019.

Leases classified as operating leases under AASB 117

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

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

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

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

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

The adoption of AASB 16 did not have an impact on comprehensive income and the Statement of Cash flows for the financial year.

Revenue from Contracts with Customers

In accordance with FRD 121 requirements, Colac Area Health has applied the transitional provision of AASB 15, under modified retrospective method with the cumulative effect of initially applying this standard against the opening retained earnings at 1 July 2019. Under this transition method, Colac Area Health applied this standard retrospectively only to contracts that are not 'completed contracts' at the date of initial application. Colac Area Health has not applied the fair value measurement requirements for right-of-use assets arising from leases with significantly below-market terms and conditions principally to

enable the entity to further its objectives as allowed under temporary option under AASB 16 and as mandated by FRD 122.

Comparative information has not been restated.

The adoption of AASB 15 did not have an impact on other comprehensive income and the Statement of Cash flows at 1 July 2019.

Income of Not-for-Profit Entities

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

Comparative information has not been restated.

The adoption of AASB 1058 did not have an impact on other comprehensive income and the Statement of Cash flows at 1 July 2019.

Note 8.10: AASBs Issued that are not yet Effective

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

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

Issued but not yet effective Australian accounting and reporting pronouncements

<i>Standard/ Interpretation</i>	<i>Summary</i>	<i>Applicable for annual reporting periods beginning on</i>	<i>Impact on public sector entity financial statements</i>
AASB 17 <i>Insurance Contracts</i>	The new Australian standard seeks to eliminate inconsistencies and weaknesses in existing practices by providing a single principle based framework to account for all types of insurance contracts, including reissuance contract that an insurer holds. It also provides requirements for presentation and disclosure to enhance comparability between entities. This standard currently does not apply to the not-for-profit public sector entities.	1 January 2021	The assessment has indicated that there will be no significant impact for the public sector.

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

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

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

¹ To be applied by For-Profit private sector entities. Application by other For-Profit entities is optional.