



HESSE
RURAL
HEALTH

Annual Report
2021-22



VISION

Caring for Rural Communities

OUR VALUES

Innovation

Embracing new ideas that lead to success

Integrity

Be open and honest

Caring

Displaying kindness and empathy

Accountable

Taking responsibility for our own actions

Respect

Value the rights and wishes of others

Excellence

Committed to being the best

MISSION

Hesse is dedicated to providing and facilitating access to best practice health, aged and community based services that strive for rural wellbeing.

Hesse Rural Health Service (Hesse) is a public health service established under the Health Services Act 1988 and relevant amendments, and is governed by a Board of Directors appointed by the Governor in Council by the recommendation of the Victorian State Minister for Health.



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RELEVANT MINISTERS

The Hon. Martin Foley MP,
01.07.21 - 27.06.2022

Minister for Health,
Minister for Ambulance Services
and
Minister for Equality.

The Hon. Mary-Anne Thomas MP,
27.06.22 - 30.06.2022

Minister for Health and
Minister for Ambulance Services.

The Hon. James Merlino, MP
01.07.21 - 27.06.2022
Minister for Mental Health

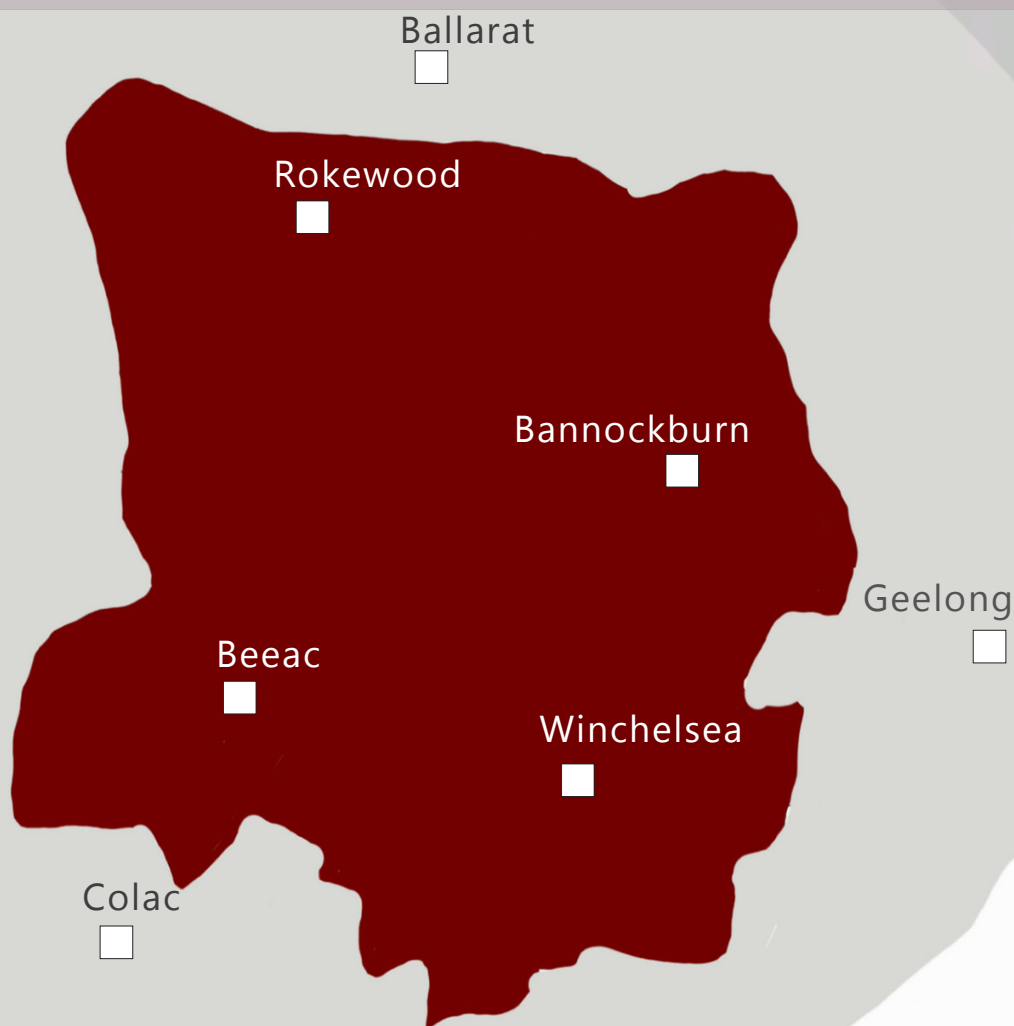
The Hon. Gabrielle Williams MP,
27.06.22 - 30.06.2022
Minister for Mental Health,
Minister for Treaty and First Persons



Hesse Rural Health acknowledges Victoria's Aboriginal and Torres Strait Islander communities and their rich culture. We pay respects to the Ancestors, Elders and Communities of the Kulin Nation and Eastern Maar Nation, the custodians of the land on which we deliver our health care services. We seek to ensure the facilities, environment and services we manage are welcoming and inclusive for all people.

THE HEART OF HESSE

Hesse is committed to leading health and wellbeing by providing best practice health, aged care and community services to enable the wellbeing of our community. At the heart of Hesse is our staff, with person-centred care for all stakeholders being central to all decision-making. As an innovative rural health service, Hesse provides acute, aged and community based services across parts of the municipalities of Colac Otway, Golden Plains and the Surf Coast. Hesse partners with the Winchelsea Hostel and Nursing Home Society Inc., a not-for-profit entity and Commonwealth Residential Aged Care Service (RACS) provider, whose charter it is to plan, provide and develop appropriate services for the local community.



4 Locations

Approximately
6,652 km²

Approximately
21,000
population

NATURE AND RANGE OF SERVICES

Acute Care Winchelsea

Residential Aged Care Services

- Dementia Care
- Palliative Care
- Residential Care
- Respite

Social Support Groups

- Beeac
- Winchelsea

Urgent Care Service

Allied Health

- Diabetes Education
- Dietetics

- Occupational Therapy

- Physiotherapy

- Podiatry

Children's Services in Rokewood

- Facilitated Play Group

- Occasional Care

Community Nursing

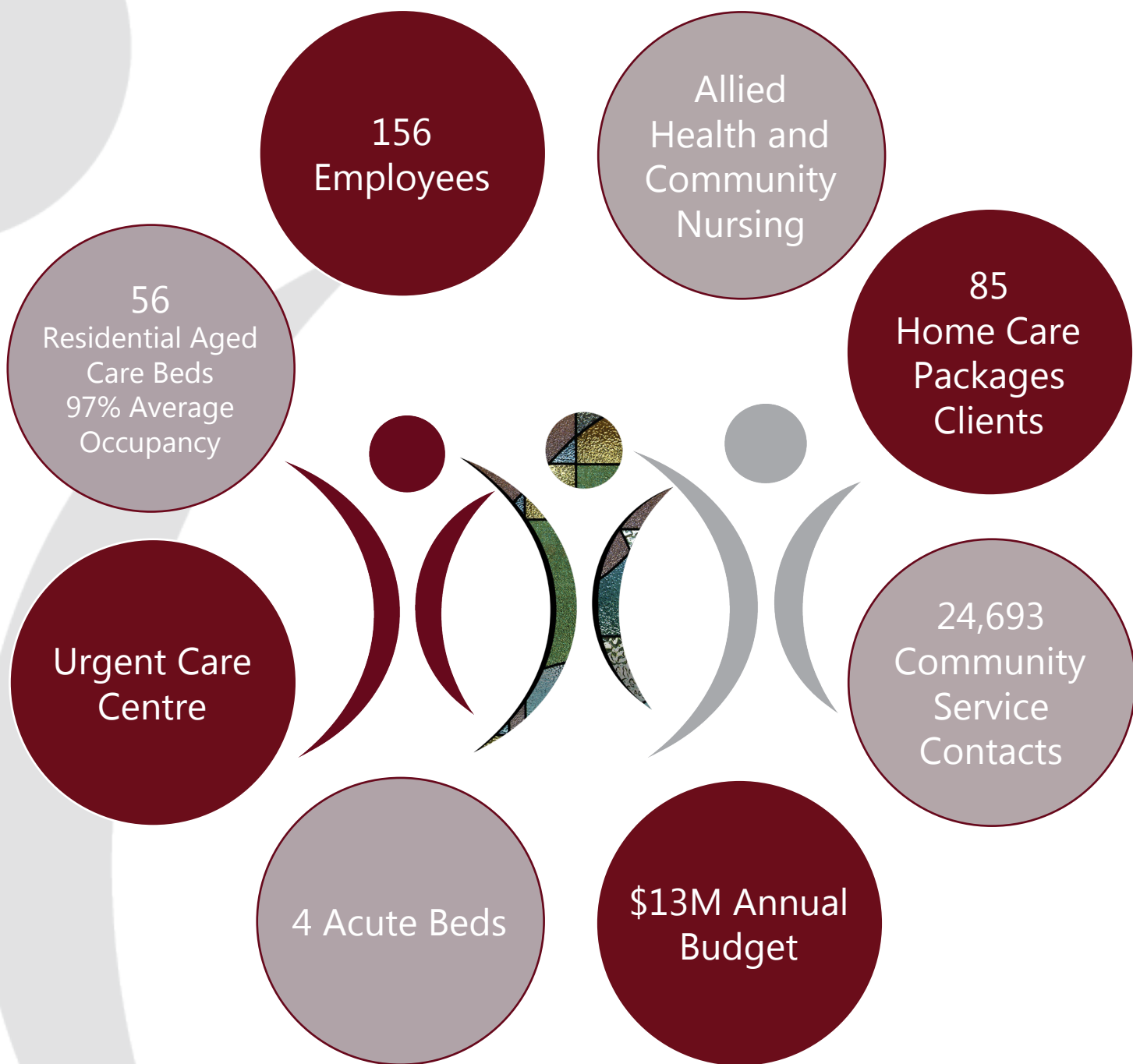
- Postnatal Care in Home

- Hospital in Home

- Palliative Care

- Post-Acute Care

- Wound Management



Community Programs

- Men's Shed
- Social Connect Activities
- Community Garden

Primary Prevention Programs

- Farm Safety Program
- Pre-School Health & Wellbeing
- Personal Development
- Screening Programs
- Walking Groups

Home Care Package Management

Home Support Services

- Personal & Domestic Assistance

- Home Maintenance & Modifications

- Delivered Meals
- Community Support
- Transport
- Support for Carers

Health Promotion

- Maternal Health
- Injury Prevention
- Healthy Eating
- Active Living

Group Exercise

- Strength & Balance Classes
- Falls Prevention

Volunteering

MESSAGE FROM THE CHAIR

With the past year continuing to provide many challenges, at Hesse Rural Health we have remained committed to the delivery of high quality, safe and effective care. As we moved forward in a 'COVID Normal' world, we consolidated our resilience, strengths and ability to adapt to change, ensuring our services continued to be provided.

We are extremely proud of our quality leadership team and the staff of Hesse Rural Health, who enabled the continued delivery of services to our community while ensuring infection control practices and pandemic planning continued. Our team continues to show passion every day in providing outstanding care, and we thank all of our staff members for this ongoing commitment and support in ensuring the provision of high quality care for Hesse Rural Health.

The governance of Hesse Rural Health is provided by a dedicated, skills-based Board of ten directors, appointed by the Governor Council and recommended by the Minister. Our governance structure includes Board Sub-Committees that make recommendations to the Board. Throughout the year, Board and Sub-Committees continued a focus on providing best-practice care, ensuring financial sustainability, strengthening organisational capability and culture, and building collaborative partnerships across the region.

The Finance, Risk and Audit Committee, chaired by Mikel Dean and supported by the Hesse finance team, has effectively overseen the mitigation of risk and effective management of finances, enabling a healthy financial position. The Care and Clinical Governance Committee, Chaired by Naida Hutton and then later Alice Bennett, and supported by Hesse clinical and quality team, examined data relating to patient experiences and indicators. They also continued to work closely with the Consumer and Community Advisory Committee, providing advice relating to community needs, an important input to the Board. The Building Committee chaired by Peter Nemtsas, and the Marketing and Fundraising Committee, chaired by Ian Whiting, have also remained very active this year, planning asset upgrades and developing fundraising activities.

We are grateful to Naida Hutton who retired from the Board at our June meeting, having provided invaluable expertise and assistance with our clinical governance and in Board discussions over the past seven years. We also thank Traci Williams who resigned from the position of Director in September 2021, for her contributions during her term. From July we welcome a new Director, with the Governor in Council appointing Clare Winter-Irving for a three year term to the Hesse Rural Health Board of Directors.

We also acknowledge and thank Board Director Kathy Taylor, after providing strong leadership as Board Chair over the past 5 years, chose not to re-stand as Chair during her final years of her third term, enabling a successful transition to a new Board Chair in December. It has been great to see Hesse Rural Health continue to grow, with the pandemic providing many opportunities and positively influencing the way our services operate. Home care package numbers continue to grow and residential aged care occupancy levels remains extremely high and on par with previous years.

A highlight of the year has been the successful delivery of the many quality improvement projects including in residential aged care, with the implementation of an electronic medical record, extended psychological therapy services and a laundry attendant service. These were in addition to the many infrastructure upgrades undertaken, including relocating our Bannockburn site to a larger space with public access, the oven and cooling upgrade in the main kitchen in residential aged care, the nurse call system, the Winchelsea Community Health Centre and Home Care Package offices in 53 Hesse St, along with the residential aged care improvements including the bed replacement program and the installation of additional doors to establish outbreak zone. We also finalised stage one plans for the development of 44-46 Main St, Winchelsea, which will see the commencement of the existing building renovated.

The Board once again entrusted the Consumer and Community Advisory Committee to award the Charlie McDonald Scholarship in 2021, enabling staff participation in learning and development. And in May we welcomed back our organisation wide Staff Forums days, with a focus this year on staff wellbeing, quality

AND CHIEF EXECUTIVE

improvement and demonstrating Hesse's values in action. In March we welcomed Dr Ajai Verma from Barwon Health as Director Medical Services, and we thank outgoing Director Medical Services, Dr Didir Imran, for the medical administration activities and clinical oversight provided during this transition period following the ceasing of the District Director Medical Administration for the Polwarth region.

The community support, kindness and generosity for Hesse Rural Health this year was once again a reminder of how lucky we are. While we acknowledge it has been another challenging year for the many people who support us through donations and fundraising, we appreciate the continued strong support from our Op Shop Rebuild Appeal, with \$156,706 raised to date. We give our thanks to all the individuals and families who have supported Hesse Rural Health by donating to our annual appeal and/or providing bequests.

In late January we unfortunately experienced a heavy storm, flooding the entry and corporate area of our main Winchelsea site. This caused disruption and the relocation of our administration team to the community health building, as well as the closure of our main entry foyer, resulting in changes to the visitor entry process. We are thankful to Hesse's corporate services team who continued to ensure services remained, working under difficult circumstances while the repairs and maintenance required from that event were undertaken.

In June we opened a temporary home for our Hospital Auxiliary Op Shop, bringing back a lifeblood for the Winchelsea community, our passionate volunteers and their many customers. Recreating this vital fundraising tool to support the provision of our health services. The strategic planning of the health service remained a continued focus in 2022, with the Board holding community consultation sessions in Winchelsea, Rokewood and Beeac in May. We look forward to working with our entire community in the year ahead to finalise the strategic plan, strengthen our service and provide a safe environment for all.

We give thanks to all of Hesse's staff, volunteers, Board Directors, stakeholders and the wider community for their service, support, strength, patience and resilience shown throughout this continued challenging year. The teamwork remains extraordinary, displaying many ways to ensure we continue in providing the best of care at Hesse Rural Health.



A handwritten signature in black ink, appearing to read 'Ian Whiting'.

Ian Whiting
Board Chair



A handwritten signature in black ink, appearing to read 'Carissa Brock'.

Carissa Brock
Chief Executive Officer

COMPLIANCE

Responsible Bodies Declaration

In accordance with the Financial Management Act 1994, I am pleased to present the Report of Operations for Hesse Rural Health Service for the year ending 30 June 2022.

Ian Whiting, Chair
4 October 2022



Attestations

Data Integrity

I, Carissa Brock, certify that Hesse Rural Health Service has put in place appropriate internal controls and processes to ensure that reported data accurately reflects actual performance. Hesse Rural Health Service has critically reviewed these controls and processes during the year.

Carissa Brock, Chief Executive Officer
4 October 2022



Conflict of Interest

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

Carissa Brock, Chief Executive Office
4 October 2022



Integrity, Fraud & Corruption

I, Carissa Brock, certify that Hesse Rural Health Service has put in place appropriate internal controls and processes to ensure that Integrity, fraud and corruption risks have been reviewed and addressed at Hesse Rural Health Service during the year.

Carissa Brock, Chief Executive Officer
4 October 2022



Financial Management Compliance Attestation

I, Ian Whiting, on behalf of the Responsible Body, certify that the Hesse Rural Health Service has no Material Compliance Deficiency with respect to the applicable Standing Directions under the Financial Management Act 1994 and Instructions.

Ian Whiting, Chair
4 October 2022



BOARD OF DIRECTORS



Ian Whiting (Chair),
GAICD
Appointed: 2020



Alice Bennett
MAppMan(Nurs),
BN, MN, RN
Appointed: 2017



Mikel Dean
BCom, CPA
Appointed: 2018



Chris Edwards
Bsc(Hons),
MBBS Grad Cert Clin Ed
FACEM,
Appointed: 2022



Naida Hutton
BEd, GDipHRIRM,
RM, RN, GAICD
Appointed: 2015



Ben Maw,
RN, GradDipBus,
GAICD,
Appointed: 2022



Peter Nemtsas
Dip Bus Admin,
CertIV TrngAssmnt
Appointed: 2018



Therese O'Loughlin
BSc (BioHealth), GDip
(Epidemiol & Biostats),
RM, RN
Appointed: 2017



Michelle Stocks
MAICD
Appointed: 2014



Kathy Taylor
BBus GDipOHM,
MAICD
Appointed: 2014

GOVERNING COMMITTEES

Care & Clinical Governance

A Bennett (Chair), T O'Loughlin,
C Edwards, and N Hutton.

Finance, Risk & Audit

M Dean (Chair), B Maw, K Taylor,
I Whiting and C Edwards

Building Planning

P Nemtsas (Chair), M Dean,
B Maw and K Taylor.

Marketing and Fundraising

I Whiting (Chair), A Bennett,
and M Stocks.

Consumer and Community Advisory Committee

M Stocks and N Hutton

ORGANISATIONAL STRUCTURE

Board of Directors

- Board Secretary



Chief Executive Officer
Carissa Brock
BBus, BComp, MCHSM



Director of Clinical Services
Margie McLeod
RN, BN, Certcritcare, MPH



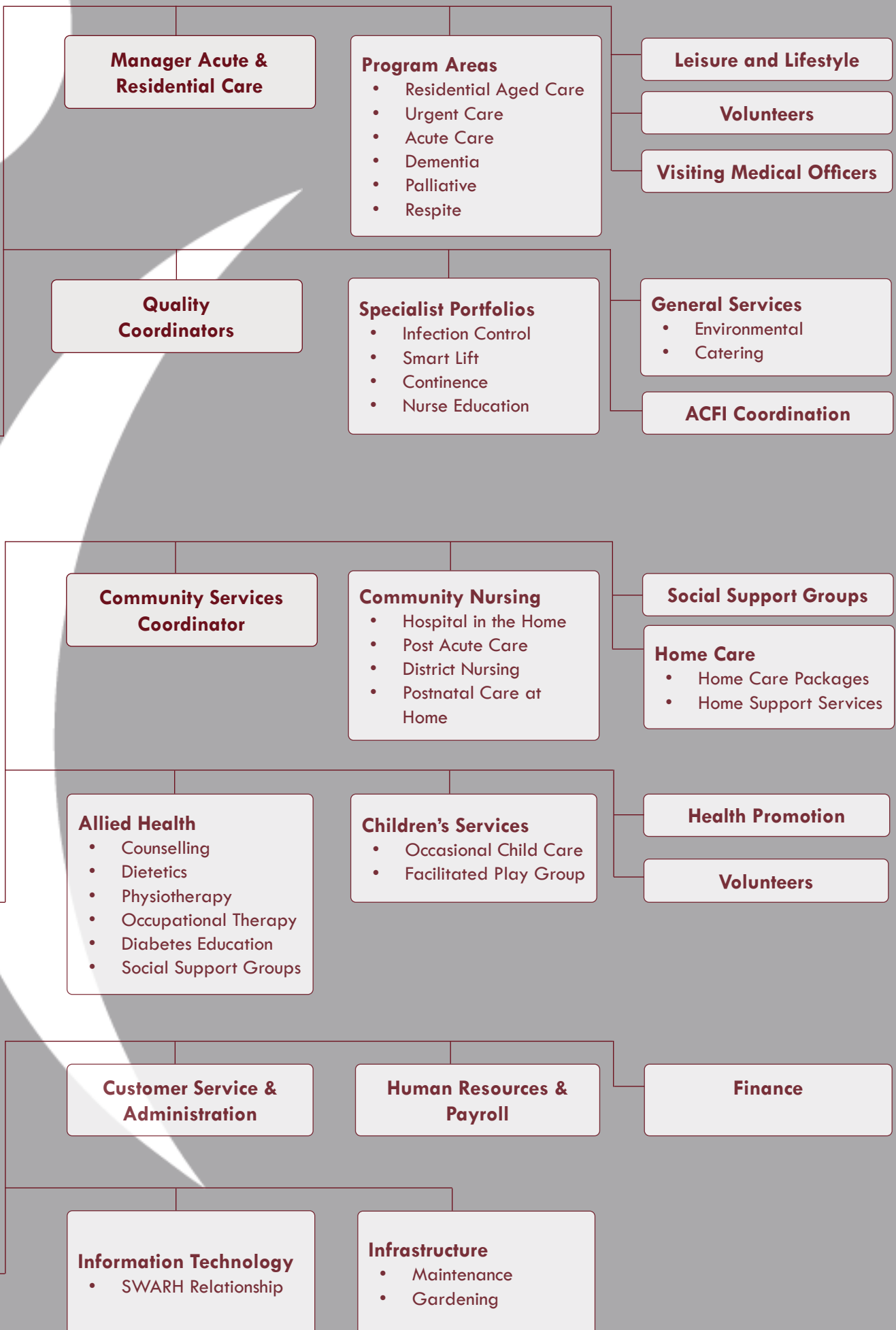
Director of Community Services
Sue Ryan
RM, RN, GCBA



Director of Corporate Services,
CFO & CPO
John Brockway
B.Com, CPA

Director of Medical Services
Dr Ajai Verma
MBBS, MHLthServMt

- Executive Administration
- Marketing & Communications
- Volunteer Management



STRATEGIC PLAN

Partnering for Success

Collaboration, shared skills and formation of strategic alliances with compatible organisations and stakeholders are required for the organisation to be efficient, effective and successful.

Effective Service Promotion

To be a relevant health service to our catchment communities, Hesse will ensure that the public are aware of what the organisation can offer.

A Skilled and Engaged Workforce

Investing in employees and the volunteers workforce will ensure they remain skilled, satisfied and meaningfully engaged to deliver effective services, and enable the organisation to remain a respected employer of choice.

Our Community is the Key

Hesse respects the important role it plays for our rural community, and individuals residing within it, to facilitate effective participation.

Infrastructure Growth and Development

Hesse is responsive to the changing community profile and demand for services, considering immediate, short and long term needs for infrastructure, growth and development.

A Sustainable Business Culture

Financial practices and strategies will be based upon sound, ethical and innovative business principles to ensure future viability.

Achieving Excellence and Innovation

Hesse will build upon a culture of safety, quality and continuous improvement in the drive for service excellence and innovation.

Integrated Health & Wellbeing

Incorporating health promotion, prevention and early intervention concepts, standards and values into health service delivery will benefit consumers, our staff and broader community.

Accessible and Relevant Health Service Throughout the Lifespan

Services provided will be available throughout the lifespan, based upon evidence of needs with clear and accessible pathways facilitating effective links to the services consumers require.

RESIDENT PSYCHOLOGY SERVICES

A new mental health support service was introduced for our aged care residents in 2021, with the aim to improve their mental health and wellbeing through extended psychological therapy services. Mental health clinicians visiting aged care residents on site provides an essential support for our consumers.

The service was designed to meet the needs of residents with low to mild diagnosed mental health conditions and/or those who are at risk of mental illness, using a range of non-pharmacological psychosocial interventions. Requests for the service could come from the resident, family and friends, GP or residential aged care staff. Interventions were delivered on an individual basis through counselling, using talk-based therapy and group session interventions.

The program also included music therapy; using music to actively support people as they strive to improve their health, functioning and wellbeing. Music therapy is different from music education and entertainment as it focuses on health, functioning and wellbeing. Lead by the Western Victoria Primary Health Network (WVPHN) and funded through the federal government, the service provided greater access to mental health clinicians for our residents. Better Place Australia and APMHA Healthcare Limited were engaged to deliver the services, providing short-term psychological therapy to our residents.



"It was helpful to have someone listen to my concerns and worries."



ELECTRONIC RECORDS



An Electronic Health Record (EHR) platform was introduced in residential aged care to replace the paper based notes, assessments, care plan and history. The EHR supports the delivery of quality care and improves daily operations through a consistent, shared and accessible platform.

The platform helps connect care staff, managers, catering staff, allied health and general practitioners, supporting the delivery of person-centred care. All resident assessments, care plans, referral information, daily charts and specialised nursing needs are readily accessible on one platform. The system also provides reports to assist with monitoring and compliance. Additional mobile computers on wheels provide easy access for care staff.

The introduction of the additional module of an electronic medication system in residential aged care is planned for 2023.



"Thank you so very much for taking such good care and being a caring friend to our father, you made his time in Hesse as comfortable as possible and we really appreciate all that you did."

IMPROVING FARM SAFETY

An evaluation of Hesse's Child Farm Safety Program was undertaken by the National Centre for Farmers Health. Hesse originally launched its child farm safety program as a pilot program in 1995 in three schools, and has since expanded to 10 schools in the catchment area. The six week program aims to reduce farm-related injuries, identify preventative risk factors and increase rural children's awareness and knowledge of potential farm-related hazards. The weekly content presented is in line with the key hazards causing child farm injury on Australian farms.

The results of the evaluation highlight the importance of this program in increasing children's farm safety knowledge. The evaluation demonstrated an improvement in student farm safety knowledge between the pre and post program surveys. Teacher evaluations highlighted the significance of the program, particularly the engagement of the students and educational importance of the farm walk.

"The farm walk was invaluable in allowing the students to put their learnings into practice to identify hazards in a real farm setting"

The report encouraged the inclusion of program material to engage parents and data management strategies including the use of online platforms to complete and compile pre and post surveys. The report outlined recommendations on the expansion of the program throughout regional Victoria, highlighting the need for an increased digital presence to access wider geographical areas. This would also allow students/parents access to materials post completion of the program to reinforce the key messages, with the ultimate aim of shifting a culture of farm safety in Victoria.



NEW BANNOCKBURN FACILITY

Hesse partnered with the Golden Plains Shire to improve access to Community Services through a new lease agreement at the Bannockburn Cultural Centre. The new facility, opened in September, significantly improves the health services available to the Bannockburn community, enabling Hesse to continue providing a range of nursing, allied health and home care services to the community under one roof, as well as room for future services growth. In addition to staff offices, the building comprises of a treatment room for clinical services, a client consultation space and access to meeting rooms as required. This new site allows for the strengthening, improved integration and access to services offered to the Golden Plains community.

Community Services has seen an increase in activity since shifting to the new centre, with the number of staff based at the facility increasing to seven. This includes two Home Care Package case managers, three Home Care Workers, an Administration Officer and District Nurse. In addition, visiting allied health service continue, providing health promotion and physiotherapy services. With a vision to diversify visiting allied health to include diabetes education, dietetics and counselling.

Access to modern technology at the facility has enabled increased internet connectivity, allowing for the expansion of our virtual care model through access to telehealth and online meetings. In addition to providing greater efficiency in the provision and management of our health services allowing for growth to meet the needs of the community.

Set within a growing Bannockburn population, over the last twelve months 38 new community health clients were seen, individual care contact stabilising at 3770 hours, and Occupational Therapy services had a 12% growth.

Home Care packages clients also increased from 36 packages in 2021 to 41 in June 2022. Feedback surveys from clients of the health centre indicate a high level of satisfaction with the services provided.



"The nurses encouraged me to do as much as I could. Very thankful that it was arranged for me to get help so someone could keep helping me to shower"



BETTER AT HOME INITIATIVE

Better at Home aims to deliver healthcare within patients' home where appropriate and preferred by the patient, utilising home-based and virtual care models. Hesse has built strong relationships through Health Service Partnerships and bordering health services of Barwon Health, Ballarat Health Service and Colac Area Health, supporting patients to transition their care from an acute facility into their own home. This has resulted in our District Nursing team seeing an increase in referrals for home based services including Hospital In The Home, Post-Acute Care, Palliative Care and Post Natal Midwifery services.

Creating more home-based and virtual care choices, has allowed our local communities access to allied health professionals and nurses from the comfort of their own homes. Studies show patients who are treated at home have better health outcomes because they sleep better, stay socially connected and are more active.

On average each year, the Hesse District Nursing service cares for 38 Hospital In the Home, 74 Post-Acute Care, 26 Palliative and 108 Domiciliary Midwife clients. Nursing staff are supported in learning new skills and new ways of delivering care. As a recipient of a Better at Home Grant, Hesse is further introducing a new virtual health model - including home based monitoring along with access to telehealth.



"Thank you so much for the wonderful nurses. I never thought the wound would heal. I can't believe what they have done. It's amazing. Thank you to all at Hesse"





STAFF WELLNESS

Hesse remains dedicated to providing a healthy environment for our employees. Our staff health and wellbeing program aims to promote health and wellbeing principles that support our workforce. This year the Internal Wellness Program was launched, providing staff with subsidised access to allied health therapies provided by program partners.

Through the Victorian Government's Healthcare Worker Wellbeing program, further health and wellbeing initiatives were implemented for all Hesse staff. Based on staff feedback identified through our Healthy Workplace

Achievement Program survey, initiatives included staff appreciation days and access to regular refreshments including monthly coffee van visits. During the staff forums held in May, the afternoon session had a wellness focus that included the further building of resilience and prevention of stress to support our dedicated team.

75% Permanent
Part Time
Employees

24
Volunteers

92% Female
Employees

Occupational Health & Safety Statistics	2021-22	2020-21	2019-20
Number of reported hazards / incidents for the year per 100 full time equivalent staff members.	42.24	64.07	50.07
The number of lost time standard Workcover claims for the year per 100 full time equivalent staff members.	2.63	4.75	8.35
The average cost per Workcover claim for the year	\$13,504	\$20,963	\$451,377

Strong Governance, Leadership and Culture	Target	Outcome
People Matter Survey		
Safety Culture Amongst Healthcare Workers	62%	75%

WORKFORCE STATISTICS - Full Time Equivalent (FTE)						
	June Current Month		Average Monthly FTE / June Year to Date			
	2022	2021	2022	2021	2020	2019
Nursing	35.8	35.3	31.0	26.23	30.13	29.17
Administration & Clerical	16.1	10.2	13.5	10.80	10.55	10.49
Medical Support	0.00	0.00	0.00	0.00	0.00	0.00
Hotel & Allied Services	39.1	47.1	40.01	40.01	34.94	30.33
Medical Officers	0.00	0.00	0.00	0.00	0.00	0.00
Hospital Medical Officers	0.00	0.00	0.00	0.00	0.00	0.00
Ancillary Staff (Allied Health)	3.0	3.7	3.6	4.15	7.03	9.99
TOTAL	94.0	96.3	87.6	81.27	82.65	80.51



Occupational Violence Statistics	2021-22
1. Workcover accepted claims with an occupational violence cause per 100 FTE.	0.00
2. Number of accepted Workcover claims with lost time injury with an occupational violence cause per 1,000,000 hours worked.	0.00
3. Number of occupational violence incidents reported.	6
4. Number of occupational violence incidents reported per 100 FTE.	6.4
5. Percentage of occupational violence incidents resulting in a staff injury, illness or condition	15.7%
DEFINITIONS: for the purposes of the above statistics the following definitions apply. Occupational violence: any incident where an employee is abused, threatened or assaulted in circumstances arising out of, or in the course of their employment. Incidents: an event or circumstances that could have resulted in, or did result in, harm to an employee. Incidents of all severity rating must be included. Injury, Illness or Condition: This includes all reported harm as a result of the incident, regardless of whether the employee required time off work or submitted a claim.	



HESSE APPEAL

Following the devastating fire in November 2020, the dedicated Hospital Auxiliary volunteers re-opened the Op Shop in June at a temporary Winchelsea location. Reinstating an important service to the Winchelsea community and a much appreciated fundraising stream for Hesse Rural Health.

The Op Shop Rebuild Appeal was launched to contribute towards the redevelopment of the health services' property at 44-46 Main St as a new permanent home. This involves the restoration of the existing building as a first stage (now with planning approval), a second stage extending the footprint at the rear of the building (pending approval), and a design that embraces and recognises the sites valued heritage to ensure the legacy of both the former Orchard bakery and attached dwelling on site are protected.

Our generous community has already shown great support to our fundraising appeal, with \$156,706 raised to date at the end of June. Hesse Rural Health is very grateful to the many contributions received from individuals, community organisations and business, as well as the very passionate Marketing and Fundraising Committee for their numerous successful events including cake stalls, sock sales, raffles and the 'A Century of Brides' exhibition.



STATEMENT OF PRIORITIES

The Statement of Priorities is a key document of accountability between the Department of Health (DH) and Hesse Rural Health as a small rural public health service. This agreement defines the government's key priorities and required actions, and identifies Hesse's 2021-2022 deliverables and outcomes.

Strategic Priorities	Outcome
Maintain robust COVID-19 readiness and response, working with the department to ensure rapid response to outbreaks, if and when they occur, which includes providing testing for the community and staff, where necessary and if required. This includes preparing to participate in, and assist with, the implementation of COVID-19 vaccine immunisation program rollout, ensuring the local community's confidence in the program.	Our Health Service regularly reviewed our Pandemic Plan and Outbreak Management Procedures through scenario planning and incident debriefing for quality improvement. Undertake on-site COVID-19 Vaccination Clinics, promote regional hubs and local vaccination services.
Actively collaborate on the development and delivery of priorities within your Health Service Partnership, contribute to inclusive and consensus-based decision-making, support optimum utilisation of services, facilities and resources with the Partnership, and be collectively accountable for delivering against Partnership accountabilities as set out in the Health Service Partnership Policy & Guidelines.	Engagement and collaboration with our Health Service Partnership, collectively working together to develop and deliver on strategic system priorities including the COVID-19 pandemic response, development of a Telehealth Strategic Plan and Better at Home initiatives to enable our community to receive their hospital care at home.
Engage with your community to address the needs of patients, especially our vulnerable Victorians whose care has been delayed due to the pandemic and provide the necessary "catch-up" care to support them to get back on track. Work collaboratively with your Health Service Partnership to: • Implement the Better at Home initiative to enhance in-home and virtual models of patient care when it is safe, appropriate and consistent with patient preference. • Improve elective surgery performance and ensure that patients who have waited longer than clinically recommended for treatment have their needs addressed as a priority.	Hesse provide <i>Better at Home</i> services through brokerage arrangements with Grampians Health, Barwon Health and Colac Area Health. These services include Hospital In The Home, Post-Acute Care and Postnatal Care at Home. The implementation of telehealth services have extended services to the community, allowing programs to continue to operate throughout the duration of COVID-19 pandemic. Community health staff have participated in professional development, to build the capacity of the team in caring for acute and complex clients in response to early discharges.
Address critical mental health demand pressures and support the implementation of mental health system reforms to embed integrated mental health and suicide prevention pathways for people with, or at risk of, mental illness or suicide through a whole-of-system approach as an active participant in your Health Service Partnership and through your Partnership's engagement with Regional Mental Health and Wellbeing Boards.	Our Health Service continues to work collaboratively with our Health Service Partnership on the mental health system reforms and the implementation of the relevant key recommendations.
Embed the Aboriginal and Torres Strait Islander Cultural Safety Framework into your organisation and build a continuous quality improvement approach to improving cultural safety, underpinned by Aboriginal self-determination, to ensure delivery of culturally safe care to Aboriginal patients and families, and to provide culturally safe workplaces for Aboriginal employees.	Health Service continued to embed our Framework, including continuous quality improvements and alignment with our Health Promotion Planning. Annual completion of Aboriginal Cultural Safety E-Learning Package for workforce as part of the compulsory training program.

QUALITY ACHIEVEMENTS

CLINICAL INCIDENTS & REVIEWS

Clinical incident reporting and the evaluation of this data assists us to improve clinical practice and care outcomes. It is an important aspect of risk management. A clinical incident is defined by the Australian Commission on Safety and Quality in Health Care as 'an event or circumstance that resulted or could have resulted in unintended and/or unnecessary harm to a person and/or a complaint, loss or damage'. Falls, medication safety events and skin tears are examples of commonly reported incidents but any clinical risk may be reported. Staff report incidents via the online incident management system called Riskman.

Staff reported a total of 402 incidents, a 6.5% decrease from the previous year, averaging 33 incidents per month. Hesse continues to manage incidents and put measures in place to minimise both individual and systemic risk.

Hesse Rural Health strives for a no-blame culture to ensure staff feel comfortable to report to allow for matters to be addressed, with the increase in both the incident number and variety of incidents reported a reflection of this culture. All clinical incidents are followed up by managers and with broader staff input through the weekly incident review meeting, and monitored at the Quality Leadership Committee and the Care & Clinical Governance Committee.

All incidents are given an incident severity rating from 1 to 4, with 1 signifying 'severe' and 4 as 'no harm/ near



miss'. No incidents that occurred were rated 'severe'. In-depth case reviews are undertaken by a multi-disciplinary team for incidents rated as 'moderate' to better understand the factors preceding the incident with the aim to improve systems to minimise the risk of harm and prevent further incidents occurring. These in-depth case views are presented and discussed at the Quality Leadership Committee, General Practitioner meeting and Care & Clinical Governance Committee. Six incidents were rated as 'moderate'.

Clinical Incident Type	2021-2022	2020-2021	2019-2020
Overall Number of Incidents	402	430	379
Falls	33%	32%	39%
Medication Errors	13%	17%	21%
Pressure Injuries	6%	5%	4%
Skin Tear	9%	7%	11%
Behavioural	16%	19%	13%
Clinical Deterioration	0%	1%	1%
Diet	0%	1%	0%
Other*	22%	18%	11%

* Other Incidents includes from unknown causes such as bruises, scratches, wounds, blisters and accidental knocks, near miss falls.

ENVIRONMENTAL PERFORMANCE

Hesse Rural Health encourages supporting social enterprises under the Social Procurement Framework established by the State of Victoria. To that end, we engage Indigenous, disability, and local social enterprises on a regular basis to provide materials and services to our organisation.

Environmental Impacts & Energy Usage			
	2021-22	2020-21	2019-20
Energy Use			
Electricity (MWh)	441	849	442
Natural Gas (gJls)	2.3	2.5	2.0
Liquefied Petroleum Gas (kL)	6.77	6.85	8.86
Carbon emissions (thousand tonnes of CO2e)			
Electricity	0.40	0.44	0.45
Natural Gas	0.12	0.13	0.12
Liquefied Petroleum Gas	0.01	0.01	0.01
Total Emissions	0.53	0.71	0.58
Water use (million litres)			
Potable Water	6.0	5.5	7.01
Factors Influencing Environmental Impacts			
	2021-22	2020-21	2019-20
Floor area (m2)	6,094	6,094	6,094
Separations	20	20	44
In-Patient Bed Days	332	332	199
Aged Care Bed Nights	19,745	19,745	19,919



DISCLOSURES REQUIRED UNDER LEGISLATION

Freedom of Information (FOI) 1982

Hesse operates within the guidelines defined within the Freedom of Information Act 1982 and its subsequent amendments. For access to medical records there is a mandatory application fee of \$29.60 that must accompany the written charges for searching, photocopying and postage.

A member of the public wishing to access information should make a written request to the Chief Executive Officer, Hesse Rural Health, 8 Gosney Street, Winchelsea, VIC 3241 or on 5267 1200. Further information may be sought from www.foi.vic.gov.au.

Buildings and Maintenance

Hesse complies with the Building Act 1993, and relevant provisions of the 'National Construction Code' for publicly owned buildings during maintenance and redevelopment. An essential fire safety service maintenance program is in place.

Public Interest Disclosures Act 2012 (Vic)

Hesse is compliant with obligations under the Public Interests Disclosures Act 2012 (Vic). Protected disclosures may be made to the CEO or the Disclosures Coordinator DHHS on 1300 131 431 or public.interest.disclosures@dhhs.vic.gov.au. No disclosures were made.

Competitive Neutrality

Hesse is compliant with the requirements of the government statement 'Competitive Neutrality Policy Victoria'. The purpose is to account for advantages arising out of public ownership.

Carers Recognition Act 2012

The Carers Recognition Act 2012 recognises, promotes and values the role of people in care relationships. Hesse understands the benefits care relationships bring to patients, residents, their carers and the community. Hesse is compliant with Section 11 of the Act, and takes all practicable measures to ensure that its employees, agents and carers have an awareness and understanding of the care relationship principles. This is reflected in our commitment to a model of patient and family centred care, and the involvement of carers in the development and delivery of our service.

Safe Patient Care Act 2015

Hesse has no matters to report in relation to its obligations under Section 40 of the Safe Patient Care Act 2015.

Local Jobs First Act 2003

In 2021-22, there were no jobs requiring disclosure under the 'Local Jobs First Policy'.

Occupational Health & Safety Act 2004

Policies and procedures provide guidance for safety in the workplace. Designated work-groups have been established and health and safety representatives are elected. OH&S incidents are recorded and monitored and site audits undertaken. OH&S meetings occur quarterly. No major industrial accidents were reported during the year.

Privacy

Hesse complies with legislation relating to confidentiality and privacy including the Health Services Act 1988 (Vic.), Health Records Act 2001 (Vic.), Privacy Act 1988 (Commonwealth) and Privacy & Data Protection 2014 (Vic.). Policies ensure that personal health information remains confidential, secure and accessible under FOI guidelines.

Subsequent Impacts

There were no events subsequent to 30th June 2021 that would significantly effect Hesse's operations in subsequent years.

Gender Equality Act 2020

Hesse has initiated a workforce inclusion action plan consistent with the Gender Equality Act 2020. Hesse has conducted a workplace gender audit that analysed workforce data from payroll and Human Resources, employee experience data from the Victorian public sector's annual employee opinion survey and added data where available. We conducted a gender impact assessment of policies, programs and services that have a direct and significant impact on the public. As part of this assessment Hesse reviewed programs such as grants and public events, services such as public infrastructure development and community development and policies such as equal access and community engagement policies.

Consultant	Purpose of Consultancy	Start Date	End Date	Total Approved Project Fee (Exc GST)	Expenditure 2020-2021 (Exc GST)	Future Expenditure (Exc GST)
Consultancies: (valued at \$10,000 or greater)						
Prolegis Lawyers	WH&NHS Governance Review	Sep. 2021	Feb. 2022	17,550	17,550	0
In 2021-2022, there was one consultancy where the total fees payable to the consultant was \$10,000 or greater. The total expenditure incurred during 2021-2022 in relation to the consultancy was \$17,550 (Exc GST).						
Consultancies: (valued up to \$10,000)						
In 2021- 2022, there were no consultancy where the total fees payable were less than \$10,000.						

Additional Information Available on Request

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

- Declarations of pecuniary interests have been duly completed by all relevant officers;
- Details of shares, held by senior officers as nominee or held beneficially;
- Details of publications produced by the entity about itself, including annual Aboriginal cultural safety reports and plans, and how these can be obtained;
- Details of changes in prices, fees, charges, rates and levies charged by the Health Service;
- Details of any major external reviews carried out on the Health Services
- Details of major research and development activities undertaken by the Health Service that are not otherwise covered either in the report of operations or in a document that contains the financial statements and the report of operations;
- Details of overseas visits undertaken including a summary of the objectives and the outcomes of each visit;
- Details of promotional, public relations and marketing activities undertaken by the Health Service to develop community awareness of the Health Service and its services;
- Details of assessments and measures undertaken to improve the occupational health and safety of employees; A general statement on industrial relations within the Health Service and details of time lost through industrial accidents and disputes, which is not otherwise detailed in the report of operations;
- A list of major committees sponsored by the Health Service, including any Aboriginal advisory or governance committees, the purpose of each committee and the extent to which those purposes have been achieved.
- Details of all consultancies and contractors including consultants/contractors engaged, services provided, and expenditure committed for each engagement.

High Quality and Safe Care Key Performance Measures	Target	Outcome
Infection prevention and control		
Compliance with the Hand Hygiene Australia program	85%	94.4%
Percentage of healthcare workers immunised for influenza	92%	89.0%
Patient experience		
Victorian Healthcare Experience Survey – percentage of positive patient experience responses - Quarter One, Two and Three	95%	No result due to less than 10 responses in 2021-22



PERFORMANCE DATA

FINANCIAL SUMMARY (Refer to consolidated Financial Statements for details)

	2022	2021	2020	2019	2018
Operating Results *	\$ 99,901	\$106,0130	\$311,910	\$133,531	(\$106,003
Total Revenue	\$13,372,594	\$12,685,618	\$11,879,232	\$11,429,448	\$10,222,482
Total Expenses	\$13,850,301	(\$13,318,587)	(\$12,551,439)	(\$11,806,600)	(\$11,151,695)
Net Result from Transactions	\$477,707	(\$632,969)	(\$672,207)	(\$377,152)	(\$929,208)
Total Other Economic Flows	\$134,187	\$931,877	(\$17,068)	(\$129,151)	\$278,0041
Net Result	(\$343,520)	\$298,908	(\$689,275)	(\$506,303)	(\$651,204)
Total Assets	\$27,935,756	\$25,201,030	\$23,009,455	\$22,317,803	\$19,792,109
Total Liabilities	\$13,495,724	\$13,111,684	\$11,215,389	\$10,255,654	\$9,643,107
Net Assets / Total Equity	\$14,440,032	\$12,089,346	\$11,263,360	\$12,062,149	\$10,149,002

* The Operating result is the result for which the health service is monitored in its Statement of Priorities

KEY PERFORMANCE INDICATOR	Target	2021-22 Result
Operating Result	\$0	\$99,901
Average Number of Days to Paying Trade Creditors	60 Days	31
Average Number of Days to receiving Patient Fee Debtors	60 Days	34
Adjusted Current Asset Ratio	0.7 or 3% improvement from health service base target	0.7
Actual number of days available cash, measured on the last day of each month	14 days	-1
Variance between forecast and actual Net result from transactions (NRFT) for the current financial year ending 30th June.	Variance ≤ \$250,000	Achieved/ Not Achieved

FINANCIAL RECONCILIATION of the 'Net Result from Transactions' and 'Net Operating Result'

	2021-22
Net Operating Result *	\$99,901
Capital Purpose Income	\$481,509
Specific Income	N/A
COVID-19 State Supply Arrangements - Assets received free of charge or for nil consideration under the State Supply	\$104,793
State supply items consumed up to 30 June 2021	N/A
Assets provided free of charge	N/A
Assets received free of charge	N/A
Expenditure for Capital Purpose	\$119,709
Depreciation and Amortisation	\$1,044,201
Impairment of Non-Financial Assets	N/A
Finance Costs (Other)	N/A
Net Results from Transactions	\$477,707

* The Net Operating Result is the result which the health service is monitored against in its Statement of Priorities.

INFORMATION & COMMUNICATION TECHNOLOGY

The total ICT expenditure incurred during 2021-2022 is \$218,531 excluding GST) as detailed below.

Business as Usual Expense (exc GST)	\$218,531
Non-Business as Usual Expense (exc GST)	
Operational Expenditure	N/A
Capital Expenditure	N/A
Total:	\$218,531

AGED CARE OCCUPANCY					
	2022	2021	2020	2019	2018
Bed Days (Consolidated)	19,318	19,745	19,919	19,352	18,287
Separations (Consolidated)	14	22	16	25	25

ADMITTED PATIENTS					
	2022	2021	2020	2019	2018
SEPARATIONS					
Acute	34	20	44	52	63
Non-Acute	0	0	0	0	0
Same Day	0	0	0	0	1
Total Hospital Separations	34	20	44	52	64
PATIENT BED DAYS					
Acute	269	332	525	601	662
Non-Acute	0	0	0	0	0
Same Day	0	0	0	0	1
Total Hospital Patient Days	269	332	525	601	663

NON-ADMITTED PATIENTS					
	2022	2021	2020	2019	
Emergency Medical Treatment	49	28	102	194	
Community Contact Hours (Home and Community Care, Commonwealth Home Support and Small Rural Health Service funded)	25,717	21,596	32,493	29,644	
District Nursing	7,191	7,523	6,954	6,220	
Postnatal Care at Home	267	240	253	160	
Community Nursing	2,209	1,881	1,509	2,025	
Health Promotion*	0	791	847	776	
Physiotherapy	861	597	680	609	
Occupational Therapy	1,476	1,454	1,573	1,294	
Dietitian	67	170	198	105	
Diabetes Education	135	137	241	114	
Social Support Program	12,207	9,392	15,036	18,234	
Other	218	90	75	107	
* Hours reported against Community Nursing					

Funding Type 2021 - 2022	Activity Statement
CONSOLIDATED ACTIVITY FUNDING	
Acute admitted, sub acute admitted, emergency services, non-admitted NWAU	45.94

FINANCIAL REPORT



Victorian Auditor-General's Office

Independent Auditor's Report

To the Board of Hesse Rural Health Service

Opinion	I have audited the financial report of Hesse Rural Health Service (the health service) which comprises the: • balance sheet as at 30 June 2022 • comprehensive operating statement for the year then ended • statement of changes in equity for the year then ended • cash flow statement for the year then ended • notes to the financial statements, including significant accounting policies • board member's, accountable officer's and chief finance & accounting officer's declaration. In my opinion the financial report presents fairly, in all material respects, the financial position of the health service as at 30 June 2022 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.
Basis for Opinion	I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report. My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the health service in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.
Other Information	My opinion on the financial report does not cover the Other Information and accordingly, I do not express any form of assurance conclusion on the Other Information. However, in connection with my audit of the financial report, my responsibility is to read the Other Information and in doing so, consider whether it is materially inconsistent with the financial report or the knowledge I obtained during the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude there is a material misstatement of the Other Information, I am required to report that fact. I have nothing to report in this regard.
Board's responsibilities for the financial report	The Board of the health service is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the Financial Management Act 1994, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error. 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.



Dominika Ryan

as delegate for the Auditor-General of Victoria

HESSE RURAL HEALTH SERVICE

Financial Statements

Financial Year ended 30 June 2022

Board Member's Accountable Officer's And Chief Finance & Accounting Officer's Declaration

The attached consolidated financial statements for Hesse Rural Health Service and the Consolidated Entity have been prepared in accordance with Direction 5.2 of the Standing Directions of the Assistant Treasurer under the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations, and other mandatory professional reporting

We further state that, in our opinion the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2022 and the financial position of Hesse Rural Health Service and the Consolidated Entity at 30 June 2022.

At the time of signing, we are not aware of any circumstances which would render any particulars included in the financial statements to be

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



MR I. WHITING
Chairperson (on behalf of the Board)

Winchelsea
Dated: 7th October, 2022



MRS C. BROCK
Chief Executive Officer

Winchelsea
Dated: 7th October, 2022



MR S. WIGHT
Chief Finance & Accounting Officer

Winchelsea
Dated: 7th October, 2022

HESSE RURAL HEALTH SERVICE

Financial Statements

Financial Year ended 30 June 2022

Comprehensive Operating Statement

	Note	Parent 2022 \$	Parent 2021 \$	Consolidated 2022 \$	Consolidated 2021 \$
Revenue and Income from transactions					
Operating activities	2.1	10,001,699	9,157,942	12,942,997	12,177,413
Non-operating activities	2.1	26,206	20,196	26,206	21,761
Share of revenue from joint operations	8.8	403,391	486,444	403,391	486,444
Total revenue and income from transactions		10,431,296	9,664,582	13,372,594	12,685,618
Expenses from transactions					
Employee expenses	3.1	(7,994,966)	(7,399,238)	(10,030,431)	(9,400,986)
Supplies & consumables	3.1	(252,810)	(259,055)	(619,584)	(573,437)
Depreciation	3.1	(625,043)	(652,210)	(1,000,350)	(1,028,254)
Other operating expenses	3.1	(1,030,793)	(1,172,798)	(1,820,330)	(1,874,250)
Share of expenditure from joint operations	8.8	(379,606)	(441,660)	(379,606)	(441,660)
Total expenses from transactions		(10,283,218)	(9,924,961)	(13,850,301)	(13,318,587)
Net result from transactions - net operating balance		148,078	(260,379)	(477,707)	(632,969)
Other economic flows included in net result					
Net gain on non-financial assets	3.2	78,764	886,313	78,764	886,313
Other gain/(loss) from other economic flows	3.2	56,886	45,564	56,886	45,564
Share of other economic flows from joint operations	8.8	(1,463)	-	(1,463)	-
Total other economic flows included in net result		134,187	931,877	134,187	931,877
Net result for the year		282,265	671,498	(343,520)	298,908
Other comprehensive income					
Items that will not be reclassified to net result					
Changes in physical asset revaluation surplus	4.3	1,526,341	527,078	2,694,206	527,078
Total other comprehensive income		1,526,341	527,078	2,694,206	527,078
Comprehensive result for the year		1,808,606	1,198,576	2,350,686	825,986

This statement should be read in conjunction with the accompanying notes

HESSE RURAL HEALTH SERVICE

Financial Statements

Financial Year ended 30 June 2022

Balance Sheet

	Note	Parent Entity 2022 \$	Parent Entity 2021 \$	Consolidated 2022 \$	Consolidated 2021 \$
Current Assets					
Cash and cash equivalents	6.2	1,687,623	2,627,014	6,629,542	6,856,142
Receivables and contract assets	5.1	972,607	991,620	1,046,634	1,021,285
Prepaid expenses		63,069	22,348	63,069	22,349
Share of assets in joint operations	8.8	525,383	326,523	525,383	326,523
Total Current Assets		3,248,682	3,967,505	8,264,628	8,226,299
Non-Current Assets					
Receivables and contract assets	5.1	548,267	479,308	548,267	479,308
Investment property	4.5	1,627,527	1,525,000	1,627,527	1,525,000
Property, plant & equipment	4.1	11,235,970	9,705,883	16,981,966	14,659,321
Right of use assets	4.2	354,541	107,283	354,541	107,283
Share of assets in joint operations	8.8	158,827	203,820	158,827	203,820
Total Non-Current Assets		13,925,132	12,021,294	19,671,128	16,974,732
TOTAL ASSETS		17,173,814	15,988,799	27,935,756	25,201,031
Current Liabilities					
Payables and contract liabilities	5.2	447,977	290,386	483,600	772,728
Borrowings	6.1	132,820	59,613	132,820	59,613
Employee benefits	3.3	1,516,730	1,115,285	1,921,194	1,799,910
Other liabilities	5.3	3,436,291	5,136,014	9,713,671	9,556,083
Share of liabilities in joint operations	8.8	511,007	345,080	511,007	345,080
Total Current Liabilities		6,044,825	6,946,378	12,762,292	12,533,414
Non-Current Liabilities					
Borrowings	6.1	322,040	68,016	322,040	68,016
Employee benefits	3.3	313,799	279,383	364,572	452,957
Share of liabilities in joint operations	8.8	46,820	57,298	46,820	57,298
Total Non-Current Liabilities		682,659	404,697	733,432	578,271
TOTAL LIABILITIES		6,727,484	7,351,075	13,495,724	13,111,685
NET ASSETS		10,446,330	8,637,724	14,440,032	12,089,346
EQUITY					
Property, plant & equipment revaluation surplus	SCE	5,830,613	4,304,272	10,593,094	7,898,888
Contributed capital	SCE	3,527,113	3,527,113	4,514,616	4,514,616
Accumulated surpluses/(deficits)	SCE	1,088,604	806,339	(667,678)	(324,158)
TOTAL EQUITY		10,446,330	8,637,724	14,440,032	12,089,346

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

HESSE RURAL HEALTH SERVICE

Financial Statements

Financial Year ended 30 June 2022

Statement of Changes In Equity

	Note	Property, Plant & Equipment Revaluation Surplus \$	Contributed Capital \$	Accumulated Surpluses / (Deficits) \$	Total \$
Consolidated					
Balance at 30 June 2020		7,371,810	4,514,616	(623,066)	11,263,360
Net result for the year		-	-	298,908	298,908
Other comprehensive income for the year		527,078	-	-	527,078
Balance at 30 June 2021	4.3	7,898,888	4,514,616	(324,158)	12,089,346
Net result for the year		-	-	(343,520)	(343,520)
Other comprehensive income for the year		2,694,206	-	-	2,694,206
Balance at 30 June 2022	4.3	10,593,094	4,514,616	(667,678)	14,440,032
Parent					
Balance at 30 June 2020		3,777,194	3,527,113	134,841	7,439,148
Net result for the year		-	-	671,498	671,498
Other comprehensive income for the year		527,078	-	-	527,078
Balance at 30 June 2021		4,304,272	3,527,113	806,339	8,637,724
Net result for the year		-	-	282,265	282,265
Other comprehensive income for the year		1,526,341	-	-	1,526,341
Balance at 30 June 2022		5,830,613	3,527,113	1,088,604	10,446,330

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

HESSE RURAL HEALTH SERVICE

Financial Statements

Financial Year ended 30 June 2022

Cash Flow Statement

	Note	Parent Entity 2022 \$	Parent Entity 2021 \$	Consolidated 2022 \$	Consolidated 2021 \$
Cash flows from operating activities					
Operating grants from State Government		4,164,118	4,361,392	4,164,118	4,361,392
Operating grants from Commonwealth Government		3,989,105	3,393,293	5,951,569	5,495,193
Capital grants from State Government		249,261	149,769	249,261	149,769
Patient and resident fees received		688,348	803,850	1,614,804	1,672,542
Donations and bequests received		581	250,379	581	250,379
GST received from ATO		190,334	157,677	190,334	157,677
Interest received		26,206	20,196	26,206	21,761
Other receipts		671,393	150,770	679,408	837,256
Total receipts		9,979,346	9,287,326	12,876,281	12,945,969
Employee expenses paid		(7,502,219)	(7,469,637)	(9,940,647)	(9,531,110)
Payments for supplies & consumables		(253,679)	(531,099)	(620,453)	(548,678)
Finance costs		(4,371)	(3,250)	(4,371)	(3,250)
Payment for share of rural health alliance		(112,825)	(266,624)	(112,825)	(266,624)
Other payments		(1,308,309)	(921,438)	(2,099,556)	(2,407,170)
Total payments		(9,181,403)	(9,192,048)	(12,777,852)	(12,756,832)
Net cash flows from/(used in) operating activities	8.1	797,943	95,277	98,429	189,137
Cash flows from investing activities					
Purchase of property, plant and equipment	4.1(b)	(589,140)	(464,293)	(589,140)	(962,992)
Proceeds from sale of non-financial assets		32,420	23,182	32,420	23,182
Capital donations and bequests received		89,962	245,000	89,962	245,000
Additions to investment properties		(32,941)	(36,190)	(32,941)	(36,190)
Net cash flows used in investing activities		(499,699)	(232,301)	(499,699)	(731,000)
Cash flows from financing activities					
Receipt/(repayment) of borrowings		32,381	(70,992)	32,381	(70,992)
Receipt/(repayment) of monies held in trust		(563,946)	212,257	(563,946)	212,257
Receipt of accommodation bonds		1,710,000	1,628,063	3,740,517	3,340,675
Repayment of accommodation bonds & resident loan obligations		(2,416,070)	(1,584,085)	(3,034,282)	(2,408,330)
Net cash flows from/(used in) financing activities		(1,237,635)	185,243	174,670	1,073,610
Net increase/(decrease) in cash and cash equivalents held		(939,391)	48,220	(226,600)	531,747
Cash and cash equivalents at beginning of year		2,627,014	2,578,794	6,856,142	6,324,395
Cash and cash equivalents at end of year	6.2	1,687,623	2,627,014	6,629,542	6,856,142

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

HESSE RURAL HEALTH SERVICE

Notes To The Financial Statements

Financial Year ended 30 June 2022

Note 1: Basis of preparation

Structure

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

These financial statements represent the audited general purpose financial statements for Hesse Rural Health and its controlled entity for the year ending 30 June 2022. The purpose of the report is to provide users with information about the health service's stewardship of resources entrusted to it.

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

Note 1.1 Basis of preparation of the financial statements

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

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

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

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

The financial statements are presented in Australian dollars.

All amounts shown in the financial statements have been rounded to the nearest dollar, unless otherwise stated. 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 Hesse Rural Health Service and its controlled entities on October 7, 2022.

Note 1.2 Impact of COVID-19 pandemic

In March 2020 a state of emergency was declared in Victoria due to the global coronavirus pandemic, known as COVID-19. On 2 August 2020 a state of disaster was added with both operating concurrently.

The state of disaster in Victoria concluded on 28 October 2020 and the state of emergency concluded on 15 December 2021.

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

HESSE RURAL HEALTH SERVICE

Notes To The Financial Statements

Financial Year ended 30 June 2022

In response to the ongoing COVID-19 pandemic, Hesse Rural Health has:

- introduced restrictions on non-essential visitors
- utilised telehealth services
- reduced visitor hours and implemented visitor screening
- implemented work from home arrangements, where appropriate.

Where financial impacts of the pandemic are material to the health service, they are disclosed in the explanatory notes. For Hesse Rural Health, this includes:

- 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 8: Other Disclosures.

Note 1.3 Abbreviations and terminology used in the financial statements

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

Reference	Title
AASB	Australian Accounting Standards Board
AASs	Australian Accounting Standards, which include Interpretations
AIMS	Agency Information Management System
DH	Department of Health
DTF	Department of Treasury and Finance
FMA	Financial Management Act 1994
FRD	Financial Reporting Direction
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
NWAU	National Weighted Activity Unit
SD	Standing Direction
VAGO	Victorian Auditor General's Office
WIES	Weighted Inlier Equivalent Separation
SWARH	South West Alliance of Rural Health

Note 1.4 Principles of consolidation

The financial statements include the assets and liabilities of Hesse Rural Health and its controlled entity as a whole as at the end of the financial year and the consolidated results and cash flows for the year.

The consolidated financial statements of Hesse Rural Health include Winchelsea Hostel and Nursing Home Society Inc. as at 30 June 2022.

Details of the controlled entity are set out in Note 8.7.

The parent entity is not disclosed separately in the notes to the financial statements.

An entity is considered to be a controlled entity where the health service has the power to govern the financial and operating policies of an organisation so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable are taken into account

Hesse Rural Health consolidates the results of its controlled entity from the date on which the health service gains control until the date the health service ceases to have control. Where dissimilar accounting policies are adopted by the entity and their effect is considered material, adjustments are made to ensure consistent policies are adopted in these financial statements.

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

HESSE RURAL HEALTH SERVICE

Notes To The Financial Statements

Financial Year ended 30 June 2022

Note 1.5 Joint arrangements

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

Hesse Rural Health has the following joint arrangement:

- South West Alliance of Rural Health - Joint Operation

Details of the joint arrangements are set out in Note 8.8.

Note 1.6 Key accounting estimates and judgements

Management make estimates and judgements when preparing the financial statements.

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

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

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

Note 1.7 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 Hesse Rural 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: <i>Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current</i>	Reporting periods on or after 1 January	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	Adoption of this standard is not expected to have a material impact.
AASB 2021-2: <i>Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definitions of Accounting Estimates.</i>	Reporting periods on or after 1 January	Adoption of this standard is not expected to have a material impact.
AASB 2021-5: <i>Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	Reporting periods on or after 1 January	Adoption of this standard is not expected to have a material impact.
AASB 2021-6: <i>Amendments to Australian Accounting Standards – Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards</i>	Reporting periods on or after 1 January	Adoption of this standard is not expected to have a material impact.
AASB 2021-7: <i>Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections</i>	Reporting periods on or after 1 January	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.

HESSE RURAL HEALTH SERVICE

Notes To The Financial Statements

Financial Year ended 30 June 2022

Note 1.8 Goods and Services Tax (GST)

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

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

Cash flows are 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, are presented as operating cash flow.

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

Note 1.9 Reporting Entity

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

Its principal address is:
8 Gosney Street
WINCHELSEA VIC 3241

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

HESSE RURAL HEALTH SERVICE

Notes To The Financial Statements

Financial Year ended 30 June 2022

Note 2: Funding Delivery Of Our Service

Hesse Rural Health's overall objective is to provide quality health service that support and enhance the wellbeing of all Victorians.

To enable the health service to fulfil its objective it receives income based on parliamentary appropriations. 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

Telling the COVID-19 story

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

The Commonwealth provided a Surge Allowance payable to the health service staff employed in caring for Aged Care residents. This amounted to \$74,480 and was paid as an allowance to eligible employees (note 2.1).

Hesse Rural Health received \$25,885 in State funding to compensate for reductions in revenue and to cover certain direct and indirect COVID-19 related costs, which has been recognised as revenue and is included in Note 2.1 Other Sources of income - Government grants (State) -operating. Of the \$213,264 COVID-19 funding received in the previous financial year and subject to recall, \$130,000 was re-purposed as capital funding toward outbreak management zones, and the remainder recognised as operating revenue in the current financial year in accordance with confirmation from the Department of Health.

Key judgements and estimates

This section contains the following key judgements and estimates:

Key judgements and estimates	Description
Identifying performance obligations	Hesse Rural Health applies significant judgment when reviewing the terms and conditions of funding agreements and contracts to determine whether they contain sufficiently specific and enforceable performance obligations. If this criteria is met, the contract/funding agreement is treated as a contract with a customer, requiring the health service to recognise revenue as or when the health service transfers promised goods or services to customers. If this criteria is not met, funding is recognised immediately in the net result from operations.
Determining timing of revenue recognition	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.
Determining time of capital grant income recognition	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.

Note 2.1: Revenue and income from transactions

	Note	Consolidated 2022 \$	Consolidated 2021 \$
Operating activities			
Revenue from contracts with customers			
Government grants (State) - Operating		-	5,411
Government grants (Commonwealth) - Operating		5,890,821	5,495,193
Patient and Resident Fees		1,704,578	1,763,321
Commercial activities		31,700	30,911
Total revenue from contracts with customers	2.1(a)	7,627,099	7,294,836
Other sources of income			
Government grants (State) - Operating		4,369,290	4,120,988
Government grants (State) - Capital		343,551	42,448
Government grants (Commonwealth) - Operating		77,755	143,160
Other Capital purpose income		49,438	51,000
Assets received free of charge or for nominal consideration	2.2	297,129	365,709
Other income from Operating Activities		178,735	159,272
Total other sources of income		5,315,898	4,882,577
Total revenue and income from operating activities		12,942,997	12,177,413
Non-operating activities			
Income from other sources			
Interest		26,206	21,761
Total revenue from non-operating activities		26,206	21,761
Total revenue and income from transactions		12,969,203	12,685,618

HESSE RURAL HEALTH SERVICE

Notes To The Financial Statements

Financial Year ended 30 June 2022

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

Hesse Rural Health disaggregates revenue by the timing of revenue recognition.

Goods and services transferred to customers:

At a point in time

Total revenue from contracts with customers

Consolidated 2022 \$	Consolidated 2021 \$
7,627,099	7,294,836
7,627,099	7,294,836

How we recognise revenue and income from transactions

Government operating grants

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

When both these conditions are satisfied, the health service:

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

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

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

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

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

This policy applies to each of Hesse Rural Health's revenue streams, with information detailed below relating to Hesse Rural Health's significant revenue streams:

Government grant	Performance obligation
Commonwealth funding for HACC programs.	Revenue is recognised monthly as the programs are run and the contact visits are being met. These performance obligations have been selected as they align with the terms and conditions of the funding provided.
Commonwealth funding for residential aged care (bed subsidies).	The performance obligations for Commonwealth Aged Care Funding are the number and mix of residents in the Aged Care facilities. Revenue is recognised at a point in time which is when AIMS data is submitted monthly.

Capital grants

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

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

Patient and Resident Fees

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

Commercial activities

Revenue from commercial activities includes items such as ADASS revenue, provision of meals and occasional childcare fees. Commercial activity revenue is recognised at a point in time, upon provision of the goods or service to the customer.

HESSE RURAL HEALTH SERVICE

Notes To The Financial Statements

Financial Year ended 30 June 2022

How we recognise revenue and income from non-operating activities

Rental income - investment properties

Rental income from investment properties is recognised on a straight-line basis over the term of the lease, unless another systematic basis is more representative of the pattern of use of the underlying asset.

Interest Income

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

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

	Consolidated 2022 \$	Consolidated 2021 \$
Cash donations and gifts	89,962	245,000
Personal protective equipment	104,793	88,460
Other services	102,373	32,249
Total fair value of assets and services received free of charge or for nominal consideration.	297,128	365,709

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 Hesse Rural Health usually obtained control of the asset) as they do not contain sufficiently specific and enforceable performance obligations. Where sufficiently specific and enforceable performance obligations exist, revenue is recorded as and when the performance obligation is satisfied.

Personal protective equipment

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

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

Contributions

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

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

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

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

Volunteer services

Hesse Rural Health has a number of volunteers who generously contribute their time to support staff led program and service activities. Activities undertaken by volunteers include friendly visiting to aged residents, assistance with small group programs, transportation of clients and residents on outings or to appointments, pastoral care and consumer representation on advisory committees. The volunteer program provides opportunities for broader community and social engagement. Hesse Rural Health recognises contributions by volunteers in its financial statements if the fair value can be reliably measured and the services would not have been purchased had they not been donated.

Hesse Rural Health greatly values the services contributed by volunteers but it does not depend on volunteers to deliver its services.

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

DH makes some payments on behalf of Hesse Rural Health as follows:

Supplier	Description
Victorian Managed Insurance Authority	The Department of Health purchases non-medical indemnity insurance for Hesse Rural Health which is paid directly to the Victorian Managed Insurance Authority. To record this contribution, such payments are recognised as income with a matching expense in the net result from transactions.
Department of Health	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.

HESSE RURAL HEALTH SERVICE

Notes To The Financial Statements

Financial Year ended 30 June 2022

Note 3: The Cost Of Delivering Services

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

Structure

- 3.1 Expenses from transactions
- 3.2 Other Economic Flows
- 3.3 Employee benefits and related on-costs
- 3.4 Superannuation

Telling the COVID-19 story

Expenses incurred to deliver services during the financial year were not materially impacted by the COVID-19 coronavirus pandemic.

Wages and salaries include the payment of the Surge Allowance paid to eligible employees totalling \$74,480, which was funded by the Commonwealth government.

Key judgements and estimates

This section contains the following key judgements and estimates:

Key judgements and estimates	Description
Classifying employee benefit liabilities	Hesse Rural Health applies significant judgment when classifying its employee benefit liabilities. Employee benefit liabilities are classified as a current liability if Hesse Rural Health 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. Employee benefit liabilities are classified as a non-current liability if Hesse Rural Health 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.
Measuring employee benefit liabilities	Hesse Rural Health applies significant judgment when measuring its employee benefit liabilities. The health service 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, being the expected future payments to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures, and are discounted at rates determined by reference to market yields on government bonds at the end of the reporting period. All other entitlements are measured at their nominal value.

Note 3.1: Expenses from transactions

	Note	Consolidated 2022 \$	Consolidated 2021 \$
Salaries and wages		8,904,784	8,447,701
On-costs		812,476	714,781
Agency expenses		24,194	13,584
Fee for service medical officer expenses		78,194	64,011
Workcover premium		210,783	160,909
Total Employee Expenses		10,030,431	9,400,986
Drug supplies		13,491	10,068
Medical and surgical supplies		258,163	234,834
Other supplies and consumables		347,930	328,535
Total Supplies and Consumables		619,584	573,437
Finance costs		4,371	1,556
Domestic supplies		210,331	209,022
Patient transport		3,732	5,084
Fleet expenses		99,261	79,864
Insurance		-	23,832
IT expenses		218,531	361,059
Other administrative expenses		720,300	717,051
Fuel, light, power and water		174,105	179,858
Repairs and maintenance		289,533	179,324
Maintenance contracts		42,980	31,537
Medical indemnity insurance		46,208	24,759
Expenditure for capital purposes		10,978	61,304
Total Other Operating Expenses		1,820,330	1,874,250
Total Operating Expenses		12,470,345	11,848,673
Depreciation (refer Note 4.4)	4.4	1,000,350	1,028,254
Total Depreciation		1,000,350	1,028,254
Total Expenses from Transactions		13,470,695	12,876,927

HESSE RURAL HEALTH SERVICE

Notes To The Financial Statements

Financial Year ended 30 June 2022

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:

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

Supplies and consumables

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

Finance costs

Finance costs include:

- finance charges in respect of finance leases which are recognised in accordance with *AASB 16 Leases*.

Other Operating Expenses

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

- Fuel, light and power;
- Repairs and maintenance;
- Other administrative expenses;
- Expenditure for capital purposes (represents expenditure related to the purchase of assets that are below the capitalisation threshold of \$1000).

The DH also makes certain payments on behalf of Hesse Rural Health. 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: Other economic flows

Insurance proceeds less impairment costs of building

Net gain/(loss) on revaluation of investment property (note 4.5(b))

Net gain/(loss) from fair value adjustment of resident loan obligations - independent living units (note 5.3)

Net gain/(loss) on disposal of property plant and equipment

Total net gain/(loss) on non-financial assets

Net gain/(loss) arising from revaluation of long service liability

Total other gains/(losses) from other economic flows

Total gains/(losses) from other economic flows

Consolidated 2022 \$	Consolidated 2021 \$
-	531,971
69,586	512,745
(15,300)	(146,576)
24,478	(11,827)
78,764	886,313
56,886	45,564
56,886	45,564
135,650	931,877

How we recognise other economic flows

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

- the revaluation of the present value of the long service leave liability due to changes in the bond interest rates.

Net gain/ (loss) on non-financial assets

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

- Revaluation gains/ (losses) of investment properties
- Revaluation gains/ (losses) of non-financial physical assets
- Net gain/ (loss) on disposal of non-financial assets.

Net gain/ (loss) on financial instruments

Net gain/ (loss) on financial instruments includes:

- impairment and reversal of impairment for financial instruments at amortised cost refer to Note 5.1 Receivables.

HESSE RURAL HEALTH SERVICE

Notes To The Financial Statements

Financial Year ended 30 June 2022

Note 3.3: Employee benefits and related on-costs

Current employee benefits and related on-costs

Accrued days Off

-Unconditional and expected to be settled wholly within 12 months

Consolidated 2022 \$	Consolidated 2021 \$
----------------------------	----------------------------

11,680	13,310
11,680	13,310

Annual leave

-Unconditional and expected to be settled wholly within 12 months
-Unconditional and expected to be settled wholly after 12 months

755,485	754,942
127,355	127,355
882,840	882,297

Long service leave

-Unconditional and expected to be settled wholly within 12 months
-Unconditional and expected to be settled wholly after 12 months

181,618	148,681
633,321	580,664
814,939	729,345

Provisions related to employee benefit on-costs

- Unconditional and expected to be utilised within 12 months
- Unconditional and expected to be utilised after 12 months

109,710	100,307
102,025	74,651
211,735	174,958

Total current employee benefits and related on-costs

1,921,194	1,799,910
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Non-current employee benefits and related on-costs

Conditional long service leave (present value)
Provisions related to employee benefit on-costs (present value)

319,694	411,402
44,878	41,555

Total non-current employee benefits and related on-costs

364,572	452,957
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Total employee benefits and related on-costs

2,285,766	2,252,867
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Note 3.3 (a): Employee benefits and related on-costs

Unconditional long service leave entitlements

Unconditional annual leave

Unconditional accrued days off

Total current employee benefits and related on-costs

Consolidated 2022 \$	Consolidated 2021 \$
925,387	803,016
984,127	983,584
11,680	13,310
1,921,194	1,799,910

Conditional long service leave entitlements

Total non-current employee benefits and related on-costs

364,572	452,957
364,572	452,957

Total Employee Benefits and Related On-Costs

2,285,766	2,252,867
------------------	------------------

Attributable to:

Employee benefits

Provision for related on-costs

Total employee benefits and related on-costs

2,074,031	2,077,909
211,735	174,958
2,285,766	2,252,867

Note 3.3 (b): Provision for related on-costs movement schedule

Carrying amount at start of year

Additional provisions recognised

Amounts incurred during the year

Carrying amount at end of year

Consolidated 2022 \$	Consolidated 2021 \$
2,252,867	2,477,075
954,119	720,867
(921,220)	(945,075)
2,285,766	2,252,867

How we recognise employee benefits

Employee Benefit Recognition

Employee benefits are accrued for 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.

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

Annual leave and Accrued Days off

Liabilities for annual leave and accrued days off are recognised in the provision for employee benefits as 'current liabilities' because Hesse Rural Health does not have an unconditional right to defer settlements of these liabilities.

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

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

Long service leave (LSL)

Liability for LSL is recognised in the provision for employee benefits.

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

HESSE RURAL HEALTH SERVICE

Notes To The Financial Statements

Financial Year ended 30 June 2022

Long service leave (LSL) (continued)

The components of this current LSL liability are measured at:

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

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

Termination benefits

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

Provision for on-costs related to employee expense

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

Note 3.4: Superannuation

Defined contribution plans:

First State Super
Other
Total

Paid Contributions for the year		Contributions Outstanding at year-end	
Consolidated	Consolidated	Consolidated	Consolidated
2022	2021	2022	2021
\$	\$	\$	\$
686,072	714,781	119,545	-
6,859	-	-	-
692,931	714,781	119,545	-

How we recognise superannuation

Employees of the health service are entitled to receive superannuation benefits and Hesse Rural Health contributes to defined contribution plans only.

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.

Defined contribution superannuation plans

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

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

HESSE RURAL HEALTH SERVICE

Notes To The Financial Statements

Financial Year ended 30 June 2022

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 Property, plant & equipment
- 4.2 Right-of-use assets
- 4.3 Revaluation surplus
- 4.4 Depreciation
- 4.5 Investment properties
- 4.6 Impairment of assets

Telling the COVID-19 story

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

Key judgements and estimates

This section contains the following key judgements and estimates:

Key judgements and estimates	Description
Estimating useful life of property, plant and equipment	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. 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.
Estimating useful life of right-of-use assets	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. The health service applies significant judgement to determine whether or not it is reasonably certain to exercise such purchase options.
Identifying indicators of impairment	At the end of each year, Hesse Rural Health assesses impairment by evaluating the conditions and events specific to the health service that may be indicative of impairment triggers. Where an indication exists, the health service tests the asset for impairment. The health service considers a range of information when performing its assessment, including considering: - 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 - 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. Where an impairment trigger exists, the health services applies significant judgement and estimate to determine the recoverable amount of the asset.

Note 4.1: Property, plant and equipment

Note 4.1(a): Gross carrying amount and accumulated depreciation

	Consolidated 2022 \$	Consolidated 2021 \$
Land		
Land - Freehold	4,753,000	3,788,647
Total land at fair value	4,753,000	3,788,647
Buildings		
Buildings at fair value	11,438,396	12,080,890
Less accumulated depreciation	-	(1,676,964)
Total buildings at fair value	11,438,396	10,403,926
Building Work in Progress at Cost	345,450	42,842
Total land and buildings	16,536,846	14,235,415
Plant and equipment at fair value	536,445	489,678
Less accumulated depreciation	(349,852)	(315,585)
Total plant and equipment at fair value	186,593	174,093
Motor vehicles at fair value	335,986	430,322
Less accumulated depreciation	(291,529)	(348,741)
Total motor vehicles at fair value	44,457	81,581
Medical equipment at fair value	149,705	114,003
Less accumulated depreciation	(99,176)	(94,799)
Total medical equipment at fair value	50,529	19,204
Furniture and fittings at fair value	915,382	863,557
Less accumulated depreciation	(751,841)	(714,529)
Total furniture and fittings at fair value	163,541	149,028
Total plant, equipment, furniture, fittings and vehicles at fair value	445,120	423,906
Total property, plant and equipment	16,981,966	14,659,321

HESSE RURAL HEALTH SERVICE

Notes To The Financial Statements

Financial Year ended 30 June 2022

Note 4.1(b): Property, plant and equipment - Reconciliations of the carrying amounts of each class of asset

Consolidated	Note	Land \$	Buildings \$	Motor Vehicles \$	Plant & Equipment \$	Medical Equipment \$	Furniture & Fittings \$	Total Consolidated \$
Balance at 1 July 2020		2,816,000	11,072,220	155,498	131,980	14,498	175,405	14,365,601
Additions		445,569	422,695	-	76,207	6,705	11,816	962,992
Disposals		-	(197,890)	(35,009)	-	-	-	(232,899)
Revaluation Increments		527,078	-	-	-	-	-	527,078
Depreciation Expense	4.4	-	(850,257)	(38,908)	(34,094)	(1,999)	(38,193)	(963,451)
Balance at 1 July 2021	4.1(a)	3,788,647	10,446,768	81,581	174,093	19,204	149,028	14,659,321
Additions		3,630	451,216	-	46,767	35,702	51,825	589,140
Disposals		-	-	(7,942)	-	-	-	(7,942)
Revaluation Increments		960,723	1,733,483	-	-	-	-	2,694,206
Depreciation Expense	4.4	-	(847,621)	(29,182)	(34,267)	(4,377)	(37,312)	(952,759)
Balance at 30 June 2022	4.1(a)	4,753,000	11,783,846	44,457	186,593	50,529	163,541	16,981,966

Land and buildings carried at valuation

The Valuer-General Victoria undertook to revalue all of Hesse Rural Healths owned and lease land and buildings to determine their fair value. The valuation, which conforms to Australian Valuation Standards, was determined by reference to the amounts for which assets could be exchanged between knowledgeable willing parties in an arm's length transaction. The valuation was based on independent assessments. The effective date of the building valuation was 30 June 2019, and the land valuation was 30 June 2022.

How we recognise property, plant and equipment

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

Initial Recognition

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

Subsequent measurement

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

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

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

Revaluation

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

Where an independent valuation has not been undertaken at balance date, the health service perform a managerial assessment to estimate possible changes in fair value of land and buildings since the date of the last independent valuation with reference to Valuer-General of Victoria (VGV) indices.

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

An independent revaluation of Hesse Rural Health's land and buildings was performed by the Valuer-General of Victoria (VGV) in May 2019. The valuation, which complies with Australian Valuation Standards, was determined by reference to the amounts for which assets could be exchanged between knowledgeable willing parties in an arm's length transaction. The managerial assessment performed at 30 June 2022 indicated an overall:

- Increase in the fair value of land of 41% (\$1,340,924 increase from 30 June 2019)
- Increase in the fair value of buildings of 10.91% (\$1,125,082 increase from 30 June 2019))

As the cumulative movement greater than 10% but less than 40% for buildings since the last revaluation a managerial revaluation adjustment was required as at 30 June 2022.

As the cumulative movement was greater than 40% for land since the last independent revaluation, an interim independent valuation was required as at 30 June 2022 and an adjustment was recorded.

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

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

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

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

HESSE RURAL HEALTH SERVICE

Notes To The Financial Statements

Financial Year ended 30 June 2022

Note 4.2: Right-of-use assets

Note 4.2(a): Gross carrying amount and accumulated depreciation

Right-of-use buildings at fair value
Less accumulated depreciation
Total right of use buildings at fair value

Right-of-use equipment and vehicles at fair value
- Equipment
- Motor vehicles
Less accumulated depreciation
Total right of use equipment and vehicles at fair value

Total right of use property, equipment and vehicles

	Consolidated	Consolidated
	2022	2021
	\$	\$
	31,146	-
	(6,454)	-
	<u>24,692</u>	<u>-</u>
	104,984	23,160
	376,250	191,426
	(151,385)	(107,303)
	<u>329,849</u>	<u>107,283</u>
	<u>354,541</u>	<u>107,283</u>

Note 4.2(b): Reconciliations of the carrying amounts by class of asset

Consolidated

Note	Right-of-use Buildings \$	Right-of-use Vehicles \$	Right-of-use Equipment \$	Total Consolidated \$
	-	50,617	23,160	73,777
	-	109,978	-	109,978
	-	-	-	-
4.4	-	(65,465)	(11,006)	(76,471)
4.2(a)	-	<u>95,130</u>	<u>12,154</u>	<u>107,284</u>
	31,146	263,702	-	294,848
	-	-	-	-
4.4	(6,454)	(35,569)	(5,568)	(47,591)
4.2(a)	<u>24,692</u>	<u>323,263</u>	<u>6,586</u>	<u>354,541</u>

How we recognise right-of-use assets

Where Hesse Rural Health 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	2 years
Leased motor vehicles	3 years
Leased equipment	5 years

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.

Hesse Rural Health's motor vehicle lease agreements contain purchase options which the health service is not reasonably certain to exercise at the completion of the lease.

Subsequent measurement

Right-of-use assets are subsequently measured at fair value, with the exception of right-of-use assets arising from leases with significantly below-market terms and conditions, which are subsequently measured at cost, less accumulated depreciation and accumulated impairment losses where applicable. Right-of-use assets are also adjusted for certain remeasurements of the lease liability (for example, when a variable lease payment based on an index or rate becomes effective).

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

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

HESSE RURAL HEALTH SERVICE

Notes To The Financial Statements

Financial Year ended 30 June 2022

Note 4.3: Revaluation surplus

	Note	Consolidated 2022 \$	Consolidated 2021 \$
Balance at the beginning of the reporting period		7,898,888	7,371,810
Revaluation Increments			
- Land	4.1(b)	960,723	527,078
- Buildings	4.1(b)	1,733,483	-
Balance at the end of the reporting period		10,593,094	7,898,888
Represented by:			
- Land		2,922,055	1,961,332
- Buildings		7,671,039	5,937,556
		10,593,094	7,898,888

Note 4.4: Depreciation

	Consolidated 2022 \$	Consolidated 2021 \$
Property, plant and equipment		
Buildings	847,621	850,257
Plant & equipment	34,267	34,094
Motor vehicles	29,182	38,908
Medical equipment	4,377	1,999
Furniture and fittings	37,312	38,193
Total depreciation - property, plant and equipment	952,759	963,451
Right-of-use assets		
- Right of use buildings	6,454	-
- Right of use equipment and vehicles	41,137	64,803
Total depreciation - right-of-use assets	47,591	64,803
Total Depreciation	1,000,350	1,028,254

How we recognise depreciation

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

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

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

	2022	2021
Buildings		
- Structure Shell Building Fabric	50 to 75 years	50 to 75 years
- Site Engineering Services and Central Plant	30 to 40 years	30 to 40 years
Central Plant		
- Fit Out	25 to 30 years	25 to 30 years
- Trunk Reticulated Building Systems	30 to 40 years	30 to 40 years
Plant & Equipment	5 to 10 years	5 to 10 years
Medical equipment	5 to 10 years	5 to 10 years
Motor vehicles	6 to 10 years	6 to 10 years

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

Note 4.5: Investment property

Note 4.5(a): Gross carrying amount

	Consolidated 2022 \$	Consolidated 2021 \$
Investment property at fair value	1,627,527	1,525,000
Total investment property at fair value	1,627,527	1,525,000

Note 4.5(b): Reconciliation of carrying amount

	Consolidated 2022 \$	Consolidated 2021 \$
Balance at Beginning of Period	1,525,000	976,065
Acquisition and capital expenditure	32,941	36,190
Net Gain/(Loss) from fair value adjustments	69,586	512,745
Balance at End of Period	1,627,527	1,525,000

Hesse Rural Health has assets classified as investment property for the purposes of AASB140 *Investment Property*, including independent living units. These assets are carried at amounts which represent fair value at balance date.

HESSE RURAL HEALTH SERVICE

Notes To The Financial Statements

Financial Year ended 30 June 2022

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 services.

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.

Net gains or losses on revaluation are recognised as other economic flows included in net result.

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

The fair value of the health service's investment properties at 30 June 2022 have been arrived on the basis of an independent valuation carried out by the Valuer General. 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.

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

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

Note 4.6: Impairment of assets

How we recognise impairment

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

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

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

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

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

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

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

Hesse Rural Health did not record any impairment losses for the year ended 30 June 2022.

HESSE RURAL HEALTH SERVICE

Notes To The Financial Statements

Financial Year ended 30 June 2022

Note 5: Other Assets And Liabilities

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

Structure

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

Telling the COVID-19 story

The measurement of other assets and liabilities were not materially impacted by the 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.
Measuring deferred capital grant income	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. 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.
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

Current receivables and contract assets

Contractual

	Consolidated 2022 \$	Consolidated 2021 \$
Patient and Resident Fees	215,324	169,947
Trade Debtors	867	867
Accrued revenue	627,277	645,277
Amounts receivable from governments and agencies	131,174	130,042
Contract assets - other	13,731	
Allowance for expected credit losses	(16,600)	(16,600)
Total contractual receivables	971,773	929,533

Statutory

GST Receivable	74,861	91,752
Accrued Revenue - Commonwealth	-	-
Total statutory receivables	74,861	91,752

Total current receivables and contract assets

1,046,634 **1,021,285**

Non-current receivables and contract assets

Contractual

Long Service Leave - Department of Health	548,267	479,308
Total contractual receivables	548,267	479,308

Total non-current receivables and contract assets

548,267 **479,308**

Total receivables and contract assets

1,594,901 **1,500,593**

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

Total receivables and contract assets	1,594,901	1,500,593
Allowance for expected credit losses	16,600	16,600
GST receivable	(74,861)	(91,752)
Total financial assets	1,536,640	1,425,441

As at 30 June 2022, Hesse Rural Health has contract assets of \$0 which is net of an allowance for expected credit losses of \$0. This is included in the contractual receivable balances presented above.

Note 5.1 (a): Movement in the Allowance for impairment losses of contractual receivables

Balance at beginning of year	(16,600)	(16,600)
Balance at end of year	(16,600)	(16,600)

HESSE RURAL HEALTH SERVICE

Notes To The Financial Statements

Financial Year ended 30 June 2022

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. Hesse Rural Health holds the contractual receivables with the objective to collect the contractual cash flows and therefore subsequently measured at amortised cost using the effective interest method, less any impairment.
- Statutory receivables, which mostly includes amounts owing from the Victorian Government and Goods and Services Tax (GST) input tax credits 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. Hesse Rural Health applies AASB 9 for initial measurement of the statutory receivables and as a result statutory receivables are initially recognised at fair value plus any directly attributable transaction cost.

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

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

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

Impairment losses of contractual receivables

Refer to Note 7.2 (a) Contractual receivables at amortised costs for Hesse Rural Health's contractual impairment losses.

Note 5.2: Payables and contract liabilities

Current payables and contract liabilities

Contractual

	Notes	Consolidated 2022 \$	Consolidated 2021 \$
Trade creditors		213,141	129,072
Accrued salaries and wages		108,390	117,691
Accrued expenses		48,613	53,570
Contract liabilities - income received in advance	5.2(b)	26,281	148,189
Deferred grant revenue	5.2(a)	69,993	87,064
Inter-health service creditors		17,182	23,878
Amounts payable to governments and agencies		-	213,264
Total contractual payables		483,600	772,728

Total current payables and contract liabilities

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

Total payables and contract liabilities	483,600	772,728
Deferred grant income	(69,993)	(87,064)
Contract liabilities	(26,281)	(148,189)
Total financial liabilities	387,326	537,475

How we recognise payables

Payables

Payables consist of:

- contractual payables which consist predominantly of accounts payable representing liabilities for goods and services provided to the health service prior to the end of the financial year that are unpaid, and arise when the health service becomes obliged to make future payments in respect of the purchase of those goods and services.

- **statutory payables**, that are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from contracts.

The normal credit terms are usually Net 30 days.

HESSE RURAL HEALTH SERVICE

Notes To The Financial Statements

Financial Year ended 30 June 2022

Note 5.2 (a) Deferred capital grant revenue

	2022 \$	2021 \$
Opening balance of deferred grant income	87,064	87,064
Grant consideration for capital works received during the year	315,524	-
Deferred capital grant income recognised as income due to completion of capital works	(332,595)	-
Closing balance	69,993	87,064

How we recognise deferred capital grant revenue

Grant consideration was received from the Department of Health for a number of Regional Health Infrastructure Funding projects. Grant revenue is recognised progressively as the assets are constructed, since this is the time when Hesse Rural Health 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 (see note 2.1). As a result, Hesse Rural Health has deferred recognition of a portion of the grant consideration received as a liability for the outstanding obligations.

The health service expects to recognise all of the remaining deferred capital grant revenue for capital works by 30 June 2023.

Note 5.2 (b) Contract liabilities

	Consolidated 2022 \$	Consolidated 2021 \$
Opening balance of contract liabilities	147,699	127,855
Grant consideration for sufficiently specific performance obligations received during the year	25,791	570,600
Revenue recognised for the completion of a performance obligation	(147,699)	(550,266)
Total contract liabilities	26,281	148,189
Represented by		
Current contract liabilities		

How we recognise contract liabilities:

Commonwealth HACC NDIS funding

Grants are received from the Commonwealth government quarterly in advance to deliver a number of Community and Home care support programs. Grant income is recognised as service obligations are met by the programs being delivered. Differences arose with respect to the Social Support Group program in the previous financial year, as COVID-19 restrictions meant that the program was not able to be delivered for the period July to December 2020. The funding was carried over into the financial year ending 30 June 2022 and fully expended during the current financial year.

DH WIES funding

Grants are received from the State government in advance to support TAC and DVA Wies targets. Grant income is recognised as service obligations are met. Differences in the number of some services provided may be adjusted in the funding provided annually. The remaining grant revenue is recognised when the service obligations are delivered in the following year.

Commonwealth Aged Care Bed Subsidies

Commonwealth Aged Care Bed Subsidies are received monthly in advance. Grant income is recognised as service obligations are met. Differences in the number of bed days, payment rates and supplements may be adjusted in the funding provided in the following month.

Maturity analysis of payables

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

Note 5.3: Other Liabilities

	Consolidated 2022 \$	Consolidated 2021 \$
Current monies held in trust		
Patient monies	38,722	37,939
Refundable accommodation bonds	9,249,319	8,543,084
Other monies - Home Care Packages	117,830	682,559
Total monies held in trust*	9,405,871	9,263,582
Resident loan obligations - independent living units	307,800	292,500
Total Other Liabilities	9,713,671	9,556,082
* Represented by:		
Cash assets	6,321,766	6,180,609
Other financial assets	131,174	130,042
Land and Buildings - Residential Aged Care	2,952,931	2,952,931
	9,405,871	9,263,582

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.

Resident loan obligations - independent living units

Resident loan obligations are ongoing contributions made by residents occupying units subject to independent living agreements. Hesse Rural Health acquired these liabilities upon acquisition of the independent living units. The resident loan obligations are revalued annually based on the current market value of the investment property (refer note 3.2). The amount repayable to the resident under the independent living agreement is based on a percentage of the current market value of the investment property. 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.

HESSE RURAL HEALTH SERVICE

Notes To The Financial Statements

Financial Year ended 30 June 2022

Note 6: How We Finance Our Operations

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

Structure

- 6.1 Borrowings
- 6.2 Cash and cash equivalents
- 6.3 Commitments for expenditure
- 6.4 Non-cash financing and investing activities

Telling the COVID-19 story

Our finance and borrowing arrangements were not materially impacted by the COVID-19 coronavirus pandemic because the health service's response was funded by Government.

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	The health service applies significant judgement to determine if a contract is or contains a lease by considering if the health service: - 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	The health service applies significant judgement when determining if a lease meets the short-term or low value lease exemption criteria. The health service estimates the fair value of leased assets when new. Where the estimated fair value is less than \$10,000, the health service applies the low-value lease exemption. The health service also estimates the lease term with reference to remaining lease term and period that the lease remains enforceable. Where the enforceable lease period is less than 12 months the health service applies the short-term lease exemption.
Discount rate applied to future lease payments	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, Hesse Rural Health uses its incremental borrowing rate, which is the amount the health service would have to pay to borrow funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.
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

Current borrowings

Lease liability (i)
Advances from government
Total current borrowings

Consolidated 2022	Consolidated 2021
\$	\$
106,427	59,613
26,393	-
132,820	59,613

Non-Current borrowings

Lease liability (i)
Advances from government
Total non-current borrowings

249,097	68,016
72,943	-
322,040	68,016

TOTAL BORROWINGS

454,859	127,629
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(i) Secured by the assets leased.

How we recognise borrowings

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

Initial recognition

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

HESSE RURAL HEALTH SERVICE

Notes To The Financial Statements

Financial Year ended 30 June 2022

How we recognise borrowings (continued)

Subsequent measurement

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

Maturity analysis

Please refer to Note 7.2 (b) for the maturity analysis of borrowings.

Defaults and breaches

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

Note 6.1 (a) Lease liabilities

Hesse Rural Health's lease liabilities are summarised below:

	Consolidated 2022 \$	Consolidated 2021 \$
Total undiscounted lease liabilities	367,978	131,030
Less unexpired finance expenses	(12,455)	(3,401)
	355,524	127,629

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

	Consolidated 2022 \$	Consolidated 2021 \$
Not later than one year	111,748	62,594
Later than one year but not longer than five years	256,231	68,437
Minimum future lease liability	367,979	131,030
Less unexpired finance expenses	(12,455)	(3,401)
Present value of lease liability	355,524	127,629
* Represented by:		
- Current liabilities	106,427	59,613
- Non-current liabilities	249,097	68,016
	355,524	127,629

How we recognise lease liabilities

A lease is defined as a contract, or part of a contract, that conveys the right to use an asset for an agreed 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
- Hesse Rural Health has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract and 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.

Hesse Rural Health's lease arrangements consist of the following:

Type of asset leased	Lease term
Leased equipment	5 years
Leased vehicles	3 years
Leased building	2 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
Short-term lease payments	Leases with a term less than 12 months	Monthly rental of container and site office, room rental.

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 Hesse Rural Health's incremental borrowing rate. Our lease liability has been discounted by 2.25%

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.

Hesse's current leases do not contain extension and termination options.

HESSE RURAL HEALTH SERVICE

Notes To The Financial Statements

Financial Year ended 30 June 2022

How we recognise lease liabilities (continued)

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

	Consolidated 2022 \$	Consolidated 2021 \$
Cash on Hand (excluding monies held in trust)	-	(703)
Cash at Bank (excluding monies held in trust)	307,776	915,154
Total cash held for operations	307,776	914,451
Cash at Bank (Monies held in trust)	6,321,766	5,941,691
Total cash held as monies in trust	6,321,766	5,941,691
Total Cash and Cash Equivalents	6,629,542	6,856,142

How we recognise cash and cash equivalents

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

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

Note 6.3: Commitments for Expenditure

There were no commitments for expenditure for the year ending 30 June 2022 (2021: NIL).

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

Hesse Rural Health 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 6.4: Non-cash financing and investing activities

	Consolidated 2022 \$	Consolidated 2021 \$
Acquisition of buildings and motor vehicles by means of leases	294,848	109,978
Total Non-cash financing and investing activities	294,848	109,978

HESSE RURAL HEALTH SERVICE

Notes To The Financial Statements

Financial Year ended 30 June 2022

Note 7: Risks, Contingencies & Valuation Uncertainties

Note 7: Risks, Contingencies & Valuation Uncertainties

Introduction 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 Contingent assets and contingent liabilities 7.4 Fair value determination

Key judgements and estimates

This section contains the following key judgements and estimates:

Key judgements and estimates	Description
Measuring fair value of non-financial assets	Fair value is measured with reference to highest and best use, that is, the use of the asset by a market participant that is physically possible, legally permissible, financially feasible, and which results in the highest value, or to sell it to another market participant that would use the same asset in its highest and best use. In determining the highest and best use, the health service has assumed the current use is its highest and best use. Accordingly, characteristics of the health service's assets are considered, including condition, location and any restrictions on the use and disposal of such assets. Hesse Rural Health uses a range of valuation techniques to estimate fair value, which include the following: - Market approach, which uses prices and other relevant information generated by market transactions involving identical or comparable assets and liabilities. The fair value of the health service's [specialised land, non-specialised land, non-specialised buildings, investment properties and cultural assets] are measured using this approach. - Cost approach, which reflects the amount that would be required to replace the service capacity of the asset (referred to as current replacement cost). The fair value of the health service's [specialised buildings, furniture, fittings, plant, equipment and vehicles] are measured using this approach. The health service selects a valuation technique which is considered most appropriate, and for which there is sufficient data available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Subsequently, the health service applies significant judgement to categorise and disclose such assets within a fair value hierarchy, which includes: - Level 1, using quoted prices (unadjusted) in active markets for identical assets that the health service can access at measurement date. Hesse Rural Health does not categorise any fair values within this level. - Level 2, inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. the health service categorises non-specialised land and right-of-use concessionary land in this level. - Level 3, where inputs are unobservable. the health service categorises specialised land, non-specialised buildings, specialised buildings, plant, equipment, furniture, fittings, vehicles, right-of-use buildings and right-of-use plant, equipment, furniture and fittings in this level.

HESSE RURAL HEALTH SERVICE

Notes To The Financial Statements

Financial Year ended 30 June 2022

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

Note 7.1(a) Financial Instruments: categorisation

Consolidated 30 June 2022				
	Note	Financial Assets at Amortised Cost \$	Contractual Financial Liabilities at Amortised Cost \$	Total \$
Financial Assets				
Cash and Cash Equivalents	6.2	6,629,542	-	6,629,542
Receivables and contract assets				
- Trade Debtors	5.1	216,191	-	216,191
- Other receivables	5.1	1,320,449	-	1,320,449
Total Financial Assets (i)		8,166,182	-	8,166,182
Financial Liabilities				
Payables	5.2	-	483,600	483,600
Borrowings	6.1	-	454,859	454,859
Other Financial Liabilities				
- Accommodation bonds	5.3	-	9,249,319	9,249,319
- Resident loan obligations - independent living units	5.3	-	307,800	307,800
- Other monies held in trust	5.3	-	156,552	156,552
Total Financial Liabilities (i)		-	10,652,130	10,652,130

Consolidated 30 June 2021				
	Note	Financial Assets at Amortised Cost \$	Contractual Financial Liabilities at Amortised Cost \$	Total \$
Financial Assets				
Cash and Cash Equivalents	6.2	6,856,142	-	6,856,142
Receivables and contract assets				
- Trade Debtors	5.1	170,814	-	170,814
- Other receivables	5.1	1,254,627	-	1,254,627
Total Financial Assets (i)		8,281,583	-	8,281,583
Financial Liabilities				
Payables	5.2	-	537,475	537,475
Borrowings	6.1	-	127,629	127,629
Other Financial Liabilities				
- Accommodation bonds	5.3	-	8,543,084	8,543,084
- Resident loan obligations - independent living units	5.3	-	292,500	292,500
- Other monies held in trust	5.3	-	720,498	720,498
Total Financial Liabilities (i)		-	10,221,186	10,221,186

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

How we categorise financial instruments

Categories of financial assets

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

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

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; and
- receivables (excluding statutory receivables).

HESSE RURAL HEALTH SERVICE

Notes To The Financial Statements

Financial Year ended 30 June 2022

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

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

Hesse Rural Health recognises the following liabilities in this category:

- Payables (excluding statutory payables)
- Borrowings (leases)
- Other liabilities

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

Offsetting financial instruments

Financial instrument assets and liabilities are offset and the net amount presented in the consolidated balance sheet when, and only when, Hesse Rural Health has a legal right to offset the amounts and intend either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Some master netting arrangements do not result in an offset of balance sheet assets and liabilities. Where the health service does not have a legally enforceable right to offset recognised amounts, because the right to offset is enforceable only on the occurrence of future events such as default, insolvency or bankruptcy, they are reported on a gross basis.

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.

Note 7.2: Financial risk management objectives and policies

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

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

The health service's main financial risks include credit risk, liquidity risk, and interest rate risk. The health service manages these financial risks in accordance with its financial risk management policy.

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 60 days overdue, and changes in debtor credit ratings.

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

The carrying amount of contractual financial assets recorded in the financial statements, net of any allowances for losses, represents Hesse Rural Health'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 2021-22.

HESSE RURAL HEALTH SERVICE

Notes To The Financial Statements

Financial Year ended 30 June 2022

Impairment of financial assets under AASB 9

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

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

Hesse Rural Health applies AASB 9 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. Hesse Rural Health has grouped contractual receivables on shared credit risk characteristics and days past due and select the expected credit loss rate based on past history, existing market conditions, as well as forward looking estimates at the end of the financial year.

On this basis, Hesse Rural Health determines the opening loss allowance on initial application date of AASB 9 and the closing loss allowance at end of the financial year as follows:

30 June 2022	Current \$	Less than 1 Month \$	1-3 Months \$	3 Months - 1 Year \$	1-5 Years \$	Total \$
Expected loss rate	0%	2.5%	2.5%	20.0%	20%	
Gross carrying amount of contractual receivables	17,943	75,760	55,962	66,526	-	216,191
Loss allowance	-	1,894	1,399	13,307	-	16,600

30 June 2021	Current \$	Less than 1 Month \$	1-3 Months \$	3 Months - 1 Year \$	1-5 Years \$	Total \$
Expected loss rate	0%	4%	3%	29%	55%	
Gross carrying amount of contractual receivables	101,054	61,444	53,246	8,629	18,392	242,765
Loss allowance	-	2,458	1,597	2,502	10,043	16,600

Statutory receivables at amortised cost

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

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

Note 7.2 (b) Liquidity risk

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

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

- close monitoring of its short-term and long-term borrowings by senior management, including monthly reviews on current and future borrowing levels and 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.

		Consolidated			Maturity Dates			
Consolidated 30 June 2022	Note	Carrying Amount	Nominal Amount	Less than 1 Month	1-3 Months	3 Months - 1 Year	1-5 Years	Over 5 Years
Financial liabilities at amortised cost		\$	\$	\$	\$	\$	\$	\$
Payables	5.2	483,600	483,600	483,600	-	-	-	-
Borrowings	6.1	454,859	454,859	3,134	9,402	120,284	322,040	-
Other Financial Liabilities	5.3							
- Accommodation bonds (ii)		9,249,319	9,249,319	-	-	3,021,203	6,228,116	-
- Resident loan obligations - independent living units		307,800	307,800	-	-	-	307,800	-
- Other monies held in trust		156,552	156,552	146,612	9,940	-	-	-
Total Financial Liabilities		10,652,130	10,652,130	633,346	19,342	3,141,487	6,857,956	-

		Consolidated			Maturity Dates			
Consolidated 30 June 2021	Note	Carrying Amount	Nominal Amount	Less than 1 Month	1-3 Months	3 Months - 1 Year	1-5 Years	Over 5 Years
Financial liabilities at amortised cost		\$	\$	\$	\$	\$	\$	\$
Payables	5.2	537,475	537,475	537,475	-	-	-	-
Borrowings	6.1	127,629	127,629	3,134	9,402	47,077	68,016	-
Other Financial Liabilities	5.3							
- Accommodation bonds (ii)		8,543,084	8,543,084	-	-	2,128,577	6,414,507	-
- Resident loan obligations - independent living units		292,500	292,500	-	-	-	292,500	-
- Other monies held in trust		720,498	720,498	710,558	9,940	-	-	-
Total Financial Liabilities		10,221,186	10,221,186	1,251,167	19,342	2,175,654	6,775,023	-

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

(ii) The ageing analysis of accommodation bonds is based upon historical redemption rates.

HESSE RURAL HEALTH SERVICE

Notes To The Financial Statements

Financial Year ended 30 June 2022

Note 7.2 (c) Market risk

The health service's exposures to market risk are primarily through interest rate risk. Objectives, policies and processes used to manage each of these risks are disclosed below.

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 risks through cash and deposits, term deposits and bank overdrafts that are at floating rate.

Note 7.3: Contingent Assets and Contingent Liabilities

Details of maximum estimates for contingent assets or contingent liabilities are included in the following table:

	Consolidated 2022 \$	Consolidated 2021 \$
Contingent liabilities		
Quantifiable		
Guarantees and indemnities - financial guarantee for payroll services	100,000	100,000
Total quantifiable contingent liabilities	100,000	100,000

How we measure and disclose contingent assets and contingent liabilities

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

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

Contingent assets

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

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

Contingent liabilities

Contingent liabilities are:

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

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

Note 7.4: Fair value determination

How we measure fair value

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

The following assets and liabilities are carried at fair value:

- Property, plant and equipment
- Right-of-use assets
- Investment properties

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

Valuation hierarchy

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

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

The health service determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. There have been no transfers between levels during the period.

The health service monitors changes in the fair value of each asset and liability through relevant data sources to determine whether revaluation is required. The Valuer-General Victoria (VGV) is Hesse Rural Health's independent valuation agency for property, plant and equipment.

Identifying unobservable inputs (level 3) fair value measurements

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

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

HESSE RURAL HEALTH SERVICE

Notes To The Financial Statements

Financial Year ended 30 June 2022

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

Balance at 30 June 2022

Note	Consolidated carrying amount	Fair value measurement at end of reporting period using:		
		Level 1 (i)	Level 2 (i)	Level 3 (i)
	\$	\$	\$	\$
Non-specialised land	2,148,370	-	2,148,370	-
Specialised land	2,604,630	-	-	2,604,630
Total of land at fair value	4,753,000	-	2,148,370	2,604,630
Non-specialised buildings	205,089	-	205,089	-
Specialised buildings	11,233,307	-	-	11,233,307
Total of buildings at fair value	11,438,396	-	205,089	11,233,307
Plant and equipment at fair value	186,593	-	-	186,593
Motor Vehicles at fair value	44,457	-	-	44,457
Medical equipment at fair value	50,529	-	-	50,529
Furniture and fittings at fair value	163,541	-	-	163,541
Total other plant, equipment and vehicles at fair value	445,120	-	-	445,120
Right-of-use buildings	24,692	-	-	24,692
Right-of-use plant, equipment and vehicles	329,849	-	-	329,849
Total right-of-use assets at fair value	354,541	-	-	354,541
Investment property	1,627,527	-	1,627,527	-
Total investment property at fair value	1,627,527	-	1,627,527	-
Total non-financial physical assets at fair value	18,618,584	-	3,980,986	14,637,598

Balance at 30 June 2021

Note	Consolidated carrying amount	Fair value measurement at end of reporting period using:		
		Level 1 (i)	Level 2 (i)	Level 3 (i)
	\$	\$	\$	\$
Non-specialised land	1,698,909	-	1,698,909	-
Specialised land	2,089,738	-	-	2,089,738
Total of land at fair value	3,788,647	-	1,698,909	2,089,738
Non-specialised buildings	217,028	-	217,028	-
Specialised buildings	10,186,898	-	-	10,186,898
Total of buildings at fair value	10,403,926	-	217,028	10,186,898
Plant and equipment at fair value	174,093	-	-	174,093
Motor Vehicles at fair value	81,581	-	-	81,581
Medical equipment at fair value	19,204	-	-	19,204
Furniture and fittings at fair value	149,028	-	-	149,028
Total other plant, equipment and vehicles at fair value	423,906	-	-	423,906
Right-of-use plant, equipment and vehicles	107,283	-	-	107,283
Total right-of-use assets at fair value	107,283	-	-	107,283
Investment property	1,525,000	-	1,525,000	-
Total investment property at fair value	1,525,000	-	1,525,000	-
Total non-financial physical assets at fair value	16,248,762	-	3,440,937	12,807,825

How we measure fair value of non-financial physical assets

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

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

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

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

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

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

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

HESSE RURAL HEALTH SERVICE

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Specialised land and specialised buildings

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

During the reporting period, Hesse Rural Health held Crown Land. The nature of this asset means that there are certain limitations and restrictions imposed on its use and/or disposal that may impact their fair value.

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

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

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

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

Vehicles

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

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

Reconciliation of level 3 fair value measurement

	Land \$	Buildings \$	Motor Vehicles \$	Plant and equipment \$	Medical equipment \$	Right-of-use assets \$
Consolidated						
Balance at 1 July 2020	1,761,000	10,921,660	155,498	307,385	14,498	73,777
Additions/(Disposals)	-	307,532	(35,009)	88,023	6,705	109,978
Net transfer between classes						
Gains or losses recognised in net result						
- Depreciation	-	(844,404)	(38,908)	(72,287)	(1,999)	(76,471)
- Impairment loss	-	(197,890)	-	-	-	-
Subtotal	1,761,000	10,186,898	81,581	323,121	19,204	107,284
Items recognised in other comprehensive income						
- Revaluation	328,738	-	-	-	-	-
Subtotal	328,738	-	-	-	-	-
Balance at 30 June 2021	2,089,738	10,186,898	81,581	323,121	19,204	107,284
Purchases (sales)	-	8,400	(7,942)	98,592	35,702	294,848
Gains or losses recognised in net result						
- Depreciation	-	(838,982)	(29,182)	(71,579)	(4,377)	(47,591)
- Impairment loss	-	-	-	-	-	-
Subtotal	2,089,738	9,356,316	44,457	350,134	50,529	354,541
Items recognised in other comprehensive income						
- Revaluation	514,892	1,876,991	-	-	-	-
Subtotal	514,892	1,876,991	-	-	-	-
Balance at 30 June 2022	2,604,630	11,233,307	44,457	350,134	50,529	354,541

Fair value determination of level 3 fair value measurement

Asset class	Fair value level	Valuation approach	Significant inputs (Level 3 only)
Specialised Land (Crown / Freehold)	Level 3	Market approach	Community Service Obligations Adjustments (i)
Specialised buildings	Level 3	Depreciated replacement cost approach	- Cost per square metre - Useful life
Vehicles	Level 3	Depreciated replacement cost approach	- Cost per unit; useful life
Plant and equipment	Level 3	Depreciated replacement cost approach	- Cost per unit - Useful life

(i) A community service obligation (CSO) of 0% was applied to Hesse Rural Health's specialised land.

HESSE RURAL HEALTH SERVICE

Notes To The Financial Statements

Financial Year ended 30 June 2022

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 flows from operating activities
- 8.2 Responsible persons disclosures
- 8.3 Remuneration of Executives
- 8.4 Related parties
- 8.5 Remuneration of auditors
- 8.6 Events occurring after the balance sheet date
- 8.7 Controlled entities
- 8.8 Jointly Controlled Operations
- 8.9 Economic Dependency
- 8.10 Equity

Telling the COVID-19 story

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

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

	Note	Consolidated 2022	Consolidated 2021
		\$	\$
Net Result for the Year		(343,520)	298,908
Non-Cash Movements			
Net (gain)/loss from disposal of non financial physical assets		(24,478)	11,827
Net (gain)/loss from disposal of financial assets		-	-
Net (gain)/loss on revaluation of independent living units		(69,586)	(512,745)
Depreciation	4.4	1,000,350	1,028,254
Revaluation of LSL provision		(56,886)	(45,564)
Revaluation of ILU loan obligation		15,300	146,576
Movements in assets and liabilities:			
Change in Operating Assets & Liabilities			
Increase/(Decrease) in Payables		(159,128)	82,484
Increase/(Decrease) in Employee Entitlements		32,899	(175,688)
(Increase)/Decrease in Receivables		(94,309)	(782,803)
(Increase)/Decrease in Other Liabilities		(161,493)	128,496
(Increase)/Decrease in Prepayments		(40,720)	9,392
Net Cash Inflow From Operating Activities		98,429	189,137

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 responsible persons for the reporting period.

	From	Period To
Responsible Ministers:		
The Honourable Mary-Anne Thomas MP: Minister for Health Minister for Ambulance Services	27/06/2022 27/06/2022	30/06/2022 30/06/2022
The Honourable Gabrielle Williams MP: Minister for Disability, Ageing and Carers	27/06/2022	30/06/2022
The Honourable Colin Brooks MP: Minister for Mental Health	27/06/2022	30/06/2022
The Honourable Martin Foley MP: Former Minister for Health Former Minister for Ambulance Services	1/07/2021 1/07/2021	27/06/2022 27/06/2022
The Honourable Anthony Carbines MP: Former Minister for Disability, Ageing and Carers	6/12/2021	27/06/2022
The Honourable James Merlino MP: Former Minister for Mental Health Former Minister for Disability, Ageing and Carers	1/07/2021 11/10/2021	27/06/2022 6/12/2021
The Honourable Luke Donnellan MP: Former Minister for Disability, Ageing and Carers	1/07/2021	11/10/2021

HESSE RURAL HEALTH SERVICE

Notes To The Financial Statements

Financial Year ended 30 June 2022

	Period	
	From	To
Governing Board		
K. Taylor (Chair of the Board until 16/12/2021)	1/07/2021	30/06/2022
I. Whiting (Chair of the Board from 17/12/2021)	1/07/2021	30/06/2022
N. Hutton	1/07/2021	30/06/2022
M. Dean	1/07/2021	30/06/2022
A. Bennett	1/07/2021	30/06/2022
P. Nemtsas	1/07/2021	30/06/2022
T. O'Loughlin	1/07/2021	30/06/2022
M. Stocks	1/07/2021	30/06/2022
T. Williams	1/07/2021	8/09/2021
B. Maw	1/07/2021	30/06/2022
C. Edwards	1/07/2021	30/06/2022
Accountable Officers		
C. Brock (Chief Executive Officer)	1/07/2021	30/06/2022
Remuneration of Responsible Persons		
The number of Responsible Persons are shown in their relevant income bands:		
	Consolidated 2022	Consolidated 2021
Income Band reported in \$'000	\$	\$
\$0 - \$9,999	11	12
\$90,000 - \$99,999	-	2
\$150,000 - \$159,999	1	-
Total Numbers	12	14
	2022	2021
	\$	\$
Total remuneration received or due and receivable by Responsible Persons from the reporting entity amounted to:	\$192,577	\$228,560

Amounts relating to the Governing Board Members and Accountable Officer of Hesse Rural Health's controlled entity are disclosed in the controlled entity's financial statements. Amounts relating to Responsible Ministers are reported within the State's Annual Financial Report.

Note 8.3: Remuneration of Executives

Remuneration of Executives

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

	Consolidated 2022	Consolidated 2021
	\$	\$
Remuneration of executive officers (including Key Management Personnel disclosed in Note 8.4)		
Short-term benefits	255,860	182,953
Post-employment benefits	26,865	13,891
Other long-term benefits	7,162	4,924
Termination benefits	-	-
Total Remuneration (i)	289,887	201,768
Total number of executives	2	2
Total annualised employee equivalent (AEE) (ii)	2	1

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

(ii) Annualised employee equivalent is based on the time fraction worked over the reporting period.

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 include amounts such as wages, salaries, 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 include pensions and other retirement benefits (such as superannuation guarantee contributions) paid or payable on a discrete basis when employment has ceased.

Other long-term benefits include long service leave, other long-service benefit or deferred compensation.

Termination benefits include termination of employment payments, such as severance packages.

Note 8.4: Related parties

The health service is a wholly owned and controlled entity of the State of Victoria. Related parties of the health service include:

- all key management personnel and their close family members;
- all cabinet ministers and their close family members
- controlled entities - Winchelsea Hostel and Nursing Home Society Inc.
- jointly controlled operation - A member of the SWARH IT alliance; and
- all health services and public sector entities that are controlled and consolidated into the whole of state consolidated financial statements.

HESSE RURAL HEALTH SERVICE

Notes To The Financial Statements

Financial Year ended 30 June 2022

KMPs are those people with the authority and responsibility for planning, directing and controlling the activities of the health service and its controlled entities, directly or indirectly.

Key management personnel

The Board of Directors and the Executive Directors of Hesse Rural Health and its controlled entities are deemed to be KMPs.

Entity	KMP's	Position Title	Period	
			From	To
Hesse Rural Health	K. Taylor	Chair of the Board until 16/12/2021	1/07/2021	30/06/2022
Hesse Rural Health	I. Whiting	Chair of the Board from 17/12/2021	1/07/2021	30/06/2022
Hesse Rural Health	N. Hutton	Board member	1/07/2021	30/06/2022
Hesse Rural Health	M. Dean	Board member	1/07/2021	30/06/2022
Hesse Rural Health	B. Maw	Board member	1/07/2021	30/06/2022
Hesse Rural Health	A. Bennett	Board member	1/07/2021	30/06/2022
Hesse Rural Health	P. Nemtsas	Board member	1/07/2021	30/06/2022
Hesse Rural Health	T. O'Loughlin	Board member	1/07/2021	30/06/2022
Hesse Rural Health	M. Stocks	Board member	1/07/2021	30/06/2022
Hesse Rural Health	C. Edwards	Board member	1/07/2021	30/06/2022
Hesse Rural Health	T. Williams	Board member	1/07/2021	8/09/2021
Hesse Rural Health	C. Brock	Chief Executive Officer	1/07/2021	30/06/2022
Hesse Rural Health	J. Brockway	Chief Financial Officer	1/07/2021	30/06/2022
Hesse Rural Health	M. McLeod	Director of Clinical Services	1/07/2021	30/06/2022

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

	Consolidated 2022 \$	Consolidated 2021 \$
Compensation - KMP's		
Short term employee benefits	430,472	364,789
Post-employment benefits	40,967	54,893
Other long-term benefits	11,025	10,646
Termination benefits	-	-
Total (i)	482,464	430,327

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

Significant transactions with government related entities

Hesse Rural Health received funding from the Department of Health of \$4.7 million (2021: \$4.3 million).

During the year, Hesse Rural Health had the following government-related entity transactions which are undertaken on a normal commercial basis:

- Payroll processing charges paid to Colac Area Health.
- Patient transport fees paid to Ambulance Victoria
- Purchase of drugs and medical supplies from Colac Area Health and South West Healthcare.
- Provision of District Nursing services to Barwon Health, Colac Area Health, Ballarat health service and the Alfred health service.
- Professional medical indemnity insurance and other insurance products are obtained from the Victorian Managed Insurance Authority.

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

Transactions with KMP's 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 Hesse Rural Health, there were no related party transactions that involved key management personnel, their close family members and their personal business interests, except for the transactions listed below. No provision has been required, nor any expense recognised, for impairment of receivables from related parties. There were no related party transactions with Cabinet Ministers required to be disclosed in 2022.

There were no related party transactions required to be disclosed for the Hesse Rural Health Board of Directors, Chief Executive Officer and Executive Directors in 2022.

Note 8.5: Remuneration of Auditors

Victorian Auditor-General's Office
Audit of financial statement

	Consolidated 2022 \$	Consolidated 2021 \$
	34,400	33,950
	34,400	33,950

Note 8.6: Events Occurring after the Balance Date

No matters or circumstances have arisen since the end of the reporting period which further significantly affects or may significantly affect the operations of the health service, the results of those operations, or the state of affairs of the health service.

HESSE RURAL HEALTH SERVICE

Notes To The Financial Statements

Financial Year ended 30 June 2022

Note 8.7: Controlled Entities

Hesse Rural Health's interest in controlled operations are detailed below. The amounts are included in the consolidated financial statements under their respective categories:

Name of Entity	Country of Incorporation	Equity Holding
Winchelsea Hostel and Nursing Home Society Inc.	Australia	100%
Control is established due to both entities having common Board of Management.		

Controlled Entities contribution to the consolidated results

	2022 \$ \$'000	2021 \$ \$'000
Net Result for the year		
Winchelsea Hostel and Nursing Home Society Inc.	(626)	(373)

Contingent liabilities and capital commitments

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

Note 8.8: Joint Arrangements

	Principal Activity	2022 %	2021 %
South West Alliance of Rural Health (SWARH)	Information Technology	1.90%	2.34%

The health service interest in assets employed in the above joint arrangement is detailed below. The amounts are included in the financial statements under their respective asset categories:

	2022 \$	2021 \$
Current Assets		
Cash and cash equivalents	404,341	238,918
Receivables	106,162	71,951
Other assets	14,880	15,654
Total Current Assets	525,383	326,523
Non-Current Assets		
Property, plant & equipment	142,942	191,895
Receivables	15,885	11,925
Total Non-Current Assets	158,827	203,820
Total Assets	684,210	530,343
Current Liabilities		
Payables	182,432	227,517
Finance lease liabilities	29,882	27,611
Deferred income	247,945	49,370
Employee benefits and related on-cost provisions	50,748	40,582
Total Current Liabilities	511,007	345,080
Non-Current Liabilities		
Finance lease liabilities	38,273	49,360
Employee benefits and related on-cost provisions	5,171	7,938
Other liabilities	3,376	-
Total Non Current Liabilities	46,820	57,298
Total Liabilities	557,827	402,378
Net Assets	126,383	127,965

The health service interest in revenues and expenses resulting from joint arrangements is detailed below, based on unaudited figures:

Revenues		
Operating activities	400,048	430,123
Non-operating activities	3,343	56,321
Total revenue and income from transactions	403,391	486,444
Expenses from transactions		
Employee Benefits	174,431	183,402
Maintenance contract and IT support	160,215	211,413
Finance costs	1,108	1,694
Depreciation	43,852	45,151
Total expenses from transactions	379,606	441,660
Net result from transactions	23,785	44,784
Other economic flows included in the net result		
Revaluation of long service leave	(1,463)	-
Total other economic flows included in the net result	(1,463)	-
Comprehensive result for the year	22,322	44,784

HESSE RURAL HEALTH SERVICE

Notes To The Financial Statements

Financial Year ended 30 June 2022

Note 8.9: Economic dependency

Hesse Rural Health is dependent on the Department of Health for the majority of its revenue used to operate the entity. At the date of this report, the Board of Directors has no reason to believe the Department will not continue to support Hesse Rural Health.

Note 8.10: Equity

Contributed capital

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

Specific restricted purpose reserves

A specific restricted purpose reserve is established where Hesse Rural Health has possession or title to the funds but has no discretion to amend or vary the restriction and/or condition underlying the funds received.



DISCLOSURE INDEX

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

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Charter and Purpose

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CONTACT US

To access Hesse's broad range of services contact Administration:

Phone: (03) 5267 1200

Mail: 8 Gosney Street, Winchelsea VIC 3241

E-mail: reception@hesse.vic.gov.au

Website: www.hesseruralhealth.com.au

Social Media: www.facebook.com/hesseruralhealth

This annual report is prepared in accordance with Ministerial Directions issued by the Minister for Finance under the Financial Management Act 1994, and outlines the operational and financial performance of Hesse Rural Health from 1 July 2021 to 30 June 2022. The disclosures are made regarding responsible persons for the reporting period.

Our annual reports are available on our website and a hard copy of this issue can be obtained by contacting us on the contact details above. Hesse is committed to providing accessible services. If you have any difficulty in understanding this annual report, you can contact us to arrange appropriate assistance.

