



# NCN Health Annual Report

2020/2021

# OUR VALUES

## RESPECT

*Value the rights, beliefs and choices of every individual*

## ACCOUNTABILITY

*Take responsibility for our decisions and actions*

## PARTNERSHIP

*Work together to create value in health*

## Our Purpose:

*Building healthy communities together*

## Our Promise:

*We work together to provide safe, high quality care that improves the health and wellbeing of the diverse communities we live in*



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# INTRODUCTION

## Annual Reporting

NCN Health reports on its annual performance in two separate documents each year - the Annual Report and Quality Account.

The Annual Report fulfills the statutory reporting requirements for governance. The Quality Account reports on quality, safety, risk management and performance improvement matters.

The purpose, functions, powers and duties of NCN Health are described in the Bylaws of the organisation.

NCN Health is incorporated as a public hospital under the Health Services Act 1988 and came into operation on 1 July 2019, following the voluntary amalgamation of three health services - Nathalia District Hospital, Cobram District Health and Numurkah District Health Service.

The Annual Report is presented to the Annual General Meeting and distributed to the community. The report is also available on the NCN Health website ([www.ncnhealth.org.au](http://www.ncnhealth.org.au)).

## Responsible Ministers

The responsible Ministers during the reporting period were:

- Jenny Mikakos MP, Minister for Health Minister for Ambulance Services  
(1 July 2020 – 26 September 2020)
- Martin Foley MP, Minister for Health, Minister for Ambulance Services and Minister for Equality  
(26 September 2020 – 30 June 2021)
- Martin Foley MP, Minister for Mental Health  
(1 July 2020 – 26 September 2020)
- James Merlino MP, Minister for Mental Health  
(29 September 2020 – 30 June 2021)
- The Hon. Luke Donnellan MP, Minister for Disability, Ageing and Carers

## Responsible Bodies Declaration

In accordance with the *Financial Management Act 1994*, I am pleased to present the report of operations for NCN Health for the year ending 30 June 2021.



**Mr Dale Brooks**  
**Board Chair**  
**NCN Health**  
8<sup>th</sup> September 2021

# ABOUT NCN HEALTH

NCN Health is a rural health service that provides services to the people of Nathalia, Cobram and Numurkah and surrounding communities, located within the Moira Shire. This includes a total catchment of 18,000 people.

NCN Health was created on 1 July 2019, combining the services of three former health organisations - Nathalia District Hospital, Cobram District Health and Numurkah District Health Service.

NCN Health has three campuses, with the following services offered:



## NATHALIA CAMPUS

- Urgent Care Centre
- Acute Care Unit offering general inpatient medical and palliative care
- X-Ray
- Pathology Collection
- Medical Clinic
- Residential Aged Care
- Transitional Care

Community and Primary Health services are offered either by the health service or through private providers, including:

- Physiotherapy
- Podiatry
- Diabetes Education
- Occupational Therapy
- Dietitian
- Counselling
- Exercise Groups
- District Nursing Service

### BEDS

- 6 Acute beds
- 20 Residential Aged Care beds - Banawah



## COBRAM CAMPUS

- Urgent Care Centre
- Acute Ward offering general inpatient medical and palliative care
- Operating Theatre
- X-Ray and Ultrasound
- Medical Clinic
- Dental Clinic providing public and private dentistry
- Residential Aged Care
- Transitional Care
- Pathology Collection

### Community Health Centre:

- Community Nursing
- Physiotherapy
- Diabetes Education
- Occupational Therapy
- Health Promotion
- Dietitian
- Speech Therapy
- Chronic Disease Support
- Home Care Packages
- District Nursing Service
- Community Midwife
- Counselling
- Moira Community Rehabilitation Centre

### BEDS

- 12 Acute beds
- 6 Day Procedure beds
- 30 Residential Aged Care beds - Irvin House



## NUMURKAH CAMPUS

- Urgent Care Centre
- Acute Ward offering general inpatient medical and palliative care
- Operating Suite
- X-Ray and Ultrasound
- Pathology collection
- Residential Aged Care
- Transitional Care

### Primary Health services:

- Chronic Disease Support
- Community Midwife
- Dental (privately via GOULBURN VALLEY Dental)
- Diabetes Education
- District Nursing Service
- Geriatrician (visiting service)
- Health Promotion
- Healthy Habits Group Program
- Intake and Access
- Moira Mental Health Service
- Nutrition and Dietician
- Obstetrics and Gynaecology (Visiting)
- Occupational Therapy
- Palliative Care (Moira Palliative Care Service)
- Physiotherapy
- Planned Activity Group
- Podiatry
- Psychology, Psychiatry, Counselling
- Pulmonary Rehabilitation
- Rural Support

### BEDS

- 16 Acute beds
- 6 Day Procedure beds
- Aged Care - Karinya 30 beds Numurkah Pioneers Memorial Lodge 36 beds
- Gwandalan Court - 11 independent living units



# Message from the CEO



Jacque Phillips  
**Chief Executive Officer**

NCN Health proudly launched the new strategic plan in March this year, which sets the direction of the organisation and outlines health service priorities for the community, now and into the future. The strategic priority areas are; Working as One, Strengthened by Partnership, Close to Home and Into our Communities.

We thank the staff and community for their involvement in the consultation and helping us shape the strategic direction for the next five years.

Transition work has continued to join the systems across NCN Health. A particular focus for the past twelve months has been Clinical Governance Quality and Safety.

The Board of Directors has provided great leadership, helping to develop NCN Health into a strong health service provider to meet the needs of our local communities.

NCN Health continues to provide leadership development of the managers which has been particularly important during the pandemic. Mental health and wellbeing training and support has been a key focus to ensure our workforce are equipped to manage the competing demands of working on the front line, providing care during a challenging and uncertain time, while balancing home and personal demands. This focus has built leadership skills, capacity and capability across NCN Health.

A new organisation structure was developed, embracing the three campuses of Nathalia, Cobram and Numurkah. The key message of joining together into a strong and joined up organisation with a positive message of 'working together as one'.

We have demonstrated our values which underpin the organisation: Respect - value the rights, beliefs and

choices of every individual; Accountability – take responsibility for our decisions and actions; and Partnership - work together to create value in health. Thank you to all our staff who have continued to show how our values work in the excellent care provided for every patient/resident/client every time.

The joining of the three health services continues to offer a range of new job opportunities for staff, funding success for new programs, and partnership opportunities. NCN Health has played a key role in health reform as a result of working differently throughout the COVID-19 pandemic. Partnership with Goulburn Valley Health as the lead for the Hume Region Pandemic response saw NCN Health well placed to respond quickly to frequently changing needs of the community and Government. We maintained a focus on safety and access to health care with a variety of different modalities such as telehealth, robust screening and innovative medical care in alternative settings. NCN Health continues to invest back into health care services for the community.

## **HIGH QUALITY SERVICES AND FACILITIES**

NCN Health has delivered excellent services throughout the year with high level performance. We maintained accreditation at all campuses during the year, with frequent external assessment in Residential Aged Care around Infection Control and Prevention.

Our Urgent Care Centres are continuing to provide an essential service and we have continued our safety and quality focus with NCN Health leading a Regional Committee. This committee demonstrates strong commitment to shared learning and experience to build capacity and capability in urgent care. This includes staff and doctors and other key stakeholders such as Ambulance Victoria.

## **COVID-19 RESPONSE**

NCN Health continued a strong response to significant events and challenges experienced during the pandemic. I would like to acknowledge the fantastic efforts of staff and volunteers in relation to caring for

patients, residents, clients and our communities. The significant work and ability to adapt to change and respond to high demand during periods of uncertainty does not go unnoticed. A range of new or adapted health programs across all our services demonstrated amazing team work, dedication and commitment to our communities.

We have seen staff across the campuses and in all roles work hard to ensure our communities are cared for, protected and safe during the coronavirus pandemic. We have established COVID-19 screening and swabbing clinics and established a COVID-19 vaccination clinic at the Cobram campus in partnership with Goulburn Valley Local Public Health Unit. We have successfully implemented elective surgery blitz, provided home based nursing and therapy services whilst ensuring a risk assessment is completed around essential and non-essential client needs. The community has worked closely with NCN Health and their support during this difficult time has been greatly appreciated.

Irvin House extension and refurbishment is complete with 14 single rooms. Funding for improved staff amenities at each campus has been welcomed and we look forward to commencing works at Karinya Nursing Home to convert a double room into single rooms. These projects are made possible by the generosity of the State Government Department of Health and we thank you for the contribution to improving safety and quality for staff, patients and residents.

Congratulations to staff for their outstanding efforts in helping to make our health service a great place to work and for continuing to provide excellent care to our community.

Thank you to our dedicated volunteers for your valuable services and thank you to the Board of Directors for your leadership during a very successful year.

I would like to recognise and thank the executive team for their leadership and innovation. Working alongside our executive and managers who make a huge contribution to quality, safety, innovation and systems development for the health service is a privilege and honor.

**Jacque Phillips, OAM CEO**

# Message from the Chair



Dale Brooks  
**Board Chair**

It has been a great pleasure to work with the Board of Directors, CEO, staff and the community over the last 12 months, as Board Chair of NCN Health.

The Board has continued our work to build upon governance frameworks and ensure NCN Health has a strong and sustainable foundation. It has been a challenging year with the impact of the coronavirus pandemic bringing much change and requiring significant response and adaptability from all staff and community members.

The health service has done an outstanding job in supporting the community during this difficult time, while continuing to deliver the broad range of essential health services that we provide to patients, residents, clients and consumers each day through our three campuses.

## STRATEGIC PLANNING

Strategic planning is now complete and provides our staff and community a purpose and promise that shapes our organisation and health service as a major contributor to health care in Moira Shire and our region. The priorities respond to the growing community needs over the next five years.

The NCN Health Community Advisory Committee provides a key contribution to the strategic direction of NCN Health and we thank everyone for your dedication and commitment to ensuring our communities' interests are represented. Importantly we have the communities of Nathalia, Cobram and Numurkah represented and ensure the unique needs or local areas are heard.

NCN Health Board has a strong commitment to aligning our

governance and systems across our three campuses and we acknowledge their leadership over the last 12 months to maintain a focus during the challenging and uncertain times of the pandemic.

## CAPITAL WORKS

It was great to see some significant capital works taking shape across the three campuses during the year.

Building works were completed at Irvin House and the kitchen at Cobram campus. The improvements include the creation of 14 single rooms with ensuites at Irvin House. The new rooms enhance independence, privacy and safety for residents. The new kitchen for the Cobram campus provides a new staff dining area and state of the art equipment.

A master plan and feasibility study for the redevelopment of Numurkah Pioneers Memorial Lodge was undertaken in consultation with user groups. We are working closely with partners to ensure residential aged care facilities remain contemporary.

Solar panels at Nathalia, Cobram and Numurkah campuses have all been completed this year, reducing our environmental impact and providing a sustainable solution.

## FINANCIAL PERFORMANCE

I am pleased to report that NCN Health is in a strong financial position. NCN Health also has an important role in advocating for funding and services on behalf of the community. We have been able to maintain a positive financial outlook despite a very challenging year. Importantly we have adapted our services to meet local needs and ensure essential health care continues. We have been fortunate in obtaining some government grants to improve safety during the pandemic.

The State Government's investment in much needed health care and infrastructure in regional areas is greatly appreciated. We believe that we are well placed to fund and grow services in the future.

## THANK YOU

I would like to take this opportunity

to thank my fellow Board of Directors, as well as the Executive Team and staff, who have worked tirelessly this year to provide outstanding health services to the community and deliver significant capital projects.

Sadly, we said farewell to Board Directors Jennifer Gould, Christopher McCallum and Nathan Morris and Patricia West who all served terms prior to voluntary amalgamation and saw the first two years of NCN Health as a new organisation. They have made an enormous contribution to NCN Health and we thank them for their tireless contribution.

We welcomed new Board Directors this year, Sally Squire and Priyanka Saha and we are delighted with the reappointment of Dale Brooks and Kate Hodge.

I would like to thank our donors who have provided tremendous support to the health service. Your generosity has enabled the health service to provide medical equipment and supplies that directly benefit the community.

I thank the Community Advisory Committee and Consumer Committees for your role in community engagement and health service improvement, which improves the health service outcomes for our communities.

I also extend our thanks and appreciation for our volunteers, notably those working in our aged care facilities. They are genuinely our unsung heroes and their tireless work provides invaluable assistance to our residents and their families. While the COVID-19 pandemic has impacted volunteers engaged at NCN Health for much of the year, we thank them for their ability to respond to changes and their continued commitment. We anticipate a more settled year ahead and highly value the role you with NCN Health.

We look forward to working with the community over the next 12 months to continue to provide high quality and safe local services.

**Dale Brooks, Board Chair**

# BOARD DIRECTORS AND COMMITTEES

## BOARD OF DIRECTORS

### Role of Board of Directors

The Board of Directors is a group of local people who represent the Numurkah, Cobram, Nathalia and surrounding communities. Directors of the Board volunteer their time to work with the Chief Executive Officer (CEO), Jacque Phillips to guide the strategic direction of NCN Health. They are appointed by the Governor in Council and are responsible for making sure that NCN Health responds to population health needs using available funds.

The Board of Directors is the governance body of NCN Health and accountable to the Minister for Health. This means that they make sure that NCN Health steers the organisation to oversee finances, quality and safe health care and many other duties that are set by government bodies.

The functions of the Board as determined by the *Health Services Act 1988* are:

- To oversee and manage the organisation; and
- To ensure the services provided by the organisation comply with the requirements of the *Act* and the aims of the organisation.

Below are the 12 Board Directors for 2020/2021.



**BROOKS, Dale**  
(Chair)



**BEASLEY, Kade**  
(Vice Chair)



**CAMPBELL, Suni**



**CUNNINGHAM, Alicia**



**DISSAN, Mewan**



**GOULD, Jennifer**



**HODGE, Kate**



**LELLIOTT, Andrew**



**McCALLUM, Christopher**



**MORRIS, Nathan**



**QUIBELL, Tricia**



**WEST, Pat**



# COMMITTEES

The Committees are:

- Board of Directors
- Corporate Governance Finance
- Corporate Governance Audit and Risk - Independent Members include: Jeff Buzza, Michelle McCracken and Peter Carter
- Clinical Governance Quality and Safety
- Community Advisory
- Credentialing and Privileging
- Executive Remuneration

Corporate Governance Finance	Corporate Governance Audit and Risk	Executive Remuneration	Community Advisory
Andrew Lelliott Kade Beasley Mewan Dissan Jennie Gould	Andrew Lelliott Dale Brooks Suni Campbell Mewan Dissan	Dale Brooks Suni Campbell Tricia Quibell	Dale Brooks Alicia Cunningham Chris McCallum

Clinical Governance Quality and Safety	Credentialing and Privileging
Kade Beasley Alicia Cunningham Kate Hodge Tricia Quibell Pat West	Mewan Dissan Jennie Gould Pat West



**NCN Health Community Advisory Committee is made up of community representatives from Nathalia, Cobram and Numurkah communities.**

*CAPTION: CEO Jacque Phillips with Community Advisory Committee members - Kate Macheda, Adrienne Gledhill, Paul Ukich, Kerry Murray, Beverley Wain, Maree Hogan, David Vaughan and Diana Baxter.*

## CONSUMER COMMITTEES

### Nathalia

Ania Wiltshire  
David McKenzie (finished August 2020)  
Dianna Baxter  
Fay Brown  
Kevin Pell (finished August 2020)  
Mary Barry  
Maureen McGowan  
Sue Maloney  
Ross Smith  
Dawn Bowen

### Cobram

Ian Yeaman  
Rodney Dutneall  
Kellie Butler  
Dianne Rigby (finished in January 2021)  
Dale Brooks (Board Chair)

### Numurkah

Beverley Wain  
Helena Cornelia  
Jodi Cunningham  
Kate Hodge (Board Director)  
Steven Mills  
Sally Rose-Bassett  
Jenny Watson

# EXECUTIVE TEAM



**CHIEF EXECUTIVE OFFICER**  
**Jacquie Phillips, OAM**  
*RN, RM, Certificate MCH, Grad  
CertCH, EMPA, MAICD, CHM*

The Chief Executive Officer (CEO) is responsible to the Board of Directors for the effective operation of the health service, ensuring the integration of services and provision of health care to the community. Key responsibilities include the development and implementation of operational and strategic planning, maximising service efficiency, quality and safety improvement and leadership.



**DIRECTOR PEOPLE AND CULTURE**  
**Nicole Cason**  
*Dip HR, Grad Cert BusAdmin*

The Director People and Culture role is responsible for all human resources management and reporting requirements including employment and industrial relations, recruitment, planning and performance, assists with strategic management, operational budgeting, training and provides managers with generalist HR advice and support. This role oversees the occupational health and safety, payroll, volunteers and administration departments.



**DIRECTOR OPERATIONS**  
**Justin Sullivan**  
*RN, Grad Dip Critical Care, Grad  
DipBusiness Man*

The Director Operations is responsible for many of the non-clinical areas of NCN Health including ICT, catering, environmental services, maintenance, supply, asset management and the delivery of key infrastructure projects. This role also oversees contracts and compliance with Health Share Victoria requirements.



**DIRECTOR MEDICAL SERVICES**  
**Dr Ka Chun Tse**  
*MBBS, MHM, MPH,  
FACHSM,GAICD*

The Director Medical Services (DMS) provides leadership and clinical advice to the health service, contributes to quality and safety meetings and supports Visiting Medical Officers. The DMS oversees medical credentialing and medical staff meetings, reviews clinical policies, and provides advice to executive and staff.



**DIRECTOR CLINICAL SERVICES - NUMURKAH CAMPUS**  
**Catherine Church**  
*RN, Grad Cert Critical Care, Cert IV  
TAE*

The Director Clinical Services is responsible for acute, aged care, primary health, theatre and clinical areas such as infection control and education. The role encompasses clinical governance, clinical leadership and standards of practice, service and strategic planning, clinical risk management, quality improvement and resource management.



**DIRECTOR CLINICAL SERVICES - COBRAM CAMPUS**  
**Carolyn Hargreaves**  
*RN Div 1, Grad Cert in Critical Care*

The Director Clinical Services is responsible for acute, aged care, community health, theatre and clinical areas such as infection control and education. The role encompasses clinical governance, clinical leadership and standards of practice, service and strategic planning, clinical risk management, quality improvement and resource management.



**DIRECTOR CLINICAL SERVICES - NATHALIA CAMPUS**

**Greg van Popering**

*RN, BN, Dip Management, Post Grad Diploma in Advanced Clinical Nursing*

The Director of Clinical Services is responsible for the management of all clinical services across the Nathalia campus. This includes nursing, allied health services and the Nathalia Medical Clinic.



**EXECUTIVE MANAGER QUALITY IMPROVEMENT AND RISK**

**Sheridan Davies**

*B. Applied Management, Grad Cert Community Engagement*

The Executive Manager Quality Improvement and Risk is responsible for the organisation's quality and risk management systems. Key responsibilities include oversight of clinical audit, clinical review, and accreditation of acute, aged care, radiography and community health services. This role actively pursues opportunities for service development, innovation, research and evaluation.



**EXECUTIVE MANAGER - FINANCE**

**Anne O'Riley**

*Diploma of Accounting, Cert IV in Business Administration*

The Executive Manager Finance is responsible for financial Management and oversight of NCN Health financial position and working within budgetary guidelines.

This role oversees the NCN Health finance team and also oversees compliance for external auditing bodies and aged care financial management including the prudential requirements under the Aged Care Act.



**EXECUTIVE MANAGER COMMUNITY HEALTH & WELLBEING - NUMURKAH CAMPUS**

**Robyn Sprunt**

*B Occ Ther, Grad Cert Health Services Mgt*

The Executive Manager Community Health & Wellbeing is responsible for a comprehensive range of community based programs including allied health, community and palliative nursing, mental health and community engagement. Key responsibilities include clinical leadership, operational management, and service and strategic planning to meet local community health needs.



**EXECUTIVE MANAGER COMMUNITY HEALTH & WELLBEING - COBRAM CAMPUS**

**Kim Fitzgerald**

*B. Social Science (Social Welfare), Dip Business, Dip Community Services, Cert IV TAE*

The Executive Manager Community Health & Wellbeing is responsible for the operational management of district nursing, allied health, community programs, home care packages and Moira Community Rehabilitation Centre. The role works with local partners to meet local health needs.





# WORKFORCE

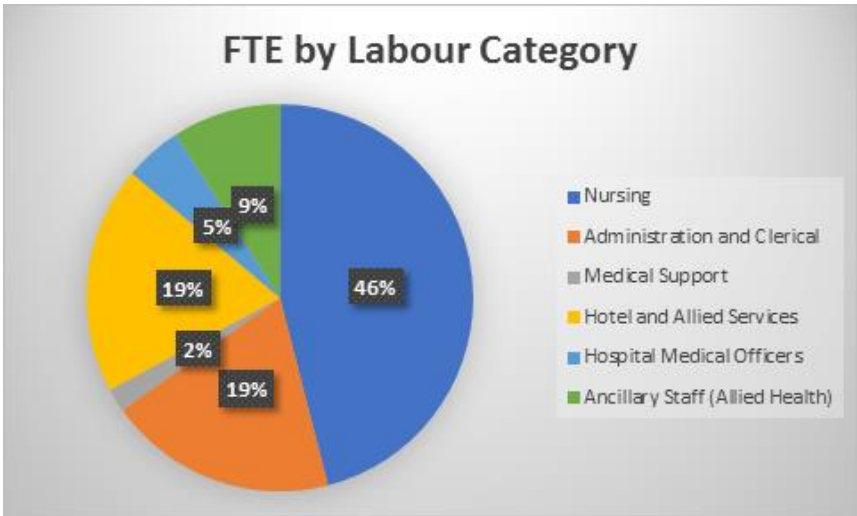
Labour Category	June current month FTE		Average monthly FTE	
	2020	2021	2020	2021
Nursing	160.2272	162.99	161.36	156.74
Administration and Clerical	66.1866	67.85	59.2	62.01
Medical Support	6.1077	6.96	5.56	5.63
Hotel and Allied Services	72.3733	67.37	71.55	68.66
Medical Officers	0	0	0	0
Hospital Medical Officers	17.0757	17.19	18.16	15.63
Sessional Clinicians	0	0	0	0
Ancillary Staff (Allied Health)	28.3552	32.03	28.78	33.59
	350.3257	354.38	344.61	342.26

The FTE figures in the table above are those excluding overtime. These do not include contracted staff (e.g. agency nurses or fee-for-service Visiting Medical Officers) who are not regarded as employees for this purpose. The data should be consistent with that provided in the Minimum Employee Data Set Statement of Employment and Conduct Principles.

NCN Health ensures a fair and transparent process for recruitment, selection, transfer and promotion of staff. Employment selection is based on merit and complies with the relevant legislation. Policies and procedures are in place to ensure staff are treated fairly, respected and provided with avenues for grievance and complaint processes. NCN Health is committed to the application of the employment and conduct principles.

## Code of Conduct

All NCN Health staff are required to abide by the Code of Conduct, which is based on the Code of Conduct for Victorian Public Sector Employees.

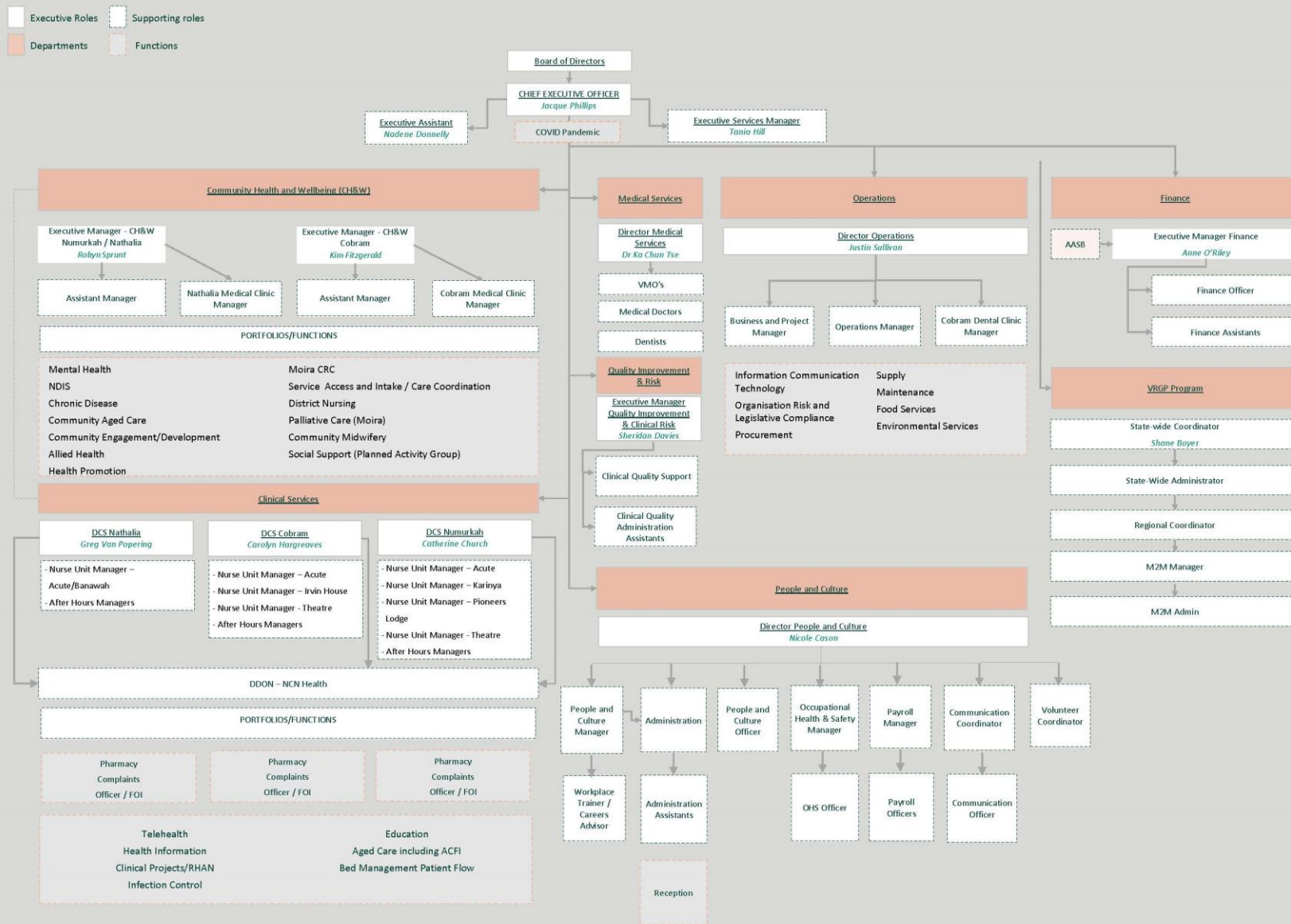




## NCN HEALTH Organisational Structure

# ORGANISATION CHART

### NCN Future State Organisational Structure



# STATUTORY REQUIREMENTS

## Occupational Health and Safety

NCN Health has a strong commitment to Occupational Health and Safety and endeavours to ensure all people – staff, volunteers, contractors and the general public, have the highest level of protection against risks to health and safety.

NCN Health is proactive in promoting health and safety in the workplace through education, development of policies and procedures and staff training. The health service ensures that consultation, information and ideas about actual risks and potential risks and how to control them is shared and employees are actively encouraged to highlight any actual or potential safety issues through the Health and Safety Representative in each department. Health and Safety Representatives receive annual training and attend monthly meetings. NCN Health acknowledges that improvement of workplace safety standards is best achieved through consultation, participation and training, and will continue to improve its performance in compliance with all relevant codes, legislation and standards.

Occupational Health and Safety Statistics	2020-21	2019-20	2018-19
The number of reported hazards/incidents for the year per 100 FTE	91.70	87.34	N/A
The number of 'lost time' standard WorkCover claims for the year per 100 FTE	7.61	2.28	N/A
The average cost per WorkCover claim for the year	\$78,267.91	\$27,479	N/A

## Occupational Violence

The following statistics have been collated for Occupational Violence in the workplace at NCN Health.

Occupational Violence Statistics	2020-21
WorkCover accepted claims with an occupational violence cause per 100 FTE	0.9891
Number of accepted WorkCover claims with lost time injury with an occupational violence cause per 1,000,000 hours worked	0.0347
Number of occupational violence incidents reported	137
Number of occupational violence incidents reported per 100 FTE	40.03
Percentage of occupational violence incidents resulting in a staff injury, illness or condition	2.887

### Definitions of occupational violence

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

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

*Accepted WorkCover claims* – Accepted WorkCover claims that were lodged in 2019-20.

*Lost time* – 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.

## Gender Equality

NCN Health is currently working towards completion of the Workplace Gender Equality Audit which will assist in determining the strategies and measures that will form part of our Gender Equality Action Plan. NCN Health has an Equity and Inclusion Committee that oversees the gender equity progress and gap analysis and will assist in implementation of any strategies.

## Compliance with the Building Act 1993

NCN Health complies with provisions of the *Building Act 1993* which encompasses the Building Code of Australia and Standards for Publicly owned Buildings November 1994.

### Occupancy Permits and Certificates of Final Inspection

NCN Health Occupancy Permits and Certificates of Final Inspection are all current.

### Building Works

An Occupancy Permit and certificate of final inspection was issued for Alterations and Additions to Existing Aged Care Facility and new Kitchen at the Cobram Campus

## National Competition Policy

### COMPETITIVE NEUTRALITY

NCN Health is committed to ensuring that our services demonstrate both quality and efficiency.

Competitive neutrality, which supports the Commonwealth Government's national competition policy, helps to ensure that net competitive advantages which accrue to a government business are offset.

We understand the requirements of competitive neutrality and act accordingly. We support the principles of the Partnerships Victoria policy, which relates to responsible expenditure and infrastructure projects and the creation of effective partnerships between private enterprise and the public sector.

## Local Jobs First Act 2003

NCN Health abides by the principles of the Local Jobs First Policy. This policy applies to all tenders in regional Victoria over \$1 million. NCN Health commenced works at our Cobram campus with a value over \$1 million and has provided compliance reporting to the Department of Health Capital Management Branch.

## Safe Patient Care Act 2015

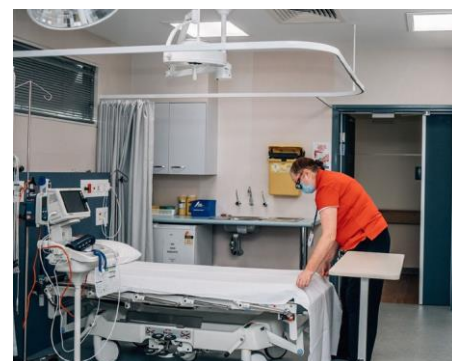
The hospital has no matters to report in relation to its obligations under section 40 of the *Safe Patient Care Act 2015*.

## Carers Recognition Act 2012

NCN Health complies with the *Carers Recognition Act 2012*, which recognises and values the role of carers and the importance of care relationships in the Victorian community. The Act includes a set of principles about the significance of care relationships and specifies obligations for state government agencies, local councils and other organisations that interact with people in care relationships.

## Public Interest Disclosure Act 2012

NCN Health is committed to the aims and objectives of the *Public Interest Disclosure Act 2012*. NCN Health does not tolerate improper conduct by its employees, officers, directors, nor the taking of reprisals against those who come forward to disclose such conduct. NCN Health recognises the value of transparency and accountability in our administrative and management practices, and supports the making of disclosures that reveal inappropriate action resulting in the mismanagement of public resources. NCN Health will take reasonable steps to protect people who make such disclosures from any detrimental action in reprisal for making such a disclosure. There were 0 disclosures made in the year ended 30 June 2021 as per the *Public Interest Disclosure Act 2012*.

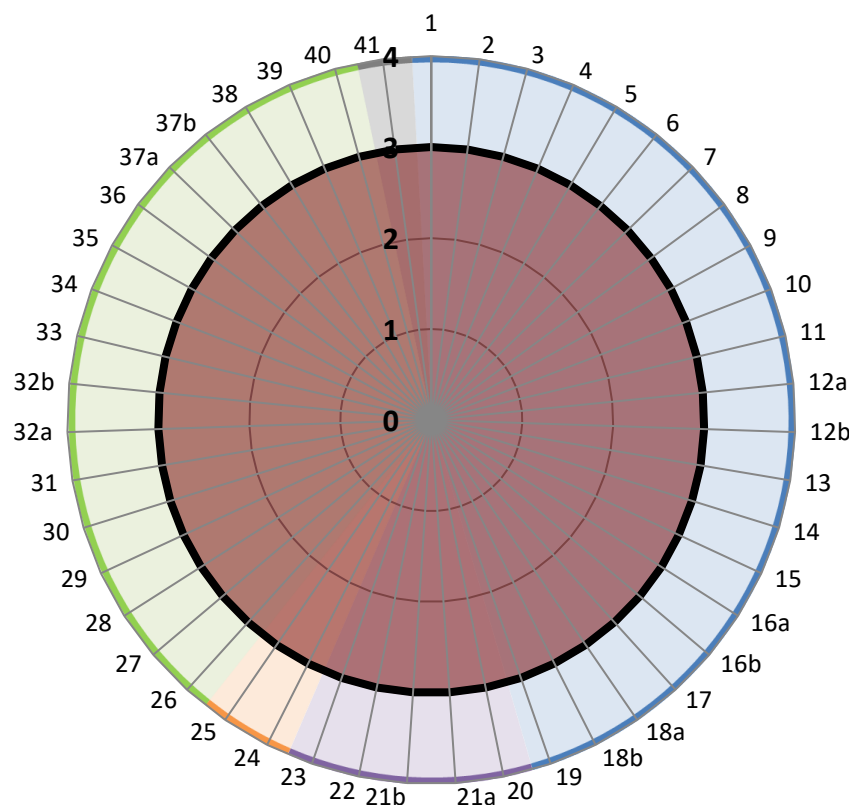


# Asset Management Accountability Framework (AMAF)

The following sections summarise NCN Health's assessment of maturity against the requirements of the Asset Management Accountability Framework (AMAF). The AMAF is a non-prescriptive, devolved accountability model of asset management that requires compliance with 41 mandatory requirements. These requirements can be found on the DTF website (<https://www.dtf.vic.gov.au/infrastructure-investment/asset-management-accountability-framework>).

The NCN Health target maturity rating is 'competence', meaning systems and processes fully in place, consistently applied and systematically meeting the AMAF requirement, including a continuous improvement process to expand system performance above AMAF minimum requirements.

## Results:



Target



Overall



### Legend

#### Status Scale

Not Applicable	N/A
Innocence	0
Awareness	1
Developing	2
Competence	3
Optimising	4
Unassessed	U/A

## Leadership and Accountability (requirements 1-19)

NCN Health has met or exceeded its target maturity level under most requirements within this category.

## Planning (requirements 20-23)

NCN Health has met or exceeded its target maturity level in this category.



### Acquisition (requirements 24 and 25)

NCN Health has met or exceeded its target maturity level in this category.

### Operation (requirements 26-40)

NCN Health has met or exceeded its target maturity level under most requirements within this category.

### Disposal (requirement 41)

NCN Health has met its target maturity level in this category.

## Freedom of Information Act 1982

NCN Health complies with the *Freedom of Information Act 1982*. The legislative requirement around the *Freedom of Information Act 1982* ensures NCN Health's ability to maintain the rights of clients.

### Access to medical records and disclosure of information

A person's information can only be accessed and/or disclosed by the person's treatment team for the purpose of ongoing care. It cannot be accessed by relatives or friends without consent. Information may be shared with external organisations as a requirement by law. If a person has any concerns about information being shared with other health care providers or services, they are encouraged to speak to a member of the health care team.

People may have access to information held in their medical record through the *Freedom of Information Act*. All applications for information must be processed by the Freedom of Information Officer. These incur a request / application fee and may take up to 30 days to process. Enquiries can be made in person or in writing to The Freedom of Information Officer at each campus.

Numurkah Campus Freedom of Information Officer is Catherine Church

Cobram Campus Freedom of Information Officer is Tania Hill

Nathalia Campus Freedom of Information Officer is Greg van Popering

#### Fees:

\$29.60	Application Fee (non-refundable)
\$20.00	Search Fee if record is off campus
.20	Per page photocopying
\$ 6.50	Postage and handling (registered post)
\$40.00	Copy of records on a CD

Further information is available on the health service website:

[www.ncnhealth.org.au](http://www.ncnhealth.org.au)

	FREEDOM OF INFORMATION DATA			
	NCN Health	Numurkah	Cobram	Nathalia
	2020-21	2019-20	2019-20	2019-20
Requests Received	40	26	32	4
Investigated	0	0	0	0
Resolved	0	0	0	0
Not Processed (no record)	4	5	5	0
Request Withdrawn	0	0	0	0

# Environmental Performance

NCN Health is committed to environmental sustainability.

Electricity	NCN Health 2020/2021	Nathalia 2019/2020	Cobram 2019/2020	Numurkah 2019/2020
Peak (MWh)	1,232	226	463	487
Off Peak (MWh)	1,431	245	580	628

Gas	NCN Health 2020/2021	Nathalia 2019/2020	Cobram 2019/2020	Numurkah 2019/2020
LPG Usage (lts)	109,440	57,618	0	0
Natural Gas (GJ)	5,836	0	3,404	3,407

Carbon Emissions (tonnes of CO <sub>2</sub> e)	NCN Health 2020/2021	Nathalia 2019/2020	Cobram 2019/2020	Numurkah 2019/2020
From Electricity Use	2,610	408	1,060	1,140
From Gas Use	470	90	180	180

Water	NCN Health 2020/2021	Nathalia 2019/2020	Cobram 2019/2020	Numurkah 2019/2020
Water Usage (kL)	27,490	2,180	8,130	13,776

Waste	NCN Health 2020/2021	Nathalia 2019/2020	Cobram 2019/2020	Numurkah 2019/2020
Clinical Waste (kg)	7,790	860	2,370	2,614
General Waste (kg)	122,750	13,570	61,470	49,035
Recycled Waste (kg)	61,720	14,590	29,310	17,940

## Consultancies

### Details of consultancies (under \$10,000)

In 2020-21 there were 6 consultants that were less than \$10,000. The total expenditure incurred during 2020-21 in relation to this was \$19,170

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

In 2020-21, there were 3 consultancies where the total fees payable to the consultants were \$10,000 or greater. The total expenditure incurred during 2020-21 in relation to these consultancies is \$236,214 (excl. GST).

Consultant	Purpose of Consultancy	Start Date	End Date	Total Approved Project Fee (excl GST)	Expenditure 2020-21 (excl GST)	Future Expenditure (excl GST)
Cube Group	Management	01/07/2020	31/03/2020	\$110,532.00	\$110,532.00	Nil
Millbrook Enterprise Pty Ltd	Management	1/11/2020	30/06/2021	\$70,206.00	\$70,206.00	Nil
Prism Edge PR	Public Relations	1/07/2020	31/01/2021	\$55,476.00	\$55,476.00	Nil

## ICT Expenditure

The total ICT expenditure incurred during 2020-21 is \$709,745 (excluding GST) with the details shown below:

Business as Usual (BAU) ICT expenditure	Non-Business as Usual (non-BAU) ICT expenditure		
Total (excluding GST)	Total=Operational expenditure and Capital Expenditure (excluding GST) (a) + (b)	Operational expenditure (excluding GST) (a)	Capital expenditure (excluding GST) (b)
\$343,308.00	\$366,437.00	\$17,934.00	\$348,503.00

## Additional Information

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

- Declarations of pecuniary interests have been duly completed by all relevant officers;
- Details of shares held by senior officers as nominee or held beneficially;
- Details of publications produced by the entity about itself, including annual Aboriginal cultural safety reports and plans, and how these can be obtained;
- Details of changes in prices, fees, charges, rates and levies charged by the Health Service;
- Details of any major external reviews carried out on the Health 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, including any Aboriginal advisory or governance committees, 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.



# STRATEGIC PRIORITIES – 2020 / 2021

The Statement of Priorities are key accountability agreements between Government and Victorian publicly funded health, mental health and ambulance services. The annual agreements support the delivery of, or substantial progress towards the key shared objectives of quality and safety, good governance and leadership, access and timeliness, and financial sustainability. NCN Health is responsible for ensuring that a wide range of health care services are delivered to our local communities.

The NCN Health Strategic Plan 2021-2025 supports the Statement of Priorities to support the health, wellbeing and safety of all our communities. Throughout 2020-2021 our communities have been significantly impacted by the COVID-19 pandemic and our focus has been;

- To develop and maintain readiness and response to local and regional COVID-19 outbreaks
- Community engagement and support to patients, residents and clients to access health care
- Active engagement with the Hume Health Services Partnership to strengthen local and regional collaboration to improve health outcomes.

The Chief Executive Officer is responsible for monitoring actions in the NCN Health Statement of Priorities and the Board of Directors oversee the plan's implementation.

Priority	Outcome
Maintain your robust COVID-19 readiness and response, working with The Department of Health to ensure we rapidly respond to outbreaks, if and when they occur, which includes providing to testing for your community and staff, where necessary and if required. This includes preparing to participate in, and assist with, the implementation of our COVID-19 vaccine immunisation program rollout, ensuring your local community's confidence in the program	NCN Health has developed and implemented a plan to respond to local outbreaks in partnership with Goulburn Valley Local Public Health Unit (LPHU). The response includes community and staff testing at the towns of Nathalia, Cobram and Numurkah in accordance with local community need and risk assessment. Home based and outreach testing is also available through regional and local services and delivered by NCN Health. NCN Health has a Goulburn Valley Vaccination sub Hub at Cobram campus providing COVID vaccination to people in Moira Shire. Centre based is available at Cobram and outreach is provided at NCN Health Nathalia, Numurkah campuses and Yarrawonga Health for local community access.
Engage with our community to address the needs of patients, especially our vulnerable Victorians whose care has been delayed due to the pandemic and provide the necessary "catch-up" care to support them to get back on track.	NCN Health completed their strategic plan and has pillars of Working as One, Strengthened by Partnership, Close to Home and Into our Communities. We have strong engagement with local communities to understand and reach vulnerable people. NCN Health has maintained telehealth services and models of care have been implemented to enhance access to care. For example, online health based and exercise programs, risk-based assessments to provide essential care in the home and partnerships with Goulburn Valley Health to implement Better@Home and Elective Surgery Blitz.
As providers of care, respond to the recommendations of the Royal Commission into Victoria's Mental Health system and the Royal Commission into Aged Care Quality and Safety. The Department of Health will engage further with our service as these reports are delivered.	NCN Health is a provider of residential and community based aged care services. Implementation of recommendations is underway with further detail to be developed over the next 12 months in accordance with Commonwealth and State Government guidance.
Develop and foster local health partner relationships, which have been strengthened during the pandemic response, to continue delivering collaborative approaches to planning, procurement and service delivery at scale. This extends to prioritising innovative ways to deliver health care through shared expertise and workforce models, virtual care, co-commissioning services and surgical outpatient reform to deliver improved patient care through greater integration.	NCN Health values partnerships and has well developed structures with local and regional services and networks to support the pandemic response. NCN Health is an active partner in the Hume Health Services Partnership and represented on planning, procurement and service program reference groups to enhance integrated local access to health care. NCN Health has implemented a regional online Human Resources program as part of regional workforce strategy. NCN Health has developed and implemented virtual care through telehealth platforms for outpatients and urgent care settings.

## PERFORMANCE PRIORITIES – 2020 / 2021

The Victorian Health Services Performance monitoring Framework outlines the government's approach to overseeing the performance of Victorian health services.

HIGH QUALITY AND SAFE CARE		
Key performance measure	Target	Outcome
<b>Infection prevention and control</b>		
Compliance with the Hand Hygiene Australia Program	83%	87.5%
Percentage of health care workers immunised for influenza	90%	100%
<b>Patient Experience</b>		
Victorian Healthcare Experience Survey – percentage of positive patient experience responses	95%	No Surveys Conducted
Victorian Healthcare Experience Survey – percentage of very positive responses to questions on discharge care	75%	No Surveys Conducted

EFFECTIVE FINANCIAL MANAGEMENT		
Key performance measure	Target	Result
Operating results (\$m)	0.00	882
Average number of days to pay trader creditors	60 days	49 days
Average number of days to receive patient fee debtors	60 days	19 days
Adjusted current asset ratio	0.7 or 3% improvement from health service base target	1.64
Actual number of days available cash, measured on the last day of each month.	14 days	54.6
Variance between forecast and actual Net result from transactions (NRFT) for the current financial year ending 30 June.	Variance ≤ \$250,000	410,000

## FUNDING AND ACTIVITY – 2020 / 2021

Funding Type	2020 / 2021	Units
Small Rural	Activity Achievement	
Small Rural Acute	44	WIES Equivalent
Small Rural Primary Health & HACC	6468	Service Hours
Nursing	1503	Service Hours
Allied Health	229	Service Hours
Counseling / Casework	1265	Service Hours
Dietetics	1033	Service Hours
Occupational Therapy	453	Service Hours
Physiotherapy	1271	Service Hours
Podiatry	477	Service Hours
Speech Therapy	237	Service Hours
Small Rural Residential Care	39,091	Bed Days
Health Workforce	297	Number of Students

# ATTESTATIONS

## Financial Management Compliance Attestation – SD 5.1.4

I, Dale Brooks, on behalf of the Responsible Body, certify that NCN Health has no Material Compliance Deficiency with respect to the applicable Standing Directions under the *Financial Management Act 1994* and Instructions.



**Dale Brooks**  
**Board Chair**  
**NCN Health**  
8 September 2021

## Data Integrity Declaration

I, Jacque Phillips certify that NCN Health has put in place appropriate internal controls and processes to ensure that reported data accurately reflects actual performance. NCN Health has critically reviewed these controls and processes during the year.



**Jacque Phillips**  
**Chief Executive Officer**  
**NCN Health**  
8 September 2021

## Conflict of Interest Declaration

I, Jacque Phillips, certify that NCN Health 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 NCN Health 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.



**Jacque Phillips**  
**Chief Executive Officer**  
**NCN Health**  
8 September 2021

## Integrity, Fraud and Corruption Declaration

I, Jacque Phillips certify that NCN Health has put in place appropriate internal controls and processes to ensure that integrity, fraud and corruption risks have been reviewed and addressed at NCN Health during the year.



**Jacque Phillips**  
**Chief Executive Officer**  
**NCN Health**  
8 September 2021

# FINANCIAL SUMMARY

For the year ended 30 June 2021

NCN Health	2021 \$'000	2020 \$'000	2019	2018	2017
<b>Operating Result*</b>	882	1,223			
<b>Total revenue</b>	54,561	49,935	N/A	N/A	N/A
<b>Total expenses</b>	56,040	51,346	N/A	N/A	N/A
<b>Net result from transactions</b>	(1,479)	(1,411)	N/A	N/A	N/A
<b>Total other economic flows</b>	269	(122)	N/A	N/A	N/A
<b>Net result</b>	(1,210)	(1,533)	N/A	N/A	N/A
<b>Total assets</b>	125,901	126,417	N/A	N/A	N/A
<b>Total liabilities</b>	28,168	28,136	N/A	N/A	N/A
<b>Net assets/Total equity</b>	97,733	98,281	N/A	N/A	N/A

## Reconciliation of Net Result from Transactions and Operating Result

	2020 – 2021 (\$'000)
<b>Net operating result *</b>	882
Capital purpose income	1,824
Specific income	0
COVID 19 State Supply Arrangements - Assets received free of charge or for nil consideration under the State Supply Arrangements	445
State supply items consumed up to 30 June 2021	(445)
Assets provided free of charge	0
Assets received free of charge	0
Expenditure for capital purpose	(64)
Depreciation and amortisation	(4,126)
Impairment of non-financial assets	7
Finance costs (other)	(2)
<b>Net result from transactions</b>	(1,479)

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

# DISCLOSURE INDEX

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

Legislation	Requirement	Page
Ministerial Directions		
Report of Operations		
<b>Charter and purpose</b>		
FRD 22I	Manner of establishment and the relevant Ministers	4
FRD 22I	Purpose, functions, powers and duties	4
FRD 22I	Nature and range of services provided	5
<b>Management and structure</b>		
FRD 22I	Organisational structure	13
FRD 22I	Workforce data/ employment and conduct principles	12
FRD 22I	Occupational Health and Safety	14
<b>Financial information</b>		
FRD 22I	Summary of the financial results for the year	24
FRD 22I	Significant changes in financial position during the year	24
FRD 22I	Operational and budgetary objectives and performance against objectives	22
FRD 22I	Subsequent events	105
FRD 22I	Details of consultancies under \$10,000	19
FRD 22I	Details of consultancies over \$10,000	19
FRD 22I	Disclosure of ICT expenditure	19
<b>Legislation</b>		
FRD 22I	Application and operation of <i>Freedom of Information Act 1982</i>	17
FRD 22I	Compliance with building and maintenance provisions of <i>Building Act 1993</i>	15
FRD 22I	Application and operation of <i>Public Interest Disclosure Act 2012</i>	15
FRD 22I	Statement on National Competition Policy	15
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FRD 22I	Summary of the entity's environmental performance	18
FRD 22I	Additional information available on request	20
<b>Other relevant reporting directives</b>		
FRD 25D	<i>Local Jobs First Act</i> disclosures	15
SD 5.1.4	Financial Management Compliance attestation	23
SD 5.2.3	Declaration in report of operations	4
<b>Attestations</b>		
Attestation on Data Integrity		23
Attestation on managing Conflicts of Interest		23
Attestation on Integrity, Fraud and Corruption		23
<b>Other reporting requirements</b>		
Reporting of outcomes from Statement of Priorities 2020-21		21
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Reporting obligations under the <i>Safe Patient Care Act 2015</i>		15
Reporting obligations under the Asset Management Accountability Framework (AMAF)		16



# **FINANCIAL REPORT**

# Independent Auditor's Report

## To the Board of NCN Health

<b>Opinion</b>	<p>I have audited the financial report of NCN Health (the health service) which comprises the:</p> <ul style="list-style-type: none"> <li>• balance sheet as at 30 June 2021</li> <li>• comprehensive operating statement for the year then ended</li> <li>• statement of changes in equity for the year then ended</li> <li>• cash flow statement for the year then ended</li> <li>• notes to the financial statements, including significant accounting policies</li> <li>• board member's, accountable officer's and chief finance &amp; accounting officer's declaration.</li> </ul> <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the health service as at 30 June 2021 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>
<b>Basis for Opinion</b>	<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>
<b>Board's responsibilities for the financial report</b>	<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>

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**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.

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MELBOURNE  
28 September 2021

Dominika Ryan  
*as delegate for the Auditor-General of Victoria*

## Financial Statements

### Financial Year ended 30 June 2021

#### ***Board member's, accountable officer's, and chief finance & accounting officer's declaration***

The attached financial statements for NCN Health 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 2021 and the financial position of NCN Health at 30 June 2021.

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

We authorise the attached financial statements for issue on 8th September, 2021.



**Board member**

Mr Dale Brooks

Chair

Numurkah

8th September 2021

**Accountable Officer**



Ms Jacque Phillips

Chief Executive Officer

Numurkah

8th September 2021

**Chief Finance & Accounting Officer**



Mr Steven Jackel

Chief Finance and Accounting Officer

Numurkah

8th September 2021

**NCN Health**  
**Comprehensive Operating Statement**  
**For the Financial Year Ended 30 June 2021**

		<b>Total 2021 \$'000</b>	<b>Total 2020 \$'000</b>
<b>Note</b>			
<b>Revenue and income from transactions</b>			
Operating activities	2.1	54,445	49,539
Non-operating activities	2.1	116	396
<b>Total revenue and income from transactions</b>		<b>54,561</b>	<b>49,935</b>
<b>Expenses from transactions</b>			
Employee expenses	3.1	(40,910)	(37,735)
Supplies and consumables	3.1	(4,082)	(3,710)
Finance costs	3.1	(41)	(76)
Depreciation and amortisation	3.1	(4,126)	(4,070)
Other administrative expenses	3.1	(4,935)	(3,824)
Other operating expenses	3.1	(1,931)	(1,890)
Other non-operating expenses	3.1	(15)	(41)
<b>Total Expenses from transactions</b>		<b>(56,040)</b>	<b>(51,346)</b>
<b>Net result from transactions - net operating balance</b>		<b>(1,479)</b>	<b>(1,411)</b>
<b>Other economic flows included in net result</b>			
Net gain/(loss) on sale of non-financial assets	3.4	7	21
Net gain/(loss) on financial instruments	3.4	(35)	(63)
Other gain/(loss) from other economic flows	3.4	297	(80)
<b>Total other economic flows included in net result</b>		<b>269</b>	<b>(122)</b>
<b>Net result for the year</b>		<b>(1,210)</b>	<b>(1,533)</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to net result</b>			
Changes in property, plant and equipment revaluation surplus	4.1(b)	662	-
<b>Total other comprehensive income</b>		<b>662</b>	<b>-</b>
<b>Comprehensive result for the year</b>		<b>(548)</b>	<b>(1,533)</b>

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



**NCN Health**  
**Balance Sheet**  
**As at 30 June 2021**

		<b>Total 2021 \$'000</b>	<b>Total 2020 \$'000</b>
<b>Current assets</b>	<b>Note</b>		
Cash and cash equivalents	6.2	37,821	39,224
Receivables and contract assets	5.1	1,984	1,741
Inventories	4.4	53	51
Prepaid expenses		488	316
<b>Total current assets</b>		<b>40,346</b>	<b>41,332</b>
<b>Non-current assets</b>			
Receivables and contract assets	5.1	903	739
Property, plant and equipment	4.1 (a)	84,640	84,296
Intangible assets	4.2	12	50
<b>Total non-current assets</b>		<b>85,555</b>	<b>85,085</b>
<b>Total assets</b>		<b>125,901</b>	<b>126,417</b>
<b>Current liabilities</b>			
Payables and contract liabilities	5.2	6,539	5,888
Borrowings	6.1	50	82
Employee benefits	3.2	7,259	6,740
Other liabilities	5.3	13,088	14,179
<b>Total current liabilities</b>		<b>26,936</b>	<b>26,889</b>
<b>Non-current liabilities</b>			
Borrowings	6.1	199	214
Employee benefits	3.2	1,033	1,033
<b>Total non-current liabilities</b>		<b>1,232</b>	<b>1,247</b>
<b>Total liabilities</b>		<b>28,168</b>	<b>28,136</b>
<b>Net assets</b>		<b>97,733</b>	<b>98,281</b>
<b>Equity</b>			
Property, plant and equipment revaluation surplus	4.1(f)	662	-
Restricted specific purpose reserve	SCE	11,171	11,171
Contributed capital	SCE	102,210	102,210
Accumulated surplus/(deficit)	SCE	(16,310)	(15,100)
<b>Total equity</b>		<b>97,733</b>	<b>98,281</b>

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

**NCN Health**  
**Statement of Changes in Equity**  
**For the Financial Year Ended 30 June 2021**

		Property, Plant and Equipment Revaluation Surplus	Restricted Specific Purpose Reserve	Contributed Capital	Accumulated Surplus/(Deficits)	Total
	Note	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Total</b>						
<b>Balance at 30 June 2019</b>		-	-	<b>102,210</b>	-	<b>102,210</b>
Effect of adoption of AASB 15, 16 and 1058		-	-	-	(2,396)	(2,396)
<b>Restated Balance at 1 July 2019</b>		-	-	<b>102,210</b>	<b>(2,396)</b>	<b>99,814</b>
Net result for the year		-	-	-	(1,533)	(1,533)
Transfer from/(to) accumulated deficits		-	11,171	-	(11,171)	-
<b>Balance at 30 June 2020</b>		-	<b>11,171</b>	<b>102,210</b>	<b>(15,100)</b>	<b>98,281</b>
Net result for the year		-	-	-	(1,210)	(1,210)
Other comprehensive income for the year		662	-	-	-	662
Transfer from/(to) accumulated deficits		-	-	-	-	-
<b>Balance at 30 June 2021</b>		<b>662</b>	<b>11,171</b>	<b>102,210</b>	<b>(16,310)</b>	<b>97,733</b>

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

**NCN Health**  
**Cash Flow Statement**  
**For the Financial Year Ended 30 June 2021**

		<b>Total 2021 \$'000</b>	<b>Total 2020 \$'000</b>
<b>Note</b>			
<b>Cash Flows from operating activities</b>			
	Operating grants from government	38,259	33,936
	Capital grants from government - State	1,586	197
	Patient fees received	4,966	4,823
	Private practice fees received	910	1,015
	Interest and investment income received	116	423
	Commercial Income Received	4,961	5,229
	Other receipts	3,643	3,678
	<b>Total receipts</b>	<b>54,441</b>	<b>49,301</b>
	Employee expenses paid	(40,009)	(38,130)
	Payments for supplies and consumables	(3,662)	(3,597)
	Payments for medical indemnity insurance	(146)	(119)
	Payments for repairs and maintenance	(898)	(830)
	Finance Costs	(41)	(76)
	GST paid to ATO	(1)	(15)
	Cash outflow for leases	-	(1)
	Other payments	(6,022)	(4,659)
	<b>Total payments</b>	<b>(50,779)</b>	<b>(47,427)</b>
	<b>Net cash flows from/(used in) operating activities</b>	<b>3,662</b>	<b>1,874</b>
8.1			
<b>Cash Flows from investing activities</b>			
	Purchase of property, plant and equipment	(3,758)	(2,288)
	Capital donations and bequests received	4	194
	Other capital receipts	33	15
	Purchase of Intangible assets	1	(5)
	Proceeds from disposal of property, plant and equipment	9	23
	Proceeds from disposal of investments	-	1,000
	<b>Net cash flows from/(used in) investing activities</b>	<b>(3,711)</b>	<b>(1,061)</b>
<b>Cash flows from financing activities</b>			
	Proceeds from borrowings	-	125
	Repayment of borrowings	(87)	-
	Receipt of accommodation deposits	3,045	5,255
	Repayment of accommodation deposits	(4,312)	(4,972)
	<b>Net cash flows from /(used in) financing activities</b>	<b>(1,354)</b>	<b>408</b>
<b>Net increase/(decrease) in cash and cash equivalents held</b>			
		<b>(1,403)</b>	<b>1,221</b>
	Cash and cash equivalents at beginning of year	39,224	38,003
	<b>Cash and cash equivalents at end of year</b>	<b>37,821</b>	<b>39,224</b>
6.2			

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

# Notes to the Financial Statements

**NCN Health**

**Notes to the Financial Statements**

**For the Financial Year Ended 30 June 2021**

## Note 1: Basis of preparation

### Structure

*1.1 Basis of preparation of the financial statements*

*1.2 Impact of COVID-19 pandemic*

*1.3 Abbreviations and terminology used in the financial statements*

*1.4 Joint arrangements*

*1.5 Key accounting estimates and judgements*

*1.6 Accounting standards issued but not yet effective*

*1.7 Goods and Services Tax (GST)*

*1.8 Reporting entity*



# NCN Health

## Notes to the Financial Statements

### For the Financial Year Ended 30 June 2021

## Note 1: Basis of preparation

These financial statements represent the audited general purpose financial statements for NCN Health for the year ended 30 June 2021. The report provides users with information about NCN Health's stewardship of the resources entrusted to it.

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

### ***Note 1.1: Basis of preparation of the financial statements***

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

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

NCN Health is a not-for-profit entity and therefore applies the additional AUS paragraphs applicable to a "not-for-profit" health service under the Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Apart from the changes in accounting policies, standards and interpretations as noted below, material accounting policies adopted in the preparation of these financial statements are the same as those adopted in the previous period.

NCN Health operates on a fund accounting basis and maintains three funds: Operating, Specific Purpose and Capital Funds. NCN Health's Capital and Specific Purpose Funds include:

- Donation and Fundraising Funds
- Commercial activities.

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

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

The financial statements are in Australian dollars.

# NCN Health

## Notes to the Financial Statements

### For the Financial Year Ended 30 June 2021

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

The annual financial statements were authorised for issue by the Board of NCN Health and on 8th September, 2021.

#### ***Note 1.2 Impact of COVID-19 pandemic***

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

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

- introducing restrictions on non-essential visitors
- greater utilisation of telehealth services
- implementing reduced visitor hours
- deferring elective surgery and reducing activity
- performing COVID-19 testing
- administering COVID-19 vaccinations
- implementing work from home arrangements where appropriate.

The financial impacts of the pandemic are disclosed at:

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

# NCN Health

## Notes to the Financial Statements

### For the Financial Year Ended 30 June 2021

#### **Note 1.3 Abbreviations and terminology used in the financial statements**

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

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

#### **Note 1.4 Joint arrangements**

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

NCN Health has the following joint arrangements:

- Hume Region Health Alliance - Joint Operation

Details of the joint arrangements are set out in Note 8.7.

#### **Note 1.5 Key accounting estimates and judgements**

Management make estimates and judgements when preparing the financial statements.

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

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

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

# NCN Health

## Notes to the Financial Statements

### For the Financial Year Ended 30 June 2021

#### **Note 1.6 Accounting standards issued but not yet effective**

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

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

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

#### **Note 1.7 Goods and Services Tax (GST)**

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

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

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

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



# **NCN Health**

## **Notes to the Financial Statements**

### **For the Financial Year Ended 30 June 2021**

#### ***Note 1.8 Reporting Entity***

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

Its principal address is:

2 Katamatite Road  
Numurkah, Victoria 3636

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

## Note 2: Funding delivery of our services

NCN Health's overall objective is to provide quality health service that support and enhance the wellbeing of all Victorians. NCN Health is predominantly funded by grant funding for the provision of outputs. NCN Health also receives income from the supply of services.

### Structure

#### ***2.1 Revenue and income from transactions***

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

#### ***2.3 Other income***

### Telling the COVID-19 story

Revenue recognised to fund the delivery of our services increased during the financial year which was partially attributable to the COVID-19 Coronavirus pandemic

Funding provided included:

- COVID-19 grants to fund testing/vaccination clinics
- State repurposed grants for the Health Independence Program, used to cover Covid-19 expenditure
- Sustainability funding for strategic initiatives
- Additional elective surgery funding to increase theatre activity post lockdown
- Local public health unit (LPHU) funding for vaccination of staff
- Better @ home funding for delivery of services within patients homes

## Key judgements and estimates

This section contains the following key judgements and estimates:

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

## Note 2.1 Revenue and income from transactions

	Total 2021 \$'000	Total 2020 \$'000
<b>Operating activities</b>		
<b>Revenue from contracts with customers</b>		
Government grants (State) - Operating	3,223	3,154
Government grants (Commonwealth) - Operating	7,161	7,390
Patient and resident fees	5,003	4,652
Private practice fees	910	1,015
Commercial activities <sup>1</sup>	4,961	5,229
<b>Total revenue from contracts with customers</b>	<b>21,258</b>	<b>21,440</b>
<b>Other sources of income</b>		
Government grants (State) - Operating	25,294	21,998
Government grants (Commonwealth) - Operating	1,757	1,160
Government grants (State) - Capital	1,787	1,164
Other capital purpose income	33	15
Capital donations	4	-
Assets received free of charge or for nominal consideration (note 2.2)	445	240
Other revenue from operating activities (including non-capital donations)	3,867	3,522
<b>Total other sources of income</b>	<b>33,187</b>	<b>28,099</b>
<b>Total revenue and income from operating activities</b>	<b>54,445</b>	<b>49,539</b>
<b>Non-operating activities</b>		
<b>Income from other sources</b>		
Capital interest	-	1
Other interest	116	395
<b>Total other sources of income</b>	<b>116</b>	<b>396</b>
<b>Total income from non-operating activities</b>	<b>116</b>	<b>396</b>
<b>Total revenue and income from transactions</b>	<b>54,561</b>	<b>49,935</b>

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

## Note 2.1 Revenue and income from transactions

### How we recognise revenue and income from transactions

#### Government operating grants

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

When both these conditions are satisfied, the health service:

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

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

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

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

Government grant	Performance obligation	
Activity Based Funding (ABF) paid as Weighted Inlier Equivalent Separation (WIES) casemix	The performance obligations for ABF are the number and mix of patients admitted to hospital (defined as 'casemix') in accordance with the levels of activity agreed to, with the Department of Health in the annual Statement of Priorities.  Revenue is recognised at a point in time, which is when a patient is discharged, in accordance with the WIES activity when an episode of care for an admitted patient is completed.  WIES activity is a cost weight that is adjusted for time spent in hospital, and represents a relative measure of resource use for each episode of care in a diagnosis related group.	
Primary Health Network funding (PHN)	The integrated Primary Health Network program supports delivery of an effective primary health system. NCN Health is required to meet performance benchmarks of service delivery. Revenue is recognised over time, as and when the services are delivered.	
Victorian Rural Generalists Program (VRGP)	The performance obligations for RVGP are measured by training outcomes and accreditation achieved by GP's. Revenue is recognised over time as training objectives are met.	
Murray to the Mountains Program (M2M)	The M2M internship program provides the opportunity for career progression from undergraduate to GP. NCN Health has an obligation to meet performance and training objectives. Revenue is recognised over time as these objectives are met.	

## **Note 2.1 Revenue and income from transactions**

### **Capital grants**

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

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

### **Patient and resident fees**

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

### **Private practice fees**

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

### **Commercial activities**

Revenue from commercial activities includes items such as meal sales and provision of accommodation. Commercial activity revenue is recognised at a point in time, upon provision of the goods or service to the customer.



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

	Total 2021 \$'000	Total 2020 \$'000
Cash donations and gifts	-	194
Personal protective equipment	445	46
<b>Total fair value of assets and services received free of charge or for nominal consideration</b>	<b>445</b>	<b>240</b>

### How we recognise the fair value of assets and services received free of charge or for nominal consideration

#### Donations and bequests

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

#### Personal protective equipment

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

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

#### Contributions

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

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

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

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

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

### Voluntary Services

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

### Non-cash contributions from the Department of Health

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

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

## Note 2.3 Other income

	Total 2021 \$'000	Total 2020 \$'000
Interest	116	396
<b>Total other income</b>	<b>116</b>	<b>396</b>

### How we recognise other income

#### Interest Income

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

## Note 3: The cost of delivering our services

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

### Structure

#### *3.1 Expenses from transactions*

#### *3.2 Employee benefits in the balance sheet*

#### *3.3 Superannuation*

#### *3.4 Other economic flows*

### Telling the COVID-19 story

Expenses incurred to deliver our services increased during the financial year which was partially attributable to the COVID-19 Coronavirus pandemic.

Additional costs were incurred to deliver the following additional services:

- establish facilities within NCN Health for the treatment of suspected and admitted COVID patients resulting in an increase in employee costs, additional equipment purchases and increased PPE and medical supplies.
- implement COVID safe practices throughout NCN Health including increased cleaning, increased security, consumption of personal protective equipment provided as resources free of charge.
- assist with COVID-19 case management, contact tracing and outbreak management contributing to an increase in employee costs, administrative costs.
- establish vaccination clinics to administer vaccines to staff and the community resulting in an increase in employee costs.

### Key judgements and estimates

This section contains the following key judgements and estimates:

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

### Note 3.1 Expenses from transactions

	Total 2021 \$'000	Total 2020 \$'000
Salaries and wages	33,328	31,103
On-costs	2,998	2,780
Agency expenses	816	490
Fee for service medical officer expenses	3,348	3,123
Workcover premium	420	239
<b>Total employee expenses</b>	<b>40,910</b>	<b>37,735</b>
Drug supplies	224	234
Medical and surgical supplies (including Prostheses)	2,203	1,691
Diagnostic and radiology supplies	113	303
Other supplies and consumables	1,542	1,482
<b>Total supplies and consumables</b>	<b>4,082</b>	<b>3,710</b>
Finance costs	41	76
<b>Total finance costs</b>	<b>41</b>	<b>76</b>
Other administrative expenses	4,935	3,824
<b>Total other administrative expenses</b>	<b>4,935</b>	<b>3,824</b>
Fuel, light, power and water	819	842
Repairs and maintenance	527	579
Maintenance contracts	371	251
Medical indemnity insurance	146	119
Expenses related to leases of low value assets	-	1
Expenditure for capital purposes	68	98
<b>Total other operating expenses</b>	<b>1,931</b>	<b>1,890</b>
<b>Total operating expense</b>	<b>51,899</b>	<b>47,235</b>
Depreciation and amortisation	4,126	4,070
<b>Total depreciation and amortisation</b>	<b>4,126</b>	<b>4,070</b>
Bad and doubtful debt expense	15	41
<b>Total other non-operating expenses</b>	<b>15</b>	<b>41</b>
<b>Total non-operating expense</b>	<b>4,141</b>	<b>4,111</b>
<b>Total expenses from transactions</b>	<b>56,040</b>	<b>51,346</b>

## Note 3.1 Expenses from transactions

### How we recognise expenses from transactions

#### Expense recognition

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

#### Employee expenses

Employee expenses include:

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

#### Supplies and consumables

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

#### Finance costs

Finance costs include:

- amortisation of discounts or premiums relating to borrowings
- finance charges in respect of leases which are recognised in accordance with AASB 16 *Leases*.

#### Other operating expenses

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

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

The Department of Health also makes certain payments on behalf of NCN 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 outside the normal operations such as depreciation and amortisation, and assets and services provided free of charge or for nominal consideration.



### Note 3.2 Employee benefits in the balance sheet

	Total 2021 \$'000	Total 2020 \$'000
<b>Current provisions</b>		
<i>Accrued days off</i>		
Unconditional and expected to be settled wholly within 12 months <sup>i</sup>	52	43
	<b>52</b>	<b>43</b>
<i>Annual leave</i>		
Unconditional and expected to be settled wholly within 12 months <sup>i</sup>	2,332	2,045
Unconditional and expected to be settled wholly after 12 months <sup>ii</sup>	400	400
	<b>2,732</b>	<b>2,445</b>
<i>Long service leave</i>		
Unconditional and expected to be settled wholly within 12 months <sup>i</sup>	623	705
Unconditional and expected to be settled wholly after 12 months <sup>ii</sup>	2,686	2,519
	<b>3,309</b>	<b>3,224</b>
<i>Provisions related to employee benefit on-costs</i>		
Unconditional and expected to be settled within 12 months <sup>i</sup>	861	759
Unconditional and expected to be settled after 12 months <sup>ii</sup>	305	269
	<b>1,166</b>	<b>1,028</b>
<b>Total current employee benefits</b>	<b>7,259</b>	<b>6,740</b>
<b>Non-current provisions</b>		
Conditional long service leave	928	933
Provisions related to employee benefit on-costs	105	100
<b>Total non-current employee benefits</b>	<b>1,033</b>	<b>1,033</b>
<b>Total employee benefits</b>	<b>8,292</b>	<b>7,773</b>

<sup>i</sup> The amounts disclosed are nominal amounts.

<sup>ii</sup> The amounts disclosed are discounted to present values.

## **Note 3.2 Employee benefits in the balance sheet**

### **How we recognise employee benefits**

#### **Employee benefit recognition**

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

#### **Provisions**

Provisions are recognised when NCN Health 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 NCN 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 NCN Health expects to wholly settle within 12 months or
- Present value – if NCN Health does not expect to wholly settle within 12 months.

#### **Long service leave**

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

Unconditional LSL is disclosed in the notes to the financial statements as a current liability even where NCN 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 NCN Health expects to wholly settle within 12 months or
- Present value – if NCN Health does not expect to wholly settle within 12 months.

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

#### **On-costs related to employee benefits**

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

### Note 3.2 (a) Employee benefits and related on-costs

	<b>Total 2021 \$'000</b>	<b>Total 2020 \$'000</b>
Unconditional accrued days off	57	46
Unconditional annual leave entitlements	3,517	3,126
Unconditional long service leave entitlements	3,685	3,568
<b>Total current employee benefits and related on-costs</b>	<b>7,259</b>	<b>6,740</b>
Conditional long service leave entitlements	1,033	1,033
<b>Total non-current employee benefits and related on-costs</b>	<b>1,033</b>	<b>1,033</b>
<b>Total employee benefits and related on-costs</b>	<b>8,292</b>	<b>7,773</b>
<b>Movement in On-Costs Provision</b>		
<b>Carrying amount at start of year</b>	1,128	921
Additional provisions recognised	473	680
Unwinding of discount and effect of changes in the discount rate	29	(80)
Amounts incurred during the year	(359)	(393)
<b>Carrying amount at end of year</b>	<b>1,271</b>	<b>1,128</b>

### Note 3.3 Superannuation

	Paid Contribution for the Year		Contribution Outstanding at Year End	
	Total 2021 \$'000	Total 2020 \$'000	Total 2021 \$'000	Total 2020 \$'000
<b>Defined benefit plans:<sup>i</sup></b>				
First State Super	57	81	-	-
<b>Defined contribution plans:</b>				
First State Super	1,576	1,440	-	-
Hesta	829	793	-	-
Other (Please list)	536	466	-	-
<b>Total</b>	<b>2,998</b>	<b>2,780</b>	<b>-</b>	<b>-</b>

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

#### How we recognise superannuation

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

#### Defined benefit superannuation plans

The defined benefit plan provides benefits based on years of service and final average salary. The amount charged to the Comprehensive Operating Statement in respect of defined benefit superannuation plans represents the contributions made by NCN Health to the superannuation plans in respect of the services of current NCN Health's 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.

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

The DTF 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 NCN Health.

The name, details and amounts that have been expensed in relation to the major employee superannuation funds and contributions made by NCN 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.

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

### Note 3.4 Other economic flows included in net result

	Total 2021 \$'000	Total 2020 \$'000
Net gain/(loss) on disposal of property plant and equipment	7	21
<b>Total net gain/(loss) on non-financial assets</b>	<b>7</b>	<b>21</b>
Allowance for impairment losses of contractual receivables	(10)	(64)
Other gains/(losses) from other economic flows	(25)	1
<b>Total net gain/(loss) on financial instruments</b>	<b>(35)</b>	<b>(63)</b>
Net gain/(loss) arising from revaluation of long service liability	297	(80)
<b>Total other gains/(losses) from other economic flows</b>	<b>297</b>	<b>(80)</b>
<b>Total gains/(losses) from other economic flows</b>	<b>269</b>	<b>(122)</b>

#### How we recognise other economic flows

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

- the revaluation of the present value of the long service leave liability due to changes in the bond interest rates and
- reclassified amounts relating to equity instruments from the reserves to retained surplus/(deficit) due to a disposal or derecognition of the financial instrument. This does not include reclassification between equity accounts due to machinery of government changes or 'other transfers' of assets.

#### Net gain/(loss) on non-financial assets

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

- 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

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

- realised and unrealised gains and losses from revaluations of financial instruments at fair value
- impairment and reversal of impairment for financial instruments at amortised cost refer to Note 7.1 Investments and other financial assets and

## Note 4: Key assets to support service delivery

NCN 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 NCN Health to be utilised for delivery of those outputs.

### Structure

#### *4.1 Property, plant & equipment*

#### *4.2 Intangible assets*

#### *4.3 Depreciation and amortisation*

#### *4.4 Inventories*

### Telling the COVID-19 story

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

### Key judgements and estimates

This section contains the following key judgements and estimates:

Key judgements and estimates	Description
Measuring fair value of property, plant and equipment and investment properties	<p>NCN Health obtains independent valuations for its non-current assets at least once every five years.</p> <p>If an independent valuation has not been undertaken at balance date, the health service estimates possible changes in fair value since the date of the last independent valuation with reference to Valuer-General of Victoria indices.</p> <p>Managerial adjustments are recorded if the assessment concludes a material change in fair value has occurred. Where exceptionally large movements are identified, an interim independent valuation is undertaken.</p>
Estimating useful life and residual value of property, plant and equipment	<p>NCN Health assigns an estimated useful life to each item of property, plant and equipment, whilst also estimating the residual value of the asset, if any, at the end of the useful life. This is used to calculate depreciation of the asset.</p> <p>The health service reviews the useful life, residual value and depreciation rates of all assets at the end of each financial year and where necessary, records a change in accounting estimate.</p>
Estimating useful life of right-of-use assets	<p>The useful life of each right-of-use asset is typically the respective lease term, except where the health service is reasonably certain to exercise a purchase option contained within the lease (if any), in which case the useful life reverts to the estimated useful life of the underlying asset.</p> <p>NCN Health applies significant judgement to determine whether or not it is reasonably certain to exercise such purchase options.</p>



## Key judgements and estimates (continued)

Key judgements and estimates	Description
Estimating restoration costs at the end of a lease	Where a lease agreement requires NCN Health to restore a right-of-use asset to its original condition at the end of a lease, the health service estimates the present value of such restoration costs. This cost is included in the measurement of the right-of-use asset, which is depreciated over the relevant lease term.
Estimating the useful life of intangible assets	NCN Health assigns an estimated useful life to each intangible asset with a finite useful life, which is used to calculate amortisation of the asset.
Identifying indicators of impairment	<p>At the end of each year, NCN Health assesses impairment by evaluating the conditions and events specific to the health service that may be indicative of impairment triggers. Where an indication exists, the health service tests the asset for impairment.</p> <p>The health service considers a range of information when performing its assessment, including considering:</p> <ul style="list-style-type: none"> <li>▪ If an asset's value has declined more than expected based on normal use</li> <li>▪ If a significant change in technological, market, economic or legal environment which adversely impacts the way the health service uses an asset</li> <li>▪ If an asset is obsolete or damaged</li> <li>▪ If the asset has become idle or if there are plans to discontinue or dispose of the asset before the end of its useful life</li> <li>▪ If the performance of the asset is or will be worse than initially expected.</li> </ul> <p>Where an impairment trigger exists, the health services applies significant judgement and estimate to determine the recoverable amount of the asset.</p>

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

	Total 2021 \$'000	Total 2020 \$'000
Land at fair value - Freehold	3,584	2,922
<b>Total land at fair value</b>	<b>3,584</b>	<b>2,922</b>
Buildings at fair value	81,133	80,960
Less accumulated depreciation	(6,340)	(3,151)
<b>Total buildings at fair value</b>	<b>74,793</b>	<b>77,809</b>
Right of use buildings at fair value	-	96
Less accumulated depreciation	-	(55)
<b>Total right of use buildings at fair value</b>	<b>-</b>	<b>41</b>
Works in progress at fair value	<b>3,095</b>	<b>863</b>
<b>Total land and buildings</b>	<b>81,472</b>	<b>81,635</b>
Plant and equipment at fair value	2,785	2,201
Less accumulated depreciation	(1,800)	(1,602)
<b>Total plant and equipment at fair value</b>	<b>985</b>	<b>599</b>
Motor vehicles at fair value	792	728
Less accumulated depreciation	(549)	(502)
<b>Total motor vehicles at fair value</b>	<b>243</b>	<b>226</b>
Medical equipment at fair value	4,429	4,294
Less accumulated depreciation	(3,687)	(3,439)
<b>Total medical equipment at fair value</b>	<b>742</b>	<b>855</b>
Computer equipment at fair value	1,981	1,633
Less accumulated depreciation	(1,548)	(1,324)
<b>Total computer equipment at fair value</b>	<b>433</b>	<b>309</b>
Furniture and fittings at fair value	1,120	941
Less accumulated depreciation	(503)	(420)
<b>Total furniture and fittings at fair value</b>	<b>617</b>	<b>521</b>
Right of use plant, equipment, furniture, fittings and vehicles at fair value	197	180
Less accumulated depreciation	(49)	(29)
<b>Total right of use plant, equipment, furniture, fittings and vehicles at fair value</b>	<b>148</b>	<b>151</b>
<b>Total plant, equipment, furniture, fittings and vehicles at fair value</b>	<b>3,168</b>	<b>2,661</b>
<b>Total property, plant and equipment</b>	<b>84,640</b>	<b>84,296</b>

**Note 4.1 (b) Reconciliations of the carrying amounts of each class of asset**

		Land	Right of Use - Concessionary Land	Buildings	Right of Use Buildings	Building works in progress	Plant & equipment	Motor vehicles	Medical Equipment
	Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 July 2019</b>		<b>2,922</b>	-	<b>79,607</b>	<b>96</b>	<b>751</b>	<b>669</b>	<b>319</b>	<b>933</b>
Additions		-	-	71	-	1,499	104	-	204
Net transfers between classes		-	-	1,282	-	(1,387)	-	-	-
Depreciation	4.3	-	-	(3,151)	(55)	-	(174)	(93)	(282)
<b>Balance at 30 June 2020</b>	4.1 (a)	<b>2,922</b>	-	<b>77,809</b>	<b>41</b>	<b>863</b>	<b>599</b>	<b>226</b>	<b>855</b>
Additions		-	-	135	-	2,270	587	99	137
Revaluation increments/(decrements)		662	-	-	-	-	-	-	-
Net Transfers between classes		-	-	38	-	(38)	-	-	-
Depreciation	4.3	-	-	(3,189)	(41)	-	(201)	(82)	(250)
<b>Balance at 30 June 2021</b>	4.1 (a)	<b>3,584</b>	-	<b>74,793</b>	-	<b>3,095</b>	<b>985</b>	<b>243</b>	<b>742</b>

		Computer Equipment	Furniture & Fittings	Right of use - PE, FF&V	Total
	Note	\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 July 2019</b>		<b>192</b>	<b>499</b>	<b>77</b>	<b>86,065</b>
Additions		198	98	113	2,287
Disposals		-	-	-	-
Revaluation increments/(decrements)		-	-	-	-
Net transfers between classes		104	-	-	(1)
Depreciation	4.3	(186)	(76)	(38)	(4,055)
<b>Balance at 30 June 2020</b>	4.1 (a)	<b>308</b>	<b>521</b>	<b>152</b>	<b>84,296</b>
Additions		348	179	40	3,795
Disposals		-	-	-	-
Revaluation increments/(decrements)		-	-	-	662
Net Transfers between classes		-	-	-	-
Depreciation	4.3	(223)	(83)	(44)	(4,113)
<b>Balance at 30 June 2021</b>	4.1 (a)	<b>433</b>	<b>617</b>	<b>148</b>	<b>84,640</b>

## **Note 4.1 (b) Reconciliations of the carrying amounts of each class of asset**

### **Land and Buildings and Leased Assets Carried at Valuation**

The Valuer-General Victoria undertook to re-value all of NCN Healths 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 was 30 June 2019.

### **How we recognise property, plant and equipment**

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

### **Initial recognition**

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

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

### **Subsequent measurement**

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

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

Further information regarding fair value measurement is disclosed below.

## **Note 4.1 (b) Reconciliations of the carrying amounts of each class of asset**

### **Revaluation**

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

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

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

An independent valuation of NCN Health's property, plant and equipment was performed by the VGV on 30 June 2019. The valuation, which complies with Australian Valuation Standards, was determined by reference to the amount for which assets could be exchanged between knowledgeable willing parties in an arm's length transaction. The managerial assessment performed at 30 June 2021 indicated an overall:

- increase in fair value of land of 22.64% (\$661,504)

As the cumulative movement was greater than 10% for land and buildings since the last revaluation a managerial revaluation adjustment was required as at 30 June 2021.

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

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

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

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

## Note 4.1 (b) Reconciliations of the carrying amounts of each class of asset

### Impairment

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

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

### How we recognise right-of-use assets

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

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

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

Class of right-of-use asset	Lease term
Leased plant, equipment, furniture, fittings and vehicles	2 to 5 years

### Presentation of right-of-use assets

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

### Initial recognition

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

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

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



## **Note 4.1 (b) Reconciliations of the carrying amounts of each class of asset**

### **Subsequent measurement**

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

### **Impairment**

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

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

**Note 4.1 (c) Fair value measurement hierarchy for assets**

	Note	Total carrying amount 30 June 2021 \$'000	Fair value measurement at end of reporting period using:		
			Level 1 <sup>i</sup> \$'000	Level 2 <sup>i</sup> \$'000	Level 3 <sup>i</sup> \$'000
Non-specialised land		526	-	526	-
Specialised land		3,058	-	-	3,058
<b>Total land at fair value</b>	4.1 (a)	<b>3,584</b>	<b>-</b>	<b>526</b>	<b>3,058</b>
Non-specialised buildings		601	-	601	-
Specialised buildings		74,192	-	-	74,192
<b>Total buildings at fair value</b>	4.1 (a)	<b>74,793</b>	<b>-</b>	<b>601</b>	<b>74,192</b>
Plant and equipment at fair value	4.1 (a)	985	-	-	985
Motor vehicles at fair value	4.1 (a)	243	-	-	243
Medical equipment at Fair Value	4.1 (a)	742	-	-	742
Computer equipment at fair value	4.1 (a)	433	-	-	433
Furniture and fittings at fair value	4.1 (a)	617	-	-	617
<b>Total plant, equipment, furniture, fittings and vehicles at fair value</b>		<b>3,020</b>	<b>-</b>	<b>-</b>	<b>3,020</b>
<b>Total property, plant and equipment at fair value</b>		<b>81,397</b>	<b>-</b>	<b>1,127</b>	<b>80,270</b>
		Total carrying amount 30 June 2020 \$'000	Fair value measurement at end of reporting period using:		
			Level 1 <sup>i</sup> \$'000	Level 2 <sup>i</sup> \$'000	Level 3 <sup>i</sup> \$'000
Non-specialised land		430	-	430	-
Specialised land		2,492	-	-	2,492
<b>Total land at fair value</b>	4.1 (a)	<b>2,922</b>	<b>-</b>	<b>430</b>	<b>2,492</b>
Non-specialised buildings		78	-	78	-
Specialised buildings		77,772	-	-	77,772
<b>Total buildings at fair value</b>	4.1 (a)	<b>77,850</b>	<b>-</b>	<b>78</b>	<b>77,772</b>
Plant and equipment at fair value	4.1 (a)	599	-	-	599
Motor vehicles at fair value	4.1 (a)	226	-	-	226
Medical equipment at Fair Value	4.1 (a)	855	-	-	855
Computer equipment at fair value	4.1 (a)	309	-	-	309
Furniture and fittings at fair value	4.1 (a)	521	-	-	521
<b>Total plant, equipment, furniture, fittings and vehicles at fair value</b>		<b>2,510</b>	<b>-</b>	<b>-</b>	<b>2,510</b>
<b>Total Property, Plant and Equipment</b>		<b>83,282</b>	<b>-</b>	<b>508</b>	<b>82,774</b>

<sup>i</sup> Classified in accordance with the fair value hierarchy.

#### 4.1 (d): Reconciliation of level 3 fair value measurement

	Note	Land \$'000	Buildings \$'000	Plant and equipment \$'000	Motor vehicles \$'000	Medical equipment \$'000	Computer equipment \$'000	Furniture & fittings \$'000
<b>Total</b>								
<b>Balance at 1 July 2019</b>	4.1 (b)	<b>2,922</b>	<b>79,607</b>	<b>669</b>	<b>319</b>	<b>933</b>	<b>193</b>	<b>499</b>
Additions/(Disposals)	4.1 (b)	-	71	104	-	204	198	98
Net Transfers between classes	4.1 (b)	(430)	1,245	-	-	-	104	-
- Depreciation and amortisation	4.3	-	(3,151)	(174)	(93)	(282)	(186)	(76)
<b>Balance at 30 June 2020</b>	4.1 (c)	<b>2,492</b>	<b>77,772</b>	<b>599</b>	<b>226</b>	<b>855</b>	<b>309</b>	<b>521</b>
Additions/(Disposals)	4.1 (b)	-	135	587	99	137	348	179
Net Transfers between classes	4.1 (b)	-	(485)	-	-	-	-	-
- Depreciation and Amortisation	4.3	-	(3,230)	(201)	(82)	(250)	(223)	(83)
Items recognised in other comprehensive income								
- Revaluation		566	-	-	-	-	-	-
<b>Balance at 30 June 2021</b>	4.1 (c)	<b>3,058</b>	<b>74,192</b>	<b>985</b>	<b>243</b>	<b>742</b>	<b>434</b>	<b>617</b>

<sup>i</sup> Classified in accordance with the fair value hierarchy, refer Note 4.1(c).

#### Note 4.1 (e) Property, plant and equipment (fair value determination)

Asset class	Likely valuation approach	Significant inputs (Level 3 only)
Non-specialised land	Market approach	N/A
Specialised land (Crown/freehold)	Market approach	Community Service Obligations Adjustments <sup>(i)</sup>
Non-specialised buildings	Market approach	N/A
Specialised buildings	Depreciated replacement cost approach	- Cost per square metre - Useful life
Dwellings	Market approach	N/A
	Depreciated replacement cost approach	- Cost per square metre - Useful life
Vehicles	Market approach	N/A
	Depreciated replacement cost approach	- Cost per unit - Useful life
Plant and equipment	Depreciated replacement cost approach	- Cost per unit - Useful life

(i) A community service obligation (CSO) of 20% was applied to NCN Health's specialised land.

#### How we measure fair value

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

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

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

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

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

## **Note 4.1 (e) Property, plant and equipment (fair value determination)**

### **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 are 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 AASB 13 Fair Value Measurement paragraph 29, NCN 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.

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

### **Non-specialised land 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.

## **Note 4.1 (e) Property, plant and equipment (fair value determination)**

### **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, NCN 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 NCN 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 NCN Health's specialised land and specialised buildings was performed by the Valuer-General Victoria. The effective date of the valuation is 30 June 2019.

### **Vehicles**

NCN 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).

### **Furniture, fittings, plant and equipment**

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

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

**Note 4.1 (f) Property, plant and equipment revaluation reserve**

	<b>Total 2021 \$'000</b>	<b>Total 2020 \$'000</b>
Balance at the beginning of the reporting period	-	-
<b>Revaluation increment</b>		
- Land	662	-
<b>Balance at the end of the Reporting Period*</b>	<b>662</b>	<b>-</b>
<b>* Represented by:</b>		
- Land	662	-
- Buildings	-	-
	<b>662</b>	<b>-</b>

## Note 4.2 (a) Intangible assets - Gross carrying amount and accumulated amortisation

	Total 2021 \$'000	Total 2020 \$'000
Intangible assets - software	57	99
Less accumulated amortisation	(45)	(49)
<b>Total intangible produced assets -</b>	<b>12</b>	<b>50</b>
<b>Total intangible assets</b>	<b>12</b>	<b>50</b>

## Note 4.2 (b) Intangible assets - Reconciliations of the carrying amounts of each class of asset

	Note	Software \$'000	Total \$'000
<b>Balance at 1 July 2019</b>		<b>60</b>	<b>60</b>
Additions		5	5
Disposals		-	-
Depreciation	4.3	(15)	(15)
<b>Balance at 30 June 2020</b>	4.2 (a)	<b>50</b>	<b>50</b>
Additions		(1)	(1)
Disposals		-	-
Impairment losses recognised in net result		(24)	(24)
Net Transfers between classes		-	-
Depreciation	4.3	(13)	(13)
<b>Balance at 30 June 2021</b>	4.2 (a)	<b>12</b>	<b>12</b>

### How we recognise intangible assets

Intangible assets represent identifiable non-monetary assets without physical substance such as computer software.

### Initial recognition

Purchased intangible assets are initially recognised at cost.

### Subsequent measurement

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

### Impairment

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



## Note 4.3 Depreciation and amortisation

	Total 2021 \$'000	Total 2020 \$'000
<b>Depreciation</b>		
Buildings	3,189	3,151
Right of use buildings	41	55
Plant and equipment	201	174
Motor vehicles	82	93
Medical equipment	250	282
Computer equipment	223	186
Furniture and fittings	83	76
Right of use - plant, equipment, furniture, fittings and motor vehicles	44	38
<b>Total depreciation</b>	<b>4,113</b>	<b>4,055</b>
<b>Amortisation</b>		
Software	13	15
<b>Total amortisation</b>	<b>13</b>	<b>15</b>
<b>Total depreciation</b>	<b>4,126</b>	<b>4,070</b>

### How we recognise depreciation

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

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

### How we recognise amortisation

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

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

	2021	2020
Buildings		
- Structure shell building fabric	7 to 50 years	7 to 50 years
- Site engineering services and central plant	26 to 40 years	26 to 40 years
Central Plant		
- Fit Out	7 to 26 years	7 to 26 years
- Trunk reticulated building system	7 to 26 years	7 to 26 years
Plant and equipment	3 to 20 years	3 to 20 years
Medical equipment	7 to 10 years	7 to 10 years
Computers and communication	3 to 9 years	3 to 9 years
Furniture and fitting	10 to 13 years	10 to 13 years
Motor Vehicles	10 years	10 years
Leasehold Improvements	2 to 10 years	2 to 10 years
Intangible Assets	3 to 4 years	3 to 4 years

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

#### Note 4.4 Inventories

General stores at cost

**Total inventories**

<b>Total 2021 \$'000</b>	<b>Total 2020 \$'000</b>
53	51
<b>53</b>	<b>51</b>

#### How we recognise inventories

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

## Note 5: Other assets and liabilities

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

### Structure

*5.1 Receivables and contract assets*

*5.2 Payables and contract liabilities*

*5.3 Other liabilities*

### Telling the COVID-19 story

The measurement of other assets and liabilities were not materially impacted by the COVID-19 Coronavirus pandemic and its impact on our economy and the health of our community.

## Key judgements and estimates

This section contains the following key judgements and estimates:

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

## Note 5.1 Receivables and contract assets

	Total 2021 \$'000	Total 2020 \$'000
Notes		
<b>Current receivables and contract assets</b>		
<b>Contractual</b>		
Trade debtors	372	330
Patient fees	520	483
Provision for impairment	(61)	(62)
Accrued revenue	400	469
Amounts receivable from governments and agencies	613	382
<b>Total contractual receivables</b>	<b>1,844</b>	<b>1,602</b>
<b>Statutory</b>		
GST receivable	140	139
<b>Total statutory receivables</b>	<b>140</b>	<b>139</b>
<b>Total current receivables and contract assets</b>	<b>1,984</b>	<b>1,741</b>
<b>Non-current receivables and contract assets</b>		
<b>Contractual</b>		
Long service leave - Department of Health	903	739
<b>Total contractual receivables</b>	<b>903</b>	<b>739</b>
<b>Total non-current receivables and contract assets</b>	<b>903</b>	<b>739</b>
<b>Total receivables and contract assets</b>	<b>2,887</b>	<b>2,480</b>
<i>(i) Financial assets classified as receivables and contract assets (Note 7.1(a))</i>		
Total receivables and contract assets	2,887	2,480
Provision for impairment	61	62
GST receivable	(140)	(139)
<b>Total financial assets</b>	<b>2,808</b>	<b>2,403</b>

7.1(a)

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

	Total 2021 \$'000	Total 2020 \$'000
<b>Balance at the beginning of the year</b>	62	8
Increase in allowance	7	62
Amounts written off during the year	(8)	(8)
Reversal of allowance written off during the year as uncollectable	-	-
<b>Balance at the end of the year</b>	<b>61</b>	<b>62</b>

### How we recognise receivables

Receivables consist of:

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

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

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

NCN 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 (a) for NCN Health's contractual impairment losses.

## Note 5.2 Payables and contract liabilities

		Total 2021 \$'000	Total 2020 \$'000
	Note		
<b>Current payables and contract liabilities</b>			
<b>Contractual</b>			
Trade creditors		722	1,045
Accrued salaries and wages		248	163
Accrued expenses		1,095	1,063
Deferred grant income	5.2(a)	1,227	1,428
Contract liabilities	5.2(b)	2,790	1,998
Inter hospital creditors		436	160
Amounts payable to governments and agencies		21	27
Deposits		-	4
<b>Total contractual payables</b>		<b>6,539</b>	<b>5,888</b>
<b>Total current payables and contract liabilities</b>		<b>6,539</b>	<b>5,888</b>
<b>Total payables and contract liabilities</b>		<b>6,539</b>	<b>5,888</b>
<i>(i) Financial liabilities classified as payables and contract liabilities (Note 7.1(a))</i>			
Total payables and contract liabilities		6,539	5,888
Deferred grant income		(1,227)	(1,428)
Contract liabilities		(2,790)	(1,998)
Department of Health		-	-
Deposits		-	(4)
<b>Total financial liabilities</b>	<b>7.1(a)</b>	<b>2,522</b>	<b>2,458</b>

### How we recognise payables and contract liabilities

Payables consist of:

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

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

## Note 5.2 (a) Deferred grant income

	Total 2021 \$'000	Total 2020 \$'000
<b>Opening balance of deferred grant income</b>	1,428	2,396
Grant consideration for capital works received during the year	1,430	16
Deferred grant revenue recognised as revenue due to completion of capital works	(1,631)	(984)
<b>Closing balance of deferred grant income</b>	<b>1,227</b>	<b>1,428</b>

### How we recognise deferred capital grant revenue

Grant consideration was received from the Department of Health to support the construction of Cobram's Irvin House redevelopment and Covid-19 staff amenities. Capital grant revenue is recognised progressively as the asset is constructed, since this is the time when NCN Health satisfies its obligations. The progressive percentage of costs incurred is used to recognise income because this most closely reflects the percentage of completion of the building works. As a result, NCN Health has deferred recognition of a portion of the grant consideration received as a liability for the outstanding obligations.

NCN Health expects to recognise all of the remaining deferred capital grant revenue for capital works by June 30, 2022.



## Note 5.2 (b) Contract liabilities

	<b>Total 2021 \$'000</b>	<b>Total 2020 \$'000</b>
<b>Opening balance of contract liabilities</b>	1,998	1,905
Payments received for performance obligations not yet fulfilled	4,015	3,247
Revenue recognised for the completion of a performance obligation	(3,223)	(3,154)
<b>Total contract liabilities</b>	<b>2,790</b>	<b>1,998</b>
 <b>* Represented by:</b>		
- Current contract liabilities	2,790	1,998
	<b>2,790</b>	<b>1,998</b>

### How we recognise contract liabilities

Contract liabilities include consideration received in advance from customers in respect of the Primary Health Network program, Rural Generalists program, M2M program and the elective surgery blitz. The balance of contract liabilities was significantly higher than the previous reporting period due to delays on projects as a result of Covid-19.

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

### Maturity analysis of payables

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

## Note 5.3 Other liabilities

	Total 2021 \$'000	Total 2020 \$'000
Notes		
<b>Current monies held in trust</b>		
Patient monies	8	16
Refundable accommodation deposits	12,339	13,606
Other monies held in Trust	741	557
<b>Total current monies held in trust</b>	<b>13,088</b>	<b>14,179</b>
<b>Total other liabilities</b>	<b>13,088</b>	<b>14,179</b>
<b>* Represented by:</b>		
- Cash assets	6.2 13,088	14,179
	<b>13,088</b>	<b>14,179</b>

### How we recognise other liabilities

#### Refundable Accommodation Deposit (RAD)/Accommodation Bond liabilities

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

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

## Note 6: How we finance our operations

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

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

### Structure

#### ***6.1 Borrowings***

#### ***6.2 Cash and cash equivalents***

#### ***6.3 Commitments for expenditure***

#### ***6.4 Non-cash financing and investing activities***

### Telling the COVID-19 story

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

## Key judgements and estimates

This section contains the following key judgements and estimates:

Key judgements and estimates	Description
Determining if a contract is or contains a lease	<p>NCN Health applies significant judgement to determine if a contract is or contains a lease by considering if the health service:</p> <ul style="list-style-type: none"> <li>• has the right-to-use an identified asset</li> <li>• has the right to obtain substantially all economic benefits from the use of the leased asset and</li> <li>• can decide how and for what purpose the asset is used throughout the lease.</li> </ul>
Determining if a lease meets the short-term or low value asset lease exemption	<p>NCN Health applies significant judgement when determining if a lease meets the short-term or low value lease exemption criteria.</p> <p>The health service estimates the fair value of leased assets when new. Where the estimated fair value is less than \$10,000, the health service applies the low-value lease exemption.</p> <p>The health service also estimates the lease term with reference to remaining lease term and period that the lease remains enforceable. Where the enforceable lease period is less than 12 months the health service applies the short-term lease exemption.</p>
Discount rate applied to future lease payments	<p>NCN Health discounts its lease payments using the interest rate implicit in the lease. If this rate cannot be readily determined, which is generally the case for the health service's lease arrangements, NCN Health uses its incremental borrowing rate, which is the amount the health service would have to pay to borrow funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.</p>
Assessing the lease term	<p>The lease term represents the non-cancellable period of a lease, combined with periods covered by an option to extend or terminate the lease if NCN Health is reasonably certain to exercise such options.</p> <p>NCN Health determines the likelihood of exercising such options on a lease-by-lease basis through consideration of various factors including:</p> <ul style="list-style-type: none"> <li>• If there are significant penalties to terminate (or not extend), the health service is typically reasonably certain to extend (or not terminate) the lease.</li> <li>• If any leasehold improvements are expected to have a significant remaining value, the health service is typically reasonably certain to extend (or not terminate) the lease.</li> <li>• The health service considers historical lease durations and the costs and business disruption to replace such leased assets.</li> </ul>

## Note 6.1 Borrowings

	<b>Total 2021 \$'000</b>	<b>Total 2020 \$'000</b>
<b>Note</b>		
<b>Current borrowings</b>		
Lease liability <sup>(i)</sup>	33	82
Advances from government (ii)	17	-
<b>Total current borrowings</b>	<b>50</b>	<b>82</b>
<b>Non-current borrowings</b>		
Lease liability <sup>(i)</sup>	116	115
Advances from government (ii)	83	99
<b>Total non-current borrowings</b>	<b>199</b>	<b>214</b>
<b>Total borrowings</b>	<b>249</b>	<b>296</b>

<sup>i</sup> Secured by the assets leased.

<sup>ii</sup> These are unsecured loans which bear no interest.

### How we recognise borrowings

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

### Initial recognition

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

### Subsequent measurement

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

### Maturity analysis

Please refer to Note 7.2(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 loans.

## Note 6.1 (a) Lease liabilities

NCN Health's lease liabilities are summarised below:

	Total 2021 \$'000	Total 2020 \$'000
Total undiscounted lease liabilities	156	210
Less unexpired finance expenses	(7)	(13)
<b>Net lease liabilities</b>	<b>149</b>	<b>197</b>

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

	Total 2021 \$'000	Total 2020 \$'000
Not longer than one year	37	88
Longer than one year but not longer than five years	119	122
Longer than five years	-	-
<b>Minimum future lease liability</b>	<b>156</b>	<b>210</b>
Less unexpired finance expenses	(7)	(13)
<b>Present value of lease liability</b>	<b>149</b>	<b>197</b>
<b>* Represented by:</b>		
- Current liabilities	33	82
- Non-current liabilities	116	115
	<b>149</b>	<b>197</b>

### How we recognise lease liabilities

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

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

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

NCN Health's lease arrangements consist of the following:

Type of asset leased	Lease term
Leased plant, equipment, furniture, fittings and vehicles	2 to 3 years

## **Note 6.1 (a) Lease liabilities**

### **Separation of lease and non-lease components**

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

### **Initial measurement**

The lease liability is initially measured at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily determinable or NCN Healths incremental borrowing rate. Our lease liability has been discounted by rates of between 3% to 5%.

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

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

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

### **Subsequent measurement**

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

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

## Note 6.2 Cash and Cash Equivalents

	<b>Total 2021 \$'000</b>	<b>Total 2020 \$'000</b>
Cash on hand (excluding monies held in trust)	2	2
Cash at bank (excluding monies held in trust)	2,348	4,828
Cash at bank - CBS (excluding monies held in trust)	22,918	20,496
<b>Total cash held for operations</b>	<b>25,268</b>	<b>25,326</b>
Cash at bank (monies held in trust)	220	60
Cash at bank - CBS (monies held in trust)	12,333	13,838
<b>Total cash held as monies in trust</b>	<b>12,553</b>	<b>13,898</b>
<b>Total cash and cash equivalents</b>	<b>7.1 (a) 37,821</b>	<b>39,224</b>

### How we recognise cash and cash equivalents

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

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



## Note 6.3 Commitments for expenditure

### Capital expenditure commitments

	Total 2021 \$'000	Total 2020 \$'000
Less than one year	1,227	1,570
Longer than one year but not longer than five years	-	-
Five years or more	-	-
<b>Total capital expenditure commitments</b>	<b>1,227</b>	<b>1,570</b>

### Total commitments for expenditure (exclusive of GST)

	<b>1,227</b>	<b>1,570</b>
Less GST recoverable from Australian Tax Office	(112)	(142)
<b>Total commitments for expenditure (exclusive of GST)</b>	<b>1,115</b>	<b>1,428</b>

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

### How we disclose our commitments

Our commitments relate to operating and capital expenditure.

### Expenditure commitments

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

Refer to Note 6.1 for further information.

#### Note 6.4 Non-cash financing and investing activities

Acquisition of plant and equipment by means of Leases

**Total non-cash financing and investing activities**

Total 2021 \$'000	Total 2020 \$'000
39	113
<b>39</b>	<b>113</b>

## Note 7: Risks, contingencies and valuation uncertainties

NCN 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 the health service is related mainly to fair value determination.

### Structure

#### ***7.1 Financial instruments***

#### ***7.2 Financial risk management objectives and policies***

#### ***7.3 Contingent assets and contingent liabilities***

**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 NCN Health's activities, certain financial assets and financial liabilities arise under statute rather than a contract (for example, taxes, fines and penalties). Such financial assets and financial liabilities do not meet the definition of financial instruments in AASB 132 Financial Instruments: Presentation.

**Note 7.1 (a) Categorisation of financial instruments**

		Financial Assets at Fair Value Through Other Comprehensive Income	Financial Assets at Fair Value Through Net Result	Financial Liabilities at Amortised Cost	Total
	Note	\$'000	\$'000	\$'000	\$'000
<b>Total</b>					
<b>30 June 2021</b>					
<b>Contractual Financial Assets</b>					
Cash and Cash Equivalents	6.2	37,821	-	-	37,821
Receivables and contract assets	5.1	2,808	-	-	2,808
<b>Total Financial Assets<sup>i</sup></b>		<b>40,629</b>	<b>-</b>	<b>-</b>	<b>40,629</b>
<b>Financial Liabilities</b>					
Payables	5.2	-	-	2,522	2,522
Borrowings	6.1	-	-	249	249
Other Financial Liabilities - Refundable Accommodation Deposits	5.3	-	-	12,339	12,339
Other Financial Liabilities - Other Deposits	5.3	-	-	741	741
Other Financial Liabilities - Patient monies held in trust	5.3	-	-	8	8
<b>Total Financial Liabilities<sup>i</sup></b>		<b>-</b>	<b>-</b>	<b>15,859</b>	<b>15,859</b>

## Note 7.1 (a) Categorisation of financial instruments

		Financial Assets at Fair Value Through Other Comprehensive Income \$'000	Financial Assets at Fair Value Through Net Result \$'000	Financial Assets at Fair Value Through Other Comprehensive Income \$'000	Financial Liabilities at Amortised Cost \$'000	Total \$'000
	Note	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Total</b>						
<b>30 June 2020</b>						
<b>Contractual Financial Assets</b>						
Cash and cash equivalents	6.2	39,224	-	-	-	39,224
Receivables and contract assets	5.1	2,403	-	-	-	2,403
<b>Total Financial Assets<sup>i</sup></b>		<b>41,627</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>41,627</b>
<b>Financial Liabilities</b>						
Payables	5.2	-	-	-	2,458	2,458
Borrowings	6.1	-	-	-	296	296
Other Financial Liabilities - Refundable Accommodation Deposits	5.3	-	-	-	13,606	13,606
Other Financial Liabilities - Patient monies held in trust	5.3	-	-	-	16	16
Other Financial Liabilities - Other monies held in trust		-	-	-	557	557
<b>Total Financial Liabilities<sup>i</sup></b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>16,933</b>	<b>16,933</b>

<sup>i</sup> The carrying amount excludes statutory receivables (i.e. GST receivable and DH receivable) and statutory payables (i.e. Revenue in Advance and DH payable).

### How we categorise financial instruments

#### Categories of financial assets

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

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

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

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

## **Note 7.1 (a) Categorisation of financial instruments**

### Financial assets at amortised cost

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

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

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

NCN Health recognises the following assets in this category:

- cash and deposits
- receivables (excluding statutory receivables)

## **Note 7.1 (a) Categorisation of financial instruments**

### **Categories of financial liabilities**

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

#### Financial liabilities at amortised cost

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

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

NCN Health recognises the following liabilities in this category:

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

### **Offsetting financial instruments**

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

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

## **Note 7.1 (a) Categorisation of financial instruments**

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

### **Derecognition of financial liabilities**

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

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

### **Reclassification of financial instruments**

A financial asset is required to be reclassified between fair value between amortised cost, fair value through net result and fair value through other comprehensive income when, and only when, NCN Health's business model for managing its financial assets has changed such that its previous model would no longer apply.

A financial liability reclassification is not permitted.



**Note 7.2: Financial risk management objectives and policies**

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

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

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

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

**Note 7.2 (a) Credit risk**

Credit risk refers to the possibility that a borrower will default on its financial obligations as and when they fall due. NCN Health's exposure to credit risk arises from the potential default of a counter party on their contractual obligations resulting in financial loss to NCN Health. Credit risk is measured at fair value and is monitored on a regular basis.

Credit risk associated with NCN Health's contractual financial assets is minimal because the main debtor is the Victorian Government. For debtors other than the Government, the health service is exposed to credit risk associated with patient and other debtors.

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

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

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

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

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

**Note 7.2 (a) Credit risk**

**Impairment of financial assets under AASB 9**

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

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

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

**Contractual receivables at amortised cost**

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

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

**Note 7.2 (a) Contractual receivables at amortised cost**

		Current	Less than 1 month	1–3 months	3 months –1 year	1–5 years	Total
<b>30 June 2021</b>							
<b>Expected loss rate</b>		0.0%	0.0%	2.0%	37.0%	0.0%	
Gross carrying amount of contractual receivables	5.1	1,639	34	71	161	0	<b>1,905</b>
<b>Loss allowance</b>		-	-	(1)	(60)	-	<b>(61)</b>
		Current	Less than 1 month	1–3 months	3 months –1 year	1–5 years	Total
<b>30 June 2020</b>							
<b>Expected loss rate</b>		0.0%	0.0%	0.0%	23.6%	0.0%	
Gross carrying amount of contractual receivables	5.1	1,189	119	94	262	0	<b>1,664</b>
<b>Loss allowance</b>		-	-	-	(62)	-	<b>(62)</b>

## **Note 7.2 (a) Contractual receivables at amortised cost**

### **Statutory receivables and debt investments at amortised cost**

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

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

## ***Note 7.2 (b) Liquidity risk***

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

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

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

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

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

## Note 7.2 (b) Payables and borrowings maturity analysis

		Maturity Dates					
		Carrying Amount	Nominal Amount	Less than 1 Month	1-3 Months	3 months - 1 Year	Over 5 years
	Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Total</b>							
<b>30 June 2021</b>							
Payables	5.2	2,522	2,522	2,522	-	-	-
Borrowings	6.1	249	249	3	9	38	199
Other Financial Liabilities - Refundable Accommodation Deposits	5.3	12,339	12,339	-	-	12,339	-
Other Financial Liabilities - Patient monies held in trust	5.3	8	8	-	-	8	-
Other Financial Liabilities - Other monies held in trust	5.3	741	741	-	-	741	-
<b>Total Financial Liabilities</b>		<b>15,859</b>	<b>15,859</b>	<b>2,525</b>	<b>9</b>	<b>13,126</b>	<b>199</b>

		Maturity Dates					
		Carrying Amount	Nominal Amount	Less than 1 Month	1-3 Months	3 months - 1 Year	Over 5 years
	Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Total</b>							
<b>30 June 2020</b>							
<b>Financial Liabilities at amortised cost</b>							
Payables	5.2	2,458	2,458	2,458	-	-	-
Borrowings	6.1	296	296	6	19	42	229
Other Financial Liabilities - Refundable Accommodation Deposits	5.3	13,606	13,606	-	-	13,606	-
Other Financial Liabilities - Patient monies held in trust	5.3	16	16	-	-	16	-
Other Financial Liabilities - Other monies held in trust	5.3	557	557	-	-	557	-
<b>Total Financial Liabilities</b>		<b>16,933</b>	<b>16,933</b>	<b>2,464</b>	<b>19</b>	<b>14,221</b>	<b>229</b>

<sup>i</sup> Ageing analysis of financial liabilities excludes statutory financial liabilities (i.e. GST payable).

### **Note 7.3: Contingent assets and contingent liabilities**

At balance date, the Board are not aware of any contingent assets or liabilities.

#### **How we measure and disclose contingent assets and contingent liabilities**

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

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

#### **Contingent assets**

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

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

#### **Contingent liabilities**

Contingent liabilities are:

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

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

## Note 8: Other disclosures

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

### Structure

***8.1 Reconciliation of net result for the year to net cash flow from operating activities***

***8.2 Responsible persons disclosure***

***8.3 Remuneration of executives***

***8.4 Related parties***

***8.5 Remuneration of auditors***

***8.6 Events occurring after the balance sheet date***

***8.7 Jointly controlled operations***

***8.8 Equity***

***8.9 Economic dependency***

### Telling the COVID-19 story

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

**Note 8.1 Reconciliation of net result for the year to net cash flows from operating activities**

		Total 2021 \$'000	Total 2020 \$'000
	Note		
<b>Net result for the year</b>		(1,210)	(1,533)
<b>Non-cash movements:</b>			
(Gain)/Loss on sale or disposal of non-financial assets	3.4	(7)	(21)
Depreciation and amortisation of non-current assets	4.3	4,126	4,070
Impairment of non-current assets	3.4	24	-
Bad and doubtful debt expense	3.1	(1)	54
Discount (interest) / expense on loan		1	(1)
Statement of changes in equity - changes on adoption of AASB 1058		-	(2,396)
Other non-cash movements		(37)	(209)
<b>Movements in Assets and Liabilities:</b>			
(Increase)/Decrease in receivables and contract assets		(406)	220
(Increase)/Decrease in inventories		(2)	6
(Increase)/Decrease in prepaid expenses		(172)	150
Increase/(Decrease) in payables and contract liabilities		651	1,668
Increase/(Decrease) in employee benefits		519	666
Increase/(Decrease) in other liabilities		176	(800)
<b>Net cash inflow from operating activities</b>		<b>3,662</b>	<b>1,874</b>

## Note 8.2 Responsible persons

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

	Period
The Honourable Martin Foley:	
Minister for Mental Health	1 Jul 2020 - 29 Sep 2020
Minister for Health	26 Sep 2020 - 30 Jun 2021
Minister for Ambulance Services	26 Sep 2020 - 30 Jun 2021
Minister for the Coordination of Health and Human Services: COVID-19	26 Sep 2020 - 30 Jun 2021
The Honourable Jenny Mikakos:	
Minister for Health	1 Jul 2020 - 26 Sep 2020
Minister for Ambulance Services	1 Jul 2020 - 26 Sep 2020
Minister for the Coordination of Health and Human Services: COVID-19	1 Jul 2020 - 26 Sep 2020
The Honourable Luke Donnellan:	
Minister for Child Protection	1 Jul 2020 - 30 Jun 2021
Minister for Disability, Ageing and Carers	1 Jul 2020 - 30 Jun 2021
The Honourable James Merlino:	
Minister for Mental Health	29 Sep 2020 - 30 Jun 2021
<b>Governing Boards</b>	
Mr Dale Brooks (Chair of the Board)	1 Jul 2020 - 30 Jun 2021
Mr Kade Beasley	1 Jul 2020 - 30 Jun 2021
Ms Suni Campbell	1 Jul 2020 - 30 Jun 2021
Mr Mewan Dissanayake	1 Jul 2020 - 30 Jun 2021
Mrs Jennie Gould	1 Jul 2020 - 30 Jun 2021
Ms Alicia Cunningham	1 Jul 2020 - 30 Jun 2021
Mr Andrew Lelliott	1 Jul 2020 - 30 Jun 2021
Ms Kate Hodge	1 Jul 2020 - 30 Jun 2021
Mr Chris McCallum	1 Jul 2020 - 30 Jun 2021
Mr Nathan Morris	1 Jul 2020 - 30 Jun 2021
Ms Tricia Quibell	1 Jul 2020 - 30 Jun 2021
Mrs Patricia West	1 Jul 2020 - 30 Jun 2021
<b>Accountable Officers</b>	
Ms Jacque Phillips	1 Jul 2020 - 30 Jun 2021



## Note 8.2 Responsible persons (continued)

### Remuneration of Responsible Persons

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

#### Income Band

\$10 - \$19,999

\$280,000 - \$289,999

\$300,000 - \$309,999

#### Total Numbers

Total remuneration received or due and receivable by Responsible Persons from the reporting entity amounted to:

Total 2021 No	Total 2020 No
12	12
-	1
1	-
<b>13</b>	<b>13</b>
Total 2021 \$'000	Total 2020 \$'000
<b>\$350</b>	<b>\$326</b>

### Note 8.3 Remuneration of executives

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

#### Remuneration of executive officers

(including Key Management Personnel disclosed in Note 8.4)

Short-term benefits

Post-employment benefits

Other long-term benefits

Termination benefits

**Total remuneration<sup>i</sup>**

Total number of executives

Total annualised employee equivalent<sup>ii</sup>

Total Remuneration	
2021	2020
\$'000	\$'000
684	808
61	70
19	22
-	-
<b>764</b>	<b>900</b>
5	6
5.0	5.5

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

<sup>ii</sup> Annualised employee equivalent is based on working 38 ordinary hours per week over the reporting period.

Total remuneration payable to executives during the year reduced due to movements and restructuring across the organisation.

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

#### Short-term employee benefits

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

#### Post-employment benefits

Pensions and other retirement benefits (such as superannuation guarantee contributions) paid or payable on a discrete basis when employment has ceased.

#### Other long-term benefits

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

#### Termination benefits

Termination of employment payments, such as severance packages.

## Note 8.4: Related Parties

The Board of Directors, Chief Executive Officer and the Executive Directors of NCN Healths are deemed to be KMPs.

Entity	KMPs	Position Title
NCN Health	Mr Dale Brooks	Board Chair
NCN Health	Mr Kade Beasley	Board Member
NCN Health	Ms Suni Campbell	Board Member
NCN Health	Mr Mewan Dissanayake	Board Member
NCN Health	Mrs Jennie Gould	Board Member
NCN Health	Ms Alicia Cunningham	Board Member
NCN Health	Mr Andrew Lelliott	Board Member
NCN Health	Ms Kate Hodge	Board Member
NCN Health	Mr Chris McCallum	Board Member
NCN Health	Mr Nathan Morris	Board Member
NCN Health	Ms Tricia Quibell	Board Member
NCN Health	Mrs Patricia West	Board Member
NCN Health	Ms Jacque Phillips	Chief Executive Officer
NCN Health	Mr G. Van Popering	Director of Nursing (Nathalia)
NCN Health	Ms Nicole Cason	Director People and Culture
NCN Health	Ms Catherine Church	Director Clinical Services (Numurkah)
NCN Health	Ms Carolyn Hargreaves	Director Clinical Services (Cobram)
NCN Health	Mr Justin Sullivan	Director Corporate Services

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

### Compensation - KMPs

Short-term Employee Benefits <sup>i</sup>
Post-employment Benefits
Other Long-term Benefits
Termination Benefits
<b>Total <sup>ii</sup></b>

Total 2021 \$'000	Total 2020 \$'000
1,003	1,103
84	94
27	29
-	-
<b>1,114</b>	<b>1,226</b>

<sup>i</sup> Total remuneration paid to KMPs employed as a contractor during the reporting period through accounts payable has been reported under short-term employee benefits.

<sup>ii</sup> KMPs are also reported in Note 8.2 Responsible Persons or Note 8.3 Remuneration of Executives.

## Note 8.4: Related Parties

### Significant transactions with government related entities

NCN Health received funding from the Department of Health of \$30.34 m (2020: \$26.61 m) and indirect contributions of \$0.28 m (2020: -\$0.05 m). Balances recallable as at 30 June 2021 are \$3.26 m (2020 \$3.09 m)

Expenses incurred by the NCN Health in delivering services and outputs are in accordance with HealthShare 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 the Victorian Managed Insurance Authority.

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

### Transactions with 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 HealthShare Victoria and Victorian Government Procurement Board requirements.

Outside of normal citizen type transactions with NCN Health, there were no related party transactions that involved key management personnel, their close family members or 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 2021 (2020: none).

There were no related party transactions required to be disclosed for NCN Health Board of Directors, Chief Executive Officer and Executive Directors in 2021 (2020: none).

## Note 8.5: Remuneration of Auditors

### Victorian Auditor-General's Office

Audit of the financial statements

### Total remuneration of auditors

Total 2021 \$'000	Total 2020 \$'000
37	39
<b>37</b>	<b>39</b>

## Note 8.6: Events occurring after the balance sheet date

The State of Victoria entered a state-wide lockdown on 15 July 2021 to 27 July 2021. Further lockdowns were enforced from 5 August 2021 to 16 August 2021 and commenced again on 21 August 2021. As an essential service NCN Health continues to operate during lockdowns with employees working from home where their roles allow.

NCN Health continues to monitor the financial and non-financial impacts. It is not anticipated that the current lockdown will have a significant impact on NCN Health's financial position or operations.

Other than disclosed above, there are no other matters or circumstances that have occurred after the reporting date that may significantly impact NCN Health's operations in future reporting periods.

## Note 8.7 Joint arrangements

	Principal Activity	Ownership Interest	
		2021	2020
		%	%
Hume Region Health Alliance	Information Technology Services	10.06	11.02

NCN Health's interest in the above joint arrangements are detailed below. The amounts are included in the consolidated financial statements under their respective categories:

	2021 \$'000	2020 \$'000
<b>Current assets</b>		
Cash and cash equivalents	1,233	973
Receivables	90	96
Prepaid expenses	27	12
<b>Total current assets</b>	<b>1,350</b>	<b>1,081</b>
<b>Non-current assets</b>		
Property, plant and equipment	21	23
Leased Assets	27	46
Intangible Assets	13	50
<b>Total non-current assets</b>	<b>61</b>	<b>119</b>
<b>Total assets</b>	<b>1,411</b>	<b>1,200</b>
<b>Current liabilities</b>		
Payables	737	471
Lease Liability	7	18
<b>Total current liabilities</b>	<b>744</b>	<b>489</b>
<b>Non-current liabilities</b>		
Lease Liability	21	28
<b>Total non-current liabilities</b>	<b>21</b>	<b>28</b>
<b>Total liabilities</b>	<b>765</b>	<b>517</b>
<b>Net assets</b>	<b>646</b>	<b>683</b>
<b>Equity</b>		
Accumulated surplus	646	683
<b>Total equity</b>	<b>646</b>	<b>683</b>

## Note 8.7 Joint arrangements

NCN Health's interest in revenues and expenses resulting from joint arrangements are detailed below:

	2021 \$'000	2020 \$'000
<b>Revenue</b>		
Operating Activities	619	724
Non Operating Activities	1	5
Capital Purpose Income	32	186
<b>Total revenue</b>	<b>652</b>	<b>915</b>
<b>Expenses</b>		
Employee Benefits	206	214
Other Expenses from Continuing Operations	347	552
Finance Lease Charges	1	1
Depreciation	81	64
Capital Purpose Expenditure	55	-
<b>Total expenses</b>	<b>690</b>	<b>831</b>
<b>Net result</b>	<b>(38)</b>	<b>84</b>

### Contingent liabilities and capital commitments

There are no known contingent liabilities or capital commitments held by the joint arrangements at balance date.

***Note 8.8: Equity***

**Contributed capital**

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

The specific restricted purpose reserve is established where NCN 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.

***Note 8.9: Economic dependency***

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



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