

Board member's, Accountable officer's and Chief finance officer's declaration

We declare that:

The attached financial statements for St Vincent's Hospital (Melbourne) Limited have been prepared in accordance with Direction 5.2 of the Standing Directions of the Assistant Treasurer under the Financial Management Act 1994, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations, Australian Charities and Not- for-Profits Regulation 2013 and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2021 and the financial position of St Vincent's Hospital (Melbourne) Limited at 30 June 2021.

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

We authorise the attached financial statements for issue on 30 August 2021.



.....
Paul McClintock AO
Chair
Dated 30 August 2021
Sydney



.....
Angela Nolan
Chief Executive Officer
Dated 30 August 2021
Melbourne



.....
Ian Broadway
Chief Finance Officer
Dated 30 August 2021
Melbourne

Auditor-General's Independence Declaration

To the Board, St Vincent's Hospital (Melbourne) Limited

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General, an independent officer of parliament, is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised.

Under the *Audit Act 1994*, the Auditor-General is the auditor of each public body and for the purposes of conducting an audit has access to all documents and property, and may report to parliament matters which the Auditor-General considers appropriate.

Independence Declaration

As auditor for St Vincent's Hospital (Melbourne) Limited for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

- no contraventions of auditor independence requirements of the *Australian Charities and Not-for-profits Commission Act 2012* in relation to the audit.
- no contraventions of any applicable code of professional conduct in relation to the audit.



MELBOURNE
13 September 2021

Dominika Ryan
as delegate for the Auditor-General of Victoria

Independent Auditor's Report

To the Board of St Vincent's Hospital (Melbourne) Limited

Opinion

I have audited the financial report of St Vincent's Hospital (Melbourne) Limited (the health service) which comprises the:

- Balance Sheet as at 30 June 2021
- Comprehensive Operating Statement for the year then ended
- Statement of Changes in Equity for the year then ended
- Cash Flow Statement for the year then ended
- Notes to the financial statements, including significant accounting policies
- Board members, Accountable officer's and Chief finance officer's declaration.

In my opinion the financial report is in accordance with Part 7 of the *Financial Management Act 1994* and Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*, including:

- giving a true and fair view of the financial position of the health service as at 30 June 2021 and of its financial performance and its cash flows for the year then ended
- complying with Australian Accounting Standards and Division 60 of the *Australian Charities and Not-for-profits Commission Regulations 2013*.

Basis for Opinion

I have conducted my audit in accordance with the *Audit Act 1994* which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report.

My independence is established by the *Constitution Act 1975*. My staff and I are independent of the health service in accordance with the auditor independence requirements of the *Australian Charities and Not-for-profits Commission Act 2012* and 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.

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, the *Financial Management Act 1994* and the *Australian Charities and Not-for-profits Commission Act 2012*, 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.

In preparing the financial report, the Board is responsible for assessing the health service's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.

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

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

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

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

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

I also provide the Board with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



Dominika Ryan

as delegate for the Auditor-General of Victoria

Comprehensive Operating Statement For the Financial Year Ended 30 June 2021

	Note	2021 \$'000	2020 \$'000
Revenue and Income from Transactions			
Operating Activities	2.1	923,429	834,872
Non-Operating Activities	2.1	1,023	16,253
Total Revenue and Income from Transactions		924,452	851,125
Expenses from Transactions			
Employee Expenses	3.1	(644,856)	(596,749)
Supplies and Consumables	3.1	(120,867)	(117,515)
Finance Costs	3.1	(1,109)	(1,264)
Depreciation and Amortisation	4.4	(38,149)	(29,843)
Other Administrative Expenses	3.1	(64,207)	(55,687)
Other Operating Expenses	3.1	(35,612)	(34,144)
Total Expenses from Transactions		(904,800)	(835,202)
Net Result from Transactions – Net Operating Balance		19,652	15,923
Other Economic Flows included in Net Result			
Net gain/ (loss) on sale of non-financial assets	3.4	321	(28)
Net gain/ (loss) on financial instruments at fair value	3.4	9,542	(3,319)
Other gains/(losses) from other economic flows	3.4	2,417	(700)
Total Other Economic Flows Included in Net Result		12,280	(4,047)
Net Result for the Year		31,932	11,876
Other Comprehensive Income			
Items that will not be reclassified to Net Result			
Changes in PPE Revaluation Surplus	4.2(b)	58	344
COMPREHENSIVE RESULT FOR THE YEAR		31,990	12,220

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

Balance Sheet as at 30 June 2021

	Note	2021 \$'000	2020 \$'000
Assets			
Current Assets			
Cash and Cash Equivalents	6.2	60,093	41,175
Receivables and Contract Assets	5.1	28,622	37,461
Investments and Other Financial Assets	4.1	6,861	6,830
Inventories	4.6	8,346	8,776
Prepaid Expenses	5.4	1,615	1,958
Total Current Assets		105,537	96,200
Non-Current Assets			
Receivables and Contract Assets	5.1	64,399	60,583
Investments and Other Financial Assets	4.1	81,967	70,157
Property, Plant and Equipment	4.2	204,144	178,251
Intangible Assets	4.3	15,547	20,253
Investment Property	4.5	3,100	2,800
Total Non-Current Assets		369,157	332,044
Total Assets		474,694	428,244
Liabilities			
Current Liabilities			
Payables and Contract Liabilities	5.2	110,775	68,938
Borrowings	6.1	9,721	52,042
Employee Benefits	3.2	157,012	140,197
Other Liabilities	5.3	11,823	8,740
Total Current Liabilities		289,331	269,917
Non-Current Liabilities			
Borrowings	6.1	22,564	26,311
Employee Benefits	3.2	31,005	32,212
Total Non-Current Liabilities		53,569	58,523
Total Liabilities		342,900	328,440
Net Assets		131,794	99,804
Equity			
General Purpose Surplus	SCE	113	120
Property, Plant & Equipment Revaluation Surplus	SCE	991	933
Restricted Specific Purpose Surplus	SCE	36,293	31,816
AIB Surplus	SCE	6,104	6,097
Funds Held in Perpetuity	SCE	250	250
Contributed Capital	SCE	25,850	25,850
Accumulated Surplus	SCE	62,193	34,738
Total Equity		131,794	99,804

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

Statement of Changes in Equity for the Financial Year Ended 30 June 2021

		General Purpose Surplus	Property, Plant & Equipment Revaluation Surplus	Restrict ed Specific Purpos e Surplus	AIB Surplus	Funds Held in Perpetuity	Contrib uted Capital	Accum. Surpluses/ (Deficits)	Total
	Note	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Balance at 30 June 2019	8.9	69	589	30,606	6,148	250	25,850	24,072	87,584
Net result for the Year		-	-	-	-	-	-	11,876	11,876
Other Comprehensive Income		-	344	-	-	-	-	-	344
Transfer to/(from) Accum Surplus		-	-	1,210	-	-	-	(1,210)	-
Transfer to/(from) AIB Surplus		51	-	-	(51)	-	-	-	-
Transfer to/(from) Restricted Specific Purpose Surplus		-	-	-	-	-	-	-	-
Balance at 30 June 2020	8.9	120	933	31,816	6,097	250	25,850	34,738	99,804
Net result for the Year		-	-	-	-	-	-	31,932	31,932
Other Comprehensive Income		-	58	-	-	-	-	-	58
Transfer to/(from) Accum Surplus		-	-	4,477	-	-	-	(4,477)	-
Transfer to/(from) AIB Surplus		(7)	-	-	7	-	-	-	-
Transfer to/(from) Restricted Specific Purpose Surplus		-	-	-	-	-	-	-	-
Balance at 30 June 2021	8.9	113	991	36,293	6,104	250	25,850	62,193	131,794

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

Cash Flow Statement for the Financial Year Ended 30 June 2021

	Note	2021 \$'000 Inflows/ (Outflows)	2020 \$'000 Inflows/ (Outflows)
Cash Flows From Operating Activities			
Operating Grants from Government		753,242	655,461
Capital Grants from Government		38,344	26,365
Patient and Resident Fees Received		18,809	20,415
Private Practice and Pathology Fees Received		41,728	39,361
Donations and Bequests Received		5,844	7,238
Interest and Investment Income Received		419	2,019
Other Receipts		130,074	137,793
Total Receipts		988,460	888,652
Employee Expenses Paid		(622,754)	(573,915)
Payments for Supplies and Consumables		(145,543)	(140,286)
Payments for Repairs and Maintenance		(6,065)	(5,224)
Payments for Medical Indemnity Insurance		(6,801)	(6,642)
Finance Costs		(1,109)	(1,264)
Other Payments		(70,739)	(84,458)
GST Paid to ATO		(61,880)	(53,558)
Cash outflow for Leases		(41)	(60)
Total Payments		(914,932)	(865,407)
Net Cash Inflow from Operating Activities	8.1	73,528	23,245
Cash Flows From Investing Activities			
Purchase of Non-Financial Assets		(45,780)	(24,010)
Proceeds from Disposal of Non-Financial Assets		87	16
Purchase of Intangible Assets		(2,581)	(1,289)
Purchases of Investments		(498)	(1,041)
Capital Donations and Bequests Received		1,765	2,188
Other Capital Receipts		2,983	5,521
Net Cash Outflow from Investing Activities		(44,024)	(18,615)
Cash Flows From Financing Activities			
Proceeds from Borrowings		712	40,186
Repayment of Borrowings		(2,394)	(3,421)
Repayment of Finance Leases		(11,891)	(12,541)
Receipt of Accommodation Deposits		3,851	2,155
Repayment of Accommodation Deposits		(864)	(1,120)
Net Cash Inflow/(Outflow) From Financing Activities		(10,586)	25,259
Net Increase/(Decrease) In Cash and Cash Equivalents Held		18,918	29,889
Cash and Cash Equivalents at Beginning of the Financial Year		41,175	11,286
Cash and Cash Equivalents at End of the Financial Year	6.2	60,093	41,175

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

Notes to the financial statements for the financial year ended 30 June 2021

Note 1: Basis of Preparation

These financial statements represent the audited general purpose financial statements for St Vincent's Hospital (Melbourne) Limited ('Health Service') for the year ended 30 June 2021. The report provides users with information about the Health Services' stewardship of resources entrusted to it.

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

Note 1.1 Basis of preparation of the financial statements

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

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

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

The Health Service operates on a fund accounting basis and maintains three funds: Operating, Specific Purpose and Capital Funds.

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

The financial statements have been prepared on a going concern basis.

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

The annual financial statements were authorised for issue by the Board of the Health Service on 30 August 2021.

Note 1.2 Impact of Covid-19 pandemic

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

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

- introducing restrictions on non-essential visitors;
- greater utilisation of telehealth services;
- implementing the COVID-19 Advice Line;
- implementing reduced visitor hours;
- deferring elective surgery and reducing activity;

- transferring inpatients to private health facilities;
- partnering with St Vincent's Private Hospital Melbourne to perform surgery on public patients;
- setting up a fever clinic to perform COVID-19 testing for patients, staff and the community;
- administering COVID-19 vaccinations for both staff, and the public at the Royal Exhibition Building;
- implementing work from home arrangements, where appropriate;
- establishment of Sumner House, in partnership with the Brotherhood of St Laurence and Launch Housing, to accommodate people requiring a safe place to isolate, for respite and recovery and to provide a mobile fever clinic;
- establishment of a front-line worker quarantine hotel;
- establishment of an in-house contact tracing team;
- establishment of COVID-19 Simulation Wards and in-house PPE training and fit testing;
- creation and roll-out of a number of online COVID-19 specific training packages for staff;
- redeployment of at-risk staff;
- establishment of HealthMonitor program for people who tested positive to COVID-19 to safely monitor their health while they are self-isolated at home;
- additional support for residential aged-care facilities;
- introduction of different staffing models in various departments to ensure compliance with capacity restrictions whilst maintaining sufficient patient care; and
- establishment of Matilda unit at Port Philip Prison to isolate & quarantine COVID-19 prisoners/inmates.

As restrictions eased throughout the year in line with reduced community transmissions, the Health Service revised some measures where appropriate including:

- reintroduction of category 2 and 3 elective surgery;
- easing of visitor restrictions;
- de-commissioning of Sumner House and the front-line worker quarantine hotel; and
- staged transition back to office based work;

Further information on the impacts of the pandemic are disclosed at:

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

Note 1.3 Abbreviations and terminology used in the financial statements

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

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

Note 1.4 Jointly controlled operations

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

In respect of any interest in joint operations, the 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.

The Health Service is a member of the Victorian Comprehensive Cancer Centre Joint Venture and retains joint control over the arrangement, which it has classified as a joint operation (refer to Note 8.8 Jointly Controlled Operations)

Note 1.5 Key accounting estimates and judgements

Management make estimates and judgements when preparing the financial statements.

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

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

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

Note 1.6 Accounting standards issued but not yet effective

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

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

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

Note 1.7 Goods and Services Tax (GST)

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

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

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

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

Note 1.8 Reporting Entity

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

Its principal place of business is:

St Vincent's Hospital (Melbourne) Limited
41 Victoria Parade
Fitzroy, Victoria 3065

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

Note 1.9 Going Concern

The Health Service has a net asset position of \$131.794m at 30 June 2021 (2020: \$99.804m).

The Health Service's Balance Sheet shows an excess of current liabilities over current assets of \$183.794m (2020: \$173.717m). However, included within current liabilities are employee provisions of \$157.012m (2020: \$140.197m) which are presented as current even though it is probable that amounts will be paid out over several years. The Health Service has estimated in the twelve months following 30 June 2021, \$56.583m (2020: \$49.317m) may be paid out related to these employee provisions as disclosed in note 3.2. Also related to these provisions, the Health Service has a non-current receivable of \$64.239m (2020: \$60.357m) from the Department of Health as disclosed in note 5.1 that may be called upon where required.

When preparing its financial statements, the Health Service has assessed Department of Health funding and related costs for Public services to be provided in the twelve months following 30 June 2021. Department of Health has committed to providing temporary cash flow support to enable the Health Service to meet its current and future operational obligations as and when they fall due for a period up to 30th September 2022 should it be required to enable continued trade in the short term for provision of health services to Victorians. Department of Health support recognises the additional costs and cash implications associated with the Health Service managing the COVID-19 outbreak.

Accordingly, the financial statements have been prepared on a going concern basis.

Note 2: Funding delivery of our services

The Health Service's overall objective is to provide quality health services that support and enhance the wellbeing of all Victorians.

The Health Service is predominantly funded by accrual based grant funding for the provision of outputs. The Health Service also receives income from the supply of services.

Structure

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

Revenue recognised to fund the delivery of our services decreased during the financial year due to the impact of the COVID-19 coronavirus pandemic. During this period, the Health Service has collaborated closely with the Department of Health to reduce the risk of infection to our staff, patients and the community. The Health Service commissioned St. Vincent's Hospital on the Park (SVHOP) to meet potential demands of COVID-19 and other Government priorities, and established the Royal Exhibition Building vaccination clinic (REB), the Sumner House COVID recovery facility, and a fever clinic.

Activity Based Funding decreased as the level of activity agreed in the Statement of Priorities was unable to be delivered due to reductions in the number of patients being treated at various times throughout the financial year. This was offset by funding provided by the Department of Health to compensate for reductions in revenue and to cover certain direct and indirect COVID-19 related costs.

Funding provided included:

- COVID-19 grants to fund additional staffing and non-staffing costs, and to compensate for third party revenue shortfalls;
- State repurposed grants to fund shortfalls against activity based funding as noted above;
- Additional elective surgery funding to enable a catch up of surgery that could not be undertaken during the pandemic;
- Better @ home funding to provide alternative patient services;
- Mental health capacity funding to address additional mental health demand evident during the pandemic such as, expanded hours clinics, additional acute capacity, secondary consultation liaison, assertive assessment outreach, remaining connected project;
- Capital works funding for the pathology laboratory; and
- Funding to cover additional COVID-19 related services including SVHOP, vaccinations at REB, Sumner House, the fever clinic and to support laboratory testing.

Key judgements and estimates

This section contains the following key judgements and estimates:

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

Note 2.1: Revenue and Income from Transactions

	Note	Total 2021 \$'000	Total 2020 \$'000
Operating Activities			
Revenue from Contracts with Customers			
Government Grants (State) – Operating		456,450	447,695
Government Grants (Commonwealth) – Operating		54,889	56,575
Patient and Resident Fees		18,689	19,897
Commercial Activities ¹		76,154	77,498
Pathology		35,434	34,112
Diagnostic Imaging		12,450	12,645
Total Revenue from Contracts with Customers		654,066	648,422
Other Sources of Income			
Government Grants (State) – Operating		178,358	125,376
Government Grants (State) – Capital		38,422	26,365
Other Capital Purpose Income		16,638	5,084
Assets received Free of Charge or for Nominal Consideration	2.2	5,109	3,295
Other Revenue from Operating Activities (including Non-Capital Donations)		30,836	26,330
Total Other Sources of Income		269,363	186,450
Total Revenue and Income from Operating Activities		923,429	834,872
Capital Interest	2.3	14	17
Other Interest	2.3	279	1,008
Dividends	2.3	730	961
Other Income	2.3	-	14,267
Total Income from Non-Operating Activities		1,023	16,253
Total Income from Transactions		924,452	851,125

¹Commercial activities represent business activities which the Health Service enter into to support their operations.

How We Recognise Revenue and Income from Transactions

Government Operating Grants

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

When both these conditions are satisfied, the health service:

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

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

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

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

Government grant	Performance obligation
Activity Based Funding (ABF) paid as Weighted Inlier Equivalent Separation (WIES) casemix	The performance obligations for ABF are the number and mix of patients admitted to Health Service (defined as 'casemix') in accordance with the levels of activity agreed to, with the Department of Health in the annual Statement of Priorities. Revenue is recognised at a point in time, which is when a patient is discharged, in accordance with the WIES activity when an episode of care for an admitted patient is completed. WIES activity is a cost weight that is adjusted for time spent in Health Service, and represents a relative measure of resource use for each episode of care in a diagnosis related group.
Specific Purpose Grants	These are paid for a particular purpose or project and are recognised over time as the specific performance obligations and/or conditions regarding their use are met. Example of specific purpose grants: Mental Health - Adult Continuing Care and Treatment Drug Services - Adult residential drug withdrawal
Other one-off grants	The health service exercises judgement over whether the performance obligations have been met, on a grant by grant basis. Example of other one-off grants: Mental Health - Early Intervention Psychosocial Response COVID-19 Mental Health - Secondary Consultation Liaison

Capital Grant

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

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

Patient and Resident Fees

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

Private Practice Fees

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

Pathology and Diagnostic Imaging

Pathology and Diagnostic Imaging fees are recognised as revenue at a point in time, upon provision of the service to the customer.

Commercial Activities

Revenue from commercial activities includes items such as car park income, private diagnostic services, correctional health services and Breast screen. Commercial activity revenue is recognised at a point in time, upon provision of the goods or service to the customer.

Non-cash contributions from the Department of Health

The Department of Health makes some payments on behalf of the Health Service as follows:

Supplier	Description
Victorian Managed Insurance Authority	The Department of Health purchases non-medical indemnity insurance for the Health Service which is paid directly to the Victorian Managed Insurance Authority. To record this contribution, such payments are recognised as income with a matching expense in the net result from transactions.
Department of Health	Long Service Leave (LSL) revenue is recognised upon finalisation of movements in LSL liability in line with the long service leave funding arrangements set out in the relevant Department of Health Hospital Circular.

Note 2.2: Fair Value of Assets Received Free of Charge or for Nominal Consideration

	Total 2021 \$'000	Total 2020 \$'000
During the reporting period, the fair value of assets received free of charge, was as follows:		
Capital Cash Donations	1,766	2,189
Cultural Assets	339	93
Plant and Equipment	391	123
Assets received free of charge under State supply arrangements	2,613	890
Total	5,109	3,295

How We Recognise the Fair Value of Assets and Services Received Free of Charge or for Nominal Consideration

Donations and Bequests

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

State Supply Arrangements

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

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

Contributions

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

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

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

Voluntary Services

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

Note 2.3: Other Income

	Total 2021 \$'000	Total 2020 \$'000
Dividends Received from Investments	730	961
Capital Interest	14	17
Other Interest	279	1,008
Other Income ⁽ⁱ⁾	-	14,267
Total Other Income	1,023	16,253

⁽ⁱ⁾ Other Income of \$14.267M in FY2020 is a commitment from the Department of Health to cover LSL liability.

How We Recognise Other Income

Interest Revenue

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

Dividend Revenue

Dividend revenue is recognised when the right to receive payment is established. Dividends represent the income arising from the Health Service's investments in Financial Assets.

Note 3: The cost of delivering services

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

Structure

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

Expenses incurred to deliver our services increased during the financial year with \$47.8m of additional cost being attributable to the impact of COVID-19 coronavirus pandemic.

Additional costs were incurred to:

- establish facilities within Health Service for the isolation and treatment of suspected and admitted COVID-19 patients including in the emergency department, the intensive care unit and on inpatient wards resulting in an increase in employee costs, additional equipment purchases, and additional pathology testing;
- implement COVID safe practices throughout the Health Service including increased cleaning, increased security, temperature testing of staff and visitors, consumption of personal protective equipment, that was in part provided as resources free of charge, COVID-19 simulation training, PPE training, working from home arrangements for staff;
- assist with COVID-19 case management, contact tracing and outbreak management contributing to an increase in employee costs;
- establish a fever clinic for staff, patient and community COVID-19 testing;
- manage increased patient acuity, high levels of nursing sick leave and to supplement the nursing workforce which was burdened by the impact of the vaccination program and hotel quarantine across the sector;
- establish a call centre hotline to provide information to staff and patients;
- process COVID-19 pathology tests;
- provide support to private residential aged care facilities;
- backfill staff required to quarantine or isolate;
- provide staffing to support public surgical activity performed at private hospitals;
- establish vaccination clinics to administer vaccines to staff and the community resulting in an increase in employee costs, additional equipment and consumables purchases; and
- establish infrastructure, i.e. make physical changes to facilities, to enable staff to work while maintain social-distancing.

Key judgements and estimates

This section contains the following key judgements and estimates:

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

Note 3.1: Expenses from Transactions

	Note	Total 2021 \$'000	Total 2020 \$'000
Salaries and Wages		587,607	544,930
On-costs		47,898	44,288
Agency Expenses		5,493	3,503
Workcover Premium		3,858	4,028
Total Employee Expenses		644,856	596,749
Drug Supplies		49,964	51,680
Medical and Surgical Supplies		50,281	48,078
Diagnostic and Radiology Supplies		16,281	13,319
Other Supplies and Consumables		4,341	4,438
Total Supplies and Consumables		120,867	117,515
Finance Costs		1,109	1,264
Total Finance Costs		1,109	1,264
Fuel, Light, Power and Water		8,325	8,304
Repairs and Maintenance		6,065	5,224
Maintenance Contracts		13,320	12,979
Medical Indemnity Insurance		6,801	6,642
Expenses related to Short Term Leases		41	60
Other Administrative Expenses		64,207	55,687
Expenditure for Capital Purposes		1,060	935
Total Other Operating Expenses		99,819	89,831
Total Operating Expense		866,651	805,359
Depreciation and Amortisation	4.4	38,149	29,843
Total Depreciation and amortisation		38,149	29,843
Total Expenses from Transactions		904,800	835,202

How We Recognise Expenses from Transactions

Expense recognition

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

Employee expenses

Employee expenses include:

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

Supplies and consumables

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

Finance costs

Finance costs are recognised as expenses in the period in which they are incurred. Finance costs include:

- Interest on bank overdrafts and short-term and long-term borrowings;
- Amortisation of discounts or premiums relating to borrowings;
- Amortisation of ancillary costs incurred in connection with the arrangement of borrowings; and
- Finance charges in respect of leases recognised in accordance with *AASB 16 Leases*.

Other operating expenses

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

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

The Department of Health also makes certain payments on behalf of the Health Service. These amounts have been brought to account as grants in determining the operating result for the year by recording them as revenue and also recording the related expense.

Non-operating expenses

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

Note 3.2: Employee Benefits in the Balance Sheet

	Total 2021 \$'000	Total 2020 \$'000
Current Provisions		
Employee Benefits		
Annual Leave		
- Unconditional and expected to be settled wholly within 12 months ⁱ	41,151	35,485
- Unconditional and expected to be settled wholly after 12 months ⁱⁱ	6,972	6,040
Long Service Leave		
- Unconditional and expected to be settled wholly within 12 months ⁱ	7,799	7,449
- Unconditional and expected to be settled wholly after 12 months ⁱⁱ	83,882	76,204
Accrued Days Off		
- Unconditional and expected to be settled wholly within 12 months ⁱ	2,070	1,715
	141,874	126,893
Provisions related to Employee Benefit On-Costs		
- Unconditional and expected to be settled wholly within 12 months ⁱ	5,563	4,668
- Unconditional and expected to be settled wholly after 12 months ⁱⁱ	9,575	8,636
	15,138	13,304
Total Current Employee Benefits	157,012	140,197
Non-Current Provisions		
Conditional long service leave	28,059	29,151
Provisions related to Employee Benefit On-Costs	2,946	3,061
Total Non-Current Employee Benefits	31,005	32,212
Total Employee Benefits	188,017	172,409

ⁱ The amounts disclosed are nominal amounts.

ⁱⁱ The amounts disclosed are discounted to present values

How We Recognise Employee Benefits

Employee Benefits Recognition

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

Provisions

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

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

Annual Leave and Accrued Days Off

Liabilities for annual leave and accrued days off are 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 annual leave and accrued days off are measured at:

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

Long Service Leave

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

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

The components of this current LSL liability are measured at:

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

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

Termination Benefits

Termination benefits are payable when employment is terminated before the normal retirement date or when an employee accepts voluntary redundancy in exchange for these benefits.

Liabilities for termination benefits are recognised when a detailed plan for the termination has been developed and a valid expectation has been raised with those employees affected that the terminations will be carried out. The liabilities for termination benefits are recognised in other creditors unless the amount or timing of the payments is uncertain, in which case they are recognised as a provision.

On-Costs related to Employee Benefits

Provision for on-costs such as workers compensation and superannuation are recognised separately from provisions for employee benefits.

(a) Employee Benefits and Related On-Costs

	Total 2021 \$'000	Total 2020 \$'000
Current Employee Benefits and Related On-Costs		
Unconditional Long Service Leave Entitlements	101,308	92,437
Annual Leave Entitlements	53,416	45,865
Accrued Days Off	2,288	1,895
Total Current	157,012	140,197
Non-Current Employee Benefits and Related On-Costs		
Conditional Long Service Leave Entitlements	31,005	32,212
Total Non-Current	31,005	32,212
Total Employee Benefits and Related On-Costs	188,017	172,409
Carrying amount at start of year	172,409	155,695
Additional provisions recognised	23,388	25,243
Amounts incurred during the year	(7,780)	(8,529)
Balance at End of Year	188,017	172,409

Note 3.3: Superannuation

	Paid Contribution for the Year		Contribution Outstanding at Year End	
	Total 2021 \$'000	Total 2020 \$'000	Total 2021 \$'000	Total 2020 \$'000
Defined Benefit Plans¹:				
Aware Super	325	329	-	-
Government State Super Funds	140	153	2	4
Defined Contribution Plans:				
Aware Super	25,979	25,087	869	852
HESTA	14,686	14,027	451	482
Host Plus	934	642	35	27
STA Super	876	564	39	28
UniSuper	702	296	27	14
Other	5,586	3,137	138	111
Total	49,228	44,235	1,561	1,518

¹The basis for determining the level of contributions is determined by the various actuaries of the defined benefit superannuation plans.

How We Recognise Superannuation

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

Defined contribution superannuation plans

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

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

The Health Service does not recognise any unfunded defined benefit liability in respect of the plan because the 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. The Department of Treasury and Finance discloses the Victorian State's defined benefit 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 expensed in relation to the major employee superannuation funds and contributions made by the Health Service are disclosed above.

Note 3.4: Other Economic Flows

	Total 2021 \$'000	Total 2020 \$'000
<i>Net gain/(loss) on non-financial assets</i>		
Revaluation of Investment Property	300	(34)
Net gain/(loss) on disposal of Property, Plant and Equipment	21	6
Total net gain/(loss) on non-financial assets	321	(28)
<i>Net gain/(loss) on financial instruments at fair value</i>		
Allowance for impairment losses of contractual receivables	(1,217)	(827)
Net gain/(loss) on financial assets at fair value	10,759	(2,492)
Total net gain/(loss) on financial instruments at fair value	9,542	(3,319)
<i>Other gains/(losses) from other economic flows</i>		
Net gain/(loss) arising from revaluation of long service liability	2,417	(700)
Total other gains/(losses) from other economic flows	2,417	(700)
Total gains/(losses) from Other Economic Flows	12,280	(4,047)

How We Recognise Other Economic Flows

Other economic flows are changes in the volume or value of an asset or liability that do not result from transactions.

Net gain/ (loss) on non-financial assets

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

- revaluation gains/(losses) of non-financial physical assets (refer to Note 4.2 Property, plant and equipment);
- net gain/ (loss) on disposal of non-financial assets;
- any gain or loss on the disposal of non-financial assets is recognised at the date of disposal; and
- revaluation gains/(losses) of investment property.

Net gain/ (loss) on financial instruments:

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

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

Amortisation of non-produced intangible assets

Intangible non-produced assets with finite lives are amortised as an 'other economic flow' on a systematic basis over the assets useful life. Amortisation begins when the asset is available for use that is when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

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 4.3 Intangibles.

Other gains/ (losses) from other economic flows

Other gains/ (losses) include:

- the revaluation of the present value of the long service leave liability due to changes in the bond interest rates; and
- transfer of amounts from the reserves to accumulated surplus or net result due to disposal or derecognition or reclassification.

Note 4: Key Assets to support service delivery

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

Structure

- 4.1 Investments and other financial assets
- 4.2 Property, plant & equipment
- 4.3 Intangible assets
- 4.4 Depreciation and Amortisation
- 4.5 Investment properties
- 4.6 Inventories

The measurement of assets used to support delivery of our services were impacted during the financial year which was partially attributable to the COVID-19 coronavirus pandemic. As a result of the pandemic, majority of the Health Service's assets that were used for a COVID-19 patients' care were received from the Department of Health free of charge or reimbursed by the Department of Health. St Vincent's Health Australia also provided some assets free of charge to the Health Service.

The following key assets were impacted that were used predominately at the Intensive care unit, the emergency department and the newly established COVID-19 wards:

- Ventilators;
- Humidifiers;
- Patient monitors;
- Heart-lung bypass equipment;
- Infusion pumps;
- Syringe pumps; and
- Dialysis prismax

Key judgements and estimates

This section contains the following key judgements and estimates:

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

Key judgements and estimates	Description
	<ul style="list-style-type: none"> ▪ If an asset's value has declined more than expected based on normal use ▪ If a significant change in technological, market, economic or legal environment which adversely impacts the way the health service uses an asset ▪ If an asset is obsolete or damaged ▪ If the asset has become idle or if there are plans to discontinue or dispose of the asset before the end of its useful life ▪ If the performance of the asset is or will be worse than initially expected. <p>Where an impairment trigger exists, the Health Service applies significant judgement and estimate to determine the recoverable amount of the asset.</p>

Note 4.1: Investments and other financial assets

	Operating Fund		Specific Purpose Fund		AIB Reserve Fund		Total	Total
	2021	2020	2021	2020	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Current								
Term Deposits	274	241	483	492	-	-	757	733
Guaranteed Bill Index Deposit in Escrow	-	-	-	-	6,104	6,097	6,104	6,097
Total Current	274	241	483	492	6,104	6,097	6,861	6,830
Non-Current								
Managed Investment Schemes	29,023	22,570	51,131	46,274	-	-	80,154	68,844
Shares in Epi Minder	1,813	1,313	-	-	-	-	1,813	1,313
Total Non-Current	30,836	23,883	51,131	46,274	-	-	81,967	70,157
Total Investments and Other Financial Assets	31,110	24,124	51,614	46,766	6,104	6,097	88,828	76,987
Represented by:								
Health Service Investments	31,110	24,124	51,614	46,766	6,104	6,097	88,828	76,987
Total Investments and Other Financial Assets	31,110	24,124	51,614	46,766	6,104	6,097	88,828	76,987

As a result of current global economic uncertainty due to COVID-19, the current valuation of the Health Service's managed investments and shares could be subject to significant volatility.

How We Recognise Investments and Other Financial Assets

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

Investments held by the Health Service do not fall in the scope of the Standing Directions as they are not public entity funds (i.e. not controlled by the government). However, such investments are consolidated into the financial statements of the Health Service as the Health Service has control over these investments.

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

The Health Service classifies its other financial assets between current and non-current assets based on the Board's intention at balance date with respect to the timing of disposal of each asset. Term deposits with original maturity dates of three to twelve months are classified as current, whilst term deposits with original maturity dates in excess of 12 months are classified as non-current.

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

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

Note 4.2: Property, Plant and Equipment

(a) Gross carrying amount and accumulated depreciation

	Total 2021 \$'000	Total 2020 \$'000
Leasehold Improvements		
Leasehold Improvements at Fair Value	219,048	207,008
Less Accumulated Depreciation	(130,684)	(118,330)
Total Leasehold Improvements	88,364	88,678
Plant and Equipment		
Plant and Equipment at Fair Value	32,312	30,568
Less Accumulated Depreciation	(24,900)	(23,745)
Total Plant and Equipment	7,412	6,823
Medical Equipment		
Medical Equipment at Fair Value	99,118	93,282
Less Accumulated Depreciation	(77,203)	(74,411)
Total Medical Equipment	21,915	18,871
Computers and Communication		
Computers and Communication at Fair Value	7,591	14,439
Less Accumulated Depreciation	(3,248)	(10,113)
Total Computers and Communications	4,343	4,326
Furniture and Fittings		
Furniture and Fittings at Fair Value	3,879	3,811
Less Accumulated Depreciation	(3,205)	(3,021)
Total Furniture and Fittings	674	790
Motor Vehicles		
Motor Vehicles at Fair Value	3,991	4,075
Less Accumulated Depreciation	(3,258)	(3,256)
Total Motor Vehicles	733	819
Cultural Assets		
Cultural Assets at Fair Value^	4,110	3,713
Total Cultural Assets	4,110	3,713
Right of Use Assets		
Right of Use – Plant, Equipment and Motor Vehicles Fair Value	15,206	19,483
Less Accumulated Depreciation	(11,306)	(15,803)
Total Right of Use – Plant, Equipment and Motor Vehicles	3,900	3,680
Right of Use – Buildings at Fair Value	42,520	37,219
Less Accumulated Depreciation	(19,434)	(9,564)
Total Right of Use - Buildings	23,086	27,655
Total Right of Use Assets	26,986	31,335
Works in Progress at Cost *	49,607	22,896
TOTAL PROPERTY PLANT AND EQUIPMENT	204,144	178,251

[^] Cultural Assets were revalued at 30 June 2021 by Dwyer Fine Arts.

^{*} Long term capital projects of leasehold improvements and plant and equipment are initially costed to "Works in Progress". When the project is completed and the new asset commissioned for use, the cost of the project is re-classified to the appropriate class of asset.

(b) Reconciliations of the carrying amounts of each class of asset

	Leasehold Improvement \$'000	Plant & Equipment \$'000	Medical Equipment \$'000	Computers & Comms \$'000	Furniture & Fittings \$'000	Motor Vehicles \$'000	Cultural Assets \$'000	Right of Use – PE, MV \$'000	Right of Use - Buildings \$'000	Works in Progress \$'000	Total \$'000
Balance at 1 July 2019	90,291	6,693	17,354	2,910	769	416	3,276	6,685	32,019	18,100	178,513
Additions	1,262	1,047	5,118	2,340	199	531	93	394	5,200	10,875	27,059
Transfers	4,821	818	582	-	-	-	-	-	-	(6,079)	142
Disposals	-	(2)	(8)	-	-	-	-	-	-	-	(10)
Revaluation	-	-	-	-	-	-	344	-	-	-	344
Depreciation	(7,696)	(1,733)	(4,175)	(924)	(178)	(128)	-	(3,399)	(9,564)	-	(27,797)
Balance at 1 July 2020	88,678	6,823	18,871	4,326	790	819	3,713	3,680	27,655	22,896	178,251
Additions	1,553	1,292	6,382	1,516	45	99	339	2,345	4,434	37,778	55,783
Transfers	7,674	855	1,282	24	23	-	-	-	-	(11,067)	(1,209)
Disposals	-	(7)	(49)	(11)	-	-	-	-	(81)	-	(148)
Revaluation	-	-	-	-	-	-	58	-	1,064	-	1,122
Depreciation	(9,541)	(1,551)	(4,571)	(1,512)	(184)	(185)	-	(2,125)	(9,986)	-	(29,655)
Balance at 30 June 2021	88,364	7,412	21,915	4,343	674	733	4,110	3,900	23,086	49,607	204,144

How We Recognise Property, Plant and Equipment

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

Initial Recognition

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

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

The cost of a leasehold improvement is capitalised as an asset and depreciated over the shorter of the remaining term of the lease or the estimated useful life of the improvements.

Subsequent measurement

Items of property, plant and equipment are subsequently revalued at fair value less accumulated depreciation and impairment losses. The carrying amount of property, plant and equipment is considered to equate to the fair value of these assets given their short useful lives.

Cultural assets are initially measured at cost and subsequently valued at fair value with increments and decrements being reflected through a reserve where decrements have not previously been recognised through the profit and loss. Decrements that offset previous increments in the same class of asset are charged against an asset revaluation reserve directly in equity and other decreases are charged to the net result.

Impairment

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

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

How We Recognise Right-of-use Assets

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

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

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

Class of right-of-use asset	Lease term
Leased buildings	1 to 7 years
Leased plant, equipment, furniture, fittings and vehicles	1 to 5 years

Presentation of right-of-use assets

The Health Service presents right-of-use assets as 'property plant equipment' unless they meet the definition of investment property, in which case they are disclosed as 'investment property' in the balance sheet.

Initial Recognition

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

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

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

The Health Service's medical equipment lease agreements contain purchase options which the Health Service is reasonably certain to exercise at the completion of the lease.

Subsequent measurement

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

Impairment

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

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

(c) Fair value measurement hierarchy for assets

	Note	Consolidated carrying amount	Fair value measurement at end of reporting period using:		
		30 June 2021	Level 1 ⁽ⁱ⁾	Level 2 ⁽ⁱ⁾	Level 3 ⁽ⁱ⁾
		\$ '000	\$ '000	\$ '000	\$ '000
Leasehold improvements at fair value	4.2(a)	88,364			88,364
Plant and equipment at fair value	4.2(a)	7,412			7,412
Medical Equipment at fair value	4.2(a)	21,915			21,915
Computer Equipment at fair value	4.2(a)	4,343			4,343
Furniture and fittings at fair value	4.2(a)	674			674
Motor Vehicles at fair value	4.2(a)	733			733
Cultural assets at fair value	4.2(a)	4,110		4,110	
Right of Use Assets at fair value	4.2(a)	26,986			26,986
Total Property, Plant & Equipment at Fair Value		154,537	-	4,110	150,427

	Note	Consolidated carrying amount	Fair value measurement at end of reporting period using:		
		30 June 2020	Level 1 ⁽ⁱ⁾	Level 2 ⁽ⁱ⁾	Level 3 ⁽ⁱ⁾
		\$ '000	\$ '000	\$ '000	\$ '000
Leasehold improvements at fair value	4.2(a)	88,678			88,678
Plant and equipment at fair value	4.2(a)	6,823			6,823
Medical Equipment at fair value	4.2(a)	18,871			18,871
Computer Equipment at fair value	4.2(a)	4,326			4,326
Furniture and fittings at fair value	4.2(a)	790			790
Motor Vehicles at fair value	4.2(a)	819			819
Cultural assets at fair value	4.2(a)	3,713		3,713	
Right of Use Assets at fair value	4.2(b)	31,335			31,335
Total Property, Plant & Equipment at Fair Value		155,355	-	3,713	151,642

(i) Classified in accordance with the fair value hierarchy. There have been no transfers between levels during the period.

Vehicles

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

Furniture, fittings, plant and equipment

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

Cultural Assets

Cultural Assets are valued using the market approach. Under this valuation method, the assets are compared to recent comparable sales or sales of comparable assets which are considered to have nominal or no added improvement value. For artwork, an independent valuation was performed by independent valuers "Dwyer Fine Arts" to determine the fair value using the market approach. Valuation of the assets is determined by a comparison to similar examples of the artist's work in existence throughout Australia and research on price paid for similar examples offered at auction or through art galleries in recent years.

To the extent that artworks do not contain significant, unobservable adjustments, these assets are classified as Level 2 under the market approach.

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

(d) Reconciliation of level 3 fair value measurement

	Note	Leasehold Improvement \$'000	Plant & Equipment \$'000	Medical Equipment \$'000	Computers & Comms \$'000	Furniture & Fittings \$'000	Motor Vehicles \$'000	Cultural Assets \$'000	Right of Use – PE, MV \$'000	Right of Use – Buildings \$'000
Balance at 1 July 2019	4.2(b)	90,291	6,693	17,354	2,910	769	416	3,276	6,685	32,019
Additions/(Disposals)	4.2(b)	1,262	1,045	4,096	2,340	199	531	-	394	5,200
Assets provided free of charge		-	-	1,014	-	-	-	93	-	-
Net transfers between classes		4,821	818	582	-	-	-	-	-	-
Gains/(Losses) recognised in net result										
-Depreciation and amortisation	4.4	(7,696)	(1,733)	(4,175)	(924)	(178)	(128)	-	(3,399)	(9,564)
Items recognised in other comprehensive income										
-Revaluation		-	-	-	-	-	-	344	-	-
Balance at 1 July 2020	4.2(c)	88,678	6,823	18,871	4,326	790	819	3,713	3,680	27,655
Additions/(Disposals)	4.2(b)	1,553	1,285	3,450	1,505	45	99	-	2,345	4,353
Assets provided free of charge		-	-	2,883	-	-	-	339	-	-
Net transfers between classes	4.2(b)	7,674	855	1,282	24	23	-	-	-	-
Gains/(Losses) recognised in net result										
-Depreciation and amortisation	4.4	(9,541)	(1,551)	(4,571)	(1,512)	(184)	(185)	-	(2,125)	(9,986)
Items recognised in other comprehensive income										
-Revaluation		-	-	-	-	-	-	58	-	1,064
Balance at 30 June 2021	4.2 (c)	88,364	7,412	21,915	4,343	674	733	4,110	3,900	23,086

(i) Classified in accordance with the fair value hierarchy, refer to Note 4.2(c)

Valuation hierarchy

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

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

e) Fair Value Determination

Asset Class	Valuation Hierarchy	Likely Valuation Approach	Likely valuation Significant Inputs (Level 3 only)
Plant and equipment	Level 3	Current replacement cost approach	- Cost per unit - Useful life
Medical equipment	Level 3	Current replacement cost approach	- Cost per unit - Useful life
Computers and communication	Level 3	Current replacement cost approach	- Cost per unit - Useful life
Furniture and fittings	Level 3	Current replacement cost approach	- Cost per unit - Useful life
Motor Vehicles	Level 3	Current replacement cost approach	- Cost per unit - Useful life
Leasehold Improvements	Level 3	Current replacement cost approach	- Cost per unit - Useful life
Cultural assets	Level 2	Market approach	N/A

Note 4.3: Intangible Assets

a) Gross carrying amount and accumulated amortisation

	Total 2021 \$'000	Total 2020 \$'000
Computer Software and Development at cost	41,204	36,712
Less Accumulated Amortisation	(30,178)	(21,685)
	11,026	15,027
Patent at Cost	11	11
Less Accumulated Amortisation	(3)	(2)
	8	9
Bed Licences at Cost	3,375	3,375
Intangible Work in Progress	1,138	1,842
Total Intangible Assets	15,547	20,253

b) Reconciliation of the carrying amounts of intangible assets

	Computer Software & Development \$'000	Intangible WIP \$'000	Patent \$'000	Bed Licences \$'000	Total \$'000
Balance at 1 July 2019	11,941	4,700	10	3,375	20,026
Additions	1,289	2,637	-	-	3,926
Transfers	3,842	(5,495)	-	-	(1,653)
Disposals	-	-	-	-	-
Depreciation/Amortisation	(2,045)	-	(1)	-	(2,046)
Balance at 1 July 2020	15,027	1,842	9	3,375	20,253
Additions	367	2,213	-	-	2,580
Transfers	4,125	(2,917)	-	-	1,208
Disposals	-	-	-	-	-
Depreciation/Amortisation	(8,493)	-	(1)	-	(8,494)
Balance as at 30 June 2021	11,026	1,138	8	3,375	15,547

No valuation was performed on aged care bed licences for year ended 30 June 2021.

How We Recognise Intangible Assets

Intangible assets represent identifiable non-monetary assets without physical substance such as Aged Care bed licences, computer software and development costs.

Initial recognition

Purchased intangible assets are initially recognised at cost.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- an intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- the intangible asset will generate probable future economic benefits;

- e. the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
 - f. the ability to measure reliably the expenditure attributable to the intangible asset during its development.
- Expenditure on research activities is recognised as an expense in the period on which it is incurred.

Subsequent measurement

Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

Impairment

Intangible assets with indefinite useful lives (and intangible assets not yet available for use) are tested annually for impairment and whenever there is an indication that the asset may be impaired. Intangible assets with finite useful lives are testing for impairment whenever an indication of impairment is identified.

Note 4.4: Depreciation and Amortisation

	Total 2021 \$'000	Total 2020 \$'000
Depreciation		
Plant and Equipment	1,551	1,733
Medical Equipment	4,571	4,175
Computers and Communication	1,512	924
Furniture and Fittings	184	178
Motor Vehicles	185	128
Leasehold Improvements	9,541	7,696
Right of Use – Plant and Equipment	2,125	3,399
Right of Use – Buildings	9,986	9,564
Total Depreciation – Property, Plant and Equipment	29,655	27,797
Amortisation		
Intangible Assets		
Computer Software & Development Costs	8,493	2,045
Patent	1	1
Total Amortisation – Intangible Assets	8,494	2,046
Total Depreciation and Amortisation	38,149	29,843

How We Recognise Depreciation

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

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

How We Recognise Amortisation

Amortisation is allocated to intangible assets with finite useful lives and is the systematic allocation of the depreciable amount of an asset over its useful life.

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

	2021	2020
Leasehold Improvements	10 to 40 years	10 to 40 years
Plant and Equipment	4 to 15 years	4 to 15 years
Medical Equipment	4 to 10 years	4 to 10 years
Computers and Communications	4 to 10 years	4 to 10 years
Motor Vehicles	6.6 years	6.6 years
Furniture and Fittings	6 to 18 years	6 to 18 years
Leased Assets	4 to 10 years	4 to 10 years
Computer Software	4 to 10 years	4 to 10 years
Right of Use – Plant and Equipment	1 to 5 years	1 to 5 years
Right of Use – Buildings	1 to 9 years	1 to 9 years

The basis for leasehold improvements amortisation is determined in accordance with the receipt of letters from:

- i) the parent company advising of extension of the ground lease; and
- ii) The Department of Health advising of the proposed usage of the Health Service for public hospital services beyond 2021 and has allowed continuing application of the above expected useful lives of non- current assets.

Note 4.5: Investment Properties

a) Movements in carrying value for investment properties

	Total 2021 \$'000	Total 2020 \$'000
Balance at Beginning of Period	2,800	2,834
Net gain from Fair Value adjustments	300	(34)
Balance at End of Period	3,100	2,800

b) Fair value measurement hierarchy for investment properties as at 30 June 2021

	Carrying amounts as at 30 June 2021	Fair value measurement at end of reporting period using:		
		Level 1⁽ⁱ⁾	Level 2⁽ⁱ⁾	Level 3⁽ⁱ⁾
Investment properties	3,100		3,100	
Total	3,100		3,100	

Fair value measurement hierarchy for investment properties as at 30 June 2020

	Carrying amounts as at 30 June 2020	Fair value measurement at end of reporting period using:		
		Level 1⁽ⁱ⁾	Level 2⁽ⁱ⁾	Level 3⁽ⁱ⁾
Investment properties	2,800		2,800	
Total	2,800		2,800	

(i) Classified in accordance with the fair value hierarchy

How We Recognise Investment Properties

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 the Health Service.

Initial recognition

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 the Health Service.

Subsequent measurement

Subsequent to initial recognition at cost, investment properties are revalued to fair value, determined annually by 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. 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 property 26-28 Gertrude St at 30 June 2021 has been arrived on the basis of an independent valuation carried out by independent valuers Egan National Valuers. 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.

The Gertrude Street investment property is held for the purposes of long term capital gain. At balance date there is no commitment for expenditure relating to this property.

There have been no transfers between levels during the period. There were no changes in valuation techniques throughout the period to 30 June 2021.

Note 4.6: Inventories

	Total 2021 \$'000	Total 2020 \$'000
Current		
Drug Supplies	3,188	2,789
Medical and Surgical Lines	4,843	5,620
Food Supplies	90	93
Biomedical Supplies	225	274
Total	8,346	8,776

How We Recognise Inventories

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

Note 5: Other assets and liabilities

This note sets out those assets and liabilities that arose from the Health Service's operations.

Structure

- 5.1 Receivables and Contract Assets
- 5.2 Payables and Contract Liabilities
- 5.3 Other liabilities
- 5.4 Other non-financial assets

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

Key judgements and estimates

This section contains the following key judgements and estimates:

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

Note 5.1: Receivables and Contract Assets

	Note	Total 2021 \$'000	Total 2020 \$'000
Current Receivables and Contract Assets			
Contractual			
Trade Debtors		11,607	13,915
Patient Fees		4,642	5,883
Doctors' Fee Revenue		4,667	5,371
Provision for Impairment		(1,725)	(1,727)
Contract assets - Accrued Revenue			
- Department of Health	5.1(b)	-	6,108
- Other	5.1(b)	9,361	7,855
Loan – St Vincent's Healthcare Ltd (refer note 8.4)	8.4	70	56
Total Contractual Receivables		28,622	37,461
Total Current Receivables and Contract Assets		28,622	37,461
Non-Current Receivables and Contract Assets			
Contractual			
Department of Health - Long Service Leave		64,239	60,357
Loan – St Vincent's Healthcare Ltd (refer note 8.4)	8.4	160	226
Total Contractual Receivables		64,339	60,583
Total Non-Current Receivables and Contract Assets		64,399	60,583
TOTAL RECEIVABLES AND CONTRACT ASSETS		93,021	98,044
<i>(i) Financial assets classified as receivables and contract assets</i>			
Total receivables and contract assets		93,021	98,044
Contract assets		(9,361)	(13,963)
Total Financial Assets	7.1(a)	83,660	84,081

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

	Total 2021 \$'000	Total 2020 \$'000
Balance at beginning of year	1,727	2,016
Reversal of allowance written off during the year as uncollectable	(1,219)	(1,116)
Increase in allowance recognised in the net result	1,217	827
Balance at end of the year	1,725	1,727

How We Recognise Receivables

Receivables consist of:

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

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

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

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

Impairment losses of contractual receivables

Refer to Note 7.1(c) Contractual receivables at amortised costs for the Health Service's contractual impairment losses

Note 5.1 (b) Contract Assets

	Total 2021 \$'000	Total 2020 \$'000
Opening balance	13,963	9,155
Add: Additional costs incurred that are recoverable from the customer	9,650	13,963
Less: Transfer to trade receivable or cash at bank	(14,252)	(9,155)
Total Contract Assets	9,361	13,963

How We Recognise Contract Assets

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

Note 5.2: Payables and Contract Liabilities

	Note	Total 2021 \$'000	Total 2020 \$'000
Current – Contractual			
Trade Creditors		11,665	16,274
Department of Health		13,857	-
Accrued Expenses		26,929	15,870
Accrued Salaries and Wages		29,741	21,055
Deferred Capital Grant Revenue	5.2(a)	12,883	3,238
Contract liabilities - Income Received in Advance			
- Department of Health	5.2(b)	9,604	4,208
- Other	5.2(b)	2,757	4,249
		107,436	64,894
Current – Statutory			
GST Payable		3,339	4,044
		3,339	4,044
Total Current Payables		110,775	68,938
<i>(i) Financial liabilities classified as payables and contract liabilities</i>			
Total payables and contract liabilities		110,775	68,938
Deferred capital grant revenue		(12,883)	(3,238)
Contract liabilities		(12,361)	(8,457)
GST Payable		(3,339)	(4,044)
Total Financial Liabilities	Note 7.1(a)	82,192	53,199

How We Recognise Payables and Contract Liabilities

Payables consist of:

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

The normal credit terms for accounts payable are 30 days after end of month.

Note 5.2 (a) Deferred capital grant revenue

	Total 2021 \$'000	Total 2020 \$'000
Opening balance of deferred grant revenue	3,238	-
Grant consideration for capital works received during the year	28,167	18,273
Grant revenue for capital works recognised consistent with the capital works undertaken during the year	(18,522)	(15,035)
Closing balance of Deferred Capital Grant Revenue	12,883	3,238

How We Recognise Deferred Capital Grant Revenue

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

b) Contract Liabilities

	Total 2021 \$'000	Total 2020 \$'000
Opening balance	8,457	8,344
Add: Payments received for performance obligations yet to be completed during the period	3,021	3,610
Add: Grant consideration for sufficiently specific performance obligations received during the year	17,564	572,829
Less: Revenue recognised in the reporting period for the completion of a performance obligation	(6,130)	(3,467)
Less: Grant revenue for sufficiently specific performance obligations recognised consistent with performance obligations met during the year	(10,551)	(572,859)
Total Contract Liabilities	12,361	8,457

How We Recognise Contract Liabilities

Contract liabilities include consideration received in advance from customers in respect of clinical research trials and department funded health programs. The balance of contract liabilities was significantly higher than the previous reporting period due to the COVID-19 coronavirus pandemic impacting on the Health Service's ability to fulfil the specific performance obligations associated with this revenue.

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

Maturity analysis of payables

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

Note 5.3: Other Liabilities

	Total 2021 \$'000	Total 2020 \$'000
Monies held in Trust		
– Security Deposits	247	250
– Salary Packaging Employees	2,364	2,354
– Patient Monies held in Trust	182	89
– Refundable Accommodation Deposits	9,027	6,039
– Other Monies Held in Trust	3	8
Total Current	11,823	8,740
Total Monies Held in Trust Represented by the following assets:		
Cash and Cash Equivalents	11,823	8,740
	11,823	8,740

How We Recognise Other Liabilities

Refundable Accommodation Deposit (“RAD”)/Accommodation Bond liabilities

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

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

Note 5.4: Other non-financial assets

	Total 2021 \$'000	Total 2020 \$'000
Current		
Prepayments	1,615	1,958
Total	1,615	1,958

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 6: How we finance our operations

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

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

Structure

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

The level of cash required to finance our operations was impacted during the financial year which was attributable to the COVID-19 Coronavirus pandemic. This was offset by funding provided by the Department of Health to compensate for reductions in revenue and to cover certain direct and indirect COVID-19 related costs.

Key judgements and estimates

This section contains the following key judgements and estimates:

Key judgements and estimates	Description
Determining if a contract is or contains a lease	<p>The Health Service applies significant judgement to determine if a contract is or contains a lease by considering if the Health Service:</p> <ul style="list-style-type: none"> ▪ has the right-to-use an identified asset ▪ has the right to obtain substantially all economic benefits from the use of the leased asset and ▪ can decide how and for what purpose the asset is used throughout the lease.
Determining if a lease meets the short-term or low value asset lease exemption	<p>The Health Service applies significant judgement when determining if a lease meets the short-term or low value lease exemption criteria.</p> <p>The Health Service estimates the fair value of leased assets when new. Where the estimated fair value is less than \$10,000, the Health Service applies the low-value lease exemption.</p> <p>The Health Service also estimates the lease term with reference to remaining lease term and period that the lease remains enforceable. Where the enforceable lease period is less than 12 months the Health Service applies the short-term lease exemption.</p>
Discount rate applied to future lease payments	<p>The Health Service discounts its lease payments using the interest rate implicit in the lease. If this rate cannot be readily determined, which is generally the case for the Health Service's lease arrangements, the Health Service uses its incremental borrowing rate, which is the amount the Health Service would have to pay to borrow funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.</p>

Assessing the lease term

The lease term represents the non-cancellable period of a lease, combined with periods covered by an option to extend or terminate the lease if the Health Service is reasonably certain to exercise such options.

The Health Service determines the likelihood of exercising such options on a lease-by-lease basis through consideration of various factors including:

- If there are significant penalties to terminate (or not extend), the Health Service is typically reasonably certain to extend (or not terminate) the lease.
- If any leasehold improvements are expected to have a significant remaining value, the health service is typically reasonably certain to extend (or not terminate) the lease.
- The Health Service considers historical lease durations and the costs and business disruption to replace such leased assets.

Note 6.1: Borrowings

	Note	Total 2021 \$'000	Total 2020 \$'000
Current			
– Department of Health		-	40,186
– Lease Liability ⁽ⁱ⁾	6.1(a)	8,854	9,477
– St Vincent's Healthcare Ltd		131	1,314
– St Vincent's Health Australia		736	1,065
Total Current		9,721	52,042
Non-Current			
– Lease Liability(i)	6.1(a)	19,056	22,648
– St Vincent's Healthcare Ltd		580	-
– St Vincent's Health Australia		2,928	3,663
Total Non-Current		22,564	26,311
Total Interest Bearing Liabilities		32,285	78,353

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

How We Recognise Borrowings

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

The Department of Health represents cash flow in advance from the 2020/21 funding to assist with COVID-19 shortfall.

The Health Service had three related party loans with St Vincent's Healthcare Ltd. Quarterly principle and interest payments were made on two of the loans. Interest charged was at arm's length basis at 3.20% and 3.50% and during the financial year the loans matured on 20th June 2021 and 28th December 2020, respectively. The third loan commenced on 30th June 2021 with quarterly principle and interest payments to be made. Interest charged is at arm's length basis at 3.9% and the loan will mature on 4th June 2026.

The Health Service has two related party loans with St Vincent's Health Australia for which interest payments were made in the current financial year. The interest charged is at arm's length basis at 3.08% and 3.50% and the loans will mature on 30th April 2022 and 30th June 2032, respectively.

Refer to Note 8.4 for more detail on transactions with related parties.

Initial Recognition

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

Subsequent measurement

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

Maturity analysis

Refer to Note 7.1 (b) for maturity analysis of Interest bearing liabilities.

Defaults and breaches

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

a) Lease Liabilities

The Health Service's lease liabilities are summarised below:

	Minimum future lease payments (i)		Present value of minimum future lease payments	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Not later than one year	9,379	10,178	8,854	9,477
Later than one year but not later than five years	17,966	21,183	17,267	20,143
Later than five years	1,826	2,588	1,789	2,505
Minimum future lease payments	29,171	33,949	27,910	32,125
Less future finance charges	(1,261)	(1,824)	-	-
TOTAL	27,910	32,125	27,910	32,125

Included in the Financial Statements as:

Current Borrowings - Lease Liability	8,854	9,477
Non-Current Borrowings – Lease Liability	19,056	22,648
Total	27,910	32,125

(i) The weighted average interest rate implicit in leases is 2.19% (2020 – 2.62%)

How We Recognise Lease Liabilities

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

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

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

The Health Service's lease arrangements consist of the following:

Type of asset leased	Lease term
Leased buildings	1 to 7 years
Leased plant, equipment, furniture, fittings and vehicles	1 to 5 years

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

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

Separation of lease and non-lease components

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

Initial measurement

The lease liability is initially measured at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily determinable or the Health Service's incremental borrowing rate. Our lease liability has been discounted by rates of between 0.83% to 2.66%.

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

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

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

- Property leases for pathology collections centres, option to extend leases for further terms
- Property leases for office space, option to extend leases for further terms

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

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

During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was an increase in recognised lease liabilities and right-of-use assets of \$3.376m.

Subsequent measurement

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right of use asset is already reduced to zero.

Note 6.2: Cash and Cash Equivalents

	Total 2021 \$'000	Total 2020 \$'000
Cash at Bank and on Hand		
Cash on Hand	37	37
Cash at Bank	60,056	41,138
Cash at 30 June	60,093	41,175
Represented by:		
Cash for Operations	48,270	32,435
Cash for Monies Held in Trust	11,823	8,740
Cash at 30 June	60,093	41,175

How We Recognise Cash and Cash Equivalents

Cash and cash equivalents recognised on the Balance Sheet comprise 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.

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

Note 6.3: Commitments for expenditure

	Total 2021 \$'000	Total 2020 \$'000
Capital Expenditure Commitments		
Less than 1 year	8,557	6,795
Longer than 1 year but not longer than 5 years	4,350	4,287
Total Capital Commitments	12,907	11,082
Operating Expenditure Commitments		
Less than 1 year	1,997	1,457
Total Operating Commitments	1,997	1,457
Total Commitments for Expenditure (inclusive of GST)	14,904	12,539
Less GST recoverable from the Australian Taxation Office	(1,355)	(1,140)
Total Commitments for Expenditure (exclusive of GST)	13,549	11,399

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

How We Disclose Our Commitments

Expenditure commitments

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

Short term and low value leases

The Health Service discloses short term and low value lease commitments which are excluded from the measurement of right-of-use assets and lease liabilities. Refer to Note 6.1 for further information.

Note 7: Risks, contingencies & valuation uncertainties

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

Structure

- 7.1 Financial instruments
- 7.2 Financial risk management objectives and policies
- 7.3 Fair value determination of financial assets and liabilities
- 7.4 Contingent assets and contingent liabilities

Note 7.1: Financial Instruments

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Due to the nature of the 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.

Note 7.1 (a) Categorisation of Financial Instruments

2021	Note	Financial Assets at Amortised Cost \$'000	Financial Assets at Fair Value Through Net Result \$'000	Financial Liabilities at Amortised Cost \$'000	Total \$'000
Contractual Financial Assets					
Cash and Cash Equivalents	6.2	60,093	-	-	60,093
<i>Receivables</i>					
Trade Debtors	5.1	83,430	-	-	83,430
Other Receivables	5.1	230	-	-	230
<i>Investments and other Financial Assets</i>					
Term Deposits	4.1	757	-	-	757
Guaranteed Bill Index Deposit in Escrow	4.1	-	6,104	-	6,104
Shares and Other Managed Investments	4.1	-	81,967	-	81,967
Total Financial Assetsⁱ		144,510	88,071	-	232,581
Financial Liabilities					
Payables	5.2	-	-	82,192	82,192
Borrowings	6.1	-	-	32,285	32,285
Other financial liabilities	5.3	-	-	11,823	11,823
Total Financial Liabilities		-	-	126,300	126,300

2020	Note	Financial Assets at Amortised Cost \$'000	Financial Assets at Fair Value Through Net Result \$'000	Financial Liabilities at Amortised Cost \$'000	Total \$'000
Contractual Financial Assets					
Cash and Cash Equivalents	6.2	41,175	-	-	41,175
<i>Receivables</i>					
Trade Debtors	5.1	83,799	-	-	83,799
Other Receivables	5.1	282	-	-	282
<i>Investments and other Financial Assets</i>					
Term Deposits	4.1	733	-	-	733
Guaranteed Bill Index Deposit in Escrow	4.1	-	6,097	-	6,097
Shares and Other Managed Investments	4.1	-	70,157	-	70,157
Total Financial Assetsⁱ		125,989	76,254	-	202,243
Financial Liabilities					
Payables	5.2	-	-	53,199	53,199
Borrowings	6.1	-	-	78,353	78,353
Other financial liabilities	5.3	-	-	8,740	8,740
Total Financial Liabilities		-	-	140,292	140,292

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

How We Categorise Financial Instruments

Categories of Financial Assets

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

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

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

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

Financial assets at amortised cost

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

- the assets are held by the Health Service to collect the contractual cash flows; and
- the assets' contractual terms give rise to cash flows that are solely payments of principal and interest.

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

The Health Service recognises the following assets in this category:

- cash and deposits;
- receivables (excluding statutory receivables);
- term deposits; and
- certain debt securities.

Financial assets at fair value through other comprehensive income

A financial asset that meets the following conditions is subsequently measured at fair value through other comprehensive income:

- the assets are held by the Health Service to achieve its objective both by collecting the contractual cash flows and by selling the financial assets; and
- the assets' contractual terms give rise to cash flows that are solely payments of principal and interest.

Equity investments are measured at fair value through other comprehensive income if the assets are not held for trading and the Hospital has irrevocably elected at initial recognition to recognise in this category.

Financial assets at fair value through net result

The Health Service initially designates a financial instrument as measured at fair value through net result if:

- it eliminates or significantly reduces a measurement or recognition inconsistency (often referred to as an "accounting mismatch") that would otherwise arise from measuring assets or recognising the gains and losses on them, on a different basis;
- it is in accordance with the documented risk management or investment strategy and information about the groupings was documented appropriately, so the performance of the financial asset can be managed and evaluated consistently on a fair value basis; or
- it is a hybrid contract that contains an embedded derivative that significantly modifies the cash flows otherwise required by the contract.

The initial designation of the financial instruments to measure at fair value through net result is a one-time option on initial classification and is irrevocable until the financial asset is derecognised.

The Health Service recognises listed equity securities as mandatorily measured at fair value through net result and has designated all managed investment schemes as fair value through net result.

Categories of Financial Liabilities

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

Financial liabilities at amortised cost

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

The Health Service recognises the following liabilities in this category:

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

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or
- 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:
 - has transferred substantially all the risks and rewards of the asset; or
 - has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Where 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 Health Service's continuing involvement in the asset.

Derecognition of financial liabilities

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

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

Reclassification of financial instruments

Financial assets are required to be reclassified between fair value through net result, fair value through other comprehensive income and amortised cost when and only when the Health Service's business model for managing its financial assets has changes such that its previous model would no longer apply.

A financial liability reclassification is not permitted.

Note 7.2: Financial Risk Management Objectives and Policies

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

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

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

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

Note 7.2(a) Credit risk

Credit risk refers to the possibility that a borrower will default on its financial obligations as and when they fall due. The 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 the 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, the Health Service is exposed to credit risk associated with patient and other debtors.

In addition, the Health Service does not engage in hedging for its contractual financial assets and mainly obtains contractual financial assets that are on fixed interest, except for cash and deposits, which are mainly cash at bank. As with the policy for debtors, the 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 the Health Service will not be able to collect a receivable. Objective evidence includes financial difficulties of the debtor, default payments, debtors that are more than 90 days overdue, and changes in debtor credit ratings.

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

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

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

Impairment of financial assets under AASB 9 Financial Instruments

The Health Service records the allowance for expected credit loss for the relevant financial instruments, in accordance with *AASB 9 Financial Instruments* Expected Credit Loss approach. Subject to AASB 9 impairment assessment include the Health Service's contractual and statutory receivables.

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

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

Contractual receivables at amortised cost

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

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

		Less than		3 months -		1 - 5	
	30-Jun-21	Current	1 month	1 - 3 months	1 Year	years	Total
Expected loss rate		0.55%	1.48%	4.97%	4.54%	0%	
Gross carrying amount of contractual receivables		44,445	12,763	3,174	25,003	-	85,385
Loss Allowance		244	189	158	1,134	-	1,725

		Less than		3 months -		1-5	
	30-Jun-20	Current	1 month	1-3 months	1 Year	years	Total
Expected loss rate		0.51%	1.51%	5.29%	4.51%	0%	
Gross carrying amount of contractual receivables		44,665	12,827	3,190	25,126	-	85,808
Loss Allowance		227	195	169	1,136	-	1,727

Statutory receivables

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

The statutory receivables are considered to have low credit risk, taking into account the counterparty's credit rating, risk of default and capacity to meet contractual cash flow obligations in the near term. As the result, the loss allowance recognised for these financial assets during the period was limited to 12 months expected losses.

Note 7.2 (b) Liquidity Risk

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

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

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

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

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

	Note	Carrying Amount \$'000	Nominal Amount \$'000	Maturity Dates				
				Less than 1 Month	1-3 Months	3 Months to 1 Year	1 - 5 Years	Over 5 Years
				\$'000	\$'000	\$'000	\$'000	\$'000
2021								
Financial Liabilities								
<i>At amortised cost</i>								
Payables	5.2	82,192	82,192	50,353	31,839	-	-	-
Borrowings	6.1	32,285	32,285	738	1,508	7,475	18,880	3,684
Other financial liabilities								
- Accommodation Deposits	5.3	9,027	9,027	9,027	-	-	-	-
- Other	5.3	2,796	2,796	2,796	-	-	-	-
Total Financial Liabilities		126,300	126,300	62,914	33,347	7,475	18,880	3,684
2020								
Financial Liabilities								
<i>At amortised cost</i>								
Payables	5.2	53,199	53,199	31,456	21,743	-	-	-
Borrowings	6.1	78,353	78,353	8,360	36,487	7,194	21,635	4,677
Other financial liabilities								
- Accommodation Deposits	5.3	6,039	6,039	6,039	-	-	-	-
- Other	5.3	2,701	2,701	2,701	-	-	-	-
Total Financial Liabilities		140,292	140,292	48,556	58,230	7,194	21,635	4,677

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

Note 7.2 (c) Market Risk

The Health Service's exposure to market risk are primarily through interest rate risk and equity price risk. Objectives, policies and processes used to manage each of these risks are disclosed below.

Sensitivity disclosure analysis and assumptions

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

- a change in interest rates of 1% up or down
- a change in the top ASX 200 index of 15% up or down.

Interest rate risk

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. The Health Service does not hold any interest-bearing financial instruments that are measured at fair value, and therefore has no exposure to fair value interest rate risk.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Health Service has minimal exposure to cash flow interest rate risk through cash and deposits and bank overdrafts that are at floating rate.

Equity risk

The Health Service is exposed to equity risk through its investments in listed and unlisted shares and managed investment schemes. Such investments are allocated and traded to match the Health Service's investment objectives. The Health Service's sensitivity to equity price risk is set out below.

	-15%		15%
	Carrying Amount	Net result	Net result
2021			
Investments and other contractual financial assets	81,967	(12,295)	12,295
Total Impact	81,967	(12,295)	12,295
2020			
Investments and other contractual financial assets	70,157	(10,523)	10,523
Total Impact	70,157	(10,523)	10,523

Note 7.3: Fair value determination of financial assets and liabilities

The fair values and net fair values of financial 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;

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.

The Health Service currently holds a range of financial instruments that are recorded in the financial statements where the carrying amounts approximate to fair value, due to their short-term nature or with the expectation that they will be paid in full by the end of the 2020-21 reporting period.

These financial instruments include:

<i>Financial assets</i>	<i>Financial liabilities</i>
Cash and deposits	Payables:
Receivables:	For supplies and services
Sale of goods and services	Amounts payable to government and agencies
Accrued investment income	Other payables
Other receivables	Borrowings:
Investments and other contractual financial assets:	St Vincent's Health Australia
Term deposits	
Guaranteed bill index deposit in escrow	
Managed investments	
Unlisted shares	

Financial assets and liabilities measured at fair value

	Carrying amount as at 30 June \$'000	Fair value measurement at end of reporting period		
2021		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Financial assets at FVTPL				
Guaranteed Bill Index Deposit in Escrow	6,104	6,104	-	-
Shares and Managed Investment Schemes	81,967	-	81,967	-
Total	88,071	6,104	81,967	-

	Carrying amount as at 30 June \$'000	Fair value measurement at end of reporting period		
2020		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Financial assets at FVTPL				
Guaranteed Bill Index Deposit in Escrow	6,097	6,097	-	-
Shares and Managed Investment Schemes	70,157	-	70,157	-
Total	76,254	6,097	70,157	-

There have been no transfers between levels during the period.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate fair value.

Guaranteed Bill Index Deposit in Escrow

The Guaranteed bill index deposit in escrow is the excess of the Business Occupancy Allowance over payments to AIB Bondholders at the time for financing the IPS building at 41 Victoria Parade, Fitzroy which ceased in November 2017. This amount is held in escrow pending release to the Health Service for repayment of debt or future capital projects. The Health Service classifies these funds as Level 1.

Managed investment and unlisted shares

The Health Service invests in managed funds, which are not quoted in an active market and which may be subject to restrictions on redemptions. The Health Service considers the valuation techniques and inputs used in valuing these funds as part of its due diligence prior to investment, to ensure they are reasonable and appropriate and therefore the net asset value (NAV) of these funds may be used as an input into measuring their fair value. In measuring this fair value, the NAV of the funds is adjusted, as necessary, to reflect restrictions and redemptions, future commitments and other specific factors of the fund. In measuring fair value, consideration is also paid to any transactions in the shares of the fund. Depending on the nature and level of adjustments needed to the NAV and the level of trading of the Health Service, the Health Service classifies these funds as either Level 2 or Level 3.

Note 7.4: Contingent assets and contingent liabilities

The Health Service has no contingent assets as at 30 June 2021 (2020: nil).

However, upon taking into account the Victorian Government policy in identifying non-compliant cladding, the Health Service has inspected its buildings and has identified that it needs to rectify cladding issues related to the main Health Service inpatient building in Fitzroy. As such, the cladding works that have been partially delayed by the COVID-19 pandemic have given rise to a contingent liability as the proposed works remain subject to great uncertainty in relation to the nature and timing of the works required, the nature of cladding product to be utilised, and the ultimate funding source. The contingent liability is estimated to be in the range of \$8m - \$12m. Discussions are being held with the Department of Health to seek funding for the works.

How We Measure and Disclose Contingent Assets and Contingent Liabilities

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

Contingent assets

Contingent assets are possible assets that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Health Service. These are classified as either quantifiable, where the potential economic benefit is known, or non-quantifiable.

Contingent liabilities

Contingent liabilities are:

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

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

Note 8: Other Disclosures

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

Structure

- 8.1 Reconciliation of net result for the year to net cash inflow/ (outflow) from operating activities
- 8.2 Responsible persons disclosures
- 8.3 Executive officer disclosures
- 8.4 Related parties
- 8.5 Remuneration of auditors
- 8.6 Ex-gratia expenses
- 8.7 Events occurring after the balance sheet date
- 8.8 Jointly Controlled Operations
- 8.9 Equity

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

Note 8.1: Reconciliation of Net Result for the Year to Net Cash Inflow / (Outflow) from Operating Activities

	Total 2021 \$'000	Total 2020 \$'000
Net Result for the Year	31,932	11,876
Non-cash Movements:		
Depreciation and Amortisation	38,149	29,843
Revaluation of Investment Property	(300)	34
Net movement in Finance Lease	-	677
Allowance for impairment losses of contractual receivables	1,217	827
Revaluation of Long Service Leave	(2,417)	700
Assets Received Free of Charge	(3,343)	(3,295)
Net (Gain)/Loss on Financial Assets at Fair Value	(10,759)	2,492
Income from Investments Reinvested	(588)	(1,353)
Management Fees for Managed Investments	12	30
Movements included in Investing and Financing Activities:		
Net (Gain)/Loss on Disposal of Non-Current Assets	(21)	(6)
Capital Receipts	(4,748)	(5,520)
Movements in Operating Assets and Liabilities:		
(Increase)/Decrease in Receivables and Contract Assets	5,023	(28,988)
(Increase)/Decrease in Inventories	430	(1,362)
(Increase)/Decrease in Prepaid Expenses	343	(369)
Increase/(Decrease) in Payables and Contract Liabilities	34,092	944
Increase/(Decrease) in Employee Entitlements	15,608	16,715
Increase/(Decrease) in Other Liabilities	(31,102)	-
Net Cash Inflow from Operating Activities	73,528	23,245

Note 8.2: Responsible Persons Disclosures

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

Responsible Ministers	Period
The Honourable Martin Foley:	
Minister for Mental Health	01 Jul 2020 – 29 Sep 2020
Minister for Health	26 Sep 2020 – 30 Jun 2021
Minister for Ambulance Services	26 Sep 2020 – 30 Jun 2021
Minister for the Coordination of Health and Human Services: COVID-19	26 Sep 2020 – 09 Nov 2020
The Honourable Jenny Mikakos:	
Minister for Health	01 Jul 2020 – 26 Sep 2020
Minister for Ambulance Services	01 Jul 2020 – 26 Sep 2020
Minister for the Coordination of Health and Human Services: COVID-19	01 Jul 2020 – 26 Sep 2020
The Honourable Luke Donnellan:	
Minister for Child Protection	01 Jul 2020 – 30 Jun 2021
Minister for Disability, Ageing and Carers	01 Jul 2020 – 30 Jun 2021
The Honourable James Merlino:	
Minister for Mental Health	29 Sep 2020 – 30 Jun 2021

Governing Board

The Directors of the Health Service during the year were:	
Mr P McClintock AO	01/07/20 – 30/06/21
Ms A McDonald	01/07/20 – 30/06/21
Prof S Crowe AM	01/07/20 – 30/06/21
Dr M Coote	01/07/20 – 30/06/21
Ms S McPhee AM	01/07/20 – 30/06/21
Ms A Cross AM	01/07/20 – 30/06/21
Mr P O'Sullivan	01/07/20 – 30/06/21
Ms J Watts	01/07/20 – 30/06/21
Mr D O'Brien	01/07/20 – 30/06/21
Ms S McGregor	01/07/20 – 30/06/21

Accountable Officer

Ms A Nolan (Chief Executive Officer)	01 Jul 2020 – 30 Jun 2021
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b) Remuneration of Responsible Persons

Directors of the St Vincent's Health Australia Board (also sitting as the St Vincent's Hospital (Melbourne) Board), received payment for their roles as Directors. These amounts were paid and accounted for by St Vincent's Health Australia Limited and not St Vincent's Hospital (Melbourne) Limited.

Those Responsible persons who held Executive positions within the Health Service and those directors, who received remuneration for their management or professional duties, are shown in the relevant income bands below.

	Total Remuneration	
	2021	2020
	No.	No.
\$10,000 - \$19,999		1
\$40,000 - \$49,999		2
\$60,000 - \$69,999	2	2
\$70,000 - \$79,999	1	3
\$80,000 - \$89,999	6	
\$90,000 - \$99,999		4
\$130,000 - \$139,000	1	
\$140,000 - \$149,999		1
\$400,000 - \$409,999	1	
\$450,000 - \$459,000		1
Total	11	14
Total Remuneration \$'000	1,209	1,385

c) Retirement Benefits of Responsible Persons

There were no retirement benefits paid by the Health Service in connection with the retirement of Responsible Persons of St Vincent's Hospital (Melbourne) Limited.

Note 8.3: Executive Officer Disclosures

Executive Officer Remuneration

The number of Executive Officers, other than the Ministers and the Accountable Officer, and their total remuneration during the reporting period is shown in the table below.

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

Short-term Employee Benefits

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

Post-employment Benefits

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

Other Long-term Benefits

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

Termination Benefits

Termination of employment payments, such as severance packages.

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

Compensation	2021 \$'000	2020 \$'000
Short-term employee benefits	2,653	2,761
Post-employment benefits	225	221
Other long-term benefits	320	428
Termination benefits	117	-
Total	3,315	3,410
Total Number of Executives (i)	16	13
Total Annualised Employee Equivalent (ii)	11.7	10.5

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

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

Note 8.4: Related parties

The Health Service is a wholly owned and controlled entity of the St Vincent's Health Australia group. Related parties of the Health Service include:

- all key management personnel and their close family members;
- all cabinet ministers and their close family members;
- all other entities within the wholly-owned group;
- all jointly controlled operations; and
- all hospitals and public sector entities that are controlled and consolidated into the State of Victoria financial statements.

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

Key management personnel (KMP) of the Health Service include the Portfolio Ministers and Cabinet Ministers and KMP as determined by the Health Service. The Board of Directors and the Executive Directors of the Health Service are deemed to be KMPs.

Key management personnel of the Health Service

Entity	KMPs	Position Title
St Vincent's Health Australia	Mr T Hall	Group Chief Executive Officer
St Vincent's Health Australia	Ms R Martin	Group Chief Financial Officer
St Vincent's Health Australia	Mr R Beetson	Group General Manager, Legal, Governance & Risk
St Vincent's Health Australia	Prof P O'Rourke	Chief Executive Officer, Public Hospitals Division
St Vincent's Health Australia	Mr P McClintock AO	Chair of the Board
St Vincent's Health Australia	Ms A McDonald	Director of the Board
St Vincent's Health Australia	Prof S Crowe AM	Director of the Board
St Vincent's Health Australia	Ms A Cross AM	Director of the Board
St Vincent's Health Australia	Dr M Coote	Director of the Board
St Vincent's Health Australia	Ms S McPhee AM	Director of the Board
St Vincent's Health Australia	Mr P O'Sullivan	Director of the Board
St Vincent's Health Australia	Ms J Watts	Director of the Board
St Vincent's Health Australia	Mr D O'Brien	Director of the Board
St Vincent's Health Australia	Ms S McGregor	Director of the Board
St Vincent's Hospital Melbourne	Ms A Nolan	Chief Executive Officer
St Vincent's Hospital Melbourne	Mr I Broadway	Chief Financial Officer
St Vincent's Hospital Melbourne	Mr S Vale	Executive Director Community & Correctional Services (retired 30 th September 2020)
St Vincent's Hospital Melbourne	Mr C Goodyear	Executive Director Acute Services (retired 31st January 2021)
St Vincent's Hospital Melbourne	Ms J Gazarek	Acting Executive Director Acute Services (appointed 1st January 2021 & retired 25th April 2021)
St Vincent's Hospital Melbourne	Ms N Tweddle	Executive Director Acute Services (appointed 19 th April 2021)
St Vincent's Hospital Melbourne	Mr M Smith	Executive Director Integrated Care Services
St Vincent's Hospital Melbourne	Mr E Harvey	Chief Executive Officer, Aikenhead Centre for Medical Discovery (appointed 1 st July 2020)
St Vincent's Hospital Melbourne	Mr A Crettenden	Project Director, Aikenhead Centre for Medical Discovery
St Vincent's Hospital Melbourne	Ms A Mcfadgen	Executive Director Strategy & Planning
St Vincent's Hospital Melbourne	Ms R Roberts	Executive Director People & Corporate Services
St Vincent's Hospital Melbourne	Mr C Cummins	Acting Director People & Corporate Services (retired 23 rd August 2020)
St Vincent's Hospital Melbourne	Mr C Cummins	Executive Director Performance Improvement (appointed 23 rd August 2020)
St Vincent's Hospital Melbourne	Mr S Craig	Acting Director Performance Improvement (retired 23 rd August 2020)
St Vincent's Hospital Melbourne	Ms M Stewart	Executive Director Mission
St Vincent's Hospital Melbourne	Mr A Tobin	Chief Medical Officer
St Vincent's Hospital Melbourne	Ms K Riddell	Chief Nursing Officer
St Vincent's Hospital Melbourne	Ms C Douglas	Executive Director St Vincent's Hospital on the Park (retired 31 st July 2021)

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

Compensation	2021 \$'000	2020 \$'000
Short-term employee benefits	6,890	7,025
Post-employment benefits	407	410
Other long-term benefits	333	442
Termination benefits	117	-
Total	7,747	7,877

Total Compensation of \$7.75 million (2020: \$7.87 million) includes remuneration of St Vincent's Hospital Melbourne's Executives and St Vincent's Health Australia's Executive Leadership Team, Board Members and Directors.

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.

Significant transactions with government-related entities

The Health Service received funding from the Department of Health of \$707.47 million (2020: \$615.72 million).

Other significant transactions with government related entities were with Victorian Managed Insurance Authority (VMIA) \$5.71 million (2020: \$5.58 million), WorkSafe Victoria \$3.78 million (2020: \$4.36 million) and Department of Health for borrowing of \$nil million (2020: \$40.19million) and for long service leave debtor adjustment of \$3.35 million (2020: \$19.68 million).

Transactions with entities in the wholly-owned group

St Vincent's Hospital (Melbourne) Limited is part of a wholly owned group. Transactions between St Vincent's Hospital (Melbourne) Limited and other entities in the wholly owned group during the year ended 30 June 2021 consist of:

- i) Recoveries by St Vincent's Hospital (Melbourne) Limited for the provision of management and administrative services
- ii) Recoveries by St Vincent's Hospital (Melbourne) Limited for the provision of other health services at cost
- iii) Payment to St Vincent's Health Australia Limited Group levy and other service costs
- iv) Repayment of loans (including interest) and payment of a car park lease to St Vincent's Healthcare Ltd

Transactions with entities in the wholly-owned group

	2021	2020
	\$'000	\$'000
Aggregate amounts included in the determination of operating profit that resulted from transactions with entities in the wholly-owned group:		
Health Service carpark, group levy, ICT shared services and costs charged by St Vincent's Health Australia Ltd and St Vincent's Healthcare Limited	18,855	17,565
Campus Lease charge by St Vincent's Healthcare Ltd	825	888
Interest revenue received from St Vincent's Healthcare Ltd	14	17
Facility Lease charge by St Vincent's Healthcare Ltd	66	66
Aggregate amounts receivable from, and payable to, entities in the wholly owned group at Statement of Financial Position date:		
Current receivables due from St Vincent's Healthcare Ltd and St Vincent's Health Australia Ltd	400	825
Non-Current receivables due from St Vincent's Healthcare Ltd and St Vincent's Health Australia Ltd	160	226
Current payables owing to St Vincent's Healthcare Ltd and St Vincent's Health Australia Ltd	1,314	3,231
Non-current payable owing to St Vincent's Healthcare Ltd and St Vincent's Health Australia Ltd	3,508	3,663
Aggregate amounts included in the determination of operating profit that resulted from transactions with each class of other related parties:		
Recoveries for the provision of management and administrative services to St Vincent's Private Hospitals Ltd	4,570	4,234
Costs charged for the provision of other health services by St Vincent's Private Hospitals Ltd	586	589
Aggregate amounts receivable from, and payable to, with each class of other related parties, at Statement of Financial Position date:		
Current receivables from St Vincent's Private Hospitals Ltd	1,125	1,056
Current Payables to St Vincent's Private Hospitals Ltd	124	63
Costs charged for lease of property by St Vincent's Care Services - VIC	39	-
Costs charged for Aged Care account services by St Vincent's Care Services - QLD	36	-
Current Payables to St Vincent's Care Services - QLD	5	-

Pursuant to a Loan and Restructure Agreement between the Trustees of the Sisters of Charity and St Vincent's Healthcare Ltd, land and building assets, including leasehold improvements, have been transferred to St Vincent's Healthcare Ltd as at 1 January 2003 at written down value.

Note 8.5: Remuneration of Auditors

	2021 \$'000	2020 \$'000
Victorian Auditor-General's Office		
Audit fees paid or payable for audit of the St Vincent's Hospital (Melbourne) Limited's financial statements	90	100
Other Service Providers		
HLB Mann Judd	-	1
Total Remuneration	90	101

Note 8.6: Ex-gratia expenses

	2021 \$'000	2020 \$'000
Payments made to terminated employees	476	277
Ex gratia expenses	476	277

Note 8.7: Events occurring after the balance sheet date

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

Note 8.8: Jointly Controlled Operations

Name of Entity	Principal Activity	Ownership	interest
Victorian Comprehensive Cancer Centre	The member entities have committed to the establishment of a world leading comprehensive cancer centre in Parkville, Victoria, through the Joint Venture, with a view to saving lives through the integration of cancer research, education and training and patient care.	2021 10.0%	2020 10.0%

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

	Total 2021 \$'000	Total 2020 \$'000
Current Assets		
Cash and Cash Equivalents	559	1,057
Receivables	13	24
Prepayments	8	34
Total Current Assets	580	1,115
Non-Current Assets		
Financials Assets	-	2
Property, Plant and Equipment	17	17
Total Non-Current Assets	17	19
Total Assets	597	1,134
Current Liabilities		
Accrued Expenses	18	64
Payables	25	60
Prepaid Revenue	15	21
Provisions – LSL and Annual Leave	34	32
Total Current Liabilities	92	177
Non-Current Liabilities		
Provisions – LSL	9	10
Total Non-Current Liabilities	9	10
Total Liabilities	101	187
Net Assets	496	947

The Health Service's interest in revenue and expenses resulting from jointly controlled operations and assets is detailed below:

	Total 2021 \$'000	Total 2020 \$'000
Revenue		
Grants and Other Revenue	687	965
Interest	2	14
Total Revenue	689	979
Expenses		
Employee Benefits	537	502
Other Expenses from Continuing Operations	597	977
Depreciation and Amortisation	6	7
Total Expenses	1,140	1,486
Net Result	(451)	(507)

Investments in jointly controlled assets and operations

In respect of any interest in jointly controlled assets, the Health Service recognises in the financial statements:

- its share of jointly controlled assets;
- any liabilities that it has incurred;
- its share of liabilities incurred jointly by the joint venture;
- any income earned from the selling or using of its share of the output from the joint venture; and
- any expenses incurred in relation to being an investor in the joint venture.

The Health Service holds a one tenth interest in the Victorian Comprehensive Cancer Centre joint venture (VCCC). The VCCC has been established to bring together experts in cancer to build on and strengthen collaborations in cancer research, cancer education and training and cancer treatment and care to ensure the best possible outcomes for the benefit of people affected by cancer.

Contingent liabilities and capital commitments

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

Note 8.9: Equity

General purpose surplus

The general purpose surplus is established where the Health Service has generated funds internally for a specific purpose for future certain or uncertain obligation that may arise.

Property, plant and equipment revaluation surplus

The property, plant and equipment revaluation surplus arises on the revaluation of cultural assets. The revaluation surplus is not normally transferred to accumulated surpluses/ (deficits) on de-recognition of the relevant asset.

Restricted specific purpose reserves

The restricted specific purpose reserve is established where the 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.

AIB surplus

The AIB (Annuity index bonds) surplus is a specific surplus used for deposit made to Treasury Corporation of Victoria. Annually, the Health Service recognises capitalised interest received as a surplus in this account.

Funds held in perpetuity

Funds held in perpetuity are funds held by the Health Service to cover the cash flow gap between payments made and recovered on behalf of St Vincent's Institute of medical research.

Contributed capital

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

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

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

Accumulated surpluses/(Deficits)

Accumulated Surplus is where accumulated excess of revenues over expenses from prior years which has not been set aside for specific purposes. Accumulated Deficit arise where accumulated excess of expenses over revenue from prior years which has not been set aside for specific purposes.