

Annual Report of Operations and Financial Statements 2010–11

Victorian Health Promotion Foundation

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Annual Report of Operations and Financial Statements

Victorian Health Promotion Foundation

2010–11

Declaration by Chair of the Responsible Body

In accordance with the *Financial Management Act 1994*, I am pleased to present the Victorian Health Promotion Foundation's Annual Report for the year ending 30 June 2011.

A handwritten signature in black ink, appearing to read 'Jane Fenton', written in a cursive style.

Jane Fenton

Chair of the Board

Victorian Health Promotion Foundation
25 August 2011

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Section 1: Year in review

Establishment of the Victorian Health Promotion Foundation

The Victorian Health Promotion Foundation (VicHealth) was established by the *Tobacco Act 1987* No. 81 (the Act). The responsible minister is the Minister for Health, The Hon. David Davis MLC.

Objectives

The objects of the Foundation, as set out in the Act, are:

- (a) to fund activity related to the promotion of good health, safety or the prevention and early detection of disease; and
- (b) to increase awareness of programs for promoting good health in the community through the sponsorship of sports, the arts and popular culture; and
- (c) to encourage healthy lifestyles in the community and support activities involving participation in healthy pursuits; and
- (d) to fund research and development activities in support of these objects.

Functions

The functions of the Foundation, as set out in the Act, are:

- (a) to promote its objects;
- (b) to make grants from the Health Promotion Fund for activities, facilities, projects or research programs in furtherance of the objects of the Foundation;
- (c) to provide sponsorships for sporting or cultural activities;
- (d) to keep statistics and other records relating to the achievement of the objects of the Foundation;
- (e) to provide advice to the Minister on matters related to its objects referred by the Minister to the Foundation and generally in relation to the achievement of its objects;
- (f) to make loans or otherwise provide financial accommodation for activities, facilities, projects or research programs in furtherance of the objects of the Foundation;
- (g) to consult regularly with relevant Government Departments and agencies and to liaise with persons and organisations affected by the operation of this Act; and
- (h) to perform such other functions as are conferred on the Foundation by this or any other Act.

The Foundation performs and manages these functions by:

- (a) developing a strategic plan, including concept, context and operations;
- (b) initiating, facilitating and organising the development of projects and programs to fulfil the strategic plan;
- (c) ensuring an excellent standard of project management for all project and program grants paid by the Foundation;
- (d) developing systems to evaluate the impacts and outcomes of grants; and
- (e) ensuring that such knowledge is transferred to the wider community.

Our vision

VicHealth envisages a community where:

- health is a fundamental human right;
- everyone shares in the responsibility for promoting health; and
- everyone benefits from improved health outcomes.

Our mission

Our mission is to build the capabilities of organisations, communities and individuals in ways that:

- change social, economic, cultural and physical environments to improve health for all Victorians; and
- strengthen the understanding and skills of individuals in ways that support their efforts to achieve and maintain health.

Our values

Brave, Just, Creative

Chair's report

This has been a year of significant change in both the external health promotion and illness prevention environments across Australia and also internally within VicHealth.

State and federal developments have opened up new possibilities for VicHealth to drive and support change from its unique vantage point as a locally based, internationally recognised leader in health promotion.

Executive and non-executive changes at VicHealth have seen the CEO of VicHealth take up a position as CEO of the Cancer Council Victoria and the retirement of a number of longstanding board members whose terms of appointment had expired, and the appointment of a distinguished new Board.

At a state level, the new Health Minister, The Hon. David Davis MLC has released *The Victorian Health Priorities Framework 2012–2022* which will shape health expectations and initiatives across governments and sectors in the state into the future, and which will influence the development of the next VicHealth strategic plan.

Nationally, this year has seen the formation of the new Australian National Preventive Health Agency. Two former VicHealth CEOs have been instrumental in its establishment; Dr Rhonda Galbally AO as Transitional Chief Executive Officer and Professor Rob Moodie as Deputy Chair of its Advisory Council.

We will work with the National Agency to complement its work on tackling chronic disease caused by alcohol, obesity and smoking, to both avoid duplication and to leverage opportunities to improve the health of Victorians and beyond.

While change is inevitable, and indeed welcomed by VicHealth, some things remain the same. Tobacco smoking is still one of the principal causes of death and disease in Victoria and across Australia. The Victorian Health Minister The Hon. David Davis MLC and VicHealth are working with partners including Quit Victoria and the Municipal Association of Victoria to move Victoria's smokefree agenda forward.

Many Victorian local councils have put the significant prevention initiative of smokefree outdoor dining on their agenda, several are already trialing this initiative, and more have banned smoking near playgrounds and on beaches.

As I write this, Australia is on the cusp of introducing world-first legislation requiring tobacco companies to use plain packaging. VicHealth has been a strong advocate for plain packaging and believes its introduction will be an effective deterrent for young people considering taking up smoking.

This year our partner Quit Victoria developed a new public awareness campaign aimed at encouraging smokers to give quitting another go, rather than using graphic images of tobacco harms. This new approach has been well received by smokers and non-smokers alike and Quit Victoria is to be congratulated.

Obesity, with its attendant health impacts, remains an issue of significant concern in Victoria and beyond, so VicHealth's longstanding commitment to boosting participation in physical activity is stronger than ever. Thirty State Sporting Associations will share in \$10.2 million over the next three years in a bid to make sports in Victoria more welcoming places for all Victorians.

We announced 484 Active Club Grants to assist smaller clubs to buy essential sporting equipment, injury prevention equipment, portable shade and volunteer training, and the deadline and total fund allocation for the grants was extended to include 387 clubs that were directly affected by the devastating Victorian floods over summer.

Our work with sporting organisations also aimed to address barriers to participation faced by some community members. A shining example of this work is our four-year partnership with Cricket Victoria for the *Cricket 4 Me* project, which fosters inclusion and diversity.

VicHealth funding supported multicultural cricket camps, which assisted migrants to connect with their new communities by coaching talented young people in cricket and informing parents of development opportunities available to their children. Under this funding, Cricket Victoria also employed Waddington Mwayenga, Multicultural Cricket Officer, who has encouraged many children from new arrival families to join a local club after just one cricket clinic.

Social isolation has been so strongly associated with increased death rates, particularly from heart disease and stroke, that the Heart Foundation has added it to its seven key risk factors for heart disease. VicHealth's Technology, Arts and Social Connection (TASC) program is currently supporting 14 arts projects that creatively use information and communication technologies to develop initiatives that promote participation, social connection and community engagement.

One of the TASC projects, *PING* is developing a remote music education program, where web and social networking technologies will provide access to music lessons for primary and secondary school children in rural areas. Face-to-face workshops are also part of this project (by partners The Song Room), but most of the music workshops with skilled musicians across a range of genres will be delivered online over 16-20 weeks.

As always, I am aware that VicHealth could achieve nothing in isolation and would like to acknowledge our many partners for their willingness to work with us. I'd particularly like to thank the many State Government departments who engage with our work, and especially the Department of Health.

I would like to pay tribute to Todd Harper's exceptional leadership at the helm of VicHealth where he was a visionary CEO who provided great guidance to both the staff and the Board and was responsible for encouraging groundbreaking, evidence-based work which has been internationally recognised. Following his departure, Associate Professor John Fitzgerald ably stepped into the role of CEO in the interim. John and his very capable and dedicated leadership team have ensured that the good work of the organisation has continued seamlessly. I thank them and all of the VicHealth staff for their hard work and support over the last 12 months.

I would also like to acknowledge the outgoing Board members who made a great contribution to the health of Victorians: Gill Brewster, Dr Sally Cockburn, Sue Cormack, Richard Dalla-Riva (MLC), Hugh Delahunty (MLA), Dr Mei Ling Doery, Lindsay Gaze (OAM), Professor David Hill (AO), Kirstie Marshall, (OAM MLA), Jerril Rechter and Professor Richard Smallwood (AO).

Finally, we are grateful for the support we have received over this year from the former Minister for Health, Daniel Andrews and from the current Victorian Health Minister, The Hon. David Davis MLC. I would like to acknowledge Minister Davis' enthusiasm and commitment to VicHealth, its work and its values, and to recognise and show my appreciation of the tripartisan support for VicHealth which remains one of its key strengths.

Where we're headed

As we near the last phase of our Strategic Plan 2009-13, VicHealth will soon be undertaking a review of its priority areas in order to map out our work well beyond 2013.

We recognise that it is crucial for VicHealth to continue to respond to current and emerging health promotion challenges with evidence, intelligence and integrity.

The future for health promotion, reducing health inequalities and achieving sustained health gains for all Victorians is a challenging one, but with fresh leadership on our board, there are great opportunities ahead.

It is my pleasure to present VicHealth's Annual Report 2010-11.



Jane Fenton AM
Chair of the Board

Acting Chief Executive Officer's report

The 2010–11 financial year was significant to the operations of VicHealth for three reasons. It saw the establishment of new VicHealth internal systems and processes following a period of substantive transition. Secondly, in the second quarter of the financial year, the organisation put in place a series of senior leadership adjustments to manage the imminent departure of the CEO. Thirdly, we are in what could be called the 'hump' phase of the strategic plan. Our strategic initiatives are maturing, with new programs, new strategies and new investments now in place after extended development periods following the strategic framework.

The hump is characterised by high levels of collaboration, stakeholder engagement and staff recruitment. As new programs are implemented and older programs evolved, a new set of staff skillsets have been developed. Staff continue to receive new skills training, and new roles have been filled – all fit for purpose with the new strategic framework.

The past twelve months has been a period of substantive development, change and reinvention to implement the mission embodied in the strategic framework and vision encapsulated in our organisational values.

Over the past year, we've made great progress in ensuring everything that we do takes into account the many health inequalities that exist in our society – whether it's race-based discrimination, barriers to participating in sports, or inadequate access to safe housing. We believe good health is a human right for everyone.

With a new Board and CEO at the helm in the latter part of 2011, we are looking forward to continued collective efforts to improve health and wellbeing for all Victorians in 2011 and beyond.

It has been my privilege to serve as VicHealth's Acting CEO during our transition period and to see in a new and exciting era for our organisation as we look beyond our current strategic plan into the future.

Highlights from the year

As well as our cornerstone priority areas such as reducing tobacco use, reducing harm from alcohol and increasing participation in physical activity, we have also invested in new frontiers in health. These are examples of the breadth of our work in 2010–11:

- Advocacy around the publication of a groundbreaking report into how health budgets could be directed. The *Assessing Cost-Effectiveness in Prevention* report contains 123 recommendations from a five-year review of all the available evidence about what works to prevent illness and the cost-benefits of investing in those measures.
- VicHealth research fellow Associate Professor Tony LaMontagne published a research report that shows excessive pressure at work is costing Australia's economy \$730 million a year due to job-stress related depression. VicHealth is developing five workplace evidence reviews to form the building blocks for employers to start thinking about workplaces as a place to nurture good health, rather than a place that causes ill health. We can now say with confidence that healthy workplaces are also good for the businesses bottom line.
- VicHealth was a founding member of the National Alliance for Action on Alcohol (NAAA), a coalition of more than 50 health and community organisations. This alliance called on the major political parties to make an election commitment to reduce the \$15 billion toll of alcohol-related harm. VicHealth campaigned to set a national minimum price on alcohol and commented on the irresponsibility of the major supermarket chains in taking part in 'price wars' to sell cheap alcohol.
- Our research revealed low carbohydrate beer drinkers mistakenly believe these products are healthier and will keep the kilos off – and that they still binge as much as other drinkers.

This period has been an important time to mobilise our stakeholders to join us in preventing violence against women. VicHealth and their local government partners hosted two forums with local governments and community leaders from the western and eastern regions of Melbourne. More than 300 people attended. In addition, we took a leading role in Melbourne's premiere White Ribbon Day event *Not 1 More*, where comedian Dave Hughes joined emergency and health services, unions, sports and entertainment stars to demand that 'not one more' woman become a victim of family violence. We also continued our work to foster positive attitudes towards women and inclusive sports with the development of the *Everyone Wins* toolkit for local sports clubs, which was launched by Minister for Women's Affairs The Hon. Mary Wooldridge MP.

- As VicHealth community attitudes research revealed, Victorians want their fresh produce green, cheap and local and are concerned about the impact of junk food ads and marketing in schools and on TV, our partner the Obesity Policy Coalition (OPC) unveiled their plan for legislation to protect children from unhealthy food advertising.
- A five-year local government and VicHealth food security project *Food For All* wrapped up and resources from what we learned through the process were distributed to all local councils in the state. A major piece of VicHealth research out of Melbourne University examined the intricacies of Food Supply Scenarios to 2060 for Victoria. VicHealth produced several reports designed to get stakeholders thinking about food security at a grassroots level.
- Reducing race-based discrimination is a key priority for VicHealth. In June 2011, we launched our *See Beyond Race* community awareness campaign, which ran to September 2011 on television, radio, billboards and newspapers in the Shepparton and Whittlesea areas. This campaign is designed to reduce racial stereotyping. VicHealth's *Arts About Us* program to promote cultural diversity and challenge racial discrimination is now in full swing, with a range of arts projects performing across Victoria, including appearances at the 2011 Melbourne International Comedy Festival and Australia's first all-Indigenous opera.

- Finally, the joint VicHealth and Department of Health Indigenous health framework *Life is health is life*, was formally launched by Health Minister The Hon. David Davis MLC. This framework will be an important component of addressing the gap in Indigenous health in years to come.

It has been a very active period here at VicHealth. And while there have been leadership changes, it is clear from the volume and quality of our work, that it has been very much business as usual with staff continuing to progress the objectives as outlined in our Strategy and Business Plan.

I would like to express my thanks and gratitude for the commitment of the highly skilled staff at VicHealth for their unwavering dedication and enthusiasm in promoting better health for all Victorians.



Associate Professor John Fitzgerald

Acting Chief Executive Officer

Operational and budgetary objectives and performance against objectives

Budgetary performance

Under section 33 of the Tobacco Act, the budget of the Victorian Health Promotion Foundation must include provision for payments to sporting bodies (not less than 30%) and to bodies for the purpose of health promotion (not less than 30%).

The VicHealth Board also set the following targets on grant expenditure within internal policy for the financial year:

- 20% of budget is to be expended on research & evaluation
- 12% of budget is to be expended on tobacco health issues.

Our performance against these targets is summarised in Table 1.

Table 1: Performance against statutory and policy financial targets ⁽ⁱ⁾

Performance measures	Unit of measure	2010–11 actual	2010–11 target	2009–10 actual
Statutory expenditure target				
Sporting bodies	per cent	30.2%	30%	30.1%
Health promotion ⁽ⁱⁱⁱ⁾	per cent	48.2%	30%	43.6%
Board policy budget targets				
Research & evaluation ⁽ⁱⁱⁱ⁾	per cent	17.5%	20%	17.4%
Tobacco	per cent	14.2%	12%	12.6%

Notes:

- (i) Percentage figures are calculated as grant expenditure as a proportion of our budgeted government appropriation for the financial reporting period. For the 2010–11 financial year, our appropriation was \$34,778,000.
- (ii) Spend against statutory expenditure targets is not exclusive of spend against Board policy targets. Expenditure on 'health promotion' in this instance is defined as total grant payments less grant monies issued to sporting bodies. It includes research & evaluation payments and payments made directly towards tobacco issues.
- (iii) In practice, we allocate 20% of our major grants to QUIT for research and evaluation activity which equates to \$830,000. Incorporating this figure into the calculation brings our research performance percentage to 19.9% for the financial reporting period. We have not shown this figure in Table 1 to maintain consistency with the methodology used in prior years.

Performance against Strategic Framework

VicHealth Strategic Framework 2009–13

Priorities for focus					
Reducing smoking	Improving nutrition	Reducing harm from alcohol	Increasing physical activity	Increasing social and economic participation	Reducing harm from UV exposure
Key result areas					
KRA 1 Health inequalities 1.1 Improve the physical and mental health of those experiencing social, economic or geographic disadvantage. 1.2 Contribute to closing the health gap between Indigenous and non-Indigenous Victorians.		KRA 2 Participation 2.1 Increase participation in physical activity. 2.2 Increase opportunities for social connection. 2.3 Reduce race-based discrimination and promote diversity. 2.4 Prevent violence against women by increasing participation in respectful relationships. 2.5 Build knowledge to increase access to economic resources.		KRA 3 Nutrition, tobacco, alcohol and UV 3.1 Create environments that improve health. 3.2 Increase optimal nutrition. 3.3 Reduce tobacco use. 3.4 Reduce harm from alcohol. 3.5 Reduce harmful UV exposure.	
Our approach					
To lead the development and implementation of innovative ways to promote health through partnering, advocacy and capacity building.					
Key result areas					
KRA 4 Knowledge 4.1 Produce, synthesise and translate practical health promotion knowledge. 4.2 Evaluate health promotion practice.		KRA 5 Communications 5.1 Develop, implement and evaluate marketing and communications approaches to improve health. 5.2 Develop evidence on effective social marketing. 5.3 Provide accurate, credible and timely information to stakeholders on health promotion issues.		KRA 6 Business operations 6.1 Ensure effective business and risk processes and systems. 6.2 Develop high-performing people in a healthy and sustainable work environment. 6.3 Operate transparently and with accountability.	

The financial year 2010–11 was the second year of operation of VicHealth's four-year strategic framework and business plan.

Our performance across the new strategic framework and a comparison to last year is summarised within this section. Full details of financial performance are provided in the audited financial statements at the back of this annual report.

Granting of funds

As part of its core business, VicHealth has continued to provide assistance to organisations to deliver program outputs against our strategic framework through the granting of funds for specific purposes.

\$27,255,000 of our state government appropriated revenue was expended in grant payments in 2010–11 across all of our strategic objectives, as summarised in Table 2.

Table 2: Summary of grant payments made⁽ⁱ⁾

Strategic objective	2010–11 No. of grants	2010–11 payments \$000	2009–10 No. of grants	2009–10 payments \$000
KRA 1: Health inequalities				
1.1 Improve the physical and mental health of those experiencing social, economic or geographic disadvantage	13	974	8	1,382
1.2 Contribute to closing the health gap between Indigenous and non-Indigenous Victorians	13	1,197	5	67
KRA 2: Participation				
2.1 Increase participation in physical activity	609	8,896	615	9,568
2.2 Increase opportunities for social connection	27	1,244	29	1,534
2.3 Reduce race-based discrimination and promote diversity	34	1,879	27	1,491
2.4 Prevent violence against women by increasing participation in respectful relationships	20	1,033	14	714
2.5 Build knowledge to increase access to economic resources	15	618	4	235

Notes:

- (i) In addition to the \$27,255,000 paid out in grants from government appropriation, VicHealth also issued grants totalling \$625,000 from other revenue sources.

Strategic objective	2010-11 No. of grants	2010-11 payments \$000	2009-10 No. of grants	2009-10 payments \$000
KRA 3: Nutrition, tobacco, alcohol & UV				
3.1 Create environments that improve health	6	946	2	384
3.2 Increase optimal nutrition	11	721	12	1,058
3.3 Reduce tobacco use	4	4,926	3	4,864
3.4 Reduce harm from alcohol	17	1,303	12	765
3.5 Reduce harmful UV exposure	1	1,500	2	636
KRA 4: Knowledge				
4.1 Produce, synthesise and translate practical health promotion knowledge	25	1,981	13	580
4.2 Evaluate health promotion practice	1	36	2	223
KRA 5: Communications				
5.2 Develop evidence on effective social marketing	0	0	1	610
TOTALS	798	27,255	749	24,111

Significant grant expenditure

Significant grant expenditure is defined as:

- Any grant funding round where payments to successful bodies total \$300,000 or more during the financial reporting period, or
- Single grants where payments to the organisation total \$300,000 or more during the financial reporting period

Detail of significant grant funding rounds are provided in Table 3.

Table 3: Funding rounds with payments totalling \$300,000 or more during the reporting period

Funding round	Number of organisations receiving payments	2010–11 payments \$000
Active Participation Grants – metropolitan	12	508
LEAP (Localities Enhancing Arts Participation)	3	600
Arts About Us	17	737
Active Participation Grants – Rural & Regional Up-scale	3	320
Active Club Grants 2011	490	975
MOTION – Arts & Physical Activity grants	7	400
PICSAR State and Regional Grants	57	4,685

Detail of significant grant payments to individual organisations are provided in Table 4.

Table 4: Organisations receiving grant payments totalling \$300,000 or more during the reporting period

Organisation name	Project name	2010-11 payments \$000
AFL Victoria Ltd	AFL Victoria Alcohol Cultural Change Project	630
Australian Drug Foundation	Good Sports program	300
Cancer Council Victoria	QUIT Social Marketing	549
Cancer Council Victoria	Tobacco Control Unit (TCU) – Quit 2008–2011	4,152
Cancer Council Victoria	Sunsmart Program 2009/10–20012/13	1,500
City of Whittlesea	LEAD (Localities Embracing & Accepting Diversity)	300
Football Federation Victoria	New Arrival Sport Intervention	300
Leisure Networks	Healthy Sporting Environments Demonstration Project	692
McCaughey Centre – The University of Melbourne	The McCaughey Centre 2011–17	500
Onemda VicHealth Koori Health Unit – The University of Melbourne	Onemda VicHealth Koori Health Unit	380
The Social Research Centre Pty Ltd	VicHealth Indicator Survey (CSP)	600

Strategic priorities

The proportion of grant funding in 2010–11 targeting each of VicHealth’s strategic priorities is provided in Table 5.

Table 5: Allocation of grant expenditure across strategic priorities⁽ⁱ⁾

Strategic priority	2010–11 allocation	2009–10 allocation
Reducing smoking ⁽ⁱⁱ⁾	20%	21%
Improving nutrition	5%	5%
Reducing harm from alcohol	7%	4%
Increasing physical activity	35%	40%
Increasing social and economic participation	27%	23%
Reducing harm from UV exposure	6%	7%

Notes:

- (i) Percentages are used to provide a relative indicator of investment across strategic priorities. The percentages are a proportion of grant payments from appropriated revenue expended on each priority.
- (ii) This 20% figure against reducing smoking is different to the 14.2% figure against the tobacco target spend reported in Table 1 due to the following reasons:
- The Table 1 tobacco target is calculated as a proportion of our total appropriation (\$34,778,000). This figure in Table 5 is calculated as a proportion of grants payments from appropriation (\$27,255,000).
 - Spend against the tobacco target in Table 1 includes money spent directly on tobacco issues only. Some of our other investments include a partial focus on interventions to reduce smoking. The calculation in Table 5 recognises this spend.

Target populations

56% of our grant funding was targeted at whole-of-population approaches to health promotion. The remaining 44% was targeted at one or more of our target populations as summarised in Table 6.

Table 6: Allocation of grant expenditure across target population groups⁽ⁱ⁾

Target population	2010–11 allocation	2009–10 allocation
Whole-of-population approach	55%	55%
Low SES	10%	10%
Indigenous	10%	7%
Geographic disadvantage	5%	6%
New-arrival communities	7%	8%
People with disabilities	5%	6%
Children	8%	8%

Notes:

- (i) Percentages are used to provide a relative indicator of investment across target populations. The percentages are a proportion of grant payments from appropriated revenue expended on each population group.

Settings

The proportion of grant funding allocated within each setting is provided in Table 7.

Workforce development

VicHealth provided Victorian workforce development through the delivery of short course training. Each two-day short course aims to increase the skills and capacity of workers in diverse sectors to undertake successful mental and physical health promotion activity. It targets workers from sectors such as health, community, education, justice, housing, local government, arts and sport.

Three different short courses were provided in 2010–11. A summary of the training is provided in Table 8. Based on 2009–10 pilot evaluation, Reducing race-based discrimination short course has been in curriculum development in 2010–11.

In 2010 VicHealth piloted a Master Class, a version of the short course adapted to the needs of Chief Executive Officers and Senior Managers. Evaluation revealed participants found the gap between their and their managers' understanding of the short course content was impeding support for the projects and partnerships they were developing subsequent to participation in the short course.

Table 7: Allocation of grant expenditure across settings⁽ⁱ⁾

Setting	2010–11 allocation	2009–10 allocation
Arts	5%	3%
Community	27%	29%
Education	1%	1%
Information technology	0%	1%
Local government	7%	10%
Media	1%	1%
Sports	36%	35%
Workplace	7%	6%
Academic	15%	14%

Notes:

- (i) Percentages are used to provide a relative indicator of investment across settings. The percentages are a proportion of grant payments from appropriated revenue expended within each setting.

Table 8: Short course training provided

Short course	2010–11 Number of courses held	2010–11 Total number of participants	2009–10 Number of courses held	2009–10 Total number of participants
Participation for health	16	356	11	245
Preventing violence against women ⁽ⁱ⁾	3	62	6	143
Reducing race-based discrimination and supporting diversity for health ⁽ⁱⁱ⁾			2	54
Master Class ⁽ⁱⁱⁱ⁾	1	28		

Notes:

(i) The preventing violence against women short course was piloted for the first time in 2009–10.

(ii) The race-based discrimination and supporting diversity for health short course was piloted for the first time in 2009–10.

(iii) The Master Class was piloted for the first time in 2010–11

Five-year financial summary (\$ 000)

	2011	2010	2009	2008	2007
Revenue from government	34,991	32,749	31,744	30,850	29,984
Total income from transactions	35,756	34,511	35,052	32,701	31,218
Total expenses from transactions	37,627	(33,482)	(35,838)	(30,196)	(31,551)
Net result from transactions	(1,871)	1,029	(786)	2,532	(333)
Net result for the period	(1,871)	1,029	(786)	2,532	(333)
Net cash flow from operating activities	(266)	(720)	981	1,247	1,419
Total assets	6,191	7,235	8,056	6,958	5,476
Total liabilities	3,431	2,604	4,455	2,571	3,621

Major changes affecting performance

There were no major changes or factors affecting performance during the financial reporting period.

Subsequent events

Effective from 1 July 2011, eight new members of the Board of Governance have been appointed by the Minister for Health and three new Parliamentary members have been elected by a joint sitting of the Legislative Assembly and the Legislative Council. There were no other events occurring after balance date which may significantly affect the entity's operations in subsequent reporting periods.

Section 2: Governance and organisational structure

VicHealth Board of Governance

Ms Jane Fenton AM – Chair

Jane Fenton is principal of Fenton Communications, a strategic communications consultancy. She is a fellow of the Public Relations Institute of Australia and a life governor of Very Special Kids. She was a director of the Murdoch Children's Research Institute and a 1997 Victorian Telstra Business Woman of the Year awardee. Jane has received an Order of Australia medal for service to the community particularly through her support for health, medical research, youth and women's groups.

Ms Gill Brewster

Gill Brewster is Executive Director of the Victorian Olympic Council and has worked extensively in sports administration. She has also taught in the primary sector. For many years Gill was General Manager of Museums at the MCG, responsible for the development of the National Sports Museum at the MCG. She is a member of the vicsport Women's Advisory Group, the National Sports Museum Advisory Committee, the Melbourne Tigers Women's Basketball Club, and a board member of Presentation College in Windsor.

Dr Sally Cockburn – 1 July 2010 to 31 March 2011

Dr Sally Cockburn has 20 years' experience as a GP and is a well-known media commentator. Sally has a solid understanding of corporate governance through extensive experience on health and charity boards including seven years on the Metropolitan Ambulance Service Committee of Management and as chair of the Variety Club of Victoria. She has been a member of the Ministerial Advisory Committee on Women's Health and is on the board of the Monash Medical Foundation and Family Planning Victoria.

Ms Sue Cormack

Sue Cormack manages her own consultancy business in Geelong and has vast professional experience at national, state and local levels in the areas of sport, recreation and education. Sue is national project officer for the Active Australia Schools Network, supporting Australian schools to develop sport and physical activity. She is also active in club and community development, supporting grassroots delivery across the Barwon Region.

Mr Richard Dalla-Riva MLC – 1 July 2010 to 24 September 2011

Richard Dalla-Riva, State Liberal Party MP for Eastern Metropolitan Region, was born in Orbost, Victoria and educated at Beechworth Primary School and Macleod High School. Before entering politics, Richard was a senior police detective with the Victoria Police. After leaving the police force, Richard held a variety of positions in business before being elected to Parliament in November 2002 where he held various shadow ministerial roles. He currently serves as Minister for Employment and Industrial Relations, and Minister for Manufacturing, Exports and Trade.

Mr Hugh Delahunty MLA – 1 July 2010 to 24 September 2011

Hugh Delahunty, State National Party MP for Lowan, has a long involvement in local government as a councillor and mayor with Horsham Rural City Council. He was an advisor with the Office of Rural Affairs and has links with many community and sporting bodies. He played with Essendon Football Club and is a life member of Murtoa Football Club. He is currently Minister for Sport and Recreation, and Veterans' Affairs.

Dr Mei Ling Doery – 1 July 2010 to 09 March 2011

Dr Mei Ling Doery is a medical graduate. She has a keen interest in human performance, which has been recognised with a Young Investigator Award from the European Space Agency. Her broad professional experience includes being a contributor to Southeast Asian-based health promotion company MeggPower and a club doctor for Richmond reserves football team. Mei Ling has had a leading role with the Australian Medical Students Association, Ausdoctors.net, the UN Space Generation Forum, SpaceFutures and the Victorian Youth Space Forum.

Ms Belinda Duarte

Belinda Duarte was born and raised in Ballarat and is a descendant of the Wotjobaluk people and the country of Poland. She is director of the Korin Gamadji Institute based at Richmond Football club, chair of the National Aboriginal Sporting Chance Academy, and director of the Indigenous Leadership Network Victoria. Belinda is a qualified teacher, former elite athlete, and a delegate at the National Congress for Australia's First Peoples. Her professional experience involves extensive work with young people, Indigenous communities and disadvantaged groups. Recently, she was appointed as a member to the National Aboriginal and Torres Strait Islander Health Equalities Council. Belinda is passionate about VicHealth's work in preventing race-based discrimination and improving social connection.

Mr Lindsay Gaze OAM

Lindsay Gaze is Director of Coaching and Player Development for the Melbourne Tigers in Australia’s National Basketball League. Lindsay is a member of the Sport Australia Hall of Fame board, and one of Australia’s most prominent and experienced coaches. He represented Australia in basketball as a player in three Olympic Games and as a coach in four Olympics. He has been named in the International Basketball Federation’s Hall of Fame.

Mr Peter Gordon

Peter is the Principal of Gordon Legal. He has been at the forefront of smoking and health litigation in Australia, involving class action litigation against the Australian tobacco industry and helping the US Department of Justice in a multi-billion dollar action against the tobacco industry. Peter has worked for asbestos victims for 20 years. Peter led the Slater & Gordon class action trial over the arthritis drug, Vioxx. He is also a former AFL director, and President of Footscray Football Club from 1989 to 1996. He has been a Director (and Acting Chair) of VicHealth since 2005 and the Chair of the Australian Community Centre for Diabetes.

Professor David Hill AO

Professor David Hill was Director of The Cancer Council Victoria until early 2011. In 1986, he was appointed as the founding Director of the Centre for Behavioural Research in Cancer, the first such centre in the world. Professor Hill is widely regarded as a leading international expert in social marketing and public health campaigns. In 2001 he was made a Member of the Order of Australia for services to the promotion of community health, particularly in the development of cancer awareness and prevention programs. In 2009, he was awarded Officer in the Order of Australia. Professor Hill is a Professorial Fellow at the University of Melbourne and also holds the honorary degree of Doctor of Medicine by the University of Newcastle.

Ms Kirstie Marshall OAM MLA – 1 July 2010 to 24 September 2011

Kirstie Marshall, was former Member of Parliament for Forest Hill to which she was elected in 2002 and re-elected in 2006. Prior to getting involved in politics, Kirstie was well known for sporting achievements. She was named the Victorian Sportswoman of the Year four times, was the Australian Skier of the Year six times and was awarded an OAM for her contribution to skiing and sports administration on the Queens Birthday Honour List in 2003. She has also been named in Sports Australia’s Hall of Fame.

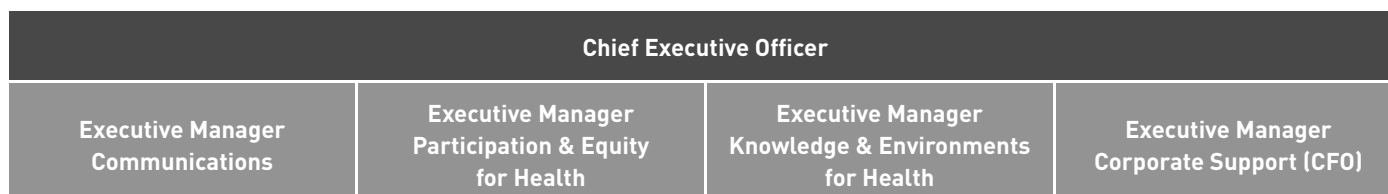
Ms Jerril Rechter – 1 July 2010 to 24 January 2011

Jerril Rechter is Executive Director of Leadership Victoria. Jerril has extensive experience in leadership in arts, education, not-for-profit and youth sectors in Australia and is a recipient of a Winston Churchill Fellowship, Tasmania Day Award, and Australia Council Fellowship. In 2003, she was awarded a Centenary Medal for service in the Tasmania Together process as a Community Leaders Group member.

Professor Richard Smallwood AO – 1 July 2010 to 31 March 2011

Professor Richard Smallwood has a wealth of experience in senior medical and public health positions, recently as Commonwealth Chief Medical Officer. He is chair of the Victorian Ministerial Taskforce for Cancer, former chair of the National Health and Medical Research Council and past president of the Royal Australasian College of Physicians. Prof. Smallwood is an international speaker in research, clinical and health service related topics, and author/co-author of some 250 publications. He is also chair of the National Blood Authority and a member of the Australian Medical Council Executive.

Victorian Health Promotion Foundation organisational structure



These positions were held by the following people during the financial reporting period.

Chief Executive Officer

Mr Todd Harper – 1 July 2010 to 10 April 2011

Assoc Prof John Fitzgerald (Acting) – 11 April 2011 to 30 June 2011

Executive Manager, Participation & Health Inequalities

Ms Lyn Walker – 1 July 2010 to 31 January 2011

Ms Irene Verins (Acting) – 1 February 2011 to 30 June 2011

Executive Manager, Knowledge & Environments for Health

Assoc Prof John Fitzgerald (Acting) – 1 July 2010 to 3 April 2011

Mr Brian Vandenberg (Acting) – 4 April 2011 to 24 June 2011

Ms Jeanette Pope (Acting) – 27 June 2011 to 30 June 2011

Executive Manager, Communications

Ms Kerry Grenfell

Executive Manager, Corporate Support; Chief Finance and Accounting Officer (CFO)

Mr Craig Barry

Victorian Health Promotion Foundation Audit & Risk Committee membership

During the reporting period, the Audit & Risk committee consisted of the following members:

Mr Leigh Johns (Independent) – full year membership, Chair from 10 October 2010 to 30 June 2011

Mr John Hayes (Independent) – (Outgoing Chair) from 1 July 2010 to 18 August 2010

Ms Jane Fenton

Ms Sally Freeman (Independent)

Ms Carol Pagnon (Independent)

Mr John Thomson (Independent) – 8 October 2010 to 30 June 2011

Mr Hugh Delahunty MLA – 1 July 2010 to 24 September 2010

Ms Kirstie Marshall MLA – 1 July 2010 to 24 September 2010

Mr Richard Dalla-Riva MLC – 1 July 2010 to 24 September 2010

Victorian Health Promotion Foundation Finance Committee membership

The Finance and Human Resources committee consists of the following members:

Ms Jane Fenton (Chair)

Mr Peter Gordon

Mr John Hayes – from 1 July 2010 to 18 August 2010

Ms Suzette Corr (Independent) – from 1 July 2010 to 3 November 2010

Mr Jeremy Nott (Independent)

Mr Peter Moloney (Independent)

Victorian Health Promotion Foundation Remuneration sub-committee membership

The Remuneration sub-committee to the Finance and Human Resources committee consists of the following members:

Ms Jane Fenton (Chair)

Mr David Saunders (Independent)

Ms Suzette Corr (Independent) – from 1 July 2010 to 3 November 2010

Section 3: Workforce data

Occupational Health & Safety (OHS) management

The Victorian Health Promotion Foundation occupational health and safety (OHS) policy demonstrates VicHealth’s commitment to the provision of a safe and healthy workplace.

VicHealth is committed to fostering and enshrining a culture within the organisation that values the importance of a healthy and safe work environment.

Our performance against key OHS indicators during the 2010–11 financial year is summarised in Table 9.

Table 9: Performance against OHS management measures

Measure	Indicator	2010–11
Incidents	No. of incidents	2
Claims	No. of standard claims	1
	No. of lost time claims	0
	No. of claims exceeding 13 weeks	1
Claim costs	Average cost per standard claim	\$592

Equity and diversity principles

VicHealth’s equity and diversity policy demonstrates our commitment to creating and maintaining a positive working environment free of discrimination and harassment, which provides equal opportunities for all and values diversity.

Young people

The Youth Employment Scheme (YES)

YES is a Victorian Government initiative to enable young people to enter the workforce, acquire skills and capabilities and build sustainable careers. In 2010–11, VicHealth took on three YES scheme trainees during the financial year.

Public administration values and employment principles

The Victorian Health Promotion Foundation continues to implement the previous directions of the Commissioner for Public Employment with respect to upholding public sector conduct, managing and valuing diversity, managing underperformance, reviewing personal grievances and selecting on merit.

The Foundation annually reviews its suite of detailed employment policies, including policies with respect to grievance resolution, recruitment, performance management, redeployment and managing diversity.

Workforce data as at 30 June 2011

	Headcount			Full-time equivalent (FTE)		
	<i>Females</i>	<i>Males</i>	<i>Total</i>	<i>Females</i>	<i>Males</i>	<i>Total</i>
Total staff	52	18	72	47.3	19.8	67.1

Age groups

	Headcount		
	<i>Females</i>	<i>Males</i>	<i>Total</i>
Up to 19 years	0	0	0
20 – 24	2	1	3
25 – 29	9	3	12
30 – 34	10	2	12
35 – 39	4	5	9
40 – 44	6	2	8
45 – 49	7	3	10
50 – 54	11	2	13
55 – 59	3	0	3
60 – 64	0	1	0
65 +	1	0	1

Base salary groups ⁽ⁱ⁾

	Headcount		
	<i>Females</i>	<i>Males</i>	<i>Total</i>
Up to \$20,000	0	0	0
\$20,001 to \$29,999	0	0	0
\$30,000 to \$39,999	0	0	0
\$40,000 to \$49,999	2	1	3
\$50,000 to \$59,999	5	1	6
\$60,000 to \$69,999	17	2	19
\$70,000 to \$79,999	8	4	12
\$80,000 to \$89,999	3	0	3
\$90,000 to \$99,999	7	3	10
\$100,000 +	10	8	18

Notes:

(i) Salary depicted as full-time annualised salary.

Executive officer data

An **executive officer** (EO) is defined as a person employed as a public service body head or other executive under Part 3, Division 5 of the *Public Administration Act 2004*. All figures reflect employment levels at the last full pay period in June of the current and corresponding previous reporting year.

Table 10: Breakdown of executive officers

	<i>Male</i>	<i>Female</i>	<i>Vacancies</i>
<i>Class</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>
EO	2	3	0
Total	2	3	0

The number of executives in the report of operations is based on the number of executive positions that are occupied at the end of the financial year.

Table 11: Reconciliation of executive numbers

		2010–11
	Executives with remuneration over \$100,000	4
<i>Add</i>	Vacancies (Table 9)	0
	Executives employed with total remuneration below \$100,000	0
	Accountable Officer (CEO)	1
<i>Less</i>	Separations	0
	Total executive numbers at 30 June	5

Section 4: Other disclosures

Consultancies

Details of consultancies over \$100,000

During the year, one consultancy received total payments in excess of \$100,000. Ernst & Young received total payments of \$108,000 for the financial reporting period. This figure is excluding GST.

Details of consultancies under \$100,000

In 2010-11, the total for the 15 consultancies engaged during the year, where the total fees payable to the consultants was less than \$100,000, was \$194,000. All figures are excluding GST.

Disclosure of major contracts

The Foundation did not enter into any contracts greater than \$10 million during the financial reporting period.

As at 30 June 2011 the Foundation retains one contract on its books worth more than \$10 million in total value. That contract is a four year grant provided to the Tobacco Control Unit for the Quit program as part of our 12% annual budgetary commitment to resolving harm from tobacco. The total value of the contract is \$15,715,000. Contract payments commenced in January 2008. As at 30 June 2011 \$13,589,000 had been paid, leaving \$2,126,000 in contractual commitments remaining to be paid until contract completion in December 2011.

Disclosure of ex-gratia payments

The Foundation made no ex-gratia payments during the financial reporting period.

Compliance with the *Building Act 1993*

The Foundation does not own or control any government buildings and consequently is exempt from notifying its compliance with the building and maintenance provisions of the *Building Act 1993*.

Freedom of Information

The *Freedom of Information Act 1982* allows the public a right of access to documents held by the Foundation. Information is available under the *Freedom of Information Act 1982* by contacting the following person:

Chief Finance and Accounting Officer
Victorian Health Promotion Foundation
15-31 Pelham St (PO Box 154)
Carlton South VIC 3053
Phone: (03) 9667 1333
Fax: (03) 9667 1375

For the 12 months ending 30 June 2010, the Foundation received no applications.

Compliance with *Whistleblowers Protection Act 2001*

The *Whistleblowers Protection Act 2001* encourages and assists people in making disclosures of improper conduct by public officers and public bodies. The Act provides protection to people who make disclosures in accordance with the Act and establishes a system for the matters disclosed to be investigated and rectifying action to be taken.

VicHealth has structures in place to take all reasonable steps to protect people who make such disclosures from any detrimental action in reprisal for making the disclosure. It will also afford natural justice to the person who is the subject of the disclosure to the extent it is legally possible.

Disclosures under the *Whistleblowers Protection Act*

No disclosures were made within the financial reporting period.

Victorian Industry Participation Policy

The Foundation abides by the requirements of the Victorian Industry Participation Policy (VIPP) within its Grant-making and procurement practices. VIPP requirements must be applied to tenders of \$3 million or more in metropolitan Victoria and \$1m or more in rural Victoria.

During the financial reporting period, the following grant funding rounds fell within the scope of application of VIPP.

- State Sporting Association Participation program – \$10.2million

National Competition Policy

The Foundation's activities did not require reporting against the National Competition Policy during the financial reporting period.

Office-based environmental impacts

The Victorian Health Promotion Foundation identifies within its Strategy & Business Plan 2009–13, that it will develop and implement an Environment Management System (EMS) to reduce the Foundation's impact on the environment.

In the 2010–11 financial year, a dedicated environmental staff committee was formed to address this objective. 'The Green Machine' recruited an intern, from the Green Steps Environmental Consultancy Training Program at Monash University, to conduct an environmental audit on the workplace. The audit included energy, waste, transport and water. Key activities which impact the environment were identified, and avenues for reducing negative effects to meet Victorian standards were recommended.

The baseline data from this initial audit will be incorporated into an Environmental Management System, which is to be implemented in the 2011–12 financial year. The EMS will provide a framework for reducing the environmental impact of activities at VicHealth, as well as continually monitoring progress.

Additional information available on request

In compliance with the requirements of the Standing Directions of the Minister for Finance, additional information has been retained by the Foundation and is available to the relevant Ministers, Members of Parliament and the public on request (subject to the freedom of information requirements).

For further information please contact:

Chief Finance and Accounting Officer
Victorian Health Promotion Foundation
15–31 Pelham St (PO Box 154)
Carlton South VIC 3053
Phone: (03) 9667 1333
Fax: (03) 9667 1375

Attestation of compliance with the Australian/ New Zealand Risk Management Standard

I, Jane Fenton certify that the Victorian Health Promotion Foundation has risk management processes in place consistent with the Australian/New Zealand Risk Management Standard (or equivalent designated standard) and an internal control system is in place that enables the executive to understand, manage and satisfactorily control risk exposures. The audit and risk committee verifies this assurance and that the risk profile of the Victorian Health Promotion Foundation has been critically reviewed within the last 12 months.



Jane Fenton

Chair

Victorian Health Promotion Foundation
25 August 2011

Disclosure index

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

Legislation	Requirement	Page reference
Ministerial Directions		
Report of operations – FRD Guidance		
Charter and purpose		
FRD 22B	Manner of establishment and the relevant Ministers	Page 5
FRD 22B	Objectives, functions, powers and duties	Page 5
FRD 22B	Nature and range of services provided	Pages 5, 11
Management and structure		
FRD 22B	Organisational structure	Pages 19-21
Financial and other information		
FRD 10	Disclosure index	Pages 27-29
FRD 12A	Disclosure of major contracts	Page 25
FRD 15B	Executive officer disclosures	Page 24
FRD 22B, SD 4.2(k)	Operational and budgetary objectives and performance against objectives	Pages 10-17
FRD 22B	Employment and conduct principles	Page 22
FRD 22B	Occupational health and safety policy	Page 22
FRD 22B	Summary of the financial results for the year	Page 18
FRD 22B	Significant changes in financial position during the year	Page 18
FRD 22B	Major changes or factors affecting performance	Page 18
FRD 22B	Subsequent events	Page 18
FRD 22B	Application and operation of <i>Freedom of Information Act 1982</i>	Page 25
FRD 22B	Compliance with building and maintenance provisions of <i>Building Act 1993</i>	Page 25
FRD 22B	Statement on National Competition Policy	Page 25
FRD 22B	Application and operation of the <i>Whistleblowers Protection Act 2001</i>	Page 25

Legislation	Requirement	Page reference
Ministerial Directions		
Report of operations – FRD Guidance		
FRD 22B	Details of consultancies over \$100,000	Page 25
FRD 22B	Details of consultancies under \$100,000	Page 25
FRD 22B	Statement of availability of other information	Page 26
FRD 24C	Reporting of office-based environmental impacts	Page 26
FRD 25	Victorian Industry Participation Policy disclosures	Page 25
FRD 29	Workforce data disclosures	Pages 23-24
SD 4.5.5	Risk management compliance attestation	Page 26
SD 4.2(g)	General information requirements	Pages 25-26
SD 4.2(j)	Sign-off requirements	Page 2
Financial statements		
Financial statements required under Part 7 of the FMA		
SD4.2(a)	Statement of changes in equity	Page 35
SD4.2(b)	Operating statement	Page 33
SD4.2(b)	Balance sheet	Page 34
SD4.2(b)	Cash flow statement	Page 36
Other requirements under Standing Direction 4.2		
SD4.2(a)	Compliance with Australian accounting standards and other authoritative pronouncements	Pages 38-48
SD4.2(a)	Statement of Compliance	Page 38
SD4.2(d)	Rounding of amounts	Page 45
SD4.2(c)	Accountable officer's declaration	Page 30

Legislation	Requirement	Page reference
Ministerial Directions		
Report of operations – FRD Guidance		
Other disclosures as required by FRDs in notes to the financial statements		
FRD 9A	Departmental disclosure of administered assets and liabilities	n/a
FRD 11	Disclosure of ex gratia payments	Page 25
FRD 13	Disclosure of parliamentary appropriations	Page 33
FRD 21A	Responsible person and executive officer disclosures	Pages 63-65
FRD 102	Inventories	n/a
FRD 103D	Non-current physical assets	Pages 41-42
FRD 104	Foreign currency	n/a
FRD 106	Impairment of assets	Page 41
FRD 109	Intangible assets	Pages 42, 52
FRD 107	Investment properties	n/a
FRD 110	Cash flow statements	Pages 36, 62
FRD 112A	Defined benefit superannuation obligations	Page 54
FRD 113	Investments in subsidiaries, jointly controlled entities and associates	n/a
FRD 114A	Financial Instruments – General government entities and public non-financial corporations	Pages 56-61
FRD 119	Contributions by owners	Page 44
Legislation		
<i>Freedom of Information Act 1982</i>		Page 25
<i>Building Act 1983</i>		Page 25
<i>Whistleblowers Protection Act 2001</i>		Page 25
<i>Victorian Industry Participation Policy Act 2003</i>		Page 25
<i>Financial Management Act 1994</i>		Page 2

Accountable officer's and chief finance and accounting officer's declaration

We certify that the attached financial statements for the Victorian Health Promotion Foundation have been prepared in accordance with Standing Direction 4.2 of 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 notes forming part of the financial statements, presents fairly the financial transactions during the year ended 30 June 2011 and financial position of the Foundation at 30 June 2011.

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 25 August 2011.



Ms Jane Fenton

Chair

Victorian Health Promotion Foundation

Melbourne

25 August 2011



A/Prof John Fitzgerald

Accountable Officer and Chief
Executive Officer (Acting)

Victorian Health Promotion Foundation

Melbourne

25 August 2011



Mr Randall Kent

Chief Finance and Accounting
Officer (Acting)

Victorian Health Promotion Foundation

Melbourne

25 August 2011

INDEPENDENT AUDITOR'S REPORT

To the Board Members, Victorian Health Promotion Foundation

The Financial Report

The accompanying financial report for the year ended 30 June 2011 of Victorian Health Promotion Foundation which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the accountable officer's and chief finance and accounting officer's declaration has been audited.

The Board Members' Responsibility for the Financial Report

The Board Members of Victorian Health Promotion Foundation are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, including the Australian Accounting Interpretations, and the financial reporting requirements of the *Financial Management Act 1994*, and for such internal control as the Board Members determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. Those Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Board Members, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession.

Independent Auditor's Report (continued)

Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of Victorian Health Promotion Foundation as at 30 June 2011 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, including the Australian Accounting Interpretations, and the financial reporting requirements of the *Financial Management Act 1994*.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of Victorian Health Promotion Foundation for the year ended 30 June 2011 included both in Victorian Health Promotion Foundation's annual report and on the website. The Board Members of Victorian Health Promotion Foundation are responsible for the integrity of Victorian Health Promotion Foundation's website. I have not been engaged to report on the integrity of Victorian Health Promotion Foundation's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.

MELBOURNE
25 August 2011



D D R Pearson
Auditor-General

Section 5: Financial statements

Comprehensive operating statement for the financial year ended 30 June 2011

	<i>Notes</i>	<i>2011 (\$'000)</i>	<i>2010 (\$'000)</i>
Income			
Output appropriations		34,778	32,749
Special appropriations		213	105
Interest	2(a)	321	367
Grants and other income transfers	2(b)	390	1,182
Other current income	2(c)	51	108
Profit/(loss) on sale of Plant & Equipment	2(d)	4	-
Total income		35,757	34,511
Expenses			
Employee expenses	3(a)	5,440	4,624
Depreciation and amortisation	3(b)	342	320
Interest expense	3(c)	-	21
Grants and other expense transfers	3(d)	29,441	26,390
Other operating expenses	3(e)	2,405	2,127
Total expenses		37,628	33,482
Net result from operations (net operating balance)		(1,871)	1,029
Other economic flows - other non-owner changes in equity		-	-
Comprehensive result - total change in net worth		(1,871)	1,029

The comprehensive operating statement should be read in conjunction with the accompanying notes included on pages 37 to 66.

Balance sheet as at 30 June 2011

	<i>Notes</i>	<i>2011 (\$'000)</i>	<i>2010 (\$'000)</i>
Assets			
Financial assets			
Cash and deposits	4.1	5,145	5,415
Receivables	4.2	721	1,161
Total financial assets		5,866	6,576
Non-financial assets			
Property, plant and equipment	5	107	212
Intangible assets	6	218	447
Total non-financial assets		325	659
Total Assets		6,191	7,235
Liabilities			
Payables	7	2,877	2,007
Provisions	8	554	582
Other liabilities		-	15
Total liabilities		3,431	2,604
Net Assets		2,760	4,631
Equity			
Accumulated surplus/ (deficit)		2,760	4,243
Reserves		-	388
Net Worth		2,760	4,631

The balance sheet should be read in conjunction with the accompanying notes included on pages 37 to 66.

Statement of changes in equity for the financial year ended 30 June 2011

	Equity at 1 July 2010 (\$'000)	Transfer of reserves (\$'000)	Total Comprehensive result (\$'000)	Equity at 30 June 2011 (\$'000)
2011				
Accumulated surplus/(deficit)	4,243	-	(1,871)	2,372
Transfer from/(to) reserves	-	388	-	388
Total Accumulated Surplus/(Deficit)	4,243	388	(1,871)	2,760
Reserves	388	-	-	388
Transfer (from)/to reserves	-	(388)	-	(388)
Total Reserves	388	(388)	-	-
Total Equity	4,631	-	(1,871)	2,760
2010				
	Equity at 1 July 2009 (\$'000)	Transfer of reserves (\$'000)	Total Comprehensive result (\$'000)	Equity at 30 June 2010 (\$'000)
Accumulated surplus/(deficit)	3,214	-	1,029	4,243
Transfer from/(to) reserves	-	-	-	-
Total Accumulated Surplus/(Deficit)	3,214	-	1,029	4,243
Reserves	388	-	-	388
Transfer (from)/to reserves	-	-	-	-
Total Reserves	388	-	-	388
Total Equity	3,602	-	1,029	4,631

The statement of changes in equity should be read in conjunction with the accompanying notes included on pages 37 to 66.

Cash flow statement for the financial year ended 30 June 2011

	<i>Notes</i>	2011 (\$'000)	2010 (\$'000)
Cash flow from operating activities			
Receipts from Government		35,817	33,821
Receipts from other entities		63	105
Interest received		312	367
Total receipts		36,192	34,293
Payments			
Payment of grants and other transfers		(30,909)	(26,391)
Payments to suppliers and employees		(5,549)	(8,601)
Interest and other cost of finance paid		-	(21)
Total payments		(36,458)	(35,013)
Net cash flow/(used in) operating activities	13	(266)	(720)
Payments for non-financial assets		(17)	(159)
Proceeds from sale of non-financial assets		13	-
Net cash flows/(used in) investing activities		(4)	(159)
Net increase/(decrease) in cash and cash equivalents		(270)	(879)
Cash and cash equivalents at the beginning of financial year		5,415	6,294
Cash and cash equivalents at the end of financial year		5,145	5,415

The cash flow statement should be read in conjunction with the accompanying notes included on pages 37 to 66.

Notes to the financial statements 30 June 2011

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Notes to the financial statements 30 June 2011

Note 1. Summary of significant accounting policies

The annual financial statements represent the audited general purpose financial statements for the Victorian Health Promotion Foundation (hereafter – “VicHealth”).

(a) Statement of compliance

These financial statements have been prepared in accordance with the *Financial Management Act 1994* and applicable Australian Accounting Standards, including interpretations (AASs). AASs include Australian equivalents to International Financial Reporting Standards.

Where applicable, those paragraphs of the AASs applicable to not-for-profit entities have been applied.

The annual financial statements were authorised for issue by the Board of the VicHealth on 24 August 2011.

(b) Basis of accounting preparation and measurement

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

These financial statements are presented in Australian dollars.

In the application of AASs, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision, and future periods if the revision affects both current and future periods. Judgements made by management in the application of AASs that have significant effects on the financial statements and estimates, with a risk of material adjustments in the subsequent reporting period, are disclosed throughout the notes to the financial statements.

The report has been prepared in accordance with the historical cost convention except for:

- non-current physical assets which, subsequent to acquisition, are measured at a re-valued amount being their fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amounts do not materially differ from their fair value;
- the fair value of an asset other than land is generally based on its depreciated replacement value;
- derivative financial instruments, managed investment schemes, certain debt securities, investment properties after initial recognition, which are measured at fair value through profit and loss; and
- available-for-sale investments which are measured at fair value with movements reflected in equity until the asset is derecognised

Historical cost is based on the fair values of the consideration given in exchange for assets.

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2011 and the comparative information presented for the year ended 30 June 2010.

(c) Reporting entity

The financial statements cover VicHealth as an individual reporting entity. The financial statements include all the controlled activities of VicHealth. The entity is a not-for profit entity and therefore applies the additional AUS paragraphs applicable to “not- for-profit” entities under the AAS’s. Its principal address is:

VicHealth
15–31 Pelham Street
Carlton VIC 3053

A description of the nature of VicHealth’s operations and its principal activities is included in the report of operations on page 10, which does not form part of these financial statements.

Note 1. Summary of significant accounting policies (continued)

Objectives and funding

VicHealth's objectives are:

- (a) to fund activity related to the promotion of good health, safety or the prevention and early detection of disease; and
- (b) to increase awareness of programs for promoting good health in the community through the sponsorship of sports, the arts and popular culture; and
- (c) to encourage healthy lifestyles in the community and support activities involving participation in healthy pursuits; and
- (d) to fund research and development activities in support of these objects. VicHealth is predominantly funded by accrual-based parliamentary appropriations for the provision of outputs.

(d) Scope and presentation of financial statements

Comprehensive operating statement

Income and expenses in the comprehensive operating statement are classified according to whether or not they arise from transactions or other economic flows. The net result is equivalent to profit or loss derived in accordance with AASs.

Balance sheet

Assets and liabilities are presented in liquidity order with assets aggregated into, financial assets and non-financial assets.

Current and non-current assets and liabilities (those expected to be recovered or settled beyond 12 months) are disclosed in the notes, where relevant.

Statement of changes in equity

The statement of changes in equity presents reconciliations of each non-owner and owner equity opening balance at the beginning of the reporting period to the closing balance at the end of the reporting period. It also shows separately changes due to amounts recognised in the comprehensive result and amounts recognised in other comprehensive income related to other non-owner changes in equity.

Cash flow statement

Cash flows are classified according to whether or not they arise from operating activities, investing activities, or financing activities. This classification is consistent with requirements under AASB 107 *Statement of cash flows*.

(e) Income from transactions

Income is recognised to the extent that it is probable that the economic benefits will flow to the entity and the income can be reliably measured.

Appropriation income

Appropriated income becomes controlled and is recognised by VicHealth when it is appropriated from the consolidated fund by the Victorian Parliament and applied to the purposes defined under the relevant appropriations act and working agreement with the Department of Health. Where applicable, amounts disclosed as income are net of returns, allowances, duties and taxes. Income is recognised for each of VicHealth's major activities as follows:

Interest income

Interest income includes interest received on bank term deposits.

Interest income is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

Grants and other income transfers

Grants from third parties (other than contribution by owners) are recognised as income in the reporting period in which VicHealth gains control over the underlying assets.

Commonwealth grants

VicHealth's administered grants mainly comprise funds provided by the Commonwealth to assist the State Government in meeting general or specific service delivery obligations, primarily for the purpose of aiding in the financing of the operations of the recipient, capital purposes and/or for on-passing to other recipients. Grants also include grants from other jurisdictions.

Grants are recognised as income when VicHealth gains control of the underlying assets. For reciprocal grants, (i.e. equal value is given back by VicHealth to the provider) VicHealth is deemed to have assumed control when the performance has occurred under the grant. For non-reciprocal grants, VicHealth is deemed to have assumed control when the grant is received or receivable. Conditional grants may be reciprocal or non-reciprocal depending on the terms of the grant.

Notes to the financial statements 30 June 2011

Note 1. Summary of significant accounting policies (continued)

(f) Expenses from transactions

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

Employee expenses

Employee expenses include superannuation expenses which are reported differently depending upon whether employees are members of defined benefit or defined contribution 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. Employer superannuation expenses in relation to employees who are members of defined benefit superannuation plans are described below.

Superannuation – State superannuation defined benefit plans

The amount recognised in the comprehensive operating statement in relation to employer contributions for members of defined benefit superannuation plans is simply the employer contributions that are paid or payable to these plans during the reporting period. The level of these contributions will vary depending upon the relevant rules of each plan, and is based upon actuarial advice.

Depreciation and amortisation

All plant and equipment and other non-current physical assets that have a limited useful life 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.

The following are typical estimated useful lives for the different asset classes for both current and prior years:

Asset class	Useful life
Plant, equipment and vehicles	3 – 10 years
Intangibles	3 – 10 years

Intangible produced assets with finite useful lives are amortised as an expense on a systematic (typically straight-line) basis over the asset’s useful life. Amortisation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each annual reporting period.

Interest expenses

Interest expenses are recognised as expenses in the period in which they are incurred.

Grants and other expense transfers

Grants and other transfers to third parties (other than contribution to owners) are recognised as an expense in the reporting period in which they are paid or payable.

Other operating expenses

Other operating expenses generally represent the day to day running costs incurred in normal operations.

Supplies and services

Supplies and services expenses are recognised as an expense in the reporting period in which they are incurred.

Bad and doubtful debts

Bad and doubtful debts are assessed on a regular basis. Those bad debts considered as written off are classified as a transaction expense.

Revaluation gains/(losses) of non-current physical assets

Refer to accounting policy on Property, plant and equipment, provided in Note 1(h) *Non-financial assets*.

Disposal of non-financial assets

Any gain or loss on the sale of non-financial assets is recognised at the date that control of the asset is passed to the buyer and is determined after deducting from the proceeds the carrying value of the asset at that time.

Amortisation of non-produced intangible assets

Refer to Note 1(h) *Non-financial assets*.

Note 1. Summary of significant accounting policies (continued)

Impairment of non-financial assets

Intangible assets are tested annually for impairment (i.e. as to whether their carrying value exceeds their recoverable amount, and so require write-downs) and whenever there is an indication that the asset may be impaired.

All other assets are assessed annually for indications of impairment, except for financial assets.

If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their possible recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written off as another economic flow, except to the extent that the write-down can be debited to an asset revaluation surplus amount applicable to that class of asset.

It is deemed that, in the event of the loss of an asset, the future economic benefits arising from the use of the asset will be replaced unless a specific decision to the contrary has been made. The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs to sell. Recoverable amount for assets held primarily to generate net cash inflows is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell.

Net gain/(loss) on financial instruments

Net gain/(loss) on financial instruments includes:

- realised and unrealised gains and losses from revaluations of financial instruments that are designated at fair value through profit or loss or held-for-trading;
- impairment and reversal of impairment for financial instruments at amortised cost; and
- disposals of financial assets.

(g) Financial assets

Cash and deposits

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

For cash flow statement presentation purposes, cash and cash equivalents includes bank overdrafts, which are included as borrowings on the balance sheet.

Receivables

Receivables consist predominantly of debtors in relation to goods and services and GST input tax credits recoverable.

Receivables that are contractual are classified as financial instruments.

Amounts owing from the Victorian Government, taxes and other statutory receivables are not classified as financial instruments.

Receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less an allowance for impairment.

A provision for doubtful receivables is made when there is objective evidence that the debts may not be collected and bad debts are written off when identified (refer to Note 1(g) *Impairment of financial assets*).

Investments

Investments are classified in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables, and
- available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

VicHealth assesses at each end of the reporting period whether a financial asset or group of financial assets is impaired (refer to Note 1(g) *Impairment of financial assets*).

Loans and receivables

Term deposits with maturity greater than three months, trade receivables, loans and other receivables are recorded at amortised cost, using the effective interest method, less impairment. The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Notes to the financial statements 30 June 2011

Note 1. Summary of significant accounting policies (continued)

Impairment of financial assets

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

Bad and doubtful debts for financial assets are assessed on a regular basis. Those bad debts considered as written off are classified as a transaction expense.

The bad debts not written off and allowance for doubtful receivables are classified as 'other economic flows'.

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

(h) Non-Financial Assets

Property, plant and equipment

All non-current physical assets are measured initially at cost and subsequently re-valued at fair value less accumulated depreciation and impairment.

The fair value of plant, equipment and vehicles, is normally determined by reference to the asset's depreciated replacement cost. For plant, equipment and vehicles, existing depreciated historical cost is generally a reasonable proxy for depreciated replacement cost because of the short lives of the assets concerned.

Revaluations of non-current physical assets

Non-current physical assets are measured at fair value in accordance with FRD 103D issued by the Minister for Finance. A full revaluation normally occurs every five years, based on the asset's government purpose classification, but may occur more frequently if fair value assessments indicate material changes in values. Independent valuers are used to conduct these scheduled revaluations and any interim revaluations are determined in accordance with the requirements of the FRDs.

Revaluation increases or decreases arise from differences between an asset's carrying value and fair value.

Net revaluation increases (where the carrying amount of a class of assets is increased as a result of a revaluation) are recognised in other comprehensive income and accumulated in equity under the revaluation surplus, except that the net revaluation increase shall be recognised in the net result to the extent that it reverses a net revaluation decrease in respect of the same class of property, plant and equipment previously recognised as an expense (other economic flows) in the net result.

Net revaluation decreases are recognised immediately as expenses (other economic flows) in the net result, except that the net revaluation decrease shall be recognised in other comprehensive income to the extent that a credit balance exists in the revaluation surplus in respect of the same class of property, plant and equipment. The net revaluation decrease recognised in other comprehensive income reduces the amount accumulated in equity under revaluation surplus.

Revaluation increases and decreases relating to individual assets within a class of property, plant and equipment, are offset against one another within that class but are not offset in respect of assets in different classes. Any revaluation surplus is not normally transferred to accumulated funds on de-recognition of the relevant asset.

Intangible assets

Intangible assets are initially recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to VicHealth.

Other non-financial assets

Prepayments

Other non-financial assets include prepayments which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Note 1. Summary of significant accounting policies (continued)

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

- (a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- (b) an intention to complete the intangible asset and use or sell it;
- (c) the ability to use or sell the intangible asset;
- (d) the intangible asset will generate probable future economic benefits;
- (e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- (f) the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period as incurred.

Intangible assets are measured at cost less accumulated amortisation and impairment, and are amortised on a straight-line basis over their useful lives as follows:

- Capitalised software development costs three–five years.

Impairment of non-financial assets

Refer to Note 1(f) *Expenses from* transactions.

(i) Liabilities

Payables

Payables consist predominantly of accounts payable. Accounts payable represent liabilities for goods and services provided to VicHealth prior to the end of the financial year that are unpaid, and arise when VicHealth becomes obliged to make future payments in respect of the purchase of those goods and services.

Payables are initially recognised at fair value, being the cost of the goods and services, and subsequently measured at amortised cost.

Provisions

Provisions are recognised when VicHealth has a present obligation, the sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave for services rendered to the reporting date.

(i) Wages and salaries, annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave are expected to be settled within 12 months of the reporting period, are recognised in the provision for employee benefits. These liabilities are classified as current liabilities and measured at their nominal values.

Those liabilities that are not expected to be settled within 12 months are recognised in the provision for employee benefits as current liabilities, measured at present value of the amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

(ii) Long service leave

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

Current liability – unconditional LSL is disclosed in the notes to the financial statements as a current liability even where VicHealth 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.

The components of this current LSL liability are measured at:

- nominal value – component that VicHealth expects to settle within 12 months; and
- present value – component that VicHealth does not expect to settle within 12 months.

Notes to the financial statements 30 June 2011

Note 1. Summary of significant accounting policies (continued)

Non-current liability – conditional LSL is disclosed as a non-current liability. There is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service.

This non-current LSL liability is measured at present value. 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 bond interest rates for which it is then recognised as an other economic flow (refer to Note 1(f) *Expenses from transactions*).

(iii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. VicHealth recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

Employee benefits on-costs

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

(j) Leases

A lease is a right to use an asset for an agreed period of time in exchange for payment.

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and rewards incidental to ownership. Leases of property, plant and equipment are classified as finance infrastructure leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership from the lessor to the lessee. All other leases are classified as operating leases.

Operating leases

VicHealth as lessee

Operating lease payments, including any contingent rentals, are recognised as an expense in the comprehensive operating statement on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset. The leased asset is not recognised in the balance sheet.

All incentives for the agreement of a new or renewed operating lease are recognised as an integral part of the net consideration agreed for the use of the leased asset, irrespective of the incentive's nature or form or the timing of payments.

In the event that lease incentives are received to enter into operating leases, the aggregate cost of incentives are recognised as a reduction of rental expense over the lease term on a straight-line basis, unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(k) Equity

Contributions by owners

Additions to net assets which have been designated as contributions by owners are recognised as contributed capital. Other transfers that are in the nature of contributions or distributions have also been designated as contributions by owners.

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

(l) Commitments

Commitments are disclosed at their nominal value and inclusive of the goods and services tax (GST) payable. In addition, where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated.

(m) Contingent assets and contingent liabilities

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

Note 1. Summary of significant accounting policies (continued)

(n) Accounting for the Goods and Services Tax (GST)

Income, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

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

(o) Events after the reporting period

Assets, liabilities, income or expenses arise from past transactions or other past events. Where the transactions result from an agreement between VicHealth and other parties, the transactions are only recognised when the agreement is irrevocable at or before the end of the reporting period.

Adjustments are made to amounts recognised in the financial statements for events which occur after the reporting period and before the date the financial statements are authorised for issue, where those events provide information about conditions which existed in the reporting period. Note disclosure is made about events between the end of the reporting period and the date the financial statements are authorised for issue where the events relate to conditions which arose after the end of the reporting period and which may have a material impact on the results of subsequent reporting periods.

(p) Rounding of amounts

Amounts in the financial statements have been rounded to the nearest thousand dollars, unless otherwise stated. Figures in the financial statements may not equate due to rounding.

Notes to the financial statements 30 June 2011

Note 1. Summary of significant accounting policies (continued)

(q) Issued but not yet effective Australian accounting and reporting pronouncements

As at 30 June 2011, the following standards and interpretations (applicable to public bodies) had been issued but were not mandatory for the financial year ending 30 June 2011. VicHealth has not early adopted these standards.

<i>Standard/Interpretation</i>	<i>Summary</i>	<i>Applicable for annual reporting periods beginning on</i>	<i>Impact on public sector entity financial statements</i>
AASB 9 <i>Financial instruments</i>	This standard simplifies requirements for the classification and measurement of financial assets resulting from Phase 1 of the IASB's project to replace IAS 39 <i>Financial Instruments: Recognition and Measurement</i> (AASB 139 <i>Financial Instruments: Recognition and Measurement</i>).	Beginning 1 Jan 2013	Detail of impact is still being assessed.
AASB 124 <i>Related Party Disclosures</i> (Dec 2009)	Government related entities have been granted partial exemption with certain disclosure requirements.	Beginning 1 Jan 2011	Preliminary assessment suggests the impact is insignificant. However, VicHealth is still assessing the detailed impact and whether to early adopt.
AASB 1053 <i>Application of Tiers of Australian Accounting Standards</i>	This Standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements.	Beginning 1 July 2013	The Victorian Government is currently considering the impacts of Reduced Disclosure Requirements (RDRs) for certain public sector entities and has not decided if RDRs will be implemented to the Victorian Public Sector.
AASB 2009-11 <i>Amendments to Australian Accounting Standards arising from AASB 9</i> [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 and 1038 and Interpretations 10 and 12]	This Standard gives effect to consequential changes arising from the issuance of AASB 9.	Beginning 1 Jan 2013	Detail of impact is still being assessed.
AASB 2009-12 <i>Amendments to Australian Accounting Standards</i> [AASB 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 and 1031 and Interpretations 2, 4, 16, 1039 and 1052]	This standard amends AASB 8 to require an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for purposes of certain operating segment disclosures. This standard also makes numerous editorial amendments to other AASBs.	Beginning 1 Jan 2011	The amendments only apply to those entities to whom AASB 8 applies, which are for-profit entities except for-profit government departments. Detail of impact is still being assessed.

Note 1. Summary of significant accounting policies (continued)

AASB 2009-14 <i>Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement</i> [AASB Interpretation 14]	Amendments to Interpretation 14 arise from the issuance of prepayments of a minimum funding requirement.	Beginning 1 Jan 2011	Expected to have no significant impact.
AASB 2010-2 <i>Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements</i>	This Standard makes amendments to many Australian Accounting Standards, including Interpretations, to introduce reduced disclosure requirements to the pronouncements for application by certain types of entities.	Beginning 1 July 2013	Does not affect financial measurement or recognition, so is not expected to have any impact on financial result or position. May reduce some note disclosures in financial statements.
AASB 2010-4 <i>Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project</i> [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13]	This Standard makes numerous improvements designed to enhance the clarity of standards.	Beginning 1 Jan 2011	No significant impact on the financial statements.
AASB 2010-5 <i>Amendments to Australian Accounting Standards</i> [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]	This amendment contains editorial corrections to a range of Australian Accounting Standards and Interpretations, which includes amendments to reflect changes made to the text of IFRSs by the IASB.	Beginning 1 Jan 2011	No significant impact on the financial statements.
AASB 2010-6 <i>Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets</i> [AASB 1 & AASB 7]	This amendment adds and changes disclosure requirements about the transfer of financial assets. This includes the nature and risk of the financial assets.	Beginning 1 July 2011	This may impact on departments and public sector entities as it creates additional disclosure for transfers of financial assets. Detail of impact is still being assessed.
AASB 2010-7 <i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)</i> [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]	These amendments are in relation to the introduction of AASB 9.	Beginning 1 Jan 2013	This amendment may have an impact on departments and public sector bodies as AASB 9 is a new standard and it changes the requirements of numerous standards. Detail of impact is still being assessed.
AASB 2010-8 <i>Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets</i> [AASB 112]	This amendment provides a practical approach for measuring deferred tax assets and deferred tax liabilities when measuring investment property by using the fair value model in AASB 140 <i>Investment Property</i> .	Beginning 1 Jan 2012	This amendment provides additional clarification through practical guidance.

Notes to the financial statements 30 June 2011

Note 1. Summary of significant accounting policies (continued)

AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]	This amendment provides a practical approach for measuring deferred tax assets and deferred tax liabilities when measuring investment property by using the fair value model in AASB 140 Investment Property.	Beginning 1 Jan 2012	This amendment provides additional clarification through practical guidance.
AASB 2010-9 Amendments to Australian Accounting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters [AASB 1]	This amendment provides guidance for entities emerging from severe hyperinflation who are going to resume presenting Australian Accounting Standards financial statements or entities that are going to present Australian Accounting Standards financial statements for the first time. It provides relief for first-time adopters from having to reconstruct transactions that occurred before their date of transition to Australian Accounting Standards.	Beginning 1 July 2011	Amendment unlikely to impact on public sector entities.
AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project [AASB 1, AASB 5, AASB 101, AASB 107, AASB 108, AASB 121, AASB 128, AASB 132 & AASB 134 and Interpretations 2, 112 & 113]	This amendment affects multiple Australian Accounting Standards and AASB Interpretations for the objective of increased alignment with IFRSs and achieving harmonisation between both Australian and New Zealand Standards. It achieves this by removing guidance and definitions from some Australian Accounting Standards, without changing their requirements.	Beginning 1 July 2011	This amendment will have no significant impact on public sector bodies.
AASB 2011-2 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements [AASB 101 & AASB 1054]	The objective of this amendment is to include some additional disclosure from the Trans-Tasman Convergence Project and to reduce disclosure requirements for entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements.	Beginning 1 July 2013	The Victorian Government is currently considering the impacts of Reduced Disclosure Requirements (RDRs) and has not decided if RDRs will be implemented to Victorian Public Sector.
AASB 2011-3 Amendments to Australian Accounting Standards – Orderly Adoption of Changes to the ABS GFS Manual and Related Amendments [AASB 1049]	This amends AASB 1049 to clarify the definition of the ABS GFS Manual, and to facilitate the adoption of changes to the ABS GFS Manual and related disclosures.	Beginning 1 July 2012	This amendment provides clarification to users on the version of the GFS Manual to be used and what to disclose if the latest GFS Manual is not used. No impact on performance measurements will occur.

Note 2. Income from transactions

	2011 (\$'000)	2010 (\$'000)
(a) Interest		
Interest on Treasury deposits	49	38
Interest on bank deposits	272	329
Total	321	367
(b) Grants and other income transfers		
Commonwealth grants	160	775
Other grants and donations	230	407
Total	390	1,182
(c) Other income		
Other current income	51	108
Total	51	108
(d) Profit/(loss) on sale of Plant and Equipment		
Proceeds from sale of Plant and Equipment	13	-
Written down value of Plant and Equipment sold	(9)	-
Total	4	-

Notes to the financial statements 30 June 2011

Note 3. Expenses from transactions

	2011 (\$'000)	2010 (\$'000)
(a) Employee expenses		
Defined contribution superannuation expense	484	429
Defined benefits superannuation expense	7	4
Termination benefits	109	90
Salaries, wages and long service leave	4,840	4,101
Total	5,440	4,624
(b) Depreciation and amortisation		
Depreciation plant and equipment	113	123
Amortisation expense	229	197
Total	342	320
(c) Interest expense		
Interest paid to tax office	-	21
Total	-	21
(d) Grants and other expense transfers		
General purpose grants	17,869	14,843
Specific purpose grants for on passing	10,012	10,367
Payments for specific purposes	1,560	1,180
Total	29,441	26,390
(e) Other operating expenses		
Personnel costs	764	535
Occupancy costs	583	479
Transport costs	18	33
Office costs	62	79
Members fees	274	295
External audit fees	21	21
Internal audit fees	81	110
General administration	141	153
Information systems	461	422
Total	2,405	2,127

Note 4.1 Cash and cash equivalents

	2011 (\$'000)	2010 (\$'000)
Cash at bank (Overdraft)	4,111	(879)
Deposits at call	34	5,294
Treasury Corporation Victoria	1,000	1,000
Total cash and cash equivalents	5,145	5,415

Note 4.2 Receivables

	2011 (\$'000)	2010 (\$'000)
Current		
Net A.T.O. debt	586	668
Prepaid wages	-	36
Trade debtors	135	457
Total receivables	721	1,161

Note 5.1 Property, plant and equipment

	Gross Carrying amount		Accumulated depreciation		Net Carrying amount	
	2011 (\$'000)	2010 (\$'000)	2011 (\$'000)	2010 (\$'000)	2011 (\$'000)	2010 (\$'000)
Office equipment	176	169	135	114	41	55
Office furniture	94	83	56	48	38	35
Fixtures and fittings	824	824	805	730	19	94
Motor vehicles	44	64	35	36	9	28
Net Carrying amount of PPE	1,138	1,140	1,031	928	107	212

Notes to the financial statements 30 June 2011

Note 5.2 Property, plant and equipment

	2011 (\$'000)	2010 (\$'000)
At cost		
Opening balance	1,140	1,179
Additions	17	94
Disposals	(19)	(133)
Closing Balance	1,138	1,140
Accumulated Depreciation		
Opening balance	928	938
Depreciation	113	123
Disposals	(10)	(133)
Closing Balance	1,031	928
Net Property, plant and equipment	107	212

Note 6. Intangible assets

	2011 (\$'000)	2010 (\$'000)
At cost		
Opening balance	999	934
Additions	-	65
Disposals	-	-
Closing Balance	999	999
Accumulated amortisation and impairment		
Opening balance	552	355
Amortisation expense	229	197
Disposals	-	-
Closing Balance	781	552
Net book value at end of financial year	218	447

Note 7. Payables

	2011 (\$ '000)	2010 (\$ '000)
Current		
Employee payments accrued	127	246
Grant payments accrued	2,289	1,468
Supplies and services	461	293
Total payables	2,877	2,007

Note 8. Provisions

	2011 (\$'000)	2010 (\$'000)
Current provisions employee benefits		
Annual leave	252	236
Long service leave	163	214
On costs Annual leave	25	23
Long service leave	17	19
Total	457	492
Current employee benefits that:		
Expected to be utilised within 12 months	400	442
Expected to be utilised after 12 months	57	50
Total	457	492
Non-current provisions		
Long service leave	88	82
On costs	9	8
Total	97	90
Movement in employee benefits		
Opening balance	582	548
Settlement made during the year	(287)	(238)
Provision made during the year	259	272
Balance at end of year	554	582

Notes to the financial statements 30 June 2011

Note 9 Superannuation

	Paid Contribution for the year	
	2011 (\$'000)	2010 (\$'000)
Defined benefit plan		
ESS Super New Scheme	7	4
Total Defined benefit plan	7	4
Defined contribution plan		
Other	221	214
VicSuper	220	182
Hesta	42	34
Total Defined contribution plan	483	430
Total	490	434

Employees of VicHealth are entitled to receive superannuation benefits and VicHealth contribute to both defined benefit and defined contribution plans. Contributions are recognised as an expense in the comprehensive operating statement when they are due.

Contributions to the defined contribution plans are made on a progressive basis and comprise both employer and employee contributions. Employer contributions are normally based on a fixed percentage of employee earnings. No further liability accrues to the employer as the superannuation benefits accruing to employees are represented by their share of the net assets of the fund.

The amount charged to the comprehensive operating statement in respect of defined benefit superannuation plans represents contributions made by VicHealth based on the relevant rules of the plan, and is based on actuarial advice. The defined benefit plans provide benefits based on years of service and final average salary.

Note 10 Leases

Disclosures for lessees

Leasing arrangements

Lease commitments consist of information technology infrastructure leases and an office tenancy lease. VicHealth has exercised its option to renew the office rental lease for a further 10 years commencing 1 April 2011. The office rental lease expires on 31 March 2021.

	2011 (\$'000)	2010 (\$'000)
Non-cancellable operating lease payables		
Not longer than one year	410	296
Longer than one year and not longer than five years	1,411	91
Longer than five years	1,639	-
Total	3,460	387

Note 11 Commitments for expenditure

The following commitments have not been recognised as liabilities in the financial statements:

Future grants commitments

VicHealth has entered into certain agreements for funding of grants for multiple years. The payment of future years' instalments of these grants is dependent on the funded organisations meeting specified accountability requirements and the continued availability of funds from the Government.

Instalments of grants to be paid in the future years subject to the funded organisations meeting accountability requirements are:

	2011 (\$'000)	2010 (\$'000)
Payable		
Not longer than one year	17,280	20,643
Longer than one year and not longer than five years	16,410	11,221
Longer than five years	-	-
Total	33,690	31,864

Notes to the financial statements 30 June 2011

Note 12 Financial instruments

(a) Financial risk management objectives and policies

VicHealth's principal financial instruments comprise of:

- cash assets;
- receivables (excluding statutory receivables); and
- payables (excluding statutory payables).

Details of the significant accounting policies and methods adopted, including 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 in Note 1 to the financial statements.

The main purpose in holding financial instruments is to prudentially manage VicHealth's financial risks within the organisation policy parameters.

The carrying amounts of VicHealth's contractual financial assets and financial liabilities by category are in Table 12.1 below.

Table 12.1 Categorisation of financial instruments

	Contractual financial assets and creditors liabilities			
	2011 Financial Assets - creditors liabilities (\$'000)	Interest income/ expenses (\$'000)	2010 Financial Assets - creditors liabilities (\$'000)	Interest income/ expenses (\$'000)
Contractual financial assets				
Cash and deposits	5,144	318	5,415	367
(i) Receivables				
Grants and contributions	127	-	457	-
Total contractual financial assets	5,271	318	5,873	367
Contractual financial liabilities				
(i) Payables				
Supplies and services	2,642	-	1,762	-
Accruals	202	-	246	-
Total contractual financial liabilities	2,844	-	2,008	-

Note:

- (i) The total amounts disclosed here exclude statutory amounts (e.g. Amounts owing from Victorian Government and GST input tax credit recoverable, and taxes payable).

Note 12 Financial instruments (continued)

Table 12.2 Ageing analysis of contractual financial assets

	Carrying amount (\$'000)	Not past due and not impaired (\$'000)	Past due but not impaired				Impaired financial assets (\$'000)
			Less than 1 month (\$'000)	1 - 3 months (\$'000)	3 months to 1 year (\$'000)	1 - 5 years (\$'000)	
2011							
(i) Receivables							
Grants & contributions	127	110	-	-	17	-	-
Total	127	110	-	-	17	-	-
2010							
(i) Receivables							
Grants & contributions	457	441	-	1	2	13	-
Total	457	441	-	1	2	13	-

Note:

- (i) The total amounts disclosed here exclude statutory amounts (e.g. Amounts owing from Victorian Government and GST input tax credit recoverable, and taxes payable).

(b) Liquidity risk

Liquidity risk is the risk that VicHealth would be unable to meet its financial obligations as and when they fall due. It operates under the Government fair payments policy of settling financial obligations within 30 days and in the event of a dispute, making payments within 30 days from the date of resolution.

VicHealth's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed in the face of the balance sheet. It manages its liquidity risk via:

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

maintaining an adequate level of uncommitted funds that can be drawn at short notice to meet its short term obligations;

holding investments and other contractual financial assets that are readily tradeable in the financial markets;

careful maturity planning of its financial obligations based on forecasts of future cash flows; and

a high credit rating for the State of Victoria (Moody's Investor Services & Standard & Poor's triple-A which assists in assessing debt market at a lower interest rate.

VicHealth's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk. Cash for unexpected events is generally sourced from liquidation of available-for-sale financial investments.

The following table discloses the contractual maturity analysis for VicHealth's contractual financial liabilities.

Notes to the financial statements 30 June 2011

Note 12 Financial instruments (continued)

Table 12.3 Maturity analysis of contractual financial liabilities

	Carrying amount (\$'000)	Nominal amount (\$'000)	Past due but not impaired				Impaired financial assets (\$'000)
			Less than 1 month (\$'000)	1 - 3 months (\$'000)	3 months to 1 year (\$'000)	1 - 5 years (\$'000)	
2011							
(i) Payables							
Supplies & services	2,642	2,642	2,560	32	50	-	-
Accruals	202	202	202	-	-	-	-
Total	2,844	2,844	2,762	32	50	-	-
2010							
(i) Payables							
Supplies and services	1,762	1,762	1,610	98	53	1	-
Accruals	246	246	246	-	-	-	-
Total	2,008	2,008	1,856	98	53	1	-

Note:

- (i) The total amounts disclosed here exclude statutory amounts (e.g. Amounts owing from Victorian Government and GST input tax credit recoverable, and taxes payable).

(c) Market risk

VicHealth exposures to market risk are primarily through interest rate risk. Objectives, policies and processes used to manage each of these risks are disclosed below.

Interest rate risk

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. VicHealth does not hold any interest bearing financial instruments that are measured at fair value, therefore has nil exposure to fair value interest rate risk.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

VicHealth has minimal exposure to cash flow interest rate risks through its cash and deposits, term deposits and bank overdrafts that are at floating rate.

VicHealth manages this risk by mainly undertaking fixed rate or non-interest bearing financial instruments with relatively even maturity profiles, with only insignificant amounts of financial instruments at floating rate.

Management has concluded for cash at bank and bank overdraft, as financial assets that can be left at floating rate without necessarily exposing it to significant bad risk, management monitors movement in interest rates on a daily basis.

The carrying amounts of financial assets and financial liabilities that are exposed to interest rates are set out in Table 12.4. In addition VicHealth's sensitivity to interest rate risk is set out in the Table 12.5.

Note 12 Financial instruments (continued)

Table 12.4 Interest rate exposure of financial instruments

	Weighted average interest rate % (\$'000)	Carrying amount (\$'000)	Interest rate exposure		
			Fixed interest rate (\$'000)	Variable interest rate (\$'000)	Non-interest bearing (\$'000)
2011					
Financial assets					
Cash & deposits	2.20%	5,144		5,143	1
(i) Receivables					
Grants & contributions		127		-	127
Total financial assets		5,271			128
Financial liabilities					
(i) Payables					
Supplies & services		2,642		-	2,642
Accruals		202		-	202
Total financial liabilities		2,844		-	2,844
			Interest rate exposure		
	Weighted average interest rate % (\$'000)	Carrying amount (\$'000)	Fixed interest rate (\$'000)	Variable interest rate (\$'000)	Non-interest bearing (\$'000)
2010					
Financial assets					
Cash & deposits	4.25 %	5,415		6,293	(879)
(i) Receivables					
Grants & contributions		457			457
Total financial assets		5,872		6,293	(422)
Financial liabilities					
(i) Payables					
Supplies & services		1,762		-	1,762
Accruals		246		-	246
Total financial liabilities		2,008		-	2,008

Notes to the financial statements 30 June 2011

Note 12 Financial instruments (continued)

(d) Credit risk

Credit risk arises when there is the possibility of VicHealth's debtors defaulting on their contractual obligations resulting in financial loss to VicHealth. VicHealth measures credit risk on a fair value basis and monitors risk on a regular basis. Credit risk associated with VicHealth's financial assets is minimal because the main debtor is the Victorian Government. For debtors other than government, it is VicHealth's policy to only deal with entities with high credit ratings and to obtain sufficient collateral or credit enhancements where appropriate. In addition, VicHealth does not engage in high risk hedging for its financial assets and mainly obtains financial assets that are on fixed interest. Provision of impairment for financial assets is calculated based on past experience, and current and expected changes in client credit ratings. Except as otherwise detailed in the above table, the carrying amount of financial assets recorded in the Financial Report, net of any allowances for losses, represents VicHealth's maximum exposure to credit risk without taking account of the value of any collateral obtained. Currently VicHealth'stion does not hold any collateral as security nor credit enhancements relating to any of its financial assets. As at the reporting date, there is no evidence to indicate that any of the financial assets are impaired. There are no financial assets that have had their terms renegotiated so as to prevent them from being past due or impaired, and they are stated at the carrying amounts as indicated. Ageing analysis of receivables excludes the types of statutory receivables (e.g. Amounts owing from Victorian Government and GST input tax credit recoverable).

(e) Sensitivity disclosure analysis

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, VicHealth believes the following movements are 'reasonably possible' over the next 12 months:

A parallel shift of +1% and -1% in market interest rates (AUD). The table below discloses the impact on net operating result and equity for each category of financial instrument held by VicHealth at year-end as presented to key management personnel, if the above movements were to occur.

Note 12 Financial instruments (continued)

Table 12.5 Market risk exposure - Interest rate

	Carrying amount (\$'000)	Past due but not impaired			
		-100 basis points		+100 basis points	
2011		Net Result (\$'000)	Available for-sale revaluation surplus	Net Result (\$'000)	Available for-sale revaluation surplus (\$'000)
Contractual financial assets					
(i) Cash and cash deposits	5,144	(51)	-	51	1
Investments and other contractual financial assets	-	-	-	-	-
Total	5,144	(51)	-	51	1
2010					
Contractual financial assets					
(i) Cash and cash deposits	5,415	(54)	-	54	-
Investments and other contractual financial assets	-	-	-	-	-
Total	5,415	(54)	-	54	-

(f) Fair value

The fair values and net fair values of financial assets and financial liabilities are determined as follows:

the fair value of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices; and

the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

VicHealth considers that the carrying amount of financial assets and financial liabilities recorded in the financial report to be a fair approximation of their fair values, because of the short-term nature of the financial instruments and the expectation that they will be paid in full.

Notes to the financial statements 30 June 2011

Note 13. Cash flow information

Reconciliation of net result for the period to net cash flows from operating activities

	2011 (\$'000)	2010 (\$'000)
Net result for the period	(1,871)	1,029
Non-cash movements		
(Gain)/loss on sale or disposal of non-current assets	(4)	-
Depreciation and amortisation of non-current assets	342	320
Impairment of non-current assets	-	-
Movements in assets and liabilities		
(Increase)/decrease in receivables	440	(218)
Increase/(decrease) in payables	870	(1,869)
Increase/(decrease) in provisions	(28)	35
Increase/(decrease) in other liabilities	(15)	(17)
Net cash flows from (used in) operating activities	(266)	(720)

Note 14.1 Responsible persons disclosures

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.

Responsible Ministers

The Honourable Daniel Andrews, MLA Minister for Health	1/07/2010-2/12/2010
The Honourable David Davis, MLC Minister for Health and Ageing	2/12/2010-30/06/2011

Governing Board

Dr Sally Cockburn	1/07/2010-31/03/2011
Ms Sue Cormack	1/07/2010-30/06/2011
Mr Hugh Delahunty MLA	1/07/2010-24/09/2010
Dr Mei Ling Doery	1/07/2010-09/03/2011
Ms Jane Fenton	1/07/2010-30/06/2011
Mr Lindsay Gaze	1/07/2010-30/06/2011
Mr Peter Gordon	1/07/2010-30/06/2011
Professor David Hill	1/07/2010-30/06/2011
Ms Belinda Duarte	1/07/2010-30/06/2011
Ms Kirstie Marshall MLA	1/07/2010-24/09/2010
Ms Jerrill Rechter	1/07/2010-24/01/2011
Mr Richard Dalla-Riva MLC	1/07/2010-24/09/2010
Professor Richard Smallwood	1/07/2010-31/03/2011
Ms Gillian Brewster	1/07/2010-30/06/2011

Accountable Officer

Mr Todd Harper	1/07/2010-10/04/2011
Associate Professor John Fitzgerald	11/04/2011-30/06/2011

Notes to the financial statements 30 June 2011

Note 14.1 Responsible persons disclosures (Continued)

Remuneration of responsible persons

<i>Income Band</i>	<i>2011</i>	<i>2010</i>
	<i>No.</i>	<i>No.</i>
\$0 – 9,999	8	13
\$ 10,000 – 19,999	1	1
\$ 200,000 – 209,999	-	1
\$ 210,000 – 219 999	1	-
Total numbers	10	15
Total amount	\$293,169	\$294,046

The three parliamentary members of the Board received no remuneration for their services. Two other members of the Board donated their remuneration to charitable bodies.

Amounts relating to responsible Ministers are reported in the statements of the Department of Premier and Cabinet.

Note 14.2 Related party transactions

Other transactions (grant payments) of responsible persons and their related parties

	<i>2011</i>	<i>2010</i>
	<i>\$'000</i>	<i>\$'000</i>
Cancer Council Victoria of which Professor David Hill and Mr Todd Harper are or were employees within the period	7,748	7,939
AFL of which Ms Belinda Duarte was an employee within the period	748	723
Leisure Networks of which Ms Sue Cormack was an employee within the period	883	635
Diabetes Australia of which Ms Jane Fenton has declared a pecuniary interest	44	-

Note 15. Remuneration of executives

The number of executive officers (including acting executive officers) and their total remuneration during the reporting period are shown in the first two columns in the table below in their relevant income bands. The base remuneration of executive officers is shown in the third and fourth columns. Base remuneration is exclusive of bonus payments, long-service leave payments, redundancy payments and retirement benefits.

Income Band	Total remuneration		Base remuneration	
	2011 No.	2010 No.	2011 No.	2010 No.
\$10,000 – 19,999	-	-	-	-
\$ 20,000 – 29,999	-	-	-	-
\$ 30,000 – 39,999	-	-	-	-
\$ 40,000 – 49,999	-	-	-	-
\$ 70,000 – 79,999	-	-	-	-
\$ 80,000 – 89,999	-	-	-	-
\$ 90,000 – 99,999	1	-	2	-
\$ 100,000 – 109,999	1	-	-	1
\$ 110 000 – 119 999	-	2	-	1
\$ 120 000 – 129 999	-	-	-	2
\$ 130 000 – 139 999	-	1	1	1
\$ 140 000 – 149 999	-	1	-	1
\$ 150,000 – 159,999	1	1	4	-
\$ 160,000 – 169,999	-	1	-	-
\$ 170,000 – 179,999	2	-	-	1
\$ 180,000 – 189,999	2	-	-	-
Total numbers	7	6	7	6
Total amount	\$1,074,726	\$827,204	\$940,064	\$754,582

Note 16. Remuneration of auditors

	2011 (\$'000)	2010 (\$'000)
Victorian Auditor-General's Office		
Audit or review of the financial statements	21	21
Ernst & Young		
Internal audit program	81	110
	102	131

Notes to the financial statements 30 June 2011

Note 17 Events subsequent to balance date

The Minister for Health, Hon David Davis has appointed eight new Board members to the Board of VicHealth, effective from 1 July. Three former Board members have been reappointed and three new Parliamentary members have been elected by a joint sitting of the Legislative Assembly and Legislative Council.

The VicHealth Board, effective from 1 July 2011, comprises:

Appointed members

Mr Mark Birrell Deputy Chairperson
Professor John Catford
Ms Susan Crow
Ms Belinda Duarte
Ms Jane Fenton AM, Chairperson
Ms Margot Foster
Mr Peter Gordon
Professor Margaret Hamilton AO
Ms Nicole Livingstone OAM
Professor Mike Morgan
Professor Ruth Rentschler

Parliamentary members

Ms Danielle Green, MLA, Yan Yean
Mr Tim Bull, MLA, Gippsland East
Mr Neil Angus, MLA, Forest Hill



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