



ANNUAL REPORT

2021/2022

COLAC AREA
Health





Table of Contents

03	Our Vision, Purpose & Values	11	Financial Overview
04	Chairperson & Chief Executive Report	15	Disclosures Required Under Legislation
06	Health Service Profile	17	Statement of Priorities - Part A
08	Board, Subcommittees & Executive Staff	19	Statement of Priorities - Part B
09	Workforce Overview	20	Statement of Priorities - Part C
10	Energy & Environment	21	Disclosures Index

Our Vision, Purpose & Values

Our Vision

A trusted leader in integrated health care through operational excellence, innovation and compassion.

Our Purpose

To be the trusted provider of optimal health outcomes by delivering and facilitating integrated person-centered care, achieving excellence through partnerships, research and innovation.

Our Values



Compassion

We are committed to keeping the patient at the centre of our care with understanding, empathy, and personal kindness.



Integrity

We honour our word and act with honesty, transparency and fairness.



Respect

We treat all people with courtesy, kindness and professionalism.



Collaboration

We will work together to achieve the best possible health outcomes for our community.



Accountability

We will be responsible for our decisions, actions, and competence.

Acknowledgement of Country



We at Colac Area Health acknowledge First Nations peoples of the lands on which we work—the Gulidjan and Gadubanud People of the Eastern Maar Nation and pay respect to Elders, past, present and emerging.

Year in Review

Board Chair and Chief Executive

For Colac Area Health, and no doubt for all when reflecting on the past 12 months, the following quote rings true:

"That's what building a body of work is all about. It's about the daily labour, the many individual acts, the choices large and small that add up over time, over a lifetime to a lasting legacy. It's about not being satisfied with the latest achievement, the latest gold star, because the one thing I know about a body of work is that it's never finished. It's cumulative. It deepens and expands with each day you give your best. You may have setbacks and you may have failures, but you're not done." — Barack Obama

This past year, so much has been completed by so many. The importance of our workforce cannot be overstated; our staff are our greatest asset and have repeatedly shown resilience, flexibility and professionalism during a year that presented immense challenges.

We are in the business of caring, and this year more than ever, it has been critical to care for and support our staff through initiatives, such as the Staff Wellbeing Program. In collaboration with our staff, this program has been developed to provide support, foster camaraderie, and nourish joy in the workplace.

The pursuit of safe and effective person-centered care has been led by our staff and volunteers in collaboration with our community and partnering organisations. These partnerships contributed to the continued efforts in the fight against COVID through testing and treatment, distribution of Rapid Antigen Tests, and the establishment of the COVID vaccination program to keep our community safe. We would also like to thank our environmental services staff and kitchen staff for their continued diligence in keeping our health service a safe space during the pandemic.

Our residential aged care service - Corangamarah has continued to provide outstanding care to and with our residents. Like many aged care services, we have managed COVID outbreaks, the staff have shown unwavering care and compassion to our residents and families in keeping them safe – we are forever grateful.

We cannot overlook the remainder of our core business which manages over 90 different services and included 9478 presentations at Urgent Care this year. Promisingly, funding has also been secured to develop a Short Stay Unit to further improve our urgent care and acute service.



Elective surgery is a major focus for Colac Area Health with work being conducted to ensure this vital service is utilised by both our local community and through partnerships, the broader community.

Colac Area Health conducted an extensive tender process for medical imaging services with Barwon Medical Imaging (BMI) being awarded the contract. Service delivery commenced on April 19th 2022, utilising the newly installed Computed Tomography (CT) scanner with further equipment upgrades underway.

Our community and family services programs have continued to effectively address our community needs with the service achieving full accreditation status in June. These services have grown innovatively in their approach to service delivery, taking advantage of virtual technology to ensure our community has access to the various services on offer at Colac Area Health.

Colac Area Health continues to be recognised in the field of research. The Inaugural Research Symposium in April was conducted virtually with over 70 participants online from across the state of Victoria. Research outcomes were delivered in a range of areas resulting in 10 papers being published nationally and internationally, along with policy and practice improvements at the health service. This work is only possible due to the exceptional collaboration and strength in partnerships with Western Alliance, Deakin University and other key stakeholders.

Colac Area Health's transition continues – farewelling staff and Board members. Throughout the year we have farewelled Cathy Evans; Jeff Lomas and long serving Board member Leanne Witcombe – Thank you to you all. We also welcomed many new staff including three new Executive Directors to the leadership team.

Year in Review

Board Chair and Chief Executive

In 2021 Colac Area Health completed its Clinical Services Plan, which presented several recommendations:

- Continue capital and infrastructure planning to reduce risks but as a priority undertake capital planning for the expansion and reconfiguration of Urgent Care and Operating Suites
- Progress partnership development with Barwon Health and other regional partners to:
 - Enhance workforce sustainability
 - Develop clinical pathways to enhance local service provision.
- Continue the development of a chronic disease management model
- Optimise the usage of digital systems across Colac Area Health
- Review the scope of community services and identify key areas of unmet demand.

A key initiative of the Clinical Service Plan is the establishment of headspace Colac. Headspace is a primary mental healthcare service platform for young people (aged 12 – 25 years). While Barwon Health are the lead agency, Colac Area Health heads the consortia bringing key stakeholders together to develop the model for service delivery in the future.

We have continued to work tirelessly to rebuild the financial viability of Colac Area Health and recognise that all staff have achieved this. Working collaboratively with the Department of Health and implementing the agreed financial management improvement plan strategies has led to an improvement in our overall performance and level of monitoring. This was acknowledged by the Department of Health in a letter in May 2022, in which they advised the board that Colac Area Health is no longer on performance support. Much has also been achieved in replacing obsolete and failed capital items."

So, looking to the future, there is much to do; our work does not stop.

In consultation with key partners and the community, the board, executive team and staff have completed Colac Area Health's Strategic Plan – Quality Care Close to Home 2022-2027. This strategic plan informs the direction of Colac Area Health through our vision to be a trusted leader in integrated health care through operational excellence, innovation and compassion.

Our aim is to achieve this through:

- Improving Community Health Outcomes
- Creating a Culture of Commitment, Service and Excellence
- Creating Innovation and Partnerships
- Ensuring Financial and Service Sustainability

Alone, we cannot achieve anything. So, to all - our volunteers, our staff, our clinicians, our executive and board members, who serve patients unceasingly - thank you. To the Colac Area Health Foundation and health services partners - in particular Barwon Health - thank you. And to state and federal governments, and the Department of Health, that make all this amazing work possible, thank you.

'The leaders who work most effectively, it seems to me, never say "I." And that's not because they have trained themselves not to say "I." They don't think "I." They think "we"; they think "team." They understand their job to be to make the team function. They accept responsibility and don't sidestep it, but "we" gets the credit. This is what creates trust, what enables you to get the task done.' — Peter F. Drucker



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 2022.



Timothy Greene
Board Chair
Colac, Victoria
6 September 2022

Health Service Profile

Colac Area Health, located in Colac, Victoria, two hours south-west of Melbourne serves a rural community of around 35,000 people. We have a diverse and comprehensive integrated service including acute care, aged care, home nursing, family services, alcohol and other drug services, maternity, allied health, and family violence services.

Our campus consists of four main buildings including our Connor Street campus, Youth Health Hub, Birregurra Community Health Centre, and our social support building, Miller Street.

With 597 staff, Colac Area Health has been a leader in the response to COVID in Colac. We have worked in partnership with Barwon Public Health Unit in responding to local COVID outbreaks. In this partnership we planned, coordinated and delivered COVID vaccinations to our community. We have established internationally recognised initiatives through our research projects, social support programs, partnerships, at-home care, and youth services.

Through the material learnings from COVID outbreaks in the region, our workforce and leadership has fostered the growth of a person-focused approach to both staff and clients.

Our work within the community through the last 12 months and through the pandemic has galvanised our position as a safe, engaged, innovative, and reliable health service for the community.

We also support the Aboriginal meeting space and Neighbourhood House as part of the hospital's engagement with the community.

Community Health

The community health department provides allied health and nursing support services in the following areas:

- Health promotion
- Dietetics
- Occupational therapy
- Social work
- Speech pathology
- Women's Sexual Health Clinic
- Smoking cessation
- Health Coaching
- Rehabilitation
- Podiatry
- Physiotherapy
- Exercise physiology
- Immunisation
- Home Nursing, including Wound management
- Hospital in the Home
- Post-Acute Care services
- Diabetes Education
- Continence Services
- Community Based Palliative Care
- Geriatric Evaluation and Management Restorative Care and in-home Transitional Care
- Advanced Care Planning
- Outreach pharmacy
- Dental Services
- Financial Services
- Orange Door Access Point
- Family Services
- Drug and Alcohol services
- Counselling Services
- Homelessness and Family Violence
- Case Management
- Social Support and Community Engagement services such as Neighbourhood House and planned Activity Groups

Aged Care

- Corangamara Public Sector Residential Aged Care
- Transition Care - an extended program that will assist people to transition to home or other care.

Acute Hospital Care

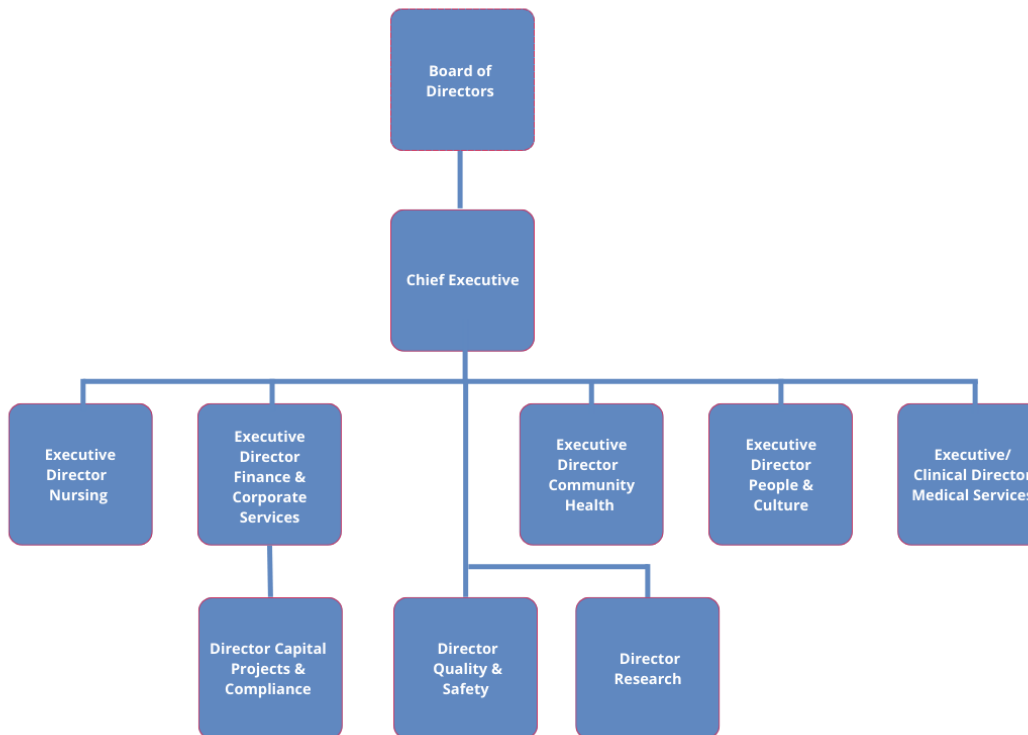
Our acute hospital services are provided in our Acute Wing, Theatre, and Urgent Care departments. Services offered include:

- 24-hour Urgent Care
- General Medicine
- Palliative Care
- Surgical
- Obstetrics
- Gynaecology
- Oncology
- Palliative Care
- Elective and Emergency Surgery
- Maternity
- Dialysis
- Hospital in the Home program.
- Restorative Care - support people who need sub-acute services to achieve their goals prior to returning home.
- Our Acute services are supported by collocated services which includes Australian Clinical Labs for pathology services, and imaging offered through Barwon Medical Imaging

Research

We are one of few rural hospitals Australia-wide to have a research centre. The work of our research teams is both nationally and internationally recognized, with research publications at the forefront of numerous fields. Notable research has recently led to valuable contributions to dietetics, facilitating tangible improvements in the way we screen for malnutrition in patients.

Organisational Structure



Executive/ Clinical Director Medical Services

- Medical Workforce
- Director Perioperative
- Obstetrics
- Medical Training & Education

Executive Director People & Culture

- Human Resources
- Workforce Training & Development
- Work Health & Safety
- Catering Services
- Volunteers

Executive Director Nursing

- After Hours Coordinators
- Residential Aged Care
- Acute Ward
- Oncology Services
- Haemodialysis
- Maternity
- Urgent Care Centre
- Perioperative
- Pharmacy
- Infection Control

Executive Director Finance & Corporate Services

- Finance
- Reception/ Specialist Clinics
- Health Information Services
- Environmental Services
- Payroll
- Contracted Services including Medical Imaging and Pathology Services
- **Director Capital Projects & Compliance**
- IT & Infrastructure
- Maintenance
- Supply & Procurement

Executive Director of Community Health

- Allied Health
- Family & Community Programs
- Community Nursing
- Health Promotion
- Headspace
- Colac Dental

Director Quality & Safety

- Clinical Governance Quality Feedback

Director Research

- Research Services
- Translation Coordinator

Corporate Governance

Board of Directors

Chair:

Timothy Greene

Members:

Anne- Marie Leslie

Brendan Morris

Dr Amir Rahimi

Jeffrey Lomas

Leanne Witcombe

Sarah McKew

Michelle Veal

Joanna Carden

Cathy Evans - resigned

Dr Georgina Hayden

Dr Shainal Nathoo

Subcommittees

Finance Risk & Audit Committee

Chair:

Brendan Morris

Members:

Ken King (independent)

Joanna Carden

Jeffrey Lomas

Timothy Greene

Quality & Safety Committee

Chair:

Joanna Carden

Members:

Dr Amir Rahimi

Dr Georgina Hayden

Timothy Greene

Consumer Care & Engagement Committee

Chair:

Anne-Marie Leslie

Members:

Sarah McKew

Cathy Evans

Timothy Greene

Aged Care Committee

Chair:

Leanne Witcombe

Members:

Michelle Veal

Dr Shainal Nathoo

Timothy Greene

Executive Team

Chief Executive

Fiona Brew

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

Executive Director, Medical Services

Dr Ajai Verma

MBBS, MS, MPH, MHM, DCH, FRACGP, FRACMA, FCHSM, CHE, GAICD

FEB 2022

Clinical Director, Medical Services

Dr Ian MacKay

MBBS, DRANZCOG, DA, FRACGP, FACRRM

FEB 2022

Executive Director, Nursing

Lisa Pryor

RN, Grad Dip – Midwifery; Grad Dip – Advanced Nursing
/Management

MAY 2022

Executive Director, People & Culture

Angela Flett

MBA, Grad Dip HR

FEB 2022

Executive Director, Finance & Corporate Services

Ian Martin

FCMA, CGMA

FEB 2022

Executive Director, Community Health

Jo Stevens

RN, B Sci, B Arts, B Commerce, Cert Rehab Nursing, Cert
Service Redesign

Workforce Overview

Our Workforce

Hospital's Labour Category	June Current Month FTE*		Average Monthly FTE*	
	2021	2022	2021	2022
Nursing	159.0	157.0	157.0	151.0
Admin & Clerical	48.0	49.0	49.0	47.0
Medical Support	24.0	21.0	26.0	21.0
Hotel & Allied Services	46.0	50.0	48.0	48.0
Medical Officers	1.5	1.3	1.5	1.0
Hospital Medical Officers	0.0	0.7	0.0	0.7
Sessional Clinicians	0.0	0.1	0.0	0.1
Ancillary Staff (Allied Health)	44.0	47.0	40.0	42.0

*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 & Safety

Occupational Health & Safety Statistics	2021/2022	2020/2021	2019/2020
The number of reported hazards/incidents for the year per 100 FTE	43.30	52.30	49.80
The number of 'lost time' standard WorkCover claims for the year per 100 FTE	1.93	3.73	2.17
The average cost per WorkCover claim for the year ('000)	\$28.95	\$81.80	\$23.27

Occupational Violence Statistics

Occupational Violence Statistics	2021/2022
WorkCover accepted claims with an occupational violence cause per 100 FTE	0.0
Number of accepted WorkCover claims with lost time injury with an occupational violence cause per 1,000,000 hours worked	0.0
Number of occupational violence incidents reported	42.0
Number of occupational violence incidents reported per 100 FTE	13.5
Percentage of occupational violence incidents resulting in a staff injury, illness or condition	0.0%

Environment & Energy

Colac Area Health recognises and is committed to addressing its environmental obligations, both locally and globally and accepts responsibility for waste management, recycling and smarter energy use.

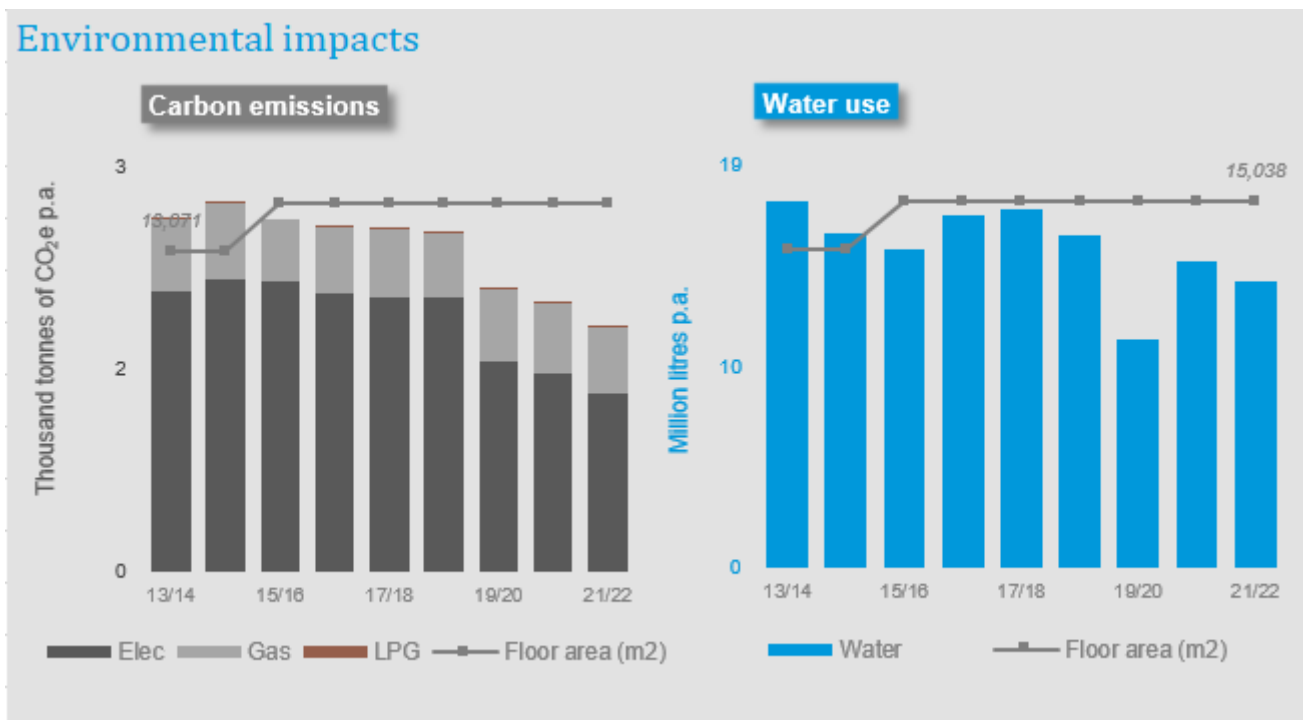
Data from Colac Area Health accounts is recorded in our Environmental Data Management System (EDMS) which helps identify and measures our environmental impacts in relation to energy, water, waste, transport and paper.

Energy generated through our solar panels continues to increase year on year, helping to reduce our environmental impact.

After an increase in potable water usage in 2020-2021 due to increased infection control measures, we have seen a reduction in usage in the year 2021-2022 as we improve systems and processes.

Environmental Impacts

Total greenhouse gas emissions (tonnes CO ₂ e)	2019-2020	2020-2021	2021-2022
Total	2,440	2,370	2,130
Total stationary energy purchased by energy type (GJ)			
Electricity	6,363	6,262	6,100
Liquefied Petroleum Gas	56	21	38
Natural Gas	12,289	11,921	11,047
Total embedded stationary energy generated by energy type			
Solar Power	975	1,094	1,176
Water Use (kL)			
Potable Water	10,962	14,698	13,662
Factors influencing environmental impacts			
Floor area (m ²)	15,038	15,038	15,038
Separations	6,747	6,311	6,629
In-Patient Bed Days	13,102	11,559	12,346
Aged Care Bed Days	21,197	23,175	22,102



Financial Overview

In 2021-22 Colac Area Health achieved its strategic objective of maintaining a financially sustainable organisation through efficient use of available resources and success in a number of key funding applications.

For the 2021-22 financial year Colac Area Health delivered an operating surplus of \$221k against a budgeted surplus of \$50k. This is compared to an operating surplus of \$1.2m the previous year.

Colac Area Health's ongoing response to COVID- 19 throughout 2021-22 continued to impact financial performance through reduced income and increased expenditure. \$1.8m of funding was provided to Colac Area Health to help offset this impact. Further financial sustainability funding has allowed us to achieve our surplus operating position within a very challenging operating environment.

Colac Area Health continues to progress its Financial Management Improvement Plan to ensure the most efficient and effective use of all its resources whilst ensuring we continue to deliver the highest standards of care to our consumers.

In 2021-22 operating activities for the year resulted in a net cash inflow of \$8.2m with \$5.8m being used in investing and financing activities. Overall, cash holdings increased by \$2.4m for the year with total cash on hand amounting to \$20.1m at 30 June 2022 compared to \$17.7m at the end of the previous year. Total cash detailed on the cashflow statement includes Residential Care Accommodation Deposits and other restricted funds. Total cash available to the health service at the end of the financial year was \$5.6m (excluding restricted cash) compared to \$3.9m the previous year.

Significant investment has been made across the organisation with infrastructure works to the total value of \$3.1m either completed or in progress.

This includes replacement of our Chillers and Air Handling Unit on the roof of the Polwarth and Galvin McCarthy buildings, installation of a new 1,250 Kva standby emergency generator and a major upgrade to our electrical infrastructure. A number of other assets were purchased throughout the year including a new CT Scanner for Medical Imaging, kitchen equipment, patient trolleys and beds. Work is also progressing on refurbishments within our Residential Care facility, acoustic treatment for our specialist clinics and outpatients and replacement of the Polwarth building roof.

Major Capital Works Overview

Capital Works	\$000's	Status
Chillers & Air Handling Unit Replacement	1,550	Complete
Residential Care Significant Refurbishment	1,199	In Progress
Electrical Infrastructure & Emergency Generator	1,779	Complete
Endoscopy Equipment	535	Complete
Roof Replacement	495	In Progress
Nurse Call Upgrade	535	In Progress
CT Scanner	591	Complete

The majority of these assets were funded by the Department of Health and Colac Area Health is grateful for the continued support and investment shown by the Department of Health in rural and regional health services.

Colac Area Health would also like to express our extreme gratitude to all individuals and organisations who supported the Health Service through various donations, fundraising and bequeaths.

Financial Overview

Financial Performance Five Year Summary

	2022 \$000	2021 \$000	2020 \$000	2019 \$000	2018 \$000
Operating Result	221	1,223	3,855	(1,954)	(208)
Total Revenue	61,343	55,632	58,475	49,514	45,195
Total Expenses	60,710	55,947	56,246	26,635	47,163
Net Results from transactions	633	(314)	2,229	(3,121)	(1,968)
Total other economic flows	(26)	494	64	(111)	(180)
Net result	607	180	2,293	(3,232)	(2,148)
Total assets	69,192	67,226	63,809	61,544	57,968
Total liabilities	29,336	28,513	25,629	25,567	20,718
Net assets/ Total equity	39,856	38,713	38,180	35,887	37,250

Summary

Reconciliation between the Net results from transactions reported in the model to the Operating result as agreed in the Statement of Priorities	2021/22 \$000
Net operating result *	221
Capital and specific items	-
Capital purpose income	3,153
Specific revenue	9
Other revenue	164
Donations	539
COVID 19 State Supply (Arrangements assets received free of charge or for nil consideration under the State Supply)	618
State supply items consumed up to 30 June 2021	(497)
Assets provided free of charge	-
Assets received free of charge	-
Expenditure for capital purposes	(124)
Depreciation and amortisation	(3,451)
Impairment of non-financial assets	-
Finance costs	-
Net result from transactions	633

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

ICT Expenditure

Business as Usual (BAU) ICT expenditure	Non-Business as Usual (BAU) ICT expenditure		
	Total=Operation expenditure and capital expenditure (excluding GST) (a) + (b)	Operation expenditure (excluding GST) (a)	Capital expenditure (excluding GST) (b)
Total (excluding GST)			
\$2.2m			

Financial Overview

Use of Consultancies - Details of individual consultancies

In 2021/22 Colac Area Health engaged in six consultancies listed below with a total expenditure of \$147,342. No ex-gratia payments were made during the year.

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

In 2021/22 there were six consultancies where the total fees payable to the consultants were \$10,000 or greater. The total expenditure incurred during 2021/22 in relation to these consultancies is \$147,342 (excl. GST).

Details of consultancies >\$10,000	Purpose	Start Date	End Date	Total Approved Project Fee (excluding GST)	Expenditure 2021-22 (excluding GST)	Future Expenditure (excluding GST)
Michael Rhook	Executive	Jul-21	Jun-22	\$50,900	\$50,900	\$30,000
Grant Solutions	Executive	Nov-21	Jun-22	\$17,848	\$17,848	\$58,000
Open Advisory	Clinical Service Planning	Jul-21	Dec-21	\$32,571	\$32,571	-
The Esplanade West Group	Business Continuity Planning	Mar-22	Jun-22	\$24,750	\$24,750	\$25,000
Fiona Lukaitis Consulting	Clinical Governance Review	May-22	Jun-22	\$11,273	\$11,273	\$5,000
The Aligned Group Health Pty Ltd	Strategic Planning	Aug-21	Jun-22	\$10,000	\$10,000	-
Total				\$147,342	\$147,342	\$118,000

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

In 2021/22 there were no consultancies where the total fees payable to the consultants were \$10,000 or less.

Attestations & 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 under the Financial Management Act 1994 and Instructions.



Timothy Greene
Board Chair
Colac Area Health

6 September 2022

Data Integrity Declaration

I, Fiona Brew, certify that 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.

Integrity, Fraud & Corruption

I, Fiona Brew, certify that Colac Area Health has put in place appropriate internal controls and processes to ensure that integrity, fraud and corruptions risks have been reviewed and addressed and Colac Area Health 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 from declaration and documenting at each board meeting.



Fiona Brew
Chief Executive
Colac Area Health

6 September 2022

Responsible Ministers

The responsible Ministers during the reporting period were:

The Hon Martin Foley MP

Minister for Health
Minister for Ambulance Services
Minister for Equality

From 1 July 2021 to 27 June 2022

The Hon Mary-Anne Thomas MP

Minister for Health
Minister for Ambulance Services

From 27 June 2022 to 30 June 2022

The Hon James Merlino MP

Minister for Mental Health

From 1 July 2021 to 27 June 2022

The Hon Gabrielle Williams MP

Minister for Mental Health
Minister for Treaty and First Peoples

From 27 June 2022 to 30 June 2022

Manner of Establishment

Colac Area Health is a public hospital established under the Health Services Act 1988.

Declaration of Pecuniary Interest

When pecuniary interests exist, declarations of pecuniary interest have been obtained from relevant members of the Board of Directors and senior management staff.

Setting of Fees

The Health Services charges Acute Care, Community Health, and Home Nursing fees in accordance with Department of Health fees directive and Aged Care fees are charged in accordance with those determined by the Commonwealth Department of Health and Ageing.

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 \$30.10 but this can be waived on the basis of hardship. For the 12 months ending 30 June 2022 Colac Area Health received 61 valid applications, 5 were withdrawn.

Building Act 1993

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

Public Interest Disclosure 2012

Colac Area Health has in place policies for disclosure in accordance with the Public Interest Disclosure Act 2012. No protected disclosures were made under the Act in 2021/22.

Attestations & Declarations

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 Carers have a statutory right to ask Colac Area Health for flexible working if they care for an adult who is a relative or lives at the same address. Carers also have the right to take unpaid time off work for dependents in an emergency.

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

Colac Area Health abides by the principles of the Local Jobs First Act 2003. In 2021-2022 there were no contracts completed by Colac Area Health under this Act.

Gender Equality Act 2020

Colac Area Health's Gender Equality Action Plan has been developed and submitted to "The Commission for Gender Equality in the Public Sector" for review. Prior to developing the Gender Equality Action Plan Colac Area Health undertook a Workplace Gender Audit and engagement with a number of internal and external stakeholders. Feedback was reviewed for themes, which then informed key objectives and actions for inclusion.

Colac Area Health aims to create a supportive workplace culture, to build employee capacity to support gender equality and to embed gender equality into organisational policies, systems and processes. This plan, along with our commitment to the Gender Equality Principles, will lead the way to a better and more inclusive workplace for our employees.

Additional Information 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.

Statement of Priorities: Strategic Priorities Part A

In 2021/22 Colac Area Health continued to assist with the following state-wide priorities to develop and implement important system reforms, including modernising our health system through redesigned governance, driving system reforms that deliver better population health, high quality care and improved patient outcomes and experiences, and reforming clinical services to ensure we are delivering our community the best value care.

Strategic Priority

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

Outcomes

Colac Area Health continued to take a leadership role through the pandemic within the local community. The health service responded to outbreaks both locally and across the state in providing or supporting testing capability.

The vaccination program was established and operationalised on March 4 2021. Colac Area Health further demonstrated its agility and commitment to partnering by conducting vaccination clinics in a variety of settings. Relationships with local council, local employers and schools enabled on site vaccination clinics to be established. In supporting our own staff, clinics were run at a variety of times including family vaccination.

Strategic Priority

Engage with the community to address the needs of patients, especially vulnerable Victorians whose care has been delayed due to the pandemic and provide the necessary "catch-up" care to support them to get back on track. Work collaboratively with your Health Service Partnership to:

- Implement the Better at Home initiative to enhance in-home and virtual models of patient care when it is safe, appropriate, and consistent with patient preference.
- Improve elective surgery performance and ensure that patients who have waited longer than clinically recommended for treatment have their needs addressed as a priority.

Outcomes

The Better@Home partnership has progressed to support the growth of new community based programs that otherwise may not have eventuated. The GEM@Home program allows capacity for the equivalent of 3 beds for

patients in the Colac area. The model relies on Barwon GEM@Home to support Geriatrician involvement and support from the Nurse Unit Manager. All allied health and nursing interventions are provided by Colac Area Health. The service had been in operation since May 3rd.

The Better@Home partnership has also provided support for a review of the medical model of our Hospital in the Home (HITH) program. This review and change in resourcing resulted in improved efficiencies and has ensured that there are future opportunities to explore under the HITH Model of Care. The provision of equipment in regards to a new clinic bed enables the nursing team to work in a safe environment and to cater for bariatric clients within the HITH program.

Equipment and staffing resources have allowed for the planning of a remote patient monitoring service for Colac Area Health. It is anticipated that the service will commence in September 2022. Support from the Barwon Health Remote Patient Monitoring team will enable the commencement of the service model.

In addition to our Better@Home partnership, Colac Area Health is an active member of the Health Service Partnership being engaged in the Elective Surgery Reform Program. Colac Area Health is working with the regional lead to prioritise patients who have waited longer than clinically recommended and transfer their care, where appropriate, to Colac Area Health.

Strategic Priority

Address critical mental health demand pressures and support the implementation of mental health system reforms to embed integrated mental health and suicide prevention pathways for people with, or at risk of, mental illness or suicide through a whole-of-system approach as an active participant in your Health Service Partnership and through your Partnership's engagement with Regional Mental Health and Wellbeing Boards.

Outcomes

Colac Area Health has a mature relationship with Barwon Health who provide acute Mental Health services to the Colac region.

- Partnership interfaces include a consortium approach to delivery of Alcohol and Other Drug services in the area.
- Proactive monthly meeting between Barwon Mental Health, Ambulance Victoria, Victorian Police and Urgent Care Nurse Unit Manager to identify risk and provide support for acute mental health clients identified in the community. Strategies identified in this meeting aim to decrease the risk for clients during phases of acute deterioration of their mental health with the focus being early intervention.

Statement of Priorities: Strategic Priorities Part A

- Colac Area Health have partnered with Barwon Health as the lead agency to implement the headspace model for the Colac Region. The partnership has resulted in a current interim service engaging General Practice, Counselling Support and Sexual Reproductive Health Nurse. Headspace proper is expected to launch in late September 2022. This initiative has resulted in mental health services for young adults aged between 12 and 25 years.
- The establishment of headspace has facilitated the transfer of resources to increase adult counselling services two days per week.

Strategic Priority

Actively collaborate on the development and delivery of priorities within your Health Service Partnership, contribute to inclusive and consensus-based decision-making, support optimum utilisation of services, facilities, and resources within the Partnership, and be collectively accountable for delivering against Partnership accountabilities as set out in the Health Service Partnership Policy and Guidelines.

Outcomes

Colac has been an active member in the COVID response working with Barwon South West Public Health Unit (BSWPHU) in developing and delivering services. Through collaborative processes and recognising we are part of the health system, regional priorities have been identified, including development of a regional ICT Strategy, a regional approach to environmental sustainability; the development of the Gender Equity Action Plan and development of the regional surgery recovery plan. Locally, Colac Area Health are partnering with Barwon Health for purchased services in finance and asset management functions.

Strategic Priority

Embed the Aboriginal and Torres Strait Islander Cultural Safety Framework into your organisation and build a continuous quality improvement approach to improving cultural safety, underpinned by Aboriginal self-determination, to ensure delivery of culturally safe care to Aboriginal patients and families, and to provide culturally safe workplaces for Aboriginal employees.

Outcomes

The Aboriginal Cultural Safety Plan was drafted in partnership with local Aboriginal representation. There were many strategies developed to grow Aboriginal Cultural Safety within the organisation.

Training on unconscious bias was undertaken by 22 of the 30 senior staff. Local Aboriginal representative provided a briefing on “the Beginning Steps” which was a project that aimed to increase the participation and Engagement of Aboriginal parents/carers in maternal, Health, education and social services activities.

Colac Area Health sponsored a community events during Reconciliation and NAIDOC weeks, both of these events were well attended and received by the community.

Closing the gap promotions included communication with Aboriginal Communities and staff at Colac Area Health in regard to no fee for Aboriginal clients in the Community setting.

Continued partnership with Colac Area Health and both the Eye and Ear pathways working parties has resulted in a Barwon Health clinic on site at Colac for early intervention audiology. Pathways for Aboriginal clients include triage and direct referral to Barwon Health ENT.

Aboriginal Cultural Safety training is mandatory for all staff, 70% have completed the training 10% are in progress and 20% have yet to start the training

Colac Area Health circulated an Expression of Interest for local Aboriginal artists to provide a piece of art work for the main Community entrance to the hospital. The EOI resulted in a preferred applicant providing their artwork along with a narrative for the piece.

A monitored email address was set up at Colac Area Health to support activities and communication for all especially Aboriginal Communities.
reconciliation@cah.vic.gov.au

Statement of Priorities: Part B

High Quality & Safe Care

Key performance measure	Target	Result
Infection prevention and control		
Compliance with the Hand Hygiene Australia program	85%	96.0%
Percentage of healthcare workers immunised for influenza	92%	85%
Patient experience		
Victorian Healthcare Experience Survey – percentage of positive patient experience responses Q1	95%	100%
Victorian Healthcare Experience Survey – percentage of positive patient experience responses Q2	95%	100%
Victorian Healthcare Experience Survey – percentage of positive patient experience responses Q3	95%	96.8%
Maternity and Newborn		
Rate of singleton term infants without birth abnormalities with APGAR score <7 to 5 minutes	<1.4%	1.9%
Rate of severe fetal growth restriction (FGR in singleton pregnancy undelivered by 40 weeks)	≤28.6%	0%

*Given COVID-19 resulted in delays to surgery, visitor restriction and increased demand for services patient experience has been impacted

Strong Governance, Leadership & Culture

Key performance measure	Target	Result
Organisational Culture		
People matter survey – Percentage of staff with an overall positive response to safety culture survey questions	62%	61%

Timely Access to Care

Key performance measure	Target	Result
Percentage of urgent patients referred by a GP or external specialist who attended a first appointment within 30 days	100%	90.4%
Percentage of routine patients referred by GP or external specialist who attended a first appointment within 365 days	90%	99.6%

Effective Financial Management

Key performance measure	Target	Result
Operating result (\$m)	\$0.05	\$0.22
Average number of days to pay trade creditors	60 days	47 days
Average number of days to receive patient fee debtors	60 days	42 days
Adjusted current asset ratio	0.7 or 3% improvement from health service base target	0.93
Actual number of days available cash, measured on the last day of each month.	14 days	39 days
Variance between forecast and actual Net result from transactions (NRFT) for the current financial year ending 30 June.	Variance ≤ \$250,000	Not Achieved

Statement of Priorities: Part C

State Funding

Funding type	2021/2022 Activity achievement
Consolidated Activity Funding	
Acute admitted, subacute admitted, emergency services, non-admitted NWAU	5,339
Acute Admitted	
National Bowel Cancer Screening Program NWAU	13
Acute admitted DVA	21
Acute admitted TAC	2
Acute Non-Admitted	
Home Enteral Nutrition NWAU 2	2
Specialist Clinics	-
Aged Care	
Residential Aged Care	21,602
HACC	2,254
Mental Health and Drug Services	
Drug Services	1
Primary Health	
Community Health / Primary Care Programs	2,082

Disclosures 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.

Legislation	Requirement	Page
FRD 22	Manner of establishment and relevant Ministers	14
FRD 22	Purpose, function, powers, and duties	3
FRD 22	Nature and range of services provided	6
FRD 22	Activities, programs and achievements for the reporting period	4
FRD 22	Significant changes in key initiatives and expectations for the future	4
Management and structure		
FRD 22	Organisational structure	7
FRD 22	Workforce data/ employment and conduct principles	9
FRD 22	Occupational Health and Safety	9
Financial information		
FRD 22	Summary of the financial results for the year	11
FRD 22	Significant changes in financial position during the year	11
FRD 22	Operational and budgetary objectives and performance against objectives	11
FRD 22	Subsequent events	14
FRD 22	Details of consultancies under \$10,00	13
FRD 22	Details of consultancies over \$10,00	13
FRD 22	Disclosure of ICT expenditure	12

Legislation	Requirement	Page
FRD 22	Application and operation of Freedom of Information Act 1992	14
FRD 22	Compliance with building and maintenance provisions of Building Act 1993	14
FRD 22	Application and operation of Public Interest Disclosure Act 2012	14
FRD 22	Statement on National Competition Policy	15
FRD 22	Application and operation of Carers Recognition Act 2012	15
FRD 22	Summary of the entity's environmental performance	10
FRD 22	Additional information available on request	15
Other relevant reporting directives		
FRD 25	Local Jobs First Act 2003 disclosures	15
SD 5.1.4	Financial Management Compliance attestation	14
SD 5.2.3	Declaration in report of operations	5
Attestations		
Data Integrity	Attestation on Data Integrity	14
Conflicts of Interest	Attestation on Conflicts of Interest	14
Integrity, Fraud and Corruption	Attestation on Integrity, Fraud and Corruption	14
Other reporting requirements		
	Reporting outcomes from Statement of Priorities 2021-22	16
	Occupational Violence reporting	9
	Gender Equality Act 2020	15
	Reporting obligations under the Safe Patient Care Act 2015	15

COLAC AREA HEALTH
FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2022

**Colac Area Health
Financial Report
For the Financial Year Ended 30 June 2022**

Colac Area Health presents its audited general purpose financial statements for the financial year ended 30 June 2022 in the following structure to provide users with the information about Colac Area Health’s stewardship of the resources entrusted to it.

Board member’s, accountable officer’s, and chief finance and accounting officer’s declaration	25
Auditor-General’s Report.....	26
Comprehensive Operating Statement.....	28
Balance Sheet.....	29
Statement of Changes in Equity	30
Cash Flow Statement.....	31
Notes to the Financial Statements	32
Note 1: Basis of preparation	33
Note 1.1: Basis of preparation of the financial statements	33
Note 1.2: Impact of COVID-19 pandemic	33
Note 1.3: Abbreviations and terminology used in the financial statements.....	34
Note 1.4: Joint arrangements	35
Note 1.5: Key accounting estimates and judgements.....	35
Note 1.6: Accounting standards issued but not yet effective	36
Note 1.7: Goods and Services Tax (GST)	37
Note 1.8: Reporting Entity.....	37
Note 2: Funding Delivery of our Services.....	37
Note 2.1: Revenue and Income from transactions	39
Note 2.2: Fair value of assets and services received free of charge or for nominal consideration.....	42
Note 3: The Cost of Delivering our Services	44
Note 3.1: Expenses from Transactions	46
Note 3.2: Other Economic Flows	48
Note 3.3: Employee Benefits and related on-costs.....	49
Note 3.4: Superannuation	52
Note 4: Key Assets to Support Service Delivery	53
Note 4.1: Property, Plant and Equipment	55
Note 4.2: Depreciation and amortisation	58

Note 4.3 Impairment of assets.....	59
Note 5: Other Assets and Liabilities	61
Note 5.1: Receivables and contract assets.....	62
Note 5.2: Payables and contract liabilities	64
Note 5.3: Other Liabilities	65
Note 6: How We Finance Our Operations.....	66
Note 6.1: Borrowings.....	68
Note 6.2: Cash and Cash Equivalents	69
Note 6.3: Commitments for Expenditure	69
Note 7: Risks, Contingencies and Valuations Uncertainties	70
Note 7.1: Financial instruments	72
Note 7.2: Financial risk management objectives and policies	75
Note 7.3: Contingent assets and contingent liabilities	78
Note 7.4: Fair value determination	79
Note 8: Other Disclosures	84
Note 8.1: Reconciliation of Net Result for the Year to Net Cash flows from Operating Activities.....	85
Note 8.2: Responsible Person Disclosures	86
Note 8.3: Remuneration of Executives	87
Note 8.4: Related Parties	88
Note 8.5: Remuneration of Auditors	91
Note 8.6: Events Occurring After the Balance Sheet Date.....	91
Note 8.7: Joint Arrangements.....	92
Note 8.8: Equity	94
Note 8.9: Economic Dependency.....	94

Colac Area Health

Financial Statements

For the Financial Year Ended 30 June 2022

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 2022 and the financial position of Colac Area Health at 30 June 2022.

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

We authorise the attached financial statements for issue on 6 September 2022.



Timothy Greene
Chair

Colac
6 September 2022



Fiona Brew
Chief Executive

Colac
6 September 2022



Ian Martin
Director Finance &
Corporate Services

Colac
6 September 2022

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 2022 • comprehensive operating statement for the year then ended • statement of changes in equity for the year then ended • cash flow statement for the year then ended • notes to the financial statements, including significant accounting policies • board member's, accountable officer's, and chief finance 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 2022 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the health service in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's <i>APES 110 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. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Other Information	<p>My opinion on the financial report does not cover the Other Information and accordingly, I do not express any form of assurance conclusion on the Other Information. However, in connection with my audit of the financial report, my responsibility is to read the Other Information and in doing so, consider whether it is materially inconsistent with the financial report or the knowledge I obtained during the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude there is a material misstatement of the Other Information, I am required to report that fact. I have nothing to report in this regard.</p>
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
4 October 2022

Dominika Ryan
as delegate for the Auditor-General of Victoria

Colac Area Health

Comprehensive Operating Statement For the Financial Year Ended 30 June 2022

	2022	2021
Note	\$'000	\$'000
Revenue and income from transactions		
Operating activities	2.1 60,156	54,406
Non-operating activities	2.1 49	50
Share of revenue from joint operations	8.7 1,138	1,176
Total revenue and income from transactions	61,343	55,632
Expenses from transactions		
Employee expenses	3.1 (41,855)	(39,946)
Supplies and consumables	3.1 (5,925)	(5,565)
Depreciation	4.2 (3,451)	(3,182)
Finance costs	3.1 -	(4)
Other administrative expenses	3.1 (5,364)	(3,708)
Other operating expenses	3.1 (3,044)	(2,470)
Share of expenditure from joint operations	8.7 (1,071)	(1,073)
Total Expenses from transactions	(60,710)	(55,947)
Net result from transactions - net operating balance	633	(314)
Other economic flows included in net result		
Net gain/(loss) on sale of non-financial assets	3.2 19	-
Net gain/(loss) on financial instruments	3.2 (12)	(11)
Other gain/(loss) from other economic flows	3.2 (9)	500
Share of other economic flows from joint arrangements	8.7 (4)	5
Net loss on change in ownership percentage of joint arrangement	3.2 (20)	-
Total other economic flows included in net result	(26)	494
Net result for the year	607	180
Other comprehensive income		
Items that will not be reclassified to net result		
Changes in property, plant and equipment revaluation surplus	4.1(c) 536	353
Comprehensive result for the year	1,143	533

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

**Colac Area Health
Balance Sheet
as at 30 June 2022**

		2022	2021
	Note	\$'000	\$'000
Current assets			
Cash and cash equivalents	6.2	20,109	17,710
Receivables and contract assets	5.1	746	1,313
Inventories		62	56
Prepaid expenses		104	941
Share of assets in joint operations	8.7	1,482	803
Total current assets		22,503	20,823
Non-current assets			
Receivables and contract assets	5.1	3,492	3,324
Property, plant and equipment	4.1(a)	42,748	42,579
Share of assets in joint operations	8.7	448	500
Total non-current assets		46,689	46,403
Total assets		69,192	67,226
Current liabilities			
Payables and contract liabilities	5.2	9,434	6,936
Employee benefits	3.3	8,370	7,817
Other liabilities	5.3	8,714	11,155
Borrowings	6.1	233	233
Share of liabilities in joint operations	8.7	1,442	848
Total current liabilities		28,193	26,989
Non-current liabilities			
Employee benefits	3.3	941	1,077
Borrowings	6.1	70	307
Share of liabilities in joint operations	8.7	132	140
Total non-current liabilities		1,143	1,524
Total liabilities		29,336	28,513
Net assets		39,856	38,713
Equity			
Revaluation surplus	4.1(c)	27,722	27,186
Restricted specific purpose reserve	SCE	2,814	2,578
Contributed capital	SCE	14,253	14,253
Accumulated surplus/(deficit)	SCE	(4,933)	(5,304)
Total equity		39,856	38,713

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 2022

Consolidated	Property, Plant & Equipment Revaluation Surplus \$'000	Contributed Capital \$'000	Restricted Specific Purpose Reserve \$'000	Accumulated Surplus/(Deficit) \$'000	Total \$'000
Balance at 1 July 2020	26,833	14,253	1,223	(4,129)	38,180
Net result for the year	-	-	-	180	180
Other comprehensive income for the year	353	-	-	-	353
Transfer from/(to) accumulated surplus/(deficit)	-	-	1,355	(1,355)	-
Balance at 30 June 2021	27,186	14,253	2,578	(5,304)	38,713
Net result for the year	-	-	-	607	607
Other comprehensive income for the year	536	-	-	-	536
Transfer from/(to) accumulated surplus/(deficit)	-	-	236	(236)	-
Balance at 30 June 2022	27,722	14,253	2,814	(4,933)	39,856

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

Colac Area Health
Cash Flow Statement
For the Financial Year Ended 30 June 2022

	2022	2021
Note	\$'000	\$'000
Cash Flows from operating activities		
Operating grants from State Government	43,693	44,184
Operating grants from Commonwealth Government	6,421	6,342
Capital grants from State Government	2,996	1,141
Patient fees received	2,124	2,540
GST received from ATO	1,456	921
Donations and bequests received	539	375
Interest and investment income received	49	49
Other receipts received	4,250	3,484
Total receipts	61,528	59,036
Employee expenses	(40,880)	(40,652)
Payments for supplies and consumables	(5,931)	(5,566)
Payments for medical indemnity insurance	(678)	(699)
Payments for repairs and maintenance	(720)	(534)
Finance costs	-	(4)
Other payments	(5,157)	(5,376)
Total payments	(53,366)	(52,831)
Net cash flows from/(used in) operating activities	8,162	6,205
	8.1	
Cash Flows from investing activities		
Purchase of non-financial assets	(3,084)	(282)
Proceeds from sale of financial assets	-	223
Net cash flows from/(used in) investing activities	(3,084)	(59)
Cash flows from financing activities		
Repayment of borrowings	(237)	(2,168)
Receipt of accommodation deposits	1,005	1,678
Repayment of accommodation deposits	(3,451)	(1,351)
Other	4	-
Net cash flows from/(used in) financing activities	(2,679)	(1,841)
Net increase/(decrease) in cash and cash equivalents held	2,399	4,305
Cash and cash equivalents at beginning of year	17,710	13,405
Cash and cash equivalents at end of year	20,109	17,710
	6.2	

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

Notes to the Financial Statements

Note 1: Basis of preparation

Structure

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

Note 1: Basis of preparation

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

This section explains the basis of preparing the financial statements.

Note 1.1: Basis of preparation of the financial statements

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

The financial statements also comply with relevant Financial Reporting Directions (FRDs) issued by the Department of Treasury and Finance (DTF), 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 a "not-for-profit" health service under the Australian Accounting Standards. Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Apart from the changes in accounting policies, standards and interpretations as noted below, material accounting policies adopted in the preparation of these financial statements are the same as those adopted in the previous period.

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

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

The financial statements are in Australian dollars.

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

The annual financial statements were authorised for issue by the Board of Colac Area Health on 6 September 2022.

Note 1.2: Impact of COVID-19 pandemic

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

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

In response to the ongoing COVID-19 pandemic, Colac Area Health has:

- Introduced restrictions on non-essential visitors
- Increased utilisation of telehealth services
- Reduced visitor hours where appropriate
- Deferred elective surgery and reduced activity
- Performed COVID-19 testing
- Established and operated vaccination clinics
- Redesigned infection control practices
- Implemented work from home arrangements where appropriate

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

- Note 2: Funding delivery of our services
- Note 3: The cost of delivering services
- Note 4: Key Assets to Support Service Delivery
- Note 5: Other Assets and Liabilities
- Note 6: How We Finance Our Operations
- Note 8: Other Disclosures

Note 1.3: Abbreviations and terminology used in the financial statements

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

Reference	Title
AASB	Australian Accounting Standards Board
AASs	Australian Accounting Standards, which include Interpretations
ATO	Australian Taxation Office
DH	Department of Health
DTF	Department of Treasury and Finance
FMA	Financial Management Act 1994
FRD	Financial Reporting Direction
SD	Standing Direction
NWAU	National Weighted Activity Unit
VAGO	Victorian Auditor General's Office
WIES	Weighted Inlier Equivalent Separation
SCE	Statement of Changes in Equity
SWARH	South West Alliance of Rural Health
LSL	Long service leave
TCV	Treasury Corporation of Victoria
VGv	Valuer-General of Victoria
GST	Goods and services tax

Note 1.4: Joint arrangements

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

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 Joint arrangements).

Note 1.5: Key accounting estimates and judgements

Management make estimates and judgements when preparing the financial statements.

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

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

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

Note 1.6: Accounting standards issued but not yet effective

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

Standard	Adoption Date	Impact
AASB 17: Insurance Contracts	Reporting periods on or after 1 January 2023	Adoption of this standard is not expected to have a material impact.
AASB 2020-1: Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current	Reporting periods on or after 1 January 2022.	Adoption of this standard is not expected to have a material impact.
AASB 2020-3: Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments	Reporting periods on or after 1 January 2022.	Adoption of this standard is not expected to have a material impact.
AASB 2021-2: Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definitions of Accounting Estimates.	Reporting periods on or after 1 January 2023.	Adoption of this standard is not expected to have a material impact.
AASB 2021-5: Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	Reporting periods on or after 1 January 2023.	Adoption of this standard is not expected to have a material impact.
AASB 2021-6: Amendments to Australian Accounting Standards – Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards	Reporting periods on or after 1 January 2023.	Adoption of this standard is not expected to have a material impact.
AASB 2021-7: Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections	Reporting periods on or after 1 January 2023.	Adoption of this standard is not expected to have a material impact.

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

Note 1.7: Goods and Services Tax (GST)

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

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

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

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

Note 1.8: Reporting Entity

The financial statements include the 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's operations and its principal activities is included in the report of operations, which does not form part of these financial statements.

Note 2: Funding Delivery of our Services

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 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

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

Telling the COVID-19 story

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

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

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

Funding provided included:

- COVID-19 grants to fund direct and indirect COVID-19 related costs and vaccination
- State repurpose grants to fund lost revenue due to COVID-19
- Sustainability funding
- Better @ home funding
- Elective Surgery Blitz funding

Revenue recognised to fund the delivery of our services during the financial year was not materially impacted by the COVID-19 Coronavirus pandemic.

Key judgements and estimates

This section contains the following key judgements and estimates:

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

Note 2.1: Revenue and Income from transactions

	2022	2021
Note	\$'000	\$'000
Operating activities		
Revenue from contracts with customers		
Government grants (State) - Operating	40,819	35,317
Government grant (Commonwealth) - Operating	6,421	6,342
Patient and resident fees	2,124	2,540
Commercial activities ¹	241	226
Total revenue from contracts with customers	49,605	44,425
2.1(a)		
Other sources of income		
Government grants (State) - Operating	2,626	3,999
Government grants (State) - Capital	2,996	981
Government grants (Commonwealth) - Capital	157	160
Assets received free of charge and for nominal consideration	1,276	828
Other revenue from operating activities	3,496	4,013
Total other sources of income	10,551	9,981
Total revenue and income from operating activities	60,156	54,406
Non-operating activities		
Income from other sources		
Other interest	49	49
Capital from South West Do Care Inc	-	1
Total other sources of income	49	50
Total income from non-operating activities	49	50
Total revenue and income from transactions	60,205	54,456

1. Commercial activities represent business activities which Colac Area Health enters into to support their operations.

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

	2022	2021
	\$'000	\$'000
Colac Area Health disaggregates revenue by the timing of revenue recognition.		
Goods and services transferred to customers:		
At a point in time	49,605	44,425
Total revenue from contracts with customers	49,605	44,425

How we recognise revenue and income from operating activities**Government operating grants**

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

When both these conditions are satisfied, the health service:

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

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

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

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

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

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

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

Other one-off grants (if funding conditions contain enforceable and sufficiently specific performance obligations)	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.
--	--

Capital grants

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

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

Patient and resident fees

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

Commercial activities

Revenue from commercial activities includes items such as property rental income. Commercial activity revenue is recognised on an accrual basis.

How we recognise revenue and income from non-operating activities

Interest Income

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

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

	2022	2021
	\$'000	\$'000
Cash donations and gifts	538	375
Plant and equipment	121	-
Personal protective equipment and other consumables	497	362
Insurance - VMIA	120	91
Total fair value of assets and services received free of charge or for nominal consideration	1,276	828

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

Donations and bequests

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

Personal protective equipment

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

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

Contributions

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

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

Colac Area Health recognises income immediately in the profit or loss as the difference between the initial fair value of the asset and the related amounts.

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

Voluntary Services

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

Non-cash contributions from the Department of Health

The DH makes some payments on behalf of Colac Area Health as follows:

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

Note 3: The Cost of Delivering our Services

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

Structure

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

Telling the COVID-19 story

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

Additional costs were incurred to deliver the following additional services:

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

Key judgements and estimates

This section contains the following key judgements and estimates:

Key judgements and estimates	Description
Classifying employee benefit liabilities	<p>Colac Area Health applies significant judgement when classifying its employee benefit liabilities.</p> <p>Employee benefit liabilities are classified as a current liability if Colac Area Health does not have an unconditional right to defer payment beyond 12 months. Annual leave, accrued days off and LSL entitlements (for staff who have exceeded the minimum vesting period) fall into this category.</p> <p>Employee benefit liabilities are classified as a non-current liability if Colac Area Health has a conditional right to defer payment beyond 12 months. LSL entitlements (for staff who have not yet exceeded the minimum vesting period) fall into this category.</p>
Measuring employee benefit liabilities	<p>Colac Area Health applies significant judgement when measuring its employee benefit liabilities.</p> <p>The health service applies judgement to determine when it expects its employee entitlements to be paid.</p> <p>With reference to historical data, if the health service does not expect entitlements to be paid within 12 months, the entitlement is measured at its present value, being the expected future payments to employees.</p> <p>Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures, and are discounted at rates determined by reference to market yields on government bonds at the end of the reporting period.</p> <p>All other entitlements are measured at their nominal value.</p>

Note 3.1: Expenses from Transactions

	2022	2021
Note	\$'000	\$'000
Salaries and wages	30,700	30,848
On-costs	3,191	2,704
Agency expenses	1,790	932
Fee for service medical officer expenses	5,662	5,052
Workcover premium	512	409
Total employee expenses	41,855	39,945
Drug supplies	1,010	1,137
Medical and surgical supplies (including Prostheses)	3,453	2,810
Diagnostic and radiology supplies	365	524
Other supplies and consumables	1,097	1,094
Total supplies and consumables	5,925	5,565
Finance costs	-	4
Total finance costs	-	4
Other administrative expenses	5,364	3,708
Total other administrative expenses	5,364	3,708
Fuel, light, power and water	558	562
Repairs and maintenance	1,249	842
Maintenance contracts	501	338
Medical indemnity insurance	736	727
Total other operating expenses	3,044	2,469
Total operating expenses	56,188	51,691
Depreciation	4.2 3,451	3,182
Total depreciation and amortisation	3,451	3,182
Total non-operating expenses	3,451	3,182
Total expenses from transactions	59,639	54,873

How we recognise expenses from transactions

Expense recognition

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

Employee Expenses

Employee expenses include:

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

Supplies and Consumables

Supplies and 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.

Finance costs

Finance costs includes:

- Interest on bank overdrafts and short-term and long-term borrowings (interest expense is recognised in the period in which it is incurred)
- Amortisation of discounts or premiums relating to borrowings.

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 DH 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

	2022	2021
	\$'000	\$'000
Net gain/(loss) on disposal of property plant and equipment	19	-
Total net gain/(loss) on non-financial assets	19	-
Net gain/(loss) on financial instruments	(12)	(11)
Total net gain/(loss) on financial instruments	(12)	(11)
Net loss on change in ownership percentage of joint arrangement	(20)	-
Share of net profits/(losses) of joint entities, excluding dividends	(4)	5
Total share of other economic flows from joint arrangements	(24)	5
Net gain/(loss) arising from revaluation of long service liability	(9)	500
Total other gains/(losses) from other economic flows	(9)	500
Total gains/(losses) from other economic flows	(26)	494

How we recognise other economic flows

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

- the revaluation of the present value of the LSL liability due to changes in the bond interest rates.

Net gain/(loss) on non-financial assets

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

- 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 Financial instruments); and
- Disposals of financial assets and derecognition of financial liabilities.

Note 3.3: Employee Benefits and related on-costs

	2022	2021
	\$'000	\$'000
Current employee benefits and related on-costs		
<i>Accrued days off</i>		
Unconditional and expected to be settled wholly within 12 months ⁱ	58	48
	58	48
<i>Annual leave</i>		
Unconditional and expected to be settled wholly within 12 months ⁱ	2,327	2,230
Unconditional and expected to be settled wholly after 12 months ⁱⁱ	379	243
	2,706	2,473
<i>Long service leave</i>		
Unconditional and expected to be settled wholly within 12 months ⁱ	771	720
Unconditional and expected to be settled wholly after 12 months ⁱⁱ	3,903	3,777
	4,674	4,497
<i>Provisions related to employee benefit on-costs</i>		
Unconditional and expected to be settled within 12 months ⁱ	374	358
Unconditional and expected to be settled after 12 months ⁱⁱ	558	442
	932	800
Total current employee benefits and related on-costs	8,370	7,817
Non-current employee benefits and related on-costs		
Conditional long service leave	830	971
Provisions related to employee benefit on-costs	111	106
Total non-current employee benefits and related on-costs	941	1,077
Total employee benefits and related on-costs	9,311	8,894

ⁱ The amounts disclosed are nominal amounts.

ⁱⁱ The amounts disclosed are discounted to present values.

Note 3.3(a) Employee benefits and related on-costs

	2022	2021
	\$'000	\$'000
Current employee benefits and related on-costs		
Unconditional long service leave entitlements	5,278	4,987
Unconditional annual leave entitlements	3,025	2,782
Unconditional accrued days off	67	48
Total current employee benefits and related on-costs	8,370	7,817
Non-current employee benefits and related on-costs		
Conditional long service leave entitlements	941	1,077
Total non-current employee benefits and related on-costs	941	1,077
Total employee benefits and related on-costs	9,311	8,894
Attributable to:		
Employee benefits	8,268	8,346
Provision for related on-costs	1,043	548
Total employee benefits and related on-costs	9,311	8,894

Note 3.3(b) Movement in employee benefit entitlements

	2022	2021
	\$'000	\$'000
Carrying amount at start of year	8,894	9,297
Amounts incurred during the year	(3,342)	(3,558)
Additional provisions recognised	3,759	3,155
Carrying amount at end of year	9,311	8,894

How we recognise employee benefits**Employee Benefit Recognition**

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

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

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 Colac Area Health does not have an unconditional right to defer settlements of these liabilities.

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

- Nominal value – if 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 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 e.g. bond rate movements, inflation rate movements and changes in probability factors which are then recognised as other economic flows.

Termination benefits

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

Provision for 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	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Defined contribution plans:				
Aware Super (Previously First State Super)	1,619	1,714	26	-
Health Employees Super Trust Australia (HESTA)	732	698	-	-
Other	472	309	-	-
Defined benefit plans:ⁱ				
Aware Super (Previously First State Super)	100	113	-	-
Total	2,923	2,834	26	-

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

How we recognise superannuation

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

Defined Benefit Superannuation Plans

The defined benefit plan provides benefits based on years of service and final average salary. The amount charged to the Comprehensive Operating Statement in respect of defined benefit superannuation plans represents the contributions made by 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.

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.

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 Depreciation
- 4.3 Impairment of assets

Telling the COVID-19 story

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

Key judgements and estimates

This section contains the following key judgements and estimates:

Key judgements and estimates	Description
Estimating useful life and residual value of property, plant and equipment	<p>Colac Area Health assigns an estimated useful life to each item of property, plant and equipment, whilst also estimating the residual value of the asset, if any, at the end of the useful life. This is used to calculate depreciation of the asset.</p> <p>The health service reviews the useful life, residual value and depreciation rates of all assets at the end of each financial year and where necessary, records a change in accounting estimate.</p>
Estimating the useful life of intangible assets	<p>Colac Area Health assigns an estimated useful life to each intangible asset with a finite useful life, which is used to calculate amortisation of the asset.</p>
Identifying indicators of impairment	<p>At the end of each year, Colac Area Health assesses impairment by evaluating the conditions and events specific to the health service that may be indicative of impairment triggers. Where an indication exists, the health service tests the asset for impairment.</p> <p>The health service considers a range of information when performing its assessment, including considering:</p> <ul style="list-style-type: none"> ▪ If an asset's value has declined more than expected based on normal use ▪ If a significant change in technological, market, economic or legal environment which adversely impacts the way the health service uses an asset ▪ If an asset is obsolete or damaged ▪ If the asset has become idle or if there are plans to discontinue or dispose of the asset before the end of its useful life ▪ If the performance of the asset is or will be worse than initially expected. <p>Where an impairment trigger exists, the health service applies significant judgement and estimate to determine the recoverable amount of the asset.</p>

Note 4.1: Property, Plant and Equipment**Note 4.1 (a) Gross carrying amount and accumulated depreciation**

	2022	2021
	\$'000	\$'000
Land at fair value - Crown	1,250	1,000
Land at fair value - Freehold	2,457	2,171
Total land at fair value	3,707	3,171
Buildings at fair value	42,614	42,614
Less accumulated depreciation	(8,164)	(5,438)
Total buildings at fair value	34,450	37,176
Total land and buildings	38,157	40,347
Works in progress at cost	313	171
Plant and equipment at fair value	4,689	2,770
Less accumulated depreciation	(2,670)	(2,443)
Total plant and equipment at fair value	2,019	327
Motor vehicles at fair value	792	792
Less accumulated depreciation	(755)	(700)
Total motor vehicles at fair value	37	92
Medical equipment at fair value	5,233	4,211
Less accumulated depreciation	(3,322)	(2,967)
Total medical equipment at fair value	1,911	1,244
Computer equipment at fair value	1,446	1,446
Less accumulated depreciation	(1,245)	(1,208)
Total computer equipment at fair value	201	238
Furniture and fittings at fair value	689	685
Less accumulated depreciation	(579)	(526)
Total furniture and fittings at fair value	110	159
Total plant, equipment, furniture, fittings and vehicles at fair value	4,592	2,232
Total property, plant and equipment	42,748	42,579

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

	Note	Land \$'000	Buildings \$'000	Works in progress \$'000	Plant and equipment \$'000	Motor vehicles \$'000	Medical Equipment \$'000	Computer Equipment \$'000	Furniture and Fittings \$'000	Total \$'000
Balance at 1 July 2020		2,818	40,262	22	390	152	1,120	295	140	45,199
Additions		-	-	150	23	-	193	2	64	432
Revaluation increments/(decrements)		353	-	-	-	-	-	-	-	353
Disposals		-	(223)	-	-	-	-	-	-	(223)
Net transfers between classes		-	-	-	-	-	-	-	-	-
Depreciation	4.2	-	(2,863)	-	(85)	(60)	(70)	(59)	(44)	(3,181)
Balance at 30 June 2021	4.1(a)	3,171	37,176	171	327	92	1,244	238	159	42,579
Additions		-	-	1,823	322	-	1,022	-	4	3,171
Revaluation increments/(decrements)		536	-	-	-	-	-	-	-	536
Disposals		-	-	(84)	-	(1)	-	-	-	(85)
Net Transfers between classes		-	-	(1,597)	1,597	-	-	-	-	-
Depreciation	4.2	-	(2,726)	-	(227)	(54)	(355)	(37)	(53)	(3,451)
Balance at 30 June 2022	4.1(a)	3,707	34,450	313	2,019	37	1,911	201	110	42,748

How we recognise property, plant and equipment

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

Initial recognition

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

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

Subsequent measurement

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

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

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

Revaluation

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

Where an independent valuation has not been undertaken at balance date, Colac Area Health perform a managerial assessment to estimate possible changes in fair value of land and buildings since the date of the last independent valuation with reference to VGV indices.

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

An independent valuation of Colac Area Health's property, plant and equipment was performed by the VGV on May 2019. The valuation, which complies with Australian Valuation Standards, was determined by reference to the amount for which assets could be exchanged between knowledgeable willing parties in an arm's length transaction.

A managerial assessment performed at 30 June 2022 indicated an overall:

- Increase in fair value of land of 16.9% or \$536,000
- Increase in fair value of buildings of 6.5% or \$2,249,000

As the cumulative movement was greater than 10% but less than 40% for land since the last revaluation a managerial revaluation adjustment was required as at 30 June 2022. As the cumulative movement was less than 10% for buildings since the last revaluation a managerial revaluation adjustment was not required as at 30 June 2022.

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

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

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

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

Impairment

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

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

4.1 (c) Property, plant and equipment revaluation surplus

	2022	2021
Note	\$'000	\$'000
Balance at the beginning of the reporting period	27,186	26,833
Revaluation increment		
- Land	536	353
Balance at the end of the Reporting Period*	27,722	27,186
* Represented by:		
- Land	2,070	1,534
- Buildings	25,652	25,652
	27,722	27,186

Note 4.2: Depreciation and amortisation

	2022	2021
	\$'000	\$'000
Depreciation - property, plant and equipment		
Buildings	2,726	2,863
Motor vehicles	54	60
Plant and equipment	227	85
Medical equipment	355	70
Computer equipment	37	59
Furniture and fittings	53	44
Total depreciation - property, plant and equipment	3,451	3,181

How we recognise depreciation

All infrastructure assets, buildings, plant and equipment and other non-financial physical assets (excluding land) 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.

	2022	2021
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 and equipment	1 to 50 years	4 to 50 years
Medical equipment	4 to 20 years	7 to 10 years
Computers and communication	4 to 20 years	3 to 9 years
Furniture and fittings	4 to 40 years	10 to 13 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 4.3 Impairment of assets

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

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

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

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

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

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

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

Colac Area Health recorded impairment losses relating to contractual receivables for the year ended 30 June 2022 of \$12 thousand (2021: \$11 thousand). Refer to note 5.1(a).

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 and contract liabilities
- 5.3 Other liabilities

Telling the COVID-19 story

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

Key judgements and estimates

This section contains the following key judgements and estimates:

Key judgements and estimates	Description
Estimating the provision for expected credit losses	Colac Area Health uses a simplified approach to account for the expected credit loss provision. A provision matrix is used, which considers historical experience, external indicators and forward-looking information to determine expected credit loss rates.
Measuring contract liabilities	Colac Area Health applies significant judgement to measure its progress towards satisfying a performance obligation as detailed in Note 2. Where a performance obligation is yet to be satisfied, the health service assigns funds to the outstanding obligation and records this as a contract liability until the promised good or service is transferred to the customer.

Note 5.1: Receivables and contract assets

Notes	2022 \$'000	2021 \$'000
Current receivables and contract assets		
Contractual		
Trade receivables	391	153
Patient fees	210	959
Allowance for impairment losses	(50)	(50)
Total contractual receivables	551	1,062
Statutory		
GST receivable	195	251
Total statutory receivables	195	251
Total current receivables and contract assets	746	1,313
Non-current receivables and contract assets		
Contractual		
Long service leave - Department of Health	3,492	3,324
Total contractual receivables	3,492	3,324
Total non-current receivables and contract assets	3,492	3,324
Total receivables and contract assets	4,238	4,637
<i>(i) Financial assets classified as receivables and contract assets (Note 7.1(a))</i>		
Total receivables and contract assets	4,238	4,637
Allowance for impairment losses of contractual receivables	50	50
GST receivable	(195)	(251)
Total financial assets	4,093	4,436

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

	2022 \$'000	2021 \$'000
Balance at the beginning of the year	(50)	(50)
Increase in allowance	12	11
Amounts written off during the year	(12)	(11)
Balance at the end of the year	(50)	(50)

How we recognise receivables

Receivables consist of:

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

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

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

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 7.2 (a) for Colac Area Health's contractual impairment losses.

Note 5.2: Payables and contract liabilities

	2022	2021
Note	\$'000	\$'000
Current payables and contract liabilities		
Contractual		
Trade creditors	606	462
Accrued salaries and wages	665	221
Accrued expenses	2,873	1,392
Contract liabilities	1,169	921
Amounts payable to governments and agencies	3,369	3,369
Inter- hospital creditors	752	571
Total contractual payables	9,434	6,936
Total current payables and contract liabilities	9,434	6,936
Total payables and contract liabilities	9,434	6,936
<i>(i) Financial liabilities classified as payables and contract liabilities (Note 7.1(a))</i>		
Total payables and contract liabilities	9,434	6,936
Contract liabilities	(1,169)	(921)
Total financial liabilities	8,265	6,015

How we recognise payables and contract liabilities

Payables consist of:

Contractual payables – which mostly consist of payables in relation to goods and services. These payables are classified as financial instruments and measured at amortised cost. Accounts payable and salaries and wages payable represent liabilities for goods and services provided to the Colac Area Health prior to the end of the financial year that are unpaid.

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

Note 5.2 (a) Contract liabilities

	2022	2021
	\$'000	\$'000
Opening balance of contract liabilities	921	524
Grant consideration for sufficiently specific performance obligations received during the year	1,169	921
Revenue recognised for the completion of a performance obligation	(921)	(524)
Total contract liabilities	1,169	921
* Represented by:		
- Current contract liabilities	1,169	921
	1,169	921

How we recognise contract liabilities

Contract liabilities include consideration received in advance from the DH and other grant funders. Grant income is recognised as performance obligations are met.

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

Maturity analysis of payables

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

Note 5.3: Other Liabilities

	2022	2021
	\$'000	\$'000
Current monies held in trust		
Patient monies	50	43
Refundable accommodation deposits	8,664	11,112
Total current monies held in trust	8,714	11,155
Total other liabilities	8,714	11,155
* Represented by:		
- Cash assets	8,714	11,155
	8,714	11,155

How we recognise other liabilities***Refundable Accommodation Deposit ("RAD")/Accommodation Bond liabilities.***

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

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

Note 6: How We Finance Our Operations

This section provides information on the sources of finance utilised by 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

Telling the COVID-19 story

The level of cash and borrowings required to finance our operations were impacted during the financial year which was partially attributable to the COVID-19 Coronavirus pandemic.

The following items were impacted:

- Receipt of COVID-19 hospital funding
- Receipt of COVID-19 direct and indirect cost and loss of revenue funding \$1.7m (2021:\$1.4m)

Key judgements and estimates

This section contains the following key judgements and estimates:

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

Note 6.1: Borrowings

	2022	2021
Note	\$'000	\$'000
Current borrowings		
Advances from government (i)	233	233
Total current borrowings	233	233
Non current borrowings		
Advances from government (i)	70	307
Total non-current borrowings	70	307
Total borrowings	303	540

7.1(a)

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

How we recognise borrowings

Borrowings refer to interest bearing liabilities mainly raised from advances from the (TCV) and other funds raised through lease liabilities and other interest-bearing arrangements.

Initial recognition

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

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

Maturity analysis

Refer to Note 7.2 (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.

Note 6.2: Cash and Cash Equivalents

	2022	2021
Note	\$'000	\$'000
Cash on hand (excluding monies held in trust)	-	2
Cash at bank (excluding monies held in trust)	9,932	5,341
Cash at bank - CBS (excluding monies held in trust)	1,463	1,212
Total cash held for operations	11,395	6,555
Cash at bank (monies held in trust)	50	43
Cash at bank - CBS (monies held in trust)	8,664	11,112
Total cash held as monies in trust	8,714	11,155
Total cash and cash equivalents	20,109	17,710

7.1(a)

How we recognise cash and cash equivalents

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

The cash flow statement includes monies held in trust.

Note 6.3: Commitments for Expenditure

	2022	2021
	\$'000	\$'000
Capital expenditure commitments		
Less than one year	487	
Total capital expenditure commitments	487	-
Total commitments for expenditure (inclusive of GST)	487	-
Less GST recoverable from Australian Tax Office	(44)	
Total commitments for expenditure (exclusive of GST)	443	-

How we disclose our commitments

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

Expenditure commitments

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

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 Financial risk management objectives and policies
- 7.3 Contingent assets and liabilities
- 7.4 Fair value determination

Key judgements and estimates

This section contains the following key judgements and estimates:

Key judgements and estimates	Description
Measuring fair value of non-financial assets	<p>Fair value is measured with reference to highest and best use, that is, the use of the asset by a market participant that is physically possible, legally permissible, financially feasible, and which results in the highest value, or to sell it to another market participant that would use the same asset in its highest and best use.</p> <p>In determining the highest and best use, Colac Area Health has assumed the current use is its highest and best use. Accordingly, characteristics of the health service's assets are considered, including condition, location and any restrictions on the use and disposal of such assets.</p> <p>Colac Area Health uses a range of valuation techniques to estimate fair value, which include the following:</p> <ul style="list-style-type: none"> ▪ Market approach, which uses prices and other relevant information generated by market transactions involving identical or comparable assets and liabilities. The fair value of Colac Area Health's specialised land, non-specialised land, non-specialised buildings are measured using this approach. ▪ Cost approach, which reflects the amount that would be required to replace the service capacity of the asset (referred to as current replacement cost). The fair value of Colac Area Health's specialised buildings, furniture, fittings, plant, equipment and vehicles are measured using this approach. ▪ Income approach, which converts future cash flows or income and expenses to a single undiscounted amount. Colac Area Health does not use this approach to measure fair value. <p>The health service selects a valuation technique which is considered most appropriate, and for which there is sufficient data available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.</p> <p>Subsequently, the health service applies significant judgement to categorise and disclose such assets within a fair value hierarchy, which includes:</p> <ul style="list-style-type: none"> ▪ Level 1, using quoted prices (unadjusted) in active markets for identical assets that the health service can access at measurement date. Colac Area Health does not categorise any fair values within this level. ▪ Level 2, inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. Colac Area Health categorises non-specialised land and right-of-use concessionary land in this level. ▪ Level 3, where inputs are unobservable. Colac Area Health categorises specialised land, specialised buildings, plant, equipment, furniture, fittings and vehicles in this level.

Note 7.1: Financial instruments

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

Note 7.1 (a) Categorisation of financial instruments

Consolidated 30 June 2022	Note	Financial Assets at Amortised Cost \$'000	Financial Liabilities at Amortised Cost \$'000	Financial Assets at Fair Value Through Net Result \$'000	Total \$'000
Contractual Financial Assets					
Cash and Cash Equivalents	6.2	20,109	-	-	20,109
Receivables and contract assets	5.1	4,093	-	-	4,093
Total Financial Assetsⁱ		24,202	-	-	24,202
Financial Liabilities					
Payables	5.2	-	8,265	-	8,265
Borrowings	6.1	-	-	303	303
Other Financial Liabilities	5.3	-	8,714	-	8,714
Total Financial Liabilitiesⁱ		-	16,979	303	17,282
Consolidated 30 June 2021					
Consolidated 30 June 2021	Note	Financial Assets at Amortised Cost \$'000	Financial Liabilities at Amortised Cost \$'000	Financial Assets at Fair Value Through Net Result \$'000	Total \$'000
Contractual Financial Assets					
Cash and cash equivalents	6.2	17,710	-	-	17,710
Receivables and contract assets	5.1	4,436	-	-	4,436
Total Financial Assetsⁱ		22,146	-	-	22,146
Financial Liabilities					
Payables	5.2	-	6,015	-	6,015
Borrowings	6.1	-	-	540	540
Other Financial Liabilities	5.3	-	11,155	-	11,155
Total Financial Liabilitiesⁱ		-	17,170	540	17,710

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

How we categorise financial instruments

Categories of financial assets

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

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

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

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

Financial assets at amortised cost

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

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

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

Colac Area Health recognises the following assets in this category:

- cash and deposits
- receivables (excluding statutory receivables)

Categories of financial liabilities

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

Financial liabilities at fair value through net result

A financial liability is measured at fair value through net result if the financial liability is:

- held for trading or
- initially designated as at fair value through net result.

Changes in fair value are recognised in the net results as other economic flows, unless the changes in fair value relate to changes in 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

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

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

Colac Area Health recognises the following liabilities in this category:

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

Derecognition of financial assets

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

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

Where 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

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

A financial liability reclassification is not permitted.

Note 7.2: Financial risk management objectives and policies

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

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

Colac Area Health's main financial risks include credit risk and liquidity risk. Colac Area Health manages these financial risks in accordance with its financial risk management policy.

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

Note 7.2 (a): Credit risk

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

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

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

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

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

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

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

Impairment of financial assets under AASB 9

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

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

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

Contractual receivables at amortised cost

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

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

		Current	Less than 1 month	1-3 months	3 months -1 year	1-5 years	Total
30 June 2022							
Expected loss rate		8.7%	9.0%	1.0%	8.0%	0.0%	
Gross carrying amount of contractual receivables	5.1	534	15	12	40	-	601
Loss allowance		46	1	0	3	-	50
30 June 2021							
Expected loss rate		4.5%	9.0%	1.0%	8.0%	0.0%	
Gross carrying amount of contractual receivables	5.1	917	54	104	37	-	1,112
Loss allowance		41	5	1	3	-	50

Statutory receivables

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

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

Note 7.2 (b): Liquidity risk

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

Colac Area Health is exposed to liquidity risk mainly through the financial liabilities as disclosed in the face of the balance sheet.

The health service manages its liquidity risk by:

- Close monitoring of its short-term and long-term borrowings by senior management, including monthly reviews on current and future borrowing levels and requirements
- Maintaining an adequate level of uncommitted funds that can be drawn at short notice to meet its short-term obligations
- Careful maturity planning of its financial obligations based on forecasts of future cash flows.

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

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 7.2(b) Payable and borrowings maturity analysis

Consolidated 30 June 2022	Note	Maturity Dates						
		Carrying Amount \$'000	Nominal Amount \$'000	Less than 1 Month \$'000	1-3 Months \$'000	3 months - 1 Year \$'000	1-5 Years \$'000	Over 5 years \$'000
Financial Liabilities at amortised cost								
Payables	5.2	8,265	8,265	8,265	-	-	-	-
Borrowings	6.1	303	303	-	-	233	70	-
Other Financial Liabilities - Monies held in trust	5.3	8,714	8,714	868	2,614	5,229	-	-
Total Financial Liabilities		17,282	17,282	9,133	2,614	5,462	70	-

Consolidated 30 June 2021	Note	Maturity Dates						
		Carrying Amount \$'000	Nominal Amount \$'000	Less than 1 Month \$'000	1-3 Months \$'000	3 months - 1 Year \$'000	1-5 Years \$'000	Over 5 years \$'000
Financial Liabilities at amortised cost								
Payables	5.2	6,015	6,015	6,015	-	-	-	-
Other Financial Liabilities - Monies held in trust	5.3	11,155	11,155	360	1,081	2,162	7,552	-
Borrowings	6.1	540	540	-	-	233	307	-
Total Financial Liabilities		17,710	17,710	6,375	1,081	2,395	7,859	-

¹ Ageing analysis of financial liabilities excludes statutory financial liabilities (i.e. GST payable).

Note 7.3: Contingent assets and contingent liabilities

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

How we measure and disclose contingent assets and contingent liabilities

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

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

Contingent assets

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

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

Contingent liabilities

Contingent liabilities are:

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

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

Note 7.4: Fair value determination

How we measure fair value

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

The following assets and liabilities are carried at fair value:

- Financial assets and liabilities at fair value through net result
- Financial assets and liabilities at fair value through other comprehensive income
- Property, plant and equipment

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

Valuation hierarchy

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

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

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) at the end of each reporting period. There have been no transfers between levels during the period.

Colac Area Health monitors changes in the fair value of each asset and liability through relevant data sources to determine whether revaluation is required. The VGV is Colac Area Health's independent valuation agency for property, plant and equipment.

Identifying unobservable inputs (level 3) fair value measurements

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

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

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

	Note	Consolidated carrying amount	Fair value measurement at end of reporting period using:		
		30 June 2022	Level 1 ⁱ	Level 2 ⁱ	Level 3 ⁱ
		\$'000	\$'000	\$'000	\$'000
Non-specialised land		1,907	-	1,907	-
Specialised land		1,800	-	-	1,800
Total land at fair value	4.1(a)	3,707	-	1,907	1,800
Non-specialised buildings		2,255	-	2,255	-
Specialised buildings		32,195	-	-	32,195
Total buildings at fair value	4.1(a)	34,450	-	2,255	32,195
Plant and equipment	4.1(a)	2,019	-	-	2,019
Motor vehicles	4.1(a)	37	-	-	37
Medical equipment	4.1(a)	1,911	-	-	1,911
Computer equipment	4.1(a)	201	-	-	201
Furniture and fittings	4.1(a)	110	-	-	110
Total plant, equipment, furniture, fittings and vehicles at fair value		4,278	-	-	4,278
Total non-financial physical assets at fair value		42,435	-	4,162	38,273
		Consolidated carrying amount	Fair value measurement at end of reporting period using:		
		30 June 2021	Level 1 ⁱ	Level 2 ⁱ	Level 3 ⁱ
		\$'000	\$'000	\$'000	\$'000
Non-specialised land		1,713	-	1,713	-
Specialised land		1,458	-	-	1,458
Total land at fair value	4.1(a)	3,171	-	1,713	1,458
Non-specialised buildings		2,436	-	2,436	-
Specialised buildings		34,739	-	-	34,739
Total buildings at fair value	4.1(a)	37,175	-	2,436	34,739
Plant and equipment	4.1(a)	327	-	-	327
Motor vehicles	4.1(a)	92	-	-	92
Medical equipment	4.1(a)	1,244	-	-	1,244
Computer equipment	4.1(a)	238	-	-	238
Furniture and fittings	4.1(a)	159	-	-	159
Total plant, equipment, furniture, fittings and vehicles at fair value		2,060	-	-	2,060
Total non-financial physical assets at fair value		42,406	-	4,149	38,257

ⁱ Classified in accordance with the fair value hierarchy.

How we measure fair value of non-financial physical assets

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

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

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

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

Non-specialised land, non-specialised buildings, investment properties and cultural assets

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

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

Specialised land and specialised buildings

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

During the reporting period, 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 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's specialised land and specialised buildings was performed by the VGV. 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).

Furniture, fittings, plant and equipment

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

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

Reconciliation of level 3 fair value measurement

		Land \$'000	Buildings \$'000	Plant, equipment, furniture, fittings and vehicles \$'000
Consolidated	Note			
Balance at 1 July 2020		1,282	37,337	2,097
Additions/(Disposals)/Transfers from work in progress		-	(223)	282
<i>Gains/(Losses) recognised in net result</i>				
- Depreciation and amortisation		-	(2,375)	(318)
<i>Items recognised in other comprehensive income</i>				
- Revaluation		176	-	-
Balance at 30 June 2021	7.4(a)	1,458	34,739	2,061
Additions/(Disposals)/Transfers from work in progress		-	-	2,822
<i>Gains/(Losses) recognised in net result</i>				
- Depreciation and Amortisation		-	(2,544)	(725)
Assets provided free of charge		-	-	121
<i>Items recognised in other comprehensive income</i>				
- Revaluation		342	-	-
Balance at 30 June 2022	7.4(a)	1,800	32,195	4,279

ⁱ Classified in accordance with the fair value hierarchy, refer Note 7.4.

Fair value determination of level 3 fair value measurement

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

(i) (a) A Community Service Obligation (CSO) of 20% was applied to Colac Area Health's specialised land, classified in accordance with the fair value hierarchy.

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 Events Occurring After Balance Sheet Date
- 8.7 Jointly Controlled Operations
- 8.8 Economic Dependency

Telling the COVID-19 story

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

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

	Note	2022 \$'000	2021 \$'000
Net result for the year		607	180
Non-cash movements:			
Depreciation of non-current assets	4.2	3,451	3,181
Movements in Assets and Liabilities:			
(Increase)/Decrease in receivables and contract assets		399	(301)
(Increase)/Decrease in prepaid expenses and other assets		837	(1,579)
(Increase)/Decrease in inventories		(6)	(1)
(Increase)/Decrease in share of assets in joint operations		(627)	-
Increase/(Decrease) in payables and contract liabilities		2,498	5,128
Increase/(Decrease) in employee benefits		417	(403)
Increase in share of liabilities in joint operations		586	-
Net cash inflow from operating activities		8,162	6,205

Note 8.2: Responsible Person Disclosures

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

	Period
The Honourable Martin Foley:	
Minister for Health	1 Jul 2021 - 27 Jun 2022
Minister for Ambulance Services	1 Jul 2021 - 27 Jun 2022
The Honourable Mary-Anne Thomas:	
Minister for Health	27 Jun 2022 - 30 Jun 2022
Minister for Ambulance Services	27 Jun 2022 - 30 Jun 2022
The Honourable Luke Donnellan:	
Minister for Disability, Ageing and Carers	1 Jul 2021 - 11 Oct 2021
The Honourable James Merlino:	
Minister for Mental Health	01 Jul 2021 - 27 Jun 2022
Minister for Disability, Ageing and Carers	11 Oct 2021 - 6 Dec 2021
The Honourable Anthony Carbines:	
Minister for Disability, Ageing and Carers	06 Dec 2021 - 27 Jun 2022
The Honourable Colin Brooks:	
Minister for Disability, Ageing and Carers	27 Jun 2022 - 30 Jun 2022
The Honourable Gabrielle Williams:	
Minister for Mental Health	27 Jun 2022 - 30 Jun 2022
Governing Board:	
Mr Timothy Greene (Board Chair)	1 Jul 2021 - 30 Jun 2022
Mrs Leanne Witcombe	1 Jul 2021 - 30 Jun 2022
Ms Anne-Marie Leslie	1 Jul 2021 - 30 Jun 2022
Dr Amir Rahimi	1 Jul 2021 - 30 Jun 2022
Mr Jeffrey Lomas	1 Jul 2021 - 30 Jun 2022
Mr Brendan Morris	1 Jul 2021 - 30 Jun 2022
Ms Joanna Carden	1 Jul 2021 - 30 Jun 2022
Mrs Sarah McKew	1 Jul 2021 - 30 Jun 2022
Ms Michelle Veal	1 Jul 2021 - 11 May 2022
Dr Shainal Nathoo	1 Jul 2021 - 30 Jun 2022
Dr Georgina Hayden	1 Jul 2021 - 30 Jun 2022
Ms Cathy Evans	1 Jul 2021 - 31 Jan 2022
Accountable Officer:	
Ms Fiona Brew	1 Jul 2021 - 30 Jun 2022
Ms Lucy Cuddihy (interim - leave cover)	31 Jan 2022 - 20 Feb 2022

Remuneration of Responsible Persons

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

Income Band	2022 No	2021 No
\$0-\$9,999	12	10
\$10,000 - \$19,999	1	-
\$280,000 - \$289,999	-	1
\$290,000 - \$299,999	1	-
Total Numbers	14	11

Total remuneration received or due and receivable by Responsible Persons from the reporting entity amounted to:	2022 \$'000	2021 \$'000
	353	319

Amounts relating to Responsible Ministers are reported within the State's Annual Financial Report.

Note 8.3: Remuneration of Executives

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

Remuneration of executive officers (including Key Management Personnel disclosed in Note 8.4)

Remuneration of executive officers (including Key Management Personnel disclosed in Note 8.4)	Total Remuneration	
	2022 \$'000	2021 \$'000
Short-term benefits	556	689
Post-employment benefits	56	65
Termination benefits	53	27
Total remunerationⁱ	665	781
Total number of executives	7	5
Total annualised employee equivalentⁱⁱ	4	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 the executive officers, one of who received a post-employment bonus payment during the year. This payment was dependant 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 (such as superannuation guarantee contributions) paid or payable on a discrete basis when employment has ceased.

Other long term benefits

LSL, other long-service benefit or deferred compensation.

Termination benefits

Termination of employment payments, such as severance packages.

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 health services and public sector entities that are controlled and consolidated into the State of Victoria financial statements.

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

Key management personnel

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

Entity	KMPs	Position Title
Colac Area Health	Mr Timothy Greene	Board Chair
Colac Area Health	Mrs Leanne Witcombe	Board Member
Colac Area Health	Ms Anne-Marie Leslie	Board Member
Colac Area Health	Dr Amir Rahimi	Board Member
Colac Area Health	Mr Jeffrey Lomas	Board Member
Colac Area Health	Ms Michelle Veal	Board Member
Colac Area Health	Ms Sarah McKew	Board Member
Colac Area Health	Mr Brendan Morris	Board Member
Colac Area Health	Ms Joanna Carden	Board Member
Colac Area Health	Dr Georgina Hayden	Board Member
Colac Area Health	Dr Shainal Nathoo	Board Member
Colac Area Health	Ms Cathy Evans	Board Member (1 July 2021 – 31 January 2022)
Colac Area Health	Ms Fiona Brew	Chief Executive
Colac Area Health	Ms Lucy Cuddihy	Acting Chief Executive (31 January 2022 – 20 February 2022)
Colac Area Health	Ms Gaye McCulloch	Interim Director of Finance and Business Services (until 6 February 2022)
Colac Area Health	Mr Ian Martin	Executive Director Finance & Corporate Services (commenced 7 February 2022)
Colac Area Health	Mr Ken Tapfield	Executive Director People & Place (resigned 19 October 2021)
Colac Area Health	Ms Jennifer Salkeld	Executive Director Nursing (resigned 22 May 2022)
Colac Area Health	Ms Josephine Stevens	Executive Director Community Health
Colac Area Health	Ms Angela Flett	Executive Director People & Place (commenced 14 February 2022)
Colac Area Health	Ms Lisa Pryor	Executive Director Nursing (commenced 23 May 2022)

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

	2022	2021
	\$'000	\$'000
Compensation - KMPs		
Short-term Employee Benefits ⁱ	880	985
Post-employment Benefits	84	88
Termination Benefits	53	27
Total ⁱⁱ	1,017	1,100

Significant transactions with government related entities

Colac Area Health received funding from the DH of \$39.7m (2021: \$38.0m) and indirect contributions of nil (2021: nil). Balances outstanding as at 30 June 2022 are \$3.5m (2021: \$3.3m), representing the LSL receivable.

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

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

The Standing Directions of the Assistant Treasurer require 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.

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 2022:

- Revenue for services provided to Barwon Health: of which Gaye McCulloch's partner is CEO – \$500,000 (2021: \$700,000)
- Services have been provided by Barwon Health: of which Gaye McCulloch's partner is CEO – \$2,800,000 (2021: \$2,700,000)

No provision has been required, nor any expense recognised, for impairment of receivables from related parties. There were no related party transactions with Cabinet Ministers required to be disclosed in 2022.

Note 8.5: Remuneration of Auditors

	2022	2021
	\$'000	\$'000
Victorian Auditor-General's Office		
Audit of the financial statements	33	17
Total remuneration of auditors	33	17

Note 8.6: Events Occurring After the Balance Sheet Date

There are no events occurring after the Balance Sheet date.

Note 8.7: Joint Arrangements

Name of Entity	Principal Activity	Ownership Interest	
		2022 %	2021 %
South West Alliance of Rural Health	Information Systems	5.36	5.74

Colac Area Health's interest in the assets and liabilities of the above jointly controlled operation are detailed below. The amounts are included in the financial statements under their respective categories:

	2022 \$'000	2021 \$'000
Current assets		
Cash and cash equivalents	1,141	587
Receivables	299	177
Inventories	2	1
Other current assets	40	38
Total current assets	1,482	803
Non-current assets		
Leased assets	391	471
Other receivables	45	28
Intangible assets	12	1
Total non-current assets	448	500
Total assets	1,930	1,303
Current liabilities		
Payables	515	559
Deferred income	700	121
Lease liabilities	84	68
Provision	143	100
Total current liabilities	1,442	848
Non-current liabilities		
Lease liabilities	108	121
Employee benefits and related on-cost provisions	15	19
Unearned grant income	10	-
Total non-current liabilities	132	140
Total liabilities	1,574	988
Net assets	356	315
Equity		
Accumulated surplus	356	315
Total equity	356	315

Colac Area Health's interest in revenues and expenses resulting from joint arrangements are detailed below:

	2022	2021
	\$'000	\$'000
Revenue and income from transactions		
Operating activities	1,129	1,040
Non-operating activities	9	136
Total revenue and income from transactions	1,138	1,176
Expenses from transactions		
Employee benefits	492	449
Operating expenses	452	515
Depreciation	124	109
Finance costs	3	-
Total expenses from transactions	1,071	1,073
Net result from transactions	67	103
Other economic flows included in the net result		
Revaluation of long service leave	(4)	5
Total other economic flows included in the net result	(4)	5
Comprehensive result for the year	63	108

* Figures obtained from the unaudited South West Alliance of Rural Health's Joint Venture annual financial statements.

Contingent liabilities and capital commitments

There are no known contingent liabilities or capital commitments held by the jointly controlled operations at balance date. There is \$2.23m of capital commitments as at balance date (100% share) (2021: nil).

Note 8.8: Equity**Contributed capital**

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

Restricted specific purpose reserve

The restricted specific purpose reserve is established where Colac Area Health has received funds and has designated these funds for specific purposes. The breakdown of the reserve is:

	2022	2021
	\$'000	\$'000
Restricted Specific Purpose Reserve		
VAHI Regional Project	394	196
Specific purpose donations & bequests	494	0
Do Care Miller House Alterations	68	67
Wellness Centre donated funds	250	250
Aged Care Capital	401	226
Corangamarah funded projects	696	689
CAH internally funded capital projects	162	242
Department of Health funding for capital projects	348	907
Total Restricted Specific Purpose Reserve	2,814	2,578

Note 8.9: Economic Dependency

Colac Area Health is dependent on the DH 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 DH will not continue to support Colac Area Health.

COLAC AREA HEALTH

COLAC AREA
Health



**2-28 CONNOR STREET COLAC
VIC 3250
(03) 5232 5100
CAH.VIC.GOV.AU**