LATROBE REGIONAL HOSPITAL

Annual Report 2019/20

Latrobe Regional Hospital

ABOUT THIS REPORT

This Annual Report outlines Latrobe Regional Hospital's activities and performance from 1 July 2019 to 30 June 2020 and provides detailed financial statements.

Information relating to Financial Reporting Direction (FRD) 15E: Executive Officer Disclosures in the Report of Operations are available on request to the relevant Minister, Members of Parliament or the public.

This report is also available online at **www.lrh.com.au**

The Ministers for Health and Mental Health during 2019/20 were:

Jenny Mikakos MP, Minister for Health and Minister for Ambulance Services

Martin Foley MP, Minister for Mental Health

Latrobe Regional Hospital is located on the traditional lands of the Braiakaulung clan of the Gunai Kurnai Nation.

Contents

Our story

Latrobe Regional Hospital (LRH) is located 150km east of Melbourne at Traralgon West.

We are a public health service established under the *Health Services Act 1988* (Vic). This followed the merger of two public hospitals in Traralgon and Moe and a nursing home in Morwell in 1991.

We provide public hospital services in accordance with the principles of the National Health Care Agreement (Medicare) and the *Health Services Act 1988* (Vic).

LRH has 313 beds and treatment chairs and cares for a population of more than 270,000 as a provider of specialist services to the Gippsland region. We offer services such as cardiac care, surgery, medical, renal, emergency care, aged care, obstetrics, mental health, pharmacy, allied health and rehabilitation. Medical and radiation oncology are offered at the Gippsland Cancer Care Centre on site.

LRH is the main provider of acute mental health services in Gippsland with inpatient care at the hospital and community mental health services and teams in the Latrobe Valley, Sale, Bairnsdale, Yarram, Orbost, Warragul and Wonthaggi.

Our Macalister Unit has 10 acute beds for older people with complex needs relating to mental illness as well as 10 nursing home beds.

Our vision

We will be a leading regional health care provider delivering timely, accessible, integrated and responsive services to the Gippsland community.

Our values

Person-centred care
We put our patients first in our care, planning and decision-making.

Integrity
We are honest and respectful in our dealings and accountable for what we do.

Excellence
We aim high to ensure our community receives timely and relevant care.

Working together
We will respond to challenges together to create a safe, quality health service.

Year in Review

FROM CHAIR LINDA MCCOY AND CHIEF EXECUTIVE PETER CRAIGHEAD

Health services across the state vary in size and in the services they provide. However, this year we are all united in caring for Victorians affected by the global pandemic, COVID-19.

LRH's pandemic planning began in March 2020. Back then we were talking about a possible coronavirus outbreak and began implementing measures to protect our patients, staff and community from the risk of infection.

There were many decisions on the run and a lot of changes in a short space of time, however our staff rose to the challenge to review their practices and implement new procedures. LRH's pandemic plan was written and rewritten several times to reflect the evolving situation. We forged stronger partnerships firstly with hospitals across Gippsland, then the aged care sector to develop regional responses to COVID-19.

We are also pleased to have worked collaboratively with the Gippsland Primary Health Network ensuring our community had seamless access to Commonwealth and State resources and services.

LRH took a lead role in the establishment of 'pop-up' coronavirus testing clinics, rapid assessment teams to respond to a local outbreak quickly and contact tracing teams to track down the source of infection. These initiatives could not have been achieved without the hard work of our dedicated staff and the expertise and innovation of our organisational leaders.

If 'trouble comes in threes' as folklore suggests, then COVID-19 rounded out a particularly difficult year for our organisation.

Our community mental health staff in Bairnsdale and Orbost were affected personally and professionally by bushfires. Many staff were evacuated from their homes yet continued to support mental health consumers who were also caught up in the crisis.

The East Gippsland region is still in recovery mode and will be for some time. LRH Mental Health Services will continue to assist community-based agencies with the delivery of programs to support people experiencing trauma and mental illness as the difficult rebuilding effort continues.

In September 2019, LRH's information technology systems were shut down by a ransomware attack. Fortunately, patient information was not accessed and staff reverted to manual systems to keep services functioning. With the support of The Alfred, patients undergoing radiotherapy were able to continue their courses of treatment. While some systems were returned relatively quickly, access to the internet and external communication such as emails took longer to restore.

Our achievements

Overall, 169,482 people were treated at our hospital, an increase of 2,325 (2%) on the previous year. There were 42,106 Emergency Department presentations, an increase of almost 1,000. Reduced surgical activity as a result of the COVID-19 pandemic resulted in a slight decline in the number of procedures: 10,672 in 2019/20 compared to 10,900 in the previous 12 months.

Outpatient numbers grew by 4.3 per cent to 77,895. This can be attributed to increased services and the expansion of telehealth which has provided our community with greater access to specialists.

Our Thomson Women, Children's and Birthing Unit has welcomed the highest number of babies in seven years with 874 deliveries including 10 sets of twins.

Combining a 'business as usual' model with COVID-19 directives and guidelines has tested our team, however the level of activity and number of presentations suggest we have continued to respond to the healthcare needs of our community.

Amid all of this activity is some very important work behind the scenes to prepare LRH for a greater role in research to improve health outcomes for regional Victorians. Five clinical trials have been opened to ensure our community plays a role in the development of new treatment options.

We look forward to the recommendations of the Mental Health Royal Commission and hope for an innovative approach to the provision of care. Pressure on the mental health system is as much about workforce shortages as the availability of inpatient beds. LRH and other regional providers welcomed the opportunity to put forward suggestions in submissions to the Royal Commission.

A new strategic plan

Our Strategic Plan 2020/24 sets challenges for our team with the aim of delivering positive health and wellbeing outcomes for the Gippsland community.

The plan rests on a platform supported by four pillars:

Service Delivery with a commitment to enhancing access, integration and coordination of clinical care so our patients and consumers receive the right care in the right place at the right time.

Our People are the heart of our health service and include staff, volunteers, patients, carers and community members. We want to strengthen our organisational culture and wellbeing to ensure our people feel valued, empowered and engaged.

Education, Training and Research are being embedded in the delivery of high quality and safe services with a view to creating better outcomes for Gippsland people.

Regional Leadership takes us to the forefront of finding solutions for our community's health challenges and working collaboratively with other health providers.

Work on the priorities and projects which fall under these pillars has continued despite the disruption created by the pandemic. You can read more about these projects by downloading the Strategic Plan from our website.

Stage 3 development and capital works

Planning for our $217 million Stage 3A expansion has continued uninterrupted. Much of the focus to 30 June 2020 has been on the design of the new building which will include improved maternity and paediatric facilities, a larger intensive care unit, 44 new beds and new operating theatres.

We were delighted to have the opportunity to share some of the early designs with our community and receive their input on aspects of the project including the aesthetics of outdoor spaces.

We were able to commence capital improvement projects for our maternity, paediatric and mental health inpatient units. Our community mental health teams in South Gippsland and Bass Coast are also working in more comfortable surrounds at their new home in Murray Street, Wonthaggi. The building has been extensively refurbished to meet the needs of these busy teams.

Acknowledgements

We offer our heartfelt thanks to LRH staff who have endured a year of change and challenge. All of our staff have played a role in supporting and nurturing our community through COVID-19. Many have gone beyond their everyday duties to do so or made personal sacrifices to care for patients or people in the community.

We greatly appreciate the cooperative spirit of local hospitals and health services in developing a pandemic plan for our region. We also collaborated with the residential aged care sector to ensure it had the clinical support to care for vulnerable older Gippslanders.

We must also acknowledge our partnership with the Gippsland Primary Health Network particularly in developing strategies to provide coronavirus testing and engaging the community in important health messages.

Sadly, as the pandemic took hold, we had to suspend our volunteer program to protect the health of these generous individuals who give so much to the organisation. However, we must thank the small team of volunteer drivers who have stayed on to provide transport to patients requiring regular treatment such as cancer care and dialysis. They have worked closely with Latrobe City Council staff who came on board to assist with the transport program.

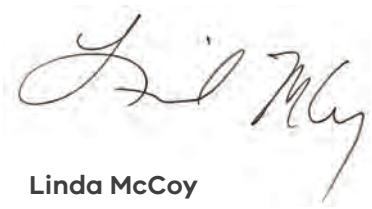
Thank you to the organisations, businesses and individuals who supported our fundraising events and campaigns throughout the year.

Your generosity in difficult economic times has helped us to maintain a high standard of care. We were also touched by the thoughtfulness of many people in our community who donated treats and pamper products to staff to keep their spirits up throughout the pandemic. The most heart-warming gesture however came from school children across the Latrobe region who sent our team motivational letters and drawings in the challenging months of 2020.

Finally, we wish to acknowledge the service of retiring Board Director, Leah Young. Leah's passion for the region combined with her business acumen was greatly valued by the Board and Executive team. Leah will also be missed by our staff having attended and taken an interest in many of our activities during her 10-year term.

Responsible Bodies Declaration

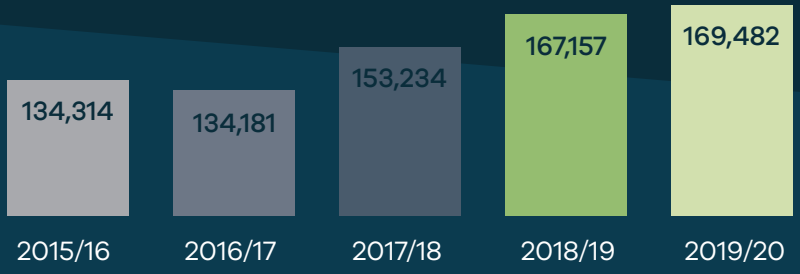
In accordance with the Financial Management Act 1994, I am pleased to present the report of operations for Latrobe Regional Hospital for the year ending 30 June 2020.



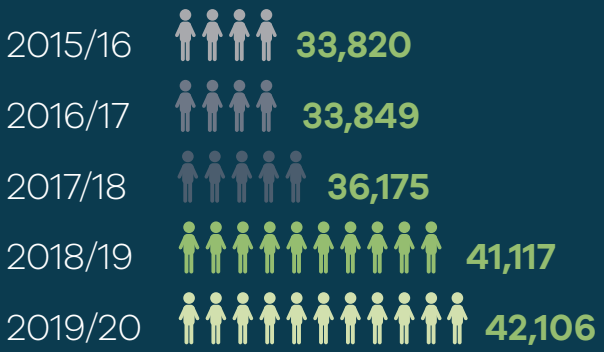
Linda McCoy
Chair, Board of Directors
Traralgon West
19 October 2020

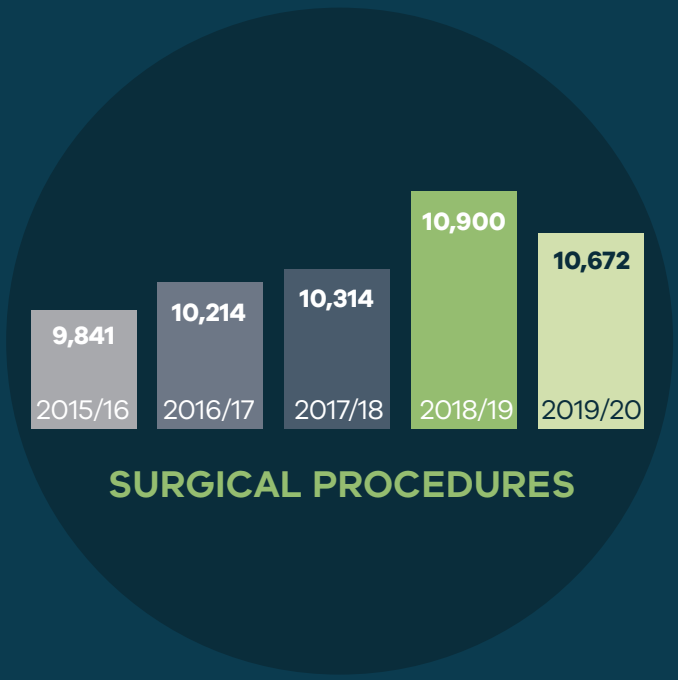
A record year

PEOPLE TREATED AT LRH

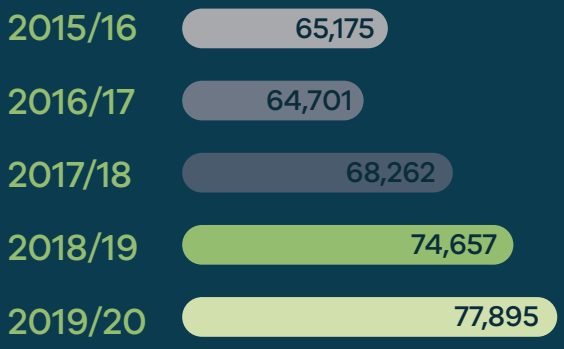


EMERGENCY DEPARTMENT PRESENTATIONS





OUTPATIENTS



Highlights of our year

MEDICAL SERVICES

Telehealth expansion

LRH has seen an increased uptake in telehealth in virtually all clinics and programs where face-to-face contacts were the norm prior to COVID-19. Some of the areas where there have been great strides made include allied health, mental health services, outpatient clinics and regional cancer care services.

Gippsland Regional Intern Training (GRIT)

Our GRIT program has continued to develop and grow with LRH now recruiting to all 30 positions. This is the first year we have gone into the recruitment match with PMCV (Postgraduate Medical Council of Victoria) and offered all of these training opportunities as LRH positions. It's an indication the program has become a popular choice with graduates and can now stand on its own without metropolitan hospital assistance.

Gippsland Regional PGY2 Residency Program

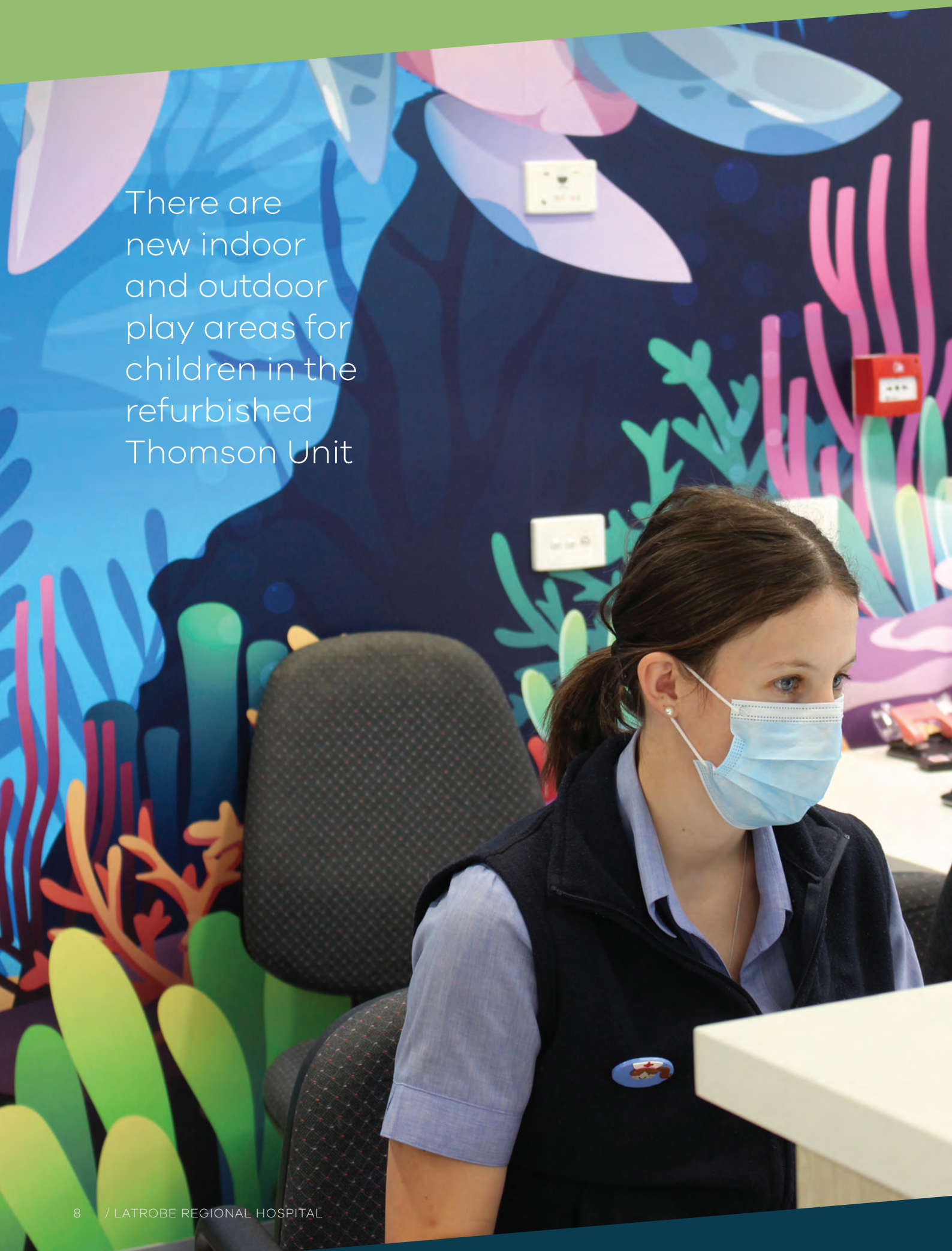
The Gippsland Regional Post Graduate Year 2 (PGY2) Residency Program is an opportunity to build on the success of GRIT by providing further training in this region for second year post-grads. We are working towards the commencement of Basic Physician Training and other pathways which demonstrate the diversity of roles and challenging work available in a regional setting.

New model of care in the Emergency Department

The introduction of a three consultant roster in our Emergency Department has enabled us to increase the number of decision makers on the floor to further support and provide leadership to our junior team.

Centralised haematology referral process

As part of a collaboration across the Gippsland region, a centralised referral system has been implemented at LRH to increase access to haematology and decrease waiting lists at Bairnsdale Regional Health Service and Central Gippsland Health.


There are new indoor and outdoor play areas for children in the refurbished Thomson Unit

CRITICAL, ACUTE AND SUBACUTE SERVICES

Thomson refurbishment

There has been a substantial upgrade to facilities for women and children in our Thomson Unit. The refurbishment includes birth suites, the Special Care Nursery, paediatrics area and inpatient beds in maternity. There are also new indoor and outdoor play areas for children while the Special Care Nursery has additional capacity to care for sick and vulnerable newborns.

Increasing ICU capacity

As part of our coronavirus response planning, patient preparation and recovery areas in our cardiac catheterisation laboratory and endoscopy suite complex have been converted to an intensive care unit to better support COVID and non-COVID patients who require a high level of care.

The expansion takes the number of ICU beds from 14 to 33. The unit is better able to separate general ICU patients from suspected and confirmed coronavirus patients to reduce the risk of infection.

Dialysis on-call service

An on-call remote dialysis service commenced at LRH in 2020. Under the scheme, a dialysis staff member is on-call each day to treat additional patients in Dialysis, Critical Care or the Bass inpatient unit if required. It ensures we're able to continue to treat patients when the Dialysis Unit is at capacity or a patient is transferred unexpectedly to LRH.

The on-call service has been used for unstable patients and those requiring isolation, patients with bleeding, hypotension, acute myocardial infarction (AMI) associated with kidney disease and post-cardiac events.

It has also been used for surgical patients or dialysis patients sent from other regional hospitals.

New beds for Tanjil

A new fleet of beds for our busy Tanjil surgical inpatient unit has improved amenities for patients and helped with logistics and efficiency for staff.

The new beds are fully electric and can be adjusted to many different positions to maximise patient comfort. The mattresses have an in-built 'ripple' function to reduce the risk of pressure injuries. Staff are enjoying this extra functionality and the time it saves them while patients report the beds are very comfortable.

Lighting up the operating suite

Our surgeons have some extra support in the Operating Suite following the installation of new lights with world-leading LED technology.

They feature a multi-lens matrix to distribute light and intelligent shadow management control to provide a better view in deep cavity procedures.

Images captured by in-built cameras are being used for staff training.

MENTAL HEALTH

Supporting the mental health system

LRH received funding for several new programs which has enabled us to deliver expanded specialist services across Gippsland.

The Intensive Community Care Packages program supports people with serious mental illnesses to access nurse practitioner clinics to assess and treat physical health concerns and receive care from a dietitian. Consumers are also able to tap into family therapy services if required.

The Early Intervention Psychosocial Response Program delivered in collaboration with community mental health service MIND, has provided additional support for people who have complex needs.

New 'mental health navigators' were implemented in our community teams to help people to access and navigate the mental health system.

The HOPE (Hospital Outreach Post suicide Engagement) Program was expanded with funding from the interim Mental Health Royal Commission recommendations, providing up to three months of clinical support and treatment for people after a suicide attempt. In addition, The Way Back Support Service delivered in collaboration with mental health support organisation Wellways, commenced operation to provide three months of psychosocial care and support within the HOPE program.

Regional Mental Health and Suicide Prevention Planning Project

LRH has played a major role in the development of a plan to address local mental health priorities within a stepped model of care. This will ensure people are able to access the services they need at whatever stage of their recovery – stepping up to more intensive care or down to a lower intensity service.

We are working with the Gippsland Primary Health Network on a joint Regional Mental Health and Suicide Prevention Planning project which is in partnership with local health networks and other stakeholders.

This year, a regional mental health workforce strategy was developed to support the development of a skilled workforce to deliver mental health reforms. We have also welcomed the completion of the *Regional Mental Health and Suicide Prevention: Foundation Plan*. A final plan is due in 2022 and will support all health services in the region to deliver care that meets the needs of their local communities.

Bushfires in East Gippsland

The mental health teams of Bairnsdale and Orbost were severely impacted by the fires in East Gippsland in December-January.

Fire activity and road closures prevented us from providing outreach services across the region. Our Prevention and Recovery Care Service (PARCS) in Bairnsdale was also closed.

Several of our staff were evacuated from their homes and additional mental health service staff were redeployed from other teams to

assist the East Gippsland region. Our staff made changes and innovations to their work systems to ensure the continuity of services and support to our clients and our community.

LRH also provided health and wellbeing support to Bairnsdale Regional Health Service staff and Victoria Police members affected by the fires. In addition, we worked with the Department of Health and Human Services (DHHS) and the Gippsland Primary Health Network in coordinating psychological first aid responses in communities and relief centres, mapping service needs and providing direct mental health specialist support into Mallacoota and other small fire-affected communities.

In 2020, LRH received funding to support bushfire recovery through expanded clinical services in East Gippsland. This expansion includes trauma treatment, mental health promotions, consultation liaison mental health services and increasing child and youth mental health into schools.

COVID 19 response:

COVID 19 has been a very challenging time for the mental health of our patients, staff and the broader community. Demand for mental health services across the community has increased and LRH will work with the broader health and community sectors to plan for mental health recovery across Gippsland.

We have been actively implementing pandemic plans to ensure we continue to deliver safe and accessible mental health services to the community – including our staff. Changes to inpatient services and community teams were implemented swiftly to meet the needs of our community and telemedicine options were explored. Our Agnes Parent and Infant Unit and PARCS models switched to outreach/virtual programs.

Workforce plans were finalised to support any major impact on the mental health workforce. LRH engaged with our community mental health partners including Wellways and MIND to ensure our consumers had access to ongoing mental health support in our shared programs.

We also set up a mental health and wellbeing service for LRH staff which included the provision of digital and online information, counselling and support options and education sessions.

Mental Health Royal Commission

LRH provided an independent submission to the Mental Health Royal Commission and contributed to a joint submission of regional and rural mental health services across Victoria. The key recommendations proposed in the LRH submission included:

- developing and implementing a new funding model that fully costs clinical mental health service delivery in rural and regional areas, sets meaningful performance targets and delivers an associated infrastructure plan
- expanding the Hospital Outreach Post-Suicide Engagement Program (HOPE) trials and implementing the Zero Suicide Framework across all clinical mental health services
- investing in the implementation of a stepped model of care that supports early intervention, prevention, community treatment and alternatives to hospitalisation and reduces crisis and Emergency Department presentations
- increasing numbers of specialist mental health clinicians through innovative approaches to university training, placements and graduate programs in regional areas including urgently addressing registration and college endorsement timelines for medical specialists and removing barriers for nurse practitioner-led models of care.

EDUCATION, TRAINING AND RESEARCH

This year we recruited a research manager to head up a new unit to drive LRH's commitment to projects that address the health needs of people in Gippsland. Our vision is: '*Research for change – together improving health outcomes for the Gippsland community*'.

The unit has been developing procedures and supporting projects which encourage quality, safety and care within the organisation while also identifying key areas of research to improve our practice.

Our research unit has also been focusing on increasing treatment opportunities for regional Victorians. We have opened five clinical trials at the hospital which encompass new treatment options for patients in the areas of orthopaedic surgery, oncology and COVID-19. LRH has been chosen as a pilot site for the implementation of GenV, a statewide research initiative focused on improving the health and wellbeing of parents and their children.

Our Education and Training Unit (ETU) facilitated the introduction of Registered Undergraduate Students of Nursing (RUSON) at LRH with the support of Federation University. The RUSONs have been employed on four of the busiest inpatient units, Avon, Bass, Tanjil and the Emergency Department and provide direct support and assistance to the work of other registered nurses.

We have implemented a structured Clinical Nurse Specialist (CNS) program in collaboration with our Tanjil inpatient unit. The CNS program has enhanced the role of clinical nurse specialists on Tanjil, enabling the provision of increased clinical support and professional development for other nursing staff. This 12-month pilot program aims to enhance the overall clinical capacity and skill acquisition of the Tanjil team.

We now have a 'one-stop shop' for education and training with all of our team, including mental health educators, operating from one location. This new arrangement has contributed to improvements in collaboration and the delivery of education across the organisation.

PEOPLE AND CULTURE

LRH has now achieved benchmarks for the 'Healthy Eating' priority area of the Healthy Workplaces Achievement Program across our cafeterias, vending machines and catering menus. This has been an excellent effort from the Support Services team and continues to enhance LRH's reputation as an industry leader in promoting the health and wellbeing of our workforce and the local community. We now have recognition benchmarks for the healthy priority areas of physical activity, mental health and healthy eating. Smoking will be targeted next and our LRH Totally Smoke-Free initiative has been relaunched.

Our Environmental Services team has once again exceeded the state benchmark in meeting the expectations of patients who shared their hospital experience through the Victorian Healthcare Experience Survey. The team has also maintained high standards of cleanliness and infection control in response to the COVID-19 pandemic, despite the increased demand on cleaning services across the organisation.

LRH has appointed a Health and Wellbeing Coordinator and will launch a monthly staff health and wellbeing newsletter to promote a positive workplace. Our Organisational Development Committee (ODC) has also steered the development of a project themed: 'Because you care for others, we care for you'.

Sub-groups of the ODC have focused on staff safety, communication and health and wellbeing.

Business Services

Our Business Services team has had a busy year with the installation of a new Pet Scanner as part of a major refurbishment of the Medical Imaging Unit. The equipment is already making a difference to many people in our community who have previously had to travel to Melbourne for this potentially life-saving diagnostic service.

Other significant projects completed during the year include the refurbishment of the Thomson Women's, Children and Birthing Unit and a greenfield development in Wonthaggi for our community mental health team.

We are pleased to have secured the services of local disability employment organisation, Latrobe Valley Enterprises (LVE) which has assumed management of the LRH-owned Tandara Caravan Park. LVE employs, trains and mentors community members with a disability and LRH is proud to have a strong partnership with the organisation. LVE also provides landscaping services to LRH.

Aboriginal/Koori Liaison

Our partnership with the Aboriginal and Torres Strait Islander communities has flourished over the past 12 months following the signing of a Memorandum of Understanding (MOU) with Ramahyuck, a local Aboriginal health and wellbeing service. We will be working towards MOUs with the Lakes Entrance Aboriginal Health Association and Moogji Aboriginal Council based in Orbost.

Our draft 2020/25 Aboriginal Employment Plan has been approved. It will continue our efforts to support Aboriginal staff and enhance LRH's profile as an employer of choice among the Koori community. The new plan includes a targeted recruitment strategy and accompanying support for Aboriginal candidates, designated EFT for Aboriginal staff across the organisation and improvements to the structure of the traineeship program to ensure long term stability and success.

We have worked to remove barriers which may have made it difficult for the Aboriginal community to access our services, particularly specialists and pharmacy. This continues to be a focus under our Closing the Gap initiatives. LRH is also committed to ensuring our spaces and services are culturally safe. One important element has been new artwork created by artists from the TAFE Gippsland Aboriginal Unit.

REGIONAL AND INFORMATION SERVICES

EMR

Phase 2 of our Electronic Medical Record (EMR) project is on track to go live in our inpatient areas, pharmacy and community mental health from 28 September 2020. It follows the successful implementation of the EMR into our Emergency Department in April 2019.

Phase 2 is a much larger program with training provided to almost 1000 staff by our EMR team and Education and Training Unit.

Our pharmacy staff have embraced the project and are looking forward to transitioning to a paperless system. Improved safety for our patients is likely to come from the alerts built in to the system and medication orders will be clearer.

Our Health Information Unit has been busy scanning thousands of medical records into the system. The team tackled the records of ED patients in June and will progress to scanning paper-based documentation for all inpatients.

Solar project

Traralgon-based RACV Solar is on track to completing a solar system installation at the hospital which will generate more than 1.5 gigawatt hours of electricity a year.

The installation of 4,200 panels and 49 inverters is the largest of its type on any hospital in Australia and extends across 60 different roof areas across the hospital. It was the most complex commercial installation undertaken by RACV Solar.

The system will provide 20 per cent of our electricity needs and in time, will assist with reducing our environmental footprint.

Cybersecurity

Information technology systems in Gippsland hospitals were severely affected by a cybersecurity incident in 2019.

As a precaution, the Gippsland Health Alliance disconnected a number of systems such as the internet to quarantine the ransomware.

Staff reverted to paper-based systems to maintain clinical services while patients receiving radiotherapy were transported daily to The Alfred to continue their treatment.

Fortunately, patient records and other sensitive information were not compromised and many of our systems were running within 10 days of the incident following the installation of new antivirus software and further securing of the environment. It took some weeks however to fully restore IT systems.

COVID-19 regional planning

The COVID-19 pandemic has presented an opportunity for public and private health services and State and Commonwealth agencies to collaborate on problem-solving and resource sharing should a major outbreak occur in Gippsland.

Local health services developed a strategy to guide the region's pandemic response, from initial containment to a severe outbreak. LRH is the lead health service in this response.

The goal is to ensure our entire community is supported through the pandemic. Not every hospital in our region has an intensive care unit. Also, it's important to examine how best to use health resources, equipment, facilities and personnel which would be under significant pressure during a severe outbreak.

Similarly, a strategy for residential aged care facilities has been developed to support some of the most vulnerable people in our community.

Statement of Priorities

The Statement of Priorities is an annual accountablility agreement between Victorian public healthcare services and the Minister for Health. It outlines the key performance expectations, targets and funding for the year as well as government service priorities.

Part A provides an overview of the strategic priorities and deliverables for 2019/20.

Part B lists performance priorities and agreed targets.

Part C lists funding and associated activity.

Results reflect the available data at the time of writing. Results and data collection may have been affected by a cybersecurity incident in 2019 and the COVID-19 pandemic.

Part A

Better Health

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

Deliverables and Outcomes

- Reduce the health gap for people with serious mental illness through nurse-led physical health clinics using the Equally Well in Victoria: Physical Health Framework for Specialist Mental Health Services.

  Achieved Health and wellbeing clinics in Traralgon and Sale established for older mental health consumers. All consumers are screened for physical health issues and social barriers which may affect their quality of life. Nurse practitioners have commenced clinics for consumers in Traralgon,

- Implement the Safer Care Victoria 'Safer Baby Bundle' to improve outcomes for at-risk pregnant women.

  Not achieved Project on hold due to COVID-19 as per direction of Safer Care Victoria. New forms to capture data on mothers and babies were being trialled and staff were being educated on the Safer Baby Bundle.

- To successfully meet statewide benchmarks (as recognised by the Victorian Government) for Recognition Point 2 in Healthy Eating through the development of healthy eating-compliant meal plans for all food services across LRH including café services, food distribution and function services.

  Achieved LRH has fully achieved benchmarks for the Healthy Eating health priority section of the Healthy Workplace Achievement Program. Healthy Choice guidelines have been met across cafes, vending machines and catered functions. A healthy eating compliant menu plan was developed for our cafes. Monthly patient meal audits are conducted to ensure we meet serving size specifications.

- Build research capability by providing clinical practice training to 30 staff.

  Achieved Professional development opportunities and annual training events in research are being provided to LRH staff in conjunction with academic staff at Monash and Federation universities. Monash Partners council has welcomed LRH as the first regional hospital with associate membership, building potential for increasing research capability and collaboration.

Better Access

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

Deliverables and Outcomes

- Deliver better access to specialist mental health clinical care and psychosocial supports for people with a severe mental illness through implementation of the Intensive Community Care Packages and Early Intervention Psychosocial Support Response Program.

  Achieved The Early Intervention Psychosocial Support Response Program had 95 referrals as of 30 June 2020 and is working with 58 community mental health consumers across the region. Recruitment is underway for a team of staff to increase service hours for Intensive Community Care.

- Provide opportunities for patients within the Gippsland region to participate in clinical trial research, aligning with LRH vision and research priorities by offering access to clinical trials in cancer treatment, in partnership with Monash Health and other multi-centre trials. Commence recruitment to three clinical cancer treatment trials in 2019/20.

  Achieved Clinical trials underway in surgical and cancer care. LRH developed an Oncology Clinical Trials group to evaluate the feasibility and operation of projects and is continuing to build partnerships with larger metropolitan health services to provide increased opportunities to our patients.

- Increase the capability of the region's cardiology service with the inclusion of invasive and non-invasive diagnostic and intervention services offered from the Cardiac Catheterisation Laboratory and additional scope of practice with the introduction of Percutaneous Cardiac Interventions

  Not achieved Cardiac Catheterisation Laboratory training suspended due to COVID-19. Increased capability will depend on COVID-19 management, outbreaks and restrictions.

- Continue expansion of telehealth services, improving access to patients living in regional and remote areas to specialist services. Achieved through promotion of telehealth services to consumers; education and promotion to those medical specialists referring to and delivering outpatient services; and 'value adding' to existing outreach service with the aim of increasing the number of specialist outpatients clinic appointments delivered via telehealth by 20 per cent.

  Achieved During the COVID-19 pandemic LRH has been able to scale remote telehealth appointments at pace. There has been an increased uptake in all outpatient clinics and programs where face-to-face contacts were the norm. Inroads have been made in allied health, mental health, cancer care and specialist outpatient appointments.

- Expand medical specialist clinics to offer increased access to Nephrology, Oncology, Paediatric Cardiology and Endocrinology specialist outpatient clinics by providing additional specialist outpatient appointments.

  Achieved More consulting sessions are being offered which has decreased waiting times for appointments. During COVID-19, telehealth has ensured continued patient access to the clinics.

- Strengthen workforce through development of a five-year strategic medical workforce plan and implementation of additional graduate nurse pathways to support specialty streams in mental health, aged care and community.

  Achieved An outline and project plan have been developed for the LRH Workforce Plan 2021/26 and consultations with stakeholders have begun. LRH is on target to recruit 64 new nursing graduates for 2020. Aged care collaborative stream in partnership with local residential aged care facilities is progressing well.

- Implement the Symptom Urgent Review Clinic (SURC) for oncology patients. The SURC's aim is to improve access of patients with symptoms that require intervention without presenting to the Emergency Department.

  Achieved The SURC project successfully developed, trialled and implemented an effective nurse-led model of care incorporating telephone triage, outpatient clinics and hospital-wide collegiate care for oncology patients. As a result, there has been a 16 per cent reduction in oncology-coded presentations to the Emergency Department. The program continues with ongoing planning and data collection and will be reviewed in December 2020.

- Develop the Better Regional Ease of Access to Help (BREATHE) program for End of Life care for respiratory patients, partnering with Latrobe Community Health Service, Gippsland Region Integrated Cancer Services, Central Gippsland Health and the Primary Health Network.

  Achieved Following the appointment of a project coordinator and other staff, significant work has occurred in identifying the patient population. Referrals to the BREATHE program have been streamlined by weekly multi-disciplinary meetings and criteria for psychological support has been refined.

Better Care

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

Deliverables and Outcomes

- Target preventable suicide deaths by joining up the HOPE (Hospital Outreach Post-suicide Engagement), Zero Suicide and The Way Back Support Service programs to create a stronger, more connected and suicide-safer system that leads to a reduction in the number of suicides within the specialist mental health services.

  Achieved HOPE and Zero Suicide projects are ongoing with continued evaluation and research. Wellways has commenced operating The Way Back Support Service across Gippsland. New HOPE positions established in East Gippsland.

- Expand the 'Choosing Wisely' project across the health service, minimising over investigation, empowering patients and reducing unnecessary expenditure. Project target of 10 per cent sustained reduction in coagulation studies organisation-wide (initial pilot in ED).

  Not achieved Recruitment of a project lead and planning were interrupted by a major cyber incident which forced the shutdown of the organisation's computer networks. The project has been suspended due to COVID-19.

SPECIFIC PRIORITIES FOR 2019/20

Supporting the Mental Health System

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

- Enhance access through the design of an innovative and evidence-informed stepped care model of mental health in each LGA, using a Community Mental Health Hub approach driven by the Regional Mental Health and Suicide Planning Project.

  Achieved A draft foundation plan has been completed as has a workforce strategy. Stakeholder engagement has commenced and the final plan is being drafted with the first stage to be rolled out in East and South Gippsland Local Government Areas.

Addressing Occupational Violence

Foster an organisation-wide occupational health and safety risk management approach, including identifying security risks and implementing controls, with a focus on prevention and improved reporting and consultation. Implement the department's security training principles to address identified security risks.

- Develop hospital-wide priority education to all health service staff to support occupational violence and aggression prevention within the workplace, building de-escalation skills and promoting safety and quality care.

  Achieved Mandatory De-escalation Engagement and Prevention (DEEP) training continues with a strong focus on high-risk areas and simulation sessions. Our educator is engaging with staff in inpatient areas to support de-escalation techniques.

- Achieve implementation of planned actions in the 2019/20 Occupational Violence and Aggression Prevention Plan (including security risk assessment and the guide for security arrangements).

  Achieved Actions outlined in the plan are in progress including the appointment of a Health and Wellbeing Coordinator to support the delivery of Occupational Violence and Aggression strategies

Addressing Bullying and Harassment

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

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

- Rollout of the 'Know Better, Be Better' bullying and harassment awareness communications strategy across the LRH organisation together with implementation of the Department of Health and Human Services' framework for promoting a positive workplace culture.

  Achieved Know Better, Be Better has promoted bullying and harassment awareness and encouraged positive behaviours to staff who attended in-service education sessions. Posters have also been displayed throughout the hospital to raise awareness. In January 2020 a new program of activities was launched to continue to promote positive behaviour.

- Practical training package delivered organisation-wide regarding bullying and harassment to promote a healthy workplace culture. Monitor to maintain 100 per cent compliance.

  Achieved The LRH Education and Training Unit delivers a scenario-based practical training package for clinical and non-clinical staff to highlight examples of bullying, harassment and discrimination in the workplace. The package also targets all new staff members. All staff must also complete a mandatory online bullying and harassment training module. Staff completion rates of both packages are monitored with the aim of reaching and maintaining 100 per cent compliance.

- Implement the LRH Mental Health and Wellbeing Strategy, in alignment with the Leading the Way framework and mental health and wellbeing charter to achieve a psychologically healthy and safe workplace.

  Achieved/In progress A Health and Wellbeing Strategy was finalised and an action plan developed which included the recruitment of a Health and Wellbeing Coordinator. Implementation of action items is underway with KPIs, training programs and support programs for staff in development.

Supporting Vulnerable Patients

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

- Rainbow eQuality workgroup to deliver the six agreed activities within the Rainbow Tick Action Plan to ensure a safe and accessible health service for the LGBTIQ community.

  Achieved/In progress Actions against the six core priorities are progressing. A diversity statement for the organisation has been completed and endorsed by the LRH executive.

- Implementation of recommendations from the 'Health Care that Counts' self-assessments. The LRH multidisciplinary Child Safe Working Group has developed an action plan to meet the requirements of the Health Care that Counts framework and Child Safe Standards. Policies and procedures relating to Vulnerable Children have been updated to reflect the framework and standards.

  Not achieved Self-assessment submitted to DHHS. No update as of 30 June 2020.

- Expand telehealth services for Aboriginal patients, establishing partnerships and service agreements with Aboriginal Community Controlled Health Organisations (ACCHOs) and community groups from Ramahyuck (Morwell), Gippsland and East Gippsland Aboriginal Cooperative, Lakes Entrance Aboriginal Health Association and Moogji.

  Achieved There has been increased uptake in all clinics and programs where face-to-face contact was the norm before the pandemic. LRH continues to strengthen and support ACCHOs with promoting and developing telehealth opportunities.

Supporting Aboriginal Cultural Safety

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

- The agreement/signing of two Memorandums of Understanding between LRH and Aboriginal community groups and the initiation of partnership meetings to develop this partnership, integrate service delivery, share ideas and resolve operational problems that arise.

  Not achieved Discussions have been held with Lakes Entrance Aboriginal Health Association and Moogji in East Gippsland. The process of developing a MOU has been delayed by COVID-19.

Addressing Family Violence

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

- Implement the MARAM Framework and ensure 80 per cent staff undertake the required family violence training. LRH Family Violence employees and working group to take carriage of the MARAM Framework, action plan to be developed and monitored with regular reports to the executive.

  Achieved/In progress LRH Family Violence Champions are undergoing MARAM training. LRH Mental Health Service MARAM working group has been established. As of 30 June 2020, further protocol training had been suspended due to COVID-19. A working group involving LRH, the Gippsland Centre Against Sexual Assault and family violence support service Orange Door has been established to identify gaps or barriers with after-hours family violence and sexual assault response for survivors presenting to LRH's Emergency Department.

Implementing Disability Action Plans

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

- Finalise draft Disability Action Plan submitted to DHHS in July 2019 and commence implementation. Quarterly progress reports to Executive.

  Not achieved/In progress Action plan has been completed and submitted. Endorsement of the plan has been delayed by a major computer outage at LRH in 2019 and the 2020 pandemic.

Supporting Environmental Sustainability

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

- Development of an organisation-wide waste reduction strategy focusing on rationalisation and minimisation of waste across the hospital setting, targeting waste recycling and categorisation in line with DHHS-led waste reduction education and strategies.

  Achieved/In progress LRH Environmental Management Plan is being reviewed with the view to developing a new action plan. The organisation's Environmental Management Committee has been re-established.

- Procurement and installation of a solar PV installation up to 1.5mW capacity with a projected output of 1,700mW per annum offsetting approximately 20 per cent of Latrobe Regional Hospital's electricity utilisation.

  Achieved Panel installation commenced 6 May 2020 with completion due in the second half of 2020. Commissioning of the new system has been challenged by installation of a new switchboard and COVID-19.

Part B

Key performance indicator	Target	2019/20 result
High Quality and Safe Care		
Accreditation		
Compliance with the Commonwealth's Aged Care Accreditation Standards	Full compliance	Achieved
Infection prevention and control		
Compliance with the Hand Hygiene Australia program	83%	82%*
Percentage of healthcare workers immunised for influenza	84%	90%
Patient experience		
Victorian Healthcare Experience Survey – data submission	Full compliance	Achieved
Victorian Healthcare Experience Survey – percentage of positive patient experience responses – Quarter 1	95%	92%
Victorian Healthcare Experience Survey – percentage of positive patient experience responses – Quarter 2	95%	96%
Victorian Healthcare Experience Survey – percentage of positive patient experience responses – Quarter 3	95%	93%
Victorian Healthcare Experience Survey – percentage of very positive responses to questions on discharge care –Quarter 1	75%	69%
Victorian Healthcare Experience Survey – percentage of very positive responses to questions on discharge care –Quarter 2	75%	75%
Victorian Healthcare Experience Survey – percentage of very positive responses to questions on discharge care –Quarter 3	75%	76%
Victorian Healthcare Experience Survey – patients perception of cleanliness – Quarter 1	70%	79%
Victorian Healthcare Experience Survey – patients perception of cleanliness – Quarter 2	70%	76%
Victorian Healthcare Experience Survey – patients perception of cleanliness – Quarter 3	70%	74%
Healthcare associated infections (HAIs)		
Number of patients with surgical site infection	No outliers	Not Achieved
Rate of patients with ICU central-line-associated bloodstream infection (CLABSI)	Nil	Achieved
Rate of patients with Staphylococcus Aureus Bacteraemia (SAB) per 10,000 occupied bed days	≤1	0.6
Adverse events		
Sentinel events—root cause analysis (RCA) reporting	All RCA reports submitted within 30 business days	Achieved
Unplanned readmission hip replacement	Annual rate ≤2.5%	N/A**
Mental Health		
Percentage of adult acute mental health inpatients who are readmitted within 28 days of discharge	14%	14%

** Quarter 4 data unavailable due to COVID-19. Result is based on available data*

*** Less than 50 cases, below reporting threshold*

Key performance indicator	Target	2019/20 result
Mental Health		
Rate of seclusion events relating to a child and adolescent acute mental health admission	≤15/1,000	0
Rate of seclusion events relating to an adult acute mental health admission	≤15/1,000	1.1
Rate of seclusion events relating to an aged acute mental health admission	≤15/1,000	0
Percentage of child and adolescent acute mental health inpatients who have a post-discharge follow-up within seven days	80%	87%
Percentage of adult acute mental health inpatients who have a post-discharge follow-up within seven days	80%	84%
Percentage of aged acute mental health inpatients who have a post-discharge follow-up within seven days	80%	88%
Maternity and Newborn		
Rate of singleton term infants without birth anomalies with Apgar score <7 to 5 minutes	≤1.4%	1.8%
Rate of severe foetal growth restriction (FGR) in singleton pregnancy undelivered by 40 weeks	≤28.6%	11.8%
Proportion of urgent maternity patients referred for obstetric care to a level 4, 5 or 6 maternity service who were booked for a specialist clinic appointment within 30 days of accepted referral.	100%	67%
Continuing Care		
Functional independence gain from an episode of rehabilitation admission to discharge relative to length of stay	≥0.645	1.262
Strong governance, leadership and culture		
Organisational culture		
People Matter Survey – percentage of staff with an overall positive response to safety and culture questions	80%	83%
People Matter Survey – percentage of staff with a positive response to the question: 'I am encouraged by my colleagues to report any patient safety concerns I may have'.	80%	92%
People Matter Survey – percentage of staff with a positive response to the question: 'Patient care errors are handled appropriately in my work area'.	80%	90%
People Matter Survey – percentage of staff with a positive response to the question: 'My suggestions about patient safety would be acted upon if I expressed them to my manager'.	80%	85%
People Matter Survey – percentage of staff with a positive response to the question: 'The culture in my work area makes it easy to learn from the errors of others'.	80%	83%
People Matter Survey – percentage of staff with a positive response to the question: 'Management is driving us to be a safety-centred organisation'.	80%	83%
People Matter Survey – percentage of staff with a positive response to the question: 'This health service does a good job of training new and existing staff'.	80%	74%
People Matter Survey – percentage of staff with a positive response to the question: 'Trainees in my discipline are adequately supervised'.	80%	77%
People Matter Survey – percentage of staff with a positive response to the question: 'I would recommend a friend or relative to be treated as a patient here'	80%	80%

Key performance indicator	Target	2019/20 result
Timely access to care		
Emergency care		
Percentage of patients transferred from ambulance to emergency department within 40 minutes	90%	76%
Percentage of Triage Category 1 emergency patients seen immediately	100%	100%
Percentage of Triage Category 1 to 5 emergency patients seen within clinically recommended time	80%	70%
Percentage of emergency patients with a length of stay in the emergency department of less than four hours	81%	60%
Number of patients with a length of stay in the emergency department greater than 24 hours	0	0
Elective surgery		
Percentage of urgency category 1 elective surgery patients admitted within 30 days	100%	100%
Percentage of urgency category 1,2 and 3 elective surgery patients admitted within the clinically recommended time	94%	98%
Percentage of patients on the waiting list who have waited longer than the clinically recommended time for their respective triage category	5% or 15% proportional improvement from prior year	5%
Number of patients on the elective surgery waiting list	1200	1,234
Number of hospital initiated postponements per 100 scheduled elective surgery admissions	≤7/100	3
Number of patients admitted from the elective surgery waiting list	5,900	5,216
Specialist clinics		
Percentage of urgent patients referred by a GP or external specialist who attended a first appointment within 30 days	100%	99%
Percentage of routine patients referred by GP or external specialist who attended a first appointment within 365 days	90%	100%
Effective financial management		
Finance		
Operating result ($M)	$0.00	$0.3M
Average number of days to paying trade creditors	60 days	36 days
Average number of days to receiving patient fee debtors	60 days	38 days
Public and Private WIES activity performance to target	100%	95.7%
Adjusted current asset ratio	0.7 or 3% improvement from health service base target	1.8
Forecast number of days a health service can maintain its operations with unrestricted available cash (based on end of year forecast)	14 days	55 days
Actual number of days a health service can maintain its operations with unrestricted available cash, measured on the last day of each month	14 days	Achieved
Measures the accuracy of forecasting the Net result from transactions (NRFT) for the current financial year ending 30 June	Variance ≤$250,000	Achieved

Part C

Funding type	2019/20 Activity Achievement
Acute Admitted	
WIES Public	21,756
WIES Private	1,613
WIES DVA	258
WIES TAC	160
Acute Non-Admitted	
Home Enteral Nutrition	203
Specialist Clinics	29,865
Subacute and Non-acute Admitted	
Subacute WIES – Rehabilitation Public	526
Subacute WIES – Rehabilitation Private	65
Subacute WIES – GEM Public	312
Subacute WIES – GEM Private	59
Subacute WIES – Palliative Care Public	96
Subacute WIES – Palliative Care Private	17
Subacute WIES – DVA	23
Transition Care – Bed days	7,040
Transition Care – Home days	5,490
Subacute Non-Admitted	
Health Independence Program – Public	32,541
Mental Health and Drug Services	
Mental Health Ambulatory	64,446
Mental Health Inpatient – Available bed days	12,590
Mental Health Inpatient – Secure Unit	1,892
Mental Health Residential	3,422
Mental Health Service System Capacity	N/A
Mental Health Subacute	8,610

Summary of Financial Results

Summary of significant changes in financial position in 2019/20

During the 2019/20 financial year, the Victorian Government through the Department of Health and Human Services (DHHS) provided $51 million in operating grants and $185.3 million from State and Commonwealth activity-based funding payments via the Victorian Health Funding Pool.

The Victorian Government also provided $9.1 million towards targeted capital works and equipment. Other Commonwealth grants through the Pharmaceutical Benefits Scheme, Department of Health & Ageing and Radiology/ Oncology Equipment Replacement Program totalled $15.6 million.

Revenue from operating activities showed an increase of $31.1 million, 11.6 per cent higher from the previous financial year. Revenue received in 2019/20 included carry-over funding totalling $5.2 million and is scheduled for disbursement in 2020/21.

Total expenses (excluding depreciation) increased by $26.3 million (9.9 per cent) from 2018/19. Employee expenses increased by $17.5 million (9.4 per cent), supplies and consumables were up by $4.7 million (8.6 per cent), and other operating expenses increased by $4.0 million (15.9 per cent).

Operating activities provided a net cash outflow of $0.5 million. Investing activities provided a net cash outflow of $11.3 million. There was also a net cash inflow from financing activities of $0.2 million. The overall net result was a decrease of $11.5 million in cash held. Cash and cash equivalents at end of financial year totalled $51 million.

The current asset ratio at 30 June 2020 was 1.01, a decrease from 1.14 at 30 June 2019.

Major capital works projects continued during the year, including a new community mental health building in Wonthaggi, a solar power conversion at our hospital site and refurbishments to the Thomson and Flynn inpatient units. Current year funding for current capital projects totals $9.1 million from the Commonwealth and Department of Health and Human Services. Future commitments from hospital reserves total $8 million.

There were no events subsequent to balance date which may have had a significant effect on the operations of LRH in subsequent years.

	2019/20 $'000	2018/19 $'000	2017/18 $'000	2016/17 $'000	2015/16 $'000
Total revenue	300,318	270,027	274,845	279,989	232,506
Total expenses	308,340	278,476	260,774	232,147	213,730
Net result from transactions	(8,022)	(8,449)	14,071	47,842	18,776
Total other economic flows	325	(557)	653	(692)	-
Net result	(7,697)	(9,006)	14,724	47,150	18,776
Total assets	358,696	367,661	292,808	269,281	220,130
Total liabilities	68,154	69,957	60,148	51,345	49,344
Net assets/Total equity	290,542	297,704	232,660	217,936	170,786

Reconciliation of net result from transactions and operating result

	2019/20 $'000
Net operating result	331
Capital purpose income	11,714
COVID 19 State Supply Arrangements - Assets received free of charge or for nil consideration under the State Supply	247
State Supply items consumed up to 30 June 2020	(168)
Assets provided free of charge	-
Assets received free of charge	64
Expenditure for capital purpose	(4,762)
Depreciation and amortisation	(15,448)
Impairment of non-financial assets	-
Finance costs (other)	-
Net result from transactions	(8,022)

Consultancies engaged during 2019/20

A number of consultants were contracted to work for Latrobe Regional Hospital in 2019/20. As required by the Victorian Industry *Participation Policy Act 2003*, a summary of the extent of contractual costs or consultants is provided below.

	2019/20
Number of consultants used to a value greater than $10,000	4
Total cost of consultants used to a value greater than $10,000	$79,439
Number of consultants used to a value less than $10,000	0
Total cost of consultants used to a value less than $10,000	$0

ICT expenditure disclosure

The total ICT expenditure incurred during 2019/20 is $8,225,990 (excluding GST) with the details shown below:

Business as usual (BAU) ICT expenditure	Non-business as usual (non-BAU) ICT expenditure		
Total (excluding GST)	Total = Operational expenditure and capital expenditure (excluding GST)	Operational expenditure (excluding GST)	Capital expenditure (excluding GST)
$8,225,990	-	-	-

Details of individual consultancies

Consultant	Purpose of consultancy	Start date	End Date	Total approved project fee (excluding GST)	Expenditure 2019/20 (excluding GST)	Future expenditure (excluding GST)
Bourke-Finn Karen Jane	Management coaching project. Management guidance, leadership development, process and system development, mentoring and clinical risk management and weekly reporting to LRH Executive	Aug-19	Feb-20		$37,952	$ -
Linda Stoneman Consultancy	Preparation and delivery of Latrobe Health Assembly Board planning	Aug-19	Oct-19		$17,460	$ -
CWH Mediation and Workplace Relations	Workplace culture review	Sep-19	Oct-19		$11,027	$ -
The Trustee for Nelson Sala Trust	Board evaluation and self-assessment	Dec-19	Dec-19		$13,000	$ -

Our People

Board of Directors

Linda McCoy
Chair

Linda has held executive management positions in the community health and primary care sectors for more than 25 years. Linda has been involved in the development of strategic policy and held several ministerial-appointed roles including as a member of the final Victorian Quality Council.

Leah Young
Deputy Chair

Leah has qualifications and experience in business management and governance and has served on the boards of Gippsland Water, Westernport Water and the former Gippsland Medicare Local. Leah also has experience in local government, finance, corporate services and capital works development.

John Rasa

John was previously national president of the Australasian College of Health Service Management, Chief General Manager – Acute Services at Eastern Health, Box Hill Hospital CEO and Associate Professor and Sub-Dean of Health Services Management at Charles Sturt University in NSW.

John Donovan

John is the Managing Director of AFM Investment Partners, a member of Trustee Australia's managed funds compliance committee, a responsible manager of an Australian Financial Services Licence and a former member of the Australian Centre for Financial Studies.

Chelsea Caple

Chelsea was the first female Football Development Manager for AFL Victoria and AFL Gippsland. Having been involved in sports administration for 10 years, Chelsea continues to build the capacity of committees and boards through strategic consultation to ensure good governance.

John Arranga

John is a Director of Ball+Partners Lawyers and is an experienced health and legal professional with degrees in medicine, the law and risk management. John also has extensive experience in multiple aspects of the health care sector.

Dr Bernadette Hickey

Bernadette is a physician and intensivist with 25 years experience, mostly at St Vincent's Hospital, Melbourne. In addition, she is a member of the Royal Australasian College of Physicans national examining panel and participates in college post graduate training as a mentor and examiner.

Liesl McKay

Liesl has qualifications and experience in the delivery of digital services, change management, regulatory frameworks and data governance. Liesl has held senior executive positions including the lead of the Australian Securities and Investment Commission's Registry business responsible for the public administration of Australia's national corporate database.

Ian Maxfield

Ian has a strong professional and personal involvement in regional Victoria, particularly in the Gippsland region having represented the seat of Narracan in the State Parliament. Through diverse roles and public service Ian has developed a skillset extending across industrial relations, human resource management and governance.

BOARD COMMITTEES

Audit and Risk
Leah Young (Chair), Linda McCoy (ex-officio), John Donovan, John Arranga, Peter Craighead, Don McRae, Mark Wilkins, Michael Glaubitz

Finance
John Donovan (Chair), Linda McCoy (ex-officio), John Rasa, Ian Maxfield, Peter Craighead, Don McRae, Jon Millar, Michael Glaubitz

Quality
John Rasa (Chair), Linda McCoy (ex-officio), John Arranga, Dr Bernadette Hickey, Peter Craighead, Don McRae, Cayte Hoppner, Jon Millar, Mark Wilkins, Dr Philippa Hawkings (to Feb 2020) Dr Humsha Naidoo (from June 2020), Kylie Osborne, Dr Tricia Wright, Angela Scully, Kenneth Ch'ng, Martin Allen, Lucie Newberry (community representative)

Population Health
John Rasa (Chair), Linda McCoy (ex-officio), Chelsea Caple, Liesl McKay, Peter Craighead, Don McRae, Dan Weeks, Frank Evans, Robyn Hayles, Amanda Proposch, Greg Blakeley, Tim Owen, Ben Leigh, David Morgan

Community Advisory Committee
Chelsea Caple (Chair), Linda McCoy (ex-officio), Ian Maxfield, Liesl McKay, Vicki Hamilton, John Smethurst, Rita Fleming, Ray Watson, Rika Delaney

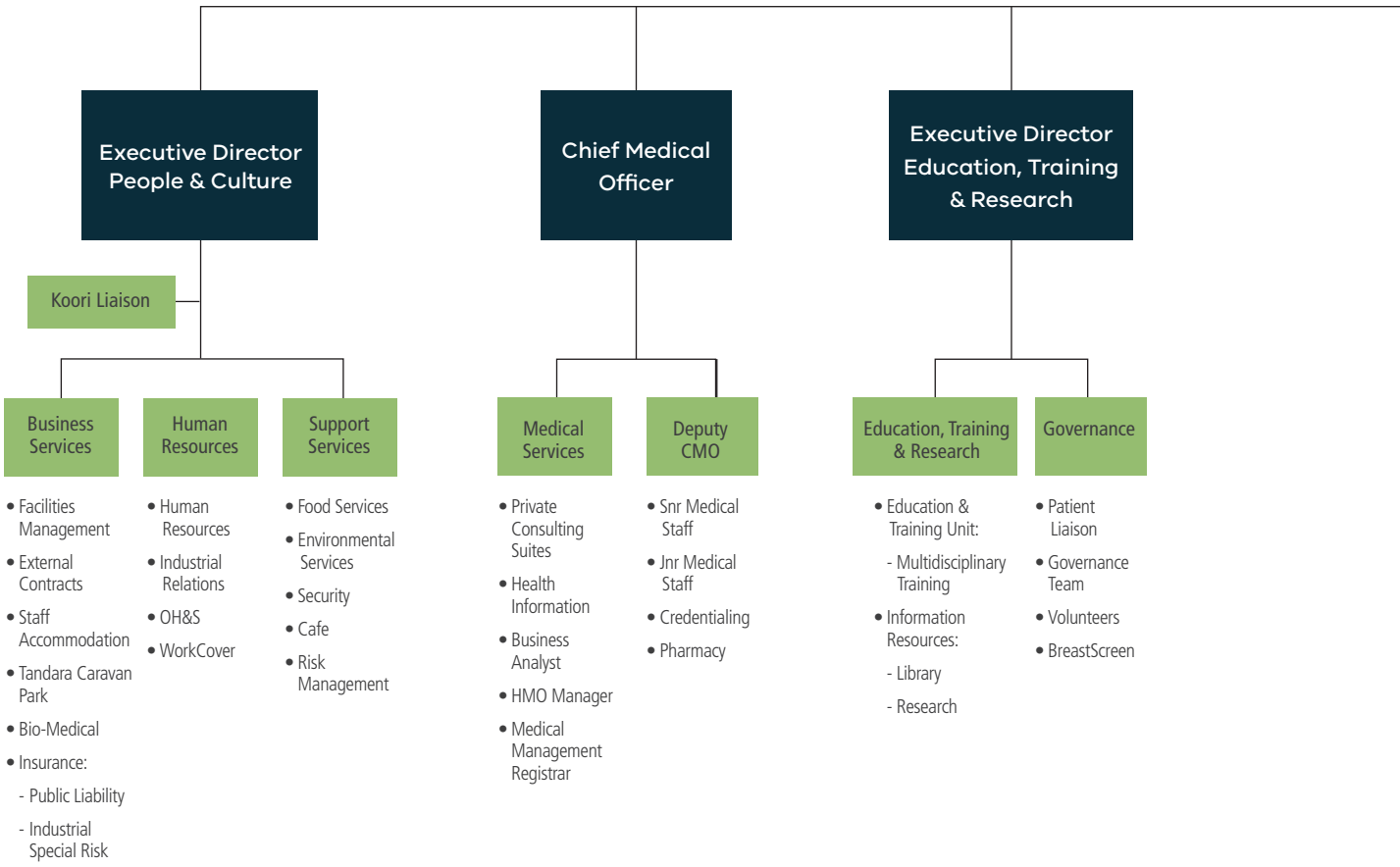
Appointments and Scope of Practice
This committee was removed from the Board calendar in October 2019 and is no longer a board sub-committee.

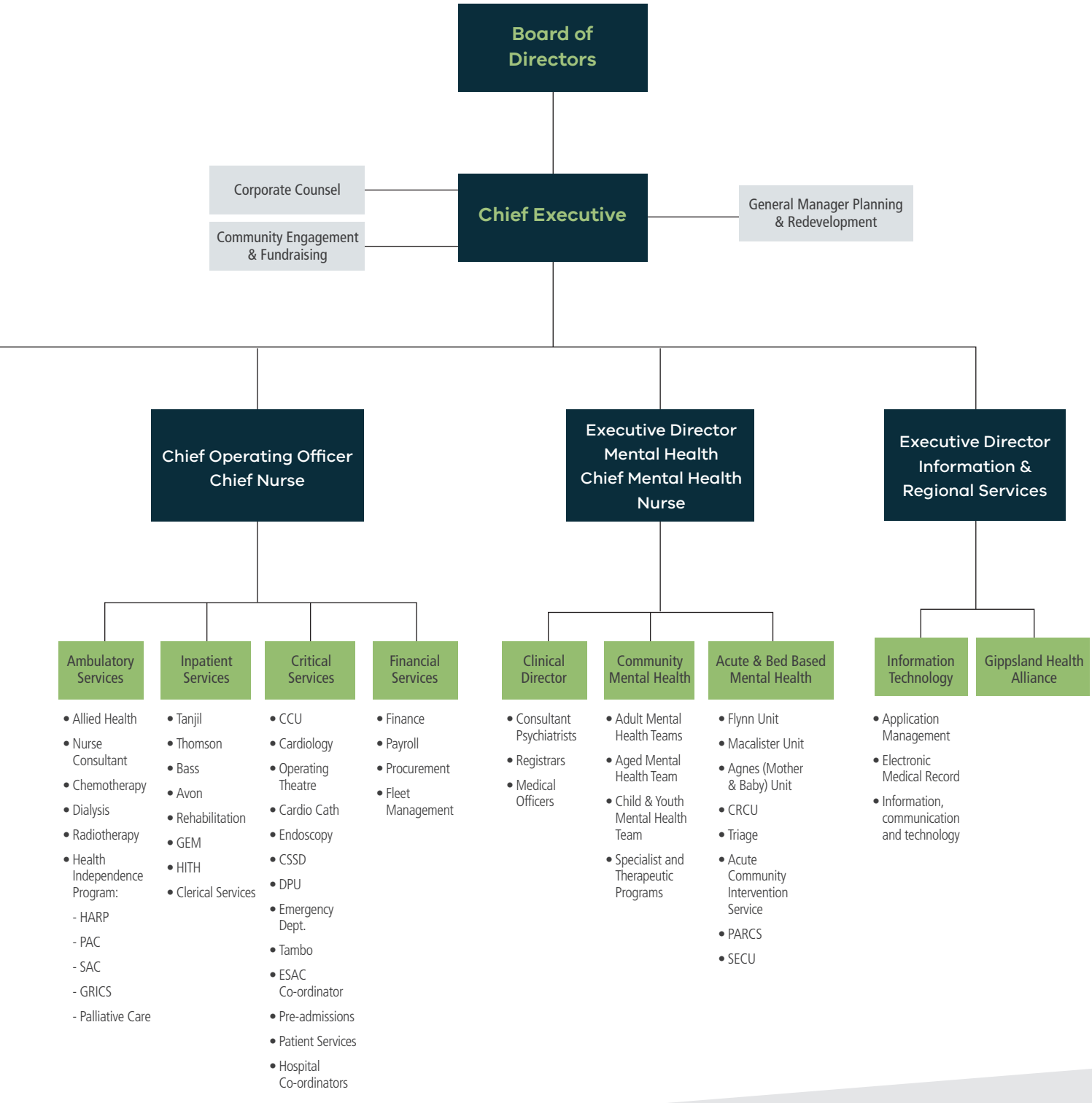
Membership from July-October 2019
Leah Young (Chair), Linda McCoy (ex-officio), Dr Bernadette Hickey, Ian Maxfield, Peter Craighead, Don McRae, Dr Philippa Hawkings, Cayte Hoppner, Mark Jarred, Dr Swarada Kotkar

Remuneration and Executive Performance
Linda McCoy (Chair), Leah Young, Chelsea Caple

Organisational Structure

AT 30 JUNE 2020




Board of Directors
Corporate Counsel
Community Engagement & Fundraising
Chief Executive
General Manager Planning & Redevelopment
Chief Operating Officer Chief Nurse
Executive Director Mental Health Chief Mental Health Nurse
Executive Director Information & Regional Services
Ambulatory Services
• Allied Health
• Nurse Consultant
• Chemotherapy
• Dialysis
• Radiotherapy
• Health Independence Program:
- HARP
- PAC
- SAC
- GRICS
- Palliative Care
Inpatient Services
• Tanjil
• Thomson
• Bass
• Avon
• Rehabilitation
• GEM
• HITH
• Clerical Services
Critical Services
• CCU
• Cardiology
• Operating Theatre
• Cardio Cath
• Endoscopy
• CSSD
• DPU
• Emergency Dept.
• Tambo
• ESAC Co-ordinator
• Pre-admissions
• Patient Services
• Hospital Co-ordinators
Financial Services
• Finance
• Payroll
• Procurement
• Fleet Management
Clinical Director
• Consultant Psychiatrists
• Registrars
• Medical Officers
Community Mental Health
• Adult Mental Health Teams
• Aged Mental Health Team
• Child & Youth Mental Health Team
• Specialist and Therapeutic Programs
Acute & Bed Based Mental Health
• Flynn Unit
• Macalister Unit
• Agnes (Mother & Baby) Unit
• CRCU
• Triage
• Acute Community Intervention Service
• PARCS
• SECU
Information Technology
• Application Management
• Electronic Medical Record
• Information, communication and technology
Gippsland Health Alliance

Executive Team

Peter Craighead

Chief Executive

Peter is responsible for the development and implementation of operational and strategic planning and quality improvement at LRH in consultation with staff, community and other Gippsland health services.

Don McRae

Chief Operating Officer / Chief Nurse

Don manages a diverse healthcare environment including inpatient, ambulatory and critical services. The role also encompasses financial services, payroll operations and procurement.

Dr Humsha Naidoo
(from May 2020 replacing Dr Philippa Hawkings)

Chief Medical Officer

Humsha provides high-level support across a range of personnel and departments including our medical staff, pharmacy, the Health Information Unit and Gippsland Private Consulting Suites.

Cayte Hoppner

Executive Director Mental Health / Chief Mental Health Nurse

Cayte oversees the provision of recovery- oriented, high quality care, the implementation of key mental health reforms and the development of the mental health workforce.

Mark Wilkins

Executive Director People and Culture

Mark aims to develop and implement a strategic workforce approach for the promotion of a positive culture, employee engagement and the achievement of organisational and service delivery goals.

Jon Millar

Executive Director Information and Regional Services

Jon's dual role encompasses Chief Information Officer of the Gippsland Health Alliance as well as the Executive Director of Regional Services. The role is responsible for regional ICT and the management and development of opportunities around shared services. Additionally, the Executive Director Information and Regional Services operates as the Chief Procurement Officer for LRH.

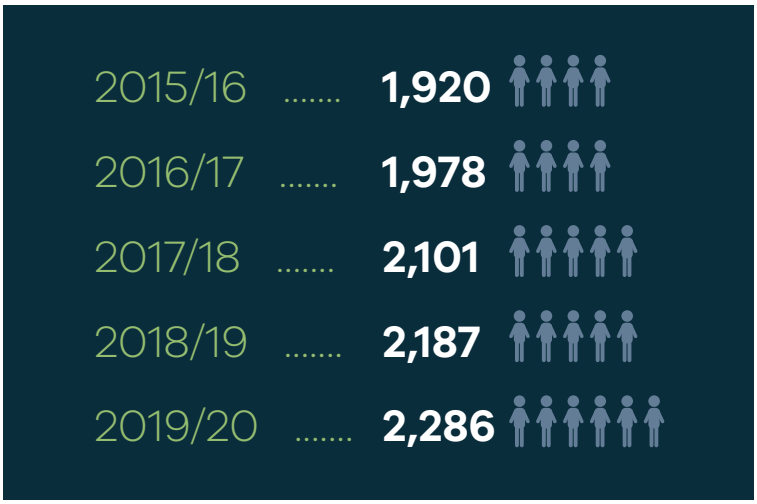
Anita Raymond

Acting Executive Director Education, Training and Research (from March 2020)

Anita leads education, governance and research activities in-line with LRH's strategic priorities and accreditation requirements to facilitate quality healthcare. The role largely works to link quality and safety to education and research uptake. In addition, the Executive Director Education, Training and Research oversees student placements, programs and specialty training pathways at LRH.

Workforce

Latrobe Regional Hospital's workforce has grown steadily over the past five years. We boast a diverse workforce and are committed to improving public sector employment and career outcomes for Aboriginal people.



In 2019/20 Latrobe Regional Hospital employed 2,286 staff across Gippsland. The biggest category of employees is nursing staff which comprises approximately half of the hospital workforce.

As at 30 June 2020 staffing levels by labour category were as follows:

LRH Labour Category	JUNE Current Month FTE*		JUNE YTD FTE*	
	2019	2020	2019	2020
Nursing	740.15	784.84	716.75	756.60
Administration and Clerical	226.95	238.24	219.19	228.57
Medical Support	96.54	93.61	91.03	91.60
Hotel and Allied Services	107.88	125.13	110.08	114.30
Medical Officers	20.49	10.53	19.09	18.56
Hospital Medical Officers	86.74	99.62	94.98	104.59
Sessional Clinicians	28.52	44.11	29.12	33.83
Ancillary Staff (Allied Health)	133.21	138.43	134.34	135.71
Total Staff Employed – FTE*	1440.48	1534.52	1414.58	1483.75

** FTE stands for full-time equivalent positions.*
Employees have been correctly classified in workforce data collections.

Employment and conduct principles

LRH aligns its desired behaviours, policies and practices to public sector values and the hospital's own core values which are approved by the Board of Directors.

Our staff are expected to adhere to the Public Sector Code of Conduct for Victorian Public Sector Employees issued by the Victorian Public Sector Commissioner. Our Workplace Conduct Policy is consistent with the Charter of *Human Rights and Responsibilities Act 2006* (Vic) and promotes the principles of equal opportunity and fair and reasonable treatment of others.

Workforce inclusion

In 2012, Latrobe Regional Hospital developed an employment plan in accordance with Karreeta Yirramboi, a Victorian Government initiative to improve public-sector employment and career development outcomes for Aboriginal people. The objective of the hospital's plan is to increase the participation of employment of Aboriginal and Torres Strait Islander people by one per cent of the total workforce.

As at 30 June 2020, there were 18 Aboriginal employees including two trainees.

The draft strategy for the 2020/25 Aboriginal Employment Plan has been approved with work commencing on a marketing and operational strategy to accompany the plan. This new employment plan is under 'Barring Djinang' which is the Victorian Government's new strategy to enhance Aboriginal employment outcomes across the Victorian public sector, with a target of two per cent over five years. The new approach includes improving the structure of the traineeship program to ensure long term stability and success.

Occupational Health and Safety

LRH's efforts to prioritise safety have been recognised by our staff in the Victorian Public Sector Commission's People Matter Survey

Eighty-three per cent of staff say "management is driving us to be a safety-centred organisation" while 85 per cent believe their suggestions about patient safety would be acted upon if they were expressed to a manager.

This indicates a greater level of awareness and understanding of the importance of incident reporting and safety management and is reflected in this year's data as presented in the table below.

Our Education and Training Unit has delivered numerous programs to ensure our staff remain safe on the job. These programs include mandatory bullying and harassment training for all staff to 'no lift' manual handling education for security, cancer care and dialysis staff and specialist nurses.

The table below shows LRH's occupational health and safety data for 2019/20 and compares it with the previous two years.

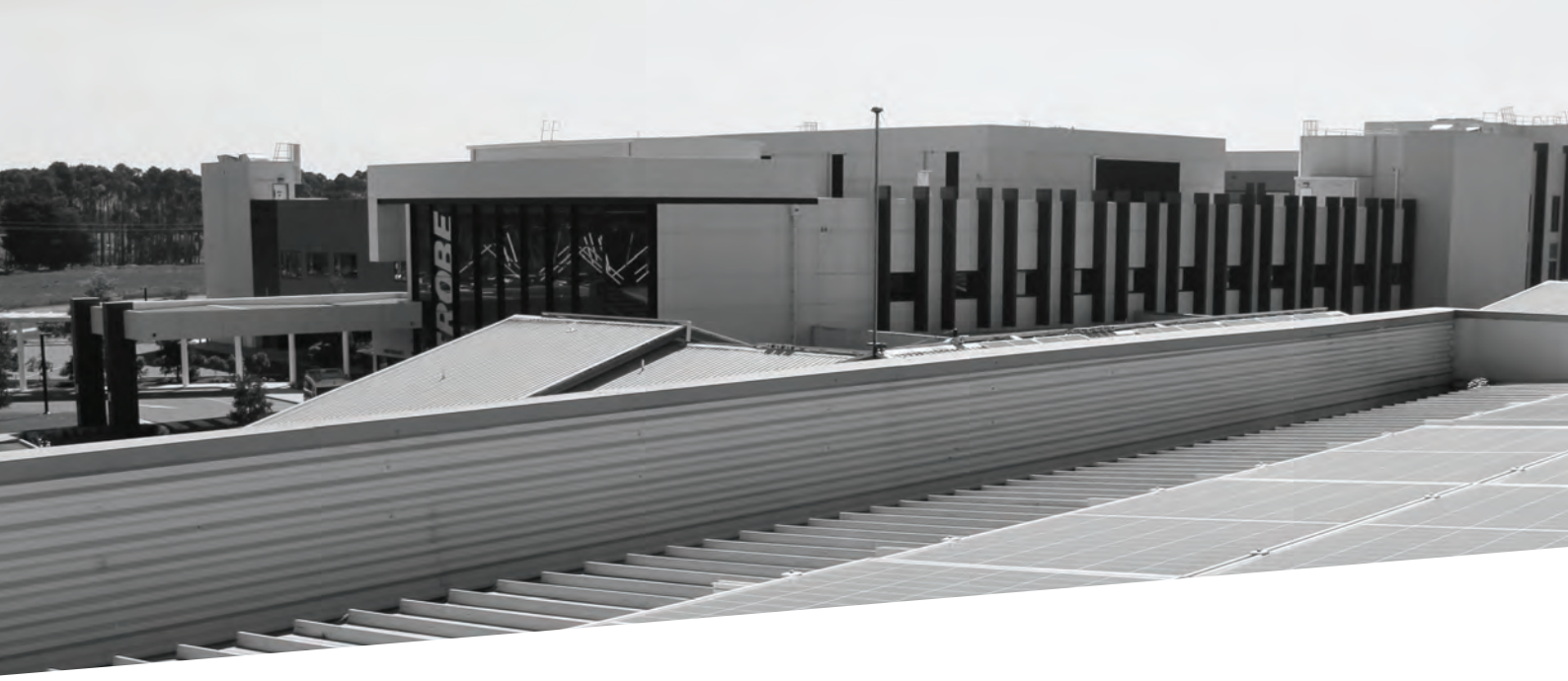
Occupational health and safety data

Occupational health and safety statistics	2019/20	2018/19	2017/18
The number of reported hazards/incidents for the year per 100 FTE	6.33	10.35	14.98
The number of 'lost time' standard WorkCover claims for the year per 100 FTE	0	1.74	1.49
The average cost per WorkCover claim for the year ('000)	$10,194.61	$17,313.12	$11,105.52

Average cost per claim

		Average claim cost actual	Average claim cost estimate	Number of claims
Total	30/06/2020	$10,194.61	$61,842.76	13
Total	30/06/2019	$17,313.12	$66,627.54	24
Total	30/06/2018	$11,105.52	$63,646.29	21

The average claim cost and average claim cost estimates at 30 June 2020 are somewhat lower than previous years. Overall, the number of claims impacting on premiums has decreased since 30 June 2018 resulting in a reduction of complex claims with actual claim costs and claim cost estimates above $100,000.



OCCUPATIONAL VIOLENCE

Physical violence or aggression are sometimes levelled at our staff in the course of their daily duties.

Our policy is to provide and maintain a safe and healthy workplace through the minimisation and prevention of occupational violence and aggression.

Staff are encouraged to identify and report episodes of occupational violence to ensure strategies are implemented to reduce their prevalence.

Occupational violence statistics	2019/20
Workcover accepted claims with an occupational violence cause per 100 FTE	0.07
Number of accepted Workcover claims with lost time injury with an occupational violence cause per 1,000,000 hours worked	0
Number of occupational violence incidents reported	221
Number of occupational violence incidents reported per 100 FTE	15.38
Percentage of occupational violence incidents resulting in a staff injury, illness or condition	7.24%

Definitions of occupational violence

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

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

Accepted Workcover claims – Accepted Workcover claims that were lodged in 2019/20.

Lost time – defined as greater than one day.

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.

STANDARD DISCLOSURES

Freedom of Information Act 1982

The Victorian *Freedom of Information (FOI) Act 1982* gives a person the right to request information held by government agencies including public hospitals and community health centres.

Information on how to lodge an FOI to Latrobe Regional Hospital, an application form and useful links to the FOI Act and FOI website are available at **www.lrh.com.au/important-info/patientinformation/general-patient-information.**

FOI requests must be made in writing to:
The Freedom of Information Officer
Latrobe Regional Hospital
PO Box 424
Traralgon Vic 3844

There are two costs associated with making a FOI request – an application fee and access charges. hese charges are set by government regulations.

As of 1 July 2020 the fee will remain the same at $29.60. Access charges are applied under the Act for processing requests.

Access charges are applied according to the nature of the request and may include: search fees ($20 per hour), photocopying (20 cents per page), postage ($6) providing written transcripts of a recorded document ($20 per hour), supervising an inspection of documents ($5 per quarter hour).

In 2019/20 LRH received 347 FOI requests, of which 336 were granted full access. One was granted in part and 10 were not yet finalised at 30 June 2020.

Building Act 1993

Latrobe Regional Hospital complies with the building and maintenance provisions of the *Building Act 1993*. We obtain building permits for all new projects where required and an audit of compliance of our certificates of occupancy are completed by a registered building surveyor in June each year. LRH engages a building consultant to audit our fire safety every five years against the requirements of Human Services Fire Risk Management Guidelines.

LRH controls properties located at the corner of Princes Highway and Village Avenue, Traralgon West and within the Princes Street, Washington Street and Garden Grove precinct in Traralgon. LRH owns and occupies an additional six buildings located at the Traralgon West campus which operate as specialist consulting clinics and administration offices, a property in Macleod Street Bairnsdale and Murray Street Wonthaggi. LRH also provides non-residential health services from seven properties not under its direct control located throughout Gippsland.

We also control a number of houses and units for accommodation purposes – five owned by LRH and 18 leased from private vendors and not under the control of LRH.

LRH ensures all buildings owned or occupied by staff or patients meet the standards for essential safety measures.

Statement on National Competition Policy

LRH has observed and complied with all requirements of the Victorian Government policy statement, Competitive Neutrality Policy Victoria, for all significant business activities.

Local Jobs Act 2003

LRH has commenced four projects that meet the requirements for a Local Industry Development Plan. From these projects LRH initiated four regional contracts with 100 per cent local content and a jobs created/retained profile as shown below.

Key Criteria	Flynn redevelopment	Solar PV	The Way Back Support Services	Switchboard works
ANZ value added activity	96	60.6	100	not reported
Apprenticeships created	1	0.0393		not reported
Apprenticeships retained	3	0.0903		not reported
Standard employment created	1	0.0607	7.9	not reported
Standard employment retained	30	0.587	0.1012	not reported

LRH had five conversations with the Industry Capability Network (ICN) that correspond with the registration and issue of an Interaction Reference Number.

Environmental Performance

LRH has an Environmental Management Plan with targets to improve performance by minimising consumption of water and energy, encouraging the procurement of sustainable products and services and where possible diverting equipment and furniture from landfill.

We have progressed a number of projects aimed at assisting us to meet environmental targets for reduction in energy consumption such as the installation of a 1.4 megawatt solar system which will generate more than 1.5 gigawatt-hours of electricity per year or enough energy to power 250 homes.

A tender is also being prepared for a solar hot water system which will eliminate the need for regular hot water flushing and we are developing a waste minimisation strategy to better categorise and recycle waste.

The following table indicates direct and indirect emissions from activities at LRH.

Emissions source	Consumption units	Consumption	CO2-e(tonnes)
Direct emissions			
Natural Gas	gigajoules	35,007.87	1,803.96
Fuel	litres	143,048.60	332.36
Total			**2.136.32**
Indirect emissions			
Electricity	kWh	5,365,413.56	5,472.72
Total			**5,472.72**

Water use: 50,395 kL

Waste generation:

- Clinical Waste 39.28 tonnes
- General Waste 459.61 tonnes

Protected Disclosure Act 2012

Latrobe Regional Hospital has a policy consistent with the requirements of the *Protected Disclosure Act 2012* which supports staff to disclose improper or corrupt conduct.

LRH's General Manager Human Resources was the Protected Disclosure Coordinator for the purpose of the Protected Disclosure Act in 2019/20. LRH had no disclosures notified to the Independent Broad-based Anti-corruption Commission under section 21(2) of the Act.

Additional information available on request

Details in respect of the items listed below have been retained by the 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 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 service;
- Details of major research and development activities undertaken by the health service that are not otherwise covered either in the report of operations or in a document that contains the financial statements and report of operations;
- Details of overseas visits undertaken including a summary of the objectives and outcomes of each visit;
- Details of major promotional, public relations and marketing activities undertaken by the health service to develop community awareness of the health service and its services;
- 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, the purposes 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.

Carers Recognition Act 2012

Carers Recognition Act 2012 acknowledges and values the role of carers and the importance of care relationships in the Victorian community. LRH defines a carer as a consumer or patient's next of kin, a guardian, family member, delegated community member or significant other as nominated.

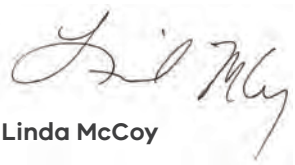
We recognise the principles of the Act and have incorporated these into multiple policies including Person-Centred Care, Family Meeting and Consumer, Carer and Community Partnerships. Carer Consultants also have an important role to play in our mental health service.

We use our internal feedback systems and the Victorian Healthcare Experience Survey to monitor a carer's experience.

ATTESTATIONS AND DECLARATIONS

Financial Management Compliance attestation – SD 5.1.4

I, Linda McCoy on behalf of the Responsible Body, certify that Latrobe Regional Hospital has no Material Compliance Deficiency with respect to the applicable Standing Directions under the *Financial Management Act 1994* and Instructions.



Linda McCoy

Chair, Board of Directors
Latrobe Regional Hospital
19 October 2020

Data Integrity Declaration

I, Peter Craighead certify that Latrobe Regional Hospital has put it place appropriate internal controls and processes to ensure that reported data accurately reflects actual performance. Latrobe Regional Hospital has critically reviewed these controls and processes during the year.

Peter Craighead

Chief Executive
Latrobe Regional Hospital
19 October 2020

Conflict of Interest Declaration

I, Peter Craighead, certify that Latrobe Regional Hospital 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 Latrobe Regional Hospital 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.

Peter Craighead

Chief Executive
Latrobe Regional Hospital
19 October 2020

Integrity, Fraud and Corruption Declaration

I, Peter Craighead certify that Latrobe Regional Hospital has put it place appropriate internal controls and processes to ensure that Integrity, fraud and corruption risks have been reviewed and addressed at Latrobe Regional Hospital during the year.

Peter Craighead

Chief Executive
Latrobe Regional Hospital
19 October 2020

Safe Patient Care Act 2015

Latrobe Regional Hospital has no matters to report in relation to its obligations under section 40 of the *Safe Patient Care Act 2015*.

Disclosure Index

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Financial Statements

Declaration

Board members', accountable officers' and chief finance and accounting officer's declaration

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

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

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

We authorise the attached financial statements for issue on 19 October 2020.

Linda McCoy
Chair

Peter Craighead
Chief Executive

Michael Glaubitz
Chief Finance & Accounting Officer

Latrobe Regional Hospital
Traralgon West
19 October 2020

Independent Auditor's Report

To the Board of Latrobe Regional Hospital

Opinion

I have audited the financial report of Latrobe Regional Hospital (the health service) which comprises the:

- balance sheet as at 30 June 2020
- comprehensive operating statement for the year then ended
- statement of changes in equity for the year then ended
- cash flow statement for the year then ended
- notes to the financial statements, including significant accounting policies
- board member's, accountable officer's and chief finance & 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 2020 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the *Financial Management Act 1994* and applicable Australian Accounting Standards.

Basis for Opinion

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

My independence is established by the *Constitution Act 1975.* My staff and I are independent of the health service in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in 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.

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.

Level 31 / 35 Collins Street, Melbourne Vic 3000
T 03 8601 7000 enquiries@audit.vic.gov.au www.audit.vic.gov.au

Auditor's responsibilities for the audit of the financial report

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

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

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

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

MELBOURNE
28 October 2020

Travis Derricott
as delegate for the Auditor-General of Victoria

Comprehensive operating statement for the financial year ended 30 June 2020

	Note	Total 2020 $'000	Total 2019 $'000
Income from transactions			
Operating activities	**2.1**	298,344	267,271
Non-operating activities	**2.1**	1,974	2,756
Total income from transactions		**300,318**	**270,027**
Expenses from transactions			
Employee expenses	**3.1**	(203,908)	(186,371)
Supplies and consumables	**3.1**	(59,789)	(55,052)
Depreciation and amortisation	**4.3**	(15,448)	(11,858)
Other administrative expenses	**3.1**	(15,777)	(13,034)
Other operating expenses	**3.1**	(13,418)	(12,161)
Total expenses from transactions		**(308,340)**	**(278,476)**
Net result from transactions - net operating balance		**(8,022)**	**(8,449)**
Other economic flows included in net result			
Net (loss)/gain on sale of non-financial assets	**3.2**	(74)	20
Net gain/(loss) on financial instruments at fair value	**3.2**	509	(134)
Other (losses) from other economic flows	**3.2**	(110)	(443)
Total other economic flows included in net result		**325**	**(557)**
Net result for the year		**(7,697)**	**(9,006)**
Other comprehensive income			
Items that will not be reclassified to net result			
Changes in property, plant and equipment revaluation surplus	**4.2 (b)**	-	74,050
Total other comprehensive income		**-**	**74,050**
Comprehensive result for the year		**(7,697)**	**65,044**

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

Balance sheet as at 30 June 2020

	Note	Total 2020 $'000	Total 2019 $'000
Assets			
Current assets			
Cash and cash equivalents	6.2	51,019	62,549
Receivables	5.1	5,493	5,392
Inventories		1,412	1,316
Prepayments		1,581	1,372
Total current assets		**59,505**	**70,629**
Non-current assets			
Receivables	5.1	5,730	5,726
Investments and other financial assets	4.1	20,547	20,695
Property, plant and equipment	4.2 (a)	272,914	270,451
Total non-current assets		**299,191**	**296,872**
Total assets		**358,696**	**367,501**
Liabilities			
Current liabilities			
Payables	5.2	17,266	25,114
Borrowings	6.1	812	50
Provisions	3.4	39,259	35,897
Other current liabilities	5.3	1,367	924
Total current liabilities		**58,704**	**61,985**
Non-current liabilities			
Borrowings	6.1	1,527	240
Provisions	3.4	7,923	7,572
Total non-current liabilities		**9,450**	**7,812**
Total liabilities		**68,154**	**69,797**
Net assets		**290,542**	**297,704**
Equity			
Property, plant and equipment revaluation surplus	4.2 (f)	123,427	123,427
Restricted specific purpose surplus		28,236	26,048
Contributed capital		27,186	26,652
Accumulated surpluses		111,693	121,577
Total equity		**290,542**	**297,704**

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

Statement of changes in equity for the financial year ended 30 June 2020

	Property, plant and equipment revaluation surplus $'000	Restricted specific purpose surplus $'000	Contributed capital $'000	Accumulated surpluses/ (deficits) $'000	Total $'000
Balance at 30 June 2018	**49,377**	**21,213**	**26,652**	**135,418**	**232,660**
Net result for the year	-	-	-	(9,006)	(9,006)
Other comprehensive income for the year	74,050	-	-	-	74,050
Transfer to accumulated surplus	-	4,835	-	(4,835)	-
Balance at 30 June 2019	**123,427**	**26,048**	**26,652**	**121,577**	**297,704**
Net result for the year	-	-	-	(7,697)	(7,697)
Other comprehensive income for the year	-	-	535	-	535
Transfer to accumulated surplus	-	2,188	-	(2,188)	-
Balance at 30 June 2020	**123,427**	**28,236**	**27,187**	**111,692**	**290,542**

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

Cash flow statement for the financial year ended 30 June 2020

	Note	Total 2020 $'000	Total 2019 $'000
Cash flows from operating activities			
Operating grants from government		253,860	242,564
Capital grants from government		8,559	5,085
Patient and resident fees received		3,677	3,943
Donations and bequests received		299	120
GST received from ATO		8,526	7,776
Interest received		1,701	894
Other receipts		24,487	23,219
Total receipts		**301,109**	**283,601**
Employee expenses paid		(186,418)	(167,907)
Cash outflow for leases		(32)	-
Payment for share of rural health alliance		(1,820)	(1,809)
Payments for supplies and consumables		(113,300)	(103,977)
Total payments		**(301,570)**	**(273,693)**
Net cash (outflow)/inflow from operating activities	**8.1**	**(461)**	**9,908**
Cash flows from investing activities			
Purchase of investments		(565)	-
Capital donations and bequests received		189	116
Proceeds from disposal of investments		-	29,102
Proceeds from impaired investments		1,240	-
Proceeds from disposal of non-financial assets		19	30
Purchase of non-financial assets		(12,199)	(5,395)
Net cash flow (used in)/from investing activities		**(11,316)**	**23,853**
Cash flows from financing activities			
Repayment of borrowings		(831)	(50)
Receipt of capital contribution		534	-
Receipt of accommodation deposits		930	306
Repayment of accommodation deposits		(386)	(300)
Net cash flow from/(used in) financing activities		**247**	**(44)**
Net increase in cash and cash equivalents held		**(11,530)**	**33,717**
Cash and cash equivalents at beginning of year		**62,549**	**28,832**
Cash and cash equivalents at end of year	**6.2**	**51,019**	**62,549**

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

Note 1:

Summary of significant accounting policies

Basis of presentation

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

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

Summary of Significant Accounting Policies

These annual financial statements represent the audited general purpose financial statements for Latrobe Regional Hospital for the year ended 30 June 2020. The report provides users with information about the hospital's stewardship of resources entrusted to it.

(a) Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the *Financial Management Act 1994* and applicable AASBs, 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 hospital is a not-for profit entity and therefore applies the additional AUS paragraphs applicable to "not-for-profit" hospitals under the AASBs.

(b) Reporting entity

The financial statements include all the controlled activities of the hospital.

Its principal address is:
Cnr. Princes Highway and Village Avenue
Traralgon West,
Victoria 3844.

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

(c) Basis of accounting preparation and measurement

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

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

In response, Latrobe Regional Hospital placed restrictions on non-essential visitors, implemented reduced visitor hours, deferred elective surgery and reduced activity, performed COVID-19 testing and implemented work from home arrangements where appropriate.

For further details, refer to Note 2.1 Funding delivery of our services and Note 4.2 Property, plant and equipment.

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

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

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

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

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

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

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

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

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

- The fair value of land, buildings and plant and equipment (refer to Note 4.2 Property, plant and equipment);
- Employee benefit provisions are based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (refer to Note 3.4 Employee benefits in the balance sheet).

Goods and Services Tax (GST)

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

Receivables and payables are stated inclusive of the amount of GST receivable or payable.

The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the balance sheet.

Note 1:

Summary of significant accounting policies *(continued)*

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

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

(d) Jointly controlled operation

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

In respect of any interest in joint operations, Latrobe Regional Hospital recognises in the financial statements:

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

Latrobe Regional Hospital is a member of the Gippsland Health Alliance and retains joint control over the arrangement, which it has classified as a joint operation (refer to Note 8.7 Jointly controlled operations).

(e) Equity

Contributed capital

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

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

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

Specific restricted purpose surplus

The specific restricted purpose surplus is established where the hospital has possession or title to the funds but has no discretion to amend or vary the restriction and/or condition underlying the funds received.

(f) Comparatives

Where applicable, the comparative figures have been restated to align with presentation in the current year. Figures have been restated in the comprehensive operating statement, Note 2.1, Note 3.1, Note 5.1, Note 5.2, Note 6.1, Note 6.2. Note 7.1 and Note 8.1.

Note 2:

Funding delivery of our services

The hospital's overall objective is to provide a quality health service that supports and enhances the wellbeing of all Victorians.

The hospital is predominantly funded by accrual based grant funding for the provision of outputs.

The hospital also receives income from the supply of services.

Structure

1. Income from transactions

Note 2.1(a):

Income from transactions

	Note	Total 2020 $'000	Total 2019 $'000
Government grants (State) - operating [1]		241,448	219,846
Government grants (Commonwealth) - operating		15,534	15,065
Government grants (State) - capital		11,453	5,100
Government grants (Commonwealth) - capital		90	53
Patient and resident fees		3,605	4,075
Private practice fees		2,576	2,041
Commercial activities [2]		3,360	3,283
Assets received free of charge or for nominal consideration	**2.1 (b)**	501	129
Other revenue from operating activities (including non-capital donations)		19,777	17,679
Total income from operating activities		**298,344**	**267,271**
Other interest		1,969	2,745
Dividends		5	11
Total income from non-operating activities	**2.1 (c)**	**1,974**	**2,756**
Total income from transactions		**300,318**	**270,027**

[1] Government grants (State) - operating includes $4.95 million which was spent due to the impacts of COVID-19.

[2] Commercial activities represent business activities which health services enter into to support their operations.

Impact of COVID-19 on revenue and income

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

Revenue recognition

Income is recognised in accordance with either:

a) contributions by owners, in accordance with AASB 1004;
b) income for not-for-profit entities, in accordance with AASB 1058;
c) revenue or a contract liability arising from a contract with a customer, in accordance with AASB 15;
d) a lease liability, in accordance with AASB 16;
e) a financial instrument, in accordance with AASB 9; or
f) a provision, in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets.

Government grants

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

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

a) contributions by owners, in accordance with AASB 1004;
b) income for not-for-profit entities, in accordance with AASB 1058;
c) revenue or a contract liability arising from a contract with a customer, in accordance with AASB 15;
d) a lease liability, in accordance with AASB 16;
e) a financial instrument, in accordance with AASB 9; or
f) a provision, in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets.

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

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

Performance obligations

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

- Activity Based Funding (ABF) paid as WIES casemix
- One-off grants if funding conditions contain enforceable and sufficiently specific performance obligations.

The performance obligations for ABF are the number and mix of patients admitted to hospital (casemix) in accordance with levels of activity agreed to with the Department of Health and Human Services (DHHS) in the annual Statement of Priorities

Note 2.1(a):

Income from transactions *(continued)*

Performance obligations continued

(SoP). Revenue is recognised when a patient is discharged and in accordance with the WIES activity for each separation. The performance obligations have been selected as they align with funding conditions set out in the Policy and funding guidelines issued by the DHHS.

Previous accounting policy for 30 June 2019

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

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

For non-reciprocal grants, Latrobe Regional Hospital recognises revenue when the grant is received.

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

Patient and resident fees

The performance obligations related to patient fees involve the stages of the patient stay or discharge from the health service. Revenue is recognised at intervals during the patient stay, or in full, upon discharge/separation of the patient from the health service. These performance obligations have been selected as they provide an identifiable milestone in which the performance obligations of the patient's journey can be assessed for revenue recognition. Latrobe Regional Hospital exercises judgement to assess whether revenue can be recognised upon these performance obligations being met.

Resident fees are recognised as revenue over time as Latrobe Regional Hospital provides accommodation. This is calculated on a daily basis and invoiced monthly.

Private practice fees

The performance obligation related to private practice fees is the service date of the practitioner's consult. This performance obligation has been selected as it provides an identifiable milestone in which the practitioner's service can be assessed for the recognition of revenue. Revenue is only recognised once this performance obligation is met. Latrobe Regional Hospital exercises judgement to assess whether the performance obligation has been met. Private practice fees include recoupments from the private practice and can be used to improve and maintain health service facilities.

Commercial activities

Revenue from commercial activities includes items such as Salary Packaging, BioMedical Engineering, Private Medical Consulting Suites, Tandara Caravan Park, Lung Function Clinic and Cafeteria.

Performance obligations related to commercial activities include the assessment of whether a transfer of a good or service has occurred. The transfer of goods or services to customers is assessed as revenue dependent upon the performance obligations of a contract, service level agreement, rendering of services, or sales of goods being met. Performance obligations are only satisfactorily met following an assessment against these conditions. Latrobe Regional Hospital exercises judgement for the assessment of income from commercial activities to ascertain whether performance obligations have been met in order to recognise revenue.

Note 2.1(b):

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

	Total 2020 $'000	Total 2019 $'000
Cash donations and gifts	189	116
Plant and equipment	64	13
Other goods and services [1]	248	-
Total fair value of assets and services received free of charge or for nominal consideration	**501**	**129**

[1]. Other services represents free of charge personal protective equipment supplied for the COVID-19 Pandemic.

In order to meet the State of Victoria's health network supply needs during the COVID-19 pandemic, arrangements were put in place to centralise the purchasing of essential personal protective equipment and essential capital items such as ventilators.

The general principles of the State Supply Arrangement were that Health Purchasing Victoria sourced, secured and agreed terms for the purchase of the products, funded by the department, while Monash Health and the department took delivery, and distributed the products to health services as resources provided free of charge.

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

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

Note 2.1(b):

Fair value of assets and services received free of charge or for nominal consideration *(continued)*

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

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

- The Victorian Managed Insurance Authority non-medical indemnity insurance payments are recognised as revenue following advice from the Department of Health and Human Services.
- Long Service Leave (LSL) revenue is recognised upon finalisation of movements in LSL liability in line with the long service leave funding arrangements set out in the relevant Department of Health and Human Services Hospital Circular.
- Public Private Partnership (PPP) lease and service payments are paid directly to the PPP consortium. Revenue and the matching expense are recognised in accordance with the nature and timing of the monthly or quarterly service payments made by the Department of Health and Human Services.
- Fair value of assets and services received free of charge or for nominal consideration.
- Resources received free of charge or for nominal consideration are recognised at their fair value when the transferee obtains control over them, irrespective of whether restrictions or conditions are imposed over the use of the contributions, unless received from another health service or agency as a consequence of a restructuring of administrative arrangements. In the latter case, such transfer will be recognised at carrying amount. Contributions in the form of services are only recognised when a fair value can be reliably determined and the service would have been purchased if not received as a donation.

Performance obligations and revenue recognition policies

Revenue is measured based on the consideration specified in the contract with the customer. Latrobe Regional Hospital recognises revenue when it transfers control of a good or service to the customer i.e. revenue is recognised when, or as, the performance obligations for the sale of goods and services to the customer are satisfied.

- Customers obtain control of the supplies and consumables at a point in time when the goods are delivered to and have been accepted at their premises.
- Income from the sale of goods are recognised when the goods are delivered and have been accepted by the customer at their premises.
- Revenue from the rendering of services is recognised at a point in time when the performance obligation is satisfied when the service is completed; and over time when the customer simultaneously receives and consumes the services as it is provided.

For contracts that permit the customer to return an item, revenue is recognised to the extent it is highly probable that a significant cumulative reversal will not occur. Therefore, the amount of revenue recognised is adjusted for the expected returns, which are estimated based on the historical data. In these circumstances, a refund liability and a right to recover returned goods asset are recognised. The right to recover the returned goods asset is measured at the former carrying amount of the inventory less any expected costs to recover goods. The refund liability is included in other payables (Note 5.2) and the right to recover returned goods is included in inventory. Latrobe Regional Hospital reviews its estimate of expected returns at each reporting date and updates the amount of the asset and liability accordingly. As the sales are made with a short credit term, there is no financing element present. There has been no change in the recognition of revenue from the sale of goods as a result of the adoption of AASB 15.

Consideration received in advance of recognising the associated revenue from the customer is recorded as a contract liability (Note 5.2). Where the performance obligations is satisfied but not yet billed, a contract asset is recorded.

Note 2.1(c):

Other income

	Total 2020 $'000	Total 2019 $'000
Dividends received from investments	5	11
Other interest	1,969	2,745
Total other income	**1,974**	**2,756**

Other income is recognised as revenue when received. Other income includes recoveries for salaries and wages and external services provided, and donations and bequests. If donations are for a specific purpose, they may be appropriated to a surplus, such as the specific restricted purpose surplus.

Interest Income

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

Dividend Income

Dividend revenue is recognised when the right to receive payment is established. Dividends represent the income arising from Latrobe Regional Hospital and its controlled entities' investments in financial assets.

Note 3:

The cost of delivering our services

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

Structure

3.1 Expenses from transactions
3.2 Other economic flows
3.3 Analysis of expenses and revenue by internally managed and restricted specific purpose funds
3.4 Employee benefits in the balance sheet
3.5 Superannuation

Note 3.1:

Expenses from transactions

	Total 2020 $'000	Total 2019 $'000
Salaries and wages	154,393	138,860
On-costs	34,843	33,205
Agency expenses	1,408	1,246
Fee for service medical officer expenses	11,649	11,116
Workcover premium	1,615	1,944
Total employee expenses	**203,908**	**186,371**
Drug supplies	15,178	14,755
Medical and surgical supplies (including prostheses)	13,019	12,864
Diagnostic and radiology supplies	13,225	11,341
Other supplies and consumables	18,367	16,092
Total supplies and consumables	**59,789**	**55,052**
Other administrative expenses	15,777	13,034
Total other administrative expenses	**15,777**	**13,034**
Finance costs	77	41
Fuel, light, power and water	2,648	2,724
Repairs and maintenance	889	626
Maintenance contracts	4,884	4,479
Medical indemnity insurance	3,938	3,794
Expenses related to leases of low value assets	32	-
Expenditure for capital purposes	950	497
Total other operating expenses	**13,418**	**12,161**
Depreciation and amortisation (refer Note 4.3)	15,448	11,858
Total other non-operating expenses	**15,448**	**11,858**
Total expenses from transactions	**308,340**	**278,476**

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

Note 3.1:

Expenses from transactions *(continued)*

Employee expenses

Employee expenses include:

- salaries and wages (including fringe benefits tax, leave entitlements, termination payments);
- on costs;
- agency expenses;
- fee for service medical officer expenses;
- 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.

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

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

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

Variable lease payments that are not included in the measurement of the lease liability (i.e. variable lease payments that do not depend on an index or a rate and which are not, in substance fixed) such as those based on performance or usage of the underlying asset, are recognised in the comprehensive operating statement (except for payments which has been included in the carrying amount of another asset) in the period in which the event or condition that triggers those payments occur.

Finance costs

Finance costs include:

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

The Department of Health and Human Services also makes certain payments on behalf of the hospital. 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.

Impact of COVID-19 on expenses

As indicated at Note 1, Latrobe Regional Hospital's daily activities were impacted by the pandemic. This resulted in direct and indirect costs being incurred, including extra salary costs due to increased staffing, the establishment of covid testing clinics and screening measures, and other increases including higher cleaning and pathology charges.

Note 3.2:

Other economic flows

	Total 2020 $'000	Total 2019 $'000
Net gain/(loss) on non-financial assets		
Net loss on disposal of property, plant and equipment	(74)	20
Total net gain/(loss) on non-financial assets	**(74)**	**20**
Net gain/(loss) on financial instruments at fair value		
Bad debts written off unilaterally	(17)	9
Net gain/(loss) on disposal of financial instruments	526	(143)
Total net gain/(loss) on financial instruments at fair value	**509**	**(134)**
Other gains/(losses) from other economic flows		
Net loss arising from revaluation of long service liability	(110)	(443)
Total other gains/(losses) from other economic flows	**(110)**	**(443)**
Total gains/(losses) from other economic flows	**325**	**(557)**

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 non-financial physical assets (Refer to Note 4.2 Property, plant and equipment.)
- net gain/(loss) on disposal of non-financial assets
- any gain or loss on the disposal of non-financial assets is recognised at the date of disposal.

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

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

- realised and unrealised gains and losses from revaluations of financial instruments at fair value;
- impairment and reversal of impairment for financial instruments at amortised cost refer to Note 4.1 Investments and other financial assets; and
- disposals of financial assets and derecognition of financial liabilities.

Other gains/ (losses) from other economic flows

Other gains/ (losses) include:

- the revaluation of the present value of the long service leave liability due to changes in the bond rate movements, inflation rate movements and the impact of changes in probability factors.

Note 3.3:

Analysis of expense and revenue by internally managed and restricted specific purpose funds

	Expense		Revenue	
	Total 2020 $'000	Total 2019 $'000	Total 2020 $'000	Total 2019 $'000
Commercial activities				
Pharmacy services regional	271	296	271	296
Consulting suites	811	744	811	744
ICT external sales	14	13	-	-
Salary packaging	158	150	481	454
Regional biomedical	4	27	80	63
External supply	34	39	37	48
Tandara caravan park	360	330	448	422
Lung function respiratory lab	57	60	98	106
Cafeteria	1,134	1,150	1,134	1,150
Television service	-	5	-	-
Total commercial activities	**2,843**	**2,814**	**3,360**	**3,283**

Note 3.4:

Employee benefits in the balance sheet

	Total 2020 $'000	Total 2019 $'000
Current provisions		
Employee benefits [i]		
Accrued Days Off		
- Unconditional and expected to be settled wholly within 12 months [ii]	538	510
Annual Leave		
- Unconditional and expected to be settled wholly within 12 months [ii]	13,000	13,000
- Unconditional and expected to be settled wholly after 12 months [iii]	2,576	831
Long Service Leave		
- Unconditional and expected to be settled wholly within 12 months [ii]	2,500	3,000
- Unconditional and expected to be settled wholly after 12 months [iii]	16,317	14,606
Other		
- Unconditional and expected to be settled wholly within 12 months [ii]	36	32
	34,967	**31,979**
Provisions related to employee benefit on-costs		
- Unconditional and expected to be settled within 12 months (ii)	2,081	2,134
- Unconditional and expected to be settled after 12 months (iii)	2,211	1,784
	4,292	**3,918**
Total current provisions	**39,259**	**35,897**
Non-current provisions		
Conditional long service leave	7,213	6,881
Provisions related to employee benefit on-costs	710	691
Total non-current provisions	**7,923**	**7,572**
Total provisions	**47,182**	**43,469**
(a) Employee benefits and related on-costs		
Current employee benefits and related on-costs		
Unconditional long service leave entitlement	20,933	19,587
Annual leave entitlements	17,675	15,694
Substitution leave	41	38
Accrued days off	610	578
Non-current employee benefits and related on-costs		
Conditional long service leave entitlements	7,923	7,572
Total employee benefits and related on-costs	**47,182**	**43,469**
(b) Movements in provisions		
Movement in long service leave:		
Balance at start of year	**27,159**	**24,811**
Provision made during the year		
- Revaluations	110	443
- Expense recognising employee service	3,971	4,784
Settlement made during the year	(2,385)	(2,879)
Balance at end of year	**28,855**	**27,159**

Notes:

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

[ii] *The amounts disclosed are nominal amounts.*

[iii] *The amounts disclosed are discounted to present values.*

Note 3.4:

Employee benefits in the balance sheet *(continued)*

Employee benefit recognition

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

Provisions

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

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

Annual leave and accrued days off

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

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

- **Nominal value -** if the hospital expects to wholly settle within 12 months; or
- **Present value -** if the hospital does not expect to wholly settle within 12 months.

Long service leave (LSL)

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

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

The components of this current LSL liability are measured at:

- **Nominal value -** if the hospital expects to wholly settle within 12 months; and
- **Present value -** if the hospital does not expect to wholly settle within 12 months.

Conditional LSL is disclosed as a non-current liability. Any gain or loss following 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.

On-costs related to employee benefits

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

Note 3.5:

Superannuation

	Paid contribution for the year		Contribution outstanding at year end	
	Total 2020 $'000	Total 2019 $'000	Total 2020 $'000	Total 2019 $'000
Defined benefit plans:[1]				
Other	2	2	-	-
Defined contribution plans:				
HESTA	7,456	6,726	884	565
First State	5,763	5,309	697	418
Other	955	743	115	219
Total	**14,176**	**12,780**	**1,696**	**1,202**

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

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

Defined benefit superannuation plans

The amount charged to the comprehensive operating statement in respect of defined benefit superannuation plans represents the contributions made by the hospital to the superannuation plans in respect of the services of current staff during the reporting period. Superannuation contributions are made to the plans based on the relevant rules of each plan and are based upon actuarial advice.

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

However, superannuation contributions paid or payable for the reporting period are included as part of employee benefits in the comprehensive operating statement of the hospital.

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

Defined contribution superannuation plans

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

Note 4:

Key assets to support service delivery

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

Structure

4.1 Investments and other financial assets

4.2 Property, plant and equipment

4.3 Depreciation and amortisation

Note 4.1:

Investments and other financial assets

	Total 2020 $'000	Total 2019 $'000
Non-current		
- Equities and managed investment schemes		
Victorian Funds Management Corporation	20,547	20,695
Total non-current	**20,547**	**20,695**
Total investments and other financial assets Represented by:		
Health Service Investments	20,547	20,695
Total investments and other financial assets	**20,547**	**20,695**

Note 4.1

Investments and other financial assets *(continued)*

Investment recognition

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Investments are classified as loans and receivables or available-for-sale financial assets.

The hospital classifies its other financial assets between current and non-current assets based on the Board's intention at balance date with respect to the timing of disposal of each asset.

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

The hospital's investments must comply with Standing Direction 3.7.2 - Treasury Management, including Central Banking System.

All financial assets, except for those measured at fair value through the comprehensive operating statement are subject to annual review for impairment.

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 hospital 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 hospital has transferred its rights to receive cash flows from the asset and either:

a) has transferred substantially all the risks and rewards of the asset; or

b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Impairment of financial assets

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

In order to determine an appropriate fair value as at 30 June 2020 for its portfolio of financial assets, Latrobe Regional Hospital and its controlled entities used the market value of investments held provided by the portfolio managers.

The above valuation process was used to quantify the level of impairment (if any) on the portfolio of financial assets as at year end.

Note 4.2

Property, plant and equipment

Initial recognition

Items of property, plant and equipment are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment loss. Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition.

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

The initial cost for non-financial physical assets under a lease (refer to Note 6.1) is measured at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease.

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

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

Right-of-use asset acquired by lessees (Under AASB 16 Leases from 1 July 2019)

Initial measurement

The hospital recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for:

- any lease payments made at or before the commencement date less any lease incentive received; plus
- 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.

Subsequent measurement

Property, plant and equipment as well as right-of-use assets under leases and service concession assets are subsequently measured at fair value less accumulated depreciation and impairment. Fair value is determined with regard 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) and is summarised on the following page by asset category.

Right-of-use asset – subsequent measurement

The hospital depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The right-of-use assets are also subject to revaluation.

In addition, the right-of-use asset is periodically reduced by impairment losses, if any and adjusted for certain remeasurements of the lease liability.

Note 4.2

Property, plant and equipment *(continued)*

The right-of-use assets are also subject to revaluation as required by FRD 103I [pending] however as at 30 June 2020 right-of-use assets have not been revalued.

Revaluations of non-current physical assets

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

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

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

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

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

In accordance with FRD 103H, Latrobe Regional Hospital's non-current physical assets were assessed to determine whether revaluation of the non-current physical assets was required.

Fair value measurement

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

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

In addition, the hospital 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.

The Valuer-General Victoria (VGV) is the hospital's independent valuation agency.

The estimates and underlying assumptions are reviewed on an ongoing basis.

Valuation hierarchy

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

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

Identifying unobservable inputs (level 3) fair value measurements

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

Unobservable inputs 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.

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

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

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

Non-specialised land and non-specialised buildings

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

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

Specialised land and specialised buildings

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

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

The market approach is also used for specialised land and specialised buildings although it is adjusted for the community service obligation (CSO) to reflect the specialised nature of the

Note 4.2

Property, plant and equipment *(continued)*

assets being valued. Specialised assets contain significant, unobservable adjustments; therefore these assets are classified as Level 3 under the market based direct comparison approach.

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

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

An independent valuation of the hospital's specialised land and specialised buildings was performed by Opteon (Victoria) Specialised Pty Ltd on behalf of 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 hospital 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 hospital 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 value (depreciated cost).

Plant and equipment

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

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

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

Note 4.2

Property, plant and equipment *(continued)*

a) Gross carrying amount and accumulated depreciation

	Total 2020 $'000	Total 2019 $'000
Land		
Land at fair value	6,838	6,838
Land - right of use	58	-
Total Land	**6,896**	**6,838**
Buildings and improvements		
Buildings at cost	3,982	1,672
Less accumulated depreciation	(427)	(324)
	3,555	**1,348**
Buildings - right of use	772	-
Less accumulated depreciation	(193)	-
	579	**-**
Buildings and improvements at fair value	238,415	238,415
Less accumulated depreciation	(11,214)	-
	227,201	**238,415**
Site improvements at fair value	3,389	3,389
Less accumulated depreciation	(266)	(5)
	3,123	**3,384**
Total buildings and improvements	**234,458**	**243,147**
Leasehold improvements		
Leasehold improvements at cost	-	230
Less accumulated depreciation	-	(220)
Total leasehold improvements	**-**	**10**
Plant and equipment		
Non-medical equipment at fair value	6,240	5,950
Less accumulated depreciation	(3,795)	(3,395)
	2,445	**2,555**
Computer equipment at fair value	2,586	2,530
Less accumulated depreciation	(2,077)	(1,809)
	509	**721**
Furniture and fittings at fair value	2,483	2,362
Less accumulated depreciation	(1,815)	(1,694)
	668	**668**
Motor vehicles at fair value	79	142
Less accumulated depreciation	(79)	(141)
	-	**1**
Total plant and equipment	**3,622**	**3,945**
Medical equipment		
Medical equipment at fair value	37,221	35,287
Less accumulated depreciation	(24,661)	(22,923)
Total medical equipment	**12,560**	**12,364**
Right of use - plant, equipment, furniture and fittings and vehicles		
Right of use - plant, equipment, furniture and fittings and vehicles	1,960	-
Less accumulated depreciation	(539)	-
Total right of use - plant, equipment, furniture and fittings and vehicles	**1,421**	**-**
Work in progress		
Work in progress at cost	13,957	4,147
Total work in progress	**13,957**	**4,147**
Total property, plant and equipment	**272,914**	**270,451**

Property, plant and equipment *(continued)*

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

	Land $'000	Right of use - land $'000	Buildings and improvements $'000	Right of use of-buildings $'000	Plant and equipment $'000	Medical equipment $'000	Right of use equipment and vehicles $'000	Assets under construction $'000	Leasehold improvements $'000	Total $'000
Balance at 1 July 2018	**6,142**	**-**	**176,723**	**-**	**4,589**	**11,373**	**-**	**4,006**	**21**	**202,854**
Additions	-	-	983	-	179	326	-	3,927	-	5,415
Transfers from Works In Progress	-	-	927	-	5	2,854	-	(3,786)	-	-
Disposals	-	-	-	-	-	(10)	-	-	-	(10)
Revaluation increments/(decrements)	696	-	73,354	-	-	-	-	-	-	74,050
Depreciation and Amortisation **Note 4.3**	-	-	(8,840)	-	(828)	(2,179)	-	-	(11)	(11,858)
Balance at 30 June 2019 Note 4.2(a)	**6,838**	**-**	**243,147**	**-**	**3,945**	**12,364**	**-**	**4,147**	**10**	**270,451**
Recognition of right-of-use assets on initial application of AASB 16	-	58	-	772	-	-	1,960	-	-	2,790
Adjusted balance at 1 July 2019	**6,838**	**58**	**243,147**	**772**	**3,945**	**12,364**	**1,960**	**4,147**	**10**	**273,241**
Additions	-	-	-	-	385	2,634	-	12,260	-	15,279
Transfers from Works In Progress	-	-	2,309	-	141	-	-	(2,450)	-	-
Disposals	-	-	-	-	(10)	(143)	-	-	(5)	(158)
Depreciation and Amortisation **Note 4.3**	-	-	(11,577)	(193)	(839)	(2,295)	(539)	-	(5)	(15,448)
Balance at 30 June 2020 Note 4.2(a)	**6,838**	**58**	**233,879**	**579**	**3,622**	**12,560**	**1,421**	**13,957**	**-**	**272,914**

Land and buildings and leased assets carried at valuation

The Valuer-General Victoria undertook to revalue all of the hospital's owned and leased 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 valuation is 30 June 2019.

Note 4.2

Property, plant and equipment *(continued)*

(c) Fair value measurement hierarchy for assets as at 30 June 2020

	Note	Carrying amount as at 30 June 2020 $'000	Fair value measurement at end of reporting period using: Level 1 [1] $'000	Level 2 [1] $'000	Level 3 [1] $'000
Land at fair value					
Non-specialised land		2,726	-	2,726	-
Right of use land		58	-	-	58
Specialised land		4,112	-	-	4,112
Total of land at fair value	**4.2 (a)**	6,896	-	2,726	4,170
Buildings at fair value					
Right of use buildings		579	-	-	579
Specialised buildings		233,879	-	-	233,879
Total buildings at fair value	**4.2 (a)**	234,458	-	-	234,458
Plant, equipment and vehicles at fair value					
Plant, equipment and vehicles		3,622	-	-	3,622
Total of plant, equipment and vehicles at fair value	**4.2 (a)**	3,622	-	-	3,622
Medical equipment at fair value					
Medical equipment		12,560	-	-	12,560
Total medical equipment at fair value	**4.2 (a)**	12,560	-	-	12,560
Assets under construction					
Assets under construction		13,957	13,957	-	-
Total assets under construction	**4.2 (a)**	13,957	13,957	-	-
		271,493	**13,957**	**2,726**	**254,810**

Note:
[1] Classified in accordance with the fair value hierarchy. There have been no transfers between levels during the period.

Note 4.2

Property, plant and equipment *(continued)*

(c) Fair value measurement hierarchy for assets as at 30 June 2019

	Note	Carrying amount as at 30 June 2019 $'000	Fair value measurement at end of reporting period using: Level 1 (1) $'000	Level 2 (1) $'000	Level 3 (1) $'000
Land at fair value					
Non-specialised land		2,726	-	2,726	-
Specialised land		4,112	-	-	4,112
Total of land at fair value	**4.2 (a)**	6,838	-	2,726	4,112
Buildings at fair value					
Specialised buildings		243,147	-	-	243,147
Total of buildings at fair value	**4.2 (a)**	243,147	-	-	243,147
Leasehold improvements					
Leasehold improvements		10	-	-	10
Total leasehold improvements		10	-	-	10
Plant, equipment and vehicles at fair value					
Vehicles		-	-	-	-
Plant and equipment		3,945	-	-	3,945
Total of plant, equipment and vehicles at fair value	**4.2 (a)**	3,945	-	-	3,945
Medical equipment at fair value					
Medical equipment		12,364	-	-	12,364
Total medical equipment at fair value	**4.2 (a)**	12,364	-	-	12,364
Assets under construction					
Assets under construction		4,147	4,147	-	-
Total assets under construction	**4.2 (a)**	4,147	4,147	-	-
		270,451	**4,147**	**2,726**	**263,578**

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

Note 4.2

Property, plant and equipment *(continued)*

(d) Reconciliation of level 3 fair value measurement

	Note	Land $'000	Buildings $'000	Plant and equipment $'000	Medical equipment $'000
2020					
Opening balance	4.2 (c)	4,112	243,157	3,945	12,364
Additions	4.2 (b)	58	3,081	2,487	2,633
Disposals		-	(5)	(11)	(142)
Gains/(losses) recognised in net result					
- Depreciation	4.4	-	(11,775)	(1,378)	(2,295)
Closing balance		4,170	234,458	5,043	12,560
2019					
Opening balance	4.2 (b)	3,438	176,723	4,589	11,373
Additions	4.2 (b)	-	1,910	184	3,180
Disposals		-	-	-	(10)
Gains/(losses) recognised in net result					
- Depreciation	4.4	-	(8,840)	(828)	(2,179)
Items recognised in other comprehensive income					
- Revaluation		674	73,354	-	-
Closing balance	4.2 (c)	4,112	243,147	3,945	12,364

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

Note 4.2

Property, plant and equipment *(continued)*

(e) Description of significant unobservable inputs to level 3 valuations

Asset class	Likely valuation approach	Significant inputs (level 3 only)
Specialised land	Market approach	Community service obligation (CSO) adjustment
Non-specialised land	Market approach	n.a.
Specialised buildings	Depreciated replacement cost approach	Cost per square metre/ useful life
Plant and equipment	Depreciated replacement cost approach	Cost per square metre/ useful life
Medical equipment	Depreciated replacement cost approach	Cost per square metre/ useful life

Note:
CSO adjustments of 20% were applied to reduce the market approach value for the Department's specialised land.

Note 4.2

Property, plant and equipment *(continued)*

(f) Property, plant and equipment revaluation surplus

	Notes	Total 2020 $'000	Total 2019 $'000
Property, plant and equipment revaluation surplus			
Balance at the beginning of the reporting period		123,427	49,377
Revaluation increment			
- Land	**4.2 (b)**	-	696
- Buildings	**4.2 (b)**	-	73,354
Balance at the end of the reporting period		**123,427**	**123,427**
Represented by:			
- Land		2,452	2,452
- Buildings		120,975	120,975
		123,427	**123,427**

Note 4.3

Depreciation and amortisation

	Total 2020 $'000	Total 2019 $'000
Depreciation		
Buildings	11,288	8,556
Site improvements	289	284
Medical equipment	2,295	2,179
Non-medical equipment	402	391
Computers and communication	315	305
Furniture and fittings	121	118
Motor vehicles	1	14
Right of use assets		
- Right of use buildings	198	-
- Right of use plant, equipment and vehicles	539	-
Total depreciation	**15,448**	**11,847**
Amortisation		
Amortisation of leasehold improvements	-	11
Total amortisation	**-**	**11**
Total depreciation and amortisation	**15,448**	**11,858**

Depreciation

All infrastructure assets, buildings, plant and equipment and other non-financial physical assets (excluding items under operating leases, assets held for sale, land and investment properties) that have finite useful lives are depreciated.

Depreciation is generally calculated on a straight line basis, at rates that allocate the asset's value, less any estimated residual value over its estimated useful life.

Right of use assets

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term. Where the Department obtains ownership of the underlying leased asset or if the cost of the right-of-use asset reflects that the entity will exercise a purchase option, the entity depreciates the right-of-use asset over its useful life.

Leasehold improvements are depreciated over the shorter of the lease term and their useful lives.

Amortisation

Amortisation is the systematic allocation of the depreciable amount of an asset over its useful life.

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

	2020	2019
Buildings		
- Structure shell building fabric	40 to 45 years	40 to 45 years
- Site engineering services and central plant	30 to 40 years	30 to 40 years
Central plant		
- Fit out	20 to 25 years	20 to 25 years
- Trunk reticulated building systems	20 to 25 years	20 to 25 years
Plant and equipment	10 years	10 years
Computer equipment	1-5 years	1-5 years
Furniture and fittings	10 years	10 years
Motor vehicles	5 years	5 years
Leasehold improvements	5 to 40 Years	5 to 40 Years
Site improvements	40 to 45 Years	40 to 45 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 5:

Other assets and liabilities

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

Structure

5.1 Receivables
5.2 Payables
5.3 Other liabilities

Note 5.1

Receivables

	Notes	Total 2020 $'000	Total 2019 $'000
Current			
Contractual			
Inter hospital debtors		1,322	870
Trade debtors		910	1,542
Patient fees		587	646
Sundry debtors		2,066	1,685
Less allowance for doubtful debts			
Trade debtors	**7.1(c)**	(8)	(7)
Patient fees	**7.1(c)**	(39)	(28)
		4,838	**4,708**
Statutory			
GST receivable		655	684
		655	**684**
Total current receivables		**5,493**	**5,392**
Non-current			
Statutory			
Long service leave - Department of Health and Human Services		5,730	5,726
Total non-current receivables		**5,730**	**5,726**
Total receivables		**11,223**	**11,118**
(a) Movement in the allowance for doubtful debts			
Balance at beginning of year		35	52
Amounts (written off)/ recovered during the year		(17)	9
Increase/(decrease) in allowance recognised in net result		29	(26)
Balance at end of year		**47**	**35**

Receivables recognition

Receivables consist of:

- Contractual receivables, which consists of debtors in relation to goods and services and accrued investment income. These receivables are classified as financial instruments and categorised as 'financial assets at amortised costs'. They are initially recognised at fair value plus any directly attributable transaction costs. The hospital holds the contractual receivables with the objective to collect the contractual cash flows and are therefore subsequently measured at amortised cost using the effective interest method, less any impairment.
- Statutory receivables, which predominantly includes amounts owing from 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. The hospital 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.

Note 5.1:

Receivables *(continued)*

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

Impairment losses of contractual receivables

Refer to Note 7.1(c) contractual receivables at amortised costs for the hospital's contractual impairment losses.

Note 5.2

Payables

	Notes	Total 2020 $'000	Total 2019 $'000
Current			
Contractual			
Trade creditors		1,350	3,195
Other creditors		198	280
Accrued salaries and wages		2,147	4,501
Accrued expenses		11,661	10,657
Contract liabilities - income received in advance	**5.2(a)**	1,814	17
Amounts payable to governments and agencies		80	7
		17,250	**18,657**
Statutory			
Department of Health and Human Services		16	6,457
		16	**6,457**
Total current		**17,266**	**25,114**

Payables recognition

Payables consist of:

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

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

Maturity analysis of payables

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

Note 5.2

(a) Contract liabilities

	Total 2020 $'000
Opening balance brought forward from 30 June 2019 adjusted for AASB 15	17
Add: Payments received for performance obligations yet to be completed during the period	294
Add: Grant consideration for sufficiently specific performance obligations received during the year	1,520
Less: Revenue recognised in the reporting period for the completion of a performance obligation	(17)
Total contract liabilities	**1,814**
Represented by	
Current contract liabilities	1,814
Non-current contract liabilities	-

Note 5.3

Other liabilities

	Total 2020 $'000	Total 2019 $'000
Current		
Monies held in trust*		
- Patient monies held in trust	9	7
- Accommodation bonds (refundable entrance fees)	600	306
- Employee salary packaging account	758	611
Total current	**1,367**	**924**
*** Total monies held in trust**		
Represented by the following assets:		
Cash assets (refer to Note 6.2)	1,367	924
Total	**1,367**	**924**

Refundable Accommodation Deposit ("RAD")/Accommodation bond liabilities

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

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

Note 6:

How we finance our operations

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

This section includes disclosures of balances that are financial instruments (such as borrowings and cash balances).

Note 7.1 provides additional, specific financial instrument disclosures.

Structure

6.1 Borrowings

6.2 Cash and cash equivalents

6.3 Commitments for expenditure

Note 6.1:

Borrowings

	Consolidated 2020 $'000	Consolidated 2019 $'000
Current		
Lease liability [i]	762	-
Advances from government [ii]	50	50
Total current borrowings	**812**	**50**
Non-current		
Lease liability [i]	1,329	-
Advances from government [ii]	198	240
Total non-current borrowings	**1,527**	**240**
Total borrowings	**2,339**	**290**

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

[ii] These are unsecured loans which bear no interest.

Maturity analysis of borrowings
Please refer to Note 7.1 for the ageing analysis of borrowings.

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

Lease liabilities
Repayments in relation to leases are payable as follows:

	Minimum future lease payments		Present value of minimum future lease payments	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Not later than one year	798	-	762	-
Later than 1 year and not later than 5 years	1,358	-	1,329	-
Later than 5 years	-	-	-	-
Minimum lease payments	**2,156**	**-**	**2,091**	**-**
Less future finance charges	(65)	-	-	-
Total	**2,091**	**-**	**2,091**	**-**
Included in the financial statements as:				
Current borrowings - lease liability	-	-	762	-
Non-current borrowings - lease liability	-	-	1,329	-
Total	**-**	**-**	**2,091**	**-**

The weighted average interest rate implicit in the finance lease is 2% (2019: 0%).

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

Note 6.1:

(a) Leases

Latrobe Regional Hospital leasing activities

Latrobe Regional Hospital leases various properties, IT equipment and motor vehicles. The lease contracts are typically made for fixed periods of 1-10 years with an option to renew the lease after that date. Lease payments for properties are renegotiated every five years to reflect market rentals.

Leases of IT equipment with contract terms of 1-3 years are either short-term and or/leases of low-value items. Latrobe Regional Hospital has elected not to recognise right-of-use assets and lease liabilities for these leases.

At 30 June 2020, the Latrobe Regional Hospital was committed to short term leases and the total commitment at that date was $2,091m.

For any new contracts entered into on or after 1 July 2019, the hospital considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply

Note 6.1:

(a) Leases *(continued)*

this definition the hospital assesses whether the contract meets three key evaluations:

- Whether the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the hospital and for which the supplier does not have substantive substitution rights;
- Whether the hospital 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 hospital has the right to direct the use of the identified asset throughout the period of use; and
- Whether the hospital has the right to take decisions in respect of 'how and for what purpose' the asset is used throughout the period of use.

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

Separation of lease and non-lease components

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

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

Lease liability – initial measurement

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

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

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

Lease liability – subsequent measurement

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

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

Short-term leases and leases of low-value assets

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

Presentation of right-of-use assets and lease liabilities

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

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

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

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

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

Contingent rentals associated with finance leases were recognised as an expense in the period in which they are incurred.

Assets held under other leases were classified as operating leases and were not recognised in the hospital's balance sheet. Operating lease payments were recognised as an operating expense in the statement of comprehensive income on a straight-line basis over the lease term.

The impact of initialling applying AASB15 Revenue from Contracts with Customers and AASB 1058 Income of not-for-profit entities to Latrobe Regional Hospital grant revenue is described in Note 8.13. Under application of the modified retrospective transition method chosen in applying AASB 15 and AASB 1058 for the first time, comparative information has not been restated to reflect the new requirements. The adoption of AASB 15 and AASB 1058 did not have an impact on other comprehensive income and the statement of cash flows for the financial year.

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

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

Short-term leases – leases with a term less than 12 months; and

Low value leases – leases with the underlying asset's fair value (when new, regardless of the age of the asset being leased) is no more than $10,000.

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

Note 6.1:

(a) Leases *(continued)*

Borrowings

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

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

Entity as lessee

Leases are recognised as assets and liabilities at amounts equal to the fair value of the lease property or, if lower, the present value of the minimum lease payment, each determined at the inception of the lease. The leased assets under the PPP arrangement are accounted for as a non-financial physical asset and is depreciated over the term of the lease plus five years. Minimum lease payments are apportioned between reduction of the outstanding lease liability, and the periodic finance expense which is calculated using the interest rate implicit in the lease, and charged directly to the comprehensive operating statement. Contingent rentals associated with leases are recognised as an expense in the period in which they are incurred.

Note 6.2

Cash and cash equivalents

	Total 2020 $'000	Total 2019 $'000
Cash at bank (excluding monies held in trust)	4,606	32,643
Cash at bank (monies held in trust)	9	7
Employee salary packaging account	759	611
Cash at bank - CBS (excluding monies held in trust)	44,995	28,932
Cash at bank - CBS (monies held in trust)	600	306
Term deposits < 3 months (excluding monies held in trust)	50	50
Total cash and cash equivalents	**51,019**	**62,549**

Cash and cash equivalents

Cash and cash equivalents recognised on the balance sheet comprise cash on hand and in banks, deposits at call and highly liquid investments (with an original maturity 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.

Note 6.3

Commitments for expenditure

	Total 2020 $'000	Total 2019 $'000
Capital expenditure commitments		
Payable:		
Land and buildings	5,113	2,365
Plant and equipment	72	50
Total capital expenditure commitments	**5,185**	**2,415**
Not later than one year	5,185	2,415
Total	**5,185**	**2,415**
Operating expenditure commitments		
Payable:		
Maintenance services contracts	11,461	10,069
Total operating expenditure commitments	**11,461**	**10,069**
Not later than one year	4,247	2,896
Later than 1 year and not later than 5 years	7,198	7,173
5 years or more	16	
Total	**11,461**	**10,069**
Cancellable operating lease commitments		
Commitments in relation to leases contracted for at the reporting date:		
Operating leases	-	2,233
Total cancellable operating lease commitments	**-**	**2,233**
Operating leases		
Operating leases- motor vehicles		
Cancellable:		
Not later than one year	-	638
Later than 1 year and not later than 5 years	-	1,595
Subtotal	**-**	**2,233**
Operating leases - other		
Cancellable:		
Not later than one year	165	171
Later than 1 year and not later than 5 years	-	165
Subtotal	**165**	**336**
Total operating lease commitments	**165**	**2,569**
Total lease commitments	**165**	**2,569**
Total commitments (inclusive of GST) other than public private partnerships	**16,811**	**15,053**
less GST recoverable from the Australian Tax Office	(1,528)	(1,368)
Total commitments (exclusive of GST) other than public private partnerships	**15,283**	**13,685**

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

Commitments

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

Note 7:

Risks, contingencies and valuation uncertainties

The hospital is exposed to risk from its activities and outside factors. In addition, it is often necessary to make judgements and estimates associated with recognition and measurement of items in the financial statements.

This section sets out financial instrument specific information, (including exposures to financial risks) as well as those items that are contingent in nature or require a higher level of judgement to be applied, which for the health service is related mainly to fair value determination.

Structure

7.1 Financial instruments

7.2 Contingent assets and contingent liabilities

Note 7.1:

Financial instruments

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

(a) Financial instruments: categorisation

	Notes	Financial assets at amortised cost $'000	Financial liabilities at amortised cost $'000	Total $'000
2020				
Contractual financial assets				
Cash and cash equivalents	**6.2**	51,019	-	51,019
Trade debtors and other receivables	**5.1**	4,838	-	4,838
Other financial assets- managed investment	**4.1**	20,547	-	20,547
Total financial assets		**76,404**	**-**	**76,404**
Financial liabilities				
Payables and other liabilities	**5.2**	-	15,436	15,436
Borrowings	**6.1**	-	2,339	2,339
Other financial liabilities - refundable accommodation deposits	**5.3**	-	600	600
Other financial liabilities - monies held in trust	**5.3**	-	767	767
Total financial liabilities		**-**	**19,142**	**19,142**

	Notes	Financial assets at amortised cost $'000	Financial liabilities at amortised cost $'000	Total $'000
2019				
Contractual financial assets				
Cash and cash equivalents	**6.2**	62,549	-	62,549
Trade debtors and other receivables	**5.1**	4,708	-	4,708
Other financial assets- managed investment	**4.1**	20,695	-	20,695
Total financial assets		**87,952**	**-**	**87,952**
Financial liabilities				
Payables and other liabilities	**5.2**	-	18,640	18,640
Borrowings	**6.1**	-	290	290
Other financial liabilities - refundable accommodation deposits	**5.3**	-	306	306
Other financial liabilities - monies held in trust	**5.3**	-	618	618
Total financial liabilities		**-**	**19,854**	**19,854**

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

Note 7.1:

Financial instruments *(continued)*

Categories of financial assets under AASB 9:-

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 the hospital to collect the contractual cash flows, and
- the assets' contractual terms give rise to cash flows that are solely payments of principal and interests.

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

The hospital recognises the following assets in this category:

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

Financial assets at fair value through net result

Equity instruments that are held for trading as well as derivative instruments are classified as fair value through net result. Other financial assets are required to be measured at fair value through net result unless they are measured at amortised cost or fair value through other comprehensive income as explained above.

However, as an exception to those rules above, Latrobe Regional Hospital may, at initial recognition, irrevocably designate financial assets as measured at fair value through net result if doing so eliminates or significantly reduces a measurement or recognition inconsistency ('accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Latrobe Regional Hospital recognises listed equity securities as mandatorily measured at fair value through net result and designated all of its managed investment schemes as well as certain 5-year government bonds as fair value through net result.

Categories of financial liabilities

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

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

- payables (excluding statutory payables); and
- borrowings (including lease liabilities).

Derivative financial instruments are classified as held for trading financial assets and liabilities. They are initially recognised at fair value on the date on which a derivative contract is entered into. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Any gains or losses arising from changes in the fair value of derivatives after initial recognition are recognised in the consolidated comprehensive operating statement as an 'other economic flow' included in the net result.

Offsetting financial instruments: Financial instrument assets and liabilities are offset and the net amount presented in the consolidated balance sheet when, and only when, the hospital 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 hospital 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 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 Department 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 Department has transferred its rights to receive cash flows from the asset and either:
  - has transferred substantially all the risks and rewards of the asset; or
  - has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

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

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

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

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

Note 7.1:

Financial instruments *(continued)*

(b) Maturity analysis of financial liabilities as at 30 June

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

Maturity analysis of financial liabilities as at 30 June

	Note	Carrying amount $'000	Nominal amount $'000	Maturity dates: Less than 1 month $'000	Maturity dates: 3 months - 1 year $'000	Maturity dates: 1-5 years $'000
2020						
Financial liabilities						
At amortised cost						
Payables	**5.2**	15,436	15,436	15,436	-	-
Borrowings	**6.1**	2,339	-	-	812	1,527
Other financial liabilities						
- Accommodation deposits	**5.3**	600	600	600	-	-
- Other		767	767	767	-	-
Total financial liabilities		**19,142**	**16,803**	**16,803**	**812**	**1,527**
2019						
Financial liabilities						
At amortised cost						
Payables	**5.2**	18,640	18,640	18,640	-	-
Borrowings	**6.1**	290	-	-	50	240
Other financial liabilities						
- Accommodation deposits	**5.3**	306	306	306	-	-
- Other		618	618	618	-	-
Total financial liabilities		**19,854**	**19,564**	**19,564**	**50**	**240**

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

(c) Contractual receivables at amortised costs

	Current $'000	Less than 1 month $'000	1-3 months $'000	3 months - 1 year $'000	1-5 years $'000	Total $'000
1 July 2019						
Expected loss rate	**0%**	**0%**	**0%**	**0%**	**29.16%**	
Gross carrying amount of contractual receivables	3,706	701	67	149	120	4,743
Loss allowance	**-**	**-**	**-**	**-**	**(35)**	**(35)**
30 June 2020						
Expected loss rate	**0%**	**0%**	**0%**	**10.22%**	**100%**	
Gross carrying amount of contractual receivables	3,652	800	61	362	10	4,885
Loss allowance	**-**	**-**	**-**	**(37)**	**(10)**	**(47)**

Note 7.1:

Financial instruments *(continued)*

Impairment of financial assets under AASB 9 Financial Instruments - applicable from 1 July 2018

The hospital records the allowance for expected credit loss for the relevant financial instruments applying AASB 9 *Financial Instruments* Expected Credit Loss approach. Subject to AASB 9 *Financial Instruments* impairment assessment include the Department's contractual receivables, statutory receivables and its investment in debt instruments.

Equity instruments are not subject to impairment under AASB 9 *Financial Instruments*. Other financial assets mandatorily measured or designated at fair value through net result are not subject to impairment assessment under AASB 9 *Financial Instruments*. While cash and cash equivalents are also subject to the impairment requirements of AASB 9 *Financial Instruments*, the identified impairment loss was immaterial.

Contractual receivables at amortised cost

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

On this basis, the hospital determines the opening loss allowance and the closing loss allowance at end of the financial year as disclosed above.

Reconciliation of the movement in the loss allowance for contractual receivables

	Notes	2020	2019
Balance at beginning of the year		**(35)**	**(52)**
Opening retained earnings adjustment on adoption of AASB 9		-	-
Opening loss allowance	**5.1**	**(35)**	**(52)**
Increase/(decrease) in provision recognised in the net result		29	(26)
Receivables (written off)/ reversed during the year as uncollectible		(17)	9
Balance at end of the year	**5.1**	**(47)**	**(35)**

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.

In prior years, a provision for doubtful debts is recognised when there is objective evidence that the debts may not be collected and bad debts are written off when identified. A provision is made for estimated irrecoverable amounts from the sale of goods when there is objective evidence that an individual receivable is impaired. Bad debts considered as written off by mutual consent.

Statutory receivables and debt investments at amortised cost

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

The hospital also has investments in: Victorian Funds Management Corporation (VFMC).

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 the result, the loss allowance recognised for these financial assets during the period was limited to 12 months of expected losses.

Note 7.2:

Contingent assets and contingent liabilities

There are no known contingent assets or contingent liabilities held by the hospital at balance date. (2019: Nil)

Note 8:

Other disclosures

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

Structure

Note 8.1:

Reconciliation of net result for the year to net cash inflow/(outflow) from operating activities

	Notes	Total 2020 $'000	Total 2019 $'000
Net result for the year		(7,697)	(9,006)
Non-cash movements:			
Depreciation and amortisation	**4.3**	15,448	11,858
Provision for doubtful debts	**5.1 (a)**	-	(9)
Income from managed funds reinvested		-	(1,235)
Assets received free of charge		(64)	(129)
Government non-cash funding for hospital expansion		(2,895)	(15)
Revaluation of long service leave		110	443
Lease interest		50	-
Movement in capital payables		-	(8)
Movements included in investing and financing activities:			
Net gain on disposal of financial instruments		-	396
Net gain/(loss) on disposal of financial assets		74	(20)
Net gain arising from revaluation of financial instruments		693	-
Reversal of impairment of financial assets		(1,240)	-
Cash inflow from financing activities- accommodation deposits		(544)	-
Movements in assets and liabilities:			
Change in operating assets and liabilities			
Increase in receivables	**5.1**	(105)	(1,970)
Increase in prepayments		(209)	(364)
(Decrease)/increase in payables	**5.2**	(7,848)	6,227
(Increase)/decrease in inventories		(96)	158
Increase in employee benefits	**3.4**	3,713	3,508
Increase in other liabilities (excluding accommodation deposits)	**5.3**	149	74
Net cash (outflow)/inflow from operating activities		**(461)**	**9,908**

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.

	Period
Responsible Ministers:	
The Honourable Jenny Mikakos, Minister for Health, Minister for Ambulance Services	1/7/2019 - 30/6/2020
The Honourable Martin Foley, Minister for Mental Health	1/7/2019 - 30/6/2020
The Honourable Luke Donnellan, Minister for Child Protection, Minister for Disability, Ageing and Carers	1/7/2019 - 30/6/2020
Governing Boards	
Linda McCoy (Chair)	1/7/2019 - 30/6/2020
Leah Young (Deputy Chair)	1/7/2019 - 30/6/2020
John Rasa	1/7/2019 - 30/6/2020
John Donovan	1/7/2019 - 30/6/2020
Ian Maxfield	1/7/2019 - 30/6/2020
Chelsea Caple	1/7/2019 - 30/6/2020
John Arranga	1/7/2019 - 30/6/2020
Liesl McKay	1/7/2019 - 30/6/2020
Bernadette Hickey	1/7/2019 - 30/6/2020
Accountable Officers	
Peter Craighead	1/7/2019 - 30/6/2020

Remuneration of responsible persons

The number of responsible persons are shown in their relevant income bands:

	Consolidated	
	2020 No.	2019 No.
Income band		
$20,000 - $29,999	8	8
$50,000 - $59,999	0	1
$60,000 - $69,999	1	0
$400,000 - $409,999	0	0
$430,000 - $439,999	0	1
$450,000 - $459,999	1	0
Total numbers	**10**	**10**

	2020 $'000	2019 $'000
Total remuneration received or due and receivable by responsible persons from the reporting entity amounted to:	**$727**	**$685**

Amounts relating to the Governing Board Members and Accountable Officer are disclosed in the hospital's financial statements. Amounts relating to the Responsible Ministers are reported within the Department of Parliamentary Service's Financial Report.

Note 8.3:

Remuneration of executives

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

Remuneration of executive officers (including key management personnel disclosed in Note 8.4)

	Total remuneration 2020 $'000	Total remuneration 2019 $'000
Short-term benefits	1,229	1,073
Post-employment benefits	107	103
Other long-term benefits	-	9
Termination benefits	21	48
Total remuneration [i]	**1,357**	**1,233**
Total number of executives	6	6
Total annualised employee equivalent [ii]	4.8	4.7

[i] The total number of executive officers includes persons who meet the definition of key management personnel (KMP) of Latrobe Regional Hospital under AASB 124 Related Party Disclosures and are also reported within Note 8.4 related parties.

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

Total remuneration payable to executives during the year included additional executive officers and a number of executives who received bonus payments during the year. These bonus payments depend on the terms of individual employment contracts.
Remuneration comprises employee benefits in all forms of consideration paid, payable or provided in exchange for services rendered, and is disclosed in the following categories:

Short-term employee benefits

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

Post-employment benefits

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

Other long-term benefits

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

Termination benefits

Termination of employment payments, such as severance packages.

Other factors

Several factors affected total remuneration payable to executives over the year. A number of employment contracts were completed and renegotiated and an executive officer resigned in the past year. This has had an impact on remuneration figures for the termination benefits category.

Note 8.4:

Related parties

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

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

KMPs are those people with the authority and responsibility for planning, directing and controlling the activities of Latrobe Regional Hospital, directly or indirectly.

Note 8.4:

Related parties *(continued)*

The Board of Directors and the Executive Directors of Latrobe Regional Hospital are deemed to be KMPs.

Entity	Key management personnel	Position title
Latrobe Regional Hospital	Peter Craighead	Chief Executive Officer
Latrobe Regional Hospital	Don McRae	Chief Operating Officer/Chief Nurse
Latrobe Regional Hospital	Humsha Naidoo	Chief Medical Officer
Latrobe Regional Hospital	Philippa Hawkings	Chief Medical Officer
Latrobe Regional Hospital	Jon Millar	Executive Director of Information and Regional Services
Latrobe Regional Hospital	Cayte Hoppner	Executive Director of Mental Health/ Chief Mental Health Nurse
Latrobe Regional Hospital	Mark Wilkins	Executive Director of People and Culture
Latrobe Regional Hospital	Anita Raymond	Executive Director of Education, Training and Research
Latrobe Regional Hospital	Linda McCoy	Board Chair
Latrobe Regional Hospital	Ian Maxfield	Board Member
Latrobe Regional Hospital	John Rasa	Board Member
Latrobe Regional Hospital	John Donovan	Board Member
Latrobe Regional Hospital	Leah Young	Board Member
Latrobe Regional Hospital	Chelsea Caple	Board Member
Latrobe Regional Hospital	John Arranga	Board Member
Latrobe Regional Hospital	Liesl McKay	Board Member
Latrobe Regional Hospital	Bernadette Hickey	Board Member

The compensation detailed below is reported in $'000 and excludes the salaries and benefits the Portfolio Ministers receive. The Minister's remuneration and allowances is set by the *Parliamentary Salaries and Superannuation Act 1968*, and is reported within the Department of Parliamentary Services' Financial Report.

	2020 $'000	2019 $'000
Compensation		
Short term employee benefits	1,927	1,730
Post-employment benefits	135	131
Other long-term benefits	-	9
Termination benefits	21	48
Total	**2,083**	**1,918**

Significant transactions with government-related entities

Latrobe Regional Hospital received funding from the Department of Health and Human Services of $254 million (2019: $225 million).

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

Professional medical indemnity insurance and other insurance products are obtained from a Victorian Public Financial Corporation.

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

Transactions with key management personnel and other related parties

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

Outside of normal citizen type transactions with the hospital, there were no related party transactions that involved KMPs, their close family members and their personal business interests. No provision has been required, nor any expense recognised, for impairment of receivables from related parties. There were no related party transactions with Cabinet Ministers required to be disclosed in 2020.

There were no related party transactions required to be disclosed for the Latrobe Regional Hospital Board of Directors and Executive Directors in 2020.

Note 8.4:

Related parties *(continued)*

During the year, the hospital had the following government-related entity transactions:

Revenue received from the following for 2020 $'000

	2020 $'000	2019 $'000
Entity		
Alfred Health	2,775	2,461
Ambulance Victoria	61	-
Austin Health	2	-
Bairnsdale Regional Health Service	190	128
Bass Coast Health	5	-
Central Gippsland Health Service	1,205	762
Department of Health and Human Services (grants)	254,422	224,982
Department of Treasury and Finance	-	198
Gippsland Health Alliance	3,468	3,096
Gippsland Southern Health Service	349	260
Monash Health	337	218
Omeo District Health	3	-
Peter MacCallum Cancer Institute	11	-
South Gippsland Hospital	8	-
The Royal Children's Hospital	3	-
Transport Accident Commission	192	324
Treasury Corporation Victoria	-	280
Victorian Managed Insurance Authority	81	334
West Gippsland Healthcare Group	750	573

Payments made to the following for 2020 $'000

	2020 $'000	2019 $'000
Entity		
Alfred Health	403	315
Ambulance Victoria	1,360	1,610
Bairnsdale Regional Health Service	249	280
Ballarat Health Services	117	-
Barwon Health	49	-
Bass Coast Regional Health Service	405	364
Central Gippsland Health Service	1,853	1,873
Central Gippsland Regional Water Corporation	303	-
Department of Health and Human Services	7	-
Department of Treasury and Finance	566	-
Eastern Health	68	-
Gippsland Southern Health Service	22	-
Gippsland Health Alliance	6,980	3,831
Koo Wee Rup Regional Health Services	355	340
Monash Health	1,519	1,468
Omeo District Health	146	136
Orbost Regional Health	147	170
South Gippsland Hospital	444	448
The Royal Children's Hospital	3	-
Victorian Managed Insurance Authority	5,729	3,950
West Gippsland Healthcare Group	685	790
Yarram and District Health Service	265	305
Country Fire Authority	13	-
East Gippsland Region Water Corporation	2	-
Roads Corporation (Vic Roads)	2	-
Department of Environment Land Water and Planning	24	-

Note 8.4:

Related parties *(continued)*

Outstanding revenue at year end from the following:

Entity	Outstanding at year end 2020 $'000	Outstanding at year end 2019 $'000
Alfred Health	758	518
Ambulance Victoria	13	-
Bairnsdale Regional Health Service	85	14
Central Gippsland Health Service	309	403
Department of Health and Human Services (grants)	5,741	5,738
Gippsland Health Alliance	249	347
Gippsland Southern Health Service	374	39
Monash Health	83	33
Peter MacCallum Cancer Institute	4	-
South Gippsland Hospital	9	-
Transport Accident Commission	11	183
Victorian Managed Insurance Authority	33	-
West Gippsland Healthcare Group	481	201
All TAFE entities	3	-

Outstanding payments at year end for the following:

Entity	Outstanding at year end 2020 $'000	Outstanding at year end 2019 $'000
Alfred Health	22	146
Ambulance Victoria	174	291
Bairnsdale Regional Health Service	41	38
Bass Coast Regional Health Service	60	80
Central Gippsland Health Service	211	167
Central Gippsland Regional Water Corporation	20	-
Department of Health and Human Services	250	6,670
Eastern Health	6	-
Gippsland Health Alliance	324	335
Koo Wee Rup Regional Health Services	70	55
Monash Health	219	236
Omeo District Health	8	17
Orbost Regional Health	22	42
South Gippsland Hospital	73	89
West Gippsland Healthcare Group	-	141
Yarram and District Health Service	76	46
Victorian Auditor General's Office	52	-

Note 8.5:

Remuneration of auditors

	Total 2020 $'000	Total 2019 $'000
Victorian Auditor-General's Office		
Audit and review of financial statements	63	55

Note 8.6:

Subsequent events

The COVID-19 pandemic has created unprecedented economic uncertainty. Actual economic events and conditions in the future may be materially different from those estimated by Latrobe Regional Hospital at the reporting date. As responses by government continue to evolve, management recognises that it is difficult to reliably estimate with any degree of certainty the potential impact of the pandemic after the reporting date on the hospital, its operations, its future results and financial position. The state of emergency in Victoria was extended on 16 August 2020 until 11 October 2020 and the state of disaster is still in place.

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

Note 8.7:

Jointly controlled operations and assets

	Ownership interest 2020 %	Ownership interest 2019 %
Name of Entity		
Gippsland Health Alliance	21.66%	21.36%

Interest in IT Alliance

Summarised financial information of jointly controlled assets and liabilities

During 2009/10, the Alliance members signed a new agreement, which was effective 1 July 2009, which determines the interest in the Gippsland Health Alliance as a 'jointly controlled asset'. Accounting for a 'jointly controlled asset' requires the member hospital's to now recognise its share of the Alliance's assets and liabilities, together with any income and expenditure arising, under the respective line item in the member hospital's financial statements from the year ending 30 June 2010 onwards. This arrangement is now known as a Joint Operation.

Note 8.7:

Jointly controlled operations and assets *(continued)*

The hospital's interest in assets employed in the above jointly controlled operations and assets is detailed below. The amounts are included in the financial statements and consolidated financial statements under their respective asset and liability categories:

	Total 2020 $'000	Total 2019 $'000
Current assets		
Cash and cash equivalents	1,326	1,680
Receivables	182	292
Other current assets	738	556
Total current assets	**2,246**	**2,528**
Non-current assets		
Property, plant and equipment	181	24
Total non-current assets	**181**	**24**
Share of total assets	**2,427**	**2,552**
Current liabilities		
Payables	153	225
Borrowings	36	-
Other current liabilities	1,118	1,261
Total current liabilities	**1,307**	**1,486**
Non-current liabilities		
Borrowings	60	-
Total non-current liabilities	**60**	**-**
Share of total liabilities	**1,367**	**1,486**
Net assets	**1,060**	**1,066**
Reconciliation of jointly controlled assets:		
Share of funds at beginning of the reporting period	1,066	982
Contributions made in current reporting period	-	-
Share of current year surplus/(deficit)	(6)	84
Share of funds at end of reporting period	**1,060**	**1,066**
The Latrobe Regional Hospital's interest in revenues and expenses resulting from jointly controlled operations are detailed below:		
Revenues		
GHA revenue	3,754	2,934
Total revenue	**3,754**	**2,934**
Expenses		
Information technology and administrative expenses	3,713	2,843
Depreciation	47	7
Total expenses	**3,760**	**2,850**
Net result	**(6)**	**84**

Contingent liabilities and capital commitments

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

Note 8.8:

Economic dependency

Latrobe Regional Hospital is dependent on the Department of Health and Human Services 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 of Health and Human Services will not continue to support the hospital.

Note 8.9:

AASBs issued that are not yet effective

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

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

Topic	Key requirements	Effective date	Impact on financial statements
AASB 17 Insurance contracts	The new Australian standard seeks to eliminate inconsistencies and weaknesses in existing practices by providing a single principle based framework to account for all types of insurance contracts, including reissuance contract that an insurer holds. It also provides requirements for presentation and disclosure to enhance comparability between entities. This standard currently does not apply to the not-for-profit public sector entities.	1 Jan 2021	The assessment has indicated that there will be no significant impact for the public sector.
AASB 2018-7 Amendments to Australian Accounting Standards - definition of material	This Standard principally amends AASB 101 Presentation of Financial Statements and AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors. The amendments refine and clarify the definition of material in AASB 101 and its application by improving the wording and aligning the definition across AASB Standards and other publications. The amendments also include some supporting requirements in AASB 101 in the definition to give it more prominence and clarify the explanation accompanying the definition of material.	1 Jan 2020	The standard is not expected to have a significant impact on the Alliance.

Note 8.9:

AASBs issued that are not yet effective *(continued)*

Topic	Key requirements	Effective date	Impact on financial statements
AASB 2020-1 Amendments to Australian Accounting Standards - classification of liabilities as current or non-current	This Standard amends AASB 101 to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. A liability is classified as non-current if an entity has the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period. The meaning of settlement of a liability is also clarified.	1 Jan 2022	The standard is not expected to have a significant impact on the Alliance.

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

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

Note 8.10:

Changes in accounting policy

When measuring lease liabilities, Latrobe Regional Hospital discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted average rate applied is 2 per cent.

	1 July 2019
Total Operating lease commitments disclosed at 30 June 2019	2,569
Discounted using the incremental borrowing rate at 1 July 2019	2,233
Finance lease liabilities as at 30 June 2019	-
Recognition exemption for:	
Short-term leases	-
Leases of low-value assets	336
Lease liabilities recognised at 1 July 2019	2,790

Note 8.11:

Glossary of terms and style conventions

Amortisation

Amortisation is the expense which results from the consumption, extraction or use over time of a non-produced physical or intangible asset.

Comprehensive result

The net result of all items of income and expense recognised for the period. It is the aggregate of operating result and other comprehensive income.

Commitments

Commitments include those operating, capital and other outsourcing commitments arising from non-cancellable contractual or statutory sources.

Current grants

Amounts payable or receivable for current purposes for which no economic benefits of equal value are receivable or payable in return.

Depreciation

Depreciation is an expense that arises from the consumption through wear or time of a produced physical or intangible asset. This expense reduces the 'net result for the year'.

Employee benefits expenses

Employee benefits expenses include all costs related to employment including wages and salaries, fringe benefits tax, leave entitlements, redundancy payments, defined benefits superannuation plans, and defined contribution superannuation plans.

Financial asset

A financial asset is any asset that is:

- cash;
- an equity instrument of another entity;
- a contractual or statutory right:
  - to receive cash or another financial asset from another entity; or
  - to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or
- a contract that will or may be settled in the entity's own equity instruments and is:
  - a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or
  - a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

Financial instrument

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets or liabilities that are not contractual (such as statutory receivables or payables that arise as a result of statutory requirements imposed by governments) are not financial instruments.

Financial liability

A financial liability is any liability that is:

- a contractual obligation:
  - to deliver cash or another financial asset to another entity; or
  - to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or
- a contract that will or may be settled in the entity's own equity instruments and is:
  - a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or
  - a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

Financial statements

A complete set of financial statements comprises:

- Balance sheet as at the end of the period;
- Comprehensive operating statement for the period;
- A statement of changes in equity for the period;
- Cash flow statement for the period;
- Notes, comprising a summary of significant accounting policies and other explanatory information;
- Comparative information in respect of the preceding period as specified in paragraph 38 of AASB 101 Presentation of Financial Statements; and
- A statement of financial position at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements in accordance with paragraphs 41 of AASB 101.

Grants and other transfers

Transactions in which one unit provides goods, services, assets (or extinguishes a liability) or labour to another unit without receiving approximately equal value in return. Grants can either be operating or capital in nature.

While grants to governments may result in the provision of some goods or services to the transferor, they do not give the transferor a claim to receive directly benefits of approximately equal value. For this reason, grants are referred to by the AASB as involuntary transfers and are termed non-reciprocal transfers. Receipt and sacrifice of approximately equal value may occur, but only by coincidence. For example, governments are not obliged to provide commensurate benefits, in the form of goods or services, to particular taxpayers in return for their taxes. Grants can be paid as general purpose grants which refer to grants that are not subject to conditions regarding their use. Alternatively, they may be paid as specific purpose grants which are paid for a particular purpose and/or have conditions attached regarding their use.

General government sector

The general government sector comprises all government departments, offices and other bodies engaged in providing services free of charge or at prices significantly below their cost of production. General government services include those which are mainly non-market in nature, those which are largely for collective consumption by the community and those which involve the transfer or redistribution of income. These services are financed mainly through taxes, or other compulsory levies and user charges.

Note 8.11:

Glossary of terms and style conventions *(continued)*

Interest expense

Costs incurred in connection with the borrowing of funds includes interest on bank overdrafts and short-term and long-term liabilities, amortisation of discounts or premiums relating to liabilities, interest component of finance leases repayments, and the increase in financial liabilities and non-employee provisions due to the unwinding of discounts to reflect the passage of time.

Interest income

Interest income includes unwinding over time of discounts on financial assets and interest received on bank term deposits and other investments.

Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. A joint arrangement has the following characteristics:

- The parties are bound by a contractual arrangement.
- The contractual arrangement gives two or more of those parties joint control of the arrangement

A joint arrangement is either a joint operation or a joint venture.

Liabilities

Liabilities refers to interest-bearing liabilities mainly raised from public liabilities raised through the Treasury Corporation of Victoria, finance leases and other interest-bearing arrangements. Liabilities also include non-interest-bearing advances from government that are acquired for policy purposes.

Leases

Are rights conveyed in a contract, or part of a contract, the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

Net acquisition of non-financial assets (from transactions)

Purchases (and other acquisitions) of non-financial assets less sales (or disposals) of non-financial assets less depreciation plus changes in inventories and other movements in non-financial assets. It includes only those increases or decreases in non-financial assets resulting from transactions and therefore excludes write-offs, impairment write-downs and revaluations.

Net result

Net result is a measure of financial performance of the operations for the period. It is the net result of items of income, gains and expenses (including losses) recognised for the period, excluding those that are classified as 'other comprehensive income'.

Net result from transactions/net operating balance Net result from transactions or net operating balance is a key fiscal aggregate and is income from transactions minus expenses from transactions. It is a summary measure of the ongoing sustainability of operations. It excludes gains and losses resulting from changes in price levels and other changes in the volume of assets.

Net worth

Assets less liabilities, which is an economic measure of wealth.

Non-financial assets

Non-financial assets are all assets that are not 'financial assets'. It includes inventories, land, buildings, infrastructure, road networks, land under roads, plant and equipment, investment properties, cultural and heritage assets, intangible and biological assets.

Non-profit institution

A legal or social entity that is created for the purpose of producing or distributing goods and services but is not permitted to be a source of income, profit or other financial gain for the units that establish, control or finance it.

Payables

Includes short and long term trade debt and accounts payable, grants, taxes and interest payable.

Public financial corporation sector

Public financial corporations (PFCs) are bodies primarily engaged in the provision of financial intermediation services or auxiliary financial services. They are able to incur financial liabilities on their own account (e.g. taking deposits, issuing securities or providing insurance services).

Estimates are not published for the public financial corporation sector.

Public non-financial corporation sector

The public non-financial corporation (PNFC) sector comprises bodies mainly engaged in the production of goods and services (of a non-financial nature) for sale in the market place at prices that aim to recover most of the costs involved (e.g. water and port authorities). In general, PNFCs are legally distinguishable from the governments which own them.

Receivables

Includes amounts owing from government through appropriation receivable, short and long term trade credit and accounts receivable, accrued investment income, grants, taxes and interest receivable.

Sales of goods and services

Refers to income from the direct provision of goods and services and includes fees and charges for services rendered, sales of goods and services, fees from regulatory services and work done as an agent for private enterprises. It also includes rental income under operating leases and on produced assets such as buildings and entertainment, but excludes rent income from the use of non-produced assets such as land. User charges includes sale of goods and services income.

Supplies and services

Supplies and services generally represent cost of goods sold and the day-to-day running costs, including maintenance costs, incurred in the normal operations of the Department.

Transactions

Revised Transactions are those economic flows that are considered to arise as a result of policy decisions, usually an interaction between two entities by mutual agreement. They also include flows in an entity such as depreciation where the owner is simultaneously acting as the owner of the depreciating asset and as the consumer of the service provided by the asset.

Taxation is regarded as mutually agreed interactions between the government and taxpayers. Transactions can be in kind (e.g. assets provided/given free of charge or for nominal consideration) or where the final consideration is cash.

Style conventions

Figures in the tables and in the text have been rounded. Discrepancies in tables between totals and sums of components reflect rounding. Percentage variations in all tables are based on the underlying unrounded amounts.

The notation used in the tables is as follows:

● zero, or rounded to zero ● (xxx.x) negative numbers
● 201x year period ● 201x-1x year period

Front cover: Our front cover captures Intensive Care/Critical Care nurse Elisha Thomas at work as the COVID-19 pandemic dominates activities at LRH in 2019/20.

Inside front cover: Koori Liaison officers Lynette Bishop and Gail Mounsey connect Aboriginal people in Gippsland with LRH services.

Inside back cover: Thomson Unit staff filled a noticeboard with good thoughts and inspirational quotes to remind us to be kind to ourselves during these challenging, unpredictable times.

Back cover: the LRH Rapid Response team

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- Wendy McEwan, Italicherry Design (Report of Operations)
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Get tested if you have coronavirus symptoms, no matter how mild

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Latrobe Regional Hospital is located on the traditional land of the Braiakaulung clan of the Gunaikurnai Nation.

Latrobe Regional Hospital