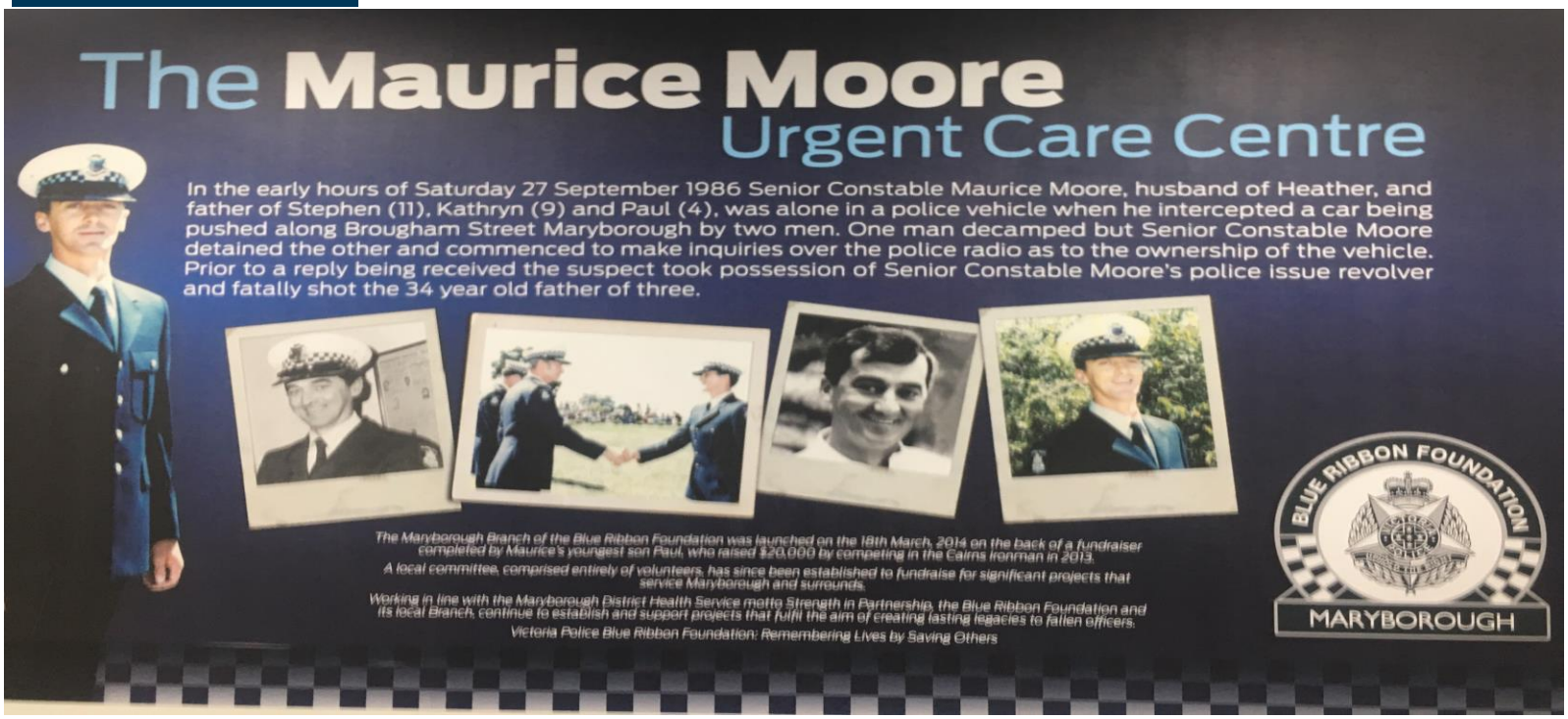
MDHS
Inspiring Health

# 2016-2017 Annual Report



# Contents




***Maryborough District Health Service***

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***Incorporating:***

*Community Services*
PO Box 155
75-87 Clarendon Street
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Phone: +61 3 5461 0333
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*Avoca Campus*
10 Templeton Street
PO Box 75
Avoca, Victoria 3467

Phone: +61 3 5465 1202
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*Dunolly Campus*
20 Havelock Street
Dunolly, Victoria 3462

Phone: +61 3 5468 2900
Fax: +61 3 5468 1188

# Vision, Mission  Values

*Vision*

Healthy Community

*Mission*

Our vision will be achieved by:

Promoting Health

Providing Optimal Services

Developing Our Workforce

Collaborating Through Partnerships

*We Value*

***Genuine***

Being consistently honest, trustworthy and accountable

***Respect***

This is a reflection in our behaviours, attitudes and words, always being fair honest and caring to those we work with and come in contact with.

***Excellence***

Only the best by us will do, achieving the highest standards of service and care

***Accountability***

We consistently do what we say we are going to do by supporting and holding each other to account

***Togetherness***

Working together to support common values and vision for shared goals

# Report of Operations

**Establishment of the Health Service**

Maryborough District Health Service was established in 1993 under the *Health Services Act 1988*.

Maryborough District Health Service is located across the Local Government Areas of Central Goldfields and Pyrenees Shires in Central Victoria and provides a comprehensive range of services including urgent care, theatre, acute inpatient, residential care, home and community based services to the local population of around 15,000 people.

The main campus is located in Maryborough with other services delivered from the Avoca and Dunolly campuses. The strong clinical and social links that have been developed and nurtured between the three campuses ensure that the community is cared for by trained staff who are committed to high standards of person centred care.

**Annual Report**

The annual report is a legal document prepared in accordance with the Health Services Annual Reporting Guidelines for 2016-2017 under the *Financial Management Act 1994.*

The Annual Report 2016-2017 includes the Report of Operations and the Financial Report. Appendices report on the five year statistical information and Part B and Part C of the Statement of Priorities


*Responsible Ministers*

Responsible Ministers for the reporting period
1 July 2016 – 30 June 2017:

The Honourable Jill Hennessy MLA
*Minster for Health*
*(4 December 2014 to 30 June 2017)*

Martin Foley MLA
*Minister for Mental Health*
*(4 December 2014 to 30 June 2017)*
*Minister for Housing, Disability and Ageing*
*(4 December 2014 to 30 June 2017)*

Jenny Mikakos MLC
*Minister for Families and Children*
*(4 December 2014 to 30 June 2017)*

# Services and Programs

Located in Maryborough are acute beds, Urgent Care Centre, Diagnostic Services and Community Services with Allied Health and Community Health. The Dunolly site also includes four acute beds alongside the Nursing home. Community programs are delivered throughout the region managed by MDHS. Aged Care services are delivered at all three campuses along with Planned Activity Groups at Maryborough and Dunolly. Programs and services are continually monitored and reviewed to ensure they meet expectations and reflect the health care needs of the changing community demographics.

| | AVOCA | DUNOLLY | MARYBOROUGH |
|---|---|---|---|
| **Inpatient Beds** | 0 | 4 | 28 |
| **Residential High Care Beds** | 19 | 15 | 43 |
| **Residential Low Care Beds** | 10 | 4 | 0 |
| **Respite Beds** | 1 | 0 | 0 |
| **Urgent Care Trolleys** | 0 | 0 | 4 |
| **Haemodialysis Chairs** | 0 | 0 | 6 |
| **Day Surgery Trolleys** | 0 | 0 | 4 |
| **Day Surgery Chairs** | 0 | 0 | 6 |
| **Transition Care Beds** | MDHS provides 2 inpatient TCP beds at either Dunolly or Maryborough and 2 community based places = total of 4 Transition Care Beds | | |

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|---|---|---|---|---|
| **Clinical Services** | Acute - medical/surgical | Allied Health Support for inpatient care | Central Sterilizing Department | Pre-Admission Clinic |
| | Dialysis | Drug & Alcohol Detoxification | Maternity Services | Urgent Care Centre |
| | Palliative Care | Theatre – Same day & Overnight | Post-Acute Care | Medical Imaging |
| **Aged Care** | Residential | Respite Care | Transition Care Program | |
| **Community Services** | District Nursing | Chronic Disease Management | Oral Health services | Health Promotion |
| | Housing | Occupational Therapy | Physiotherapy | Planned Activity Group |
| | Speech Pathology | Diabetics | Community Health | Alcohol & Drug |
| **Support Services** | Administration | Building Services | Emergency Management | Finance |
| | Health Information | Hotel Services | Human Resources | Occupational Health & Safety |
| | Quality & Risk | Staff Development | Student Management | Supply |

# Statement of Priorities – Part A

The Statement of Priorities - Part B: Performance Priorities and Part C: Activity and Funding can be found in Appendix A of the attached Financial Report.
Five year statistical information will also appear as an appendix.

The Victorian Government's priorities and policy directions are outlined in the Victorian Health Priorities Framework 2012-2022.

In 2016-17 Maryborough District Health Service contributed to the achievement of these priorities by:

| DOMAIN | ACTION | DELIVERABLES | OUTCOME |
|---|---|---|---|
| Quality and Safety | Implement systems and processes to recognise and support person-centred end of life care in all settings, with a focus on providing support for people who choose to die at home. | Continue embedding end of life care planning and formalised processes by including Advance Care Planning in resident satisfaction surveys by May 2017. | **ACHIEVED**<br><br>Process embedded to ensure Advance Care Planning across Residential Aged Care services for all new and current residents. Equitable access to supportive palliative care utilising End Of Life Care Pathway across all area's of organisation, supported by Palliative Care/Advance Care Project 2016. |
| | Advance care planning is included as a parameter in an assessment of outcomes including: mortality and morbidity review reports, patient experience and routine data collection. | Include Advance Care Plans in clinical case reviews and routine data collection.<br>An annual audit of results will be reported to the Clinical Governance Committee by March 2017. | **ACHIEVED**<br><br>Advance Care Planning process reviewed as part of Adverse Event Screening process and mortality reviews. Results reported via Clinical Governance Structure to Executive, Clinicians and Board of Management. |
| | Progress implementation of a whole-of-hospital model for responding to family violence. | Partner with Bendigo Health to implement Strengthening Hospital Responses to Family Violence initiative by 30 June 2017. | **ACHIEVED**<br><br>MDHS currently partnering with Bendigo Health regarding Strengthening Hospital Response to Family Violence, Family Violence Board Sub Committee has been implemented with TOR ratified at Board of Management. Monthly meetings with key stakeholders. |
| | Develop a regional leadership culture that fosters multidisciplinary and multi-organisational collaboration to promote learning and the provision of safe, quality care across rural and regional Victoria. | Sign Memorandum of Understanding with other health services in Loddon Mallee Region by December 2016 to establish Regional Clinical Governance Committee. | **ACHIEVED**<br><br>Memorandum of understanding with partners across the Loddon Mallee Region in December 2016, to establish regional clinical governance committee. Initial visit by Loddon Mallee Region Clinical Governance project worker in Jan 2017. |

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| | Establish a foetal surveillance competency policy and associated procedures for all staff providing maternity care that includes the minimum training requirements, safe staffing arrangements and ongoing compliance monitoring arrangements | Review the foetal surveillance competency policy, clinical guidelines relating to safe staffing arrangements and ongoing compliance with the policy by November 2016. | **ACHIEVED**<br><br>Foetal surveillance competency policy and associated procedures developed by Maternity Services Coordinator and team, which includes minimum training requirements and safe staffing arrangements. Audit of this to be completed periodically to ensure compliance as per governance policy. |
| | Use patient feedback, including the Victorian Healthcare Experience Survey to drive improved health outcomes and experiences through a strong focus on person and family centred care in the planning, delivery and evaluation of services, and the development of new models for putting patients first | Review Victorian Health Experience Survey results and develop an implementation plan to respond to findings by November 2016. | **ACHIEVED**<br><br>VHES data now reported using trending data to clinical staff to ensure experiences of patients are focused on person and family centred care. MDHS enhancing patient experience data capture by implementing Patient Experience Tracking system organisational wide. Roll out of Patient Experience Trackers across the organisation. Completed May 2017. |
| | Develop a whole of hospital approach to reduce the use of restrictive practices for patients, including seclusion and restraint. | Review the policies and education associated with restrictive practices by February 2017 to achieve a reduced application of such practices. | **ACHIEVED**<br><br>Review of MDHS policies and education associated with restrictive practices completed. Reduction of application restraint devices utilised in residential aged care. |

| DOMAIN | ACTION | DELIVERABLES | OUTCOME |
|---|---|---|---|
| Access and timeliness | Ensure the development and implementation of a plan in specialist clinics to: (1) optimise referral management processes and improve patient flow through to ensure patients are seen in turn and within time; and (2) ensure patient data is recorded in a timely, accurate manner and is working toward meeting the requirements of the Victorian Integrated Non-Admitted Health dataset. | Review the antenatal clinic model to ensure timeliness, appropriateness and accurate data collection by February 2017. | **ACHIEVED**<br><br>The Ante Natal clinics is the only specialist clinic. All other Specialist clinics reported under VINAH were discontinued and this activity is now reported through Community Women's Health and PHN funding streams |
| | Identify opportunities and implement pathways to aid prevention and increase care outside hospital walls by optimising appropriate use of existing programs (i.e. the Health Independence Program or telemedicine). | Evaluate the Cancer Care Model, including District Nursing support, Health and Wellbeing Centre, Health in Motion Van and volunteer support by May 2017. | **ACHIEVED**<br><br>Cancer Care model reviewed and proposal with DHHS for funding consideration. Cancer Care Resource Nurse project underway and commencement of Cancer Resource Nurse role in July 2017. |
| | Develop and implement a strategy to ensure the preparedness of the organisation for the National Disability and Insurance Scheme and Home and Community Care program transition and reform, with particular consideration to service access, service expectations, workforce and financial management. | Develop a strategy with support from Victorian Healthcare Association for the National Disability Insurance Scheme and Home and Community Care transition programs. This will include an education/briefing for the Board. Organisation transition strategy in place by May 2017. | **ACHIEVED**<br>Transition to HACC and CHSP for current clients completed<br>NDIS registration complete as service provider<br>MDHS to provide therapeutic services (allied health) to existing clients and to explore expansion into pediatric space (speech and occupational therapy initially)<br>Maryborough Education Centre (MEC) have contracted MDHS to provide services in these disciplines for children attending Beckworth SDS. |

| DOMAIN | ACTION | DELIVERABLES | OUTCOME |
|---|---|---|---|
| Supporting healthy population | Support shared population health and wellbeing planning at a local level - aligning with the Local Government Municipal Public Health and Wellbeing plan and working with other local agencies and Primary Health Networks. | Collaborate with Western Victoria Primary Health Network programs to develop health and well-being planning at the local level by June 2017. | **ACHIEVED**<br><br>MDHS is working with both Central Goldfields and Pyrenees Shires to develop population health and wellbeing plans at the local level for each Shire. Commenced discussions and tender submission completed with WestVic PHN to maintain current service levels in the Rural Allied Health Outreach program across this catchment |
| | Focus on primary prevention, including suicide prevention activities, and aim to impact on large numbers of people in the places where they spend their time adopting a place based, whole of population approach to tackle the multiple risk factors of poor health. | Evaluate Health Promotion programs delivered by the Health in Motion van and include suicide prevention activities by June 2017. | **ACHIEVED**<br><br>Suicide prevention activity completed – Mens Health Night held in August 2016 with a focus on mental health and wellbeing and reducing the stigma for men to ask for assistance and support. MDHS has been successful in our efforts to attract the Sons of the West Program to Central Goldfields in 2017 to further support and empower men aged 18+ to manage their health and wellbeing. |
| | Develop and implement strategies that encourage cultural diversity such as partnering with culturally diverse communities, reflecting the diversity of your community in the organisational governance, and having culturally sensitive, safe and inclusive practices. | Consolidate the range and number of diversity plans into one plan addressing all forms of diversity. Develop a strategy for staff education and information by June 2017. | **ACHIEVED**<br><br>Combined diversity plan developed and ratified. |
| | Improve the health outcomes of Aboriginal and Torres Strait Islander people by establishing culturally safe practices which recognise and respect their cultural identities and safely meets their needs, expectations and rights | Improve staff cultural awareness and perception of the health service by the Aboriginal community by participating in National Aboriginal and Islander Day Observance Committee week activities in the local community and develop a 2017 National Aboriginal Islander Day Observance Committee engagement plan by June 2017. | **ACHIEVED**<br><br>NAIDOC week acknowledged by MDHS.<br>Flags on display at main reception and in board room.<br>Apology and Statement of Intent on display. |

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| | Drive improvements to Victoria's mental health system through focus and engagement in activity delivering on the 10 Year Plan for Mental Health and active input into consultations on the Design, Service and infrastructure Plan for Victoria's Clinical mental health system. | Incorporate suicide prevention and mental health promotion activities in the community education program delivered by the Health in Motion van by June 2017. | **ACHIEVED**<br><br>Men's health night in August 2016 with a focus on mental health and wellbeing. MDHS has been successful in our efforts to attract the Sons of the West Program to Central Goldfields in 2017 to further support and empower men aged 18+ to manage their health and wellbeing. MDHS has a strong and sustained partnership with Bendigo Mental Health Service delivering mental health support and service to this community. |
| | Using the Government's Rainbow eQuality Guide, identify and adopt 'actions for inclusive practices' and be more responsive to the health and wellbeing of lesbian, gay, bisexual, transgender and intersex individuals and communities. | Complete an audit against the Rainbow Tick program and develop an action plan towards achieving the standards by March 2017. | **ACHIEVED**<br><br>MDHS has conducted audit against the Rainbow Tick program and developed an action plan in response to findings to ensure responsiveness to LGBTI individuals and communities. |

| DOMAIN | ACTION | DELIVERABLES | OUTCOME |
|---|---|---|---|
| Governance and leadership | Demonstrate implementation of the Victorian Clinical Governance Policy Framework: Governance for the provision of safe, quality healthcare at each level of the organisation, with clearly documented and understood roles and responsibilities. Ensure effective integrated systems, processes and leadership are in place to support the provision of safe, quality, accountable and person centred healthcare. It is an expectation that health services implement to best meet their employees' and community's needs, and that clinical governance arrangements undergo frequent and formal review, evaluation and amendment to drive continuous improvement | Engage an independent expert consultant to review and recommend any processes/structures for compliance with the Victorian Clinical Governance Framework by October 2016. A minimum of three key clinical services will be reviewed by external consultant under the internal clinical audit program. | **ACHIEVED**<br><br>Board of Management retreat held 17/18 February 2017, expert Heather Wellington engaged and presented on Clinical Governance. Community Services review is the next department listed for review.<br><br>Consultant engaged to review Clinical Governance Framework and discuss risk appetite setting with Board of Management in March 2017.<br><br>Reviews conducted in Theatre 2016, Community services and Urgent Care Centre planned for 2017. |
| | Contribute to the development and implementation of Local Region Action Plans under the series of statewide design, service and infrastructure plans being progressively released from 2016 17. Development of Local Region Action Plans will require partnerships and active collaboration across regions to ensure plans meet both regional and local service needs, as articulated in the statewide design, service and infrastructure plans. | Participate in Regional Leadership Forum involving Chief Executives of each public health service in Loddon Mallee Region established by December 2016. Leadership Forum to develop Local Region Action Plans in response to statewide clinical services stream and service development plans as plans are published by the Department of Health and Human Services. Complete a health service plan for Central Goldfields catchment area that addresses reginal and local needs by June 2017. | **ACHIEVED**<br><br>Active participation in Regional leadership forums in both Loddon Mallee and Grampian region. Service plan engagement completed. |
| | Ensure that an anti-bullying and harassment policy exists and includes the identification of appropriate behaviour, internal and external support mechanisms for | Review anti-bullying and harassment policies and education programs by May 2017. | **ACHIEVED**<br><br>Department Heads and management attended session in March 2017, provided by external provider. |

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| | staff and a clear process for reporting, investigation, feedback, consequence and appeal and the policy specifies a regular review schedule. | Chief Executive Officer will personally write to all staff encouraging active participation in eliminating any bullying from the workplace by July 2017. | **ACHIEVED**<br><br>Letter provided to all staff and focus groups commenced. |
| | Board and senior management ensure that an organisational wide occupational health and safety risk management approach is in place which includes: (1) A focus on prevention and the strategies used to manage risks, including the regular review of these controls; (2) Strategies to improve reporting of occupational health and safety incidents, risks and controls, with a particular focus on prevention of occupational violence and bullying and harassment, throughout all levels of the organisation, including to the board; and (3) Mechanisms for consulting with, debriefing and communicating with all staff regarding outcomes of investigations and controls following occupational violence and bullying and harassment incidents. | Engage external agency to review Occupational Health and Safety systems by October 2016. | **ACHIEVED**<br><br>Established as part of annual risk appetite setting by BOM, and ongoing review of Risk Register to ensure review of controls and associated incidents across the organisation. MDHS has rolled out code grey training across the organisation and has process for reviewing and debriefing staff post occupational violence incidents. |
| | Implement and monitor workforce plans that: improve industrial relations; promote a learning culture; align with the Best Practice Clinical Learning Environment Framework; promote effective succession planning; increase employment opportunities for Aboriginal and Torres Strait Islander people; ensure the workforce is appropriately qualified and skilled; and support the delivery of high-quality and safe person centred care. | Engage a People and Culture Coordinator by September 2016 with responsibility for implementation and monitoring of robust workforce plans to facilitate safe and effective care delivery. | **ACHIEVED**<br><br>People & Culture Coordinator appointed in August 2016. |

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| | Create a workforce culture that: (1) includes staff in decision making; (2) promotes and supports open communication, raising concerns and respectful behaviour across all levels of the organisation; and (3) includes consumers and the community. | Engage a People and Culture Coordinator by August 2016 with responsibility for delivering a program to promote behaviours in line with organisational values | **ACHIEVED**<br><br>People & Culture Coordinator appointed in August 2016. Studer Program implemented across the entire organisation including leadership training sessions (8) across 2016. In 2017 this leadership training is being expanded to the ANUM and Team leader level to further embed and support respectful relationships and open communication and team work across the organisation. Consumers and the community continue to be included, empowered and consulted in all aspects of service delivery. |
| | Ensure that the Victorian Child Safe Standards are embedded in everyday thinking and practice to better protect children from abuse, which includes the implementation of: strategies to embed an organisational culture of child safety; a child safe policy or statement of commitment to child safety; a code of conduct that establishes clear expectations for appropriate behaviour with children; screening, supervision, training and other human resources practices that reduce the risk of child abuse; processes for responding to and reporting suspected abuse of children; strategies to identify and reduce or remove the risk of abuse and strategies to promote the participation and empowerment of children. | Embed the Victorian Child Safe Standards by identifying a champion within the organisation to lead compliance with the standards by October 2016. | **ACHIEVED**<br><br>Meeting with manager's facilitated with education on Child Safe Standards presented. Self-assessment conducted as per DHHS guidelines - Policies and procedures reviewed and updated to reflect the new standards and regulations. |

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| | Implement policies and procedures to ensure patient facing staff have access to vaccination programs and are appropriately vaccinated and/or immunised to protect staff and prevent the transmission of infection to susceptible patients or people in their care. | Promote employer expectations about vaccination in staff induction and orientation programs by February 2017. | **ACHIEVED**<br><br>Review completed of current induction procedure to include staff vaccination and conduct review of current database for collection of staff health information. |

| DOMAIN | ACTION | DELIVERABLES | OUTCOME |
|---|---|---|---|
| Financial sustainability | Further enhance cash management strategies to improve cash sustainability and meet financial obligations as they are due. | Engage expert external support agencies by September 2016 to assist with cash management strategies. | **ACHIEVED**<br><br>Meeting with TCV held. Rolling term deposits strategy to maximise interest and have funds available for obligations. Cash investments presented monthly to BOM. |
| | Actively contribute to the implementation of the Victorian Government's policy to be net zero carbon by 2050 and improve environmental sustainability by identifying and implementing projects, including workforce education, to reduce material environmental impacts with particular consideration of procurement and waste management, and publicly reporting environmental performance data, including measureable targets related to reduction of clinical, sharps and landfill waste, water and energy use and improved recycling. | Install solar panels at the Dunolly and Avoca campuses by March 2017 to actively contribute to the net zero carbon target by 2050. | **ACHIEVED**<br><br>Installation of solar panels in Dunolly and Avoca February/ March 2017.<br><br>Over a 2 month period duplex printing has saved 82,000 sheets this 1/4 which equates to 1000 sheets daily. 31% reduction in paper as a result MDHS has saved nearly 6 tons of carbon and 10,500 litres of water. Uniflow has also enabled people to proof before printing thus saving paper. |

# Year in Review

**President's Report**

The Board of Management (BOM) at Maryborough District Health Service (MDHS) consists of nine community members, with a breadth of professional skills and interests and a demonstrated commitment to the health and wellbeing of our community.

The role of the BOM is to work within the framework of the Health Services Act including:

- Establishing policies for governance;
- Establish reporting frameworks for sound governance models both clinically and at the corporate level;
- Providing strategic direction of the organisation;
- Delegating the operational day-to-day management of the Health Service to the Chief Executive.

The BOM is appointed and accountable to the Minister of Health. The key focus of the Board includes:

- Ensuring effective and efficient management of the Health Service;
- The Provision of high quality care and service delivery;
- Meeting the needs of the community;
- Meeting financial and non-financial performance targets;
- Engaging with the communities linked to Maryborough District Health Service including Avoca, Dunolly and Maryborough;
- Empowering staff to deliver quality service and be satisfied and safe within the workplace.

As President I continue to be overwhelmed with community support for the health service. Across all of our catchment, be it in Avoca, Dunolly or in Maryborough we have enjoyed a year of strong partnership and engagement.

There have been enormous highlights which as a Board we attend with great pride. The opening of the Maurice Moore Urgent Care Centre and the opening of the new dining facilities at Dunolly are two events which will be forever etched in our history.

On behalf of the Board, I thank everyone involved with these events and to those who volunteer across all of our service. I remain overwhelmed at our volunteer's. Their commitment and dedication to our services and the support they provide is simply inspirational. The auxiliaries and other community groups who so generously fundraise for us I say thank you. This makes an enormous difference to the health service and the community we serve.

This year we have continued on our journey of improved governance systems across the organisation. As a board we must at all times ensure the optimum delivery of service while maintaining a viable business model.

The community can be assured that as a board with our governance systems, with the ongoing expansion of the quality unit, and with a management team driven on clinical service delivery of the highest standard, that overall we are a recognised high performing health service. As President, I and all of the Board have great confidence in the systems we have established and the services we provide.

We are incredibly fortunate to have a well-credentialed, outstanding management team right across the organisation. Their engagement and team approach is driving the organisation forward with a commitment to on-going improvement. Terry Welch our CEO is an inspirational leader whose vision and drive is reflective in the high performing health service MDHS is today. We thank Terry and the entire staff team at MDHS for their service and commitment.

Peter McAllister

**Chief Executive's Report**

It gives me great pleasure to again provide my Chief Executive Officer report on behalf of the staff at MDHS.

We have enjoyed another tremendous year across all of areas of our service.

In my second year, it has become apparent that I am very fortunate to be working with a magnificent team of staff. Across all of our areas, I see and enjoy their work and achievements daily as we continue to focus on Inspiring Health for our whole community.

Our enhanced service focus couldn't be more demonstrated then the tremendous work within our aged care communities. With the adoption of the Montessori program, our resident centered care program has greatly enhanced the lifestyle and engagement of our residents. We have empowered our residents to participate and embrace their lifestyle and home. We have seen redesigned dining rooms, the creation of a resident band, and residents participating again in meal preparation and what would be considered activities of normal living. This program is a journey and a cultural shift for the organisation which we have commenced and will continue into the future.

We have seen our Organisational Learning and Innovation Centre drive student engagement and participation, lead the largest graduate nurse program ever at MDHS, and lead the largest Enrolled Nurse Graduate program ever, while supporting the team with ongoing education and upskilling. This centre, with the support of all departments cross the health service is providing the platform for the future high quality workforce for MDHS into the future.

The opening of the Maurice Moore Urgent Care Centre was a day no one will ever forget. An emotional and inspiring event in partnership with Blue Ribbon made this day, a day when we paid tribute to Maurice while celebrating the opening was an amazing community event. The best outcome from this partnership with Blue Ribbon is the new facility which has met every objective and is providing a safe and effective working space for the team in the UCC.

Inspiring Health Week was an idea to try and motivate our community to start to think about their health. The week was packed with events and provided a terrific platform for such an annual event. The highlight was the Feast on the Fairway. A hallmark occasion of as we promoted the #SayNo2familyviolence message. I commend the Golf Club for their leadership of this evening.

I am very proud that the Board of Management has created a Family Violence subcommittee. This committee, partners with Police and other key service providers to enhance services and response to victims of family violence. This committee is making terrific progress and I am confident will result in greatly improved support and provisions for victims of this disgusting crime.

Throughout the year we have appreciated feedback from people who have used our service. There has been positive feedback on how we can improve and suggestions of how we can improve. We welcome such feedback and I hope this continues into the future as we want to continue to learn and improve.

We have enjoyed continued strong service delivery and business performance across all areas of our Health Service. We have continued to strengthen our governance systems for all aspects of our business. The establishment of the Obstetric Services, Urgent Care and Surgical Services governance committees are terrific advancements. These multidisciplinary meetings are providing a robust platform for clinical service management of these specific programs.

For the year we have exceeded all major targets of activity and achieved a strong fiscal result which is a credit to the team and the Board of Management. As with all businesses we remain highly vigilant to our finances and ensure we are prudent with every resource we have.

I am very fortunate to be working with the highly dynamic Board of Management. They have embraced our journey, and provided the support and inspiration to enable us as a health service to achieve so much. I thank the current Board members who donate their time on a voluntary basis to govern our organisation, for their commitment, support and preparedness to challenge the team as we strive for our strategic goals.

I also want to acknowledge the Department of Health and Human Services both at the Central and Regional office (Loddon Mallee). The support and leadership they provide to us is greatly appreciated.

I thank my colleagues and all staff who make MDHS the vibrant, focused and enjoyable place to work.

Terry Welch

# Responsible Bodies Declaration

In accordance with the *Financial Management Act 1994*, I am pleased to present the Report of Operations for Maryborough District Health Service for the year ending 30 June 2017.

Peter McAllister
President, Board of Management
Maryborough District Health Service

31 July 2017

# Corporate Governance

## Board of Management

The Board of Management (BOM) administers Maryborough District Health Service according to established Corporate Governance practices and procedures, which are reviewed regularly. The BOM is responsible for governance and legislative compliance and works within the framework of the *Health Services Act* to establish policies and deliver, within its financial limitations, a strategic direction for the management of Maryborough District Health Service.

Members of the Board of Management are appointed by the Governor-in-Council on the recommendation of the Minister for Health. The usual term of office is three years, with members able to seek re-appointment. Members receive no remuneration for activities associated with the Health Service BOM.

### *Pecuniary and Conflict of Interest*

At the commencement of each Board meeting, members are asked to declare pecuniary and conflict of interest. None were recorded for the year.

### *Board of Management as at 30 June 2017*

**President: Peter McAllister**
Appointed: 2013
Term of Office: 01.07.16 – 30.06.19

**Vice-President: Kelly Msaon**
B. Comm
Appointed: 2015
Term of Office: 01.07.15 – 30.06.18

**Treasurer: Gerard Richmond**
BBus, FCPA, MAICD
Appointed: 2016
Term of Office: 01.07.16 – 30.06.17

**Member: Robert Osborne**
DipAppChem, DipEd(Sec)
Appointed: 2008
Term of Office: 01.07.15 – 30.06.18

**Member: Kylie Moloney**
BSc,LlB
Appointed: 2015
Term of Office: 01.07.15 – 30.06.18

**Member: Kim Lovett**
B. Comm
Appointed: 2016
Term of Office: 01.07.16 – 30.06.17

**Member: Barbara Hilder**
Appointed: 2016
Term of Office: 01.07.16 – 30.06.19

**Member: Anthony Snell**
MBChB, MRCP, FRACP
Appointed: 2016
Term of Office: 01.07.16 – 30.06.19

**Member: Darren Murrell**
Appointed: 2010
Term of Office: 01.07.16 – 30.06.19

## Audit

The Audit committee is responsible for the operation of the financial and risk management framework of MDHS, the performance and independence of internal auditors and the effectiveness of management and other systems of internal control. The committee also monitors compliance with laws and regulations and its own code of conduct and code of financial practice. Crowe Horwath has been the appointed Internal Auditor for 2016-2017.

Members:
- Peter McAllister
- Gerard Richmond
- Kim Lovett
- Kelly Mason
- Peter Egan (Indep.)
- Mark Johnston (Indep.)

Attendees:
- Crowe Horwath – Internal Auditor
- McLean Delmo Berntleys - VAGO Auditors
- Chief Executive Officer
- Director Finance and Corporate Services

## Clinical Governance

The Clinical Governance committee is responsible for ensuring that client services are provided within an organisational wide quality program and culture. This is assured through monitoring, reporting, evaluation and improvement. It ensures that MDHS is compliant with all legal, regulatory and government standards and provides advice on clinical risk management planning processes and progress.

Members:
- Kelly Mason (chair)
- Kylie Moloney (vice Chair)
- Peter McAllister
- Darren Murrell
- Kim Lovett
- Gerard Richmond
- Robert Osborne
- Barbara Hilder
- Anthony Snell

Attendees:
- Chief Executive Officer
- Director Clinical Services
- Director Primary and Preventative Health
- Director Quality & Safety

## Health & Community Collaborative

The Health & Community Collaborative (HCC), comprising of community representatives, advises the BOM on major strategic issues and initiatives relevant to the health of the community. Members participate in broad strategic planning, policy development processes and act as a conduit with the community, all of which contribute to the advancement of MDHS' services in the community.

Members:
- Robert Osborne (chair)
- Barbara Hilder(vice Chair)
- Peter McAllister

Attendees:
- Chief Executive Officer
- Director Clinical Services
- Director Primary and Preventative Health
- Director Quality & Safety

## Medical Credentialing and Privileging

Meets on a regular basis to review registration and scope of practice of all medical staff. Operates credentialing and scope of practice systems in keeping with industry standards.

Members:
- Director Medical Services, Eric Kennelly (chair)
- Kelly Mason
- Kylie Moloney
- Peter McAllister
- Robert Osborne
- Visiting Medical Officers representatives

Attendees:
- Chief Executive Officer
- Director Clinical Services
- Associate Director of Nursing
- Director Quality & Safety

**Organisational Committees**

MDHS has a range of committees to oversee operational business activity and clinical governance for the health service and to provide advice and recommendations to the Board with respect to clinical safety and standards.

Clinical Performance & Operations

Corporate Performance & Operations

Department Heads

Maternity & Obstetrics

Occupational Health Safety & Environment

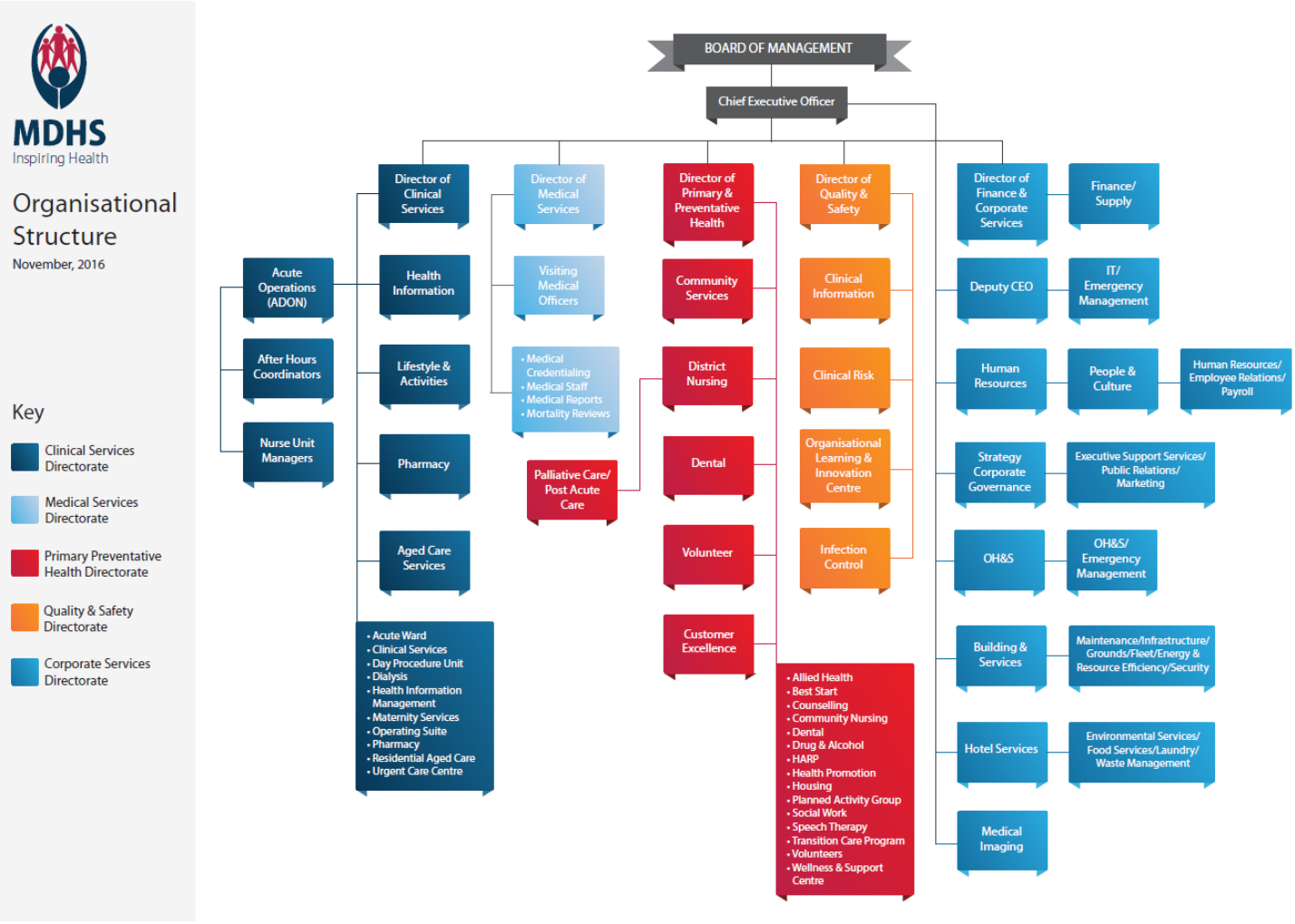
Perioperative Governance

Residential Care

Urgent Care Governance

Visiting Medical Officers

# Organisational Chart



# Legislative Compliance

## *Attestation for Compliance the Ministerial Standing Direction 3.7.1 – Risk Management Framework and Processes*

I, Peter McAllister certify that Maryborough District Health Service has complied with Ministerial Direction 3.7.1 – Risk Management Framework and Processes. The Maryborough District Health Service Audit Committee has verified this.

Peter McAllister
Accountable Officer
Maryborough District Health Service

31 July 2017

## *Attestation for Compliance with Health Purchasing Victoria (HPV) Health Purchasing Policies*

I, Peter McAllister, certify that Maryborough District Health Service has put in place appropriate internal controls and processes to ensure it has complied with all requirements set out in the HPV Health Purchasing Policies including mandatory HPV collective agreements as required by the Health Service Act 1988 (Vic) and has critically reviewed these controls and processes during the year.

Peter McAllister
Accountable Officer
Maryborough District Health Service

31 July 2017

# Compliance Information

***Building and Maintenance***

All building works have been designed in accordance with the Department of Health's Capital Development Guidelines and comply with the *Building Act 1993*, Building Regulations 2006 and Building Code of Australia, relevant at the time of works. All contractors are appropriately qualified. There were no Occupancy Permits issued during the financial year. There were no Building Permits issued during the financial year.

***Recognition of Carers***

MDHS recognises and values the unique relationship between clients and their carers and operates in an environment responsive to all parties and applies the overarching principles of the *Carer's Recognition Act 2012*.

***Safe Patient Care Act 2015***

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

***Competitive Neutrality***

All competitive neutrality requirements were met in accordance with Government costing policies for public hospitals.

***Complaints***

MDHS is committed to providing the best quality health care in the region. We value and encourage feedback from patients, clients and their families as well as visitors to our service. In this way we understand how and where we need to improve the way in which we deliver our programs.

This year we received 151 compliments and 53 formal concerns. All issues were satisfactorily resolved within MDHS.

***Compliance with DataVic Access Policy***

The tables in this Annual Report will be submitted to DataVic to be made available at
http://www.data.vic.gov.au/category/health

***Declaration of Pecuniary Interest***

All necessary declarations have been completed and none reported at Board meetings.

***Employment and Conduct Principles***

MDHS is an equal opportunity employer and upholds the principles defined in the *Public Administration Act 2004* as to how employees can expect to be treated when applying for jobs, working together, seeking development or resolving disputes. The MDHS Code of Conduct reflects the public sector value of Responsiveness, Integrity, Impartiality, Accountability, Respect, Leadership and Human Rights.

***Environmental Impacts***

MDHS remains committed to improving our environmental impact and strives to provide health care in an environmentally sound and sustainable manner. Our Environmental Sustainability Committee oversees environmental sustainability initiatives such as the installation of 385 solar panels for the Maryborough site producing 100 kW of power. Following the success of this initiative we will look to roll this out to other sites.

***Ex-Gratia Payments***

There were no ex-gratia payments during the 2016-2017 year.

***Car Parking***

Maryborough District Health Service complies with the Department of Health and Human Services circular on car parking fees. Maryborough District Health Service does not charge or collect fees for car parking.

***Fees***

Maryborough District Health Service charges fees in accordance with the Commonwealth Department of Health and Aged Care, the Commonwealth Department of Family Services and the Department of Human Services (Vic) directives, issued under Regulation 8 of the Hospital and Charities (Fees) Regulations 1986, as amended.

***Financial Management Act 1994***

In accordance with the Direction of the Minister for Finance part 9.1.3 (iv), information requirements have been prepared and are available to the relevant Minister, Members of Parliament and the public on request.

***Freedom of Information (FOI)***

Access to documents and records held by MDHS may be requested under the *Freedom of Information Act 1982*. Members of the public wishing to access documents can apply in writing to the FOI Principal Officer, Nickola Allan at MDHS. This year 37 requests were received.

***Hazardous Substances***

The number of hazardous substances held on site has been reviewed and minimised, with risk assessments ongoing to ensure effective control of substances remaining in use. There have been no incidents related to hazardous substances or waste management practices for 2015-16. All staff who come into direct contact with hazardous substances undertake training in the management of these substances.

***National Competition Policy***

MDHS complied with all government policies regarding competitive neutrality with respect to tender applications.

***Occupational Health and Safety***

Valuing respect as a core business requirement, staff, visitors and contractors are required to respect themselves and those around them by ensuring they have regard for health and safety.

In line with legislative requirements risks have been identified relating to MDHS' business. A variety of process improvements, mechanical aids and policies and procedures have been implemented to reduce the potential of a staff member or visitor becoming ill or injured at one of the Organisation's campuses.

Utilising the Victorian Health Incident Management System (VHIMS) staff are encouraged to report all incidents and near misses relating to their health and safety whilst at work. Reports from this system are presented to the Occupational Health & Safety Committee and Leadership & Management Committee which in turn report to the BOM.

***Protected Disclosure Act 2012***

The Protected Disclosure Act enables people to make disclosures about improper conduct within the public sector without fear of reprisal. The Act aims to ensure openness and accountability by encouraging people to make disclosures and protecting them when they do. MDHS complies with the requirements of the Protected Disclosure Act 2012 and did not receive any disclosures in the 2016-17 financial year.

***Privacy***

MDHS recognises and is committed to the protection of the privacy of patient, resident, client and staff information. The Health Service has in place policies to ensure compliance with the *Health Records Act (Victoria) 2001*, *Privacy Act 2000* and the *Information Privacy Act 2000*. Patients, residents and clients are informed of their rights on first contact with the health service that all health information collected and medical records held in relation to their treatment is respected and confidentially maintained.

***Publications***

MDHS publishes a range of publications for consumers that is available on request at all campuses. The range includes information on health promotion, Community Services, the Annual and Quality of Care Report.

A community newsletter is distributed within the Health Service's catchment areas. All publications are available on our website mdhs.vic.gov.au.

***Victorian Industry Participation Policy***

The *Victorian Industry Participation Policy Act 2003* aims to ensure that local suppliers can participate in procurement and industry assistance activities across Government, wherever they offer the best value for money. MDHS complies with the requirements of this Act.

## *Workforce Data*

| WORKFORCE STASTICICS LABOUR CATEGORY | JUNE YEAR TO DATE FULL-TIME EQUIVALENT | | JUNE YEAR TO DATE FULL-TIME EQUIVALENT | |
|---|---|---|---|---|
| | 2016 | 2017 | 2016 | 2017 |
| **Nursing** | 148.8 | 156.97 | 145.96 | 138.96 |
| **Administration and Clerical** | 29.39 | 33.20 | 29.59 | 26.69 |
| **Medical Support** | | | | |
| **Hotel and Allied Services** | 50.76 | 50.65 | 50.33 | 46.38 |
| **Medical Officers** | | | | |
| **Hospital Medical Officers** | | | | |
| **Sessional Clinicians** | | | | |
| **Ancillary Staff (Allied Health)** | 33.04 | 20.02 | 31.75 | 26.96 |

| OCCUPATIONAL VIOLENCE STASTISITCS | 2016-2017 |
|---|---|
| **Workcover accepted claims with an occupational violence cause per 100 FTE** | 0 |
| **Number of accepted Workcover claims with lost time injury with an occupational violence cause per** | 0 |
| **Number of occupational incidents reported** | 29 |
| **Number of occupational incidents reported per 100 FTE** | 12.60 |
| **Percentage of occupational violence incidents resulting in a staff injury, illness or condition** | 0.0% |

**For the purposes of the above statistics the following definitions apply:**

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

**Incident** - an event or circumstance that could have resulted in, or did result in, harm to an employee. Incidents of all severity rating must be included. Code Grey reporting is not included, however, if an incident occurs during the course of a planned or unplanned Code Grey, the incident must be included.

**Accepted Workcover claims** – Accepted Workcover claims that were lodged in 2016-17.

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

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

# Compliance Disclosure Index

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

| Legislation | Requirement | Page |
|---|---|---|
| ***Ministerial Directions*** | | |
| **Report of Operations** | | |
| *Charter and Purpose* | | |
| FRD 22H | Manner of establishment and the relevant Ministers | 4 |
| FRD 22H | Purpose, functions, powers and duties | 4 |
| FRD 22H | Initiatives and key achievements | 6 |
| FRD 22H | Nature and range of services provided | 5 |
| *Management & Structure* | | |
| FRD 22H | Organisational structure | 14 |
| *Financial and other information* | | |
| FRD 10A | Disclosure Index | 19 |
| FRD 11A | Disclosure of ex-gratia payments | 17 |
| FRD 12A | Disclosure of major contracts | *FR* |
| FRD 21C | Responsible person and executive officer disclosures | *FR* |
| FRD 22H | Application and operation of *Protected Disclosure Act 2012* | 18 |
| FRD 22H | Application and operation of *Carers Recognition Act 2012* | 16 |
| FRD 22H | Application and operation of *Freedom of Information Act 1982* | 17 |
| FRD 22H | Compliance with building and maintenance provisions of *Building Act 1993* | 16 |
| FRD 22H | Details of consultancies over $10,000 | 16 |
| FRD 22H | Details of consultancies under $10,000 | 16 |
| FRD 22H | Employment and conduct principles | *17* |
| FRD 22H | Major changes or factors affecting performance | *FR* |
| FRD 22H | Occupational Health and Safety | 17 |
| FRD 22H | Operational and budgetary objectives and performance against objectives | *FR* |
| FRD 24C | Reporting of office-based environmental impacts | *17* |
| FRD 22H | Significant changes in financial position during the year | *FR* |
| FRD 22H | Statement on National Competition Policy | 16 |
| FRD 22H | Subsequent events | *FR* |
| FRD 22H | Summary of the financial results of the year | *FR* |
| FRD 22H | Workforce Data Disclosures including a statement on the application of employment and other conduct principles | 17, 18 |
| FRD 25C | Victorian Industry Participation Policy disclosures | 18 |
| FRD 29B | Workforce Data disclosures | 12, 13 |
| FRD 103F | Non-Financial Physical Assets | 11 |
| FRD 110A | Cash Flow Statements | 15 |
| FRD 112D | Defined Benefit Superannuation Obligations | 15 |
| SD 5.2.3 | Declaration in report of Operations | |
| SD 3.7.1 | Risk management framework and processes | |
| *Other requirements under Standing Directions 4.2* | | |
| SD 5.2.2 | Declaration in financial statements | *FR* |
| SD 5.2.1(a) | Compliance with Australian accounting standards and other authoritative pronouncements | *FR* |
| SD 5.2.1(a) | Compliance with Ministerial Directions | |

| | | |
|---|---|---|
| *Legislation* | | |
| | *Freedom of Information Act 1982* | 17 |
| | *Protected Disclosure Act 2012* | 18 |
| | *Carers Recognition Act 2012* | 16 |
| | *Victorian Industry Participation Policy Act 2003* | 18 |
| | *Building Act 1993* | 16 |
| | *Financial Management Act 1994* | 17 |
| | *Safe Patient Care Act 2015* | |

*FR - Financial Report*

**Additional information (FRD 22F)**

In compliance with the requirements of FRD 22F Standard Disclosures in the Report of Operations, details in respect of the items listed below have been retained by Maryborough District Health Service and are available to the relevant Ministers, Members of Parliament and the public on request (subject to the freedom of information requirements, if applicable):

(a) A statement of pecuniary interest has been completed;

(b) Details of shares held by senior officers as nominee or held beneficially;

(c) Details of publications produced by the Department about the activities of the Health Service and where they 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 Board to develop community awareness of the Board and its services;

(i) Details of assessments and measures undertaken to improve the occupational health and safety of employees;

(j) General statement on industrial relations within the Board and details of time lost through industrial accidents and disputes, which is not otherwise detailed in the Report of Operations;

(k) A list of major committees sponsored by the Health Service, the purposes of each committee and the extent to which those purposes have been achieved;

(l) Details of all consultancies and contractors including consultants/contractors engaged, services provided and expenditure committed for each engagement.

# Glossary

| | |
|---|---|
| ACHS | Australian Council on Healthcare Standards |
| ACSAA | Aged Care Standards Accreditation Agency |
| ATSI | Aboriginal and Torres Strait Islander |
| BHS | Ballarat Health Services |
| BOM | Board of Management consisting of community members appointed by the Government in Council |
| Burden of Disease | DOH's comprehensive information on health issues in communities across Victoria and the underlying risk factors |
| CALD | Culturally and Linguistically Diverse |
| CancerCare | MDHS project to enhance cancer services to the community |
| CGSC | Central Goldfields Shire Council |
| CPI | Consumer Participation Indicator |
| CT | Computed Tomography |
| CVHA | Central Victorian Health Alliance |
| DHSV | Dental Health Services Victoria |
| DOH | Department of Health |
| DOS | Day of Surgery |
| EGHS | East Grampians Health Service |
| EQuIP National | Accreditation Program; assessment against 10 National Safety and Quality Health Standards, along with 5 EQuIPNational Standards derived from key elements of the former EQuIP program |
| ES | Environmental Sustainability |
| ESWL | Elective Surgery Waiting List |
| FOI | Freedom of Information |
| GML | Grampians Medicare Local |
| GP | General Practitioner |
| HACC | Home and Community Care |
| HARP | Hospital Admission Risk Program |
| HH | Hand Hygiene |
| HS | Hotel Services |
| HPV | Health Purchasing Victoria |
| HSRG | Health Service Reference Group |
| ICAP | Improving Care for Aboriginal and Torres Strait Islander Patients |
| ICT / IT | Information Communications Technology / Information Technology |
| KPI | Key Performance Indicator |
| LMMML | Loddon Mallee Murray Medicare Local |
| LMR | Loddon Mallee Region |
| LOS | Length of Stay |
| LSOP / BCOP | Long Stay Older Persons / Better Care for Older People |
| MDHS | Maryborough District Health Service |
| MEC | Maryborough Education Centre |
| PAC | Post Acute Care |
| PCP | Primary Care Partnership |
| RAC | Residential Aged Care |
| RPFANC | Regional Patient Flow and Nursing Collaborative |
| RPHS | Rural Primary Health Services |
| SSA | State Services Authority |
| SRH | Stawell Regional Health |
| TCP | Transition Care Program |
| UCC | Urgent Care Centre |
| VCAL | Victorian Certificate of Applied Learning |
| VHIMS | Victorian Health Incident Management System |
| VICNISS | Healthcare Associated Infection Surveillance System |
| VMIA | Victorian Managed Insurance Authority |
| VMO | Visiting Medical Officer |
| VPSM | Victorian Patient Satisfaction Monitor |
| WIES | Weighted Inlier Equivalent Separations |
| WoSSP | Whole of System Student Placement Program |

# Donations

Each year we receive generous contributions through donations, sponsorships, bequests and philanthropic grants. We thank the numerous community members and organisations who have made a donation to Maryborough District Health Service this year.

**Maurice Moore Urgent Care Centre**

In September 2016, Maryborough District Health Service celebrated the official opening of the Maurice Moore Urgent Care Centre. The re-development was dedicated to Senior Constable Maurice Moore who in 27 September 1986 was fatally shot while performing duties at Maryborough. The Victorian Police Blue Ribbon Foundation Maryborough Branch kindly donated $100,000 to the development. We would not have been able to complete this project without their continued support.

**MDHS Charity Golf Day**

Maryborough District Health Service in conjunction with its major sponsor, True Foods, held their annual Charity Golf Day. Over $20,000 was raised with funds used to purchase a new Anesthetic Machine for use in our Theatre Department. We thank True Foods and all the hole sponsors for another successful event.

**Major Community Supporters**

We also wish to thank the following supporters throughout the year:

- Avoca , Dunolly and Maryborough Auxiliaries
- Maryborough IGA
- Maryborough Country Music Club
- Maryborough Senior Citizens Club
- Maryborough Traditional Jazz Club Reunion
- Redpath Tyre & Auto

Thank you to all our donors who made a contribution during the year to support the Health Service in delivering care to our community.

MDHS
Inspiring Health

***Maryborough District Health Service***

PO Box 155
75-87 Clarendon Street
Maryborough, Victoria 3465

Phone: +61 3 5461 0333
Fax: +61 3 5461 4480

*mdhs@mdhs.vic.gov.au*

*mdhs.vic.gov.au*

# Statement of Priorities Part B

## Financial sustainability

| KEY PERFORMANCE INDICATOR | TARGET | 2016-2017 ACTUALS |
|---|---|---|
| Annual Operating Result ($) | 0 | 278,000 |
| Trade Creditors | <60 days | 56.21 |
| Patient Fee debtors | <60 days | 34.06 |
| Adjusted current asset ratio | 0.7 | 0.93 |
| Days of available cash | 14 days | 50 days |

## Service performance

| OPERATING RESULT | TARGET | 2016-2017 ACTUALS |
|---|---|---|
| WIES (public & private) performance to target | 2,605 | 2,678 |

| QUALITY AND SAFETY | TARGET | 2016-2017 ACTUALS |
|---|---|---|
| Health Service accreditation | Full Compliance | Full Compliance |
| Residential Aged Care Accreditation | Full Compliance | Full Compliance |
| Cleaning standards | Full Compliance | Full Compliance |
| Healthcare worker immunization – Influenza (%) | 75% | 87.8% |
| Hand Hygiene Australia program | 80% | 86.3% |
| Submission of data to VICNISS | Full Compliance | Full Compliance |

| PATIENT EXPERIENCEES AND OUTCOMES | TARGET | 2016-2017 ACTUALS |
|---|---|---|
| Victorian Healthcare Experience Survey – data submission | Full compliance | Achieved |
| Victorian Healthcare Experience Survey – patient experience (Q1) | 95% positive experience | 95.7% positive |
| Victorian Healthcare Experience Survey – patient experience (Q2) | 95% positive experience | 92.7% positive |
| Victorian Healthcare Experience Survey – patient experience (Q3) | 95% positive experience | 92 % positive |
| Victorian Healthcare Experience Survey – discharge care (Q1) | 75% positive experience | 86.8% positive |
| Victorian Healthcare Experience Survey – discharge care (Q2) | 75% positive experience | 82.1% positive |
| Victorian Healthcare Experience Survey – discharge care (Q3) | 75% positive experience | 83.7% positive |

| GOVERNANCE, LEDERSHIP & CULTURE | TARGET | 2016-2017 ACTUALS |
|---|---|---|
| People Matter Survey - percentage of staff with a positive response to safety culture questions | 80% | 68% |

# Appendix A

# Statement of Priorities Part C

| ACTIVITY WEIGHTED INLIER EQUIVALENT SEPARATIONS (WEIS) | 2016-2017 ACTUALS |
|---|---|
| WIES Public | 2,391 |
| WIES Private | 287 |
| WIES (Public and Private) | 2,678 |
| WIES DVA | 103 |
| WIES TAC | 4 |
| WIES Total | 2,785 |
| | |
| **Subacute, Non-Acute Admitted & Aged Care** | |
| Maintenance Public | 296 |
| Health Independence Program | 1,158 |
| Residential Aged Care | 32,084 |
| HACC | 26,550 |
| | |
| **Primary Health** | |
| Community Health/ Primary Care Programs | 5,440 |

# Statement of Priorities Part C

| ACTIVITY WEIGHTED INLIER EQUIVALENT SEPARATIONS (WEIS) | 2016-2017 ACTUALS |
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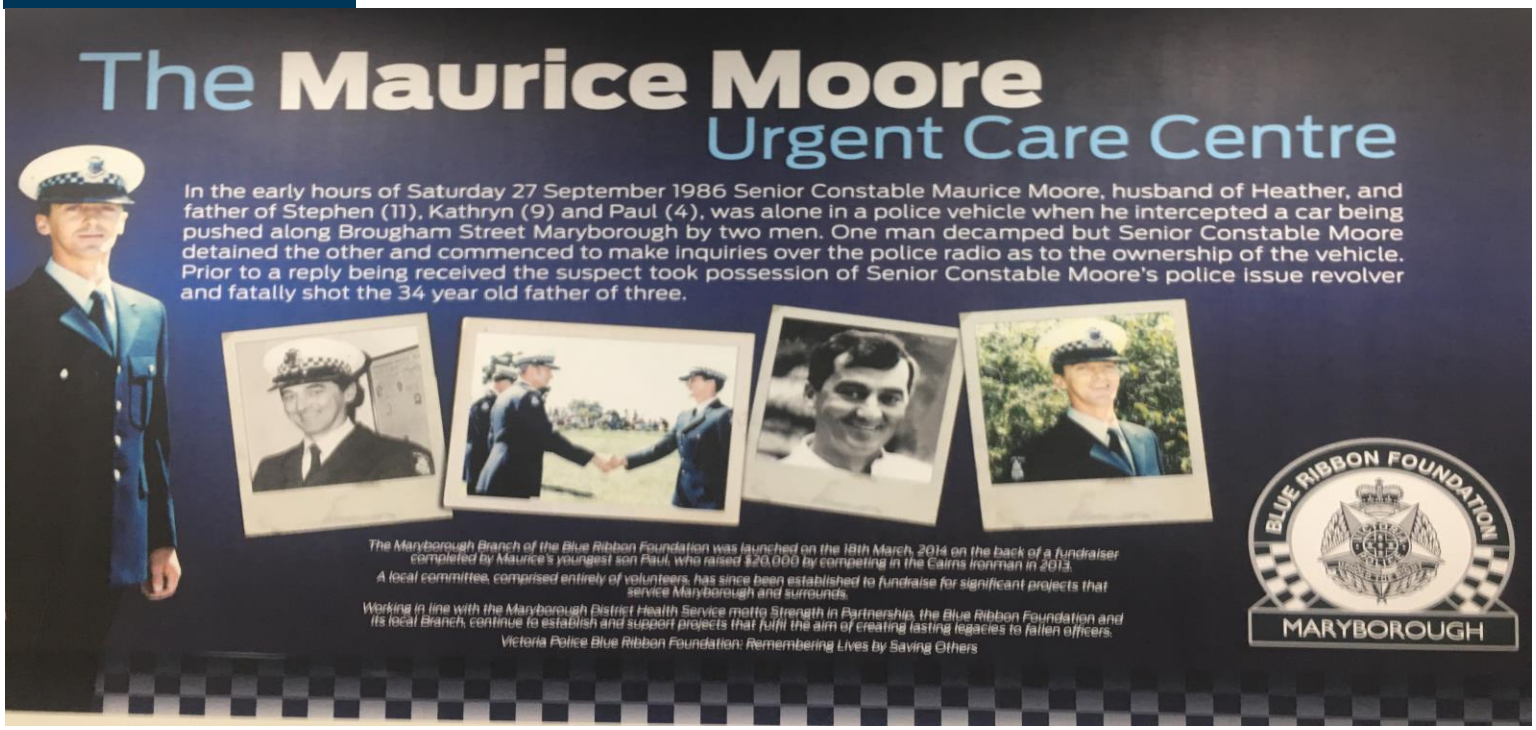
| HACC | 26,550 |
| | |
| **Primary Health** | |
| Community Health/ Primary Care Programs | 5,440 |

MDHS
Inspiring Health

# 2016-2017 Financial Report



# Contents

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Dunolly, Victoria 3462

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Maryborough District Health Service

# BOARD MEMBER'S, ACCOUNTABLE OFFICER'S AND CHIEF FINANCE & ACCOUNTING OFFICER'S DECLARATION

We certify that the attached financial statements for Maryborough District Health Service have been prepared in accordance with Standing Direction 5.2 of the *Financial Management Act 1994*, applicable *Financial Reporting Directions* , Australian Accounting Standards, Australian Accounting 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 notes forming part of the financial statements, presents fairly the financial transactions during the year ended 30 June 2017 and financial position of Maryborough District Health Service at 30 June 2017.

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

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

| | | |
|---|---|---|
| Peter Mcallister | Terrence Welch | Laura Martin |
| Chairperson | Chief Executive Officer | Chief Finance & Accounting Officer |
| Maryborough | Maryborough | Maryborough |
| 22/08/2017 | 22/08/2017 | 22/08/2017 |

# Independent Auditor's Report

Victorian Auditor-General's Office

***To the Board of Maryborough District Health Service***

| | |
|---|---|
| **Opinion** | I have audited the financial report of Maryborough District Health Service (the health service) which comprises the:<br>• balance sheet as at 30 June 2017<br>• comprehensive operating statement for the year then ended<br>• statement of changes in equity for the year then ended<br>• cash flow statement for the year then ended<br>• notes to the financial statements, including a summary of significant accounting policies<br>• board member's, accountable officer's and chief finance & accounting officer's declaration.<br>In my opinion the financial report presents fairly, in all material respects, the financial position of the health service as at 30 June 2017 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the *Financial Management Act 1994* and applicable Australian Accounting Standards. |
| **Basis for Opinion** | I have conducted my audit in accordance with the *Audit Act 1994* which incorporates the Australian Auditing Standards. My responsibilities under the Act are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report.<br>My independence is established by the *Constitution Act 1975.* My staff and I are independent of the health service in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.<br>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion. |
| **Board's responsibilities for the financial report** | The Board of the health service is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Financial Management Act 1994*, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.<br>In preparing the financial report, the Board is responsible for assessing the health service's ability to continue as a going concern, and using the going concern basis of accounting unless it is inappropriate to do so. |

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

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

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

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our 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
25 August 2017

Charlotte Jeffries
*as delegate for the Auditor-General of Victoria*

# Maryborough District Health Service
## Comprehensive Operating Statement
### For the year ended 30 June 2017

| | Note | 2017 $'000 | 2016 $'000 |
|---|---|---|---|
| Revenue from operating activities | **2.1** | 35,036 | 33,276 |
| Revenue from non-operating activities | **2.1** | 210 | 201 |
| Employee expenses | **3.1** | (25,393) | (23,502) |
| Non salary labour costs | **3.1** | (3,270) | (2,775) |
| Supplies and consumables | **3.1** | (2,087) | (1,879) |
| Other expenses | **3.1** | (4,218) | (4,327) |
| **Net Result Before Capital and Specific Items** | | 278 | 994 |
| Capital purpose income | **2.1** | 1,324 | 330 |
| Expenditure for capital purpose | **3.1** | (29) | (85) |
| Depreciation | **4.4** | (2,966) | (3,012) |
| **Net Result After Capital and Specific Items** | | (1,393) | (1,773) |
| **Other Economic Flows Included in Net Result** | | | |
| Net gain/(loss) on non-financial assets | **7.2** | (9) | (18) |
| Revaluation of long service leave | **3.2** | 175 | (114) |
| **Total Other Economic Flows Included in Net Result** | | 166 | (132) |
| **NET RESULT FOR THE YEAR** | | **(1,227)** | **(1,905)** |
| **Other Comprehensive Income** | | | |
| **Items that will not be reclassified to net result** | | | |
| Changes in physical asset revaluation surplus | **8.1a** | - | - |
| **Total Other Comprehensive Income** | | - | - |
| **COMPREHENSIVE RESULT** | | **(1,227)** | **(1,905)** |

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

# Maryborough District Health Service
# Balance Sheet
## As at 30 June 2017

| | Note | 2017 $'000 | 2016 $'000 |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | **6.1** | 5,789 | 3,289 |
| Receivables | **5.1** | 1,433 | 1,098 |
| Investments and other financial assets | **4.1** | 3,473 | 5,071 |
| Inventories | **5.2** | 28 | 22 |
| Prepayments and other assets | **5.4** | 544 | 437 |
| **Total current assets** | | 11,267 | 9,917 |
| | | | |
| **Non-current assets** | | | |
| Receivables | **5.1** | 915 | 814 |
| Property, plant and equipment | **4.3** | 38,057 | 39,777 |
| Investment properties | **4.5** | 751 | 755 |
| **Total non-current assets** | | 39,723 | 41,346 |
| **TOTAL ASSETS** | | 50,990 | 51,263 |
| | | | |
| **Current liabilities** | | | |
| Payables | **5.5** | 1,547 | 1,857 |
| Provisions | **3.2** | 6,413 | 5,703 |
| Other current liabilities | **5.3** | 4,101 | 3,319 |
| **Total current liabilities** | | 12,061 | 10,879 |
| | | | |
| **Non-current liabilities** | | | |
| Provisions | **3.2** | 491 | 719 |
| **Total non-current liabilities** | | 491 | 719 |
| **TOTAL LIABILITIES** | | 12,552 | 11,598 |
| **NET ASSETS** | | **38,438** | **39,665** |
| | | | |
| **EQUITY** | | | |
| Property, plant and equipment revaluation surplus | **8.1a** | 22,551 | 22,551 |
| Restricted specific purpose surplus | **8.1b** | 486 | 486 |
| Contributed capital | **8.1b** | 13,776 | 13,776 |
| Accumulated surpluses | **8.1c** | 1,625 | 2,852 |
| **TOTAL EQUITY** | **8.1d** | **38,438** | **39,665** |
| | | | |
| Commitments | **6.2** | | |
| Contingent assets and contingent liabilities | **7.3** | | |

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

# Maryborough District Health Service
## Statement of Changes in Equity for the year ended 30 June 2017

| | Note | Property, plant & equipment revaluation surplus $'000 | Restricted specific purpose surplus $'000 | Contribution by owners $'000 | Accumulated surpluses/ (deficits) $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **Balance at 1 July 2015** | | 22,551 | 486 | 13,776 | 4,757 | 41,570 |
| Net result for the year | | - | - | - | (1,905) | (1,905) |
| Other comprehensive income for the year | **8.1a** | - | - | - | - | - |
| **Balance at 30 June 2016** | | **22,551** | **486** | **13,776** | **2,852** | **39,665** |
| Net result for the year | | - | - | - | (1,227) | (1,227) |
| Other comprehensive income for the year | **8.1a** | - | - | - | - | - |
| **Balance at 30 June 2017** | | **22,551** | **486** | **13,776** | **1,625** | **38,438** |

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

# Maryborough District Health Service
# Cash Flow Statement
## For the year ended 30 June 2017

| | Note | 2017 $'000 | 2016 $'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Operating grants from government | | 29,356 | 27,350 |
| Capital grants from government | | 1,153 | 286 |
| Patient and resident fees received | | 2,656 | 2,754 |
| Private practice fees received | | 1,417 | 1,452 |
| Capital donations and bequests received | | 175 | - |
| GST received from/(paid to) ATO | | (58) | 2 |
| Interest received | | 202 | 196 |
| Other receipts | | 1,062 | 1,317 |
| **Total receipts** | | **35,963** | **33,357** |
| Employee expenses paid | | (24,706) | (23,751) |
| Non-salary labour costs | | (3,281) | (2,787) |
| Payments for supplies and consumables | | (2,093) | (2,194) |
| Other payments | | (4,508) | (3,784) |
| **Total payments** | | **(34,588)** | **(32,516)** |
| **NET CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES** | **8.2** | **1,375** | **841** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Recognition of cash from LMRHA | | - | 1 |
| Proceeds from/(purchase of) investments | | (1,641) | 1,866 |
| Payments for non-financial assets | | (1,340) | (724) |
| Proceeds from sale of non-financial assets | | 85 | 36 |
| **NET CASH FLOW FROM/(USED IN) INVESTING ACTIVITIES** | | **(2,896)** | **1,179** |
| **NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS** | | (1,521) | 2,020 |
| Cash and cash equivalents at beginning of financial year | | 3,211 | 1,191 |
| **CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR** | **6.1** | **1,690** | **3,211** |

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

**BASIS OF PRESENTATION**

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

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

Consistent with the requirements of AASB 1004 Contributions (that is contributed capital and its repayment) are treated as equity transactions and, therefore, do not form part of the income and expenses of the hospital.

Additions to net assets which have been designated as contributions by owners are recognised as contributed capital. Other transfers that are in the nature of contributions to or distributions by owners have also been designated as contributions by owners.

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

Judgements, estimates and assumptions are required to be made about financial information being presented. The significant judgements made in the preparation of these financial statements are disclosed in the notes where amounts affected by those judgements are disclosed. Estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also future periods that are affected by the revision. Judgements and assumptions made by management in applying the application of AASB that have significant effect on the financial statements and estimates are disclosed in the notes under the heading: 'Significant judgement or estimates'.

**NOTE 1 : SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These annual financial statements represent the audited general purpose financial statements for Maryborough District Health Service (ABN 81 511 515 955) for the period ended 30 June 2017. The purpose of the report is to provide users with information about Maryborough District Health Service's stewardship of resources entrusted to it.

**(a) Statement of Compliance**

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

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

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

The annual financial statements were authorised for issue by the Board of Maryborough District Health Service on 22nd August 2017.

**(b) Reporting Entity**

The financial statements include all the controlled activities of Maryborough District Health Service.

Its principal address is:
75-87 Clarendon Street
Maryborough VIC 3465

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

**Objectives and Funding**

Maryborough District Health Service's overall objective is to provide outstanding local care, as well as improve the quality of life to Victorians.

Maryborough District Health Service is predominately funded by accrual based grant funding for the provision of outputs.

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

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2017, and the comparative information presented in these financial statements for the year ended 30 June 2016.

The going concern basis was used to prepare the financial statements.

These financial statements are presented in Australian Dollars, the functional and presentation currency of the Health Service.

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

The financial statements are prepared in accordance with the historical cost convention, except for:

• Non-current physical assets, which subsequent to acquisition, are measured at a revalued amount being their fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent impairment losses. Revaluations are made and are re-assessed when new indices are published by the Valuer General to ensure that the carrying amounts do not materially differ from their fair values;

• Derivative financial instruments, managed investment schemes, certain debt securities, and investment properties after initial recognition, which are measured at fair value with changes reflected in the comprehensive operating statement (fair value through profit or loss); and

• Available-for-sale investments which are measured at fair value with movements reflected in equity until the asset is derecognised.

• The fair value of assets other than land is generally based on their depreciated replacement value.

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

**(d) Principles of Consolidation**

**Intersegment Transactions**

Transactions between segments within Maryborough District Health Service have been eliminated to reflect the extent of Maryborough District Health Service's operations as a group.

## Note 2: Funding Delivery of Our Services

The hospital's overall objective is to deliver programs and services that support and enhance the wellbeing of all Victorians.

To enable the hospital to fulfil its objective it receives income based on parliamentary appropriations. The hospital also receives income from the supply of services.

**Structure**
2.1 Analysis of Revenue by Source

## Note 2.1: Analysis of Revenue by Source

| | Admitted Patients 2017 $'000 | Non Admitted 2017 $'000 | EDS 2017 $'000 | RAC 2017 $'000 | Aged Care 2017 $'000 | Primary Health 2017 $'000 | Other 2017 $'000 | Total 2017 $'000 |
|---|---|---|---|---|---|---|---|---|
| Government Grants | 14,709 | 705 | 1,751 | 7,743 | 1,152 | 2,584 | 795 | 29,439 |
| Indirect Contributions by Department of Health and Human Services | 132 | - | - | - | - | - | - | 132 |
| Patient and Resident Fees | 369 | 117 | - | 2,096 | 68 | 23 | 21 | 2,694 |
| Private Practice and Other Patient Activities Fees | - | - | - | - | - | - | 1,417 | 1,417 |
| Property Income | 28 | - | - | - | - | - | 247 | 275 |
| Catering | - | - | - | - | - | - | 55 | 55 |
| Loddon Mallee Rural Health Alliance | - | - | - | - | - | - | 509 | 509 |
| Other Revenue from Operating Activities | 267 | 42 | 1 | 6 | - | 173 | 26 | 515 |
| **Total Revenue from Operating Activities** | **15,505** | **864** | **1,752** | **9,845** | **1,220** | **2,780** | **3,070** | **35,036** |
| Interest and Dividends | - | - | - | - | - | - | 210 | 210 |
| **Total Revenue from Non-Operating Activities** | **-** | **-** | **-** | **-** | **-** | **-** | **210** | **210** |
| Capital Purpose Income | - | - | - | - | - | - | 171 | 171 |
| Capital Grants | - | - | - | - | - | - | 1,153 | 1,153 |
| Net Gain/(Loss) on Non-Financial Assets | - | - | - | - | - | - | (9) | (9) |
| **Total Capital Purpose Income** | **-** | **-** | **-** | **-** | **-** | **-** | **1,315** | **1,315** |
| **Total Revenue** | **15,505** | **864** | **1,752** | **9,845** | **1,220** | **2,780** | **4,595** | **36,561** |

## Note 2.1: Analysis of Revenue by Source (Continued)

| | Admitted Patients 2016 $'000 | Outpatients 2016 $'000 | EDS 2016 $'000 | RAC 2016 $'000 | Aged Care 2016 $'000 | Primary Health 2016 $'000 | Other 2016 $'000 | Total 2016 $'000 |
|---|---|---|---|---|---|---|---|---|
| Government Grants | 13,313 | 732 | 1,760 | 6,788 | 1,450 | 2,062 | 1,227 | 27,332 |
| Indirect Contributions by Department of Health and Human Services | 40 | - | - | - | - | - | - | 40 |
| Patient and Resident Fees | 275 | 128 | - | 2,045 | 106 | 22 | 21 | 2,597 |
| Private Practice and Other Patient Activities Fees | - | - | - | - | - | - | 1,452 | 1,452 |
| Property Income | 24 | - | - | - | - | - | 215 | 239 |
| Catering | - | - | - | - | - | - | 58 | 58 |
| Loddon Mallee Rural Health Alliance | - | - | - | - | - | - | 568 | 568 |
| Other Revenue from Operating Activities | 376 | 2 | 28 | 7 | - | 314 | 263 | 990 |
| **Total Revenue from Operating Activities** | **14,028** | **862** | **1,788** | **8,840** | **1,556** | **2,398** | **3,804** | **33,276** |
| Interest and Dividends | - | - | - | - | - | - | 201 | 201 |
| **Total Revenue from Non-Operating Activities** | **-** | **-** | **-** | **-** | **-** | **-** | **201** | **201** |
| Capital Purpose Income | - | - | - | - | - | - | 330 | 330 |
| Net Gain/(Loss) on Non-Financial Assets | - | - | - | - | - | - | (18) | (18) |
| **Total Capital Purpose Income** | **-** | **-** | **-** | **-** | **-** | **-** | **312** | **312** |
| **Total Revenue** | **14,028** | **862** | **1,788** | **8,840** | **1,556** | **2,398** | **4,317** | **33,789** |

Department of Health and Human Services makes certain payments on behalf of the Health Service. These amounts have been brought to account in determining the operating result for the year by recording them as revenue and expenses. Income is recognised in accordance with AASB 118 *Revenue* and is recognised as to the extent that it is probable that the economic benefits will flow to Maryborough District Health Service and the income can be reliably measured at fair value. Unearned income at reporting date is reported as income received in advance.

Amounts disclosed as revenue are, where applicable, net of returns, allowances and duties and taxes.

**Government Grants and Other Transfers of Income (other than contributions by owners)**
In accordance with AASB 1004 *Contributions,* government grants and other transfers of income (other than contributions by owners) are recognised as income when Maryborough District Health Service gains control of the underlying assets irrespective of whether conditions are imposed on Maryborough District Health Service's use of the contributions.

Contributions are deferred as income in advance when the Health Service has a present obligation to repay them and the present obligation can be reliably measured.

**Indirect Contributions from the Department of Health and Human Services**

- Insurance is recognised as revenue following advice from the Department of Health and Human Services.
- Long Service Leave (LSL) - Revenue is recognised upon finalisation of movements in LSL liability in line with the arrangements set out in the Metropolitan Health and Aged Care Services Division Hospital Circular 04/2017.

## Note 2.1: Analysis of Revenue by Source (Continued)

**Patient and Resident Fees**
Patient fees are recognised as revenue at the time invoices are raised.

**Private Practice Fees**
Private Practice fees are recognised as revenue at the time invoices are raised.

**Revenue from Commercial Activities**
Revenue from commercial activities such as provision of meals to external users is recognised at the time the invoices are raised.

**Donations and Other Bequests**
Donations and bequests are recognised as revenue when received. If donations are for a special purpose, they may be appropriated to a reserve, such as specific restricted purpose reserve.

**Interest Revenue**
Interest revenue is recognised on a time proportionate basis that takes in account the effective yield of the financial asset.

**Sale of Investments**
The gain/loss on the sale of investments is recognised when the investment is realised.

**Other Income**
Other income includes non-property rental, recoveries of salaries and wages and hire of equipment.

**Category Groups**
Maryborough District Health Service has used the following category groups for reporting purposes for the current and previous financial years.

- **Admitted Patient Services (Admitted Patients)** comprises all acute and subacute admitted patient services, where services are delivered in public hospitals.

- **Emergency Department Services (EDS)** comprises all emergency department services.

- **Aged Care** comprises a range of in home, specialist geriatric, residential care and community based programs and support services, such as Home and Community Care (HACC) that are targeted to older people, people with a disability, and their carers.

- **Primary, Community and Dental Health** comprises a range of home based, community based, community, primary health and dental services including health promotion and counselling, physiotherapy, speech therapy, podiatry and occupational therapy and a range of dental health services.

- **Residential Aged Care including Mental Health (RAC incl. Mental Health)** referred to in the past as psychogeriatric residential services, comprises those Commonwealth-licensed residential aged care services in receipt of supplementary funding from the department under the mental health program. It excludes all other residential services funded under the mental health program, such as mental health funded community care units (CCUs) and secure extended care units (SECs).

- **Other Services not reported elsewhere - (Other)** comprises services not separately classified above, including: Public Health Services including laboratory testing, blood borne viruses / sexually transmitted infections clinical services, Kooris liaison officers, immunisation and screening services, drugs services including drug withdrawal, counselling and the needle and syringe program, Disability services including aids and equipment and flexible support packages to people with a disability, Community Care programs including sexual assault support, early parenting services, parenting assessment and skills development, and various support services. Health and Community Initiatives also falls in this category group.

## Note 3: The Cost of Delivering Services

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

**Structure**

3.1 Analysis of Expenses by Source
3.2 Employee Benefits in the Balance Sheet
3.3 Superannuation

## Note 3.1: Analysis of Expenses by Source

| | Admitted Patients 2017 $'000 | Outpatients 2017 $'000 | EDS 2017 $'000 | RAC 2017 $'000 | Aged Care 2017 $'000 | Primary Health 2017 $'000 | Other 2017 $'000 | Total 2017 $'000 |
|---|---|---|---|---|---|---|---|---|
| Employee Expenses | 11,522 | 565 | 1,409 | 7,660 | 1,272 | 1,949 | 1,016 | 25,393 |
| Other Operating Expenses | | | | | | | | |
| Non Salary Labour Costs | 1,787 | 208 | 21 | 525 | - | 7 | 722 | 3,270 |
| Supplies and Consumables | 1,438 | 31 | 150 | 267 | 30 | 23 | 148 | 2,087 |
| Other Expenses from Continuing Operations | 3,383 | 31 | 35 | 429 | 21 | 130 | 189 | 4,218 |
| **Total Expenditure from Operating Activities** | **18,130** | **835** | **1,615** | **8,881** | **1,323** | **2,109** | **2,075** | **34,968** |
| Expenditure for Capital Purposes | - | - | - | - | - | - | 29 | 29 |
| Depreciation (refer to Note 4.4) | - | - | - | - | - | - | 2,966 | 2,966 |
| **Total Other Expenses** | **-** | **-** | **-** | **-** | **-** | **-** | **2,995** | **2,995** |
| **Total Expenses** | **18,130** | **835** | **1,615** | **8,881** | **1,323** | **2,109** | **5,070** | **37,963** |

| | Admitted Patients 2016 $'000 | Outpatients 2016 $'000 | EDS 2016 $'000 | RAC 2016 $'000 | Aged Care 2016 $'000 | Primary Health 2016 $'000 | Other 2016 $'000 | Total 2016 $'000 |
|---|---|---|---|---|---|---|---|---|
| Employee Expenses | 10,759 | 506 | 1,352 | 7,158 | 1,270 | 1,618 | 953 | 23,616 |
| Other Operating Expenses | | | | | | | | |
| Non Salary Labour Costs | 978 | 264 | 25 | 296 | 9 | 7 | 1,196 | 2,775 |
| Supplies and Consumables | 1,332 | 48 | 148 | 204 | 29 | 23 | 95 | 1,879 |
| Other Expenses from Continuing Operations | 3,354 | 24 | 40 | 437 | 21 | 135 | 316 | 4,327 |
| **Total Expenditure from Operating Activities** | **16,423** | **842** | **1,565** | **8,095** | **1,329** | **1,783** | **2,560** | **32,597** |
| Expenditure for Capital Purposes | - | - | - | - | - | - | 85 | 85 |
| Depreciation (refer to Note 4.4) | - | - | - | - | - | - | 3,012 | 3,012 |
| **Total Other Expenses** | **-** | **-** | **-** | **-** | **-** | **-** | **3,097** | **3,097** |
| **Total Expenses** | **16,423** | **842** | **1,565** | **8,095** | **1,329** | **1,783** | **5,657** | **35,694** |

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

**Cost of Goods Sold**
Costs of good sold are recognised when the sale of an item occurs by transferring the cost or value of the item/s from inventories.

## Note 3.1: Analysis of Expenses by Source (Continued)

**Employee Expenses**

Employee expenses include:

- Wages and salaries;
- Fringe benefits tax;
- Annual leave;
- Sick leave;
- Long service leave; and
- Superannuation expenses which are reported differently depending upon whether employees are members of defined benefit or defined contribution plans.

**Grants and Other Transfers**

Grants and other transfers to third parties (other than contribution to owners) are recognised as an expense in the reporting period in which they are paid or payable. They include transactions such as: grants, subsidies and personal benefit payments made in cash to individuals.

**Other Operating Expenses**

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

**Supplies and Consumables**

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

**Bad and Doubtful Debts**

Refer to Note 4.1 Investments and Other Financial Assets.

**Fair Value of Assets, Services and Resources Provided Free of Charge or for Nominal Consideration**

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

**- Other Economic Flows Included in Net Result**

Other economic flows are changes in the volume or value of assets or liabilities that do not result from transactions.

**- 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 4.3 Property Plant and Equipment.

**Impairment of Non-Financial Assets**

Goodwill and intangible assets with indefinite useful lives (and intangible assets not available for use) are tested annually for impairment and whenever there is an indication that the asset may be impaired. Refer to Note 4.1 Investments and Other Financial Assets.

## Note 3.1: Analysis of Expenses by Source (Continued)

**Other Gains/(Losses) from Other Economic Flows**

Other gains/(losses) include:

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

**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 expense in the consolidated comprehensive operating statement.

**Financial Guarantee**

Payments that are contingent under financial guarantee contracts are recognised as a liability at the time the guarantee is issued. The liability is initially measured at fair value, and if there is a material increase in the likelihood that the guarantee may have to be exercised, then it is measured at the higher of the amount determined in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less cumulative amortisation, where appropriate.

In the determination of fair value, consideration is given to factors including the overall capital management/prudential supervision framework in operation, the protection provided by the State Government by way of funding should the probability of default increase, probability of default by the guaranteed party and the likely loss to the Health Service in the event of default.

## Note 3.2: Employee Benefits in the Balance Sheet

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| **CURRENT** | | |
| Employee Benefits (i) | | |
| Annual Leave | | |
| - unconditional and expected to be settled wholly within 12 months (ii) | 1,952 | 1,718 |
| - unconditional and expected to be settled wholly after 12 months (iii) | - | - |
| Accrued Wages and Salaries | | |
| - unconditional and expected to be settled wholly within 12 months (ii) | 310 | 296 |
| - unconditional and expected to be settled wholly after 12 months (iii) | - | - |
| Accrued Days Off | | |
| - unconditional and expected to be settled wholly within 12 months (ii) | 75 | 54 |
| - unconditional and expected to be settled wholly after 12 months (iii) | - | - |
| Long Service Leave | | |
| - unconditional and expected to be settled wholly within 12 months (ii) | 300 | 300 |
| - unconditional and expected to be settled wholly after 12 months (iii) | 3,092 | 2,692 |
| | **5,729** | **5,060** |
| **Provision Related to Employee Benefit On-Costs** | | |
| - unconditional and expected to be settled wholly within 12 months (ii) | 295 | 334 |
| - unconditional and expected to be settled wholly after 12 months (iii) | 389 | 309 |
| | **684** | **643** |
| **TOTAL CURRENT PROVISIONS** | **6,413** | **5,703** |
| **NON CURRENT** | | |
| Employee Benefits (i) | 433 | 637 |
| Provisions Related to Employee Benefit On-Costs | 58 | 82 |
| **TOTAL NON CURRENT PROVISIONS** | **491** | **719** |
| | | |
| **(a) Employee Benefits and Related On-Costs** | | |
| | | |
| **CURRENT EMPLOYEE BENEFITS AND RELATED ON-COSTS** | | |
| Annual Leave Entitlements | 2,186 | 1,954 |
| Accrued Wages and Salaries | 310 | 308 |
| Accrued Days Off | 75 | 61 |
| Unconditional Long Service Leave Entitlements | 3,842 | 3,380 |
| **NON CURRENT EMPLOYEE BENEFITS AND RELATED ON-COSTS** | | |
| Conditional Long Service Leave Entitlements (iii) | 491 | 719 |
| **TOTAL EMPLOYEE BENEFITS AND RELATED ON-COSTS** | **6,904** | **6,422** |

Notes:
(i) Provisions for employee benefits consist of amounts for annual leave and long service leave accrued by employees, not including on-costs.
(ii) The amounts disclosed are nominal amounts.
(iii) The amounts disclosed are discounted to present values.

## Note 3.2: Employee Benefits in the Balance Sheet (Continued)

**Movements in Provision**

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| **Movement in Long Service Leave:** | | |
| **Balance at start of year** | 4,099 | 3,996 |
| - Revaluations | (175) | 114 |
| - Expense recognising employee service | 826 | 404 |
| Settlement made during the year | (417) | (415) |
| **Balance at end of year** | **4,333** | **4,099** |

**Provisions**

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, using a discount rate that reflects the time value of money and risks specific to the provision.

When some or all of the economic benefits required to settle a provision are expected to be received from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

**Employee Benefits**

This provision arises for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave for services rendered to the reporting date.

**Wages and Salaries, Annual Leave and Accrued Days Off**

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave are all recognised in the provision for employee benefits as 'current liabilities', because the health service does not have an unconditional right to defer settlements of these liabilities.

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

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

## Note 3.2: Employee Benefits in the Balance Sheet (Continued)

**Long Service Leave (LSL)**

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 the health service does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months. An unconditional right arises after a qualifying period.

The components of this current LSL liability are measured at:

- Undiscounted value – if the health service expects to wholly settle within 12 months; and
- Present value – where the entity does not expect to settle a component of this current liability within 12 months.

Conditional LSL is disclosed as a non-current liability. There is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service. This non-current LSL liability is measured at present value.

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 flow.

**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.

The health service recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

**On-Costs Related to Employee Expense**

Provision for on-costs, such as payroll tax, workers compensation and superannuation are recognised together with provisions for employee benefits.

## Note 3.3: Superannuation

| | Paid Contribution for the Year | | Contribution Outstanding at Year End | |
|---|---|---|---|---|
| | 2017 $'000 | 2016 $'000 | 2017 $'000 | 2016 $'000 |
| **Defined benefit plans (i):** | | | | |
| Health Super | 23 | 25 | - | - |
| **Defined contribution plans:** | | | | |
| Health Super | 1,683 | 1,425 | - | - |
| HESTA | 418 | 343 | - | - |
| **Total** | 2,124 | 1,793 | - | - |

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

Employees of the Health Service are entitled to receive superannuation benefits and the Health Service contributes to both defined benefit and defined contribution plans. The defined benefit plan(s) provides benefits based on years of service and final average salary.

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

However superannuation contributions paid or payable for the reporting period are included as part of employee benefits in the comprehensive operating statement of the Health Service. The name, details and amounts expense in relation to the major employee superannuation funds and contributions made by the Health Service are as follows:

***Defined contribution superannuation plans***

In relation to defined contributions (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.

***Defined benefit superannuation plans***

The amount charged to the comprehensive operating statement in respect of defined benefit superannuation plans represents the contributions made by the Health Service to the superannuation plans in respect of the services of current Health Service 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.

Employees of the Maryborough District Health Service are entitled to receive superannuation benefits and Maryborough District Health Service contributes to both the defined benefit and defined contribution plans. The defined benefit plans provide benefits based on years of service and final average salary.

The name and details of the major employee superannuation funds and contributions made by Maryborough District Health Service are disclosed in Note 3.3: Superannuation.

**Superannuation Liabilities**

Maryborough District Health Service does not recognise any unfunded defined benefit liability in respect of the superannuation plans because Maryborough District Health Service has no legal or constructive obligation to pay future benefits relating to its employees; its only obligation is to pay superannuation contributions as they fall due.

## Note 4: Key Assets to Support Service Delivery

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

**Structure**

## Note 4.1: Investments and Other Financial Assets

| | Operating Fund | | Total | Total |
|---|---|---|---|---|
| | 2017 $'000 | 2016 $'000 | 2017 $'000 | 2016 $'000 |
| **CURRENT** | | | | |
| **Loans and Receivables** | | | | |
| Term Deposits | | | | |
| Australian Dollar Term Deposits > 3 Months (i) | 3,473 | 5,071 | 3,473 | 5,071 |
| **Total Current** | **3,473** | **5,071** | **3,473** | **5,071** |
| **Represented by:** | | | | |
| Health Service Investments | 3,203 | 1,489 | 3,203 | 1,489 |
| Accommodation bonds | 2 | 3,241 | 2 | 3,241 |
| Joint Venture Investments | 268 | 341 | 268 | 341 |
| **TOTAL** | **3,473** | **5,071** | **3,473** | **5,071** |

(i) Term deposits under 'investments and other financial assets' class include only term deposits with maturity greater than 90 days.

**(a) Ageing analysis of investments and other financial assets**
Please refer to Note 7.1 for the ageing analysis of investments and other financial assets.

**(b) Nature and extent of risk arising from other financial assets**
Please refer to Note 7.1 for the nature and extent of credit risk arising from investments and other financial assets.

**Investments and Other Financial Assets**
Hospital investments must be in accordance in Standing Direction 3.7.2 – Treasury and Investment Risk Management. Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Investments are classified in the following categories:
- Financial assets at fair value through profit or loss;
- Held to maturity;
- Loans and receivables; and
- Available-for-sale financial assets.

Maryborough District Health Service classifies its other financial assets between current and non-current assets based on the purpose for which the assets were acquired. Management determines the classification of its other financial assets at initial recognition.

Maryborough District Health Service assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

All financial assets, except those measured at fair value through profit and loss are subject to annual review for impairment.

## Note 4.1: Investments and Other Financial Assets (Continued)

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

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

**Impairment of Financial Assets**

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

The allowance is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. 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.

**Doubtful Debts**

Receivables are assessed for bad and doubtful debts on a regular basis. Those bad debts considered as written off by mutual consent are classified as a transaction expense. Bad debts not written off by mutual consent and the allowance for doubtful debts are classified as other economic flows in the net result.

## Note 4.2: Jointly Controlled Operations and Assets

| Name of Entity | Principal Activity | Ownership Interest 2017 % | Ownership Interest 2016 % |
|---|---|---|---|
| Loddon Mallee Rural Health Alliance | Information Systems | 6.67 | 6.68 |

Maryborough District Health Service interest in assets employed above jointly controlled operations and assets is detailed below. The amounts are included in the financial statements under their respective asset categories:

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| **Current Assets** | | |
| Cash and cash equivalents | 119 | 14 |
| Investments | 268 | 341 |
| Receivables | 21 | 7 |
| Inventory | 2 | 1 |
| Other Current Assets | 43 | 37 |
| **Total Current Assets** | **453** | **400** |
| **Non Current Assets** | | |
| Property, Plant and Equipment | 10 | 14 |
| **Total Non Current Assets** | **10** | **14** |
| **Total Assets** | **463** | **414** |
| **Current Liabilities** | | |
| Trade Creditors | 74 | 70 |
| Accrued Expenses | 10 | 7 |
| **Total Current Liabilities** | **84** | **77** |
| **Net Assets** | **379** | **337** |

Maryborough District Health Service interest in revenues and expenses resulting from jointly controlled operations and assets is detailed below:

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| **Revenues** | | |
| Revenue from Operating Activities | 510 | 567 |
| Capital Purpose Income | - | - |
| **Total Revenue** | **510** | **567** |
| **Expenses** | | |
| Information Technology and Administrative Expenses | 460 | 492 |
| Expenditure Using Capital Purpose Income | 11 | 102 |
| Depreciation | 8 | 18 |
| **Total Expenses** | **479** | **612** |
| **(Loss)** | **31** | **(45)** |

**Commitments for Expenditure**

There are no known commitments for expenditure as at 30 June 2017.

## Note 4.2: Jointly Controlled Operations and Assets (Continued)

**Contingent Assets and Contingent Liabilities**

There are no known contingent assets or liabilities as at 30 June 2017.

**Investments in Joint Operations**

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

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

## Note 4.3: Property, Plant and Equipment

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

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| **Land** | | |
| - Land at Fair Value | 767 | 767 |
| **Total Land** | **767** | **767** |
| **Buildings** | | |
| - Buildings Under Construction | 296 | 18 |
| - Buildings at Cost | 613 | 330 |
| - Buildings at Fair Value | 40,783 | 40,783 |
| - Less Accumulated Depreciation | 7,233 | 4,848 |
| **Total Buildings** | **34,459** | **36,283** |
| **Plant and Equipment** | | |
| - Plant and Equipment at Fair Value | 830 | 810 |
| - Less Accumulated Depreciation | 403 | 362 |
| **Total Plant and Equipment** | **427** | **448** |
| **Medical Equipment** | | |
| - Medical Equipment at Fair Value | 3,262 | 2,855 |
| - Less Accumulated Depreciation | 1,844 | 1,567 |
| **Total Medical Equipment** | **1,418** | **1,288** |
| **Computers and Communications** | | |
| - Computers and Communication at Fair Value | 580 | 584 |
| - Less Accumulated Depreciation | 421 | 396 |
| **Total Computers and Communications** | **159** | **188** |
| **Furniture and Fittings** | | |
| - Furniture and Fittings at Fair Value | 816 | 736 |
| - Less Accumulated Depreciation | 342 | 277 |
| **Total Furniture and Fittings** | **474** | **459** |
| **Motor Vehicles** | | |
| - Motor Vehicles at Fair Value | 510 | 456 |
| - Less Accumulated Depreciation | 157 | 112 |
| **Total Motor Vehicles** | **353** | **344** |
| **TOTAL PROPERTY PLANT AND EQUIPMENT** | **38,057** | **39,777** |

## Note 4.3: Property, Plant and Equipment (Continued)

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

| | Land $'000 | WIP $'000 | Buildings $'000 | Plant and Equipment $'000 | Medical Equipment $'000 | Computers and Commnctns $'000 | Furniture and Fittings $'000 | Motor Vehicles $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Balance at 1 July 2015** | **767** | **29** | **38,544** | **471** | **1,392** | **167** | **456** | **293** | **42,119** |
| Additions | - | (11) | 152 | 57 | 163 | 117 | 67 | 176 | 721 |
| LMRHA additions | - | - | - | 3 | - | - | - | - | 3 |
| Disposals | - | - | - | - | (5) | - | - | (49) | (54) |
| Depreciation (refer Note 4.4) | - | - | (2,431) | (83) | (262) | (96) | (64) | (76) | (3,012) |
| **Balance at 30 June 2016** | **767** | **18** | **36,265** | **448** | **1,288** | **188** | **459** | **344** | **39,777** |
| Additions | - | 278 | 283 | 62 | 416 | 52 | 84 | 170 | 1,345 |
| LMRHA additions | - | - | - | (5) | - | - | - | - | (5) |
| Disposals | - | - | - | (2) | (5) | (2) | (2) | (83) | (94) |
| Depreciation (refer Note 4.4) | - | - | (2,385) | (76) | (281) | (79) | (67) | (78) | (2,966) |
| **Balance at 30 June 2017** | **767** | **296** | **34,163** | **427** | **1,418** | **159** | **474** | **353** | **38,057** |

Land and buildings carried at valuation

An independent valuation of Maryborough District Health Service's land and buildings was performed by the Valuer-General Victoria to determine the fair value of the land and buildings. The valuation, which conforms to Australian Valuation Standards, was determined by reference to the amounts for which assets could be exchanged between knowledgeable willing parties in an arm's length transaction. The valuation was based on independent assessments.

The effective date of the independent valuation was 30 June 2014.

## Note 4.3: Property, Plant and Equipment (Continued)

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

| | Carrying amount as at 30 June 2017 | Fair value measurement at end of reporting period using: | | |
|---|---|---|---|---|
| | | Level 1 (1) | Level 2 (1) | Level 3 (1) |
| | $'000 | $'000 | $'000 | $'000 |
| **Land at fair value** | | | | |
| Specialised land | 767 | - | - | 767 |
| Total of land at fair value | 767 | - | - | 767 |
| **Buildings at fair value** | | | | |
| Specialised buildings | 34,163 | - | - | 34,163 |
| Total of building at fair value | 34,163 | - | - | 34,163 |
| **Plant and equipment at fair value** | | | | |
| Plant equipment and vehicles at fair value | | | | |
| - Vehicles (ii) | 353 | - | 353 | - |
| - Plant and equipment | 427 | - | - | 427 |
| - Computer and Communications | 159 | - | - | 159 |
| - Furniture and Fittings | 474 | - | - | 474 |
| Total of plant, equipment and vehicles at fair value | 1,413 | - | 353 | 1,060 |
| **Medical equipment at fair value** | 1,418 | - | - | 1,418 |
| Total medical equipment at fair value | 1,418 | - | - | 1,418 |

(i) Classified in accordance with the fair value hierarchy
(ii) Vehicles are categorised to Level 2 assets as a market approach is appropriate for vehicles with an active resale market available.

There have been no transfers between levels during the period.

## Note 4.3: Property, Plant and Equipment (Continued)

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

| | Carrying amount as at 30 June 2016 | Fair value measurement at end of reporting period using: | | |
|---|---|---|---|---|
| | | Level 1 (1) | Level 2 (1) | Level 3 (1) |
| | $'000 | $'000 | $'000 | $'000 |
| **Land at fair value** | | | | |
| Specialised land | 767 | - | - | 767 |
| Total of land at fair value | 767 | - | - | 767 |
| **Buildings at fair value** | | | | |
| Specialised buildings | 36,265 | - | - | 36,265 |
| Total of building at fair value | 36,265 | - | - | 36,265 |
| **Plant and equipment at fair value** | | | | |
| Plant equipment and vehicles at fair value | | | | |
| - Vehicles (ii) | 344 | - | 344 | - |
| - Plant and equipment | 1,095 | - | - | 1,095 |
| Total of plant, equipment and vehicles at fair value | 1,439 | - | 344 | 1,095 |
| **Medical equipment at fair value** | 1,288 | - | - | 1,288 |
| Total medical equipment at fair value | 1,288 | - | - | 1,288 |

(i) Classified in accordance with the fair value hierarchy
(ii) Vehicles are categorised to Level 2 assets as a market approach is appropriate for vehicles with an active resale market available.

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

- the fair value of land, buildings, infrastructure, plant and equipment, (refer to Note 7.4);
- superannuation expense (refer to Note 3.3); and
- actuarial assumptions for employee benefit provisions based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (refer to Note 3.2).

Consistent with AASB 13 Fair Value Measurement, Maryborough District Health Service determines the policies and procedures for both recurring fair value measurements such as property, plant and equipment, investment properties and financial instruments, and for non-recurring fair value measurements such as non-financial physical assets held for sale, in accordance with the requirements of AASB 13 and the relevant FRDs.

## Note 4.3: Property, Plant and Equipment (Continued)

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- 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
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

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

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

Maryborough District Health Service, in conjunction with VGV monitors the changes in the fair value of each asset and liability through relevant data sources to determine whether revaluation is required.

The estimates and underlying assumptions are reviewed on an ongoing basis, Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision, and future periods if the revision affects both current and future periods. Judgements and assumptions made by management in the application of AASs that have significant effects on the financial statements and estimates, with a risk of material adjustments in the subsequent reporting period, relate to:

- the fair value of land, buildings, infrastructure, plant and equipment (refer to Note 7.4);
- superannuation expense (refer to Note 3.3); and
- actuarial assumptions for employee benefit provisions based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (refer to Note 3.2).

**Fair value measurement**

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

- that the transaction to sell the asset or transfer the liability takes place either in the principal market (or the most advantageous market, in the absence of the principal market), either of which must be accessible to the Health Service at the measurement date;
- that the Health Service uses the same valuation assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

## Note 4.3: Property, Plant and Equipment (Continued)

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

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

Judgements about highest and best use must take into account the characteristics of the assets concerned, including restrictions on the use and disposal of assets arising from the asset's physical nature and any applicable legislative/contractual arrangements. In considering the HBU for non-financial physical assets, valuers are probably best placed to determine highest and best use (HBU) in consultation with Health Services. Health Services and their valuers therefore need to have a shared understanding of the circumstances of the assets. A Health Service has to form its own view about a valuer's determination, as it is ultimately responsible for what is presented in its audited financial statements.

In accordance with paragraph AASB 13.29, Health Services can assume the current use of a non-financial physical asset is its HBU unless market or other factors suggest that a different use by market participants would maximise the value of the asset. Therefore, an assessment of the HBU will be required when the indicators are triggered within a reporting period, which suggest the market participants would have perceived an alternative use of an asset that can generate maximum value. Once identified, Health Services are required to engage with VGV or other independent valuers for formal HBU assessment.

These indicators, as a minimum, include:
External factors:
• Changed acts, regulations, local law or such instrument which affects or may affect the use or development of the asset;
• Changes in planning scheme, including zones, reservations, overlays that would affect or remove the restrictions imposed on the asset's use from its past use;
• Evidence that suggest the current use of an asset is no longer core to requirements to deliver a Health Service's service obligation;
• Evidence that suggests that the asset might be sold or demolished at reaching the late stage of an asset's life cycle.

In addition, Health Services need to assess the HBU as part of the 5-year review of fair value of non-financial physical assets. This is consistent with the current requirements on FRD 103F Non-financial physical assets and FRD 107B Investment properties.

**Valuation hierarchy**

Health Services need to use valuation techniques that are appropriate for the circumstances and where there is sufficient data available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy. It is based on the lowest level input that is significant to the fair value measurement as a whole:

• 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;
• Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

## Note 4.3: Property, Plant and Equipment (Continued)

**(d) Reconciliation of Level 3 fair value**

| **30 June 2017** | Land | Buildings | Plant and equipment | Medical equipment |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| **Opening Balance** | 767 | 36,265 | 1,095 | 1,288 |
| **Purchases (Sales) & Reclassifications** | - | 283 | 187 | 411 |
| Gains or losses recognised in net result | | | | |
| - Depreciation | - | (2,385) | (222) | (281) |
| - Impairment loss | - | - | - | - |
| **Subtotal** | 767 | 34,163 | 1,060 | 1,418 |
| Items recognised in other comprehensive income | | | | |
| - Revaluation | - | - | - | - |
| **Subtotal** | - | - | - | - |
| **Closing Balance** | 767 | 34,163 | 1,060 | 1,418 |
| Unrealised gains/(losses) on non-financial assets | - | - | - | - |
| | 767 | 34,163 | 1,060 | 1,418 |

There have been no transfers between levels during the period.

| **30 June 2016** | Land | Buildings | Plant and equipment | Medical equipment |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| **Opening Balance** | 767 | 38,544 | 1,076 | 1,392 |
| **Purchases (Sales) & Reclassifications** | - | 152 | 262 | 158 |
| Gains or losses recognised in net result | | | | |
| - Depreciation | - | (2,431) | (243) | (262) |
| - Impairment loss | - | - | - | - |
| **Subtotal** | 767 | 36,265 | 1,095 | 1,288 |
| Items recognised in other comprehensive income | | | | |
| - Revaluation | - | - | - | - |
| **Subtotal** | - | - | - | - |
| **Closing Balance** | 767 | 36,265 | 1,095 | 1,288 |
| Unrealised gains/(losses) on non-financial assets | - | - | - | - |
| | 767 | 36,265 | 1,095 | 1,288 |

There have been no transfers between levels during the period.

## Note 4.3: Property, Plant and Equipment (Continued)

**(d) Reconciliation of Level 3 fair value (Continued)**

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

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

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

Assumptions about risk include the inherent risk in a particular valuation technique used to measure fair value (such as a pricing risk model) and the risk inherent in the inputs to the valuation technique. A measurement that does not include an adjustment for risk would not represent a fair value measurement if market participants would include one when pricing the asset or liability i.e., it might be necessary to include a risk adjustment when there is significant measurement uncertainty. For example, when there has been a significant decrease in the volume or level of activity when compared with normal market activity for the asset or liability or similar assets or liabilities, and the Health Service has determined that the transaction price or quoted price does not represent fair value.

A Health Service shall develop unobservable inputs using the best information available in the circumstances, which might include the Health Service's own data. In developing unobservable inputs, a Health Service may begin with its own data, but it shall adjust this data if reasonably available information indicates that other market participants would use different data or there is something particular to the Health Service that is not available to other market participants. A Health Service need not undertake exhaustive efforts to obtain information about other market participant assumptions. However, a Health Service shall take into account all information about market participant assumptions that is reasonably available. Unobservable inputs developed in the manner described above are considered market participant assumptions and meet the object of a fair value measurement.

**Specialised land and specialised buildings**

The market approach is used for specialised land and specialised buildings although is adjusted for the community service obligation (CSO) to reflect the specialised nature of the assets being valued. Specialised assets contain significant, unobservable 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 the health services, the depreciated replacement cost method is used for the majority of specialised buildings, adjusting for the associated depreciation. As depreciation adjustments are considered as significant and unobservable inputs in nature, specialised buildings are classified as Level 3 for fair value measurements.

An independent valuation of the Maryborough District Health Service's specialised land and specialised buildings was performed by the Valuer-General Victoria. The valuation was performed using the market approach adjusted for CSO. The effective date of the valuation is 30 June 2014.

**Vehicles**

Maryborough District Health Service acquires new vehicles and at times disposes of them before completion of their economic life. The process of acquisition, use and disposal in the market is managed by Maryborough District Health Service who set relevant depreciation rates during use to reflect the consumption of the vehicles. The fair value of the vehicles reflects revaluation based on a an active resale market.

**Plant and equipment**

Plant and equipment is held at carrying value (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 value.

There were no changes in valuation techniques throughout the period to 30 June 2017.

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

## Note 4.3: Property, Plant and Equipment (Continued)

**( e) Description of significant unobservable inputs to Level 3 valuations:**

| | Valuation technique | Significant unobservable inputs |
|---|---|---|
| Specialised land | Market Approach | Community Service Obligation (CSO) adjustment |
| Specialised buildings | Depreciated replacement cost | Direct cost per square metre |
| | | Useful life of specialised buildings |

## Note 4.3: Property, Plant and Equipment (Continued)

**( e) Description of significant unobservable inputs to Level 3 valuations: (Continued)**

| | | |
|---|---|---|
| | | Cost per unit |
| Plant and equipment at fair value | Depreciated replacement cost | |
| | | Useful life of PPE |

| | | |
|---|---|---|
| | | Cost per unit |
| Medical equipment at fair value | Depreciated replacement cost | |
| | | Useful life of PPE |

Refer to Note 7.4 for guidance on fair value measurement indicative expectations.

**Property, Plant and Equipment**
All non-current physical assets are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition. Assets transferred as part of a merger / machinery of government are transferred at their carrying amount.

More details about the valuation techniques and inputs used in determining the fair value of non-financial physical assets are discussed in Note 4.3 Property, Plant and Equipment.

***Crown Land*** 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 asset(s) are not taken into account until it is virtually certain that any restriction will no longer apply. Therefore, unless otherwise disclosed, the current use of these non-financial physical assets will be their highest and best uses.

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

## Note 4.3: Property, Plant and Equipment (Continued)

**( e) Description of significant unobservable inputs to Level 3 valuations: (Continued)**

***Plant, Equipment and Vehicles*** are recognised initially at cost and subsequently measured at fair value less accumulated depreciation and impairment. Depreciated historical cost is generally a reasonable proxy for depreciated replacement cost because of the short lives of the assets concerned.

**Revaluations of Non-current Physical Assets**

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

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

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

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

Revaluation surplus is not normally transferred to accumulated funds on derecognition of the relevant asset.

In accordance with FRD 103F Maryborough District Health Service's non-current physical assets were assessed to determine whether revaluation of the non-current physical assets was required.

## Note 4.4: Depreciation

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| **Depreciation** | | |
| Buildings | 2,385 | 2,431 |
| Computers and Communication | 79 | 96 |
| Medical Equipment | 281 | 262 |
| Plant and Equipment | 76 | 83 |
| Furniture and Fittings | 67 | 64 |
| Motor Vehicles | 78 | 76 |
| **Total Depreciation** | **2,966** | **3,012** |

All infrastructure assets, buildings, plant and equipment and other non-financial physical assets that have finite useful lives are depreciated (i.e. excludes land assets held for sale, and investment properties). Depreciation begins when the asset is available for use, which is when it is in the location and condition necessary for it to be capable of operating in a manner intended by management.

Depreciation is generally calculated on a straight line basis, at a rate that allocates the asset value, less any estimated residual value over its estimated useful life. Estimates of the remaining useful lives and depreciation method for all assets are reviewed at least annually, and adjustments made where appropriate. This depreciation charge is not funded by the Department of Health and Human Services.

Assets with a cost in excess of $1,000 are capitalised and depreciation has been provided on depreciable assets so as to allocate their cost or valuation over their estimated useful lives.

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

| | 2016 | 2015 |
|---|---|---|
| Buildings | | |
| - Structure Shell Building Fabric | 10 to 40 years | 45 to 60 years |
| - Site Engineering Services and Central Plant | 10 to 40 years | 20 to 30 years |
| - Fit Out | 10 to 40 years | 20 to 30 years |
| - Trunk Reticulated Building Systems | 10 to 40 years | 30 to 40 years |
| Plant and Equipment | 5 to 20 years | 5 to 20 years |
| Medical Equipment | 3 to 10 years | 3 to 10 years |
| Computers and Communication | 3 to 10 years | 3 to 10 years |
| Furniture & Fittings | 5 to 14 years | 5 to 14 years |
| Motor Vehicles | 10 years | 10 years |

As part of the buildings valuation, building values were separated into components and each component assessed for its useful life which is represented above. Intangible produced assets with finite lives are depreciated as an expense on a systematic basis over the asset's useful life.

## Note 4.5: Investment Properties

**(a) Movements in carrying value for investment properties as at 30 June 2017**

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| **Balance at Beginning of Period** | 755 | 711 |
| Transfers to/(from) Investment Properties | - | - |
| Net Gain/(Loss) from Fair Value Adjustments | (4) | 44 |
| **Balance at End of Period** | **751** | **755** |

There have been no transfers between levels during the period. There were no changes in valuation techniques throughout the period to 30 June 2017.

For investment properties measured at fair value, the current use of the asset is considered the highest and best use.

The fair value of the Health Service's investment properties at 30 June, 2017 have been arrived on the basis of an independent valuation carried out by independent valuers Valuer General Victoria. The Valuation was determined by reference to market evidence of transaction process for similar properties with no significant unobservable adjustments, in the same location and condition and subject to similar lease and other contracts.

Investment properties represent properties held to earn rentals or for capital appreciation or both. Investment properties exclude properties held to meet service delivery objectives of Maryborough District Health Service.

Investment properties are initially recognised at cost. Costs incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to Maryborough District Health Service.

Subsequent to initial recognition at cost, investments properties are revalued to fair value, determined annually be independent valuers. Fair values are determined based on a market comparable approach that reflects recent transaction prices for similar properties. Investment properties are neither depreciated nor tested for impairment.

Rental revenue from leasing of investment properties is recognised in the comprehensive operating statement in the periods in which it is receivable on a straight line basis over the lease term.

## Note 5: Other Assets and Liabilities

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

**Structure**

## Note 5.1: Receivables

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| **CURRENT** | | |
| **Contractual** | | |
| Trade Debtors | 558 | 247 |
| Patient Fees | 324 | 286 |
| Accrued Revenue | 218 | 228 |
| Receivables - LMRHA | 13 | 11 |
| Accrued Investment Income | 31 | 23 |
| *Less* Allowance for Doubtful Debts | | |
| Trade Debtors | (17) | (5) |
| Patient Fees | (25) | (17) |
| | 1,102 | 773 |
| **Statutory** | | |
| GST Receivable | 177 | 113 |
| Department of Health and Ageing | - | 74 |
| Department of Health and Human Services | 154 | 138 |
| | 331 | 325 |
| **TOTAL CURRENT RECEIVABLES** | **1,433** | **1,098** |
| **NON CURRENT** | | |
| **Statutory** | | |
| Long Service Leave - Department of Health and Human Services | 915 | 814 |
| **TOTAL NON CURRENT RECEIVABLES** | **915** | **814** |
| **TOTAL RECEIVABLES** | **2,348** | **1,912** |

| **(a) Movement in the Allowance for doubtful debts** | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Balance at beginning of year | 22 | 79 |
| Increase/(decrease) in allowance recognised in net result | 20 | (57) |
| **Balance at end of year** | **42** | **22** |

**(b) Ageing analysis of receivables**

Please refer to Note 7.1 for the ageing analysis of receivables.

## Note 5.1: Receivables (Continued)

**(c)Nature and extent of risk arising from receivables**

Please refer to Note 7.1 for the nature and extent of credit risk arising from receivables.

**Receivables**

Receivables consist of:

- Contractual receivables, which includes mainly debtors in relation to goods and services, loans to third parties, accrued investment income, and finance lease receivables; and
- Statutory receivables, which includes predominantly amounts owing from the Victorian Government and Goods and Services Tax ("GST") input tax credits recoverable.

Receivables that are contractual are classified as financial instruments and categorised as loans and receivables. Statutory receivables are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments because they do not arise from a contract.

Receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest rate method, less any accumulated impairment.

Trade debtors are carried at nominal amounts due and are due for settlement within 30 days from the date of recognition. Collectability of debts is reviewed on an ongoing basis, and debts which are known to be uncollectible are written off. A provision for doubtful debts is recognised when there is objective evidence that an impairment loss has occurred. Bad debts are written off when identified.

## Note 5.2: Inventories

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| **CURRENT** | | |
| Pharmaceuticals - at cost | 25 | 21 |
| Other Stores on Hand - at cost | 3 | 1 |
| **TOTAL INVENTORIES** | **28** | **22** |

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

Inventories held for distribution are measured at cost, adjusted for any loss of service potential. All other inventories, including land held for sale, are measured at the lower of cost and net realisable value.

Inventories acquired for no cost or nominal considerations are measured at current replacement cost at the date of acquisition.

The bases used in assessing loss of service potential for inventories held for distribution include current replacement cost and technical or functional obsolescence. Technical obsolescence occurs when an item still functions for some or all of the tasks it was originally acquired to do, but no longer matches existing technologies. Functional obsolescence occurs when an item no longer functions the way it did when it was first acquired.

Cost is assigned to land for sale (undeveloped, under development and developed) and to other high value, low volume inventory items on a specific identification of cost basis.

Cost for all other inventory is measured on the basis of weighted average cost.

## Note 5.3: Other Liabilities

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| **CURRENT** | | |
| Monies Held in Trust | | |
| - Patient Monies Held in Trust | 76 | 78 |
| - Accommodation Bonds (Refundable Entrance Fees) | 4,025 | 3,241 |
| **Total Other Liabilities** | **4,101** | **3,319** |
| *** Total Monies Held in Trust Represented by the following assets:** | | |
| - Receivables (refer Note 5.1) | - | - |
| - Cash Assets (refer Note 6.1) | 4,099 | 78 |
| - Investments and Other Financial Assets (refer Note 4.1) | 2 | 3,241 |
| **TOTAL** | **4,101** | **3,319** |

## Note 5.4: Prepayments and Other Non-Financial Assets

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Prepayments | 501 | 400 |
| Prepayments - LMRHA | 43 | 37 |
| **TOTAL PREPAYMENTS** | **544** | **437** |

Other non-financial assets include prepayments which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

## Note 5.5: Payables

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| **CURRENT** | | |
| **Contractual** | | |
| Trade Creditors | 999 | 1,135 |
| Payables - LMRHA | 84 | 77 |
| Accrued Expenses | 224 | 300 |
| | 1,307 | 1,512 |
| **Statutory** | | |
| GST Payable | 23 | 17 |
| Australian Taxation Office - PAYG | 217 | 187 |
| Department of Health and Human Services | - | 141 |
| | 240 | 345 |
| **TOTAL PAYABLES** | **1,547** | **1,857** |

**(a) Maturity analysis of payables**
Please refer to Note 7.1 for the ageing analysis of contractual payables.

## Note 5.5: Payables (Continued)

**(b) Nature and extent of risk arising from payables**

Please refer to Note 7.1 for the nature and extent of risks arising from payables.

Payables consist of:

- contractual payables which consist predominantly of accounts payable representing liabilities for goods and services provided to the Health Service prior to the end of the financial year that are unpaid, and arise when the Health Service becomes obliged to make future payments in respect of the purchase of those goods and services. The normal credit
- terms for accounts payable are usually Nett 30 days. statutory payables, such as goods and services tax and fringe benefits tax payables.

Contractual payables are initially recognised at fair value, and then subsequently carried at amortised cost. Statutory payables are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from a contract.

## Note 6: How We Finance Our Operations

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

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**

## Note 6.1: Cash and Cash Equivalents

For the purpose of the cash flow statement, cash assets includes cash on hand and in banks, and short-term deposits which are readily convertible to cash on hand, and are subject to an insignificant risk of change in value, net of outstanding bank overdrafts.

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Cash on hand | 2 | 2 |
| Cash at bank | 5,668 | 3,273 |
| **Total** | **5,670** | **3,275** |
| Cash at bank - Joint Venture | 119 | 14 |
| **Total** | **5,789** | **3,289** |
| **Represented by:** | | |
| Cash for Health Service Operations | 1,690 | 3,211 |
| **Cash for Health Service Operations (as per Cash Flow Statement)** | **1,690** | **3,211** |
| Cash for Monies Held in Trust | 4,099 | 78 |
| **Total** | **5,789** | **3,289** |

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

For cash flow statement presentation purposes, cash and cash equivalents include bank overdrafts, which are included as liabilities on the balance sheet.

## Note 6.2: Commitments for Expenditure

There are no known commitments for expenditure as at the 30 June 2017 (2016: Nil)

## Note 7: Risks, Contingencies and Valuation Uncertainties

The hospital 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**

## Note 7.1: Financial Instruments

**Financial Risk Management Objectives and Policies**

Maryborough District Health Service's principal financial instruments comprise of:
- Cash Assets
- Term Deposits
- Receivables
- Payables
- Accommodation Bonds

Details of the significant accounting policies and methods adopted, including 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 are disclosed in Note 1 to the financial statements.

Maryborough District Health Service's main financial risks include credit risk, liquidity risk and interest rate risk. The Health Service manages these financial risks in accordance with its financial risk management policy.

Maryborough District Health Service uses different methods to measure and manage the different risks to which it is exposed. Primary responsibility for the identification and management of financial risks rests with the financial risk management committee of the Health Service.

The main purpose in holding financial instruments is to prudentially manage Maryborough District Health Service's financial risks within government policy parameters.

**Categorisation of financial instruments**

| 2017 | Contractual financial assets - loans and receivables | Financial liabilities at amortised cost | Total $'000 |
|---|---|---|---|
| **Financial Assets** | | | |
| Cash and cash equivalents | 5,789 | - | 5,789 |
| Loans and receivables | 4,575 | - | 4,575 |
| **Total Financial Assets (i)** | **10,364** | **-** | **10,364** |
| **Financial Liabilities** | | | |
| At amortised cost | - | 5,408 | 5,408 |
| **Total Financial Liabilities (ii)** | **-** | **5,408** | **5,408** |

| 2016 | Contractual financial assets - loans and receivables | Financial liabilities at amortised cost | Total $'000 |
|---|---|---|---|
| **Financial Assets** | | | |
| Cash and cash equivalents | 3,289 | - | 3,289 |
| Loans and receivables | 5,844 | - | 5,844 |
| **Total Financial Assets (i)** | **9,133** | **-** | **9,133** |
| **Financial Liabilities** | | | |
| At amortised cost | - | 4,831 | 4,831 |
| **Total Financial Liabilities (ii)** | **-** | **4,831** | **4,831** |

(i) The total amount of financial assets disclosed here excludes statutory receivables
(ii) The total amount of financial liabilities disclosed here excludes statutory payables (i.e. taxes payable)

## Note 7.1: Financial Instruments (Continued)

**(b) Net holding gain/(loss) on financial instruments by category**

| | Net holding gain/(loss) $000 | Total interest income/ (expense) $'000 | Fee income / (expense) $'000 | Impairment loss $'000 | Total $'000 |
|---|---|---|---|---|---|
| **2017** | | | | | |
| **Financial Assets** | | | | | |
| Cash and cash equivalents (i) | - | 83 | - | - | 83 |
| Loans and receivables (i) | - | 127 | - | - | 127 |
| **Total Financial Assets** | **-** | **210** | **-** | **-** | **210** |
| **Financial Liabilities** | | | | | |
| At amortised cost (ii) | - | - | - | - | - |
| **Total Financial Liabilities** | **-** | **-** | **-** | **-** | **-** |
| **2016** | | | | | |
| **Financial Assets** | | | | | |
| Cash and cash equivalents (i) | - | 52 | - | - | 52 |
| Loans and receivables (i) | - | 149 | - | - | 149 |
| **Total Financial Assets** | **-** | **201** | **-** | **-** | **201** |
| **Financial Liabilities** | | | | | |
| At amortised cost (ii) | - | - | - | - | - |
| **Total Financial Liabilities** | **-** | **-** | **-** | **-** | **-** |

(i) For cash and cash equivalents, loans or receivables and available-for-sale financial assets, the net gain or loss is calculated by taking the interest revenue, plus or minus foreign exchange gains or losses arising from revaluation of the financial assets, and minus any impairment recognised in the net result.

(ii) For financial liabilities measured at amortised cost, the net gain or loss is calculated by taking the interest expense, plus or minus foreign exchange gains or losses arising from the revaluation of financial liabilities measured at amortised cost.

## Note 7.1: Financial Instruments (Continued)

**(c) Credit Risk**

Credit risk arises from the contractual financial assets of Maryborough District Health Service, which comprise cash and deposits and non-statutory receivables . Maryborough District Health Service's exposure to credit risk arises from the potential default of a counter party on their contractual obligations resulting in financial loss to Maryborough District Health Service. Credit risk is measured at fair value and is monitored on a regular basis.

Credit risk associated with the Health Service's contractual financial assets is minimal because the main debtor is the Victorian Government. For debtors other than the Government, it is the Health Service's policy to only deal with entities with high credit ratings of a minimum Triple-B rating to obtain sufficient collateral or credit enhancements, where appropriate.

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

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

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 Maryborough District Health Service's maximum exposure to credit risk without taking account of the value of any collateral obtained.

**Credit quality of contractual financial assets that are neither past due nor impaired**

| **2017** | Financial Institutions (BB credit rating) $'000 | Government agencies (AAA credit rating) $'000 | Government agencies (BBB credit rating) $'000 | Other (min BBB credit rating) $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Financial Assets** | | | | | |
| Cash and Cash Equivalents | 5,789 | - | - | - | 5,789 |
| Loans and Receivables | | | | | |
| - Trade Debtors | - | - | - | 541 | 541 |
| - Other Receivables (i) | - | - | - | 561 | 561 |
| - Term Deposits | 373 | 3,100 | - | - | 3,473 |
| **Total Financial Assets** | 6,162 | 3,100 | - | 1,102 | 10,364 |
| | | | | | |
| **2016** | | | | | |
| **Financial Assets** | | | | | |
| Cash and Cash Equivalents | 3,289 | - | - | - | 3,289 |
| Loans and Receivables | | | | | |
| - Trade Debtors | - | - | - | 242 | 242 |
| - Other Receivables (i) | - | - | - | 531 | 531 |
| - Term Deposits | 4,471 | 600 | - | - | 5,071 |
| **Total Financial Assets** | 7,760 | 600 | - | 773 | 9,133 |

(i) The total amounts disclosed here exclude statutory amounts (e.g. amounts owing from Victorian Government and GST input tax credit recoverable).

## Note 7.1: Financial Instruments (Continued)

**(c) Credit Risk (Continued)**

**Ageing analysis of financial assets as at 30 June**

| 2017 | Carrying Amount $'000 | Not Past and Not Impaired $'000 | Past Due But Not Impaired | | | | | Impaired Financial Assets $'000 |
|---|---|---|---|---|---|---|---|---|
| | | | Less than 1 Month $'000 | 1-3 Months $'000 | 3 months - 1 1 Year $'000 | 1-5 Years $'000 | Over 5 Years $'000 | |
| **Financial Assets** | | | | | | | | |
| Cash and Cash Equivalents | 5,789 | 5,789 | - | - | - | - | - | - |
| Loans and Receivables (i) | | | | | | | | |
| - Trade Debtors | 541 | 524 | - | - | - | - | - | 17 |
| - Other Receivables | 561 | 350 | 87 | 41 | 58 | - | - | 25 |
| - Term Deposits | 3,473 | 3,473 | - | - | - | - | - | - |
| **Total Financial Assets** | **10,364** | **10,136** | **87** | **41** | **58** | **-** | **-** | **42** |
| **2016** | | | | | | | | |
| **Financial Assets** | | | | | | | | |
| Cash and Cash Equivalents | 3,289 | 3,289 | - | - | - | - | - | - |
| Loans and Receivables (i) | | | | | | | | |
| - Trade Debtors | 242 | 237 | - | - | - | - | - | 5 |
| - Other Receivables | 531 | 193 | 109 | 104 | 71 | 37 | - | 17 |
| - Term Deposits | 5,071 | 5,071 | - | - | - | - | - | - |
| **Total Financial Assets** | **9,133** | **8,790** | **109** | **104** | **71** | **37** | **-** | **22** |

(i) Ageing analysis of financial assets excludes statutory financial assets (i.e GST input tax credit).

**Contractual financial assets that are either past due or impaired**

There are no material financial assets which are individually determined to be impaired. Currently the Maryborough District Health Service does not hold any collateral as security nor credit enhancements relating to any of its financial assets.

There are no financial assets that have had their terms renegotiated so as to prevent them from being past due or impaired, and they are stated at their carrying amounts as indicated. The ageing analysis table above discloses the ageing only of contractual financial assets that are past due but not impaired.

**(d) Liquidity Risk**

Liquidity risk is the risk Maryborough District Health Service would be unable to meet its financial obligations as and when they fall due. Liquidity risk is the risk that the Health Service would be unable to meet its financial obligations as and when they fall due. The Health Services operates under the Government's fair payments policy of settling financial obligations within 30 days and in the event of a dispute, making payments within 30 days from the date of resolution.

Maryborough District Health Service's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed in the face of the balance sheet.
Maryborough District Health Service manages its liquidity risk as follows:

- Term Deposits and cash held at financial institutions are managed with variable maturity dates and take into consideration cash flow requirements of the Health Service from month to month.

The following table discloses the contractual maturity analysis for Maryborough District Health Service's financial liabilities.

## Note 7.1: Financial Instruments (Continued)

**(d) Liquidity Risk (Continued)**

**Maturity analysis of financial liabilities as at 30 June**

| | | | Maturity Dates | | | |
|---|---|---|---|---|---|---|
| **2017** | **Carrying Amount $'000** | **Nominal Amount $'000** | **Less than 1 Month $'000** | **1-3 Months $'000** | **3 months - 1 Year $'000** | **1-5 Years $'000** |
| **Financial Liabilities** | | | | | | |
| At Amortised Cost | | | | | | |
| Payables | 1,307 | 1,307 | 1,307 | - | - | - |
| Other Financial Liabilities (i) | | | | | | |
| - Patient Trust | 76 | 76 | - | - | 76 | - |
| - Accommodation Bonds | 4,025 | 4,025 | - | - | 4,025 | - |
| **Total Financial Liabilities** | **5,408** | **5,408** | **1,307** | **-** | **4,101** | **-** |
| **2016** | | | | | | |
| **Financial Liabilities** | | | | | | |
| At Amortised Cost | | | | | | |
| Payables | 1,512 | 1,512 | 1,512 | - | - | - |
| Other Financial Liabilities (i) | | | | | | |
| - Patient Trust | 78 | 78 | - | - | 78 | - |
| - Accommodation Bonds | 3,241 | 3,241 | - | - | 3,241 | - |
| **Total Financial Liabilities** | **4,831** | **4,831** | **1,512** | **-** | **3,319** | **-** |

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

**(e) Market Risk**

Maryborough District Health Service's exposures to market risk are primarily through interest rate risk with only insignificant exposure to foreign currency and other price risks. Objectives, policies and processes used to manage each of these risks are disclosed in the paragraphs below.

***Currency Risk***

Maryborough District Health Service is exposed to insignificant foreign currency risk through its payables relating to purchases of supplies and consumables from overseas. This is because of a limited amount of purchases denominated in foreign currencies and a short timeframe between commitment and settlement.

***Interest Rate Risk***

Exposure to interest rate risk might arise primarily through the Maryborough District Health Service's interest bearing liabilities. Minimisation of risk is achieved by mainly undertaking fixed rate or non-interest bearing financial instruments. For financial liabilities, Maryborough District Health Service mainly undertake financial liabilities with relatively even maturity profiles.

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

The Health Service has minimal exposure to cash flow interest rate risks through its cash and deposits, term deposits and bank overdrafts that are at floating rate.

The Health Service manages this risk by mainly undertaking fixed rate or non-interest bearing financial instruments with relatively even maturity profiles, with only insignificant amounts of financial instruments at floating rate. Management has concluded for cash at bank and bank overdraft, as financial assets that can be left at floating rate without necessarily exposing the Health Service to significant bad risk, management monitors movements in interest rates on a daily basis.

## Note 7.1: Financial Instruments (Continued)

**(e) Market Risk (Continued)**

**Interest Rate Exposure of Financial Assets and Liabilities as at 30 June**

| 2017 | Weighted Average Effective Interest Rate (%) | Carrying Amount $'000 | Interest Rate Exposure: Fixed Interest Rate $'000 | Interest Rate Exposure: Variable Interest Rate $'000 | Interest Rate Exposure: Non Interest Bearing $'000 |
|---|---|---|---|---|---|
| **Financial Assets** | | | | | |
| Cash and Cash Equivalents | 1.65 | 5,789 | - | 5,788 | 1 |
| Loans and Receivables (i) | | | | | |
| - Trade Debtors | | 541 | - | - | 541 |
| - Other Receivables | | 561 | - | - | 561 |
| - Term Deposits | 2.16 | 3,473 | 3,473 | - | - |
| | | **10,364** | **3,473** | **5,788** | **1,103** |
| **Financial Liabilities** | | | | | |
| At amortised cost | | | | | |
| Payables | | 1,307 | - | - | 1,307 |
| Other Financial Liabilities | | | | | |
| - Patient Trust | | 76 | - | - | 76 |
| - Accommodation Bonds | | 4,025 | - | - | 4,025 |
| | | **5,408** | **-** | **-** | **5,408** |
| **2016** | | | | | |
| **Financial Assets** | | | | | |
| Cash and Cash Equivalents | 1.60 | 3,289 | - | 3,288 | 1 |
| Loans and Receivables (i) | | | | | |
| - Trade Debtors | | 242 | - | - | 242 |
| - Other Receivables | | 531 | - | - | 531 |
| - Term Deposits | 2.73 | 5,071 | 5,071 | - | - |
| | | **9,133** | **5,071** | **3,288** | **774** |
| **Financial Liabilities (i)** | | | | | |
| At amortised cost | | | | | |
| Payables | | 1,512 | - | - | 1,512 |
| Other Financial Liabilities | | | | | |
| - Patient Trust | | 78 | - | - | 78 |
| - Accommodation Bonds | | 3,241 | - | - | 3,241 |
| | | **4,831** | **-** | **-** | **4,831** |

(i) The carrying amount excludes statutory financial assets and liabilities (i.e GST input tax credit and GST payable).

## Note 7.1: Financial Instruments (Continued)

**(e) Market Risk (Continued)**

***Sensitivity Disclosure Analysis***

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, the Maryborough District Health Service believes the following movements are 'reasonably possible' over the next 12 months (Base rates are sourced from the Australian and New Zealand Banking Group Limited).

- A shift of 100 basis points up and down in market interest rates (AUD) from year-end rates of 2.73%;
- A parallel shift of +1% and -1% in inflation rate from year-end rates of 2%; and

The following table discloses the impact on net operating result and equity for each category of financial instrument held by Maryborough District Health Service at year end as presented to key management personnel, if changes in the relevant risk occur.

| | Carrying Amount | Interest Rate Risk | | | |
|---|---|---|---|---|---|
| | | -1% | | +1% | |
| 2017 | $'000 | Profit $'000 | Equity $'000 | Profit $'000 | Equity $'000 |
| **Financial Assets** | | | | | |
| Cash and Cash Equivalents | 5,789 | (58) | (58) | 58 | 58 |
| Loans and Receivables | | | | | |
| - Trade Debtors | 541 | - | - | - | - |
| - Other Receivables | 561 | - | - | - | - |
| - Term Deposits | 3,473 | (35) | (35) | 35 | 35 |
| **Financial Liabilities** | | | | | |
| At Amortised Cost | | | | | |
| Payables | 1,307 | - | - | - | - |
| Other Financial Liabilities (i) | | | | | |
| - Patient Trust | 76 | - | - | - | - |
| - Accommodation Bonds | 4,025 | - | - | - | - |
| | | **(93)** | **(93)** | **93** | **93** |
| **2016** | | | | | |
| **Financial Assets** | | | | | |
| Cash and Cash Equivalents | 3,289 | (33) | (33) | 33 | 33 |
| Loans and Receivables | | | | | |
| - Trade Debtors | 242 | - | - | - | - |
| - Other Receivables | 531 | - | - | - | - |
| - Term Deposits | 5,071 | (51) | (51) | 51 | 51 |
| **Financial Liabilities** | | | | | |
| At Amortised Cost | | | | | |
| Payables | 1,512 | - | - | - | - |
| Other Financial Liabilities (i) | | | | | |
| - Patient Trust | 78 | - | - | - | - |
| - Accommodation Bonds | 3,241 | - | - | - | - |
| | | **(84)** | **(84)** | **84** | **84** |

(i) The carrying amount excludes statutory financial assets and liabilities (i.e GST input tax credit and GST payable).

## Note 7.1: Financial Instruments (Continued)

**(f) Fair Value**

The fair values and net fair values of financial instrument assets and liabilities are determined as follows

- Level 1 - the fair value of financial instruments with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices; and
- Level 2 - the fair value is determined using inputs other than quoted prices that are observable for the financial asset or liability, either directly or indirectly; and
- Level 3 - the fair value is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using unobservable market inputs.

Maryborough District Health Service considers that the carrying amount of financial instrument assets and liabilities recorded in the financial statements to be a fair approximation of their fair values, because of the short-term nature of the financial instruments and the expectation that they will be paid in full.
The following table shows that the fair values of most of the contractual financial assets and liabilities are the same as the carrying amounts.

**Comparison between carrying amount and fair value**

| | Carrying Amount 2017 $000 | Fair Value 2017 $000 | Carrying Amount 2016 $000 | Fair Value 2016 $000 |
|---|---|---|---|---|
| **Financial Assets** | | | | |
| Cash and Cash Equivalents | 5,789 | 5,789 | 3,289 | 3,289 |
| Loans and Receivables (i) | | | | |
| - Trade Debtors | 541 | 541 | 242 | 242 |
| - Other Receivables | 561 | 561 | 531 | 531 |
| - Term Deposits | 3,473 | 3,473 | 5,071 | 5,071 |
| **Total Financial Assets** | **10,364** | **10,364** | **9,133** | **9,133** |
| | | | | |
| **Financial Liabilities** | | | | |
| At Amortised Cost | | | | |
| Payables | 1,307 | 1,307 | 1,512 | 1,512 |
| Other Financial Liabilities (i) | | | | |
| - Patient Trust | 76 | 76 | 78 | 78 |
| - Accommodation Bonds | 4,025 | 4,025 | 3,241 | 3,241 |
| **Total Financial Liabilities** | **5,408** | **5,408** | **4,831** | **4,831** |

(i) The carrying amount excludes statutory financial assets and liabilities (i.e GST input tax credit and GST payable).

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 Maryborough District Health Service's activities, certain financial assets and financial liabilities arise under statute rather than a contract. Such financial assets and financial liabilities do not meet the definition of financial instruments in AASB 132 Financial Instruments: Presentation. For example, statutory receivables arising from taxes, fines and penalties do not meet the definition of financial instruments as they do not arise under contract.

Where relevant, for note disclosure purposes, a distinction is made between those financial assets and financial liabilities that meet the definition of financial instruments in accordance with AASB 132 and those that do not.
The following refers to financial instruments unless otherwise stated.

***Categories of Non-Derivative Financial Instruments***

**Reclassification of Financial Instruments at Fair Value Through Profit or Loss**

Financial instrument assets that meet the definition of loans and receivables may be reclassified out of the fair value through profit and loss category into the loans and receivables category, where they would have met the definition of loans and receivables had they not been required to be classified as fair value through profit and loss. In these cases, the financial instrument assets may be reclassified out of the fair value through profit and loss category, if there is the intention and ability to hold them for the foreseeable future or until maturity.

## Note 7.1: Financial Instruments (Continued)

**(f) Fair Value (Continued)**

**Loans and Receivables**

Loans and receivables are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Loans and receivables category includes cash and deposits (refer to Note 6.1), term deposits with maturity greater than three months, trade receivables, loans and other receivables, but not statutory receivables.

**Reclassification of Available-For-Sale Financial Assets**

Available-for sale financial instrument assets that meet the definition of loans and receivables may be classified into the loans and receivables category if there is the intention and ability to hold them for the foreseeable future or until maturity.

**Financial Liabilities at Amortised Cost**

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

Financial instrument liabilities measured at amortised cost include all of Maryborough District Health Service's contractual payables, deposits held and advances received, and interest-bearing arrangements other than those designated at fair value through profit and loss.

## Note 7.2: Net Gain/(Loss) on Disposal of Non-Financial Assets

| | Total 2017 $'000 | Total 2016 $'000 |
|---|---|---|
| **Proceeds from Disposals of Non-Current Assets** | | |
| Motor Vehicles | 85 | 36 |
| **Total Proceeds from Disposal of Non-Current Assets** | **85** | **36** |
| **Less: Written Down Value of Non-Current Assets** | | |
| Plant and Equipment | 2 | - |
| Medical Equipment | 5 | 5 |
| Computers & Communications | 2 | - |
| Furniture & Fittings | 2 | - |
| Motor Vehicles | 83 | 49 |
| **Total Written Down Value of Non-Current Assets Sold** | **94** | **54** |
| **Net gain/(loss) on Disposal of Non-Financial Assets** | **(9)** | **(18)** |

**Disposal of Non-Financial Assets**
Any gain or loss on the sale of non-financial assets is recognised in the comprehensive operating statement.

**Impairment of Non-Financial Assets**
Goodwill and intangible assets with indefinite lives (and intangible assets not yet available for use) are tested annually for impairment (as described below) and whenever there is an indication that the asset may be impaired.

All other non-financial assets are assessed annually for indications of impairment, except for:

- inventories;
- investment properties that are measured at fair value,
- non-current physical assets held for sale; and
- assets arising from construction contracts.

If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their possible recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written-off as am expense except to the extent that the write-down can be debited to an asset revaluation reserve amount applicable to that same class of asset.

If there is an indication that there has been a reversal in the estimate of an asset's recoverable amount since the last impairment loss was recognised, the carrying amount shall be increased to its recoverable amount. This reversal of the impairment loss occurs only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation if no impairment loss had been recognised in prior years.

It is deemed that, in the event of the loss or destruction of an asset, the future economic benefits arising from the use of the asset will be unless a specific decision to the contrary has been made. The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs to sell. Recoverable amount for assets held primarily to generate net cash inflows is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell.

## Note 7.3: Contingent Assets and Contingent Liabilities

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

There are no known contingent assets or liabilities as at the 30 June 2017 (2016: Nil)

## NOTE 7.4: Fair Value Determination

| Asset Class | Examples of types of | Expected fair value level | Likely valuation approach | Significant inputs (Level 3 |
|---|---|---|---|---|
| Non-specialised land | In areas where there is an active market:<br>- vacant land<br>- land not subject to restrictions as to use or sale | Level 2 | Market approach | N/A |
| Specialised land | Land subject to restrictions as to use and/or sale<br><br>Land in areas where there is not an active market | Level 3 | Market approach | CSO adjustments |
| Non-specialised buildings | For general/commercial buildings that are just built | Level 2 | Market approach | N/A |
| Specialised buildings [(i)] | Specialised buildings with limited alternative uses and/or substantial customisation e.g. prisons, hospitals, and schools | Level 3 | Depreciated replacement cost approach | Cost per square metre<br><br>Useful life |
| Plant and equipment [(i)] | Specialised items with limited alternative uses and/or substantial customisation | Level 3 | Depreciated replacement cost approach | Cost per square metre<br><br>Useful life |
| Vehicles | If there is an active resale market available; | Level 2 | Market approach | N/A |

[(i)] Newly built / acquired assets could be categorised as Level 2 assets as depreciation would not be a significant unobservable input (based on the 10% materiality threshold)

## Note 8: Other Disclosures

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

**Structure**

## Note 8.1: Equity

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| **(a) Surpluses** | | |
| **Physical Asset Revaluation Surplus** | | |
| Balance at the beginning of the reporting period | 22,551 | 22,551 |
| Revaluation Increment/(Decrement) | | |
| - Land | - | - |
| - Buildings | - | - |
| - Motor Vehicles | - | - |
| | - | - |
| **Balance at end of reporting period*** | 22,551 | 22,551 |
| *Represented by: | | |
| - Land | 254 | 254 |
| - Buildings | 21,968 | 21,968 |
| - Motor Vehicles | 132 | 132 |
| - Plant and Equipment | 197 | 197 |
| | 22,551 | 22,551 |
| **(b) Restricted Specific Purpose Reserve** | | |
| Balance at the beginning of the reporting period | 486 | 486 |
| Balance at the end of the reporting period | 486 | 486 |
| **Total Surpluses** | **23,037** | **23,037** |
| **Contributed Capital** | | |
| Balance at beginning of the reporting period | 13,776 | 13,776 |
| Balance at the end of the reporting period | **13,776** | **13,776** |
| **(c) Accumulated Surpluses** | | |
| Balance at beginning of the reporting period | 2,852 | 4,757 |
| Net Result for the Year | (1,227) | (1,905) |
| Balance at the end of the reporting period | **1,625** | **2,852** |
| **(d) Total Equity at end of financial year** | **38,438** | **39,665** |

**Contributed Capital**

Consistent with Australian Accounting Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities and FRD 119A Contributions by Owners,* appropriations for additions to the net asset base have been designated as contributed capital. Other transfers that are in the nature of contributions or distributions, that have been designated as contributed capital are also treated as contributed capital.

Transfers of net assets arising from administrative restructurings are treated as contributions by owners. Transfers of net liabilities arising from administrative restructures are to go through the comprehensive operating statement.

## Note 8.1: Equity (Continued)

**Property, Plant and Equipment Revaluation Surplus**
The asset revaluation surplus is used to record increments and decrements on the revaluation of non-current physical assets.

**Financial Asset Available-for-Sale Revaluation Surplus**
The available-for-sale revaluation surplus arises on the revaluation of available-for-sale financial assets. Where a revalued financial asset is sold that portion of the reserve which relates to that financial asset is effectively realised, and is recognised in the comprehensive operating statement. Where a revalued financial asset is impaired that portion of the reserve which relates to that financial asset is recognised in the comprehensive operating statement.

**General Reserves**
No general reserves are in existence at the date of this report.

**Restricted Specific Purpose Reserve**
A specific restricted purpose reserve is established where Maryborough District Health Service has possession or title to the funds but has no discretion to amend or vary the restriction and/or condition underlying the funds received.

## Note 8.2: Reconciliation of Net Result for the Year to Net Cash Inflow/(Outflow) from Operating Activities

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| **Net Result for the Year** | (1,227) | (1,905) |
| Depreciation | 2,966 | 3,012 |
| Provision for Doubtful Debts | 20 | (57) |
| Net (Gains)/Loss from Sale of Property, Plant and Equipment | 9 | 18 |
| Unrealised (Gain)/Loss on Investment Properties | 4 | (44) |
| Change in Operating Assets and Liabilities | | |
| (Increase)/Decrease in Receivables | (450) | 152 |
| (Increase)/Decrease in Inventories | (6) | 83 |
| (Increase)/Decrease in Prepayments | (107) | (398) |
| Increase/(Decrease) in Payables | (316) | 302 |
| Increase/(Decrease) in Employee Benefits | 482 | (322) |
| **NET CASH FLOWS FROM OPERATING ACTIVITIES** | **1,375** | **841** |

## Note 8.3: Operating Segments

| | RACS | | Radiology | | Other | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2017 $'000 | 2016 $'000 | 2017 $'000 | 2016 $'000 | 2017 $'000 | 2016 $'000 | 2017 $'000 | 2016 $'000 |
| **REVENUE** | | | | | | | | |
| External Segment Revenue | 9,845 | 8,840 | 1,423 | 1,396 | 25,079 | 23,317 | 36,347 | 33,553 |
| Intersegment Revenue | - | - | - | - | - | - | - | - |
| **Total Revenue** | **9,845** | **8,840** | **1,423** | **1,396** | **25,079** | **23,317** | **36,347** | **33,553** |
| **EXPENSES** | | | | | | | | |
| External Segment Expenses | 8,881 | 8,095 | 1,235 | 1,136 | - | - | 10,116 | 9,231 |
| Unallocated Expenses | - | - | - | - | 27,672 | 26,463 | 27,672 | 26,463 |
| **Total Expenses** | **8,881** | **8,095** | **1,235** | **1,136** | **27,672** | **26,463** | **37,788** | **35,694** |
| **Net Result from ordinary activities** | **964** | **745** | **188** | **260** | **(2,593)** | **(3,146)** | **(1,441)** | **(2,141)** |
| Interest Income | - | - | - | - | 210 | 214 | 210 | 214 |
| (Gain)/Loss on the Revaluation of Investment Properties | - | - | - | - | (4) | (22) | (4) | (22) |
| **Net Result for Year** | **964** | **745** | **188** | **260** | **(2,379)** | **(2,910)** | **(1,227)** | **(1,905)** |
| **OTHER INFORMATION** | | | | | | | | |
| Segment Assets | 21,411 | 21,530 | 1,529 | 1,538 | - | - | 22,940 | 23,068 |
| Unallocated Assets | - | - | - | - | 28,050 | 28,195 | 28,050 | 28,195 |
| **Total Assets** | **21,411** | **21,530** | **1,529** | **1,538** | **28,050** | **28,195** | **50,990** | **51,263** |
| Segment Liabilities | 6,119 | 3,947 | 103 | 116 | - | - | 6,222 | 4,063 |
| Unallocated Liabilities | - | - | - | - | 6,330 | 7,535 | 6,330 | 7,535 |
| **Total Liabilities** | **6,119** | **3,947** | **103** | **116** | **6,330** | **7,535** | **12,552** | **11,598** |
| Investments in Associates and Joint Venture Partnerships | - | - | - | - | 379 | 337 | 379 | 337 |
| Acquisition of Property Plant and Equipment | 311 | 11 | - | 3 | 1,034 | 707 | 1,345 | 721 |
| Depreciation | 841 | 512 | 102 | 30 | 2,023 | 2,470 | 2,966 | 3,012 |

The major products/services from which the above segments derive revenue are:

| **Business Segments** | **Services** |
|---|---|
| Residential Aged Care Services (RACS) | Nursing Home, Hostel and Respite services |
| Radiology | X-Ray and Ultrasound services |
| Other | Acute, Primary Care, and other Aged Care services |

**Geographical Segment**

Maryborough District Health Services operates predominantly in the district of Maryborough, Victoria. More than 90% of revenue, net surplus from ordinary activities and segment assets relate to operations in the district of Maryborough, Victoria

## Note 8.4: Responsible Persons Disclosures

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

| **Responsible Ministers:** | **Period** |
|---|---|
| The Honourable Jill Hennessy, Minister for Health, Minister for Ambulance Services | 01/07/2016 - 30/06/2017 |
| The Honourable Martin Foley, Minister for Housing, Disability and Ageing, Minister for Mental Health | 01/07/2016 - 30/06/2017 |

| **Governing Board** | **Period** |
|---|---|
| Mr R.G. Hannan | 01/07/2016 - 30/06/2017 |
| Mrs K. Mason | 01/07/2016 - 30/06/2017 |
| Mr R.J. Osborne | 01/07/2016 - 30/06/2017 |
| Ms F.J. Lindsay | 01/07/2016 - 30/06/2017 |
| Mrs K. Moloney | 01/07/2016 - 30/06/2017 |
| Mrs B. Ward | 01/07/2016 - 30/06/2017 |
| Mr D. J. Murrell | 01/07/2016 - 30/06/2017 |
| Mr P. McAllister | 01/07/2016 - 30/06/2017 |
| Mrs L. A. Symons | 01/07/2016 - 30/06/2017 |

| **Accountable Officer** | **Period** |
|---|---|
| Mr T. Welch | 01/07/2016 - 30/06/2017 |

**Remuneration of Responsible Persons**

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

| | **Consol'd** | |
|---|---|---|
| | **2017** | **2016** |
| **Income Band** | **No.** | **No.** |
| $0 - $9,999 | 9 | 9 |
| $240,000 - $249,999 | 0 | 1 |
| $290,000 - $299,999 | 1 | 0 |
| **Total Numbers** | 10 | 10 |

| | **2017** | **2016** |
|---|---|---|
| | **$'000** | **$'000** |
| **Total remuneration received or due and receivable by Responsible Persons from the reporting entitiy amounted to:** | 294 | 246 |

## Note 8.5: Executive Officer Remuneration

| Remuneration of Executive Officers | Total Remuneration |
|---|---|
| | 2017 |
| | $ |
| Short-term employee benefits | 377,282 |
| Post-employment benefits | 33,351 |
| Other long-term benefits | 9,626 |
| Termination benefits | 0 |
| Share-based payments | 0 |
| **Total Remuneration (b)** | 420,259 |
| **Total Number of executives (c)** | 3 |
| **Total annualised employee equivalent (AEE) (d)** | 3 |

Notes:

(a) No comparatives have been reported because remuneration in the prior year was determined in line with the basis and definition under FRD 21B. Remuneration previously excluded non-monetary benefits and comprised any money, consideration or benefit received or receivable, excluding reimbursement of out-of-pocket expenses, including any amount received or receivable from a related party transaction. Refer to the prior year's financial statements for executive remuneration for the 2015-16 reporting period.

(b) Remuneration represents the expenses incurred by the entity in the current reporting period for the employee, in accordance with AASB 119 Employee benefits

(c) The total number of executive officers includes persons who meet the definition of Key Management Personnel (KMP) of the entity under AASB 124 Related Party Disclosures and are also reported within the related parties note disclosure (Note 8.6).

(d) Annualised employee equivalent is based on the time fraction worked over the reporting period. This is calculated as the total number of days the employee is engaged to work during the week by the total number of full-time working days per week (this is generally five full working days per week).

- all cabinet ministers and their close family members; and
- all hospitals and public sector entities that are controlled and consolidated into the whole of state consolidated financial statements.

All related party transactions have been entered into on an arm’s length basis.

## Note 8.6: Related Parties

The hospital is a wholly owned and controlled entity of the State of Victoria. Related parties of the hospital include:
- all key management personnel and their close family members;
- all cabinet ministers and their close family members; and
- all hospitals and public sector entities that are controlled and consolidated into the whole of state consolidated financial statements.

All related party transactions have been entered into on an arm's length basis.

Key management personnel (KMP) of the hospital include the Portfolio Ministers and Cabinet Ministers and KMP as determined by the hospital. The compensation detailed below excludes the salaries and benefits the Portfolio Ministers receive. The Minister's remuneration and allowances is set by the Parliamentary Salaries and Superannuation Act 1968, and is reported within the Department of Parliamentary Services' Financial Report.

The Health Service has determined the only transactions with Key Management Personnel are those related to remuneration of the Accountable Officer as detailed in Note 8.4 and further dissected in the table below.

| COMPENSATION | 2017<br>$ |
|---|---|
| Short term employee benefits | 267,574 |
| Post-employment benefits | 20,662 |
| Other long-term benefits | 5,610 |
| Termination benefits | - |
| Share based payments | - |
| **Total** | **293,846** |

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

Procurement processes occur on terms and conditions consistent with the Victorian Government Procurement Board requirements. Outside of normal citizen type transactions with the department, there were no related party transactions that involved key management personnel and their close family members. No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

**Other Transactions of Responsible Persons and their Related Parties**
There were no other transactions with Responsible Persons or their Related Parties.

**Significant Transactions with Government-Related Entities**
Maryborough District Health Service received funding from the Department of Health and Human Services of $21,600,000 (2016: $20,500,000).

During the year, Maryborough District Health Service had the following other government-related entity transactions:
- Dental Health Services Victoria totalling $800,000
- Commonwealth Government funding received for health related programs totalling $7,377,000.

Maryborough District Health Service held investments at 30 June 2017 totalling $3,100,000 with Treasury Corporation Victoria.

## Note 8.7: Remuneration of auditors

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| **Victorian Auditor-General's Office** | | |
| Audit of financial statements | 18 | 18 |
| **Total** | 18 | 18 |

## Note 8.8: AASBs issued that are not yet effective

Certain new Australian accounting standards have been published that are not mandatory for the 30 June 2016 reporting period. DTF assesses the impact of all these new standards and advises the Health Service of their applicability and early adoption where applicable.

As at 30 June 2016, the following standards and interpretations had been issued by the AASB but were not yet effective. They become effective for the first financial statements for reporting periods commencing after the stated operative dates as detailed in the table below. Maryborough District Health Service has not and does not intend to adopt these standards early.

| **Standard / Interpretation** | **Summary** | **Applicable for reporting periods beginning on** | **Impact on Health Service's Annual Statements** |
|---|---|---|---|
| AASB 9 *Financial Instruments* | The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred. | 1 January 2018 | The assessment has identified that the financial impact of available for sale (AFS) assets will now be reported through other comprehensive income (OCI) and no longer recycled to the profit and loss.<br><br>While the preliminary assessment has not identified any material impact arising from AASB 9, it will continue to be monitored and assessed. |

## Note 8.8: AASBs issued that are not yet effective (Continued)

| Standard / Interpretation | Summary | Applicable for reporting periods beginning on | Impact on Health Service's Annual Statements |
|---|---|---|---|
| AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* | The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows: - The change in fair value attributable to changes in credit risk is presented in other comprehensive income (OCI); and - Other fair value changes are presented in profit and loss. If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss. | 1 January 2018 | The assessment has identified that the amendments are likely to result in earlier recognition of impairment losses and at more regular intervals. Changes in own credit risk in respect of liabilities designated at fair value through profit and loss will now be presented within other comprehensive income (OCI). Hedge accounting will be more closely aligned with common risk management practices making it easier to have an effective hedge. For entities with significant lending activities, an overhaul of related systems and processes may be needed. |
| AASB 15 *Revenue from Contracts with Customers* | The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer. | 1 January 2018 | The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. The Standard will also require additional disclosures on service revenue and contract modifications.<br><br>A potential impact will be the upfront recognition of revenue from licenses that cover multiple reporting periods. Revenue that was deferred and amortised over a period may now need to be recognised immediately as a transitional adjustment against the opening returned earnings if there are no former performance obligations outstanding. |

## Note 8.8: AASBs issued that are not yet effective (Continued)

| Standard / Interpretation | Summary | Applicable for reporting periods beginning on | Impact on Health Service's Annual Statements |
|---|---|---|---|
| AASB 2014-1 *Amendments to* Australian Accounting Standards *[Part E Financial Instruments]* | Amends various AASs to reflect the AASB's decision to defer the mandatory application date of AASB 9 to annual reporting periods beginning on or after 1 January 2018 as a consequence of Chapter 6 Hedge Accounting, and to amend reduced disclosure requirements. | 1 January 2018 | This amending standard will defer the application period of AASB 9 to the 2018-19 reporting period in accordance with the transition requirements. |
| AASB 2014-4 *Amendments to* Australian Accounting *Standards – Clarification of Acceptable Methods of Depreciation and Amortisation [AASB 116 & AASB 138]* | Amends AASB 116 Property, Plant and Equipment and AASB 138 Intangible Assets to:<br>- establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset;<br>- prohibit the use of revenue-based methods to calculate the depreciation or amortisation of an asset, tangible or intangible, because revenue generally reflects the pattern of economic benefits that are generated from operating the business, rather than the consumption through the use of the asset. | 1 January 2016 | The assessment has indicated that there is no expected impact as the revenue-based method is not used for depreciation and amortisation. |
| AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9* | Amends various AASs to incorporate the consequential amendments arising from the issuance of AASB 9. | 1 January 2018 | The assessment has indicated there will be no significant impact for the public sector. |
| AASB 2014-9 *Amendments to* Australian Accounting *Standards – Equity Method in Separate Financial Statements [AASB 1, 127 & 128]* | Amends AASB 127 Separate Financial Statements to allow entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements. | 1 January 2016 | The assessment indicates that there is no expected impact as the entity will continue to account for the investments in subsidiaries, joint ventures and associates using the cost method as mandated if separate financial statements are presented in accordance with FRD 113A. |

## Note 8.8: AASBs issued that are not yet effective (Continued)

| **Standard / Interpretation** | **Summary** | **Applicable for reporting periods beginning on** | **Impact on Health Service's Annual Statements** |
|---|---|---|---|
| AASB 2014-10 *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [AASB 10 & AASB 128]* | AASB 2014-10 amends *AASB 10 Consolidated Financial Statements and AASB 128 Investments in Associates* to ensure consistent treatment in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that:<br>- a full gain or loss to be recognised by the investor when a transaction involves a business (whether it is housed in a subsidiary or not); and<br>- a partial gain or loss to be recognised by the parent when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. | 1 January 2016 | The assessment has indicated that there is limited impact, as the revisions to AASB 10 and AASB 128 are guidance in nature. |
| AASB 2015-6 *Amendments to* Australian Accounting *Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, AASB 124 & AASB 1049]* | The Amendments extend the scope of AASB 124 Related Party Disclosures to not-for-profit public sector entities. A guidance has been included to assist the application of the Standard by not-for-profit public sector entities. | 1 January 2016 | The amending standard will result in extended disclosures on the entity's key management personnel (KMP), and the related party transactions. |
| *AASB 2015-8 Amendments to Australian Accounting Standards - Effective Date of AASB 15* | This standards defers the mandatory effective date of AASB 15 from 1 January 2017 to 1 January 2018. | 1 January 2018 | This amending standard will defer the application period of AASB 15 to the 2018-19 reporting period in accordance with the transition requirements. |

## Note 8.8: AASBs issued that are not yet effective (Continued)

| Standard / Interpretation | Summary | Applicable for reporting periods beginning on | Impact on Health Service's Annual Statements |
|---|---|---|---|
| AASB 16 *Leases* | The key changes introduced by AASB 16 include the recognition of most operating leases (which are currently not recognised) on balance sheet. | 1 January 2019 | The assessment has indicated that as most operating leases will come on balance sheet, recognition of lease assets and lease liabilities will cause net debt to increase<br>Depreciation of lease assets and interest on lease liabilities will be recognised in the income statement with marginal impact on the operating surplus.<br>The amounts of cash paid for the principal portion of the lease liability will be presented within financing activities and the amounts paid for the interest portion will be presented within operating activities in the cash flow statement.<br>No change for lessors. |

## Note 8.9: Events Occurring after the Balance Sheet Date

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

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

There are no known events occurring after the balance sheet date which would require adjustment in this financial report.

## Note 8.10: Alternative Presentation of Comprehensive Operating Statement

| | 2017 $'000 | 2016 $'000 |
|---|---|---|
| Grants | | |
| Operating | 29,571 | 27,142 |
| Capital | 1,153 | 230 |
| Interest | 210 | 201 |
| Sales of goods and services | 4,166 | 4,107 |
| Other income | 1,470 | 2,127 |
| **Revenue From Transactions** | **36,570** | **33,807** |
| Employee expenses | 25,393 | 23,502 |
| Depreciation | 2,966 | 3,012 |
| Other operating expenses | 9,604 | 9,066 |
| **Expenses from Transactions** | **37,963** | **35,580** |
| **Net Result from Transactions - Net Operating Balance** | **(1,393)** | **(1,773)** |
| **Other economic flows included in net result** | | |
| Net gain/ (loss) on sale of non-financial assets | (9) | (18) |
| Other gains/ (losses) from other economic flows included in net result | 175 | (114) |
| **Total Other Economic Flows Included In Net Result** | **166** | **(132)** |
| **NET RESULT FOR THE YEAR** | **(1,227)** | **(1,905)** |

# Appendix B:

# Five Year Statistical Information

### Financial sustainability

| KEY PERFORMANCE INDICATOR | 2017 $000 | 2016 $000 | 2015 $000 | 2014 $000 | 2013 $000 |
|---|---|---|---|---|---|
| Total Revenue | 36,570 | 33,789 | 32,977 | 30,151 | 30,273 |
| Total Expenses | 37,797 | 35,694 | 34,683 | 32,595 | 33,019 |
| Other Operating Flows Included in the Net Result | 166 | (132) | 10 | 10 | 11 |
| Net Result for the Year | (1,227) | (1,905) | (1,706) | (2,444) | (2,746) |
| Operating Result | 278 | 994 | 509 | 196 | (249) |
| Total Assets | 50,990 | 51,263 | 52,064 | 52,691 | 43,836 |
| Total Liabilities | 12,552 | 11,598 | 10,494 | 9,415 | 9,353 |
| Net Assets | 38,438 | 39,665 | 41,570 | 43,276 | 34,483 |
| Total Equity | 38,438 | 39,665 | 41,570 | 43,276 | 34,483 |

# Appendix C:

# Consultancies

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

In 2016-17, there were 18 consultancies where the total fees payable to the consultants were less than $10,000. The total expenditure incurred during 2016-17 in relation to these consultancies is $46,377 (excl. GST).

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

In 2016-17, there were 6 consultancies where the total fees payable to the consultants were $10,000 or greater. The total expenditure incurred during 2016-17 in relation to these consultancies is $286,146 (excl. GST). Details of individual consultancies can be viewed at www.mdhs.vic.gov.au.

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