



ANNUAL REPORT

2018-19



OUR VISION



Excellent Care. Every Person. Every Time.

OUR VALUES



CARING

We care for our community



PASSIONATE

We are passionate about doing our best



TRUSTWORTHY

We are open, honest and respectful





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OUR CARE AT A GLANCE



102,081

Service events provided by our Specialist Clinics



57,253

People who came to our Emergency Department for treatment



51,437

People who were admitted to our hospital



15,460

Operations performed



14,875

Ambulance arrivals handled by our Emergency Department



1,585

Admissions of children aged 16 and under to our Children's Ward



1,544

Babies delivered



4,025

Staff employed



724

Bed service



CHAIR'S REPORT

THIS YEAR BENDIGO HEALTH LAUNCHED OUR NEW STRATEGIC PLAN.

This was the culmination of several months of consultation with our staff, volunteers, consumers and regional partners. The new plan outlines our vision for Bendigo Health and sets out the priorities for the coming three years. It is centred around our vision of Excellent Care. Every Person. Every Time.

The vision builds on our existing commitment to patients and supports staff in their pursuit of excellence, because every person deserves to have a great care story.

The Board believes clinical improvements are a vital part of improving the health of the broader region. Bendigo Health has added a number of new services this year, allowing more patients from across the region to be treated closer to home.

They include:

- The introduction of a Vascular Surgery service. Two vascular surgeons are running lists at the hospital, providing a range of services including renal access surgery and vascular interventions
- A new mammography machine, which improves Bendigo Health's ability to detect breast cancer in some high risk women
- Three new oncology chairs at the Cancer Centre, meaning 30 more patients can receive treatment at Bendigo Health each week
- A seventh Intensive Care Unit bed, which will allow Bendigo Health to treat air and road ambulance patients more efficiently and reduce the transfer of patients to other hospitals.

Our staff allow us to realise these service improvements for our community.

One of the opportunities we articulated in the Strategic Plan is the need for us to partner with the other health services within the region. This has been a focus of the first year of the plan.

The Board believes as a responsible large health service, we must play our part in looking after the health of the broader region to assist our community to address the health and wellbeing challenges and increase the breadth and depth of services on offer.

An important role we play is in educating and growing the future workforce for the region.

This year Bendigo Health has seen significant growth in education and training, as we hosted 2,405 students from 22 education providers on site for 43,479 student days.

Our medical student placements are also increasing. In collaboration with the Monash Medical School, we had 362 medical students attend rotations in Bendigo last year.

Bendigo Health's Graduate Nurse Program continues to evolve, with 73 graduates in the latest cohort. The program has expanded to cater for the variety of services we have been able to provide since we moved into the new hospital.

The 2019 program included rotations in anaesthetics, the cardiac catheterisation laboratory and the surgical observation unit and will have an oncology element in 2020.

But our training is not limited to Bendigo Health staff.

This year, as part of our strategy to support training in the region, Bendigo Health trained two GP Obstetricians to deliver babies in regional areas, and 11 GP Medicine Registrar rotations were taken up by staff from rural health services.



CHAIR'S REPORT

Another contribution we can make is in leading projects and sharing our knowledge in the non-clinical space.

This year, Bendigo Health has progressed the roll out of a digital health solution for the region - the Regional Community Platform (RCP).

The RCP will provide a uniform digital system across community health services, which will allow patient information to be accessed by a number of regional health services in real time.

Four pilot sites – Bendigo Health, Kyabram & District Health Service, Echuca Regional Health and Maryborough District Health Service – are currently involved in the RCP.

Bendigo Health also facilitated the rollout of a KRONOS time and attendance system to four health services in the Loddon Mallee region and plan to transition at least two more organisations next year.

Operating in the system wide context means giving patients access to care at the right time. Our dental service has helped improve the equity of healthcare in the region by undertaking a waitlist transfer program with Maryborough District Health Service.

To reduce the number of public patients waiting for treatment in Maryborough and increase the efficiency of our dental service, Bendigo Health treated more than 60 people last year and is currently exploring partnerships with other regional health services.

Partnerships like these put the patient experience at the forefront by addressing gaps in the healthcare system and sharing resources. As our region continues to grow and the demands on health systems increase each year we need to work smarter within our existing resources. Bendigo Health is currently working with other regional health services to develop a clear vision and shared strategic priorities as part of an exciting formal partnership to be launched next year.

The new hospital has improved the patient experience and has highlighted negative effects of patients being treated in outdated and not for purpose infrastructure. We were pleased the need for better rehabilitation facilities was recognised by the State Government in May with an announcement that we will receive \$60 million for a new rehabilitation centre.

The new facility will be in the old hospital building, which will require extensive internal redevelopment, and will house a number of outpatient services provided by Bendigo Health.

Another State Government funded project completed this year was the new link building that joins Bendigo Health's Golden Oaks Nursing Home and Carshalton House.

It was a pleasure to join Bendigo East MP Jacinta Allan and Minister for Disability, Ageing and Carers, Luke Donnellan to officially open the new building, which includes lifestyle spaces, bedroom upgrades, staff rooms and offices. The development includes a new fresh cook kitchen to prepare residents' meals onsite and a new café.

In June, the Bendigo Health Board said goodbye to Sue Clarke after nine years of service. I want to thank her for her important contribution.

We will be welcoming two new members in the coming year Katerina Angelopoulous and Julie Green.

Katerina has extensive background in corporate management, health issues planning, human resources and community engagement and Julie is an experienced change manager in public and private sectors including professional services, healthcare, transport and infrastructure.

Thank you to our Board, staff and volunteers for your ongoing dedication, drive and commitment to excellence for the communities we care for.

Bob Cameron.

Bob Cameron
Board Chair



CHIEF EXECUTIVE OFFICER'S REPORT

IN MY FIRST FULL YEAR AS CHIEF EXECUTIVE OFFICER OF BENDIGO HEALTH, I HAVE BEEN FOCUSSED ON CREATING A CULTURE OF OPENNESS, ACCOUNTABILITY AND TRUST.

I believe it is important to create a workplace where people feel supported to do the best job they can do. Every day. In fact I often say I have two jobs, one is to do my job and the other is to do an even better job – I expect the same from the rest of the team.

Instilling a culture of excellence is important when we are balancing the need to meet increasing demand with the desire to ensure every patient has a great care experience.

Bendigo Health expected growth when we moved into the new hospital, and during the past 12 months have seen significant increases across the board.

Never before have our theatre staff performed more operations (15,460) our Emergency Department had more presentations (57,253), our midwives delivered more babies (1,544) or our Medical Imaging department completed more imaging tests (103,379) than they did in 2018-19 and in the first year of operation, our helipad was used 135 times in responding to emergency needs of our community.

We cannot control the external growth, but we can empower and challenge our staff to do things differently, and more efficiently.

A successful example of this is the introduction of a daily huddle system to track patient flow and ensure the hospital is safe, efficient and making appropriate care decisions based on current state.

The huddle helps identify problems early and enables frontline staff to escalate these for a quick resolution.

It improves patient care and staff safety and since it was introduced in October our Ambulance transfer and patient flow targets have improved significantly.

The manner in which our staff have thrived and improved the quality of service in challenging times has been a testament to their passion to deliver on our vision of Excellent Care. Every Person. Every Time.

Building on that vision, the Board in April launched a new plan to measure excellence, known as the Excellent Care Framework.

Six key themes of care – Safe, Personal, Integrated, Right, Improving, Together – emerged from discussions with staff. This became the SPIRIT in which we approach our work.

All staff received a lapel pin to remind them of the Bendigo Health SPIRIT and posters detailing the Excellent Care Framework were displayed around the hospital.

This Bendigo Health SPIRIT has been on display on a number of occasions this year.

In May, 10 staff from the Women's Ward donated their time on a Saturday to help give 150 women from around the region free cervical screening tests.

Many of those women had not been able to access a test for a number of years.

Equally, our innovation and research department put in a tireless effort to host a statewide forum into strengthening hospital responses to family violence in June.

The forum was a resounding success and set out a blueprint of how hospitals can continue to train their staff to and develop processes to respond to victims of abuse.



CHIEF EXECUTIVE OFFICER'S REPORT

One staff member that embodies the Bendigo Health SPIRIT is our longest-serving employee, Helen Hillson, who retired this year after clocking up 50 years of service.

Helen held numerous positions during her time in the organisation, and attributed her longevity to her passion for people. Enjoy retirement, Helen.

A key pillar of the Bendigo Health SPIRIT is improvement and innovation.

In June, we hosted a group of 11 health-focused start-up companies from the Melbourne Accelerator Program for a pitchfest, ahead of the Bendigo Health Accelerator next year.

The companies showcased a number of products, including a blood test aiding the detection of traumatic brain injuries and a smart bed sheet that detects and prevents pressure injuries.

Small businesses and start-ups will be based at Bendigo Health for 12 months, starting in May 2020, where they will be able to access clinicians, data, toolsets and technology, to develop and test their products. This will be Victoria's first regional health start up accelerator.

Bendigo Health organised a Datathon in September which brought together more than 120 clinicians, researchers and data scientists from Australia and overseas to explore the theme 'Critical Care Recovery', through large collections of healthcare data.

The majority of teams involved in the Datathon continue to work together and use data to improve health outcomes for our regional communities.

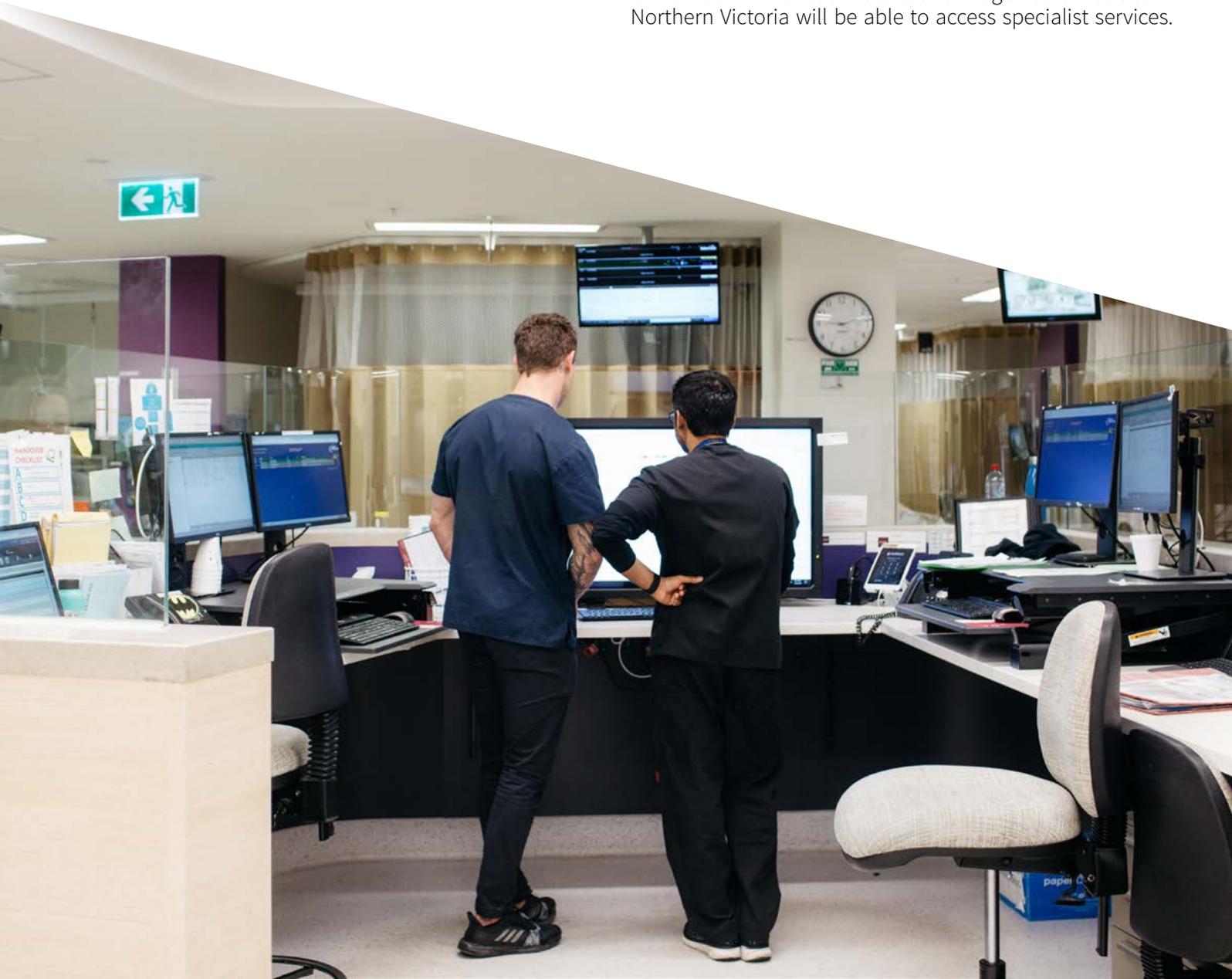
Two of our pioneering projects that embody the Bendigo Health SPIRIT received long-term funding this year.

The Palliative Care at Home Program, which allows patients to choose their place of care and death through the provision of nursing, physician support, allied health and personal care, received a \$250,000 annual funding commitment from the State Government in June.

The program is unique in Victoria and originally ran as a pilot before being made permanent due to its success.

Additionally, our geriatric telehealth program, Geri-Connect, was funded to expand into the Hume region.

It will mean more older Australians in aged care facilities in Northern Victoria will be able to access specialist services.





The service has grown from one geriatrician providing support to aged care facilities in Maryborough in his spare time, to six geriatricians consulting in more than 50 aged care facilities across the Loddon Mallee and Hume regions.

The Geri-Connect program is an example of how we are looking after the health of the broader region and what can be achieved through partnerships.

Bendigo Health has been a key driver of a regional health partnership during the past 12 months.

The aim of the partnership is to create a uniformity of services, healthcare provision and a shared vision between the Loddon Mallee region's public health services.

In March, Bendigo Health's Intensive Care Auxiliary celebrated its 40th birthday.

During the past four decades the Auxiliary has raised more than \$1.5 million for the unit, through stalls, raffles, morning teas and exhibition events.

The dedication of our Auxiliary members is heartening and the specialist equipment they are able to provide through fundraisers is extremely important for the organisation.

The same can be said for our other Auxiliaries and fundraising appeals.

A modern twist was added to the Bendigo Bank Fun Run this year, with a colour run theme enjoyed by participants.

The 2121 runners helped raise \$89,593 for the Residential Care Appeal.

Another equally successful annual fundraiser was the Give Me 5 For Kids campaign held by Triple M, with a few dollars shy of \$70,000 raised for Women's and Children's Services.

The myriad of fundraisers provide important resources for Bendigo Health, but they are also an opportunity to celebrate the work we do, and provide a bit of enjoyment along the way.

In May, Bendigo Health celebrated International Nurses Day and Midwives Day with a Taylor Swift parody song, 'Nurse It Up'.

Many staff featured in the light-hearted video, which was shared widely and well-received in the community. It's worth a look if you haven't seen it.

Thank you to everyone who contributed to Bendigo Health this year.

To our volunteers, thank you for your generous gift of your time and your tireless efforts in improving our patients' experience.

To our staff, your constant pursuit of excellence is what makes our organisation so special. Our community are fortunate to have such a caring, passionate and trustworthy team looking after them.

Peter Faulkner
CEO

BOARD OF DIRECTORS

THE HON. BOB CAMERON LL.B (MELB) FAICD – BOARD CHAIR

Bob Cameron was a long serving Victorian Minister from 1999-2010 and Bendigo West MP from 1996-2010. Bob has a history of serving and working with community organisations including being a former Board member of the Anne Caudle Centre. He is a lawyer and was appointed Chair of Bendigo Health Board of Directors in July 2015.

MS MARILYN BEAUMONT OAM

With a general and psychiatric nursing background, Marilyn's career includes holding the position of Executive Director of Women's Health Victoria, a statewide women's health promotion and advocacy service between 1995 and 2010. She also held the position of Australian Nursing Federation Federal Secretary between 1987 and 1995, and, from 1982 to 1987 she was the ANF South Australian Branch Secretary. Her previous Board work has included Northern Health, Melbourne Health, Commonwealth Health Insurance Commission and Health Employees Superannuation Trust Australia (HESTA).

A resident of Denver in Central Victoria, Marilyn's interests include food production, and, in addition to Bendigo Health, Marilyn's current work includes mentoring young women in executive roles and volunteering with a range of organisations including as Chair of Australian Women's Health Network. Marilyn was inducted onto the Victorian Honour Roll of Women in 2007 and awarded an Order of Australian Medal in 2017 for service to the community, particularly to women's health. She joined the Board of Bendigo Health in 2015 and is Chair of the Quality Care Council, the Primary Care and Population Health Committee and member of the Audit and Risk and Visiting Committee.

MS SUE CLARKE

Sue Clarke was a consultant in the health sector and Director/Owner of a local retail business. She is currently a Director and Chair of Haven, Home, Safe and is a Director of Murray Primary Health Network (PHN), the Zonta Club of Bendigo, and a member of the Central Victoria AICD Advisory Committee and Patron of the Community Foundation for Bendigo and Central Victoria. She joined the Board of Bendigo Health in 2010 and finished at the completion of her nine years in June 2019.

MS DIANNE FOGGO AM

Dianne Foggo AM was appointed to the Board in August 2015. She works as a private conciliator and mediator primarily in universities. She worked as a teacher in Victoria, South Australia and the Northern Territory and was President of Australian Education Union and a Vice President of the ACTU. Dianne was a Commissioner at the Fair Work Commission for 19 years and the Deputy Chancellor of Victoria University. She is a Life Member of the AEU and the IR Society of Victoria and was awarded an Honorary Doctorate at Victoria University in 2011. Dianne was awarded the Order of Australia (AM) in 2015 in recognition of her work in governance and administration in the university sector, the representation of women and industrial relations. She is currently a member of the National Advisory Committee of Beyondblue and Chair of the Victorian Eradication of Asbestos Agency.

DR UMAIR MASOOD

Dr Umair Masood graduated from medical school in 1998. He has spent time working in clinical medicine in both the UK and Australia. Umair continues to work in clinical medicine. He is a senior partner at Neal Street Medical Clinic and Gisborne Specialist Centre. Umair has been involved in and continues to participate in medical research, he has also published a thesis, articles and presented at numerous scientific meetings. Umair is a senior lecturer at Monash University and is involved in teaching medical students. He is also involved in supervising and teaching registrars for fellowship examinations.

MR MICHAEL MCCARTNEY

For close to 20 years Michael McCartney was a principal in the accounting and financial planning practice of Strategem Financial Group based in Bendigo. He headed the Investment Services division of the business. During his time in professional practice he was also involved in a number of start-up initiatives including the reactivation of the Bendigo Stock Exchange (now part of the National Stock Exchange Group) and formation of a local chapter of the Financial Planning Association.

DR EWA PIEJKO

Dr Ewa Piejko practices as a General Practitioner at Strathfieldsaye Primary Health in Bendigo. She is also the medical advisor for the Central Victorian region of Murray PHN and Clinical Director for St Anthonys Family Medical Practice. Eva has extensive experience in the primary care sector across the Loddon, Mallee and Campaspe regions through her work as a GP, involvement with Murray PHN, and her previous role as Director of General Practice Training for Beyond Medical Training. In addition to professional appointments, Ewa has been involved with local community organisations. Within Bendigo Health, Ewa is chair of the Community Advisory Committee and a member of the Quality Care Council and Primary Care and Population Health Committee.

MR ADAM WOODS

Adam Woods is a Chartered Accountant and is currently Executive Manager Corporate Services at North Central Catchment Management Authority. He has 19 years' experience in public accounting, banking, finance with a focus on major change/technology project implementations and automation.





BOARD SUB-COMMITTEE MEMBERSHIP

FINANCE

Michael McCartney (Chair)
Bob Cameron
Adam Woods
Dianne Foggo

AUDIT AND RISK

Adam Woods (Chair)
Michael McCartney
Bob Cameron
Sue Clarke

QUALITY CARE COUNCIL

Sue Clarke (Chair)
Marilyn Beaumont
Dr Umair Masood
Michael McCartney
Dr Ewa Piejko

MEDICAL ADVISORY

Dianne Foggo (Chair)
Dr Umair Masood
Bob Cameron

COMMUNITY ADVISORY

Dr Ewa Piejko
Marilyn Beaumont
Sue Clarke

PRIMARY CARE AND POPULATION HEALTH ADVISORY

Marilyn Beaumont (Chair)
Dr Ewa Piejko
Sue Clarke

PEOPLE AND CULTURE

Dr Umair Masood (Chair)
Adam Woods
Dianne Foggo

GOVERNANCE AND REMUNERATION

Bob Cameron (Chair)
All Board of Directors

VISITING

All Board of Directors

EXECUTIVE DIRECTORS

PETER FAULKNER

Chief Executive Officer

ROBYN LINDSAY

Executive Director Clinical Operations

LIZ HAMILTON

Executive Director Integrated Care Services

Chief Allied Health Officer

HUMSHA NAIDOO

Executive Director Clinical Governance

Chief Medical Officer

DAVID ROSAIA

Executive Director Quality and Patient Information

Chief Nursing and Midwifery Officer

SHAUN ELDRIDGE

Executive Director Finance and Resources

Chief Financial Officer

BRUCE WINZAR

Executive Director Innovation and Digital Services

Chief Information Officer

ANDREA NOONAN

Executive Director People and Culture

WORKFORCE DATA

| Hospitals Labour Category | JUNE Current Month FTE* | | JUNE YTD FTE** | |
|---------------------------------|-------------------------|----------|----------------|----------|
| | 2018 | 2019 | 2018 | 2019 |
| Nursing | 1,308.50 | 1,386.33 | 1,258.99 | 1,340.71 |
| Administration and Clerical | 464.79 | 474.69 | 459.78 | 462.68 |
| Medical Support | 157.83 | 205.78 | 160.54 | 187.46 |
| Hotel and Allied Services | 99.56 | 76.08 | 97.64 | 84.32 |
| Medical Officers | 56.30 | 59.81 | 52.58 | 58.74 |
| Hospital Medical Officers | 173.84 | 180.44 | 174.06 | 177.27 |
| Sessional Clinicians | 29.09 | 31.69 | 25.87 | 28.39 |
| Ancillary Staff (Allied Health) | 312.04 | 332.59 | 308.34 | 319.68 |

APPLICATION OF EMPLOYMENT AND CONDUCT PRINCIPLES

Bendigo Health is committed to upholding the principles of merit and equity in all aspects of the employment relationship. To this end, we have policies and practices in place to ensure all employment related decisions, including recruitment, promotion, training and retention, are based on merit. Any complaints, allegations or incidents involving discrimination, vilification, bullying or harassment are taken seriously and addressed. All staff are provided with education and training on their rights and responsibilities and are provided with the necessary resources to ensure equal opportunity principles are upheld.

ORGANISATIONAL STRUCTURE



Board of Directors

Chief Executive Officer
Peter Faulkner

- Corporate Counsel
- Corporate Integrity Manager

Public Affairs
• Fundraising and Foundation
Governance and Strategy

QUALITY & PATIENT INFORMATION

Executive Director & Chief Nursing Midwifery Officer

David Rosaia

- PPP Relationship Manager

QUALITY & RISK

HEALTH INFORMATION SERVICES

- Nursing & Midwifery
 - Standards of Practice
 - Clinical Ethics
 - Advance Practice (Regional Partnerships)

FINANCE & RESOURCES

Executive Director & Chief Financial Officer

Shaun Eldridge

FINANCE

PERFORMANCE PLANNING BUDGETING

- Decision Support
- Performance Reporting Unit
- Pathology Contract

MATERIALS MANAGEMENT

- Supply and Loading Dock
- Linen Exchange
- Mail Services

PROCUREMENT SERVICES

FACILITIES MANAGEMENT

- Compliance and Environment Incl. accommodation services
- Fleet and Security Services
- Maintenance
- Facilities Management Projects

INNOVATION & DIGITAL SERVICES

Executive Director & Chief Information Officer

Bruce Winzar

INFORMATION TECHNOLOGY SERVICES

ARCHITECTURE AND APPLICATIONS

EPR

CHIEF CLINICAL INFORMATION OFFICERS

CLINICAL ANALYTICS UNIT

INNOVATION & RESEARCH

- Research, Projects & Consultancy
- Redesign
- Library

PEOPLE & CULTURE

Executive Director

Andrea Noonan

OCCUPATIONAL HEALTH & SAFETY

WORKFORCE PLANNING & RESOURCING

ORGANISATIONAL DEVELOPMENT

CLINICAL LEARNING & DEVELOPMENT

PAYROLL SERVICES

MEDICAL WORKFORCE SUPPORT

PEOPLE & CULTURE ADVISORS

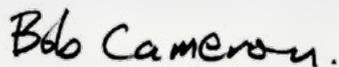
ATTESTATIONS AND DECLARATIONS

Reporting period from 1 July 2018 to 30 June 2019

This report is prepared for the Honorable Jenny Mikakos, the Minister for Health and Ambulance Services, the Honorable Jill Hennessy, the previous Minister for Health and Ambulance Services, the Parliament of Victoria and the general public in accordance with relevant government and legislative requirements.

RESPONSIBLE BODIES DECLARATION

In accordance with the Financial Management Act 1994, I am pleased to present the report of operations for Bendigo Health Care Group for the year ending 30 June 2019.



Bob Cameron
Board Chair
6 July 2019

FINANCIAL MANAGEMENT COMPLIANCE

I, Bob Cameron, on behalf of the Responsible Body, certify that Bendigo Health Care Group has complied with the applicable Standing Directions 2018 under the Financial Management Act 1994 and Instructions.



Bob Cameron
Board Chair
6 July 2019

DATA INTEGRITY

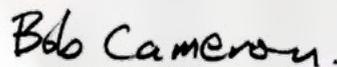
I, Bob Cameron certify that Bendigo Health Care Group has put in place appropriate internal controls and processes to ensure that reported data accurately reflects actual performance. Bendigo Health Care Group has critically reviewed these controls and processes during the year.



Bob Cameron
Board Chair
6 July 2019

CONFLICT OF INTEREST

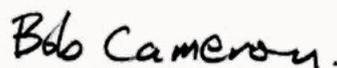
I, Bob Cameron certify that Bendigo Health Care Group has put in place appropriate internal controls and processes to ensure that it has complied with the requirements of hospital circular 07/2017 Compliance reporting in health portfolio entities (Revised) and has implemented a 'Conflict of Interest' policy consistent with the minimum accountabilities required by the VPSC. Declaration of private interest forms have been completed by all executive staff within Bendigo Health Care Group 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.



Bob Cameron
Board Chair
6 July 2019

HEALTH PURCHASING VICTORIA (HPV) HEALTH PURCHASING POLICIES

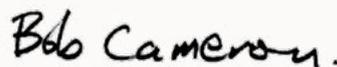
I, Bob Cameron certify that Bendigo Health Care Group has put in place appropriate internal controls and processes to ensure that it has complied with all requirements set out in the HPV Health Purchasing Policies including mandatory HPV collective agreements as required by the Health Services Act 1988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



Bob Cameron
Board Chair
6 July 2019

INTEGRITY, FRAUD AND CORRUPTION

I, Bob Cameron certify that Bendigo Health Care Group has put in place appropriate internal controls and processes to ensure that integrity, fraud and corruption risks have been reviewed and addressed at Bendigo Health Care Group during the year.



Bob Cameron
Board Chair
6 July 2019

STATUTORY COMPLIANCE

MANNER OF ESTABLISHMENT

Bendigo Health Care Group is a health service established in 1995 under the Health Services Act 1988.

NATURE AND RANGE OF SERVICES

Bendigo Health provides services in emergency, maternity, women's health, medical imaging, pathology, rehabilitation, community services, residential aged care, psychiatric care, community dental, hospice/palliative care, cancer services and renal dialysis. It is an expanding regional health service incorporating the Loddon Mallee, an area the quarter of the size of Victoria. There are a number of campuses, including the Bendigo Hospital, based in Bendigo with services extended to many regional settings including areas such as Mildura, Echuca, Swan Hill, Kyneton and Castlemaine.

FREEDOM OF INFORMATION

The Freedom of Information (FOI) Act 1982 provides the public with a means of obtaining information held by the organisation. All FOI applications received by Bendigo Health were processed in accordance with the provisions of the FOI Act.

| Requests received | 2018-19 |
|--------------------------|---------|
| Total | 465 |
| Access granted in full | 316 |
| Access granted in part | 83 |
| Access denied in full | 4 |
| Application withdrawn | 20 |
| No information available | 17 |
| Not yet finalised | 25 |

SAFE PATIENT CARE ACT 2015

Bendigo Health has no matters to report in relation to its obligation under Section 40 of the Safe Patient Care Act 2015.

CARERS RECOGNITION ACT 2012

Bendigo Health takes all practicable measures to ensure that its employees and agents have an awareness and understanding of the care relationship principals. This also includes taking all practicable measures to ensure that persons who are in care relationships and who are receiving services in relation to the care relationship from the care support organisation have an awareness and understanding of the care relationship principals.

The organisation takes all practicable measure to ensure that the care support organisation and its employees and agents reflect the care relationship principals in developing, providing or evaluating support and assistance for persons in care relationships.

BUILDING AND MAINTENANCE

Bendigo Health complies with the Building Act 1993 under the guidelines for publicly owned buildings issued by the Minister for Finance 1994 in all redevelopment and maintenance issues. The Bendigo Hospital is maintained by a Public Private Partnership (PPP) through Spotless for a period of 25 years.

PROTECTED DISCLOSURES

Under the Protected Disclosure Act 2012 Bendigo Health has a protocol, including policy, consistent with the requirements of the act that supports staff to disclose serious misconduct or corruption within the organisation and public health services in Victoria.

CAR PARKING FEES

Bendigo Health Care Group complies with the DHHS hospital circular on car parking fees and details of car parking fees and concession benefits can be viewed at: <https://www.bendigohealth.org.au/Parking/>

NATIONAL COMPETITION POLICY

Bendigo Health supports and complies with the Victorian Government's Competitive Neutrality Policy.

VICTORIAN INDUSTRY PARTICIPATION POLICY

In August 2018, the Victorian Parliament reformed the Victorian Industry Participation Policy Act 2003 into the Local Jobs First Act 2003 and the FRD was revised to FRD 25D (April 2019). There were two contracts in 2018-19 to which the Victorian Industry Participation Policy Act (2003) applied.

ADDITIONAL INFORMATION

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;

STATUTORY COMPLIANCE

- 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.

INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) EXPENDITURE

The total ICT expenditure incurred during 2018-19 is \$32.79 million (excluding GST) with the details shown below:

| | BAU (\$ Million) | Non-BAU (\$ Million) | Total (\$ Million) |
|-----------------------|------------------|----------------------|--------------------|
| Total ICT Expenditure | 32.37 | 0.42 | 32.79 |

| | Operating (\$ Million) | Capital (\$ Million) | Total (\$ Million) |
|-----------------------|------------------------|----------------------|--------------------|
| Total ICT Expenditure | 13.06 | 19.73 | 32.79 |

*This only includes Bendigo Health contribution to EMR/DMR

STATUTORY COMPLIANCE

DETAILS OF CONSULTANCIES (UNDER \$10,000)

In 2018-19, there were 17 consultancies where the total fees payable to the consultants were less than \$10,000. The total expenditure incurred during 2018-19 in relation to these consultancies is \$45,938 (excl. GST).

DETAILS OF CONSULTANCIES (OVER \$10,000)

| Consultant | Purpose of Consultancy | Start date | End date | Expenditure | |
|--|---|------------|----------|-------------------------|------------------------|
| | | | | 2018-19 (ex GST) \$'000 | Future (ex GST) \$'000 |
| Angela Ballard Consultancy and Coaching | Workplace Investigations, Coaching/Mentoring | Jul-18 | Nov-18 | 26 | 0 |
| Bendigo & District Aboriginal Co-operative | Loddon Mallee Project | Sep-16 | Aug-18 | 25 | 0 |
| Cappela Consulting | Loddon Mallee Primary Health Service Partnership Structure Review | Sep-18 | Nov-18 | 63 | 0 |
| Dakin Mayers Human Resources Consultants | Career Transition Program | Jul-18 | Aug-18 | 10 | 0 |
| Design Inc | BH Retained Buildings Decanting Plan | Jul-18 | Aug-18 | 19 | 0 |
| LPGA | Workplace Investigation | Oct-18 | Dec-18 | 10 | 0 |
| Porter Novelli | Executive Training and Development | Dec-18 | Jan-19 | 12 | 0 |
| Ramsay Health Care | Palliative Referral Pathways Project | Sep-15 | Dec-18 | 28 | 0 |

STATUTORY COMPLIANCE

OCCUPATIONAL VIOLENCE

Victorian public health services are required to monitor and publicly report incidents of occupational violence in the health service annual report. To ensure consistency in annual reporting, Health Services are required, as a minimum, to report the following occupational violence statistics in the following format, including the definitions listed underneath the table. (Refer to table 1 for a worked example)

| Occupational violence statistics | 2018-19 |
|--|--|
| 1. WorkCover accepted claims with an occupational violence cause per 100 FTE | .515 per 100 FTE |
| 2. Number of accepted WorkCover claims with lost time injury with an occupational violence cause per 1,000,000 hours worked. | 2.06 claims per 1,000,000 hours worked |
| 3. Number of occupational violence incidents reported | 437 |
| 4. Number of occupational violence incidents reported per 100 FTE | 20.4 |
| 5. Percentage of occupational violence incidents resulting in a staff injury, illness or condition | 5.94 |

For the purpose of the above statistics the following definitions apply:

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

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

Accepted Workcover claims – accepted Workcover claims that were lodged in 2018-19. Lost time – is 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.

WORKERS COMPENSATION

| Workers Compensation statistics | 2018-19 |
|--|-----------------------------------|
| 1. The number of reported hazards/incidents for the year per 100 full-time equivalent staff members. This compares to 2017/18 1034 incidents reported | 51.2 individuals per 100 FTE |
| 2. The number of 'lost time' standard claims for the year per 100 full-time equivalent staff members | 1.54 lost time claims per 100 FTE |
| 3. The average cost per claim for the year (including payments to date and an estimate of outstanding claim costs as advised by WorkSafe) | \$20,189 |
| 4. In the event of a fatality, a discussion of the circumstances that led to the fatality and the preventive measures that have been take to prevent recurrence. If the fatality is under investigation or subject to an inquiry, a statement to that effect shall be included | Nil |

STATUTORY COMPLIANCE

OCCUPATIONAL HEALTH AND SAFETY

The Occupational Health and Safety department continues to be proactive in the delivery of risk management strategies and provide a significant level of care for our staff to ensure their health, safety and wellbeing. The health, safety and wellbeing of everyone in our hospital is important to the work we do at Bendigo Health.

ENVIRONMENTAL PERFORMANCE

Bendigo Health endeavours to maximise energy efficiency and improve the overall management of resources. Some of the many energy efficient initiatives installed in the hospital are listed below:

- Cogeneration and trigeneration plant to supply electricity, hot water and chilled water
- 200KW solar photovoltaic array on the roof to generate electricity
- Capture of rain water from the roof for re-use
- CSSD steriliser waste water capture for re-use
- Use of the combined reclaimed water and Class A recycled water for toilets and garden irrigation
- Variable speed drives on pumps and fans so plant is only consuming energy as needed
- Economy cycles on air handling systems to maximise use of outside air when conditions permit
- Zoning of air conditioning systems that only operate as required
- Lighting control systems to allow programming including the use of motion detectors and daylight sensors to provide lighting only when it is required
- A Building Management System that utilises sub-metering to provide control and monitoring of all building services
- Water efficient heat rejection systems comprising adiabatic coolers
- Recycling areas that are designated for recycling paper, cardboard, PET, glass, PVC, LDPE and HDPE waste to reduce the amount of waste to landfill.

The above measures incorporated in the building indicate that Bendigo Health is committed to minimise any environmental impacts and aspire to reduce our carbon footprint.

The 2017-18 year is used as the new consumption benchmark because it includes a full 12 months data from the new hospital which is the most significant user of energy of all Bendigo Health properties. (66.0% of electricity, 74.7% natural gas and 54.2% total water consumption).

The last 12 months compared to 2017-18 has evidenced the following outcomes; total energy consumption decreased by 1.05% over the past 12 months. There was a period of approximately two weeks when one of the trigeneration plants was out of order, which meant less gas was used but more power purchased. As a result, carbon emissions decreased by 6.63% from the previous year. Recycled water consumption decreased 45.9% due to the Coliban Water recycled water plant being out of action for four months over summer. As a result potable water was used in all areas designated for recycled water within both the Barnard and Lucan street complex. Despite this, potable water use decreased by 0.62%. Total water use decreased by 5.35%.

All environmental data gathered by the sub-metering allows the information to be displayed on the environmental display screen within the hospital main entrance.

There has been a renewed focus on minimising waste to landfill by increasing different recycling waste streams. The following areas have been introduced to increase the segregation of waste into specific recycling lines:

- Commingled
- Copper
- Printer cartridges
- Single use metal equipment
- Batteries
- E-waste
- PVC
- Timber unmarked pallets
- Soft plastics
- Polystyrene
- Organic waste
- Polypropylene bed screens/curtains
- Light globes/tubes
- Paper
- Metal
- Cardboard
- Bottle caps

SUMMARY OF FINANCIAL RESULTS

FINANCIAL INFORMATION

Bendigo Health ended the year with an operating deficit (before capital and specific items) of \$334,000 against a break-even budget. A major contributor to the adverse result was higher than anticipated Nursing Enterprise Bargaining Agreement.

The overall net result for the year was a deficit of \$84.8 million which is \$52.7m adverse to budget. This was largely the result of a \$49.8m loss recorded against the value of the new Public Private Partnership asset as part of the land and buildings revaluation as performed by the Valuer-General Victoria in accordance with the Financial Reporting Direction 103H.

| Operating result | 2019 \$000 | 2018 \$000 | 2017 \$000 | 2016 \$000 | 2015 \$000 |
|-------------------------------------|-----------------|-----------------|----------------|----------------|-----------------|
| Operating result | (344) | 2,066 | 2,663 | 3,163 | 3,138 |
| Total revenue | 515,310 | 479,277 | 970,901 | 366,737 | 347,512 |
| Total expenses | 545,474 | 511,061 | 440,726 | 367,159 | 357,294 |
| Net result from transactions | (30,164) | (31,784) | 530,175 | (422) | (9,782) |
| Total other economic flows | (54,501) | 493 | 96 | (184) | (242) |
| Net result | (84,665) | (31,291) | 530,271 | (606) | (10,024) |
| Total assets | 896,533 | 1,064,928 | 1,059,320 | 264,278 | 253,870 |
| Total liabilities | 409,325 | 391,474 | 358,058 | 94,287 | 83,273 |
| Net assets/Total equity | 487,208 | 673,454 | 701,262 | 169,991 | 170,597 |

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

SUMMARY OF FINANCIAL RESULTS

| Net operating result * | 2019 \$000 |
|-------------------------------------|-----------------|
| Net operating result | (334) |
| Capital and specific items | - |
| Capital purpose income | 24,352 |
| Specific income | 12,254 |
| Assets provided free of charge | - |
| Assets received free of charge | 80 |
| Expenditure for capital purpose | (24,048) |
| Depreciation and amortisation | (42,690) |
| Impairment of non-financial assets | - |
| Finance costs (other) | 222 |
| Net result from transactions | (30,164) |

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



STATEMENT OF PRIORITIES

PART A

GOALS

Better Health

A system geared to prevention as much as treatment

Everyone understands their own health and risks

Illness is detected and managed early

Healthy

STRATEGIES

Better Health

Reduce statewide risks

Build healthy neighbourhoods

Help people to stay healthy

Target health gaps

HEALTH SERVICE DELIVERABLE

Provide leadership and support to other rural health services in the implementation of the Strengthening Hospital Responses to Family Violence initiative (SHRFV).

OUTCOME

Deliverable achieved

As the regional sector lead organisation we have supported 69 rural and regional health services across Victoria to implement the SHRFV service model. This leadership was highlighted at the recent Strengthening Hospital Responses to Family Violence Statewide Forum held in Bendigo in June 2019 where the 'successes and sustainability' of the SHRFV initiative was showcased by a range of rural, regional and metropolitan health services. More than 180 delegates attended the forum which was opened by Minister for Prevention of Family Violence Gabrielle Williams.

As a cluster lead organisation we have also provided intensive support and guidance to the five smaller health services in our cluster, including a significant amount of education, policy development and resourcing. The cluster sites also have access to the Bendigo Health Family Violence Secondary Consultation (FVSC) role who has worked closely with the SHRFV team and contacts at each health service to identify and address the needs of the smaller health services.

The role also provides secondary consultations to staff who are treating patients identified 'at risk' or who are experiencing family violence. A data collection method for the secondary consult role has now been developed to demonstrate the measurable impact.

The Bendigo Health SHRFV team have also hosted quarterly Community of Practice (CoP) days in which the other 12 regional cluster lead organisations participate, as well as quarterly CoP sessions for our five regional cluster sites.

Bendigo Health also coordinates an online SHRFV Basecamp for regional health services aimed at information and resource sharing.

STATEMENT OF PRIORITIES

PART A

HEALTH SERVICE DELIVERABLE

Achieve Compliance with Standard 1 of the International Health Promoting Hospitals Framework.

OUTCOME

Deliverable achieved

The Health Promotion team has built a comprehensive plan, Bendigo Healthy 4U, outlining our actions to achieve the International Health Promoting Hospital's Framework. It is ready to commence under the guidance of the steering committee. The plan encompasses all five standards of the framework.

Achievements include the award winning Smiles 4 Miles oral health program, which has delivered toothbrushes and Crunchin Cuz healthy recipe displays to 43 early years services supporting more than 5000 children.

Partnership with the Communities for Children group to focus on Language and Literacy. 'Let's Read' kits were sent to early years and support organisations. The Literacy Champions Training program was delivered to 159 participants across the City of Greater Bendigo, developing community trained support for early reading.

The Borrow Box Library, a children's book exchange program developed in partnership with Communities for Children and the Bendigo Kiwanis Club, was recognised by Kiwanis International in its top 10 projects worldwide for 2019.

Healthy eating, active lifestyles pathways and discharge information for patients have been improved and the Healthy 4U program facilitated individual support for patients with direct referral into a self-management support program.

Tobacco cessation initiatives are ongoing. Supporting patients to be smoke free, education initiatives were rolled out across the Emergency Department, inpatient units in acute and mental health with the support of the Tobacco Treatment Specialist Nurse. A live dashboard report is now utilised to indicate smoking status identification rates in patients, nicotine withdrawal and dependent clinical management.

HEALTH SERVICE DELIVERABLE

Increase cultural safety and service for our Aboriginal and Torres Strait Islander community by delivering improved identification and cultural awareness training to staff at Bendigo Health.

OUTCOME

Deliverable achieved

The importance of cultural safety and access to services for our Aboriginal and Torres Strait Islander community has been a priority. Victorian Aboriginal Community Controlled Health Organisation training was provided to the leadership teams from Hospital Admission Risk Program, Cancer Services, Emergency Department and Specialist Clinics. More than 100 staff have undertaken voluntary cultural awareness training run by our Aboriginal Hospital Liaison Officer this year. Local and state training, online and face to face is available, with a calendar of training developed for Bendigo Health. Our Reconciliation Action Plan (RAP) identifies actions we are taking to build knowledge and behaviours to continue to build a culturally safe service.

STATEMENT OF PRIORITIES

PART A

GOALS

Better Access

Care is always there when people need it
More access to care in the home and community
People are connected to the full range of care and support they need
There is equal access to care

STRATEGIES

Better Access

Plan and invest
Unlock innovation
Provide easier access
Ensure fair access

HEALTH SERVICE DELIVERABLE

Increase the options of preferred place of care and preferred place of death by implementing the new intensive Palliative Care at Home service and expand the Regional Palliative Care Consultancy Service.

OUTCOME

Deliverable achieved

Following the success of the 18-month pilot project and announcement of recurrent funding, the Palliative Care at Home program is embedded into the Community Specialist Palliative Care Service. This has enabled the expansion to include all clients that are within the catchment area of the Greater Bendigo and Loddon shires as all staff are contributing to the recommendations from the program.

HEALTH SERVICE DELIVERABLE

Progress implementation of the 2014-28 Clinical Service Plan with an Executive sponsor identified, timelines determined, and evidence of progress for all strategies identified to progress in 2018-19.

OUTCOME

Deliverable achieved

All strategies have an Executive sponsor and key lead. A review is underway to identify any urgent strategies that require funding in 2019-20 and strategies that will no longer be pursued.

STATEMENT OF PRIORITIES

PART A

GOALS

Better Care

Target zero avoidable harm
Healthcare that focusses on outcomes
Patients and carers are active partners in care
Care fits together around people's needs

STRATEGIES

Better Care

Put quality first
Join up care
Partner with patients
Strengthen the workforce
Embed evidence
Ensure equal care

HEALTH SERVICE DELIVERABLE

Improve the communication skills of our staff and our discharge process to increase the percentage of adult patients who reported positive experience of their hospital stay to 95%.

OUTCOME

Deliverable ongoing

Bendigo Health leadership has identified staff communication as a key priority area. The Studer Evidence Based Leadership framework includes the AIDET communication formula. AIDET – Acknowledge, Introduce, Duration, Explanation, Time – is being implemented in Bendigo Health's Specialist Clinics, Cancer Services and Residential Services. Leaders of these services have undertaken a commitment to ensure all staff are trained and that the experience of their consumers is improved as a result. A total of 72 individual training events have been provided for leaders of these services. The rollout of training to all staff will commence in September 2019.

Bendigo Health is currently reviewing discharge processes, where we advise the patient of their expected discharge date on admission. This sets an expectation with patients and their families of when they should expect to go home.

From July 2018 to March 2019, results of the Victorian Healthcare experience survey showed 94% of patients at Bendigo Health reported a positive experience of their hospital stay.

HEALTH SERVICE DELIVERABLE

Develop a project team, governance structure, product tender and implementation plan for Pharmacy and ward automation of medication management by April 2019.

OUTCOME

Deliverable ongoing

Delivery of a system for Pharmacy and ward automation of medication management is ongoing with an extended timeline. The business case has been developed and is under consideration with a formal tender process ready to be commenced when the business case has been approved.

STATEMENT OF PRIORITIES

PART A

HEALTH SERVICE DELIVERABLE

Establish a robust regional clinical governance support framework inline with DHHS Victoria clinical governance framework for 100% of health services in Loddon Mallee Region (LMR) through the work of the LMR Clinical Council by June 2019.

OUTCOME

Deliverable ongoing

The Loddon Mallee Regional Clinical Council's (LMRCC) various working groups – Surgical and Anaesthetics, Emergency Care, Consumer Empowerment, and Perinatal – meet quarterly and use case studies to work through clinical issues that affect the Loddon Mallee region.

The working groups establish common clinical protocols and clinical pathways across health services within the catchment. In 2018-19, the Surgical and Anaesthetics collaborative focused on mapping patient flow and understanding the number and type of surgical procedures occurring within the region. In the next 12 months, the group will finalise the surgical services mapping for all LGA catchments in the LMR and consider a regional approach to preadmission and pre-anaesthetic assessment.

The Loddon Mallee Perinatal Support Program (two-year pilot) commenced in December 2018. The program supports the 17 LMR health services to maintain maternity capability levels.

Over the next two years the Perinatal Collaborative will provide oversight to the LMR Perinatal Support Program to be delivered by an appointed regional Obstetrician (0.2 FTE) and regional Midwife (0.8 FTE). The program aims to provide patient-centred care and improve consumer experiences and outcomes by adopting an interdisciplinary approach focused on regional clinical governance and workforce.

HEALTH SERVICE DELIVERABLE

Through the Loddon Mallee Rural Health Alliance (LMRHA), develop a regional digital health strategy that leverages Bendigo Health's Electronic Patient Record platform.

OUTCOME

Deliverable ongoing

A single operating model for ICT shared services is currently being implemented across the Loddon Mallee region. This will be fully implemented by end of this financial year. This aligns with the Department of Health and Human Services' review of the Rural Health Alliance policy and will deliver both core and non-core services as defined within the LMRHA Joint Venture Agreement (JVA). A regional digital transformation strategy has been approved and project work has commenced to integrate health agencies with Bendigo Health ICT platforms. A new regional community health care platform is also being implemented and business intelligence and clinical analytics dashboards are being shared across the region.

HEALTH SERVICE DELIVERABLE

Decrease the rate of patient falls and healthcare acquired pressure injuries by 2% by ensuring current, high quality, evidence based processes, treatments and equipment are embedded in all services with a focus on prevention.

STATEMENT OF PRIORITIES

PART A

OUTCOME

Deliverable ongoing

Bendigo Health is using real time data monitoring via the Digital Medical Record dashboard to improve pressure injury risk assessments within eight hours of admission (up from 16% to 84%). This dashboard will be implemented in other inpatient wards to determine what other patient information it can provide to improve patient safety. The impact of this project and continued monitoring across the organisation has resulted in improvements in internal auditing results with an increase in risk assessment compliance of 8% to 92% of patients that had a Braden Scale Risk assessment completed, and an overall reduction in pressure injury rates from 14% of all inpatients in 2018 to 6% in 2019. Pressure injuries detected for the year was 1.12 injuries per 1,000 bed days, below the target of 1.61.

Implementation of the real time data monitoring dashboard has improved the compliance with risk assessments for falls prevention. The quarter three results indicate a slight increase of 6.26 falls per 1000 bed days for the organisation with an increase in the Rehabilitation and Hospice and Evaluation Unit. Real time data monitoring is not currently implemented in these areas but will be early next year. The fourth quarter results show an improvement in the rate of patient falls to 5.12 per 1000 bed days, below the target of 6.13. Overall patient falls for the year have improved to 5.73 per 1,000 bed days, which is below the target of 6.13.

GOALS

Specific 2018-19 priorities (mandatory)

STRATEGIES

Disability Action Plans

Draft disability action plans are completed in 2018-19.

HEALTH SERVICE DELIVERABLE

Submit a Disability Action Plan outlining a three year implementation approach by 30 June 2019. The plan is a key component of the Bendigo Health Diversity and Inclusion plan (inclusive of Disability, LGBTI and Diversity).

OUTCOME

Deliverable ongoing

Disability Action Plan in draft format. The plan was reviewed by the Access and Inclusion Committee and draft finalised in June 2019. This plan paves the way for all staff to understand the important role they play in patient centred care and ensure everyone feels safe physically, socially and emotionally.

Many people who are of Karen background (from Myanmar) live in Bendigo. To accommodate the cultural and language needs within Bendigo Health two Karen interpreters will join our staff in September 2019. Three training sessions were held during the year on Karen culture and the refugee journey to support staff awareness of relevant issues and support improved access to health services.

STATEMENT OF PRIORITIES

PART A

STRATEGIES

Volunteer Engagement

Ensure that the health service executives have appropriate measures to engage and recognise volunteers .

HEALTH SERVICE DELIVERABLE

Increase volunteer engagement that will be measured by an increase of numbers of volunteers from 270 to 300 and/or an increase of hours of participation by volunteers from 29,000 to 35,000 hours by June 2019.

OUTCOME

Deliverable ongoing

Bendigo Health recruited, orientated and placed 56 volunteers and in the same period 59 volunteers withdrew from our program. We have 268 volunteers. The volunteers during this time have contributed 27,274 hours of service to Bendigo Health.

The Director of Volunteer Services has identified a significant change in volunteer recruitment, showing an increase in the level of transition by volunteers and a decrease in the uptake of new volunteers. Volunteers are looking for less formal options for volunteering. This is not specific to Bendigo but can be seen across the country due to societal changes such as working longer or returning to work, health, travel, study and caring for loved ones and grandchildren.

The Director of Volunteer Services has raised these changes with many organisations including peak bodies, health services and state and federal government departments due to the concern for the impact that this could have on our health services and the wider community. Bendigo Health is currently working with our volunteers and the wider community to consider new and innovative ways to engage volunteers in a less structured way.

STRATEGIES

Bullying and harassment

Actively promote positive workplace behaviours and encourage reporting. Utilise staff surveys, incident reporting data, outcomes of investigations and claims to regularly monitor and identify risks related to bullying and harassment, in particular include as a regular item in Board and Executive meetings. Appropriately investigate all reports of bullying and harassment and ensure there is a feedback mechanism to staff involved and the broader health service staff.

HEALTH SERVICE DELIVERABLE

Review, develop and increase implementation of learning opportunities aligned to organisational priorities that reduce risk and increase safety relating to bullying and harassment.

OUTCOME

Deliverable ongoing

Extensive work has been undertaken to support an organisation-wide rollout of the Department of Health and Human Services' Know Better Be Better campaign. Poster and resource packs were distributed across the organisation in the last week of June in preparation for an internal communication launch on July 1. New poster and resource packs will be sent every subsequent two weeks to ensure the messaging remains fresh and vibrant. Bendigo Health has provided implementation advice to other regional service providers.

Complementary training in communication skills and performance management have been scheduled and targeted team interventions have been developed for areas of high need identified through climate surveys and People & Culture activity.

STATEMENT OF PRIORITIES

PART A

STRATEGIES

Occupational Violence

Ensure all staff who have contact with patients and visitors have undertaken core occupational violence training, annually. Ensure the department's occupational violence and aggression training principles are implemented.

HEALTH SERVICE DELIVERABLE

Review, develop and increase implementation of learning opportunities aligned to organisational priorities that reduce risk and increase safety relating to occupational violence.

OUTCOME

Deliverable ongoing

The importance of providing our staff with education to prevent and respond to occupational violence and aggression training remains a focus for Bendigo Health. Last year Bendigo Health was selected as one of two health services to pilot a Safewards project in the Emergency Department, aimed at preventing and improving the response to occupational violence and aggression. A review of the existing training already offered at Bendigo Health and across other health services in Victoria has been undertaken to develop a program for staff outside of the Mental Health and Emergency departments. Online learning modules developed by the Department of Health have been made available to all staff on GOLD, our learning management system. Face to face training programs have been developed to meet the varying needs of staff and will be rolled out in the coming year.

STRATEGIES

Environmental Sustainability

Actively contribute to the development of the Victorian Government's policy to be net zero carbon by 2050 and improve environmental sustainability by identifying and implementing projects, including workforce education, to reduce material environmental impacts with particular consideration of procurement and waste management, and publicly reporting environmental performance data, including measureable targets related to reduction of clinical, sharps and landfill waste, water and energy.

HEALTH SERVICE DELIVERABLE

Achieve a reduction in waste and minimise energy consumption by working with our private partners to identify buildings and infrastructure system efficiencies.

OUTCOME

Deliverable ongoing

Bendigo Health hired a dedicated waste officer in early 2019 to improve environmental sustainability.

Bendigo Health received a Department of Health and Human Services innovation grant to purchase a baler. The machine is baling recyclable ward screens that are being recycled.

Bendigo Health will also trial baling of Kimguard – a plastic packaging for medical products.

Bendigo Health has increased initial hygiene clearance rates of nappy bins in Children's Ward to twice weekly.

Our Human Research Ethics Committee has approved the Waste Segregation audit for theatre to be conducted in conjunction with Monash University.

STATEMENT OF PRIORITIES

PART A

Soft plastics collection for recycling with Cleanaway has been introduced to Day of Surgery Admissions and will expand to theatre.

Research is underway to collect single use copper from theatre, removing the use of polystyrene cups and removing the use of single use plastic ware in the hospital.

E-waste recycling options are being investigated with the ban on disposal to landfill commencing on July 1. Bendigo Health is also working with suppliers to address contamination of secure shredding bins.

Bendigo Health is gradually replacing common area lighting to LEDs at Nursing Homes, staff accommodation in Atkins Street and patient accommodation in Lucan Street. This year, Bendigo Health completed the reinstatement of street lighting at the rear of Stella Anderson Nursing Home.

STRATEGIES

LGBTI

Develop and promulgate service level policies and protocols, in partnership with LGBTI communities, to avoid discrimination against LGBTI patients, ensure appropriate data collection, and actively promote rights to free expression of gender and sexuality in healthcare settings. Where relevant, services should offer leading practice approaches to trans and intersex related interventions

HEALTH SERVICE DELIVERABLE

Review, develop and increase implementation of learning opportunities aligned to organisational priorities that reduce risk and increase safety for LGBTI staff and patients.

OUTCOME

Deliverable ongoing

Bendigo Health progressed a training plan for Diversity and Inclusion training across the organisation in 2018-19.

It includes an Unconscious Bias e-learning module that all staff will be required to complete by the end of 2019. Eight targeted training sessions in LGBTI have been provided to staff in the Women's and Children's stream, delivered by a past service user, as part of their annual study program. The training used personalised story-telling, handouts and post-training support to provide a powerful learning experience.

More generalised LGBTI training is planned for the broader staffing group before the end of 2019.

DISCLOSURE INDEX

The annual report of the Bendigo Health Care Group is prepared in accordance with all relevant Victorian legislation. This index has been prepared to facilitate identification of the Department's compliance with statutory disclosure requirements.

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STATEMENT OF PRIORITIES

PART B - PERFORMANCE PRIORITIES

High quality and safe care

| Key performance indicator | Target | Outcome |
|---|-------------------|-----------------|
| Accreditation | | |
| Accreditation against the NQHS Standards | Accredited | Accredited |
| Compliance with the Commonwealth's Aged Care Accreditation Standards | Accredited | Accredited |
| Infection prevention and control | | |
| Compliance with the Hand Hygiene Australia program | 80% | 81.7% |
| Percentage of healthcare workers immunised for influenza | 80% | 91% * |
| Patient experience | | |
| Victorian Healthcare Experience Survey - data submission | Full compliance | Full compliance |
| Victorian Healthcare Experience Survey – positive patient experience – Quarter 1 | 95% | 96.5% |
| Victorian Healthcare Experience Survey – positive patient experience – Quarter 2 | 95% | 92.3% |
| Victorian Healthcare Experience Survey – positive patient experience – Quarter 3 | 95% | 94.5% |
| Victorian Healthcare Experience Survey – discharge care. Quarter 1 | 75% | 80.8% |
| Victorian Healthcare Experience Survey – discharge care. Quarter 2 | 75% | 77.5% |
| Victorian Healthcare Experience Survey – discharge care. Quarter 3 | 75% | 75.4% |
| Victorian Healthcare Experience Survey – patients perception of cleanliness – Quarter 1 | 70% | 86.4% |
| Victorian Healthcare Experience Survey – patients perception of cleanliness – Quarter 2 | 70% | 82.4% |
| Victorian Healthcare Experience Survey – patients perception of cleanliness – Quarter 3 | 70% | 85.9% |
| Healthcare associated infections | | |
| Number of patients with surgical site infection | No outliers | No outliers |
| Number of patients with ICU central line associated blood stream infections (CLABSI) | Nil | Nil |
| SAB rate per occupied bed days | < 1/10,000 | 0.6 |
| Adverse Events | | |
| Number of sentinel events | Nil | 2 |
| Unplanned readmission hip replacement | Annual rate <2.5% | 2.7% |
| Mental health | | |
| Percentage of adult acute mental inpatients who are readmitted within 28 days of discharge | 14% | 15% |
| Rate of seclusion events relating to a child and adolescent acute mental health acute admission | <15/1,000 | 0 |
| Rate of seclusion events relating to an adult acute mental health admission | <15/1,000 | 9 |
| Rate of seclusion events relating to an aged acute mental health admission | <15/1,000 | 0 |
| Percentage of child and adolescent patients with post-discharge follow-up within seven days | 80% | 87% |

STATEMENT OF PRIORITIES

PART B - PERFORMANCE PRIORITIES

| | | |
|--|--------|-------|
| Percentage of adult acute mental health patients who have post-discharge follow-up within seven days | 80% | 84% |
| Percentage of aged acute mental health inpatients who have post-discharge follow-up within seven days | 80% | 91% |
| Maternity and newborn | | |
| Rate of singleton term infants without birth anomalies with APGAR score <7 to 5 minutes | <1.4% | 1.6% |
| Rate of severe foetal growth restriction in singleton pregnancy undelivered by 40 weeks | <28.6% | 10.5% |
| Continuing care | | |
| Functional independence gain from an episode of GEM admission to discharge, relative to length of stay | <0.645 | 0.981 |

*As at 14 August 2019

STATEMENT OF PRIORITIES

PART B - PERFORMANCE PRIORITIES

Strong governance, leadership and culture

| Key performance indicator | Target | Outcome |
|--|--------|---------|
| People Matter Survey - Percentage of staff with an overall positive response to safety and culture questions | 80% | 90% |
| 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% | 96% |
| People Matter Survey - Percentage of staff with a positive response to the question, "Patient care errors are handled appropriately in my work area" | 80% | 95% |
| 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% | 92% |
| 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% | 88% |
| People Matter Survey - Percentage of staff with a positive response to the question, "Management is driving us to be a safety-centred organisation" | 80% | 92% |
| 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% | 80% |
| People Matter Survey - Percentage of staff with a positive response to the question, "Trainees in my discipline are adequately supervised" | 80% | 84% |
| 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% | 93% |

STATEMENT OF PRIORITIES

PART B - PERFORMANCE PRIORITIES

Timely access to care

| Key performance indicator | Target | Outcome |
|--|--|---------|
| Emergency care | | |
| Percentage of patients transferred from ambulance to emergency department within 40 minutes ambulance patients transferred within 40 minutes | 90% | 88% |
| Percentage of Triage Category 1 emergency patients seen immediately | 100% | 100% |
| Percentage of Triage Category 1 to 5 emergency patients seen within clinically recommended times | 80% | 66% |
| Percentage of emergency patients with a length of stay less than four hours | 81% | 66% |
| 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 patients admitted within 30 days | 100% | 100% |
| Percentage of urgency category 1, 2 and 3 elective patients admitted within clinically recommended time | 94% | 88.6% |
| Percentage of patients on the waiting list who have waited longer than clinically recommended time for their respective triage category | 5% or 15% proportional improvement from prior year | 12.7% |
| Number of patients on the elective surgery waiting list | 1180 | 1178 |
| Number of hospital initiated postponements per 100 scheduled elective surgery admissions | < 7/100 | 6.6 |
| Number of patients admitted from elective surgery waiting list - annual total | 5,650 | 5,051 |
| Specialist clinics | | |
| Percentage of urgent patients referred by a GP or external specialist who attended a first appointment within 30 days | 100% | 90.1% |
| Percentage of routine patients referred by a GP or external specialist who attended a first appointment within 365 days | 90% | 90.5% |

STATEMENT OF PRIORITIES

PART B - PERFORMANCE PRIORITIES

Effective financial management

| Key performance indicator | Target | Outcome |
|--|---|--|
| Finance | | |
| Operating result (\$m) | 0.0 | (0.334) deficit |
| Average number of days to paying trade creditors | 60 days | 38 |
| Average number of days to receiving patient fee debtors | 60 days | 37 |
| Public and Private WIES[1] activity performance to target | 100% | 100.53% |
| Adjusted current asset ratio | 0.7 or 3% improvement from health service base target | .78 |
| Forecast number of days a health service can maintain its operations with unrestricted available cash (based on end of year forecast) | 14 days | 25 |
| 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 | 25 |
| Measures the accuracy of forecasting the Net result from transactions (NRFT) for the current financial year ending 30 June. | Variance ≤ \$250,000 | Not Achieved - Result favourable to forecast |

STATEMENT OF PRIORITIES

PART C - ACTIVITY AND FUNDING

| Funding type | Activity | 2018-19 Activity Achievement |
|--|----------|------------------------------|
| Acute Admitted | | |
| WIES Public | 28,875 | 29,421 |
| WIES Private | 4,405 | 4,071 |
| WIES DVA | 351 | 443 |
| WIES TAC | 306 | 246 |
| Acute Non-Admitted | | |
| Home Enteral Nutrition | 277 | 377 |
| Home Renal Dialysis | 29 | 33 |
| Specialist Clinics – Public | 55,536 | 63,162 |
| Subacute & Non-Acute Admitted | | |
| Subacute WIES - Rehabilitation Public | 822 | 966 |
| Subacute WIES - Rehabilitation Private | 223 | 200 |
| Subacute WIES - GEM Public | 647 | 613 |
| Subacute WIES - GEM Private | 177 | 128 |
| Subacute WIES - Palliative Care Public | 175 | 171 |
| Subacute WIES - Palliative Care Private | 56 | 45 |
| Subacute WIES – DVA | 82 | 51 |
| Transition Care – Bed days | 18,250 | 15,353 |
| Transition Care – Home day | 12,814 | 10,954 |
| Subacute Non-Admitted | | |
| Health Independence Program - Public | 56,901 | 57,938 |
| Aged care | | |
| Residential Aged Care | 82,444 | 76,705 |
| HACC | 11,159 | 11,766 |
| Mental Health and Drug Services | | |
| Mental Health Ambulatory | 68,949 | 70,876 |
| Mental Health Inpatient - Available bed days | 21,914 | 21,914 |
| Mental Health Inpatient - Secure Unit | 7,301 | 5,476 |
| Mental Health Residential | 10,958 | 9,053 |
| Mental Health Service System Capacity | 565 | 565 |
| Mental Health Sub Acute | 11,692 | 10,962 |
| Primary Health | | |
| Community Health/ Primary Care Programs | 8,824 | 8,444 |
| Other | | |
| Health Workforce | 161 | 194 |



FINANCIAL REPORT

2018–19

Independent Auditor's Report

To the Board of Bendigo Health Care Group

| | |
|--|--|
| Opinion | <p>I have audited the financial report of the Bendigo Health Care Group (the health service) which comprises the:</p> <ul style="list-style-type: none"> • balance sheet as at 30 June 2019 • 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, chief finance & accounting officer's declaration. <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the health service as at 30 June 2019 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p> |
| Basis for Opinion | <p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the health service in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p> |
| Board's responsibilities for the financial report | <p>The Board of the health service is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Board is responsible for assessing the health service's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p> |

Auditor's responsibilities for the audit of the financial report

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

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

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

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

MELBOURNE
6 September 2019



Travis Derricott
as delegate for the Auditor-General of Victoria

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

The attached financial statements for Bendigo Health Care Group 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 2019 and the financial position of Bendigo Health Care Group at 30 June 2019.

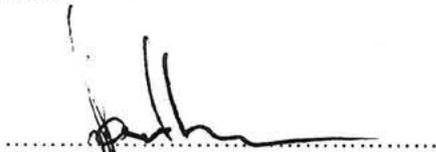
At the time of signing, we are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.

We authorise the attached financial statements for issue on 27 August 2019.



.....
R G Cameron

Chair



.....
P A Faulkner

Chief Executive Officer



.....
S A Eldridge

Chief Financial Officer

Dated 3 September 2019
at Bendigo

**Bendigo Health Care Group
Comprehensive Operating Statement
For the Financial Year Ended 30 June 2019**

| | Note | 2019 \$'000 | 2018 \$'000 |
|--|------|------------------|------------------|
| Income from Transactions | | | |
| Operating Activities | 2.1 | 513,949 | 478,542 |
| Non-operating Activities | 2.1 | 1,361 | 1,078 |
| Total Income from Transactions | | 515,310 | 479,620 |
| Expenses from Transactions | | | |
| Employee Expenses | 3.1 | (334,080) | (301,931) |
| Supplies & Consumables | 3.1 | (76,654) | (73,109) |
| Finance Costs | 3.1 | (23,741) | (22,736) |
| Depreciation | 4.3 | (42,690) | (46,556) |
| Other Operating Expenses | 3.1 | (68,309) | (66,963) |
| Total Expenses from Transactions | | (545,474) | (511,295) |
| Net result from Transactions - Net Operating Balance | | (30,164) | (31,675) |
| Other economic flows included in the net result | | | |
| Net Loss on Non-Financial Assets | 3.2 | (49,666) | (147) |
| Net Gain/(Loss) on Financial Instruments at Fair Value | 3.2 | (276) | 139 |
| Other Gain/(Loss) from Other Economic Flows | 3.2 | (4,592) | 421 |
| Share of Other Economic Flows from Joint Operation | 3.2 | 33 | (29) |
| Total other economic flows included in net result | | (54,501) | 384 |
| Net result for the year | | (84,665) | (31,291) |
| Other Comprehensive Income | | | |
| Items that will not be reclassified to net result | | | |
| Changes in Property, Plant and Equipment Revaluation Surplus | | (93,769) | 3,483 |
| Items that may be reclassified to net result | | | |
| Fair Value - Recognition of Hedging Instrument | | (7,812) | 0 |
| Total Other Comprehensive Income | | (101,581) | 3,483 |
| Comprehensive result for the year | | (186,246) | (27,808) |

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

Bendigo Health Care Group
Balance Sheet
as at 30 June 2019

| | Note | 2019 \$'000 | 2018 \$'000 |
|---|--------|----------------|------------------|
| Current Assets | | | |
| Cash and Cash Equivalents | 6.2 | 64,426 | 62,673 |
| Receivables | 5.1 | 12,007 | 10,567 |
| Investments and Other Financial Assets | 4.1 | 84 | 137 |
| Inventories | | 3,197 | 3,064 |
| Other Assets | | 1,468 | 2,371 |
| Total Current Assets | | 81,182 | 78,812 |
| Non-Current Assets | | | |
| Receivables | 5.1 | 16,995 | 12,868 |
| Property, Plant & Equipment | 4.2(a) | 798,356 | 973,248 |
| Total Non-Current Assets | | 815,351 | 986,116 |
| TOTAL ASSETS | | 896,533 | 1,064,928 |
| Current Liabilities | | | |
| Payables | 5.2 | 26,743 | 32,333 |
| Borrowings | 6.1 | 4,230 | 4,120 |
| Provisions | 3.4 | 73,216 | 61,676 |
| Other Liabilities | 5.3 | 38,009 | 23,728 |
| Total Current Liabilities | | 142,198 | 121,857 |
| Non-Current Liabilities | | | |
| Borrowings | 6.1 | 256,690 | 260,574 |
| Provisions | 3.4 | 10,437 | 9,043 |
| Total Non-Current Liabilities | | 267,127 | 269,617 |
| TOTAL LIABILITIES | | 409,325 | 391,474 |
| NET ASSETS | | 487,208 | 673,454 |
| EQUITY | | | |
| Property, Plant & Equipment Revaluation Surplus | 4.2(f) | 16,866 | 110,635 |
| Cash Flow Hedging Reserve | | (7,812) | 0 |
| Restricted Specific Purpose Surplus | | 4,292 | 4,389 |
| Contributed Capital | | 100,040 | 100,040 |
| Accumulated Surpluses | | 373,822 | 458,390 |
| TOTAL EQUITY | | 487,208 | 673,454 |

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

Bendigo Health Care Group
Statement of Changes in Equity
For the Financial Year Ended 30 June 2019

| | Property, Plant & Equipment Revaluation Surplus | Cash Flow Hedging Reserve | Restricted Specific Purpose Surplus | Contributed Capital | Accumulated Surpluses | Total |
|---|---|---------------------------------|--|------------------------|--------------------------|----------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance at 30 June 2017 | 107,152 | 0 | 3,685 | 100,040 | 490,385 | 701,262 |
| Net Result for the Year | 0 | 0 | 0 | 0 | (31,291) | (31,291) |
| Other comprehensive income for the year | 3,483 | 0 | 0 | 0 | 0 | 3,483 |
| Transfer to/(from) accumulated surplus | 0 | 0 | 704 | 0 | (704) | 0 |
| Balance at 30 June 2018 | 110,635 | 0 | 4,389 | 100,040 | 458,390 | 673,454 |
| Net Result for the Year | 0 | 0 | 0 | 0 | (84,665) | (84,665) |
| Other comprehensive income for the year | (93,769) | 0 | 0 | 0 | 0 | (93,769) |
| Cash Flow Hedging Reserve | 0 | (7,812) | 0 | 0 | 0 | (7,812) |
| Transfer to/(from) accumulated surplus | 0 | 0 | (97) | 0 | 97 | 0 |
| Balance at 30 June 2019 | 16,866 | (7,812) | 4,292 | 100,040 | 373,822 | 487,208 |

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

Bendigo Health Care Group
Cash Flow Statement
For the Financial Year Ended 30 June 2019

| | Note | 2019 \$'000 | 2018 \$'000 |
|---|------|------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Operating Grants from Government | | 376,233 | 357,462 |
| Capital Grants from Government | | 10,421 | 4,998 |
| Patient and Resident Fees Received | | 29,492 | 30,176 |
| Private Practice Fees Received | | 2,690 | 2,289 |
| Donations and Bequests Received | | 332 | 331 |
| GST Received from ATO | | 11,333 | 9,974 |
| Recoupment from Private Practice for Use of Hospital Facilities | | 4 | 7 |
| Interest and Investment Income Received | | 1,330 | 1,082 |
| Other Capital Receipts | | 371 | 1,702 |
| Other Receipts | | 28,596 | 24,265 |
| Total Receipts | | 460,802 | 432,286 |
| Employee Expenses Paid | | (310,193) | (285,688) |
| Non Salary Labour Costs | | (20,482) | (19,255) |
| Payments for Suppliers & Consumables | | (74,277) | (68,257) |
| Payment for share of Rural Health Alliance | | (85) | (105) |
| Other Payments | | (48,654) | (40,564) |
| Total Payments | | (453,691) | (413,869) |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | 8.1 | 7,111 | 18,417 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of Non-Financial Assets | | (11,321) | (7,022) |
| Proceeds from Disposal of Investments | | 20 | 0 |
| Proceeds from Disposal of Non-Financial Assets | | 168 | 335 |
| NET CASH FLOWS USED IN INVESTING ACTIVITIES | | (11,133) | (6,687) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Repayment of Borrowings | | (800) | 0 |
| Proceeds from Borrowings | | 0 | 4,000 |
| Receipt of Accommodation Deposits | | 12,538 | 10,665 |
| Repayment of Accommodation Deposits | | (7,525) | (4,698) |
| Receipt/(Repayment) of Monies Held in Trust | | 1,562 | 0 |
| NET CASH FLOWS FROM FINANCING ACTIVITIES | | 5,775 | 9,967 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS HELD | | 1,753 | 21,697 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR | | 62,673 | 40,976 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | 6.2 | 64,426 | 62,673 |

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

Bendigo Health Care Group

Notes to the Financial Statements for the Financial Year Ended 30 June 2019

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.

Bendigo Health Care Group

Notes to the Financial Statements for the Financial Year Ended 30 June 2019

Note 1: Summary of significant accounting policies

These annual financial statements represent the audited general purpose financial statements for Bendigo Health Care Group for the period ending 30 June 2019. The report provides users with information about the Health Services' 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.

Bendigo Health is a not-for-profit entity and therefore applies the additional AUS paragraphs applicable to "not-for-profit" Health Services under the AASBs.

(b) Reporting entity

The financial statements include all the controlled activities of the *Bendigo Health Care Group*.

Its principal address is:
100 Barnard Street
Bendigo, Victoria, 3550

A description of the nature of Bendigo Health Care Group'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

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.

Bendigo Health Care Group

Notes to the Financial Statements for the Financial Year Ended 30 June 2019

The accounting policies have been applied in preparing the financial statements for the year ended 30 June 2019, and the comparative information presented in these financial statements for the year ended 30 June 2018.

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

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

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.

Bendigo Health 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 also in future periods that are affected by the revision. Judgements and assumptions made by management in the application of AASs 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);
- Defined Benefit Superannuation expense (refer to Note 3.5 Superannuation); and

Bendigo Health Care Group

Notes to the Financial Statements for the Financial Year Ended 30 June 2019

- 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); and
- Valuation of interest rate swaps (refer to note 5.3 Other Liabilities)

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.

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) Intersegment Transactions

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

(e) 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, Bendigo Health recognises in the financial statements:

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

Bendigo Health Care Group

Notes to the Financial Statements for the Financial Year Ended 30 June 2019

- its expenses, including its share of any expenses incurred jointly.

Bendigo Health is a Member of the Loddon Mallee Rural Health Alliance and retains joint control over the arrangement, which it has classified as a joint operation (refer to Note 8.8 Jointly Controlled Operations).

(f) Equity

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 expenses of Bendigo Health.

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

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

Specific Restricted Purpose Surplus

The Specific Restricted Purpose Surplus is established where Bendigo Health has possession or title to the funds but has no discretion to amend or vary the restriction and/or condition underlying the funds received.

Hedging Reserve

The hedging reserve includes the cash flow hedge reserve and the costs of hedging reserve, see note 5.3 for details. The cash flow hedge reserve is used to recognise the effective portion of gains or losses on derivatives that are designated and qualify as cash flow hedges, as described in note 7.1 (financial instruments note).

Amounts are subsequently reclassified to profit or loss as appropriate.

(g) Comparatives

Where applicable, the comparative figures have been restated to align with the presentation in the current year. Figures have been restated at Notes 2.1, 3.1, 3.2, 3.3 and 7.1.

**Bendigo Health Care Group
Notes to the Financial Statements
For the Financial Year Ended 30 June 2019**

Note: 2 Funding Delivery of Our Services

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

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

Structure

2.1 Income from Transactions

Bendigo Health Care Group
Notes to the Financial Statements for the Financial Year Ended 30 June 2019

Note 2.1: Income from Transactions

| | 2019 | 2018 |
|---|----------------|----------------|
| | \$'000 | \$'000 |
| Government Grants - Operating | 387,741 | 355,197 |
| Government Grants - Capital | 68,673 | 67,698 |
| Other Capital purpose income (including capital donations) | 69 | 1,083 |
| Patient and Resident Fees | 19,698 | 20,092 |
| Private Practice Fees | 2,529 | 2,117 |
| Commercial Activities ¹ | 12,254 | 11,766 |
| Assets received free of charge or for nominal consideration | 80 | 54 |
| Other Revenue from Operating Activities (including non-capital donations) | 22,905 | 20,535 |
| Total Income from Operating Activities | 513,949 | 478,542 |
| Interest | 1,361 | 1,078 |
| Total Income from Non-Operating Activities | 1,361 | 1,078 |
| Total Income from Transactions | 515,310 | 479,620 |

¹. Commercial activities represent business activities which health services enter into to support their operations.

Bendigo Health Care Group
Notes to the Financial Statements for the Financial Year Ended 30 June 2019

Note 2.1: Income from Transactions (continued)

Revenue Recognition

Income is recognised in accordance with AASB 118 *Revenue* and is recognised as to the extent that it is probable that the economic benefits will flow to Bendigo Health Care Group and the income can be reliably measured at fair value. Unearned income at reporting date is reported as income received in advance.

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

Government Grants and other transfers of income (other than contributions by owners)

In accordance with AASB 1004 Contributions, government grants and other transfers of income (other than contributions by owners) are recognised as income when Bendigo Health Care Group gains control of the underlying assets irrespective of whether conditions are imposed on Bendigo Health Care Group's use of the contributions.

The Department of Health and Human Services makes certain payments on behalf of Bendigo Health Care Group. These amounts have been brought to account as grants in determining the operating result for the year by recording them as revenue.

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

Non-cash contributions from the Department of Health & 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 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.

Patient and Resident Fees

Patient and resident fees are recognised as revenue on an accrual basis.

Private Practice Fees

Private practice fees are recognised as revenue at the time invoices are raised, and include recoupments from private practice for the use of hospital facilities.

Revenue from Commercial Activities

Revenue from commercial activities such as car park and property rental income are recognised on an accrual basis.

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 value. 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.

Other Income

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 Revenue

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

**Bendigo Health Care Group
Notes to the Financial Statements
For the Financial Year Ended 30 June 2019**

Note 3: The Cost of Delivering our Services

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

Structure

3.1 Expenses from Transactions

3.2 Other Economic Flows

3.3 Analysis of Expense and Revenue by Internally Managed and Restricted Specific Purpose Funds

3.4 Employee Benefits in the Balance Sheet

3.5 Superannuation

Bendigo Health Care Group**Notes to the Financial Statements for the Financial Year Ended 30 June 2019****Note 3.1: Expenses from Transactions**

| | 2019 | 2018 |
|---|----------------|----------------|
| | \$'000 | \$'000 |
| Salaries and Wages | 250,734 | 225,588 |
| On-costs | 59,843 | 53,919 |
| Agency Expenses | 12,644 | 12,935 |
| Fee for Service Medical Officer Expenses | 7,834 | 6,320 |
| Workcover Premium | 3,025 | 3,169 |
| Total Employee Expenses | 334,080 | 301,931 |
| Drug Supplies | 20,457 | 20,984 |
| Medical and Surgical Supplies (including Protheses) | 21,374 | 19,657 |
| Diagnostic and Radiology Supplies | 3,742 | 3,537 |
| Other Supplies and Consumables | 31,081 | 28,931 |
| Total Supplies and Consumables | 76,654 | 73,109 |
| Finance Costs | 178 | 16 |
| Finance Costs - PPP Arrangements | 23,563 | 22,720 |
| Total Finance Costs | 23,741 | 22,736 |
| Fuel, Light, Power and Water | 6,437 | 5,988 |
| Repairs and Maintenance | 1,330 | 1,196 |
| Maintenance Contracts | 5,372 | 4,260 |
| Public Private Partnership Operating Expenses | 31,850 | 30,776 |
| Medical Indemnity Insurance | 4,997 | 4,916 |
| Other Administrative Expenses | 18,220 | 17,377 |
| Expenditure for Capital Purposes | 103 | 2,450 |
| Total Other Operating Expenses | 68,309 | 66,963 |
| Depreciation (refer Note 4.3) | 42,690 | 46,556 |
| Total Other Non-Operating Expenses | 42,690 | 46,556 |
| Total Expenses from Transactions | 545,474 | 511,295 |

Note 3.1: Expenses from Transactions (continued)

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

Employee expenses

Employee expenses include:

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

Supplies and consumables

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

Finance Costs

Finance costs include:

- 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;
- amortisation of ancillary costs incurred in connection with the arrangement of borrowings; and
- finance charges in respect of finance leases which are recognised in accordance with AASB 117 *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 Bendigo Health. These amounts have been brought to account as grants in determining the operating result for the year by recording them as revenue and also recording the related expense.

Non-operating expenses

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

Inventories

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

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

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

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

Bendigo Health Care Group
Notes to the Financial Statements for the Financial Year Ended 30 June 2019

Note 3.2: Other economic flows included in net result

| | 2019 | 2018 |
|--|-----------------|---------------|
| | \$'000 | \$'000 |
| <i>Net loss on non-financial assets</i> | | |
| Revaluation of property plant and equipment | (49,227) | 0 |
| Net loss on disposal of property plant and equipment | (439) | (147) |
| Total net gain/(loss) on non-financial assets | (49,666) | (147) |
| <i>Net gain/(loss) on financial instruments at fair value</i> | | |
| Allowance for impairment losses of contractual receivables | (243) | (71) |
| Net gain/(loss) on financial instruments | (33) | 210 |
| Total net gain/(loss) on financial instruments at fair value | (276) | 139 |
| <i>Share of other economic flows from Joint Operations</i> | | |
| Share of net profits/(losses) of joint entities, excluding dividends | 33 | (29) |
| Total Share of other economic flows from Joint Operations | 33 | (29) |
| <i>Other gains/(losses) from other economic flows</i> | | |
| Net gain/(loss) arising from revaluation of long service liability | (4,592) | 421 |
| Total other gains/(losses) from other economic flows | (4,592) | 421 |
| Total other gains/(losses) from economic flows | (54,501) | 384 |

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:

Net loss on non-financial assets

Net 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.
- Allowance for impairment losses of contractual receivables.

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.

Bendigo Health Care Group**Notes to the Financial Statements for the Financial Year Ended 30 June 2019****Note 3.3: Analysis of Expense and Revenue by Internally Managed and Restricted Specific Purpose Funds**

| | Expense | | Revenue | |
|------------------------------|----------------|---------------|----------------|---------------|
| | 2019 | 2018 | 2019 | 2018 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Commercial Activities | | | | |
| Business Services | 181 | 452 | 1,636 | 1,420 |
| Fundraising Activities | 486 | 567 | 620 | 629 |
| Other | 1,466 | 232 | 330 | 284 |
| Palliative Care | 1,456 | 1,176 | 42 | 37 |
| Pathology | 3,547 | 3,251 | 343 | 339 |
| Private Radiology | 0 | 10 | 8,630 | 8,478 |
| Radiology | 12,953 | 12,321 | 221 | 279 |
| Research Trials | 280 | 248 | 432 | 300 |
| Total | 20,369 | 18,257 | 12,254 | 11,766 |

Bendigo Health Care Group
Notes to the Financial Statements for the Financial Year Ended 30 June 2019

Note 3.4: Employee Benefits in the Balance Sheet

| | 2019 | 2018 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Current Provisions | | |
| Employee Benefitsⁱ | | |
| Long Service Leave | | |
| - Unconditional and expected to be settled wholly within 12 months ⁱⁱ | 4,220 | 4,732 |
| - Unconditional and expected to be settled wholly after 12 months ⁱⁱⁱ | 36,227 | 27,249 |
| Annual Leave | | |
| - Unconditional and expected to be settled wholly within 12 months ⁱⁱ | 21,367 | 19,458 |
| - Unconditional and expected to be settled wholly after 12 months ⁱⁱⁱ | 3,594 | 3,176 |
| Accrued Days Off | | |
| - Unconditional and expected to be settled wholly within 12 months ⁱⁱ | 654 | 603 |
| - Unconditional and expected to be settled wholly after 12 months ⁱⁱⁱ | 110 | 98 |
| Substitution Leave | 49 | 39 |
| Other | 0 | 336 |
| | 66,221 | 55,691 |
| Provisions related to Employee Benefit On-Costs | | |
| - Unconditional and expected to be settled within 12 months ⁱⁱ | 2,762 | 2,671 |
| - Unconditional and expected to be settled after 12 months ⁱⁱⁱ | 4,233 | 3,314 |
| | 6,995 | 5,985 |
| Total Current Provisions | 73,216 | 61,676 |
| Non-Current Provisions | | |
| Employee Benefitsⁱ | | |
| Conditional Long Service Leave | 9,436 | 8,156 |
| Provisions related to Employee Benefit On-Costs | 1,001 | 887 |
| Total Non-Current Provisions | 10,437 | 9,043 |
| Total Provisions | 83,653 | 70,719 |

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.

| | 2019 | 2018 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| (a) Employee Benefits and Related On-Costs | | |
| Current Employee Benefits and Related On-Costs | | |
| Unconditional Long Service Leave Entitlements | 44,737 | 35,457 |
| Annual Leave Entitlements | 27,586 | 25,067 |
| Accrued Days Off | 844 | 777 |
| Substitution Leave | 49 | 39 |
| Other | 0 | 336 |
| Non-Current Employee Benefits and Related On-Costs | | |
| Conditional Long Service Leave Entitlements | 10,437 | 9,043 |
| Total Employee Benefits and Related On-Costs | 83,653 | 70,719 |

| | 2019 |
|--|---------------|
| | \$'000 |
| (b) Movement in On-Costs Provision | |
| Balance at start of year | 6,872 |
| Additional provisions recognised | 1,603 |
| Unwinding of discount and effect of changes in the discount rate | (479) |
| Reduction due to transfer out | 0 |
| Balance at end of year | 7,996 |

Employee Benefit Recognition

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

Bendigo Health Care Group
Notes to the Financial Statements for the Financial Year Ended 30 June 2019

Note 3.4: Employee Benefits in the Balance Sheet

Provisions

Provisions are recognised when Bendigo Health Care Group 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 Bendigo Health does not have an unconditional right to defer settlements of these liabilities.

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

- Nominal value – if Bendigo Health expects to wholly settle within 12 months; or
- Present value – if Bendigo Health 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 Bendigo Health does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months. An unconditional right arises after a qualifying period.

The components of this current LSL liability are measured at:

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

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

Termination Benefits

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

On-Costs Related to Employee Expense

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

Bendigo Health Care Group
Notes to the Financial Statements for the Financial Year Ended 30 June 2019

Note 3.5: Superannuation

| | Paid Contributions for the Year | | Contribution Outstanding at Year End | |
|---|---------------------------------|----------------|--------------------------------------|----------------|
| | 2019 \$'000 | 2018 \$'000 | 2019 \$'000 | 2018 \$'000 |
| Defined Benefit Plans:ⁱ | | | | |
| First State Super Pty Ltd | 468 | 526 | 18 | 23 |
| Government Superannuation Office | 232 | 0 | 19 | 241 |
| Defined contributions plans: | | | | |
| First State Super Pty Ltd | 12,510 | 11,876 | 733 | 478 |
| HESTA Administration | 6,533 | 5,676 | 432 | 243 |
| Other | 5,022 | 3,529 | 301 | 158 |
| Total | 24,765 | 21,607 | 1,503 | 1,143 |

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

Employees of Bendigo Health are entitled to receive superannuation benefits and it 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 Bendigo Health to the superannuation plans in respect of the services of current Bendigo Health 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.

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

However superannuation contributions paid or payable for the reporting period are included as part of employee benefits in the Comprehensive Operating Statement of Bendigo Health.

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

Defined contribution superannuation plans

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

Bendigo Health Care Group
Notes to the Financial Statements
For the Financial Year Ended 30 June 2019

Note 4: Key Assets to Support Service Delivery

Bendigo Health 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 & Equipment
- 4.3 Depreciation

Bendigo Health Care Group
Notes to the Financial Statements for the Financial Year Ended 30 June 2019

Note 4.1: Investments and Other Financial Assets

| | Operating Fund | | Total | |
|--|----------------|----------------|----------------|----------------|
| | 2019 \$'000 | 2018 \$'000 | 2019 \$'000 | 2018 \$'000 |
| CURRENT | | | | |
| Amortised Cost | | | | |
| Term Deposits > 3 months | 0 | 20 | 0 | 20 |
| Financial Assets at Fair Value through profit or loss | | | | |
| Australian listed shares | 84 | 117 | 84 | 117 |
| Total Current | 84 | 137 | 84 | 137 |
| Represented by: | | | | |
| Shares | 84 | 117 | 84 | 117 |
| Heritage Council of Victoria | 0 | 20 | 0 | 20 |
| Total Investments and Other Financial Assets | 84 | 137 | 84 | 137 |

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 amortised cost or Financial Assets at Fair Value through profit or loss.

Bendigo Health classifies its financial assets between current and non-current assets based on the Board of Management's intention at balance date with respect to the timing of disposal of each asset. Bendigo Health assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

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

Impairment of financial assets

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

In order to determine an appropriate fair value as at 30 June 2019 for its portfolio of financial assets, Bendigo Health used the market value of investments held.

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 & 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. Assets transferred as part of a merger/machinery of government change are transferred at their carrying amounts.

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 finance 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.

Revaluations of Non-Current Physical Assets

Non-current physical assets are measured at fair value and are revalued 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 revaluations are determined in accordance with the requirements of the FRDs. Revaluation increments or decrements arise from differences between an asset's carrying value and fair value.

Revaluation increments are recognised in 'Other Comprehensive Income' and are credited directly 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. Where a credit does not exist or the decrement exceeds the asset revaluation surplus, the balance of the decrement for that class will be recognised in the net result.

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 de-recognition of the relevant asset, except where an asset is transferred via contributed capital.

In accordance with FRD 103H, Bendigo Health'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, Bendigo Health 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 below.

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

Bendigo Health Care Group
Notes to the Financial Statements for the Financial Year Ended 30 June 2019

Note 4.2: Property, Plant & Equipment

The Valuer-General Victoria (VGV) is Bendigo Health'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 13.29, Bendigo Health 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 the Valuer-General Victoria to determine the fair value using the market approach. Valuation of the assets was determined by analysing comparable sales and allowing for share, size, topography, location and other relevant factors specific to the asset being valued. An appropriate rate per square metre has been applied to the subject asset. The effective date of the valuation is 30 June 2019.

Bendigo Health Care Group
Notes to the Financial Statements for the Financial Year Ended 30 June 2019

Note 4.2: Property, Plant & Equipment
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, Bendigo Health held Crown Land. The nature of this asset means that there are certain limitations and restrictions imposed on its use and/or disposal that may impact their fair value.

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

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

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

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

Vehicles

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

Plant and Equipment

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

There were no changes in valuation techniques throughout the period to 30 June 2019.

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

Bendigo Health Care Group
Notes to the Financial Statements for the Financial Year Ended 30 June 2019

Note 4.2: Property, Plant & Equipment

(a) Gross carrying amount and accumulated depreciation

| | 2019 | 2018 |
|---|----------------|----------------|
| | \$'000 | \$'000 |
| Land | | |
| Land at Fair Value | 25,214 | 22,723 |
| Total Land | 25,214 | 22,723 |
| Buildings | | |
| Buildings at Fair Value | 109,310 | 166,769 |
| Less Accumulated Depreciation | 0 | (40,676) |
| Total Buildings | 109,310 | 126,093 |
| Landscaping and Grounds | | |
| Landscaping and Grounds at Fair Value | 2,699 | 1,677 |
| Less Accumulated Depreciation | 0 | (156) |
| Total Landscaping & Grounds | 2,699 | 1,521 |
| Plant and Machinery | | |
| Plant and Machinery at Fair Value | 5,193 | 5,149 |
| Less Accumulated Depreciation | (3,210) | (2,896) |
| Total Plant and Machinery | 1,983 | 2,253 |
| Medical Equipment | | |
| Medical Equipment at Fair Value | 50,119 | 50,913 |
| Less Accumulated Depreciation | (27,371) | (25,415) |
| Total Medical Equipment | 22,748 | 25,498 |
| Computers and Communication | | |
| Computers and Communication at Fair Value | 27,960 | 30,923 |
| Less Accumulated Depreciation | (18,568) | (18,559) |
| Total Computers and Communications | 9,392 | 12,364 |
| Furniture and Fittings | | |
| Furniture and Fittings at Fair Value | 764 | 719 |
| Less Accumulated Depreciation | (506) | (465) |
| Total Furniture and Fittings | 258 | 254 |
| Motor Vehicles | | |
| Motor Vehicles at Fair Value | 5,566 | 5,372 |
| Less Accumulated Depreciation | (2,244) | (2,025) |
| Total Motor Vehicles | 3,322 | 3,347 |
| Non-Medical Equipment | | |
| Non-Medical Equipment at Fair Value | 2,593 | 2,906 |
| Less Accumulated Depreciation | (2,134) | (2,414) |
| Total Non-Medical Equipment | 459 | 492 |

Bendigo Health Care Group
Notes to the Financial Statements for the Financial Year Ended 30 June 2019

Note 4.2: Property, Plant & Equipment

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

| | 2019 | 2018 |
|---|----------------|----------------|
| | \$'000 | \$'000 |
| Leased Assets Contracted under PPP Agreement | | |
| Leased Buildings at Fair Value | 582,670 | 771,227 |
| Less Accumulated Depreciation | 0 | (30,537) |
| | 582,670 | 740,690 |
| Leased Equipment at Fair Value | 21,055 | 20,805 |
| Less Accumulated Depreciation | (2,004) | (1,172) |
| | 19,051 | 19,633 |
| Total PPP Assets | 601,721 | 760,323 |
| Work In Progress | | |
| Work In Progress at Cost | 21,250 | 18,380 |
| Total Work In Progress | 21,250 | 18,380 |
| Total Property, Plant and Equipment | 798,356 | 973,248 |

Bendigo Health Care Group
Notes to the Financial Statements for the Financial Year Ended 30 June 2019
Note 4.2: Property, Plant & Equipment (Continued)
(b) Reconciliations of the carrying amounts of each class of asset.

| | Land \$'000 | Buildings \$'000 | Landscaping and Grounds \$'000 | Plant and Machinery \$'000 | Medical Equipment \$'000 | Computers and Communications \$'000 | Furniture and Fittings \$'000 | Motor Vehicles \$'000 | Non-Medical Equipment \$'000 | Leased Assets \$'000 | Work In Progress \$'000 | Total \$'000 |
|--|----------------|---------------------|--------------------------------------|----------------------------------|--------------------------------|---|-------------------------------------|-----------------------------|------------------------------------|----------------------------|-------------------------------|-----------------|
| Balance at 1 July 2017 | 19,240 | 131,704 | 1,563 | 2,347 | 29,347 | 18,203 | 243 | 3,368 | 1,533 | 740,815 | 16,700 | 965,064 |
| Additions | 0 | 760 | 0 | 138 | 1,115 | 1,216 | 50 | 819 | 14 | 41,891 | 6,081 | 52,085 |
| Disposals | 0 | 0 | 0 | 0 | (86) | (5) | 0 | (391) | 0 | 0 | 0 | (482) |
| Revaluation Increments / (Decrements) | 3,483 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3,483 |
| Jointly controlled Non-Current Assets (refer Note 8.8) | 0 | 0 | 0 | 0 | 0 | 89 | 0 | 0 | 0 | 0 | 0 | 89 |
| Assets Received Free of Charge | 0 | 0 | 0 | 0 | 47 | 7 | 0 | 0 | 0 | 0 | 0 | 54 |
| Net Transfers between Classes | 0 | 3,882 | 0 | 97 | 834 | (185) | 0 | 0 | (716) | 0 | (3,912) | 0 |
| Work in Progress Expensed | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (489) | (489) |
| Depreciation (refer note 4.3) | 0 | (10,254) | (42) | (329) | (5,760) | (6,961) | (39) | (449) | (339) | (22,383) | 0 | (46,556) |
| Balance at 30 June 2018 | 22,723 | 126,093 | 1,521 | 2,253 | 25,498 | 12,364 | 254 | 3,347 | 492 | 760,323 | 18,380 | 973,248 |
| Additions | 302 | 2,487 | 0 | 52 | 1,922 | 572 | 46 | 585 | 71 | 248 | 5,036 | 11,321 |
| Disposals | 0 | 0 | 0 | 0 | (401) | (6) | 0 | (175) | (17) | 0 | 0 | (599) |
| Revaluation Increments / (Decrements) | 2,189 | (11,178) | 1,220 | 0 | 0 | 0 | 0 | 0 | 0 | (135,227) | 0 | (142,996) |
| Jointly controlled Non-Current Assets (refer Note 8.8) | 0 | 0 | 0 | 0 | 0 | (11) | 0 | 0 | 0 | 0 | 0 | (11) |
| Assets Received Free of Charge | 0 | 0 | 0 | 0 | 80 | 0 | 0 | 0 | 0 | 0 | 0 | 80 |
| Net Transfers between Classes | 0 | 2,160 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (2,160) | 0 |
| Work in Progress Expensed | 0 | 0 | 0 | 0 | 0 | 9 | 0 | 0 | 0 | 0 | (6) | 3 |
| Depreciation (refer note 4.3) | 0 | (10,252) | (42) | (322) | (4,351) | (3,536) | (42) | (435) | (87) | (23,623) | 0 | (42,690) |
| Balance at 30 June 2019 | 25,214 | 109,310 | 2,699 | 1,983 | 22,748 | 9,392 | 258 | 3,322 | 459 | 601,721 | 21,250 | 798,356 |

The Valuer-General Victoria undertook to re-value all of Bendigo Health'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.

Bendigo Health Care Group
Notes to the Financial Statements for the Financial Year Ended 30 June 2019

Note 4.2: Property, Plant & Equipment (Continued)

(c) Fair value measurement hierarchy for assets

| Balance at 30 June 2019 | Fair value measurement at end of reporting period using: | | | |
|--|--|----------------------------------|----------------------------------|----------------------------------|
| | Carrying amount \$'000 | Level 1 ⁽ⁱ⁾ \$'000 | Level 2 ⁽ⁱ⁾ \$'000 | Level 3 ⁽ⁱ⁾ \$'000 |
| Land at fair value | | | | |
| Non-specialised land | 6,914 | 0 | 6,914 | 0 |
| Specialised land | 18,300 | 0 | 0 | 18,300 |
| Total of Land at fair value | 25,214 | 0 | 6,914 | 18,300 |
| Buildings at fair value | | | | |
| Non-specialised buildings | 3,684 | 0 | 3,684 | 0 |
| Specialised buildings | 105,626 | 0 | 0 | 105,626 |
| Total of Buildings at fair value | 109,310 | 0 | 3,684 | 105,626 |
| Landscaping and Grounds at fair value | | | | |
| Specialised Landscaping and Grounds | 2,699 | 0 | 0 | 2,699 |
| Total of Landscaping and Grounds at fair value | 2,699 | 0 | 0 | 2,699 |
| Plant and Machinery at fair value | | | | |
| Plant and Machinery | 1,983 | 0 | 0 | 1,983 |
| Total of Plant and Machinery at fair value | 1,983 | 0 | 0 | 1,983 |
| Medical Equipment at fair value | | | | |
| Medical Equipment | 22,748 | 0 | 0 | 22,748 |
| Total Medical Equipment at fair value | 22,748 | 0 | 0 | 22,748 |
| Computers and Communication at fair value | | | | |
| Computers and Communication | 9,392 | 0 | 0 | 9,392 |
| Total Computers and Communication at fair value | 9,392 | 0 | 0 | 9,392 |
| Furniture and Fittings at fair value | | | | |
| Furniture and Fittings | 258 | 0 | 0 | 258 |
| Total Furniture and Fittings at fair value | 258 | 0 | 0 | 258 |
| Motor Vehicles at fair value | | | | |
| Motor Vehicles | 3,322 | 0 | 0 | 3,322 |
| Total Motor Vehicles at fair value | 3,322 | 0 | 0 | 3,322 |
| Non-Medical Equipment at fair value | | | | |
| Non-Medical Equipment | 459 | 0 | 0 | 459 |
| Total Non-Medical Equipment at fair value | 459 | 0 | 0 | 459 |
| PPP Assets | | | | |
| PPP Assets | 601,721 | 0 | 0 | 601,721 |
| Total PPP Assets at fair value | 601,721 | 0 | 0 | 601,721 |
| | 777,106 | 0 | 10,598 | 766,508 |

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

Bendigo Health Care Group
Notes to the Financial Statements for the Financial Year Ended 30 June 2019

Note 4.2: Property, Plant & Equipment (Continued)

(c) Fair value measurement hierarchy for assets

| Balance at 30 June 2018 | Fair value measurement at end of reporting period using: | | | |
|--|--|----------------------------------|----------------------------------|----------------------------------|
| | Carrying amount \$'000 | Level 1 ⁽ⁱ⁾ \$'000 | Level 2 ⁽ⁱ⁾ \$'000 | Level 3 ⁽ⁱ⁾ \$'000 |
| Land at fair value | | | | |
| Non-specialised land | 8,457 | 0 | 8,457 | 0 |
| Specialised land | 14,266 | 0 | 0 | 14,266 |
| Total of Land at fair value | 22,723 | 0 | 8,457 | 14,266 |
| Buildings at fair value | | | | |
| Non-specialised buildings | 4,185 | 0 | 4,185 | 0 |
| Specialised buildings | 121,908 | 0 | 0 | 121,908 |
| Total of Buildings at fair value | 126,093 | 0 | 4,185 | 121,908 |
| Landscaping and Grounds at fair value | | | | |
| Specialised Landscaping and Grounds | 1,521 | 0 | 0 | 1,521 |
| Total of Landscaping and Grounds at fair value | 1,521 | 0 | 0 | 1,521 |
| Plant and Machinery at fair value | | | | |
| Plant and Machinery | 2,253 | 0 | 0 | 2,253 |
| Total of Plant and Machinery at fair value | 2,253 | 0 | 0 | 2,253 |
| Medical Equipment at fair value | | | | |
| Medical Equipment | 25,498 | 0 | 0 | 25,498 |
| Total Medical Equipment at fair value | 25,498 | 0 | 0 | 25,498 |
| Computers and Communication at fair value | | | | |
| Computers and Communication | 12,364 | 0 | 0 | 12,364 |
| Total Computers and Communication at fair value | 12,364 | 0 | 0 | 12,364 |
| Furniture and Fittings at fair value | | | | |
| Furniture and Fittings | 254 | 0 | 0 | 254 |
| Total Furniture and Fittings at fair value | 254 | 0 | 0 | 254 |
| Motor Vehicles at fair value | | | | |
| Motor Vehicles | 3,347 | 0 | 0 | 3,347 |
| Total Motor Vehicles at fair value | 3,347 | 0 | 0 | 3,347 |
| Non-Medical Equipment at fair value | | | | |
| Non-Medical Equipment | 492 | 0 | 0 | 492 |
| Total Non-Medical Equipment at fair value | 492 | 0 | 0 | 492 |
| PPP Assets | | | | |
| PPP Assets | 760,323 | 0 | 0 | 760,323 |
| Total PPP Assets at fair value | 760,323 | 0 | 0 | 760,323 |
| | 954,868 | 0 | 12,642 | 942,226 |

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

Bendigo Health Care Group
Notes to the Financial Statements for the Financial Year Ended 30 June 2019

Note 4.2: Property, Plant & Equipment (Continued)

(d) Reconciliation of Level 3 Fair Valueⁱ

| | Land \$ '000 | Buildings \$ '000 | Landscaping and Grounds \$ '000 | Plant and Machinery \$ '000 | Medical Equipment \$ '000 | Computers and Communication \$ '000 | Furniture and Fittings \$ '000 | Motor Vehicles \$ '000 | Non Medical Equipment \$ '000 | PPP Assets \$ '000 |
|--|-----------------|----------------------|---------------------------------------|-----------------------------------|---------------------------------|---|--------------------------------------|------------------------------|-------------------------------------|-----------------------|
| Balance at 1 July 2017 | 12,418 | 127,519 | 1,563 | 2,347 | 29,347 | 18,203 | 243 | 3,368 | 1,533 | 740,815 |
| Additions/(Disposals) | 0 | 4,643 | 0 | 235 | 1,911 | 1,122 | 50 | 428 | (702) | 41,891 |
| Gains or losses recognised in net result | | | | | | | | | | |
| - Depreciation | 0 | (10,254) | (42) | (329) | (5,760) | (6,961) | (39) | (449) | (339) | (22,383) |
| Items recognised in Other Comprehensive Income | | | | | | | | | | |
| - Revaluation | 1,848 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Balance at 30 June 2018 | 14,266 | 121,908 | 1,521 | 2,253 | 25,498 | 12,364 | 254 | 3,347 | 492 | 760,323 |
| Additions/(Disposals) | 4,034 | 4,641 | 0 | 52 | 1,601 | 564 | 46 | 410 | 54 | 250 |
| Gains or losses recognised in net result | | | | | | | | | | |
| - Depreciation | 0 | (10,252) | (42) | (322) | (4,351) | (3,536) | (42) | (435) | (87) | (23,623) |
| - Revaluation | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (49,227) |
| Items recognised in Other Comprehensive Income | | | | | | | | | | |
| - Revaluation | 0 | (10,671) | 1,220 | 0 | 0 | 0 | 0 | 0 | 0 | (86,002) |
| Balance at 30 June 2019 | 18,300 | 105,626 | 2,699 | 1,983 | 22,748 | 9,392 | 258 | 3,322 | 459 | 601,721 |

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

Bendigo Health Care Group
Notes to the Financial Statements for the Financial Year Ended 30 June 2019

Note 4.2: Property, Plant & Equipment (Continued)

(e) Fair value determination:

| Asset Class | Valuation approach | Significant inputs (Level 3 only)(c) |
|---|-------------------------------------|--|
| Specialised Land | <i>Market Approach</i> | Community Service Obligation (CSO) Adjustment (b) |
| Specialised Buildings | <i>Depreciated Replacement Cost</i> | Direct Cost per Square Metre Useful Life of Specialised Buildings |
| Non-Specialised Land and Non-Specialised Buildings | <i>Market Approach</i> | Not Applicable |
| Landscaping and Grounds | <i>Depreciated Replacement Cost</i> | Direct Replacement Cost Useful Life of Landscaping & Grounds |
| Plant and Machinery | <i>Depreciated Replacement Cost</i> | Cost Per Unit Useful Life of PPE |
| Medical Equipment | <i>Depreciated Replacement Cost</i> | Cost Per Unit Useful Life of Medical Equipment |
| Computers and Communication | <i>Depreciated Replacement Cost</i> | Cost Per Unit Useful Life of Computers & Communication Assets |
| Furniture and Fittings | <i>Depreciated Replacement Cost</i> | Cost Per Unit Useful Life of Furniture & Fittings |
| Motor Vehicles | <i>Depreciated Replacement Cost</i> | Cost Per Unit Useful Life of Motor Vehicles |
| Non-Medical Equipment | <i>Depreciated Replacement Cost</i> | Cost Per Unit Useful Life of Non-Medical Equipment |
| PPP Assets | <i>Depreciated Replacement Cost</i> | Useful Life of PPP Assets |

a) AASB 13 Fair Value Measurement provides an exemption for not for profit public sector entities from disclosing the sensitivity analysis relating to 'unrealised gains/(losses) on non-financial assets' if the assets are held primarily for their current service potential rather than to generate net cash inflows.

b) CSO adjustment of 20% was applied to reduce the market approach value for Bendigo Health Care Group's specialised land.

There were no changes in valuation techniques throughout the period to 30 June 2019.

Bendigo Health Care Group**Notes to the Financial Statements for the Financial Year Ended 30 June 2019****Note 4.2: Property, plant & equipment (continued)****(f) Revaluation Surplus**

| | 2019 | 2018 |
|--|---------------|----------------|
| | \$'000 | \$'000 |
| Property, Plant and Equipment Revaluation Surplus | | |
| Balance at the beginning of the reporting period | 110,635 | 107,152 |
| Revaluation Increment/(Decrement)(refer Note 4.2(b)) | | |
| - Land | 2,189 | 3,483 |
| - Landscaping and Grounds | 1,221 | 0 |
| - Buildings | (97,179) | 0 |
| Balance at the end of the reporting period* | 16,866 | 110,635 |
| * Represented by: | | |
| - Land | 15,112 | 12,923 |
| - Buildings | 0 | 97,179 |
| - Landscaping and Grounds | 1,754 | 533 |
| | 16,866 | 110,635 |

Bendigo Health Care Group
Notes to the Financial Statements for the Financial Year Ended 30 June 2019

Note 4.3: Depreciation

| | 2019 | 2018 |
|-----------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| Depreciation | | |
| Buildings | 10,252 | 10,254 |
| Landscaping and Grounds | 42 | 42 |
| Plant and Machinery | 322 | 329 |
| Medical Equipment | 4,351 | 5,760 |
| Computers and Communication | 3,536 | 6,961 |
| Furniture and Fittings | 42 | 39 |
| Motor Vehicles | 435 | 449 |
| Non-Medical Equipment | 87 | 339 |
| PPP Assets | 23,623 | 22,383 |
| Total Depreciation | 42,690 | 46,556 |

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 (refer AASB 116 Property, Plant, and Equipment).

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

| Non-public private partnership (PPP) assets | 2019 | 2018 |
|--|-----------------|-----------------|
| Buildings | | |
| - Structure Shell Building Fabric | 25 to 100 years | 25 to 100 years |
| - Site Engineering Services and Central Plant | 22 to 40 years | 22 to 40 years |
| Central Plant | | |
| - Fit Out | 25 years | 25 years |
| - Trunk Reticulated Building Systems | 30 years | 30 years |
| Landscaping and Grounds | 40 years | 40 years |
| Plant and Machinery | 4 to 20 years | 4 to 20 years |
| Medical Equipment | 3 to 20 years | 3 to 20 years |
| Computers and Communication | 3 to 5 years | 3 to 5 years |
| Furniture and Fitting | 4 to 20 years | 4 to 20 years |
| Motor Vehicles | 4 to 8 years | 4 to 8 years |
| Non Medical Equipment | 2 to 20 years | 2 to 20 years |
| Public private partnership (PPP) assets | | |
| Buildings | 25 years | 25 years |
| Equipment | 3 to 20 years | 3 to 20 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.

**Bendigo Health Care Group
Notes to the Financial Statements
For the Financial Year Ended 30 June 2019**

Note 5: Other Assets and Liabilities

This section sets out those assets and liabilities that arose from Bendigo Health's operations.

Structure

5.1 Receivables

5.2 Payables

5.3 Other Liabilities

Bendigo Health Care Group
Notes to the Financial Statements for the Financial Year Ended 30 June 2019

Note 5.1: Receivables

| | 2019 | 2018 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| CURRENT | | |
| Contractual | | |
| Inter Hospital Debtors | 788 | 1401 |
| Trade Debtors | 3,945 | 2,318 |
| Patient Fees | 2,781 | 2,959 |
| Accrued Investment Income | 0 | 77 |
| Accrued Revenue - Other | 3,554 | 2,733 |
| Less: Allowance for impairment losses of contractual receivables | | |
| Trade Debtors | (247) | (67) |
| Patient Fees | (194) | (213) |
| | 10,627 | 9,208 |
| Statutory | | |
| GST Receivable | 1,380 | 1,359 |
| | 1,380 | 1,359 |
| Total Current Receivables | 12,007 | 10,567 |
| NON CURRENT | | |
| Statutory | | |
| Long Service Leave - Department of Health and Human Services | 16,995 | 12,868 |
| | 16,995 | 12,868 |
| Total Non-Current Receivables | 16,995 | 12,868 |
| Total Receivables | 29,002 | 23,435 |

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

| | 2019 | 2018 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Balance at beginning of year | (280) | (191) |
| Increase in allowance recognised in net result | (161) | (89) |
| Balance at end of year | (441) | (280) |

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

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

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

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

Impairment losses of contractual receivables

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

Bendigo Health Care Group
Notes to the Financial Statements for the Financial Year Ended 30 June 2019

Note 5.2: Payables

| | 2019 | 2018 |
|----------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| CURRENT | | |
| Contractual | | |
| Accrued Expenses | 5,350 | 6,231 |
| Accrued Salaries and Wages | 6,197 | 6,231 |
| Salary Packaging | 98 | 70 |
| Inter Hospital Creditors | 373 | 221 |
| Trade Creditors | 13,535 | 10,772 |
| | 25,553 | 23,525 |
| Statutory | | |
| GST Payable | 239 | 186 |
| Unearned Income - DHHS | 951 | 8,622 |
| | 1,190 | 8,808 |
| Total Payables | 26,743 | 32,333 |

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 Bendigo Health 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 Nett 60 days.

Maturity analysis of payables

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

Bendigo Health Care Group**Notes to the Financial Statements for the Financial Year Ended 30 June 2019****Note 5.3: Other Liabilities**

| | 2019 | 2018 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| CURRENT | | |
| Monies Held in Trust* | | |
| - Accommodation Deposits (Refundable Entrance Fees) | 24,202 | 19,191 |
| - Community Packages | 3,265 | 2,064 |
| - Delirium Collaboration | 0 | 113 |
| - Local Loddon Leadership Group | 290 | 0 |
| - Loddon Mallee Leadership Group | 68 | 34 |
| - Loddon Mallee Regional Palliative Care Consortium | 1,186 | 858 |
| - Loddon Mallee Regional Palliative Care Consultancy | 14 | 17 |
| - Patient Monies Held in Trust | 471 | 465 |
| - Regional Integrated Cancer Service | 594 | 825 |
| Other | 107 | 161 |
| TOTAL CURRENT | 30,197 | 23,728 |
| NON CURRENT | | |
| Derivative Financial Instruments Payable | 7,812 | 0 |
| TOTAL NON CURRENT | 7,812 | 0 |
| Total Other Liabilities | 38,009 | 23,728 |
| * Total Monies Held in Trust | | |
| Represented by the following assets: | | |
| Cash Assets (refer to note 6.2) | 30,090 | 23,567 |
| Total | 30,090 | 23,567 |

Interest Rate Swap Derivative - cash flow hedge

Bendigo Health is party to a derivative financial instrument in order to hedge exposure to fluctuations in interest rate changes.

As required in the operating deed for the Bendigo Health public private partnership, Bendigo Health became responsible for the interest rate swap contract during the 2018-19 financial year in which it entered into an Interest Rate Swap (IRS) contract to fix the interest payable under the Quarterly Service Payments. The IRS is effective for the period of 3 June 2019 to 1 October 2041.

Bendigo Health has economic exposure to AUD bank bill swap rate BBSY indexed cash flow interest rate risk embedded in the Floating Rate Component (FRC) debt payments to Exemplar Health.

The objective of interest rate hedging is to mitigate the variability in AUD cash flows due to changes in BBSY benchmark interest rates associated with FRC payments to Exemplar Health.

Bendigo Health has transacted to pay fixed and receive floating BBSY interest rate with Treasury Corporation of Victoria (TCV) to fix the effective interest rate on its FRC payments. The rate fixed in the Interest Rate Swap is 2.054% compared to the variable BBSY rate of 1.4566% as at the end of the reporting period.

The swap contracts require settlement of net interest receivable or payable every 90 days. The settlement dates coincide with the dates on which interest is payable on the underlying debt.

For the purpose of this hedge relationship, BBSY cash flow exposures on FRC is an eligible hedged item under the requirements of *AASB 9 Financial Instruments*.

Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Bendigo Health only has the one hedging instrument, being an interest rate swap.

The full fair value of the hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is only classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The group designates derivatives as a cash flow hedge and the swap hedges interest rate risk associated with the cash flows of the PPP lease liability that has highly probable forecast transactions.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Cash flow hedges

The effective portion of changes in the fair value of the derivative that is designated and qualify as a cash flow hedge is recognised in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within other gains/(losses). The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance cost at the same time as the interest expense on the hedged borrowings.

Fair value measurement of derivative instruments

(i) Valuation techniques used to determine fair values

Interest Rate Swap – the present value of the estimated future cash flows based on observable swap yield curves.

The fair value estimate is included as 'recurring fair value measurements' in level 2 of the fair value hierarchy as described in note 4.2.

Bendigo Health Care Group
Notes to the Financial Statements
For the Financial Year Ended 30 June 2019

Note 6: How We Finance our Operations

This section provides information on the sources of finance utilised by Bendigo Health 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

Bendigo Health Care Group
Notes to the Financial Statements for the Financial Year Ended 30 June 2019

Note 6.1: Borrowings

| | 2019 | 2018 |
|--------------------------------------|----------------|----------------|
| | \$'000 | \$'000 |
| Current | | |
| DHHS Loan ¹ | 800 | 800 |
| Finance Lease Liability ² | 3,430 | 3,320 |
| Total Current Borrowings | 4,230 | 4,120 |
| Non-Current | | |
| DHHS Loan ¹ | 2,331 | 2,981 |
| Finance Lease Liability ² | 254,359 | 257,593 |
| Total Non Current Borrowings | 256,690 | 260,574 |
| Total Borrowings | 260,920 | 264,694 |

(1) DHHS unsecured loan which bears no interest.

(2) Finance Lease secured by assets leased. Finance leases are effectively secured as the rights to the leased assets revert to the lessor in the event of default. Note that the obligation of fulfilling PPP interest and principal payments over the PPP term rests with the Department of Health and Human Services. Bendigo Health Care Group records on behalf of the Department of Health and Human Services according to the information provided.

Maturity analysis of borrowings

Please refer to note 7.1(b) for the maturity analysis of borrowings.

Defaults and breaches

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

Finance lease liabilities

PPP Finance Lease Liabilities

Commissioned PPP related finance lease liabilities payable

| | Minimum future lease payments | | Present value of minimum future lease payments | |
|---|--------------------------------------|----------------|---|----------------|
| | 2019 | 2018 | 2019 | 2018 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Not longer than one year | 26,531 | 27,186 | 3,430 | 3,320 |
| Later than 1 year and not later than 5 years | 106,235 | 108,743 | 17,588 | 16,668 |
| Later than 5 years | 473,082 | 504,675 | 236,771 | 240,925 |
| Minimum future lease payments | 605,848 | 640,604 | 257,789 | 260,913 |
| - Less future finance charges | (243,203) | (315,869) | 0 | 0 |
| - Floating Rate Component (FRC) adjustment (i) | (104,856) | (63,822) | 0 | 0 |
| Total | 257,789 | 260,913 | 257,789 | 260,913 |
| Included in the financial statements as | | | | |
| Current borrowing finance lease liabilities | 0 | 0 | 3,430 | 3,320 |
| Non-Current borrowing finance lease liabilities | 0 | 0 | 254,359 | 257,593 |
| Total | 0 | 0 | 257,789 | 260,913 |

(i) Contingent lease payments/receipts adjust the minimum finance lease payments made for differences between the prevailing Bank Bill Rate and a fixed interest rate of 5.098% for the period May 2019 to April 2040 multiplied by the principal loan amount outstanding over that period. The forecast contingent lease receipts above have been calculated based on forward interest rates applying hedge accounting at a swap rate of 2.054% as at 30 June 2019 as provided by TCv.

Borrowing Recognition

A lease is a right to use an asset for an agreed period of time in exchange for payment. Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and rewards incidental to ownership.

Leases of property, plant and equipment are classified as finance leases whenever the terms of the lease transfers substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases, in the manner described in Note 6.3 Commitments.

Finance leases

Entity as lessee

The Bendigo Hospital facility was built through a Public Private Partnership arrangement between of State of Victoria and Exemplar Health. The Bendigo Health Care Group occupies the facility through a sublease agreement with Exemplar Health. The Bendigo Health Care Group, on behalf of the State of Victoria, agreed to record and report the State's obligations and associated accounting transactions as provided by the Department of Health and Human Services.

In relation to the PPP arrangement, although Bendigo Health has assumed the financial assets and liabilities in its accounts, the payments to the private provider are being made directly by the Department of Health and Human Services on a monthly basis, hence there is no cash flow impact on the Bendigo Health Care Group. The Bendigo Health Care Group will record the non-cash entries in its accounts in accordance with a financial model that has been developed by the Department of Health and Human Services.

The finance leases are recognised as assets and liabilities at amounts equal to the fair value of the lease property or, if lower, present value of the minimum lease payment, each determined at the inception of the lease. 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 finance leases are recognised as an expense in the period in which they are incurred.

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, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value is recognised in the net result over the period of the borrowings using the effective interest method.

Note 6.2: Cash and Cash Equivalents

| | 2019 | 2018 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Cash on hand (excluding Monies held in trust) | 10 | 10 |
| Cash at bank (excluding Monies held in trust) | 32,961 | 27,301 |
| Deposits at call (excluding Monies held in trust) | 0 | 10,366 |
| Cash on hand (Monies held in trust) | 9 | 9 |
| Cash at bank (Monies held in trust) | 30,081 | 23,107 |
| Deposits at call (Monies held in trust) | 0 | 430 |
| Cash for Joint Operation | 1,365 | 1,450 |
| Total Cash and Cash Equivalents | 64,426 | 62,673 |

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

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

Bendigo Health Care Group
Notes to the Financial Statements for the Financial Year Ended 30 June 2019

Note 6.3: Commitments for Expenditure

| | 2019 \$'000 | 2018 \$'000 |
|--|------------------|------------------|
| Operating Expenditure Commitments | | |
| Not later than one year | 2,041 | 2,322 |
| Later than 1 year and not later than 5 years | 8,166 | 8,947 |
| Later than 5 years | 40,318 | 41,509 |
| Total Other Expenditure Commitments | 50,525 | 52,778 |
| Non-cancellable Operating Lease Commitments | | |
| Not later than one year | 78 | 77 |
| Total Lease Commitments | 78 | 77 |
| Public private partnership commitments (commissioned) | | |
| Not later than one year | 33,269 | 32,788 |
| Later than 1 year and not later than 5 years | 147,923 | 143,120 |
| Later than 5 years | 998,887 | 1,048,452 |
| Total public private partnership commitments | 1,180,079 | 1,224,360 |
| Total commitments for expenditure (inclusive of GST) | 1,230,682 | 1,277,215 |
| Less GST recoverable from the Australian Tax Office | (111,880) | (116,110) |
| Total commitments for expenditure (exclusive of GST) | 1,118,802 | 1,161,105 |

The PPP expenditure commitments for Food Volume Adjustments are not included in expenditure commitments calculation as they are contingent on future food volumes supplied to Bendigo Health.

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

PPPs commitments (a)

| | 2019 | | 2018 | |
|-----------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | Other Commitments | Total Commitments | Other Commitments | Total Commitments |
| | Present Value \$'000 | Nominal Value \$'000 | Present Value \$'000 | Nominal Value \$'000 |
| Commissioned PPPs (b)(c) | | | | |
| Bendigo Health (d) | 541,334 | 1,180,079 | 541,371 | 1,224,360 |
| Sub-total | 541,334 | 1,180,079 | 541,371 | 1,224,360 |
| Total commitments for PPPs | 541,334 | 1,180,079 | 802,283 | 1,864,964 |

Notes:

(a) The present values of the minimum lease payments for commissioned PPPs are recognised on the balance sheet (not disclosed as commitments).

(b) The year on year reduction in the nominal amounts of the other commitments reflects the payments made.

(c) The year on year reduction in the present values of other commitments reflects payments, offset by the impact of one fewer year used for discounting.

(d) The table discloses only other operating and maintenance commitments for the New Bendigo Hospital project.

Commitments

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed by way of a note 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.

Bendigo Health has entered into commercial leases on certain medical equipment, computer equipment and property where it is not in the interest of the Health Service to purchase these assets. These leases have an average life of between 1 and 20 years with renewal terms included in the contracts. Renewals are at the option of Bendigo Health. There are no restrictions placed upon the lessee by entering into these leases.

Service concession arrangements

Bendigo Health is party to a service concession arrangement (SCA), which is an arrangement entered into with private sector participants to design and construct or upgrade assets used to provide public services. These arrangements are typically complex and usually include the provision of operational and maintenance services for a specified period of time. These arrangements are also referred to as public private partnerships (PPP).

With these arrangements, Bendigo Health or another party pay the operator over the period of the arrangement subject to specified performance criteria being met. At the date of commitment to the principal provisions of the arrangement, these estimated periodic payments are allocated between a component related to the design and construction or upgrading of the asset and components related to the ongoing operation and maintenance of the asset. The former component is accounted for as a lease payment in accordance with the lease policy. The remaining components are accounted for as commitments for operating costs which are expensed in the comprehensive operating statement as they are incurred.

Pursuant to the requirements of the Operating Deed signed by the State and Bendigo Health in 2017, the Department of Health and Human Services agrees to meet all payments (including leasing and operating) for which the State is liable and which are associated with the project. Bendigo Health has agreed to record and report all of the obligations of the state reflecting Bendigo Health's position as the government agency that controls the assets. Pursuant to the agreement for the project, the state has contributed to the constructions costs of the project to Exemplar Health during the construction phase. The Department of Health and Human Services made capital contributions to Bendigo Health to fund these payments.

Bendigo Health recognises a leased asset and corresponding lease liability in respect of the arrangement in accordance with the State's stated accounting policy for such arrangements.

Quarterly service payments will be made to Exemplar Health. Each payment includes an allowance for the remaining capital cost of the facility, the facilities maintenance and ancillary services to be delivered by Exemplar Health over the 25 year operating phase, interest rate service payments and equity return.

Pass through payments in relation to Bendigo Health utilities, medical and laboratory gases and waste disposal services are not included in PPP commitments as they are contingent on future amounts utilised in operating the hospital.

Bendigo Health has a PPP arrangement with Exemplar Health. The PPP arrangement is for a period of 25 years, which commenced in January 2017.

Bendigo Health Care Group
Notes to the Financial Statements
For the Financial Year Ended 30 June 2019

Note 7: Risks, Contingencies & Valuation Uncertainties

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

Structure

7.1 Financial Instruments

Bendigo Health Care Group
Notes to the Financial Statements for the Financial Year Ended 30 June 2019

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

(a) Financial Instruments : Categorisation

| | Financial Assets at Amortised Cost \$'000 | Financial Assets at Fair Value Through Profit & Loss \$'000 | Financial Liabilities at Fair Value Used for Hedging \$'000 | Financial Liabilities at Amortised Cost \$'000 | Total \$'000 |
|---|--|---|---|---|-----------------|
| 2019 | | | | | |
| Contractual Financial Assets | | | | | |
| Cash and cash equivalents | 64,426 | 0 | 0 | 0 | 64,426 |
| Receivables | | | | | |
| - Trade Debtors | 3,945 | 0 | 0 | 0 | 3,945 |
| - Inter Hospital Debtors | 788 | 0 | 0 | 0 | 788 |
| - Other Receivables | 5,894 | 0 | 0 | 0 | 5,894 |
| Investments and Other Financial Assets | | | | | |
| - Shares in Other Entities | 0 | 84 | 0 | 0 | 84 |
| Total Financial Assets ⁽ⁱ⁾ | 75,053 | 84 | 0 | 0 | 75,137 |
| Financial Liabilities | | | | | |
| Payables | 0 | 0 | 0 | 25,553 | 25,553 |
| Borrowings | 0 | 0 | 0 | 260,920 | 260,920 |
| Other Financial Liabilities | | | | | |
| - Interest Rate Swap | 0 | 0 | 7,812 | 0 | 7,812 |
| - Other | 0 | 0 | 0 | 30,197 | 30,197 |
| Total Financial Liabilities ⁽ⁱ⁾ | 0 | 0 | 7,812 | 316,670 | 324,482 |

| | Contractual financial assets - loans and receivables and cash \$'000 | Contractual financial assets/liabilities designated at fair value through profit/loss \$'000 | Contractual financial liabilities at amortised cost \$'000 | Total \$'000 |
|--|---|---|--|-----------------|
| 2018 | | | | |
| Contractual Financial Assets | | | | |
| Cash and cash equivalents | 62,673 | 0 | 0 | 62,673 |
| Receivables | | | | |
| - Trade Debtors | 315 | 0 | 0 | 315 |
| - Inter Hospital Debtors | 1,401 | 0 | 0 | 1,401 |
| - Other Receivables | 7,492 | 0 | 0 | 7,492 |
| Other Financial Assets | | | | |
| - Term Deposit | 20 | 0 | 0 | 20 |
| - Shares in Other Entities | 0 | 117 | 0 | 117 |
| Total Financial Assets (i) | 71,901 | 117 | 0 | 72,018 |
| Financial Liabilities | | | | |
| Payables | 0 | 0 | 23,525 | 23,525 |
| Borrowings | 0 | 0 | 264,694 | 264,694 |
| Other Financial Liabilities | | | | |
| - Other | 0 | 0 | 23,728 | 23,728 |
| Total Financial Liabilities (i) | 0 | 0 | 311,947 | 311,947 |

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

From 1 July 2018, Bendigo Health applies AASB 9 and classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms.

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 profit & loss:

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

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.

Bendigo Health recognises the following assets in this category:

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

Financial assets at fair value through profit & loss

Equity instruments that are held for trading as well as derivative instruments are classified as fair value through profit & loss. Other financial assets are required to be measured at fair value through profit & loss 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, Bendigo Health may, at initial recognition, irrevocably designate financial assets as measured at fair value through profit & loss 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.

Bendigo Health recognises listed equity securities as mandatorily measured at fair value through profit & loss.

Categories of financial assets previously under AASB 139

Loans and receivables and cash are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets and liabilities are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, loans and receivables are measured at amortised cost using the effective interest method (and for assets, less any impairment). Bendigo Health recognises the following assets in this category:

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

Available-for-sale financial instrument assets are those designated as available-for-sale or not classified in any other category of financial instrument asset. Such assets are initially recognised at fair value. Subsequent to initial recognition, they are measured at fair value with gains and losses arising from changes in fair value, recognised in 'Other economic flows – other comprehensive income' until the investment is disposed. Movements resulting from impairment and foreign currency changes are recognised in the net result as other economic flows. On disposal, the cumulative gain or loss previously recognised in 'Other economic flows – other comprehensive income' is transferred to other economic flows in the net result.

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

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

Derecognition of financial assets: A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the asset have expired.

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

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

The allowance is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. In assessing impairment of statutory (non-contractual) financial assets, which are not financial instruments, professional judgement is applied in assessing materiality using estimates, averages and other computational methods in accordance with AASB 136 *Impairment of Assets*.

Hedging instruments – interest rate swap

Where all relevant criteria are met, hedge accounting is applied to remove the accounting mismatch between the hedging instrument and the hedged item. This will effectively result in recognising interest expense at a fixed interest rate for the hedged floating rate lease liability.

Hedge ineffectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

The group entered into an interest rate swap that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. The group does not hedge 100% of its loans, therefore the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps. As all critical terms matched during the year, the economic relationship was 100% effective.

Hedge ineffectiveness for interest rate swaps is assessed by performing a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the group uses the hypothetical derivative method to assess effectiveness.

Hedge ineffectiveness may occur due to:

- the credit value/debit value adjustment on the interest rate swaps which is not matched by the lease liability, and
- differences in critical terms between the interest rate swaps and loans.

There was no ineffectiveness during 2019 in relation to the interest rate swap.

Bendigo Health Care Group
Notes to the Financial Statements for the Financial Year Ended 30 June 2019

Note 7.1 (b): Maturity Analysis of Financial Liabilities as at 30 June

The tables below analyse the group's financial liabilities into relevant maturity groupings based on their contractual maturities for:

- all non-derivative financial liabilities, and
- net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

For interest rates applicable to each class of liability refer to individual notes to the financial statements.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. For interest rate swaps the cash flows have been estimated using forward interest rates applicable at the end of the reporting period.

Maturity Analysis of Financial Liabilities as at 30 June

| | Note | Carrying Amount \$'000 | Nominal Amount \$'000 | Maturity Dates | | | |
|------------------------------------|------|---------------------------|--------------------------|--------------------------------|----------------------|--------------------------------|--------------------|
| | | | | Less than 1 Month \$'000 | 1-3 Months \$'000 | 3 months - 1 Year \$'000 | 1+ Years \$'000 |
| 2019 | | | | | | | |
| Financial Liabilities | | | | | | | |
| <i>At amortised cost</i> | | | | | | | |
| Payables | 5.2 | 25,553 | 25,553 | 25,453 | 79 | 21 | 0 |
| Borrowings | 6.1 | 260,920 | 260,920 | 0 | 763 | 3,467 | 256,690 |
| Other Financial Liabilities (i) | | | | | | | |
| - Accommodation Deposits | 5.3 | 24,202 | 24,202 | 0 | 0 | 24,202 | 0 |
| - Other | 5.3 | 5,995 | 5,995 | 5,995 | 0 | 0 | 0 |
| Total Financial Liabilities | | 316,670 | 316,670 | 31,448 | 842 | 27,690 | 256,690 |
| Derivatives | | | | | | | |
| Interest Rate Swaps | | 7,812 | 7,812 | 0 | 0 | 0 | 7,812 |
| Total Derivatives | | 7,812 | 7,812 | 0 | 0 | 0 | 7,812 |
| 2018 | | | | | | | |
| Financial Liabilities | | | | | | | |
| <i>At amortised cost</i> | | | | | | | |
| Payables | 5.2 | 23,525 | 23,525 | 23,397 | 101 | 27 | 0 |
| Borrowings | 6.1 | 264,694 | 264,694 | 0 | 754 | 3,366 | 260,574 |
| Other Financial Liabilities (i) | | | | | | | |
| - Accommodation Deposits | 5.3 | 19,191 | 19,191 | 0 | 0 | 19,191 | 0 |
| - Other | 5.3 | 4,537 | 4,537 | 4,537 | 0 | 0 | 0 |
| Total Financial Liabilities | | 311,947 | 311,947 | 27,934 | 855 | 22,584 | 260,574 |

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

Bendigo Health Care Group
Notes to the Financial Statements for the Financial Year Ended 30 June 2019

Note 7.1 (c): Contractual receivables at amortised cost

| 2018 | Current | Less than 1 month | 1-3 months | 3 months -1 year | 1-5 years | Total |
|--|----------------|------------------------------|-----------------------|-----------------------------|----------------------|---------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Expected loss rate | 1% | 1% | 5% | 15% | 60% | |
| Gross carrying amount of contractual receivables | 3,199 | 1,212 | 567 | 702 | 174 | 5,854 |
| Loss allowance | 32 | 12 | 28 | 104.35 | 104 | 280 |
| 2019 | Current | Less than 1 month | 1-3 months | 3 months -1 year | 1-5 years | Total |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Trade Debtors | | | | | | |
| Expected loss rate | 1% | 1% | 5% | 10% | 50% | |
| Gross carrying amount of contractual receivables | 2,761 | 734 | 1,002 | 809 | 173 | 5,479 |
| Loss allowance | 28 | 7 | 50 | 81 | 87 | 253 |
| Other Receivables | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Expected loss rate | 60% | | | | | |
| Gross carrying amount of contractual receivables | 314 | - | - | - | - | 314 |
| Loss allowance | 188 | - | - | - | - | 188 |
| Total loss allowance | 216 | 7 | 50 | 81 | 87 | 441 |

Impairment of financial assets under AASB 9 – applicable from 1 July 2018

From 1 July 2018, Bendigo Health has been recording the allowance for expected credit loss for the relevant financial instruments, replacing AASB 139's incurred loss approach with AASB 9's Expected Credit Loss approach. Subject to AASB 9 impairment assessment include the Bendigo Health's contractual receivables, statutory receivables and its investment in debt instruments.

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

Contractual receivables at amortised cost

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

On this basis, Bendigo Health determines the opening loss allowance on initial application date of AASB 9 and the closing loss allowance at end of the financial year as disclosed above.

Reconciliation of the movement in the loss allowance for contractual receivables

| | 2019 | 2018 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Balance at beginning of the year | (280) | (191) |
| Opening retained earnings adjustment on adoption of AASB 9 | 0 | 0 |
| Opening Loss Allowance | (280) | (191) |
| Increase in provision recognised in the net result | (161) | (89) |
| Balance at end of the year | (441) | (280) |

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

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

The statutory receivables are considered to have low credit risk, taking into account the counterparty's credit rating, risk of default and capacity to meet contractual cash flow obligations in the near term. As the result, the loss allowance recognised for these financial assets during the period was limited to 12 months expected losses. No loss allowance was recognised at 30 June 2018 under AASB 139. No additional loss allowance is required upon transition into AASB 9 on 1 July 2018.

Cash flow and fair value interest rate risk

The group's main interest rate risk arises from the long-term PPP lease liability which has a variable rate which exposes the group to cash flow interest rate risk. During the year, the group entered into an interest rate swap arrangement to effectively result in fixed interest as detailed in note 5.3.

An analysis by maturity is provided in Note 7.1(b).

Bendigo Health Care Group
Notes to the Financial Statements
For the Financial Year Ended 30 June 2019

Note 8: Other Disclosures

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

Structure

- 8.1 Reconciliation of Net Result for the Year to Net Cash Inflow/(Outflow) from Operating Activities
- 8.2 Responsible Persons Disclosure
- 8.3 Remuneration of Executive Officers
- 8.4 Related Parties
- 8.5 Remuneration of Auditors
- 8.6 Ex-gratia Payments
- 8.7 Events Occurring after the Balance Sheet Date
- 8.8 Jointly Controlled Operations
- 8.9 Economic Dependency
- 8.10 AASBs Issued That are Not Yet Effective
- 8.11 Changes in accounting policy and revision of estimates
- 8.12 Glossary

Bendigo Health Care Group**Notes to the Financial Statements for the Financial Year Ended 30 June 2019****Note 8.1: Reconciliation of Net Result for the Year to Net Cash from Operating Activities**

| | 2019 | 2018 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Net Result for the Year | (84,665) | (31,291) |
| Non-cash movements: | | |
| Depreciation | 42,690 | 46,556 |
| Assets Received Free of Charge | (80) | (54) |
| Capital Expenditure transferred from WIP | 0 | 489 |
| PPP - Net Non-cash Payments Paid by DHHS | (3,643) | (3,369) |
| PPP - Leased Asset | 0 | (41,891) |
| Movement in Value of Shares | 183 | 9 |
| Impairment Loss from Revaluation of Property, Plant & Equipment | 49,227 | 0 |
| Movements included in investing and financing activities: | | |
| Net Loss from Sale of Plant and Equipment | 439 | 147 |
| Movements in assets and liabilities: | | |
| Change in Operating Assets & Liabilities | | |
| (Increase)/Decrease in Trade and Other Receivables | (5,155) | 551 |
| (Increase)/Decrease in Prepayments and Other Assets | 903 | 23,842 |
| (Increase)/Decrease in Inventories | (133) | 0 |
| Increase/(Decrease) in Trade and Other Payables | (5,590) | 4,131 |
| Increase/(Decrease) in Employee Benefits | 12,935 | 6,467 |
| Increase/(Decrease) in Borrowings | 0 | 12,801 |
| Net Cash Inflow/(Outflow) From Operating Activities | 7,111 | 18,417 |

Bendigo Health Care Group
Notes to the Financial Statements for the Financial Year Ended 30 June 2019

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.

| | | <u>Period</u> |
|--|-----------------|-------------------------|
| Responsible Ministers: | | |
| The Honourable Jill Hennessy, Minister for Health and Minister for Ambulance Services | | 01/07/2018 - 29/11/2018 |
| The Honourable Jenny Mikakos, Minister for Health and Minister for Ambulance Services | | 29/11/2018 - 30/06/2019 |
| The Honourable Martin Foley, Minister for Mental Health | | 01/07/2018 - 30/06/2019 |
| The Honourable Martin Foley, Minister for Housing, Disability and Ageing | | 01/07/2018 - 29/11/2018 |
| The Honourable Luke Donnellan, Minister for Child Protection, Minister for Disability, Ageing and Carers | | 29/11/2018 - 30/06/2019 |
| Governing Boards | | |
| Mr B Cameron | Chair | 01/07/2018 - 30/06/2019 |
| Mr A Woods | Director | 01/07/2018 - 30/06/2019 |
| Ms S Clarke | Director | 01/07/2018 - 30/06/2019 |
| Ms M Beaumont | Director | 01/07/2018 - 30/06/2019 |
| Ms D Foggo | Director | 01/07/2018 - 30/06/2019 |
| Mr M McCartney | Director | 01/07/2018 - 30/06/2019 |
| Dr U Masood | Director | 01/07/2018 - 30/06/2019 |
| Dr E Piejko | Director | 01/07/2018 - 30/06/2019 |
| Ms S Ross | Director | 01/07/2018 - 15/10/2018 |
| Accountable Officers | | |
| Mr P Faulkner | Chief Executive | 01/07/2018 - 30/06/2019 |

Remuneration of Responsible Persons

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

| Income Band | 2019 | 2018 |
|--|--------------|--------------|
| | No. | No. |
| \$0,000-\$9,999 | 1 | 0 |
| \$10,000-\$19,999 | 0 | 1 |
| \$20,000-\$29,999 | 7 | 7 |
| \$50,000-\$59,999 | 1 | 1 |
| \$360,000-\$369,999 | 0 | 1 |
| \$390,000-\$399,999 | 1 | 0 |
| Total Numbers | 10 | 10 |
| | 2019 | 2018 |
| | (\$'000) | (\$'000) |
| Total remuneration received or due and receivable by Responsible Persons from the reporting entity amounted to: | \$646 | \$599 |

Amounts relating to the Governing Board Members and Accountable Officer are disclosed in Bendigo Health's financial statements.

Amounts relating to Responsible Ministers are reported within the Department of Parliamentary Services' Financial Report.

Note 8.3: Remuneration of Executive Officers

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 | Total Remuneration | |
|---|--------------------|----------------|
| | 2019 | 2018 |
| | (\$'000) | (\$'000) |
| Short term employee benefits | 1,981 | 2,347 |
| Post-employment benefits | 176 | 212 |
| Other long-term benefits | 50 | 59 |
| Termination benefits | 0 | 93 |
| Total Remuneration | \$2,207 | \$2,711 |
| Total number of executives | 8 | 9 |
| Total Annualised Employee Equivalent¹ | 7 | 8 |

¹ 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 include amounts such as wages, salaries, annual leave or sick leave that are usually paid or payable on a regular basis, as well as non-monetary benefits such as allowances and free or subsidised goods or services.

Post-employment benefits include pensions and other retirement benefits paid or payable on a discrete basis when employment has ceased.

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

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

Other factors

Several factors affected total remuneration payable to executives over the year. A number of employment contracts were completed during the year and negotiated and a number of executives received bonus payments during the year. These bonus payments depend on the terms of individual employment contracts.

Bendigo Health underwent a restructure that came into effect on 1/10/18. There was one less executive officer after the restructure. This has reduced the total remuneration for the current year.

One executive officer was retrenched in the prior year. This has had a significant impact on total remuneration figures for the termination benefits category

Bendigo Health Care Group
Notes to the Financial Statements for the Financial Year Ended 30 June 2019

Note 8.4: Related parties

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

- All key management personnel (KMP) and their close family members;
- Cabinet ministers (where applicable) and their close family members; and
- Jointly Controlled Operation - A member of the Loddon Mallee Rural Health Alliance; and
- All hospitals and public sector entities that are controlled and consolidated into the whole of state consolidated financial statements.

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

The Board of Directors and the Chief Executive Officer of Bendigo Health are deemed to be KMPs.

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

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.

| Compensation - KMPs | 2019 (\$'000) | 2018 (\$'000) |
|------------------------------|--------------------------|--------------------------|
| Short-term Employee Benefits | 585 | 606 |
| Post-employment benefits | 52 | 57 |
| Other long-term benefits | 9 | 9 |
| Termination benefits | 0 | 28 |
| Total¹ | \$646 | \$700 |

¹ KMPs are also reported in Note 8.2 Responsible Persons

Significant Transactions with Government Related Entities

Bendigo Health received funding from the Department of Health and Human Services of \$456m (2018: \$423m) and indirect contributions of \$0.2m (2018: \$0.2m).

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

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

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

Transactions with KMPs and other related parties

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

Outside of normal citizen type transactions with Bendigo Health, there were no related party transactions that involved key management personnel, 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 2019.

Transactions with related parties which were at arms length basis included (ex GST):

| Related Party Entity | Paid \$'000 | Payable \$'000 | Detail | General Nature of Transactions |
|--|------------------------|---------------------------|------------------------------|---------------------------------------|
| Ambulance Victoria | 1,481 | 54 | 1 Board Member is a Director | Patient Transport Services |
| Bendigo Kangan Institute | 17 | 0 | 1 Board Member is a Director | Staff & Student Training |
| Coliban Region Water Corporation | 686 | 45 | 1 Board Member is a Director | General Rates & Charges |
| Loddon Mallee Housing Services Ltd | 93 | 6 | 1 Board Member is a Director | Program Delivery |
| Monash University | 248 | 0 | 1 Board Member is a Lecturer | Training & room hire |
| Victorian Hospitals Industrial Association | 60 | 0 | The CEO is a Director | Membership fees |

Bendigo Health Care Group
Notes to the Financial Statements for the Financial Year Ended 30 June 2019

Note 8.5: Remuneration of auditors

Victorian Auditor-General's Office

Audit of the financial statements

| | 2019 | 2018 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| | 68 | 60 |
| | 68 | 60 |

Note 8.6: Ex-gratia Payments

Bendigo Health has made the following ex gratia expenses:

Forgiveness or waiver of debt
 Compensation for economic loss

Total ex-gratia expenses

| | 2019 | 2018 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| | 17 | 0 |
| | 228 | 0 |
| | 245 | 0 |

Includes ex-gratia for both individual items and in aggregate that are greater than or equal to \$5,000.

All Ex gratia items noted above have been disclosed within employee expenses.

Note 8.7: Events occurring after the Balance Sheet date

There are no events occurring after the Balance Sheet Date.

Bendigo Health Care Group**Notes to the Financial Statements for the Financial Year Ended 30 June 2019****Note 8.8: Jointly Controlled Operations**

| Name of entity | Principal Activity | Ownership Interest | |
|-------------------------------------|---------------------------|---------------------------|-------------|
| | | 2019 | 2018 |
| Loddon Mallee Rural Health Alliance | Information Technology | 20.76% | 21.48% |

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

| | 2019 | 2018 |
|----------------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| CURRENT ASSETS | | |
| Cash and Cash Equivalents | 1,365 | 1,450 |
| Receivables | 118 | 126 |
| Other | 257 | 137 |
| Total Current Assets | 1,740 | 1,713 |
| NON CURRENT ASSETS | | |
| Property, Plant and Equipment | 116 | 121 |
| Total Non Current Assets | 116 | 121 |
| Total Assets | 1,856 | 1,834 |
| CURRENT LIABILITIES | | |
| Payables | 319 | 330 |
| Total Current Liabilities | 319 | 330 |
| Total Liabilities | 319 | 330 |
| Net Assets | 1,537 | 1,504 |

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

| | 2019 | 2018 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| REVENUES | | |
| Operating Activities | 1,508 | 1,498 |
| Capital Purpose Income | 214 | 0 |
| Total Revenue | 1,722 | 1,498 |
| EXPENSES | | |
| Other Expenses from Continuing Operations | 1,493 | 1,526 |
| Expenditure using Capital Purpose Income | 196 | 1 |
| Total Expenses | 1,689 | 1,527 |
| Net Result | 33 | (29) |

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

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

Bendigo Health Care Group
Notes to the Financial Statements for the Financial Year Ended 30 June 2019

Note 8.9: Economic dependency

Bendigo Health 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 will not continue to support Bendigo Health.

Note 8.10: AASBs issued that are not yet effective

Certain new Australian accounting standards have been published that are not mandatory for the 30 June 2019 reporting period. Department of Treasury and Finance assesses the impact of all these new standards and advises Bendigo Health of their applicability and early adoption where applicable.

Appendix 1 lists all the standards and interpretations that have been issued by the AASB but were not yet effective at 30 June 2019. They become effective for the first financial statements for reporting periods commencing after the stated operative dates. Bendigo Health has not and does not intend to adopt these standards early.

Bendigo Health Care Group
Notes to the Financial Statements for the Financial Year Ended 30 June 2019

Note 8.11: Changes in accounting policy and revision of estimates

Changes in accounting policy

Bendigo Health has elected to apply the limited exemption in AASB 9 paragraph 7.2.15 relating to transition for classification and measurement and impairment, and accordingly has not restated comparative periods in the year of initial application. As a result:

(a) any adjustments to carrying amounts of financial assets or liabilities are recognised at beginning of the current reporting period with difference recognised in opening retained earnings; and

(b) financial assets and provision for impairment have not been reclassified and/or restated in the comparative period.

This note explains the impact of the adoption of AASB 9 Financial Instruments on the Bendigo Health's financial statements.

Changes to classification and measurement

On initial application of AASB 9 on 1 July 2018, Bendigo Health's management has assessed for all financial assets based on Bendigo Health's business models for managing the assets. The following are the changes in the classification of Bendigo Health's financial assets.

Summary of reclassification of assets and liabilities

| As at 30 June 2018 | AASB 139 Measurement Categories | AASB 9 Measurement Categories | |
|--|---------------------------------------|---|----------------|
| | | Fair value through net result (designated) | Amortised cost |
| AASB 139 Measurement Categories | | | |
| Loan and receivables | | | |
| Cash & Cash Equivalents | 62,673 | 0 | 62,673 |
| Trade Debtors | 315 | 0 | 315 |
| Other receivables | 8,893 | 0 | 8,893 |
| Held to maturities | | | |
| Term deposits | 20 | 0 | 20 |
| Fair value through net result | | | |
| Shares in other entities | 117 | 117 | 0 |
| As at 1 July 2018 | 72,018 | 117 | 71,901 |

Changes to the impairment of financial assets

Under AASB 9, all loans and receivables not carried at fair value through profit & loss are subject to AASB 9's new expected credit loss (ECL) impairment model, which replaces AASB 139's incurred loss approach.

Bendigo Health applies the AASB 9 simplified approach to measure expected credit losses based on the change in the ECLs over the life of the asset. Application of the lifetime ECL allowance method as at 30 June 2018 results in a decrease in the impairment loss allowance of \$51,000. As the decrease was insignificant, no adjustment was made to the retained earnings as at 1 July 2018. Refer to note 7.1 (c) for details about the calculation of the allowance. The loss allowance increased by \$212,000 for these financial assets during the financial year.

Note 8.12: Glossary of terms and style conventions

Actuarial gains or losses on superannuation defined benefit plans

Actuarial gains or losses are changes in the present value of the superannuation defined benefit liability resulting from:

- experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred); and
- the effects of changes in actuarial assumptions.

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'.

Effective interest method

The effective interest method is used to calculate the amortised cost of a financial asset or liability and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument, or, where appropriate, a shorter period

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.

Ex gratia expenses

Ex-gratia expenses mean the voluntary payment of money or other non-monetary benefit (e.g. a write off) that is not made either to acquire goods, services or other benefits for the entity or to meet a legal liability, or to settle or resolve a possible legal liability, or claim against the entity.

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 favorable 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 unfavorable 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.

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.

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.

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.

**Bendigo Health Care Group
Notes to the Financial Statements
For the Financial Year Ended 30 June 2019**

Appendix 1

Issued but not yet effective Australian accounting and reporting pronouncements

The table below is provided to assist entities in updating their disclosure in relation to the Australian accounting standards that are issued but not yet effective for 2018-19 in accordance with paragraph 30 of AASB 108. This disclosure should be included in the *Summary of Significant Accounting Policies* note of entities' financial reports. Entities are expected to review the relevance of the proposed disclosure based on their own circumstances.

| Standard/ Interpretation | Summary | Applicable for annual reporting periods beginning on | Impact on public sector entity financial statements |
|--|---|--|---|
| AASB 15 <i>Revenue from Contracts with Customers</i> | The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer. Note that amending standard AASB 2015 8 <i>Amendments to Australian Accounting Standards – Effective Date of AASB 15</i> has deferred the effective date of AASB 15 to annual reporting periods beginning on or after 1 January 2018, instead of 1 January 2017 for Not-for-Profit entities. | 1 Jan 2019 | The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. Revenue from grants that are provided under an enforceable agreement that have sufficiently specific obligations, will now be deferred and recognised as the performance obligations attached to the grant are satisfied. The standard is not expected to have a significant impact for Bendigo Health. |

**Bendigo Health Care Group
Notes to the Financial Statements
For the Financial Year Ended 30 June 2019**

Appendix 1 (Continued)

| Standard/ Interpretation | Summary | Applicable for annual reporting periods beginning on | Impact on public sector entity financial statements |
|--|--|---|--|
| AASB 2016-8 <i>Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities</i> | <p>AASB 2016-8 inserts Australian requirements and authoritative implementation guidance for not-for-profit-entities into AASB 9 and AASB 15.</p> <p>This Standard amends AASB 9 and AASB 15 to include requirements to assist not-for-profit entities in applying the respective standards to particular transactions and events.</p> | 1 Jan 2019 | <p>This standard clarifies the application of AASB 15 and AASB 9 in a not-for-profit context. The areas within these standards that are amended for not-for-profit application include:</p> <p>AASB 9</p> <ul style="list-style-type: none"> • Statutory receivables are recognised and measured similarly to financial assets. <p>AASB 15</p> <ul style="list-style-type: none"> • The ‘customer’ does not need to be the recipient of goods and/or services; • The “contract” could include an arrangement entered into under the direction of another party; • Contracts are enforceable if they are enforceable by legal or ‘equivalent means’; • Contracts do not have to have commercial substance, only economic substance; and • Performance obligations need to be ‘sufficiently specific’ to be able to apply AASB 15 to these transactions. |

**Bendigo Health Care Group
Notes to the Financial Statements
For the Financial Year Ended 30 June 2019**

Appendix 1 (Continued)

| Standard/ Interpretation | Summary | Applicable for annual reporting periods beginning on | Impact on public sector entity financial statements |
|---|---|--|---|
| AASB 16 <i>Leases</i> | The key changes introduced by AASB 16 include the recognition of most operating leases (which are currently not recognised) on balance sheet. | 1 Jan 2019 | <p>The assessment has indicated that most operating leases, with the exception of short term and low value leases will come on to the balance sheet and will be recognised as right of use assets with a corresponding lease liability.</p> <p>In the operating statement, the operating lease expense will be replaced by depreciation expense of the asset and an interest charge.</p> <p>There will be no change for lessors as the classification of operating and finance leases remains unchanged.</p> <p>Bendigo Health has determined that the impact of AASB16 is the recording onto the balance sheet a right-of-use asset and lease liability of \$33.4m and a profit & loss impact of (\$471k). The estimate has been based on software templates and guidance as provided by the Department of Treasury and Finance.</p> |
| AASB 2018-8 <i>Amendments to Australian Accounting Standards – Right of Use Assets of Not-for-Profit entities</i> | This standard amends various other accounting standards to provide an option for not-for-profit entities to not apply the fair value initial measurement requirements to a class or classes of right of use assets arising under leases with significantly below-market terms and conditions principally to enable the entity to further its objectives. This Standard also adds additional disclosure requirements to AASB 16 for not-for-profit entities that elect to apply this option. | 1 Jan 2019 | <p>Under AASB 1058, not-for-profit entities are required to measure right-of-use assets at fair value at initial recognition for leases that have significantly below-market terms and conditions.</p> <p>For right-of-use assets arising under leases with significantly below market terms and conditions principally to enable the entity to further its objectives (peppercorn leases), AASB 2018-8 provides a temporary option for Not-for-Profit entities to measure at initial recognition, a class or classes of right-of-use assets at cost rather than at fair value and requires disclosure of the adoption.</p> <p>The State has elected to apply the temporary option in AASB 2018-8 for not-for-profit entities to not apply the fair value provisions under AASB 1058 for these right-of-use assets.</p> <p>In making this election, the State considered that the methodology of valuing peppercorn leases was still being developed.</p> |

**Bendigo Health Care Group
Notes to the Financial Statements
For the Financial Year Ended 30 June 2019**

Appendix 1 (Continued)

| Standard/ Interpretation | Summary | Applicable for annual reporting periods beginning on | Impact on public sector entity financial statements |
|--|--|--|---|
| AASB 1058 <i>Income of Not-for-Profit Entities</i> | <p>AASB 1058 will replace the majority of income recognition in relation to government grants and other types of contributions requirements relating to public sector not-for-profit entities, previously in AASB 1004 <i>Contributions</i>.</p> <p>The restructure of administrative arrangement will remain under AASB 1004 and will be restricted to government entities and contributions by owners in a public sector context,</p> <p>AASB 1058 establishes principles for transactions that are not within the scope of AASB 15, where the consideration to acquire an asset is significantly less than fair value to enable not-for-profit entities to further their objective.</p> | 1 Jan 2019 | <p>Grant revenue is currently recognised up front upon receipt of the funds under AASB 1004 <i>Contributions</i>.</p> <p>The timing of revenue recognition for grant agreements that fall under the scope of AASB 1058 may be deferred. For example, revenue from capital grants for the construction of assets will need to be deferred and recognised progressively as the asset is being constructed.</p> <p>The impact on current revenue recognition of the changes is the potential phasing and deferral of revenue recorded in the operating statement.</p> <p>The standard is not expected to have a significant impact for Bendigo Health.</p> |

In addition to the new standards and amendments above, the AASB has issued a list of other amending standards that are not effective for the 2018-19 reporting period (as listed below). In general, these amending standards include editorial and references changes that are expected to have insignificant impacts on public sector reporting.

- AASB 2017-1 *Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-16 Cycle and Other Amendments*
- AASB 2017-4 *Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments*
- AASB 2017-6 *Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation*
- AASB 2017-7 *Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures*
- AASB 2018-1 *Amendments to Australian Accounting Standards – Annual Improvements 2015 – 2017 Cycle*
- AASB 2018-2 *Amendments to Australian Accounting Standards – Plan Amendments, Curtailment or Settlement*
- AASB 2018-3 *Amendments to Australian Accounting Standards – Reduced Disclosure Requirements*
- AASB 2018-4 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Public-Sector Licensors*
- AASB 2018-6 *Amendments to Australian Accounting Standards – Definition of a Business*
- AASB 2018-7 *Amendments to Australian Accounting Standards – Definition of Material*

**Bendigo Health Care Group
Notes to the Financial Statements
For the Financial Year Ended 30 June 2019**

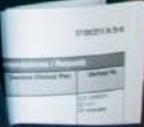
Appendix 1 (Continued)

- *AASB 17 Insurance Contracts*
- *AASB 1059 Service Concession Arrangements: Grantor*
- *AASB 2018-5 Amendments to Australian Accounting Standards – Deferral of AASB 1059*



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