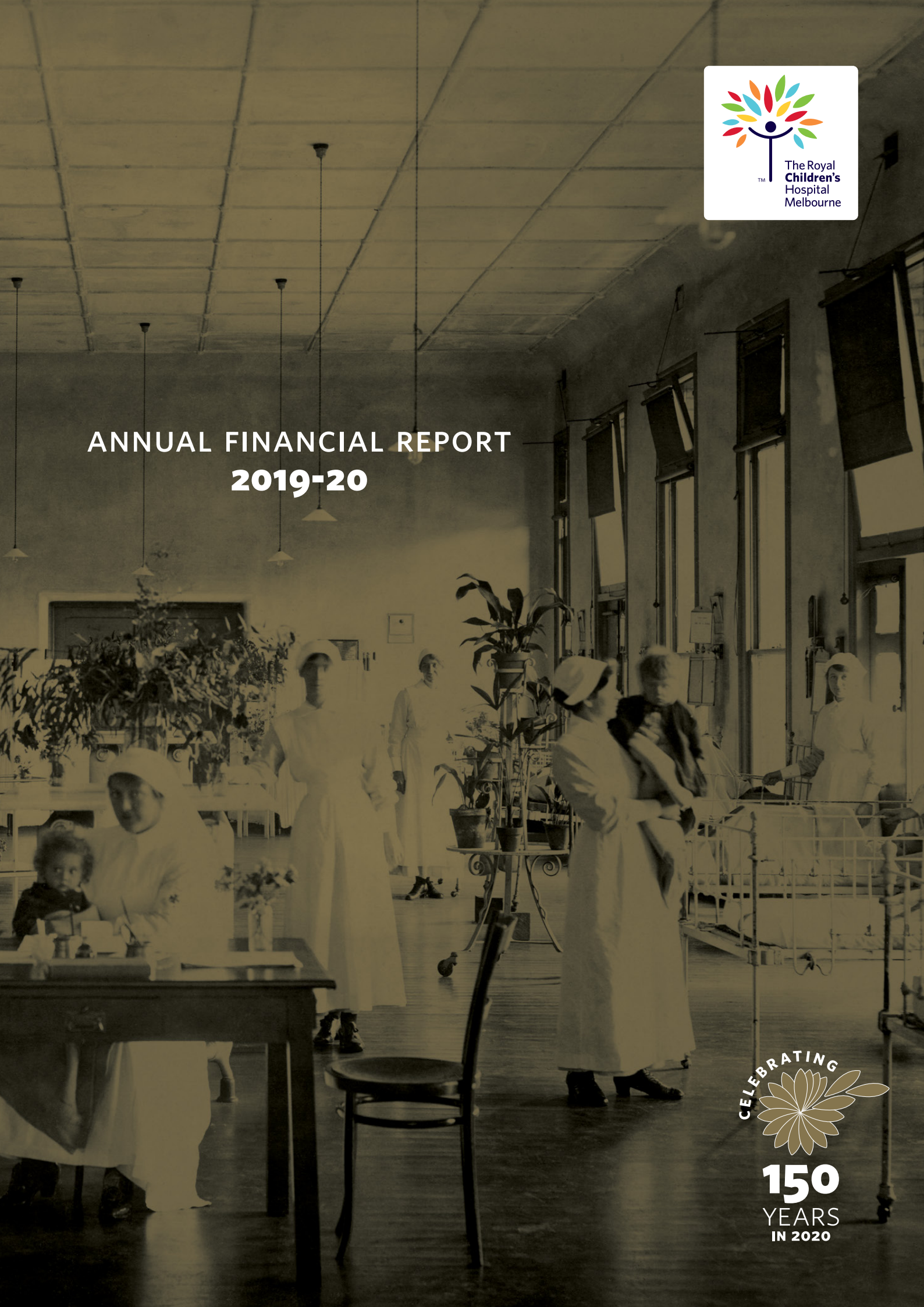

The Royal Children's Hospital Melbourne

ANNUAL FINANCIAL REPORT
2019-20

CELEBRATING 150 YEARS IN 2020

The Royal Children's Hospital Melbourne

VISION

The Royal Children's Hospital, a GREAT children's hospital, leading the way

MISSION

The Royal Children's Hospital improves the health and wellbeing of children and adolescents through leadership in healthcare, research and education

VALUES

Unity
We work as a team and in partnership with our communities

Respect
We respect the rights of all and treat people the way we would like them to treat us

Integrity
We believe that how we work is as important as the work we do

Excellence
We are committed to achieving our goals and improving outcomes

FRONT COVER: Lower Surgical Ward, circa 1920. BACK COVER: The Birthday Party, circa 1937
Photos supplied by The Royal Children's Hospital Archives and Collections

Exterior signage at The Royal Children's Hospital, 1954
Photo supplied by The Royal Children's Hospital Archives and Collections.

Contents

Chairman's report

"... this was not the anniversary year we had planned, but it is one we will remember. It's shown us exactly what we are made of, and has reminded us more than ever why we do what we do."

In 2020, The Royal Children's Hospital (RCH) marked a significant milestone—150 years of providing dedicated care which has changed the lives of countless children and their families. Throughout the year, our patients and families, staff and community, honoured and celebrated our history.

From humble beginnings to becoming well-known as one of the best paediatric hospitals in the world, our commitment remains focussed on providing the best possible care for children and young people, while improving outcomes across Australia and beyond.

But in our anniversary year, together with our health colleagues across the world, we were challenged in unprecedented ways with the onset of the COVID-19 global pandemic in early 2020.

The RCH Executive and teams across the organisation have shown great agility and adaptability in their response to the increased pressures the pandemic has placed on our health services. On behalf of the RCH Board, I acknowledge each and every staff member for their ongoing contribution to the health of our community, through a time which has also brought with it some of the greatest personal challenges we will face in our lifetimes.

Despite significant impacts on financial performance, including to both revenue generation and expenditure, the RCH has achieved a modest operating surplus of $8,000. This surplus has been enabled primarily through funding support from the Victorian Department of Health and Human Services and an increase of higher than anticipated transplant activities—for which the RCH is privileged to serve as the Nationally Funded Centre.

In July 2019, we launched our 2019–21 strategic plan, *Great Care, Everywhere*. This plan reflects our commitment to maintaining the quality of care we deliver within the hospital, while pursuing new opportunities to support better health outcomes and experiences for children and young people everywhere. Our strategic plan is a road map for the future and was developed in consultation with patients, their families, our community and staff.

Our strategic direction is underpinned by three focus areas—to collaborate, innovate and advocate—with a priority set on improving access to appropriate care closer to home by building capacity and capability across the Victorian paediatric health system. I'm proud that throughout 2019–20, despite immense challenge, we've already delivered on elements of our strategic plan and achieved some exceptional results.

In particular, it has been through the disruptive nature of the COVID-19 pandemic, we've had the opportunity to, in part, realise our vision. Like health services across the country, the RCH rapidly increased its provision of telehealth consultations in order to maintain access and continuity of care throughout the pandemic. At the height of the pandemic, more than 70 per cent of outpatient appointments were delivered via telehealth, up from just eight per cent in previous years.

This service has not only proved highly satisfactory in terms of clinical outcomes, but hugely beneficial for families who have avoided the need to travel and incur the additional time and financial costs associated with visiting the hospital. Telehealth also has the capability to increase access and provide equity for children and families who may never previously have been able to benefit. In the next financial year, our focus will be renewed on maintaining and enhancing our use of technology to diagnose, treat and monitor patients, and on ensuring this service can be sustainable for the future—well beyond the immediate needs of the pandemic.

Furthermore, we know from our own experience that technology plays a critical role in providing safe, high quality care. Throughout 2019-20, we continued collaboration with Melbourne Health, The Royal Women's Hospital and Peter MacCallum Cancer Centre to deliver a shared Electronic Medical Record (EMR) for the Parkville Precinct through the Connecting Care program. Leading the way, the RCH was one of the first paediatric hospitals in Australia to replace paper-based medical records with a comprehensive state-of-the-art electronic record in 2016. Following our success, our expert EMR and ICT teams have made a significant contribution again this year to guide the planning and preparation for the launch of the Parkville EMR in August 2020.

Our Emergency Department remains the busiest in the country for paediatric care and the development of the Rapid Assessment, Planning, Investigation and Discharge (RAPID) model of care continues to be instrumental in managing demand and improving patient flow. In November 2019, RAPID was awarded at the Victorian Public Healthcare Awards for excellence in quality and safety.

But we will continue to face increasing demand for our services, and as outlined in our strategic plan this requires a bold approach and innovation to ensure children and young people will continue to receive the right care, in the right place, at the right time. I am pleased we will soon have the opportunity to increase our physical space with funding secured to fit out our 'shell'—a space designated for the future in the original planning and build of the RCH. This funding provides our Executive and teams with a great opportunity to consider areas of children's health which demand this space and to plan for future uses.

I commend the Children's Cancer Centre (CCC), who this year inspired two great innovations to support children undergoing cancer treatment. In 2019, the RCH became the first in Australia and New Zealand to provide children with revolutionary CAR T-cell therapy, which for some patients is the last option in cancer treatment. We have already seen tremendous, life-saving results achieved by this therapy. Following which, in 2020, the CCC together with our Wallaby 'Hospital in the Home' team launched a national-first service to provide low-complexity intravenous chemotherapy for patients in their own homes. It is patient and family centred care such as this which make us the great hospital we are—and for which we can be most proud.

Sadly this year we lost former Chairman Tony Beddison AC, when he passed away on January 14, 2020. On behalf of the Board, I want to acknowledge Tony for his contribution to our organisation and the patients and families for which we're privileged to serve. Tony was instrumental in working with government in the planning, design and construction of our wonderful hospital—which is now one of his great legacies. Tony will continue to be fondly remembered by the RCH community for his influence on children's health in Victoria and beyond.

Finally, I would like to acknowledge and thank our staff, volunteers, partners and donors, who have contributed to the RCH in extraordinary ways this year. I acknowledge and thank my Board colleagues for their dedicated support and commitment to the governance of this fine hospital and particularly the CEO John Stanway and his Executive team for their outstanding leadership over this past challenging year.

Of course, this was not the anniversary year we had planned, but it is one we will remember. It's shown us exactly what we are made of, and has reminded us more than ever why we do what we do.

I look forward to continuing our work together, to deliver *Great Care, Everywhere*.

Rob Knowles AO
Chairman

CEO's report

"I want to acknowledge our entire RCH team—we know, and value, the many different roles it takes to deliver great care...thank you..."

The 2019–20 financial year presented challenges never experienced before, with the emergence of the COVID–19 global pandemic in early 2020. Our great plans for celebrating our milestone 150th anniversary were put on hold, as the far reaching impacts of this health crisis required us to respond, adapt and change almost overnight.

Our days, weeks and months, for the second half of the 2019–20 financial year were consumed by a single focus—protecting our staff, patients and families from the impacts of the pandemic. But with those challenges came opportunity, great innovation and the very best teamwork, for which we can be proud for years to come.

Although demand for our services decreased this year, primarily during the pandemic, we provided care for:

- 87,081 Emergency Department presentations
- 335,402 ambulatory appointments
- 15,121 surgeries
- 46,855 inpatient admissions

Our activity and budget position at the end of the financial year reflects these challenges, but we remain invested in ensuring we are able to continue providing safe, high quality and sustainable healthcare into the next financial year and beyond.

Prior to the pandemic, in October 2019, the RCH implemented a Daily Operating System to improve whole-of-organisation oversight and planning. The system involves daily huddles across the hospital to assess operational readiness, escalate issues and develop mitigation strategies. The new system enables the quick resolution of issues that may impact on patient access, treatment, discharge and experience. In addition to the work of our Hospital Incident Management Team, who expertly guided our response through the pandemic, our Daily Operating System proved its effectiveness quickly.

Supporting our community through the pandemic

Telehealth expansion and the development towards virtual healthcare became more important than ever before with clinicians providing online consultations throughout the pandemic to minimise the number of people, both staff and patients, required to attend the hospital each day. Providing more than 700 consultations online each day has delivered a range of benefits not only for our COVID–19 response, but more importantly for the experience of our patients and their families. We know virtual consultations don't work for all families so we undertook research in collaboration with campus partner Murdoch Children's Research Institute to ask our community what we can do differently to better support their needs.

The pandemic reaffirmed our responsibility for providing our broad and diverse community with health information which is not only reliable but accessible by all. We transformed our communication and developed new channels to keep staff, patients and families, and the community more broadly informed and supported.

We consciously invested in the translation of our resources into a range of languages, including Chinese, Arabic, Punjabi and Vietnamese. In the first week of upload, these translated resources were viewed more than 700 times, with Chinese being the most frequently accessed language.

We created fact sheets for parents and videos specifically for children to help allay their fears about the pandemic, being tested for the virus, and about visiting the hospital when the smiling faces of our staff were shielded by Personal Protective Equipment. Our COVID–19 web pages were viewed more than 67,800 times within just months. Through our social media channels, we reached hundreds-of-thousands of people in our community with engaging COVID-19 videos, including:

- 352,000 COVID–19 swab from a child's perspective
- 289,000 How to stop the spread of the virus
- 127,000 Supporting children through the pandemic

Great care beyond the RCH

Continuing our strides in improving access to care beyond the RCH, this year our Family Healthcare Support team launched their 'flying squad', an Australian first model of care. Our flying squad is a team of highly skilled support workers who provide rapid responses to families when they first transition home from hospital, helping to reduce the risk of readmission. The team work closely alongside our Complex Care Hub to provide in-home healthcare support to more than 100 families and children with chronic and complex health conditions.

Our Transition Support Service team was honoured for setting the benchmark for excellence in healthcare by the Australian Commission on Safety and Quality Healthcare and awarded the inaugural Exemplar Award in April 2020. Established in 2010, the service is responsible for managing the planned and purposeful transition of complex and vulnerable paediatric patients to adult care. Each year the service proudly supports approximately 2,000 patients as they take often daunting steps into adult care.

The RCH National Child Health Poll was awarded at the 2019 Melbourne Awards for its contribution to improving health and wellbeing. The Poll is a national survey undertaken quarterly to explore the big issues in child and adolescent health, and gives health providers and policy-makers practical information to inform health promotion and prevention. This year, the Poll explored organ donation, preventing colds, and the risk of e-cigarettes and vaping for our teens.

Diversity and inclusion

In 2019-20, the RCH Immigrant Health Service celebrated 20 years of providing care for children and young people who arrived as refugees, and is the largest and longest running paediatric refugee health service in the country.

CEO's report (continued)

Our Wadja Health Clinic team provided a record 3,612 episodes of care—more than in any previous financial year, and despite decreased demand for services overall as a result of the COVID-19 pandemic. Our Wadja team do exceptional work to support culturally sensitive healthcare at the RCH, and to address any barriers to equitable healthcare for our Indigenous community.

Following the success of the inaugural program in 2018, our partnership with Holmesglen TAFE and WISE Employment continued this year to deliver work placement opportunities for students with disabilities, and supported 11 students to graduation in 2019. The program won the coveted Industry Collaboration Award at the Australian Training Awards in November 2019, and received a Highly Commended at the Victorian Disability Awards for Excellence in Employment Outcomes in August 2019.

Supporting our people

At the heart of providing great care for our patients and their families are our team of almost 6,000 staff and 650 volunteers. Our People and Culture strategy is centred on staff engagement, capability and safety, and this year we delivered strategic initiatives to support each of those themes. The primary tool we use to measure staff experience is the People Matter Survey. During this financial year, I am pleased we have maintained our consistently high 75 per cent engagement rating.

In response to the COVID-19 pandemic, our Peer Support Program was relaunched in 2020 to allow trained co-workers to provide confidential support for their colleagues. New peers were recruited from all disciplines and a campus wide campaign to promote the program was undertaken. The peer support program now consists of 29 volunteer peer supporters.

Beyond 2020

As we enter a new year, with the pressures of the pandemic continuing to weigh heavily on our Victorian community, we are focussed on developing a 'new normal' for operations and developing our roadmap to recovery.

On behalf of my Executive colleagues, I want to acknowledge our entire RCH team—we know, and value, the many different roles it takes to deliver great care. Thank you for taking care of each other this year, for bringing a positive attitude to work and for putting our values into action each and every day. I also extend my sincere thanks to our Board Chairman, Hon Rob Knowles AO and our Board members, for their support and guidance this year.

There is much work to be done to continue leading the way as one of the world's great children's hospitals, and I look forward to continuing to work together to achieve our vision.

John Stanway
Chief Executive Officer

RCH Staff Awards

At our 149th Annual General Meeting and Staff Awards night in November, we celebrated the incredible work of team members across the organisation.

The recipients of the 2019 awards were:

Colin Robertson
CHAIRMAN'S MEDAL

Nicola Watt
CEO GREAT CARE AWARD FOR GREAT CARE, EVERYWHERE—CLINICAL EXCELLENCE

Child Life Therapy Team
CEO GREAT CARE AWARD FOR GREAT CARE, EVERYWHERE—POSITIVE EXPERIENCE

EMR Team
CEO GREAT CARE AWARD FOR GREAT CARE, EVERYWHERE—A SAFE PLACE

RAPID Team
CEO GREAT CARE AWARD FOR GREAT CARE, EVERYWHERE—TIMELY ACCESS

Joseph Borg
CEO GREAT CARE AWARD FOR GREAT CARE, EVERYWHERE—SUSTAINABLE HEALTHCARE

Ashlee Cruz
ALLIED HEALTH AWARD

Emily Fusinato
DR WILLIAM SNOWBALL AWARD

Dot Henning
MARY PATTEN AWARD

RCH Volunteer Services
SUPPORTING GREAT CARE, EVERYWHERE AWARD

Kirsten Noakes
YVONNE WAGNER AWARD

Anne Shipp
CONSUMER CHOICE AWARD

Board member profiles

Chairman: Hon Rob Knowles AO

Hon Rob Knowles AO was Victorian Minister for Health from 1996 until 1999 and MLC for Ballarat from 1976–1999. He has also served as Chairman of Food Standards Australia and New Zealand; as a member of the National Health & Hospital Reform Commission; is a former Aged Care Complaints Commissioner and former Commissioner with the National Mental Health Commission. In addition to serving on the Boards of the RCH Foundation and the Murdoch Children's Research Institute, Rob is currently a Director of the following: BeyondBlue Ltd; Drinkwise Australia Ltd; Global Health Ltd; Great Ocean Road Health, IPG Ltd and the Silverchain Group of Companies.

Dr Rowena Coutts

LLB and BJuris (Monash University), Doctor FedUni (Hon).

Rowena currently consults to higher education organisations providing governance, legal, audit and policy advice and she is a partner in the family primary production business. She is the immediate past Chair and Director of Ballarat Health Services and former Chair of the Grampians Regional Board Network. As former Senior Deputy Vice-Chancellor, University of Ballarat/ Federation University Australia, she had responsibility for Corporate Services including Finance, Legal, Governance, HR, Technology Park, Commercial, International Education and PR. She is also a former Chair and member of Board of Directors, Ballarat Clarendon College. Rowena commenced her career as a lawyer, and holds an LLB and BJuris from Monash University and a Doctor FedUni (Hon).

Dr Christine Cunningham

BA, BLit, MSc, PhD, GAICD

Dr Christine Cunningham is an experienced consultant who provides a wide range of research and evaluation services. For more than twenty years, she has been conducting research, providing insights and strategy advice and undertaking comprehensive evaluations of services, programs and projects within the health, government and private sectors. She commenced her career as a clinician, moving into policy and program development and redesign roles within the Department of Health and regional hospitals. Chris has also enjoyed sessional lecturing in statistics and is a member of the Swinburne University Postgraduate Applied Statistics Advisory Committee. She is an experienced Non-Executive Director and Chairman with more than 15 years' service on health and education boards, including nine years on the Board of Northeast Health Wangaratta, five of which, as Chairman. Christine is a Fellow of the Australian Institute of Company Directors with a PhD from the University of Melbourne and a Master's Degree in Science (Applied Statistics).

Ms Petrina Dorrington

Dip. Hotel & Catering Operations, GAICD

Petrina Dorrington is an experienced executive in the not-for-profit sector. She was the Executive Director of Kids Under Cover from 1997 to 2007 and a Director from 2007 to 2013. Petrina is a Director of the Consumer Policy Research Centre and has previously served on other boards including the Spectrum Migrant Resource Centre and Homes for Homes. She was awarded a study scholarship to Stanford University's Executive Program for Non Profit Leaders in 2006 and graduated as a fellow of the Williamson Community Leadership Program in 2007. Petrina currently provides project services to not-for-profits and private companies. She also volunteers for the Anglicare Friends Program.

Ms Pallavi Khanna

CA, GAICD

Pallavi Khanna is an experienced risk management and governance advisor. She has worked both in South Africa and Australia across the corporate and not-for-profit sectors and has over the past 10 years specialised in the higher education sector, whilst working at ShineWing Australia. For more than 20 years she has worked with organisations to develop strategies to address strategic risks, undertaken independent evaluation of governance frameworks and managed projects to deliver strategic objectives. She has also undertaken assessments pertaining to privacy (Australia and International), IT controls, procurement (probity) and customer experience. Pallavi is an independent member of the Finance and Risk Committee at Common Equity Housing Ltd, a Director on the board of Public Galleries Association of Victoria and the Chair of the Audit and Risk Committee of Ballarat Health Services. She is a Chartered Accountant (Australia and South Africa), Prince 2 certified and a Graduate of the Australian Institute of Company Directors.

Part year. Appointed February 4, 2020

Mr Sammy Kumar

B. Bus (Accounting), FCA

Mr Kumar is a Managing Partner at PwC. He has over 30 years' experience across strategy, digital, financial effectiveness and operations. Mr Kumar served on the Board of the RCH from July 2012 to July 2015. He has been a Director of the RCH Foundation since 19 October 2015 and Chair of the RCH Foundation's Audit Committee since 15 June 2016.

Mr David Lau

BPharm, MClinPharm, GCHealthSysMgt, FSHP, MAICD

Mr David Lau is the General Manager of Institutional Healthcare at EBOS Group. He has a background as a clinician, healthcare executive, telecommunications executive and strategy consultant, with particular expertise in the areas of digital health, health industry development and commercialisation, and health practitioner regulation. Amongst various roles, he has been Industry Lead for Health at Optus, an Executive Director at the Royal Victorian Eye and Ear Hospital, Director of Pharmacy at Eastern Health, President of the Pharmacy Board of Victoria, Chair of the Victorian Pharmacy Authority, and a board member of North Yarra Community Health.

Mr David Mandel

BSc Chem, FTA-Snr, CIMA, GAICD

Mr David Mandel has a Bachelor of Science (Chemistry) from the University of Sussex England. He commenced his career as a marketing graduate with Unilever UK and held a number of senior management roles with Smorgon Consolidated Industries, Visy and Riverwood International Corp in both the USA and Australia, where he was Managing Director for three years from 1995 to 1997. Riverwood in Australia was a 600 employee, five plant folding carton business owned by the listed US multinational corporation. Mr Mandel is currently a non-executive director of a number of organisations in the commercial medical / technology space; and national sport and not-for-profit sectors.

Dr Linden Smibert

MBBS, FRACGP, FAICD

Dr Linden Smibert is a general practitioner with many years of both clinical and governance experience having chaired Networking Health Victoria and the Inner East Melbourne Medicare Local. For many years she owned and operated her own general practice. In these diverse but complementary roles she was instrumental in developing Primary Healthcare Networks with the Federal Department of Health from existing Medicare Locals. She has wide experience in clinical governance and risk management in the health sector. She is well aware of the broad policy and funding context of public healthcare and the need to address community needs. Amongst other Boards, she has also served on the Board of Vincentcare Victoria which has recently built and now opened the new Ozanam House for homeless people.

Board sub-committee membership

Audit and Corporate Risk Management Committee

David Mandel (Chair)
Dr Rowena Coutts–part year
Petrina Dorrington–part year
Sally Freeman–part year (external member)
Dr Linden Smibert

Community Advisory Committee

Hon Rob Knowles AO (Chair)
Petrina Dorrington

eHealth Board Sub-committee

Mr Sammy Kumar (Chair)
Hon Rob Knowles AO
Mr David Lau

Finance Committee

Incorporating Facilities Management Board Sub-committee, IT Board Sub-committee and Investment Committee

David Lau (Chair)–part year
Dr Rowena Cotts (Chair)–part year
Dr Christine Cunningham–part year
Max Findlay (External member)
Pallavi Khanna–part year
David Mandel
Dr Linden Smibert

Quality and Population Health Committee

Dr Christine Cunningham (Chair)
Petrina Dorrington
David Lau
Dr Linden Smibert
Dean Griggs (External member)

Remuneration Committee

Hon Rob Knowles AO (Chair)
Dr Christine Cunningham
David Lau

Executive staff

Chief Executive Officer

John Stanway
BEc, Grad Dip IR, FAICD

Chief Operating Officer

Jane Miller
BAppSc (Speech Path), GradDipNeuro, MHlthMgmt, GAICD

Chief of Medicine

Associate Professor Tom Connell
MB BAO BCH B Med Science MRCPI FRACP PhD

Executive Director Communications

Alison Errey
GradDipPublicAdmin, MJour

Chief Nursing Officer and Executive Director Nursing and Allied Health

Maria Flynn
RN (Registered Nurse), RM (Registered Midwife – UK), Dip HEM, BA (Hons) – HealthCare Studies, MSc – HealthCare Management, Q Fellow (UK)

Chief Financial Officer

Jon Marcard
B.Ec, FCA, MAICD

Chief of Critical Care

Associate Professor Ed Oakley
MBBS FACEM

Chief of Surgery

Mike O'Brien
PhD, FRCSI(Paed), FRACS(Paed)

Chief Medical Officer and Executive Director Medical Services and Clinical Governance

Associate Professor Matt Sabin
MRCPCH (UK), FRACP, PhD

Executive Director People and Culture

Danielle Byrnes
BA, MIR, GAICD

Workforce data

Hospitals labour category	JUNE current month FTE		Average Monthly FTE	
	2019	2020	2019	2020
Admin and Clerical	674	700.3	678.9	700.2
Ancillary Support (Allied Health)	340.6	349.9	340.8	341.7
Hospital Medical Officers	319.8	327.2	319.1	320.9
Hotel and Allied Services	223.4	262.7	222.1	248.6
Medical Officers	136.1	142.5	135.5	152
Medical Support	392	384.3	390	386.2
Nursing	1353.9	1308.3	1354.4	1336
Sessional Clinicians	127.9	126.7	127.9	126
TOTAL	**3567.6**	**3601.9**	**3568.8**	**3611.6**

Application of employment and conduct principles

The RCH Code of Conduct is founded on four organisational values of Unity, Respect, Integrity and Excellence. Complementing these values is Our Compact, comprising a set of 10 pledges setting out the ways in which our people have agreed that they will engage, behave and work together to better deliver great care.

The RCH Code of Conduct sets out the way we conduct ourselves and the values inform and guide our behaviours. In addition, all employees and volunteers are required to comply and abide by the Victorian Public Sector Code of Conduct, the National Safety and Quality Health Service Standards, and any applicable Code of Conduct of their relevant professional membership body. All employees and volunteers are required to comply with these values, principles and policy in all their undertakings, and engage in regular and mandatory learning activities to reaffirm these obligations.

The RCH promotes a culture of diversity, inclusion and belonging. Grievance and dispute resolution processes are in place that provide fairness and protect employees from negative consequences as a result of accessing formal dispute processes. This ensures employment decisions at the RCH are based on merit and reflect equal employment opportunities for all team members.

Organisational chart

As at 30 June 2020

The Royal Children's Hospital Board

Chief Executive Officer John Stanway

General Counsel
Annabelle Mann

Chief Operating Officer Jane Miller

Executive Director Medical Services and Clinical Governance and Chief Medical Officer
Matt Sabin

- Children's Bioethics Centre
- Health Services Research
- Medical Education
- Medical Workforce Unit
- Research, Ethics and Governance
- Quality and Improvement

Chief of Medicine
Tom Connell

- Adolescent Medicine
- Allergy and Immunology
- Centre for Adolescent Health
- Centre for Community Child Health
- Children's Cancer Centre
- Clinical Haematology
- Dermatology
- Endocrinology and Diabetes
- General Medicine
- Mental Health Program
- Metabolic Medicine
- Nephrology
- Neuro- development and Disability
- Neurology
- Palliative Care
- Paediatric Integrated Cancer Service (PICS)
- RCH Early Childhood Intervention Service
- Rehabilitation
- Respiratory
- Victorian Forensic Paediatric Medical Services (VFPMS)

Chief of Surgery
Mike O'Brien

- Anaesthesia and Pain Management
- Cardiac Surgery
- Cardiology
- Dentistry
- Gastroenterology and Clinical Nutrition
- Gynaecology
- Medical Imaging
- Neurosurgery
- Ophthalmology
- Orthopaedics
- Otolaryngology
- Paediatric and Neonatal Surgery
- Perioperative Suite
  - Central Sterilising Services
  - Operating Theatres
  - Possum
  - Recovery
- Plastic and Maxillofacial Surgery
- Urology

Chief of Critical Care
Associate Professor Ed Oakley

- Biomedical Engineering
- Emergency Department
- Neonatal Medicine (NICU)
- Paediatric Infant Perinatal Emergency Retrieval (PIPER)
- Paediatric Intensive Care Unit (PICU)

Executive Director Nursing and Allied Health and Chief Nursing Officer
Maria Flynn

- After Hours Management
- Bed Management
- Allied Health
  - Audiology
  - Child Life Therapy
  - Equipment Distribution Centre
  - Gatehouse
  - Nutrition/Food Services
  - Occupational Therapy
  - Orthotic and Prosthetic Unit
  - Physiotherapy
  - Speech Pathology
  - Social Work and Pastoral Care
- Infection Prevention Control
- Interpreter and NESB Services
- Nursing and Administration Workforce
- Nursing Education and Research
- Ward NUMS
  - Banksia
  - Butterfly
  - Cockatoo
  - Dolphin
  - Emergency
  - Kelpie
  - Koala
  - Kookaburra
  - Platypus
  - Rosella
  - Sugar Glider

- Ambulatory Services
  - Customer Contact Centre
  - Complex Care Hub
  - Specialist Clinics
  - Day Medical Centre
  - Day Oncology
  - Wallaby
  - Family Healthcare Support
  - Immunisation
- Education Institute
- EMR Team
- Laboratory Services
- Pharmacy
- International Patients

Executive Director People and Culture
Danielle Brynes

- Early Learning
- Human Resources
- Library
- Wadja Family Place
- Organisational Development
- Workplace Health, Safety and Wellbeing

Executive Director Communications
Alison Errey

- Archives
- Corporate Communications
- Family Services and Volunteers
- RCH National Child Health Poll
- Strategy and Planning

Chief Financial Officer
Jon Marcard

- Decision Support
- Facilities and Emergency Management
- Finance
- Health Information Services
- Information Communication Technology
- Internal Audit Coordination
- Management Accounting
- Payroll
- Procurement and Supply
- Risk and Information Management Systems
- Support Services

Statutory statements

The Royal Children's Hospital is a public health service and is incorporated pursuant to the provisions of the *Health Services Act 1988* (as amended). The RCH has cared for the children of Victoria since it was founded in 1870 and is internationally recognised as a leading centre for paediatric treatment, teaching and research.

Powers and duties

The powers and duties of the RCH are prescribed by the *Health Services Act 1988*. The hospital is accountable to the people of Victoria through the Minister for Health, Jenny Mikakos.

Nature and range of services

The RCH is the major specialist paediatric hospital in Victoria and also provides specialist care for children from Tasmania, southern New South Wales, and other states around Australia. It is also Victoria's designated major trauma centre for paediatrics.

The hospital delivers the state-wide Paediatric, Infant and Perinatal Emergency Retrieval (PIPER) service and is a Nationally Funded Centre for paediatric heart transplantation, paediatric liver transplantation (in collaboration with Austin Health), and paediatric lung transplant (in collaboration with Alfred Health). The RCH also delivers forensic medicine services, treatment for hypo-plastic left heart syndrome and an internationally recognised gender service.

The RCH is part of the Melbourne Children's campus and collaborates with its campus partners, Murdoch Children's Research Institute and the University of Melbourne—Department of Paediatrics, to provide global leadership in integrated clinical care, research and education.

The RCH also leads a number of state-wide services, including:

- Victorian Paediatric Rehabilitation Service (with Monash Health, Ballarat Health Services, Barwon Health, Bendigo Health, Eastern Health and Goulburn Valley Health)
- Victorian Paediatric Palliative Care Program (with Monash Health and Very Special Kids)
- Victorian Forensic Paediatric Medical Service (with Monash Health and Victorian Institute of Forensic Medicine)
- Victorian Infant Hearing Screening Program.

Freedom of information

The Victorian Freedom of Information (FOI) Act 1982 provides a legally enforceable right of access to information held by government agencies.

FOI requests to the RCH should be made in writing and detailed instructions on how to make an application can be found on the RCH website (rch.org.au/foi/), together with information regarding associated costs and timeframes.

For more information, the FOI staff at the RCH can be reached on (03) 9345 5132 or (03) 9345 5156. Alternatively, inquiries can be sent to foi@rch.org.au

General information regarding the FOI Act can be found on the Victorian Government Website on www.ovic.vic.gov.au

Nominated FOI Officers

Ms Annabelle Mann, General Counsel

Ms Justine Raczkowski, Senior Legal Counsel

Ms Laura Hartmann, Senior Legal Counsel

Ms Judith Smith, Freedom of Information Officer and Reviewer

Mr Ricky Huynh, FOI Reviewer

Ms Felicity Hood, FOI Reviewer (up to October 2019)

Requests received	2018–19	2019-20
Total requests	658	739
Access granted in full	332	332
No information available	31	35
Application withdrawn	66	81

Requests made came primarily from patients and their families (approximately 58%), legal or representatives (39%) and the TAC (approximately 2%).

The remaining 1% was from the Media or Members of Parliament for non-patient related information.

All FOI applications received by the RCH were processed in accordance with the provisions of the FOI Act. The RCH provides an annual report on FOI applications to the Freedom of Information Commissioner.

Compliance with building and maintenance provisions of Building Act 1993

The RCH was delivered as a Public Private Partnership (PPP) project, in accordance with the State Government's Partnerships Victoria policy. Children's Health Partnership (CHP) is the state's private sector partner and is responsible for maintaining the new hospital facility through Spotless, the Facility Management subcontractor, for a period of 25 years.

Spotless provide a comprehensive maintenance program for the facility, incorporating maintenance of essential safety measures. An annual report is issued to certify testing and maintenance is compliant with the *Building Act 1993*. Fire safety audits are undertaken to comply with the Department of Health and Human Services Fire Risk Management Guidelines.

Public Interest Disclosures Act 2012

The RCH supports the objectives of the *Public Interest Disclosures Act 2012* (*formerly Protected Disclosure Act 2012*) and has policies and procedures in place to support disclosure of known or suspected incidences of improper conduct that involve the RCH or its employees by reporting such conduct to IBAC in accordance with Part 2 of the Act.

Alternatively, the RCH encourages individuals to make any disclosures which are public interest disclosures within the meaning of the Act directly to IBAC in accordance with s51 of the Independent Broad-Based Anti-Corruption Commission Act 2011. There have been no disclosures reported to IBAC for the year ending 30 June 2020.

National Competition Policy

In accordance with the Competition Principles Agreement (CPA), the State of Victoria is obliged to apply competitive neutrality policy and principles to all significant business activities undertaken by government agencies and local authorities.

Carers Recognition Act 2012

The *Carers Recognition Act 2012* promotes and values the role of people in care relationships. The RCH understands the different needs of persons in care relationships and that care relationships bring benefits to the patients, their carers and the community.

The RCH takes all practicable measures to ensure that its employees, agents and carers have an awareness and understanding of the care principles and this is reflected in our commitment to a model of patient and family centred care and to involving carers in the development and delivery of our services.

Environmental performance

The RCH monitors energy consumption and waste generation through the RCH Sustainability Committee and the Utilities Management Committee. These committees serve as an important mechanism to initiate and oversee new waste and energy reduction initiatives.

CHP, the states' private sector partner, is responsible for ensuring that building, plant and equipment performance is monitored and maintained with the objective of minimising energy consumption and greenhouse gas emissions.

The RCH is engaging with a consultant to create a campus sustainability plan, with a draft expected of this plan by the end of 2020. The sustainability plan will cover the RCH, MCRI and all other partners on site.

Public Environment report	2017/18	2018/19	2019/20
GREENHOUSE GAS EMISSIONS			
Total greenhouse gas emissions (tonnes CO2e)			
Scope 1	6,348	6,509	6,360
Scope 2	32,768	34,043	32,488
Total	**39,117**	**40,552**	**38,848**
Normalised greenhouse gas emissions			
Emissions per unit of floor space (kgCO2e/m2)	234.23	242.83	232.62
Emissions per unit of bed-day (LOS+Aged Care OBD) (kgCO2e/OBD)	293.81	292.19	292.76
STATIONARY ENERGY			
Total stationary energy purchased by energy type (GJ)			
Electricity	109,228	114,538	114,664
Natural gas	121,488	124,531	121,766
Total	**230,717**	**239,069**	**236,430**
Normalised stationary energy consumption			
Energy per unit of floor space (GJ/m2)	1.38	1.43	1.42
Energy per unit of bed-day (LOS+Aged Care OBD) (GJ/OBD)	1.73	1.72	1.78
WATER			
Total water consumption by type (KL)			
Potable Water	158,813	156,369	152,050
Normalised water consumption (Potable + Class A)			
Water per unit of floor space (kL/m2)	0.95	0.94	0.91
Water per unit of bed-day (LOS+Aged Care OBD) (kL/OBD)	1.19	1.13	1.15
WASTE AND RECYCLING			
Waste			
Total waste generated (kg clinical waste+kg general waste+kg recycling waste)	1,113,467	1,126,983	1,034,824
Total waste to landfill generated (kg clinical waste+kg general waste)	916,077	959,811	893,920
Total waste to landfill per patient treated ((kg clinical waste+kg general waste)/PPT)	3.50	3.51	3.46
Recycling rate % (kg recycling/(kg general waste+kg recycling))	20.71	17.43	16.40
TRANSPORT			
Corporate transport			
Tonnes CO2-e corporate transport	87.879	92.042	84.942

Additional information (FRD 22H)

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

- Declarations of pecuniary interests have been duly completed by all relevant officers;

Statutory statements (continued)

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

Local Jobs First—Victorian Industry Participation Program

The RCH complies with the intent of the *Local Jobs First Act 2003 (Vic)*, promoted through the Local Jobs First Policy (LJFP). The Local Jobs First Policy encompasses both Victorian Industry Participation Policy and Major Projects Skills Guarantee, which were previously administered separately. Part of this policy requires wherever possible local industry development, through the improvement of opportunities for local suppliers while taking into consideration the principle of value for money and transparency in procurement processes.

There was one contract commenced by the RCH in 2019–20 which required disclosure under LJFP, the total value of which was $8,856,208, with LIDP Commitments of 92% ANZ Value-added Activity and 2% Standard Employment Retained. There have been no projects to which the Major Skills Guarantee has been applied.

Safe Patient Care (Nurse to Patient and Midwife to Patient Ratios) Act 2015

The RCH remains compliant under section 40 of the *Safe Patient Care Act 2015*, and have met our publishing requirements, last updated on the RCH website in August 2020. There are nil reports to make in relation to our compliance requirements.

Car parking fees

The RCH complies with the Department of Health and Human Services (DHHS) hospital circular on car parking fees effective 1 February 2016. Details of car parking fees and concession benefits are available on the RCH website at www.rch.org.au/info/az_guide/car_parking

Privacy

Kathy Cassin, Manager of Health Information Services, is the RCH Privacy Officer. Since the Health Records Act became legally binding on July 1, 2002 the RCH has aimed to ensure all staff are aware of the Act (and the Privacy and Data Protection Act, 2014) and its implications in the workplace. The RCH has a privacy policy and procedures in place that reflect the legislative requirements.

In preparation for the implementation of the shared EMR between the RCH, Melbourne Health, Peter MacCallum Cancer Centre and The Royal Women's Hospital, key stakeholders from each health service including the Privacy Officers have worked collaboratively to address recommendations from a privacy impact assessment conducted in March 2019. This work was overseen by the Privacy Governance Advisory Committee and resulted in a joint Privacy Framework, endorsed wording for privacy brochures, policies, procedures and other communication material, an e-learning privacy training module, Research Action Plan, an agreed FOI and ROI process, agreed definitions and application of the FYI flags, and standardised processes for patient identification, business intelligence reporting, and the patient and provider portals.

A number of activities have occurred at the RCH over the past year in relation to communication and education of privacy, and in response to the work of the Privacy Governance Advisory Committee. This includes: the development of a new procedure on the privacy functionality in the EMR; review and updating of the suite of RCH privacy policies and procedures; publishing articles on managing confidential information and appropriate access to patient information, via the RCH intranet; ongoing privacy awareness training for staff undertaking patient registration; privacy awareness messaging included in the CEO Staff Forum; and privacy education by request to departments. These activities play an important role in building a solid foundation of privacy knowledge in the hospital.

Regular audits of our EMR are also conducted to ensure that staff access patient information appropriately. A new procedure titled 'Privacy—Appropriate access by RCH staff to patient information in the medical record' has been developed, and provides a clear statement for staff on appropriate access, and the audit processes in place to monitor access to patient information.

The Privacy Officer addresses general staff enquiries in relation to privacy. Privacy is part of the culture at the RCH and ongoing education is in place to ensure this continues to be the case.

Family violence

The RCH has been funded by the Department of Health and Human Services (DHHS) to implement the Strengthening Hospital Responses to Family Violence (SHRFV) project since 2016. The project team has trained 2327 staff to recognise and respond to family violence, and has also developed and launched an e-learning package for staff. The project team has worked closely with People and Culture to train a number of workforce contact officers to provide support to staff experiencing family violence and advice to managers. A checklist, triaging supports available, was created. The project team has also been involved in the hospital's response to the COVID-19 pandemic and provided reflective practice sessions for clinicians in the Emergency Department on identifying and responding to family violence, and advice to staff on safe use of telehealth when there are family violence concerns.

The leave application process was revised to support the confidentiality of those affected and to ensure that documents were safely retained. In 2020, our messaging was centred on the anticipated increase in violence following disasters (bushfires and COVID–19).

Over the final 12 months of the project, which finishes in June 2020, the project team will be focussing the RCH's response to Multi-Agency Risk Assessment and Management Framework (MARAM) and the associated Child Information Sharing Scheme and Family Violence Information Sharing Scheme, which the whole of the RCH will become prescribed to undertake in 2021.

Child Safe Standards

Child safety has continued to be a key area of focus for the RCH. An e-learning package to educate and inform staff about the seven Child Safe Standards was developed and approved as mandatory for completion by all staff, and will be rolled out in 2020–21. The hospital celebrated Universal Children's Day with a series of child focussed activities including an activity seeking feedback from patients. A fixed term Vulnerable Children's project was funded by the Department of Health and Human Services (DHHS) and completed in 2020. It involved the placement of a Clinical Nurse Consultant in a local Child Protection office to provide secondary consultation to Child Protection staff on health and development of vulnerable children and also the development of information resources to assist collaborative work between Child Protection and hospital staff. One outcome of the project was that the Clinical Nurse Consultant position was refunded for a further 12 months. For the remainder of 2020 and in 2021, the RCH will also focus on further improving our response to vulnerable children who miss medical appointments, to ensure their health needs are adequately treated and monitored.

Social Procurement Strategy

The RCH's Social Procurement Strategy was approved by the Department of Treasury and Finance in June 2020. The RCH is committed to social and sustainable outcomes for the community of Victoria. The RCH has developed a Social Procurement Strategy in alignment with the Victorian Social Procurement Framework (SPF), to document the commitment, processes, mechanisms and communication approaches that will be used to ensure social value benefits and outcomes are a focus for procuring goods and/or services across the organisation. The RCH's Strategic Plan 2019-2021 supports current initiatives and strengthens the formalisation of the RCH's Social Procurement Strategy. As it is through collaboration, innovation and advocating with suppliers and other organisations to deliver realistic direct and indirect change within our supply chains, that RCH will contribute to better social and sustainable outcomes for Victorians and the community.

Occupational health and safety and violence

Occupational health and safety data

Occupational health and safety statistics	2019–20	2018–19	2017–18
The number of reported hazards/ incidents for the year per 100 FTE	7.69	5.59	12.7
The number of 'lost time' standard WorkCover claims for the year per 100 FTE	0.44	0	2
The average cost per WorkCover claim for the year ('000)	$112,977	$85,376	$164,987

Occupational violence

The prevention and management of occupational violence and aggression (OVA) remains a focus for the RCH.

Occupational violence statistics

Occupational violence statistics	2019–20
WorkCover accepted claims with an occupational violence cause per 100 FTE	0.05
Number of accepted WorkCover claims with lost time injury with an occupational violence cause per 1,000,000 hours worked	0.27
Number of occupational violence incidents reported	79
Number of occupational violence incidents reported per 100 FTE	2.18
Percentage of occupational violence incidents resulting in a staff injury, illness or condition	40.5

Definitions of occupational violence

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

Statutory statements (continued)

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

Accepted WorkCover claims—Accepted WorkCover claims that were lodged in 2019–20.

Lost time—is defined as greater than one day.

Injury, illness or condition—This includes all reported harm as a result of the incident, regardless of whether the employee required time off work or submitted a claim.

Developing our people and organisation

Our People and Culture Strategy provides for a number of key initiatives to support the growth of our talented people, improve the capability of our workforce, and foster a positive and inclusive workplace culture to support our people to reach their potential.

Our Compact—Better Together

Our Compact is a significant culture program that began with employees collaborating to define the behaviours that would take our delivery of great care to the next level. The result was 10 simple behavioural pledges which have been adopted by all employees, which enable greater collaboration, innovation and advocacy. The last 12 months has seen the successful development of learning and skills sessions, designed to help to embed Our Compact as a key foundation for the way we work together.

Diversity, Inclusion and Belonging

During the year we developed our Diversity, Inclusion and Belonging Strategy. The RCH has active programs in place for gender, cultural and linguistic diversity, employees with disability, and LGBTQI+ communities. The strategy has a number of actions under four key pillars: Educate, Celebrate, Build and Commit. A key aim of the strategy is for the RCH to even more effectively deliver its services in a culturally safe environment, valuing our people, reflecting our community's diverse needs, and where we can appreciate health issues from a range of perspectives.

COVID pulse surveys

The health, wellbeing and stability of our workforce is one of our key priorities. This once-in-100-years global pandemic has had unprecedented impacts on our health workforce across Australia, and particularly in Victoria.

To ensure our leadership teams were doing everything possible to support our employees through this challenging time, we commenced a monthly pulse survey in May 2020. The survey results have been made highly transparent to our workforce and employees' concerns are themed, summarised and provided to our Hospital Incident Management Team who can quickly respond.

Aboriginal E-Learning

The RCH is committed to closing the gap in Aboriginal health outcomes and understands the importance that cultural awareness plays in delivering great care to our Aboriginal and Torres Strait Islander patients and families. The RCH was proud to initiate and lead a state-wide project to develop an E-Learning package suitable for all health services across Victoria. Commencing in 2018, the project team involved representation from a number of metropolitan and regional health services, consulted with over 50 organisations, and engaged widely with Aboriginal Health Liaison teams from across Victoria. The result was four learning modules sharing the true history of Australia, its impact on Aboriginal health, the importance of creating culturally safe health services, and ways to appreciate our Aboriginal colleagues and team members. The package was launched in March 2020 and has been made available to all health services and Aboriginal Community Controlled Organisations. Community feedback has been extremely positive.

People, processes and support

Human Resources 2019–20 priority focus areas underpinned three of the RCH's Great Care Domains; 'Timely access', 'Sustainable Healthcare' and 'Positive Experience'.

A dedicated HR administrative function was implemented to provide RCH managers and employees with the most responsive and timely access to recruitment services, onboarding, parental leave and other employment related matters. This created capacity to increase HR consulting and advisory support to line managers and enhance customer service standards through improvements in workflow management and data accuracy.

As the COVID-19 response developed as the top priority, the newly established HR Services team mobilised to form first line support for employee and manager queries. HR's response fell into three major areas: workforce responsiveness; industrial obligations/relationship management; and manager and employee support.

Workforce responsiveness involved rapid deployment of changes to recruitment processes and onboarding of surge staff.

Employee support was underpinned by the development of employee support material covering benefits, entitlements, work opportunities, wellbeing and the deployment of DHHS programs including Paid Special Leave and Stability Support Payments for casual and part time staff.

Manager support consisted of the deployment of management tool kits to address some of the most pressing concerns while transitioning the workforce to a new way of working. This included remote working checklists and guides, managing the impact of personal and business travel restrictions on professional development and employee leave plans, providing guidance and advice on challenging workforce management issues such as flexible work arrangements, the impacts of childcare and school closures on individuals and teams. The HR team is now planning for a post COVID-19 workplace which incorporates more flexibility and remote working practices.

Throughout 2020, Employee Relations and the HR Consulting team has maintained a continued focus on transparency and trust with the workforce and union partners, providing regular and reliable updates on DHHS-directed workforce management changes as they occurred. Frequent and transparent communication on change proposals, not only ensured employees received consistent and reassuring messaging about likely impacts, but ensured the RCH was well placed to safely and effectively continue to meet the needs of patients.

Progress toward updated terms and conditions contained in enterprise agreements covering Senior Medical staff, Management and Administration, Allied Health, Mental Health, Nursing and Midwifery, and Medical Scientist continued with broad stakeholder engagement across the organisation and sector. Implementation of outcomes will be the focus for the 2020-21 financial year.

Employee and manager self-serve upgrade

During 2019–20, the RCH embarked on a project to improve our myDNA system to make it a better user experience for our people and managers. The newest addition is the development of leave management. This will provide us with a fully integrated leave management solution that will give our people and managers real time leave balances in a single system.

RosterOn rollout

RosterOn is the RCH's time and attendance system. In a significant project over 2019-20, RosterOn was integrated with our SAP payroll system and implemented for our nursing staff. Further professional groups will be scheduled for Phase 2. Further functionality is also being implemented to allow users to manage their availability via their mobile device.

Workplace Health and Safety

During 2019–20, the RCH Workplace Health and Safety (WHS) program continued to be reviewed and refreshed to support the provision of Great Care and our goal towards zero harm.

Staff health and wellbeing

The RCH has continued its strong focus on health and wellbeing and offered a range of initiatives to support the wellbeing of our people. The RCH partnered with a GP clinic to provide skin check risk assessments for staff, students and volunteers. Over 200 RCH staff participated in the preventative program.

In March 2020, the RCH participated in the 15-Minute Exercise Challenge, designed to promote and encourage participants to find 15 minutes of exercise each day. This year's challenge saw 144 participants from across the campus participate in the event. Participants and teams exercised for a total of 210,290 minutes with 86 per cent of staff reporting an increase in their overall health following the completion of the challenge.

In May 2020, to support staff mental health, the RCH partnered with our campus partners MCRI, to offer a four-week 'Introduction to mindfulness' program. An average of 30 staff participated each week designed to learn about the positive impacts mindfulness has on an individual's mental health and wellbeing.

Employee Assistance Program

The RCH Employee Assistance Program (EAP) continued to provide free and confidential counselling, coaching and support services to all staff. Detailed below is benchmarking data provided by Converge International EAP provider for the 2019–20 period.

Annual EAP utilisation rate 2019–20	
RCH	6.4%
Industry Average	4.3%

Restorative Reviews

In early 2020, the RCH Restorative Review program was further refined to ensure continued support following a critical or challenging event. This reflective and practical method saw the introduction and promotion of a Restorative Toolkit that could be used by managers to undertake wellbeing check-ins and support, and to monitor and restore the mental health of staff following a critical incident.

Peer Support Program

In 2019–20, the RCH Peer Support Program was re-launched to allow trained co-workers to provide confidential support to staff. New peers were recruited from all disciplines and a campus wide campaign to promote the program was undertaken including a newly developed intranet peer support intranet page. The peer support program now consists of 29 volunteer peer supporters.

Mental Health Strategy

The health and wellbeing of staff continued to be a primary focus for the RCH Executive and Board in 2019-20. In recognition of the increasing need for an organisational approach to mental health, the RCH Mental Health Strategy is being refined to ensure the needs of different craft groups are reflected.

Risk and Hazard Management

The development and delivery of a range of Workplace Health and Safety initiatives designed to strengthen our commitment to a safety-first culture included the following new initiatives.

Education and training

An important requirement under the OH&S legislation is to educate all employees on their roles and responsibilities, including personal accountability. The RCH WHS Manager training program is intended to provide all line managers with an understanding of their WHS obligations to effectively monitor team performance and ensure continuous improvement and a safety culture. The program consists of six training modules with an annual refresher and update for new managers. The modules include:

- Keeping mentally healthy at work

Statutory statements (continued)

- Risk management training
- Manual handling
- Safe workplace behaviours
- Managing staff injuries
- Chemical management

Consultation

RCH supports and recognises the benefits of consulting with employees on matters that will affect their health and safety. The Workplace Health and Safety Committees continue to provide a regular forum for collaboration and for addressing ongoing and emerging risks. This regular, proactive dialogue has contributed to a number of innovative health and safety risk management solutions. A key outcome of the Consultative Committee approach has been the shared understanding and awareness more generally of WHS issues existing across the hospital and campus and what it means to embed a safety culture.

Smart Move Smart Lift Program

The RCH 'Smart Move Smart Lift' patient handling training program is a combination of online theoretical learning, practical training and competency assessment that aims to teach staff members how, when and where to use the patient handling equipment available in the hospital. The components are linked by a series of training videos, based on core patient handling competencies, to be used as audiovisual learning tools by staff members upon completion of the online learning package, and prior to commencing hands-on training and assessment with trainers in their departments. Resources including 10 videos and competency assessments tools have been developed to prepare staff for practical training and assessment of their competency in the manual handling of patients. Through our 'Train the Trainer' program, we currently have 154 trainers at the hospital.

WHS internal audits

The RCH internal audit program included consideration of processes and controls surrounding WHS policies, procedures, governance, reporting, engagement, training, and risk management. During 2020, a number of improvement opportunities were identified to further strengthen our safe systems of work including enhancements to incident reporting, induction and education of contractors and nurse bank staff and the development of a formalised process for managing critical incidents.

Departmental WHS risk registers

The risk register identifies potential or known risks in the organisation and outlines controls to manage such risk. Annually, WHS identifies high risk departments across the organisation and completes risk registers. This allows action plans to be developed and implemented to mitigate the identified risks. These are then reviewed annually to ensure that the correct measures are being implemented to ensure a safe working environment for staff and patients.

Ergonomic assessments

The best way to prevent poor ergonomic work practices, is to provide our employees with the right information to be able to identify the issues or risk factors before they cause an injury. The WHS team continue to conduct ergonomic assessments of employees at their workstations to ensure optimal working postures and ergonomic work practices and correct workstation set-up.

Injury management

The current financial year has seen an increase in both early intervention and WorkCover cases compared with previous years.This has been due to a number of factors—an increase in occupational violence, the emergence of COVID-19 and an increased amount of high acuity patients being seen by the RCH.

The Early Intervention Program continues to be highly effective in the reporting and management of staff injuries. In 2019–20, 109 employees were assisted under this program; relative to 97 in 2018–19 and 57 in 2017–2018.

Relative to past years, the RCH has recorded a higher than average number of claims. In the 2019–20 period. A total of 16 'time loss' claims were accepted for this period (<0.29/100 FTE), compared with a total of three accepted in 2018–19 (0.03/100 FTE); and 10 in 2017–18 (0.3/100 FTE).

Claim costs however, have decreased in comparison with previous years resulting in a WorkCover premium reduction of $439,326. The RCH continues to perform better than the industry average—66.79 per cent better than the industry, up from 59 per cent better than the industry in the previous year.

Consultancies information

Details of consultancies (under $10,000)

In 2019-20, there were no consultancies where the total fees payable to the consultants were less than $10,000. The total expenditure incurred during 2019-20 in relation to these consultancies is $0 (excl. GST).

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

In 2019-20, there were four consultancies where the total fees payable to the consultants were $10,000 or greater. The total expenditure incurred during 2019-20 in relation to these consultancies is $264,339 (excl. GST). Details of individual consultancies can be viewed below.

Consultancies over $10,000

Consultant	Purpose of consultancy	Start date	End date	Total approved project fee (excluding GST)	Expenditure 2019–20 (excluding GST)	Future expenditure (excluding GST)
Thoughtpost Governance	Board review and evaluation	Mar 19	Jul 19	32,780	15,912	
Deloitte	Evaluation of Leadership Programs	Aug 19	Sep 19	30,000	30,000	
Fitzroy Health Asia Pacific Pty Ltd	Review of commercialisation opportunities	Jul 19	Sep 20	300,000	187,500	112,500
University of Melbourne	Proposal for the Evaluation of the Paediatric Improvement Collaborative	Nov 19	May 20	30,927	30,927	
Total				**393,707**	**264,339**	**112,500**

Information and community technology (ICT) expenditure

ICT expenditure

Business as Usual (BAU) ICT expenditure	NonBusiness as Usual (nonBAU) ICT expenditure		
Total (excluding GST)	Total = Operational expenditure and Capital Expenditure (excluding GST) (a) + (b)	Operational expenditure (excluding GST) (a)	Capital expenditure (excluding GST) (b)
$21.4 million	$5.043 million	–	$5.043million

Statement of Priorities

Part A: Strategic priorities

Goals	Strategies	Health Service Deliverables	Outcome
Better Health A system geared to prevention as much as treatment	**Better Health** Help people to stay healthy	Transition to business as usual immunisation under sedation for children and young people who are needle phobic.	**Achieved** The immunisation under sedation model for children and young people is now operating as business as usual. An evaluation showed high levels of consumer satisfaction with the service.
Better Health Illness is detected and managed early	**Better Health** Target health gaps	Develop partnerships with Aboriginal and Torres Strait Islander communities and provide education that increases their access to preventative health services within the RCH immunisation service.	**Achieved** In collaboration with the Victorian Department of Health and Human Services (DHHS), the RCH has developed an innovative communication and awareness program called 'Are Bubbas jabs up to date'. The RCH immunisation service continues to provide outreach support for Aboriginal communities and has recently appointed the indigenous footballer Kyron Hayden as an ambassador.
Better Access Better access to care in the home and community	**Better Access** Provide easier access	Continue to develop and embed partnerships working with other hospitals, such as Northern Health, Monash Health and Austin Health, to deliver care as close to home as possible.	**Achieved** The RCH has further embedded its relationships with Northern Health, Monash Health and Austin Health. Additional partnerships with both Werribee Mercy Health and Western Health are being developed. The RCH will continue to work in collaboration with its partners to deliver care closer to home.
Better Access Care is always being there when people need it	**Better Access** Plan and invest	Support planning for the fit out of an additional ward and the expansion of the Emergency Department to further improve access and flow.	**Achieved** The RCH has completed its plans for the fit out of an additional ward and the expansion of the Emergency Department. A detailed design has been produced and development is on track for completion in 2021.
Better Access Care is always being there when people need it	**Better Access** Ensure fair access	Implement a daily management system to improve whole-of-organisation oversight, planning and readiness to deliver Great Care, each and every day.	**Achieved** The Daily Operating System (DOS) went live in October 2019. The system involves daily huddles across the whole-of-organisation to assess operational readiness and to escalate any issues that might prevent Great Care from being delivered. The new system has enabled the quick resolution of issues that may have impacted on the patient access, treatment, discharge and experience.
Better Care Patients and carers are active partners in care	**Better Care** Partner with patients	Enhance the availability of information, including Wayfinding, to patients and families in languages other than English.	**Achieved** Information in the RCH's top languages were translated and are now available on the RCH internet—this included both written and audio-visual material. Additional work will continue to be implemented during 2020–21.
Better Care Healthcare that focusses on outcomes	**Better Care** Embed evidence	Implement pre and post hydration for oncology patients at home through the Hospital In The Home service (HITH).	**Achieved** The RCH has implemented a pre and post hydration model for oncology patients receiving care through the hospital in the home service (HITH).
Supporting the Mental Health System	Improve service access to mental health treatment to address the physical and mental health needs of consumers.	Evaluate the implementation of the Building Capability and Improving Mental Health Services Pilot within several clinical areas with a view to informing ongoing sustainability.	**In Progress** The evaluation is nearing completion and due to the impacts of COVID-19 has not yet fully concluded. The work is planned for full delivery by the end of 2020.
Addressing Occupational Violence	Foster an organisational wide occupational health and safety risk management approach, including identifying security risks and implementing controls, with a focus on prevention and improved reporting and consultation. Implement the department's security training principles to address identified security risks.	Further enhance community worker safety by adopting new technologies such as geolocation tracking and mobile duress devices.	**Achieved** The RCH has adopted and implemented a number of new technologies that improve the safety of our community workers. Global Positioning System (GPS) tracking has been installed within all ambulatory fleet vehicles and duress alarms have also been provided to community staff.

Statement of Priorities (continued)

Goals	Strategies	Health Service Deliverables	Outcome
Addressing Bullying and Harassment	Actively promote positive workplace behaviours, encourage reporting and action on all reports. Implement the department's Framework for promoting a positive workplace culture: preventing bullying, harassment and discrimination and Workplace culture and bullying, harassment, and discrimination training: guiding principles for Victorian health services.	Continue to build our respectful and collaborative workplace culture and capability through the implementation of multidisciplinary team workshops centred on the RCH Compact (comprising of 10 pledges that outline how our people will behave and work together to deliver Great Care).	**In Progress** The Compact leadership workshops have been developed following extensive consultation. As a consequence of COVID-19, the timeline has been delayed, with workshops to start in the later part of 2020. In the interim, the RCH has focussed on local interventions and communication campaigns that continue to build on our respectful and collaborative workforce culture.
		Evaluate the RCH Safe and Positive Workplace Behaviour Program and identify opportunities to strengthen our current approach.	**Achieved** The Safe and Positive Workplace behaviour program was evaluated using our People Matter Survey for 2019. Although no deficits in the program were identified, the RCH continues to explore opportunities to further strengthen our approach.
Supporting Vulnerable Patients	Partner with patients to develop strategies that build capability within the organisation to address the health needs of communities and consumers at risk of poor access to health care.	Review existing outreach clinics in consultation with local health providers, with the aim of enhancing services and information sharing.	**Achieved** The review of outreach clinics has been completed and an enhancement plan developed. Ongoing work to increase the provision of outreach clinics will continue during 2020–21.
Supporting Aboriginal Cultural Safety	Improve the health outcomes of Aboriginal and Torres Strait Islander people by establishing culturally safe practices across all parts of the organisation to recognise and respect Aboriginal culture and deliver services that meet the needs, expectations and rights of Aboriginal patients, their families, and Aboriginal staff.	Work in partnership with other health services across the state to develop a standardised Aboriginal and Torres Strait Islander E-Learning content for staff.	**In Progress** The RCH has worked in collaboration with a number of key stakeholders to develop and agree the state-wide E-Learning content. Due to the impact of COVID-19, the implementation work has been delayed and is now planned for the later part of 2020.
		Consult with the wider community and explore options to expand the current Wadja Health Clinic.	**Achieved** The RCH has undertaken extensive consultation with community stakeholders to explore expansion of the Wadja Health Clinic. While a Business Case was developed and reviewed, it concluded that at this point in time, there was limited demand to expand the clinic. In addition, the RCH is working with the Victorian Aboriginal Health Service (VAHS) to consider a request to deliver specialist and allied health care to Aboriginal children at the Complex Care Clinic within VAHS.

Goals	Strategies	Health Service Deliverables	Outcome
Addressing Family Violence	Strengthen responses to family violence in line with the Multiagency Risk Assessment and Risk Management Framework (MARAM) and assist the government in understanding workforce capabilities by championing participation in the census of workforces that intersect with family violence.	Continue to embed the Strengthening Hospital Responses to Family Violence (SHRFV) program by developing and implementing a training and awareness program, including an E-learning package.	**Achieved** Training and awareness sessions to identify and address family violence has continued during 2019–20. An E-Learning package for staff was developed and is now available on our organisational training platform.
Implementing Disability Action Plans	Continue to build upon last year's action by ensuring implementation and embedding of a disability action plan which seeks to reduce barriers, promote inclusion, and change attitudes and practices to improve the quality of care and employment opportunities for people with disability.	Continue to implement initiatives from the RCH Disability Action Plan against the following four areas: digital accessibility; promoting a culture of inclusion of people with disability; communicating effectively with patients and families in a variety of formats to accommodate disabilities; and developing inclusive and accessible employment practices.	**Achieved** During 2019–20, we continued to implement key actions from our Disability Action Plan. This included: updating of internal communications and staff resources; the provision of disability confidence training, conduct of staff forums such as Grand Rounds; completion of a recruitment review to assess any unintended barriers for people with a disability; and implementation of a Workplace Adjustment Policy.
Supporting Environmental Sustainability	Contribute to improving the environmental sustainability of the health system by identifying and implementing projects and/or processes to reduce carbon emissions.	Implement the Printing Optimisation Project to reduce hard copy printing across the RCH with an aim to decrease paper and toner consumption.	**In Progress** The RCH undertook a printing optimisation review. Due to COVID-19, there have been delays with the associated implementation plan, which will now occur in 2020–21.

Statement of Priorities (continued)

PART B: Performance priorities

High quality and safe care

Key performance measure	Target	2019–20 Actuals
Infection prevention and control		
Compliance with the Hand Hygiene Australia program	83%	85.2%
Percentage of healthcare workers immunised for influenza	84%	91%
Patient experience[1]		
Victorian Healthcare Experience Survey – percentage of positive patient experience responses	95%	93%
Victorian Healthcare Experience Survey – percentage of very positive responses to questions on discharge care	75%	79%
Victorian Healthcare Experience Survey – patient's perception of cleanliness	70%	87.7%
Healthcare associated infections (HAI's)		
Rate of patients with surgical site infection (general)	No outliers	Achieved
Rate of patients with surgical site infection (spinal fusion)	No outliers	Not achieved (1)
Rate of patients with ICU central-line-associated bloodstream infection (CLABSI)	Nil	1.6
Rate of patients with SAB[2] per 10,000 occupied bed days	≤1	1.5
Adverse Events		
Sentinel events – root cause analysis (RCA) reporting	All RCA reports submitted within 30 business days	Met
Mental Health		
Rate of seclusion events relating to a child and adolescent acute mental health admission	≤15/1,000	13
Percentage of child and adolescent acute mental health inpatients who have a post-discharge follow-up within seven days	80%	77%

1 The RCH results are specific to the paediatric VHES. Survey was completed in Q1 only.

2 SAB is Staphylococcus Aureus Bacteraemia

Strong governance, leadership and culture
People Matter Survey Reporting

Key performance indicator	Target	2019–20 Result
Organisational culture		
People matter survey – percentage of staff with an overall positive response to safety and culture questions	80%	92%
People matter survey – percentage of staff with a positive response to the question, 'I am encouraged by my colleagues to report any patient safety concerns I may have'	80%	95%
People matter survey – percentage of staff with a positive response to the question, 'Patient care errors are handled appropriately in my work area'	80%	94%
People matter survey – percentage of staff with a positive response to the question, 'My suggestions about patient safety would be acted upon if I expressed them to my manager'	80%	94%
People matter survey – percentage of staff with a positive response to the question, 'The culture in my work area makes it easy to learn from the errors of others'	80%	88%
People matter survey – percentage of staff with a positive response to the question, 'Management is driving us to be a safety-centred organisation'	80%	92%
People matter survey – percentage of staff with a positive response to the question, 'This health service does a good job of training new and existing staff'	80%	85%
People matter survey – percentage of staff with a positive response to the question, 'Trainees in my discipline are adequately supervised'	80%	88%
People matter survey – percentage of staff with a positive response to the question, 'I would recommend a friend or relative to be treated as a patient here'	80%	98%

Timely access to care

Key performance measure	Target	2019–20 Actuals
Emergency care		
Percentage of patients transferred from ambulance to Emergency Department within 40 minutes	90%	98%
Percentage of Triage Category 1 emergency patients seen immediately	100%	100%
Percentage of Triage Category 1 to 5 emergency patients seen within clinically recommended time	80%	78%
Percentage of emergency patients with a length of stay in the emergency department of less than four hours	81%	76%
Number of patients with a length of stay in the emergency department greater than 24 hours	0	1
Elective surgery		
Percentage of urgency category 1 elective surgery patients admitted within 30 days	100%	100%
Percentage of urgency category 1,2 and 3 elective surgery patients admitted within clinically recommended time	94%	84.2%
Percentage of patients on the waiting list who have waited longer than clinically recommended time for their respective triage category	5% or 15% proportional improvement from prior year	25% waited too long and 15% proportional deterioration from prior year
Number of patients on the elective surgery waiting list[3]	2,650	3,353
Number of hospital initiated postponements per 100 scheduled elective surgery admissions	≤7 /100	5.3%
Number of patients admitted from the elective surgery waiting list[3]	8,100	6,919
Specialist clinics		
Percentage of urgent patients referred by a GP or external specialist who attended a first appointment within 30 days	100%	76.5%
Percentage of routine patients referred by GP or external specialist who attended a first appointment within 365 days	90%	82%

3 The target and actuals shown are the number of patients on the elective surgery waiting list as at 30 June 2020

Effective financial management

Key performance indicator	Target	2019–20 result
Operating result ($m)	$0	0.008M
Average number of days to paying trade creditors	60 days	27
Average number of days to receiving patient fee debtors	60 days	32
Public and Private WIES[1] activity performance to target	100%	90.8%
Adjusted current asset ratio	0.7 or 3% improvement from health service base target	0.8
Forecast number of days a health service can maintain its operations with unrestricted available cash (based on end of year forecast)	14 days	-7.1
Actual number of days a health service can maintain its operations with unrestricted available cash, measured on the last day of each month.	14 days	Not met
Measures the accuracy of forecasting the Net result from transactions (NRFT) for the current financial year ending 30 June.	Variance ≤$250,000	($2.2M)

1 WIES is a Weighted Inlier Equivalent Separation

Statement of Priorities (continued)

Part C: Activity and funding

Funding type	Activity Achievement
Acute Admitted	
WIES Public	44,539
WIES Private	12,525
WIES TAC	451
Acute Non-Admitted	
Home Enteral Nutrition	7,238
Home Renal Dialysis	6
Specialist Clinics – Public	90,403
Total Perinatal Nutrition	151
Subacute and Non-Acute Admitted	
Subacute WIES – Rehabilitation Public	294
Subacute WIES – Rehabilitation Private	105
Subacute Non-Admitted	
Health Independence Program – Public	24,195
Mental Health and Drug Services	
Mental Health Ambulatory	31,674
Mental Health Inpatient – Available bed days	5,690
Mental Health Service Capacity	1
Primary Health	
Community Health/Primary Care Programs	1,967
Other	
NFC – Paediatric Heart no VAD	8
NFC – Paediatric Heart VAD	9
NFC – Paediatric Lung Transplantation	0
NFC – Transplants - Paediatric Liver	12

The Royal Children's Hospital Summary of financial results

	2020 $000	2019 $000	2018 $000	2017 $000	2016 $000
OPERATING RESULT*	8	(20,121)	2,345	2,950	37
Total revenue	873,279	801,581	753,952	699,312	692,608
Total expenses	(882,377)	(827,233)	(756,990)	(705,040)	(673,922)
Net result from transactions	(9,097)	(25,651)	(3,038)	(5,728)	18,686
Total other economic flows	(7,873)	(14,656)	4,255	5,212	–
Net result	**(16,971)**	**(40,307)**	**1,217**	**(516)**	**18,686**
Total assets	1,606,457	1,625,682	1,413,781	1,323,224	1,353,641
Total liabilities	1,190,395	1,199,871	1,212,175	1,235,180	1,265,165
Net assets/Total equity	**416,062**	**425,812**	**201,606**	**88,044**	**88,476**

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

The Royal Children's Hospital Reconciliation between the Net result from transactions as reported to the Operating result as agreed in the Statement of Priorities

	2020 $000
Net operating result	**8**
Capital and specific items	
Capital purpose income	95,318
COVID-19 State Supply Arrangements – assets received free of charge under the State Supply agreement	496
State supply items consumed up to 30 June 2020	(496)
Expenditure for capital purpose	(690)
Depreciation and amortisation	(57,416)
Finance costs	(46,317)
Net results from transactions	**(9,097)**

Operational and financial performance 2020

The RCH ended the year with a net deficit from transactions of $9.1m. Whilst the operating result was break-even the hospital incurs significant (non-cash) depreciation and public private partnership financing costs, which RCH records on behalf of the State of Victoria.

The RCH's financial performance for the year was significantly impacted by COVID-19, which both impacted revenue generation and increased costs in several areas. Through an increase of higher than anticipated transplant activities (funded by Nationally Funded Centre program) and funding support from DHHS, the RCH managed to deliver an operating surplus of $8k.

Summary of significant changes in financial position

The RCH's cash position as of 30 June 2020 is $21.1m which is a $6.7m increase from the prior year. At the start of the year the RCH received proceeds from liquidating its investments held through Victoria Funds Management Corporation (VFMC) of $11m. The proceeds were used in part to fund important upgrades to the hospital's Information and Communication Technology (ICT) infrastructure. The RCH has also accelerated payments to its suppliers who have been impacted by Covid-19 in line with Government policy. This has had an adverse impact on cash flow of $11m offset by cash advances received from DHHS.

Subsequent events

There were no events after the balance sheet date with a significant effect on the operations of the RCH.

Attestations and declarations

Responsible Bodies Declaration

In accordance with the *Financial Management Act 1994*, I am pleased to present the report of operations for The Royal Children's Hospital for the year ending 30 June 2020.

The Hon Rob Knowles AO
The Royal Children's Hospital Chairman
24 August 2020

Financial Management Compliance Attestation

I, John Stanway, on behalf of the Responsible Body, certify that The Royal Children's Hospital has no Material Compliance Deficiency with respect to the applicable Standing Directions under the *Financial Management Act 1994* and Instructions.

The Hon Rob Knowles AO
The Royal Children's Hospital Chairman
24 August 2020

Data Integrity Declaration

I John Stanway certify that The Royal Children's Hospital has put it place appropriate internal controls and processes to ensure that reported data accurately reflects actual performance. The Royal Children's Hospital has critically reviewed these controls and processes during the year.

John Stanway
Chief Executive Officer
The Royal Children's Hospital
24 August 2020

Conflict of Interest Declaration

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

John Stanway
Chief Executive Officer
The Royal Children's Hospital
24 August 2020

Integrity, Fraud and Corruption Declaration

I John Stanway, certify that The Royal Children's Hospital has put it place appropriate internal controls and processes to ensure that Integrity, fraud and corruption risks have been reviewed and addressed at The Royal Children's Hospital during the year.

John Stanway
Chief Executive Officer
The Royal Children's Hospital
24 August 2020

Disclosure Index

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

Legislation	Requirement	Page Reference
Ministerial Directions		
Report of Operations		
Charter and purpose		
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FRD 22H	Purpose, functions, powers and duties	18
FRD 22H	Nature and range of services provided	18
FRD 22H	Activities, programs and achievements for the reporting period	6–10
FRD 22H	Significant changes in key initiatives and expectations for the future	8–10
Management and structure		
FRD 22H	Organisational structure	16
FRD 22H	Workforce data/employment and conduct principles	15
FRD 22H	Occupational Health and Safety	21
Financial information		
FRD 22H	Summary of the financial results for the year	33
FRD 22H	Significant changes in financial position during the year	33
FRD 22H	Operational and budgetary objectives and performance against objectives	33
FRD 22H	Subsequent events	33
FRD 22H	Details of consultancies under $10,000	25
FRD 22H	Details of consultancies over $10,000	25
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Legislation		
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FRD 22H	Compliance with building and maintenance provisions of *Building Act 1993*	18
FRD 22H	Application and operation of *Protected Disclosure 2012*	18
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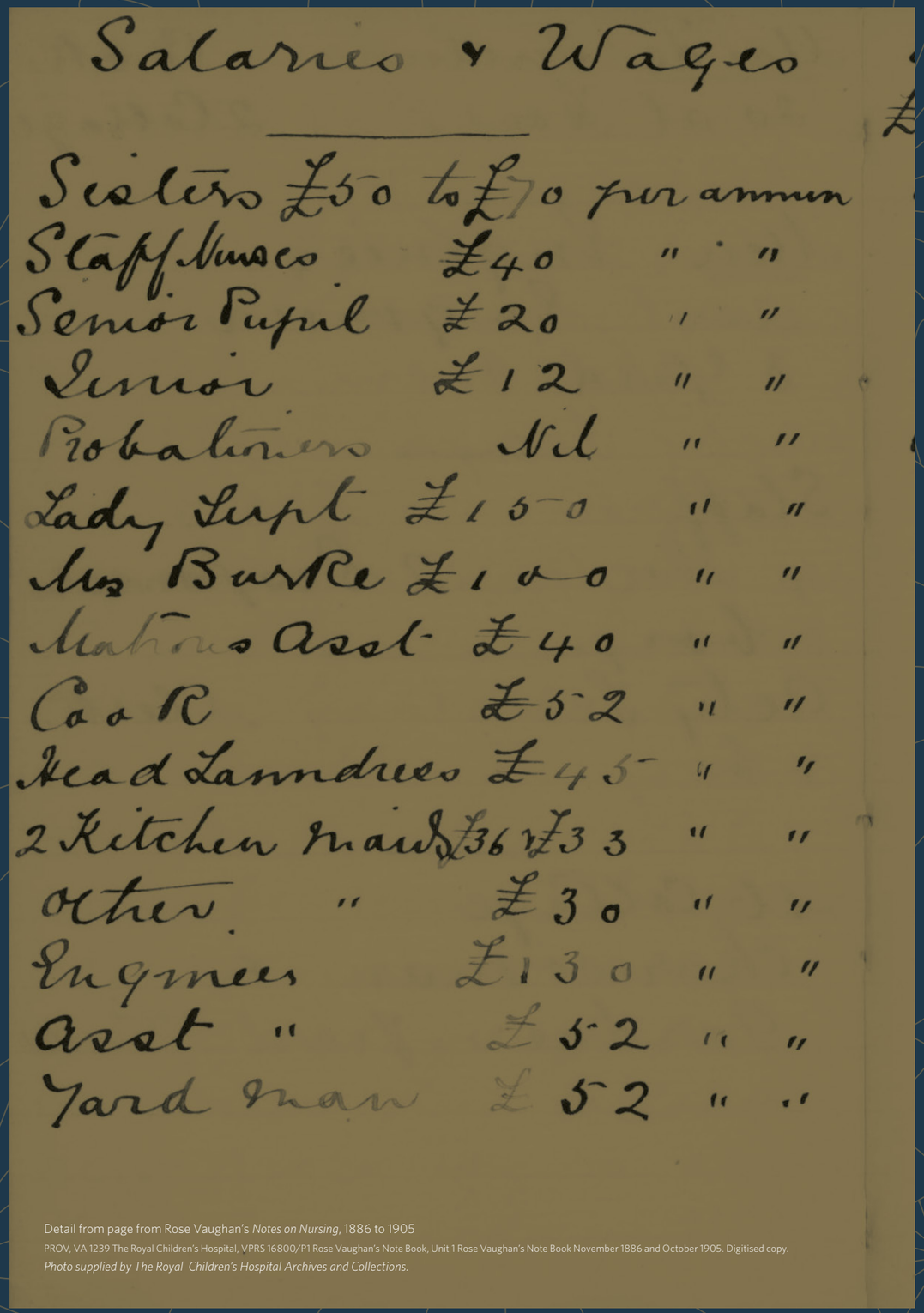
FRD 22H	Summary of the entity's environmental performance	19
FRD 22H	Additional information available on request	19
Other relevant reporting directives		
FRD 25D	Local Jobs First Act disclosures	20
SD 5.1.4	Financial Management Compliance attestation	34
SD 5.2.3	Declaration in report of operations	34
Attestations		
Attestation on Data Integrity		34
Attestation on managing Conflicts of Interest		35
Attestation on Integrity, fraud and corruption		35
Other reporting requirements		
• Reporting of outcomes from Statement of Priorities 2019–20		26–32
• Occupational Violence reporting		21
• Reporting obligations under the *Safe Patient Care Act 2015*		20
• Reporting of compliance regarding Car Parking Fees (if applicable)		20

Financial Statements



Salaries & Wages

Scalers £50 to £70 per annum
Staff Nurses £40 " "
Senior Pupil £20 " "
Junior £12 " "
Probationers Nil " "
Lady Supt £150 " "
Mrs Burke £100 " "
Matrons Asst £40 " "
Cook £52 " "
Head Laundress £45 " "
2 Kitchen maids £36 & £33 " "
Other " £30 " "
Engineer £130 " "
Asst " £52 " "
Yard man £52 " "

Detail from page from Rose Vaughan's *Notes on Nursing*, 1886 to 1905

PROV, VA 1239 The Royal Children's Hospital, VPRS 16800/P1 Rose Vaughan's Note Book, Unit 1 Rose Vaughan's Note Book November 1886 and October 1905. Digitised copy.

Photo supplied by The Royal Children's Hospital Archives and Collections.

The Royal Children's Hospital

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

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

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2020 and the financial position of The Royal Children's Hospital and the Consolidated Entity at 30 June 2020.

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

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

Hon Rob Knowles AO
Chairman
The Royal Children's Hospital
Melbourne
24 August 2020

John Stanway
Chief Executive Officer
The Royal Children's Hospital
Melbourne
24 August 2020

Jon Marcard
Chief Financial Officer
The Royal Children's Hospital
Melbourne
24 August 2020

Independent Auditor's Report

VAGO
Victorian Auditor-General's Office

To the Board of the The Royal Children's Hospital

Opinion

I have audited the consolidated financial report of the The Royal Children's Hospital (the health service) and its controlled entities (together the consolidated entity), which comprises the:

- consolidated entity and health service balance sheets as at 30 June 2020
- consolidated entity and health service comprehensive operating statements for the year then ended
- consolidated entity and health service statements of changes in equity for the year then ended
- consolidated entity and health service cash flow statements for the year then ended
- notes to the financial statements, including significant accounting policies
- Board member's, accountable officer's and chief finance and accounting officer's declaration.

In my opinion, the financial report presents fairly, in all material respects, the financial positions of the consolidated entity and the health service as at 30 June 2020 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the *Financial Management Act 1994* and applicable Australian Accounting Standards.

Basis for Opinion

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

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

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

Key audit matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial report of the current period. I have determined that there are no matters that required my significant auditor attention and accordingly there are no key audit matters that I am required to communicate in my report.

Board's responsibilities for the financial report

The Board of the health service is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Financial Management Act 1994*, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Board is responsible for assessing the health service and the consolidated entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.

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

Auditor's responsibilities for the audit of the financial report

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

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

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

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

MELBOURNE
11 September 2020

Travis Derricott
as delegate for the Auditor-General of Victoria

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The Royal Children's Hospital
Comprehensive operating statement

For the year ended 30 June 2020

	Note	Parent entity 2020 $'000	Parent entity 2019 $'000	Consolidated 2020 $'000	Consolidated 2019 $'000
Income from transactions					
Operating activities	2.1	872,796	800,861	860,378	801,761
Non-operating activities	2.1	483	721	550	934
Total income from transactions		**873,279**	**801,581**	**860,928**	**802,695**
Expenses from transactions					
Employee expenses	3.1	(551,363)	(519,542)	(554,467)	(522,585)
Supplies and consumables	3.1	(103,654)	(99,252)	(103,654)	(99,252)
Public/private partnership operating expenses	3.1	(53,677)	(46,538)	(53,677)	(46,538)
Finance costs	3.1	(47,586)	(49,026)	(47,574)	(49,026)
Other operating expenses	3.1	(68,681)	(66,460)	(75,975)	(69,584)
Depreciation and amortisation	3.1	(57,416)	(46,415)	(57,616)	(46,789)
Total expenses from transactions		**(882,377)**	**(827,233)**	**(892,963)**	**(833,774)**
NET RESULT FROM TRANSACTIONS		**(9,097)**	**(25,651)**	**(32,034)**	**(31,079)**
Other economic flows included in net result					
Net gain/(loss) on financial instruments	3.2	153	–	(357)	5,211
Other gains/(losses) from other economic flows	3.2	(8,026)	(14,656)	(8,026)	(14,656)
Total other economic flows included in net result		**(7,873)**	**(14,656)**	**(8,383)**	**(9,445)**
NET RESULT FOR THE YEAR		**(16,971)**	**(40,307)**	**(40,417)**	**(40,524)**
Other comprehensive income					
Items that may be reclassified subsequently to net result					
Changes to financial assets at fair value through other comprehensive income revaluation surplus		(271)	(133)	(271)	(133)
Revaluation surplus for financial assets at fair value through other comprehensive income reclassified to profit or loss on disposal		(153)	–	(153)	–
Items that will not be reclassified to net result					
Changes in property, plant and equipment revaluation surplus	4.2 (b)	13,838	264,646	13,796	265,225
Total other comprehensive income		**13,414**	**264,514**	**13,372**	**265,093**
COMPREHENSIVE RESULT FOR THE YEAR		**(3,557)**	**224,206**	**(27,045)**	**224,569**

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

The Royal Children's Hospital
Balance sheet

As at 30 June 2020

	Note	Parent entity 2020 $'000	Parent entity 2019 $'000	Consolidated 2020 $'000	Consolidated 2019 $'000
ASSETS					
Current assets					
Cash and cash equivalents	6.2	23,421	16,388	47,855	35,375
Receivables	5.1	33,263	33,599	24,179	28,978
Other financial assets	4.1	–	–	105,670	127,370
Inventories		2,854	2,362	2,889	2,406
Prepayments		3,154	1,274	3,314	1,476
Total current assets		**62,692**	**53,623**	**183,908**	**195,605**
Non-current assets					
Receivables	5.1	38,296	36,030	38,296	36,030
Investments and other financial assets	4.1	–	10,890	2	10,891
Property, plant and equipment	4.2	1,442,364	1,460,288	1,447,474	1,468,939
Intangible assets	4.4	55,325	57,071	55,929	68,382
Investment properties	4.5	7,780	7,780	9,617	9,617
Total non-current assets		**1,543,765**	**1,572,059**	**1,551,318**	**1,593,860**
TOTAL ASSETS		**1,606,457**	**1,625,682**	**1,735,226**	**1,789,465**
LIABILITIES					
Current liabilities					
Payables	5.3	35,668	46,821	41,605	49,592
Provisions	3.4	139,577	121,906	139,609	121,932
Borrowings	6.1	50,558	36,950	50,558	36,950
Other current liabilities	5.2	14,586	11,472	5,860	5,717
Total current liabilities		**240,390**	**217,149**	**237,632**	**214,191**
Non-current liabilities					
Provisions	3.4	28,342	28,462	28,352	28,473
Borrowings	6.1	920,355	952,602	919,850	952,602
Other non-current liabilities	5.2	1,308	1,657	1,308	3,260
Total non-current liabilities		**950,005**	**982,721**	**949,511**	**984,335**
TOTAL LIABILITIES		**1,190,395**	**1,199,871**	**1,187,142**	**1,198,526**
NET ASSETS		**416,062**	**425,812**	**548,083**	**590,939**
EQUITY					
Property, plant and equipment revaluation surplus	4.2 (f)	573,786	559,948	578,245	564,448
Financial assets at fair value through other comprehensive income revaluation surplus		–	424	–	424
Restricted specific purpose surplus		22,075	19,669	108,562	110,663
Contributed capital		91,314	91,314	91,314	91,314
Accumulated deficit		(271,114)	(245,544)	(230,038)	(175,911)
TOTAL EQUITY		**416,062**	**425,812**	**548,083**	**590,939**

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

The Royal Children's Hospital
Statement of changes in equity

For the year ended 30 June 2020

Consolidated	Note	Property, plant and equipment revaluation surplus $'000	Financial assets at fair value through other comprehensive income revaluation surplus $'000	Financial assets available for sale revaluation surplus $'000	Restricted specific purpose surplus $'000	Contributed capital $'000	Accumulated surpluses/ (deficits) $'000	Total $'000
Balance at 1 July 2018		**299,223**	**–**	**14,088**	**115,096**	**91,314**	**(153,352)**	**366,370**
Adoption of AASB 9		–	557	(14,088)	–	–	13,531	–
Net result for the year		–	–	–	–	–	(40,524)	(40,524)
Other comprehensive income for the year		265,225	(133)	–	–	–	–	265,093
Transfer to accumulated surplus/(deficit)		–	–	–	(4,433)	–	4,433	–
Balance at 30 June 2019		**564,448**	**424**	**–**	**110,663**	**91,314**	**(175,911)**	**590,939**
Adoption of AASB 15,16 and 1058	8.10	–	–	–	–	–	(15,810)	(15,810)
Restated balance at 30 June 2019		**564,448**	**424**	**–**	**110,663**	**91,314**	**(191,721)**	**575,129**
Net result for the year		–	–	–	–	–	(40,417)	(40,417)
Other comprehensive income for the year		13,796	(424)	–	–	–	–	13,372
Transfer to accumulated surplus/ (deficit)		–	–	–	(2,101)	–	2,101	–
Balance at 30 June 2020		**578,245**	**–**	**–**	**108,562**	**91,314**	**(230,038)**	**548,083**

Parent	Note	Property, plant and equipment revaluation surplus $'000	Financial assets at fair value through other comprehensive income revaluation surplus $'000	Financial assets available for sale revaluation surplus $'000	Restricted specific purpose surplus $'000	Contributed capital $'000	Accumulated surpluses/ (deficits) $'000	Total $'000
Balance at 1 July 2018		**295,302**	**–**	**557**	**16,499**	**91,314**	**(202,067)**	**201,605**
Adoption of AASB 9		–	557	(557)	–	–	–	–
Net result for the year		–	–	–	–	–	(40,307)	(40,307)
Other comprehensive income for the year		264,646	(133)	–	–	–	–	264,514
Transfer to accumulated surplus/ (deficit)		–	–	–	3,170	–	(3,170)	–
Balance at 30 June 2019		**559,948**	**424**	**–**	**19,669**	**91,314**	**(245,544)**	**425,812**
Adoption of AASB 15,16 and 1058	8.10	–	–	–	–	–	(6,193)	(6,193)
Restated balance at 30 June 2019		**559,948**	**424**	**-**	**19,669**	**91,314**	**(251,737)**	**419,619**
Net result for the year		–	–	–	–	–	(16,971)	(16,971)
Other comprehensive income for the year		13,838	(424)	–	–	–	–	13,414
Transfer to accumulated surplus/ (deficit)		–	–	–	2,406	–	(2,406)	–
Balance at 30 June 2020		**573,786**	**–**	**–**	**22,075**	**91,314**	**(271,114)**	**416,062**

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

The Royal Children's Hospital
Cash flow statement

For the year ended 30 June 2020

	Note	Parent entity 2020 $'000	Parent entity 2019 $'000	Consolidated 2020 $'000	Consolidated 2019 $'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Operating grants from government		571,495	528,623	572,367	529,473
Capital grants from government		1,844	4,572	1,844	4,572
Patient fees received		26,173	24,879	26,173	24,879
Private practice fees received		27,576	29,722	27,576	29,722
Donations and bequests received		33,349	24,826	35,524	30,293
GST received from/(paid to) ATO		4,600	5,126	4,655	5,110
Interest and dividends received		883	902	4,224	8,182
Salaries and wages recovered from external parties		10,601	8,061	10,601	8,061
Non-salary expenses recovered from external parties		20,988	20,531	20,988	20,622
Car park receipts		9,744	10,785	9,744	10,785
Other receipts		29,840	16,764	16,281	10,388
Total receipts		**737,093**	**674,791**	**729,977**	**682,087**
Employee expenses paid		(542,695)	(505,441)	(545,635)	(508,188)
Fee for service medical officers		(2,159)	(3,126)	(2,159)	(3,126)
Payments for supplies and consumables		(117,023)	(104,146)	(113,876)	(104,191)
Finance cost		(1,270)	(1,316)	(1,270)	(1,316)
Cash outflow for leases		(1,324)	–	(1,324)	–
Payments for gas and electricity		(6,147)	(6,619)	(6,162)	(6,635)
Payment for medical indemnity insurance		(6,700)	(6,059)	(6,700)	(6,059)
Other payments		(57,660)	(56,173)	(62,783)	(57,919)
Total payments		**(734,979)**	**(682,880)**	**(739,909)**	**(687,433)**
NET CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES	8.1	**2,114**	**(8,089)**	**(9,933)**	**(5,347)**
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for non-financial assets		(19,997)	(8,335)	(20,600)	(9,214)
Capital donations and bequests received		3,602	1,726	–	–
Proceeds from sale of non-financial assets		–	2	–	2
Purchase of investments		–	–	–	(526)
Proceeds from disposal of investments		10,618	–	32,318	–
NET CASH FLOW FROM/(USED IN) INVESTING ACTIVITIES		**(5,776)**	**(6,606)**	**11,718**	**(9,738)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from borrowings		11,740	–	11,740	–
Repayment of borrowings		(1,046)	(917)	(1,046)	(917)
NET CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES		**10,694**	**(917)**	**10,694**	**(917)**
Net increase/(decrease) in cash and cash equivalents held		7,032	(15,612)	12,479	(16,002)
Cash and cash equivalents at the beginning of financial year		16,388	32,001	35,375	51,377
CASH AND CASH EQUIVALENTS AT THE END OF FINANCIAL YEAR	6.2	**23,421**	**16,388**	**47,855**	**35,375**

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

Notes to the Financial Statements

30 June 2020

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Basis of presentation

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

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also future periods that are affected by the revision. Judgements and assumptions made by management in applying the application of AASB that have significant effect on the financial statements and estimates are disclosed in the notes.

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

Note 1: Summary of significant accounting policies

These annual financial statements represent the audited general purpose financial statements for The Royal Children's Hospital (the RCH) for the year ended 30 June 2020. The purpose of the report is to provide users with information about the RCHs' stewardship of resources entrusted to it.

(a) Statement of compliance

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

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

The RCH is a not-for-profit entity and therefore applies the additional Australian-specific paragraphs ('Aus') applicable to 'not-for-profit' Health Services under the AASBs.

(b) Basis of accounting preparation and measurement

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

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

The going concern basis was used to prepare the financial statements. The RCH is wholly dependent on the continued financial support of the State Government and in particular, the Department of Health and Human Services (DHHS). This position is reviewed annually to ensure continuity under the going concern basis.

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

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

The financial statements are prepared in accordance with the historical cost convention, except for:

- non-current physical assets, which subsequent to acquisition, are measured at a revalued amount being their fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent impairment losses. Revaluations are made and are re-assessed when new indices are published by the Valuer-General Victoria to ensure that the carrying amounts do not materially differ from their fair values;
- derivative financial instruments, managed investment schemes, certain debt securities, and investment properties after initial recognition, which are measured at fair value with changes reflected through profit or loss; and
- investments at fair value through other comprehensive income which are measured at fair value with movements reflected in equity until the asset is derecognised (i.e. other comprehensive income – items that may be reclassified subsequently to net result);
- the fair value of assets other than land is generally based on their depreciated replacement value.

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

Estimates where judgements and estimates have been applied include provisions for leave entitlements (refer note 3.4), provisions for doubtful receivables (refer note 5.1 (a)) and fair value of property, plant and equipment (refer note 4.2 (c)). Estimates have also been applied to certain employee expenses (refer note 3.1).

Global coronavirus pandemic

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

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

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

For further details refer to note 2.1, 4.1 and 4.2.

Note 1: Summary of significant accounting policies (continued)

(c) Reporting entity

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

Its principal address is:

50 Flemington Road
Parkville
Victoria 3052

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

Objectives and funding

The RCH's overall objective is to improve the health and wellbeing of children and adolescents through leadership in healthcare, research and education, as well as improve the quality of life to Victorians.

The RCH is predominantly funded by grant funding for the provision of outputs.

(d) Principles of consolidation

These statements are presented on a consolidated basis in accordance with AASB 10 *Consolidated Financial Statements*:

- The consolidated financial statements of the RCH include all reporting entities controlled by the RCH; and
- The consolidated financial statements exclude bodies of the RCH that are not controlled by the RCH, and therefore are not consolidated.
- Control exists when the RCH has the power to govern the financial and operating policies of an organisation so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The consolidated financial statements include the audited financial statements of the controlled entity listed in note 8.6.
- The parent entity is not shown separately in the notes.
- Where control of an entity is obtained during the financial period, its results are included in the comprehensive operating statement from the date on which control commenced. Where control ceases during a financial period, the entity's results are included for that part of the period in which control existed. Where entities adopt dissimilar accounting policies and their effect is considered material, adjustments are made to ensure consistent policies are adopted in these financial statements.

Entities consolidated into the RCH reporting entity include audited results of below entity:

- The Royal Children's Hospital's Foundation Trust Fund

The Royal Children's Hospital's Foundation Trust Fund is a controlled entity of the RCH by virtue of the power to appoint a new or additional trustee of the Foundation Trust Fund.

In the process of preparing consolidated financial statements for the RCH, all material transactions and balances between consolidated entities are eliminated.

Intersegment transactions

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

Investments in joint operations

In respect of any interest in joint operations, the RCH recognises in the financial statements:

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

(e) Goods and Services Tax ('GST')

Income, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the Australian Taxation Office (ATO). In this case 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 ATO is included with other receivables or payables in the balance sheet.

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

(f) Comparatives

Where applicable, the comparative figures have been restated to align with the presentation in the current year.

(g) Equity

Contributed capital

Consistent with AASB 1004 *Contributions*, contributions by owners (i.e. contributed capital and its repayments) are treated as equity transactions and, therefore, do not form part of the income and expenses of the RCH.

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

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

Financial assets at fair value through other comprehensive income revaluation surplus

The surplus arises on revaluation of financial assets held at fair value through other comprehensive income. When a revalued asset is sold, the portion of the surplus relating to that asset is recognised in the comprehensive operating statement. Where a revalued financial asset is impaired, any impairment exceeding the portion of the surplus relating to that asset is recognised in the comprehensive operating statement.

Specific restricted purpose surplus

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

Note 2: Funding delivery of our services

The RCH's overall objective is to deliver programs and services that support and enhance the wellbeing of all Victorians. To enable the hospital to fulfil its objective it receives income based on parliamentary appropriations. The hospital also receives income from the supply of services.

Structure

Note 2.1: Income from transactions

(a) Income from transactions

	Note	Consolidated 2020 $'000	Consolidated 2019 $'000
Government grants (State) – operating[(i)]		590,161	527,126
Government grants (Commonwealth) – operating		38,356	39,556
Government grants (State) – capital		85,426	86,620
Patient fees		21,478	21,653
Private practice fees		15,423	16,330
Pathology – recoveries for shared services		7,807	7,054
Commercial activities	3.3	59,993	59,203
Assets received free of charge		496	51
Other revenue from operating activities		41,237	44,169
Total income from operating activities		**860,378**	**801,761**
Interest and dividends		550	-
Total income from non-operating activities		**550**	**-**
Total income from transactions		**860,928**	**801,761**

(i) Government grants (State)—operating includes funding of $33.76 million which was spent due to the impacts of COVID-19.

Impact of COVID-19 on revenue and income

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

The DHHS makes certain payments on behalf of the RCH. These amounts have been brought to account in determining the operating result for the year by recording them as revenue and expenses.

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

Revenue recognition

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

Income from grants to construct an asset is recognised progressively as the asset is constructed (NIL for 2019 and 2020). The progressive percentage costs incurred is used to recognise income because this most closely reflects the progress to completion as costs are incurred as the works are done.

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

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

- contributions by owners, in accordance with AASB 1004;
- revenue or a contract liability arising from a contract with a customer, in accordance with AASB 15;
- a lease liability in accordance with AASB 16;
- a financial instrument, in accordance with AASB 9;
- a provision, in accordance with AASB 137.

As a result of the transitional impacts of adopting AASB 15 and AASB 1058, a portion of grant revenue has been deferred as a deferred grant income liability. If the grant income is accounted for in accordance with AASB 15, the deferred grant revenue has been recognised in contract liabilities whereas grant revenue in relation to the acquisition of capital assets which the RCH has received has been recognised in accordance with AASB 1058 as deferred grant revenue (refer note 5.3 (b)). This revenue was recognised under the previous accounting standard AASB 1004 prior to 1 July 2019, and the deferred grant income liability has been recognised against accumulated deficits.

Performance obligations

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

- activity based funding paid as WIES casemix;
- funding as Nationally Funded Centre (NFC);
- other one-off grants if funding conditions contain enforceable and sufficiently specific performance obligations.

The performance obligations for activity based funding are the number and mix of patients admitted to the hospital (casemix) in accordance with levels of activity agreed with the Department of Health and Human Services (DHHS) in the annual Statement of Priorities. Revenue is recognised when a patient is discharged and in accordance with the WIES activity for each separation. The performance obligations have been selected as they align with funding conditions set out in the *Policy and funding guidelines* issued by the DHHS.

For transplants funded as NFC, revenue is recognised when a procedure has been performed. This performance obligation has been selected as it is consistent with the terms and conditions for funding from the Government.

For other grants with performance obligations the RCH exercises judgement over whether the performance obligations have been met, on a grant by grant basis.

Previous accounting policy up to 30 June 2019

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

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

For non-reciprocal grants, the RCH recognises revenue when the grant is received.

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

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

The Department of Health and Human Services makes some payments on behalf of the RCH as follows:

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

Performance obligations and revenue recognition policies

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

- Customers obtain control of the supplies and consumables at a point in time when the goods are delivered to and have been accepted by them.

Note 2.1: Income from transactions (continued)

- Income from the sale of goods are recognised when the goods are delivered and have been accepted by the customer.
- Revenue from the rendering of services is recognised at a point in time when the performance obligation is satisfied when the service is completed, and over time when the customer simultaneously receives and consumes the services as they are provided.

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

Patient fees

Patient fees are recognised when performance obligations related to the patient fees are met. Performance obligations may include patient discharges and specific procedure types. The RCH exercises judgement over whether performance obligations are met.

Private practice fees

Private practice fees are recognised when performance obligations related to the patient fees are met. Performance obligations may include patient discharges and specific procedure types. The RCH exercises judgement over whether performance obligations are met.

Revenue from commercial activities

Revenue from commercial activities such as commercial laboratory medicine and car park income is recognised on an accrual basis.

Donations and other bequests

Donations and bequests are recognised as revenue when received. If donations are for a special purpose, they may be appropriated to a surplus, such as specific restricted purpose surplus.

Dividend revenue

Dividend revenue is recognised when the right to receive payment is established. Dividends represent the income arising from the RCH's investments in financial assets.

Sale of investments

The gain/loss on sale of investments is recognised when the investment is realised.

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

	Consolidated 2020 $'000	Consolidated 2019 $'000
Computers and communication equipment at fair value	–	10
Medical equipment at fair value	–	41
Consumables at fair value (State of Victoria supply arrangement)	496	–
Total fair value of assets and services received free of charge or for nominal consideration	**496**	**51**

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

Resources received free of charge or for nominal consideration are recognised at their fair value when the RCH obtains control over them, irrespective of whether restrictions or conditions are imposed over the use of the contributions, unless received from another Health Service or agency as a consequence of a restructuring of administrative arrangements. In the latter case, such transfer will be recognised at carrying value. Contributions in the form of services are only recognised when a fair value can be reliably determined and the services would have been purchased if not donated.

(c) Other income

	Consolidated 2020 $'000	Consolidated 2019 $'000
Interest received	550	934
Total other income	**550**	**934**

Interest revenue

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

Note 3: Cost of delivering our services

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

Structure

Note 3.1: Expenses from transactions

	Note	Consolidated 2020 $'000	Consolidated 2019 $'000
Salaries and wages		492,822	462,194
On-costs		41,850	38,912
Agency expenses		14,664	16,022
Fee for service medical officers expenses		2,159	3,126
Workcover premium		2,971	2,331
Total employee expenses		**554,467**	**522,585**
Drug supplies		55,779	56,193
Medical and surgical supplies		32,760	32,476
Diagnostic and radiology supplies		12,609	8,363
Other supplies and consumables		2,505	2,220
Total supplies and consumables		**103,654**	**99,252**
PPP operating expenses		53,677	46,538
Total public/private partneship operating expenses		**53,677**	**46,538**
Finance costs		1,430	1,317
Finance costs – PPP arrangements		46,143	47,710
Total finance costs		**47,574**	**49,026**
Fuel, light, power and water		6,783	7,199
Repairs and maintenance		2,587	3,356
Maintenance contracts		10,891	8,866
Medical indemnity insurance		6,890	6,243
Distributions to MCRI		15,942	13,193
Other administrative expenses		27,799	28,739
Expenditure for capital purposes		5,083	1,989
Total other operating expenses		**75,975**	**69,584**
Depreciation and amortisation	4.3	57,616	46,789
Total non-operating expenses		**57,616**	**46,789**
Total expenses from transactions		**892,963**	**833,774**

Note 3.1: Expenses from transactions (continued)

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

Impact of COVID-19 on expenses

As indicated in note 1, the RCH's activities were impacted by the pandemic. This resulted in direct and indirect costs being incurred, such as additional security and cleaning costs, screening clinic, additional procurement of personal protective equipment, additional medical, nursing and laboratory staff.

Supplies and consumables

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

Employee expenses

Employee expenses include:

- wages and salaries;
- fringe benefit tax;
- leave entitlements;
- termination payments;
- workcover premiums; and
- superannuation expenses which are reported differently depending upon whether employees are members of defined benefit or defined contribution plans.

Finance costs

Finance costs are recognised as expenses in the period in which they are incurred.

Finance costs include:

- interest on long-term borrowings (interest expense is recognised in the period in which it is incurred); and
- finance charges in respect of finance leases recognised by the RCH on behalf of the State of Victoria in accordance with AASB 117 *Leases*.

Finance charges in respect of assets contracted under the PPP arrangement, are reported on behalf of the State of Victoria.

Other operating expenses

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

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

Foreign currencies

Foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the payment.

Fair value of assets, services and resources provided free of charge or for nominal consideration

Contribution of resources provided free of charge or for nominal consideration are recognised at their fair value when the transferee obtains control over them, irrespective of whether restrictions or conditions are imposed over the use of the contributions, unless received from another agency as a consequence of a restructuring of administrative arrangements. In the latter case, such transfer will be recognised at carrying value.

Contributions in the form of services are only recognised when a fair value can be reliably determined and the services would have been purchased if not donated.

Borrowing costs of qualifying assets

In accordance with the paragraphs of AASB 123 *Borrowing Costs* applicable to not-for-profit public sector entities, the RCH continues to recognise borrowing costs immediately as an expense, to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Net gain/(loss) on non-financial assets

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

- revaluation gains/(losses) of non-financial assets, refer to note 4.2 Property, plant and equipment.
- net gain/(loss) on disposal of non-financial assets, any gain or loss on the disposal of non-financial assets is the difference between the proceeds the carrying value of the asset at the time.

Expenditure for capital purposes

Expenditure for capital purposes includes property leases, capital purchases that do not meet the RCH's capitalisation criteria, such as low value equipment purchases.

Non-operating expenses

Non-operating expenses represent expenditure outside the normal operations such as depreciation and amortisation.

Operating lease payments

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

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

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

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

Note 3.2: Other economic flows

	Consolidated 2020 $'000	Consolidated 2019 $'000
Revaluation of financial instruments at fair value through profit or loss	(510)	5,211
Realised gain/(loss) on financial instruments transferred from reserves	153	–
Total net gain/(loss) on financial instruments	**(357)**	**5,211**
Gain/(loss) from revaluation of investment properties	–	(146)
Impairment of intangible assets	172	(715)
Gain/(loss) from revaluation of long service leave liability	(6,698)	(11,796)
Gain/(loss) from revaluation of provision for doubtful debts	(47)	(520)
Amortisation of non-produced intangible assets	(1,272)	(1,272)
Gain/(loss) on disposal of non-financial assets	(181)	(206)
Total other gains/(losses) from other economic flows	**(8,026)**	**(14,656)**
Total other economic flows included in net result	**(8,383)**	**(9,445)**

Other economic flows

Other economic flows are changes in volume or value of assets or liabilities that do not result from transactions.

Other gains/(losses) from other economic flows include the gains or losses from:

- revaluations of investment properties
- impairments of non-financial assets
- gains/losses from revaluation of long service leave[(i)]
- movement in provisions for doubtful debts

(i) this item consists of any changes in long service leave liability resulting from a change in assumptions about discount rate, retention or wage inflation.

Note 3.3: Analysis of revenue and expenses by internally managed and restricted specific purpose funds

	Expense		Revenue[(i)]	
	Consolidated 2020 $'000	Consolidated 2019 $'000	Consolidated 2020 $'000	Consolidated 2019 $'000
Commercial activities				
Private practice activities	10,140	9,708	16,009	16,492
Car park	1,343	1,354	9,727	10,831
Property expenses and revenue	30	37	295	286
Child Health and Information Centre	158	46	145	46
Early Learning Centre	2,891	2,973	3,464	3,498
Creative Studio	(285)	147	48	227
Safety Centre	–	5	–	8
Other activities				
Research and scholarship	16,503	13,611	16,506	13,646
Departmental and general purpose funds	11,153	10,077	13,798	14,170
Total	**41,933**	**37,957**	**59,993**	**59,203**

(i) Restricted and Internally Managed Specific Purpose Funds revenue is classified as 'Commercial activities' in note 2.1.

Note 3.4: Employee benefits in the balance sheet

	Consolidated 2020 $'000	Consolidated 2019 $'000
CURRENT PROVISIONS		
Employee benefits		
Accrued days off		
– Unconditional and expected to be settled within 12 months (nominal value)	1,009	1,014
Annual leave		
– Unconditional and expected to be settled within 12 months (nominal value)	37,799	35,194
– Unconditional and expected to be settled after 12 months (present value)	6,245	5,946
Long service leave		
– Unconditional and expected to be settled within 12 months (nominal value)	8,340	6,954
– Unconditional and expected to be settled after 12 months (present value)	73,473	61,693
	126,865	**110,801**
Provisions related to employee benefit on-costs		
– Unconditional and expected to be settled within 12 months (nominal value)	4,734	4,334
– Unconditional and expected to be settled after 12 months (present value)	8,010	6,796
	12,744	**11,130**
Total current provisions	**139,609**	**121,932**
NON-CURRENT PROVISIONS		
Employee benefits	25,764	25,874
Provisions related to employee benefit on-costs	2,588	2,599
Total non-current provisions	**28,352**	**28,473**
Total provisions	**167,961**	**150,404**

(a) Employee benefits and related on-costs

CURRENT EMPLOYEE BENEFITS AND RELATED ON-COSTS		
Unconditional long service leave entitlements	90,033	75,544
Annual leave entitlements	48,466	45,272
Accrued days off	1,110	1,116
NON-CURRENT EMPLOYEE BENEFITS AND RELATED ON-COSTS		
Conditional long service leave entitlements (present value)	28,352	28,473
Total provisions	**167,961**	**150,404**

(b) Movements in provisions

Movement in long service leave		
Balance at the beginning of financial year	**104,017**	**84,897**
Provision made during the year		
– Revaluation increments/(decrements)	6,698	11,796
– Expense recognising employee service	14,620	14,221
Settlement made during the year	(6,950)	(6,898)
Balance at the end of financial year	**118,385**	**104,017**

Note 3.4: Employee benefits in the balance sheet (continued)

Provisions

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

The amount recognised as a liability is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, using a discount rate that reflects the time value of money and risks specific to the provision.

Actuarial assumptions for employee benefit provisions are made for likely tenure of existing staff, patterns of leave taken, future salary movements and discount rates.

When some or all of the economic benefits required to settle a provision are expected to be received from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

Employee benefits

This provision arises for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave for services rendered to the reporting date.

Wages and salaries, annual leave and accrued days off

Liabilities for wages and salaries, including non-monetary benefits, annual leave, sabbatical leave and accrued days off which are expected to be settled within 12 months of the reporting date are recognised in the provision for employee benefits in respect of employee's services up to the reporting date, and are classified as current liabilities and measured at their nominal values.

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

- Undiscounted value—if the health service expects to wholly settle within 12 months; or
- Present value—if the health service does not expect to wholly settle within 12 months.

Long Service Leave (LSL)

The liability for LSL is recognised in the provision for employee benefits.

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

The components of this current LSL liability are measured at:

- Undiscounted value—if the health service expects to wholly settle within 12 months; and
- Present value—if the health service does not expect to wholly settle within 12 months.

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 gains or losses following revaluation of the present value of non-current LSL liabilities are recognised as transactions, except to the extent that they arise due to changes in estimations (e.g. bond rate movements, inflation rate movements and changes in probability factors), for which the gains or losses are recognised as other economic flows.

Termination benefits

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

The RCH 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.

On-costs related to employee expenses

Employee benefit on-costs, such as workers compensation and superannuation are recognised together with provisions for employee benefits.

Note 3.5: Superannuation

	Paid contributions for the year		Contribution outstanding at year end	
	Consolidated 2020 $'000	Consolidated 2019 $'000	Consolidated 2020 $'000	Consolidated 2019 $'000
Defined benefit plans[(i)]				
First State Super Scheme	575	585	43	45
Defined contribution plans				
First State Super Scheme	26,116	25,510	1,994	1,975
Hesta	11,608	10,572	931	869
Other	3,598	3,047	282	248
Total	**41,897**	**39,714**	**3,250**	**3,138**

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

Accrued superannuation

The outstanding superannuation accrual between the last pay run and year end is estimated at $1,210k. This becomes payable once the full pay run is processed and paid in July 2020.

Defined contribution superannuation plans

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

Defined benefit superannuation plans

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

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

The names and details of the major employee superannuation funds and contributions made by the RCH are disclosed in the above table.

Superannuation liabilities

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

Note 4: Key assets to support service delivery

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

Structure

Note 4.1: Investments and other financial assets

	Consolidated 2020 $'000	Consolidated 2019 $'000
CURRENT		
Financial assets – at fair value through profit or loss		
Managed funds[(i)]	105,670	127,370
Total current	**105,670**	**127,370**
NON-CURRENT		
Investments in other entities – at fair value through profit or loss		
Shares in other entities	2	2
Financial assets – at fair value through other comprehensive income		
Managed funds[(i)]	–	10,890
	2	**10,891**
	105,672	**138,261**
Represented by:		
Health service investments	–	10,890
Investments held by The Royal Children's Hospital Foundation	105,670	127,370
Share of investments held by Victorian Comprehensive Cancer Centre	2	2
	105,672	**138,261**

(i) The managed funds consisted of investments held by the RCH Foundation in 2020 (the RCH and the RCH Foundation in 2019). The RCH Foundation is consolidated into RCH for reporting purposes as RCH is the ultimate beneficiary of the RCH Foundation. The RCH Foundation is registered under the Australian Charities and Not-for-profits Commission and is not subject to reporting requirements under the *Financial Management Act 1994* or Standing Directions from the Assistant Treasurer or the directions from the Minister for Health under the *Health Services Act 1988*. RCH disposed of its investments in managed funds during the financial year ended 30 June 2020.

Investments and other financial assets

Hospital investments are in accordance with the Standing Directions 3.7.2 – Treasury Risk Management, including Central Banking System. Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

The RCH classifies its other financial assets between current and non-current assets based on the purpose for which the assets were acquired. Management determines the classification of its other financial assets at initial recognition.

The RCH assesses at each balance sheet date whether 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.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- The RCH retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- The RCH has transferred its rights to receive cash flows from the asset and either:

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

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

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

Impairment of financial assets

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

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

Impact of COVID-19 on financial assets

The impacts of COVID-19 are global. The performance of financial markets may continue to fluctuate and impact the fair value of investments and other financial assets in future reporting periods.

Note 4.2: Property, plant and equipment

(a) Gross carrying amount and accumulated depreciation

	Consolidated 2020 $'000	Consolidated 2019 $'000
Land		
Crown land for hospital use at fair value	128,886	116,394
Freehold	17,286	15,940
Total land	**146,172**	**132,334**
Leased buildings		
Buildings – right of use	3,463	–
Less accumulated depreciation	(293)	–
Total leased buildings	**3,171**	**–**
Buildings		
Buildings at fair value	20,592	20,631
Less accumulated depreciation	(486)	(730)
Total buildings	**20,106**	**19,901**
Leasehold improvements		
Leasehold improvements at cost	1,304	5,225
Less accumulated depreciation	(381)	(315)
Total leasehold improvements	**923**	**4,909**
Plant and equipment		
Plant and equipment at fair value	1,858	1,766
Less accumulated depreciation	(1,226)	(1,238)
Total plant and equipment	**632**	**528**
Medical equipment		
Plant and equipment at fair value	84,867	80,523
Less accumulated depreciation	(65,663)	(66,035)
Total medical equipment	**19,204**	**14,488**
Computers and communication		
Plant and equipment at fair value	17,108	14,746
Less accumulated depreciation	(11,485)	(10,980)
Total computers and communication	**5,623**	**3,766**
Furniture and fittings		
Plant and equipment at fair value	3,384	1,660
Less accumulated depreciation	(627)	(465)
Total furniture and fittings	**2,757**	**1,196**
Motor vehicles		
Plant and equipment at fair value	362	362
Less accumulated depreciation	(294)	(256)
Total motor vehicles	**67**	**105**
Artwork		
Artwork at fair value	604	604
Total artwork	**604**	**604**

	Consolidated 2020 $'000	Consolidated 2019 $'000
Right of use - plant, equipment, furniture and fittings and vehicles		
Right of use – plant, equipment, furniture and fittings and vehicles	3,602	–
Less accumulated depreciation	(807)	–
Total right of use – plant, equipment, furniture and fittings and vehicles	**2,796**	**–**
PPP assets		
PPP – leased buildings at fair value	1,232,352	1,232,352
Less accumulated depreciation	(43,043)	–
Total PPP - buildings	**1,189,309**	**1,232,352**
PPP – fittings at fair value	44,175	44,175
Less accumulated depreciation	(12,359)	(10,879)
Total PPP - fittings	**31,816**	**33,296**
PPP – equipment	33,413	33,437
Less accumulated depreciation	(9,119)	(7,977)
Total PPP - plant and equipment	**24,293**	**25,460**
Total right of use PPP assets	**1,245,419**	**1,291,108**
Total property, plant and equipment	**1,447,474**	**1,468,939**

Note 4.2: Property, plant and equipment (continued)

(b) Reconciliations of the carrying amounts of each class of assets

Note that intangible assets are not included in this schedule, refer note 4.4.

	Land	Right of use – buildings	Buildings	Plant and equip.	Medical equip.	Computers and communic.	Furniture and fittings	Motor vehicles	Artwork	Right of use – PP&E, F and V	PPP assets	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2018	**108,215**	**–**	**41,646**	**715**	**16,602**	**2,407**	**1,009**	**177**	**823**	**–**	**1,066,399**	**1,237,993**
Additions	–	–	341	89	3,570	2,987	302	26	9	–	25	7,348
Disposals	–	–	–	(68)	(84)	(58)	(1)	(14)	(24)	–	–	(249)
Revaluation increments/ (decrements)	24,554	–	4,425	–	–	–	–	–	(203)	–	236,449	265,225
Net transfers between classes	(435)	–	(20,477)	–	(1)	11	–	–	–	–	20,438	(464)
Depreciation and amortisation (note 4.3)	–	–	(1,127)	(206)	(5,600)	(1,583)	(114)	(84)	–	–	(32,199)	(40,914)
Balance at 1 July 2019	**132,334**	**–**	**24,809**	**529**	**14,486**	**3,764**	**1,196**	**105**	**605**	**–**	**1,291,112**	**1,468,940**
Recognition of right-of-use assets on initial application of AASB 16	–	3,463	(2,885)	–	–	–	–	–	–	3,033	–	3,611
Adjusted balance at 1 July 2019	**132,334**	**3,463**	**21,924**	**529**	**14,486**	**3,764**	**1,196**	**105**	**605**	**3,033**	**1,291,112**	**1,472,551**
Additions	–	–	27	105	7,851	2,780	1,467	–	–	569	–	12,800
Disposals	–	–	(75)	(2)	(100)	(4)	–	–	–	–	–	(181)
Revaluation increments/ (decrements)	13,838	–	(41)	–	–	–	–	–	–	–	–	13,796
Net transfers between classes	–	–	(254)	25	–	–	254	–	–	–	(25)	–
Depreciation and amortisation (note 4.3)	–	(293)	(551)	(24)	(3,035)	(919)	(160)	(38)	-	(807)	(45,665)	(51,491)
Balance at 30 June 2020	**146,171**	**3,171**	**21,029**	**633**	**19,203**	**5,621**	**2,757**	**67**	**605**	**2,796**	**1,245,422**	**1,447,474**

The RCH on behalf of the State of Victoria records the PPP assets and any other additions and improvement to the PPP assets.

An independent valuation of the RCH's land and buildings was conducted by the Valuer-General Victoria (VGV) in May 2019 to determine the fair value of the land and buildings in accordance with the requirements of Financial Reporting Direction (FRD) 103H Non-Financial Physical Assets. The valuation, which conforms to Australian Valuation Standards, was determined by reference to the amounts for which assets could be exchanged between knowledgeable willing parties in an arm's length transaction. The valuation was based on independent assessments. The effective date of the valuation is 30 June 2019.

In compliance with FRD 103H, in the year ended 30 June 2020, the RCH conducted an annual assessment of the fair value of land and buildings and leased buildings. To facilitate this, the RCH obtained from the Department of Treasury and Finance the Valuer-General Victoria (VGV) indices for the financial year ended 30 June 2020.

The VGV indices, which are based on data up to March 2020, indicate an average increase of 11% across land parcels and an increase of 2.5% in buildings. As the cumulative movement was more than 10% for land, a managerial revaluation was required.

The RCH has relied on the VGV indices to form the basis of its estimates. Whilst these indices are applicable at 30 June 2020, the fair value of land and buildings will continue to be subjected to the impacts of COVID-19 in future accounting periods.

The land and building balances are considered to be sensitive to market conditions. To trigger another managerial revaluation, a movement of 10% in land value or a cumulative decrease of 10% in building value would be required.

Note 4.2: Property, plant and equipment (continued)

(c) Fair value measurement hierarchy for non-financial assets

Consolidated	Carrying amount as at 30 June 2020 $'000	Fair value measurement at end of reporting period using: Level 1[i] $'000	Level 2[i] $'000	Level 3[i] $'000
Land at fair value				
Non-specialised land	17,286		17,286	
Specialised land	128,886			128,886
Total land at fair value	**146,172**	**–**	**17,286**	**128,886**
Buildings at fair value				
Non-specialised buildings	21,486		21,486	
Specialised buildings	2,714			2,714
Total buildings at fair value	**24,200**	**–**	**21,486**	**2,714**
Other plant and equipment at fair value				
Plant and equipment at fair value	632			632
Motor vehicles at fair value	67			67
Medical equipment at fair value	19,204			19,204
Computers and communication equipment at fair value	5,623			5,623
Furniture and fittings at fair value	2,757			2,757
Artwork at fair value	604		604	
Right of use – PP&E, furniture & fittings and vehicles[ii]	2,796		2,796	
Total other plant and equipment at fair value	**31,683**	**–**	**3,400**	**28,284**
PPP assets at fair value				
PPP – specialised leased buildings at fair value[ii]	1,189,309			1,189,309
PPP – other leased assets at fair value[ii]	56,110			56,110
Total right of use PPP assets at fair value	**1,245,419**	**–**	**–**	**1,245,419**
Total	**1,447,474**	**–**	**42,172**	**1,405,302**

Consolidated	Carrying amount as at 30 June 2019 $'000	Fair value measurement at end of reporting period using: Level 1[i] $'000	Level 2[i] $'000	Level 3[i] $'000
Land at fair value				
Non-specialised land	15,940		15,940	
Specialised land	116,394			116,394
Total land at fair value	**132,334**	**–**	**15,940**	**116,394**
Buildings at fair value				
Non-specialised buildings	22,034		22,034	
Specialised buildings	2,776			2,776
Total buildings at fair value	**24,810**	**–**	**22,034**	**2,776**
Other plant and equipment at fair value				
Plant and equipment at fair value	528			528
Motor vehicles at fair value	105			105
Medical equipment at fair value	14,488			14,488
Computers and communication equipment at fair value	3,766			3,766
Furniture and fittings at fair value	1,196			1,196
Artwork at fair value	604		604	
Total other plant and equipment at fair value	**20,687**	**–**	**604**	**20,083**
PPP assets at fair value				
PPP – specialised leased buildings at fair value[ii]	1,232,352			1,232,352
PPP – other leased assets at fair value[ii]	58,756			58,756
Total right of use PPP assets at fair value	**1,291,108**	**–**	**–**	**1,291,108**
Total	**1,468,940**	**–**	**38,578**	**1,430,362**

(i) Classification in accordance with the fair value hierarchy, refer below.

(iii) Although AASB 13 *Fair Value Measurement* does not require the above disclosure to include leased assets, the RCH includes the fair value of leased assets to give a better view of the total fair value its assets.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision. Judgements and assumptions made by management in the application of AASBs that have significant effects on the financial statements and estimates relate to fair value of land, buildings, plant and equipment.

Consistent with AASB 13 *Fair Value Measurement*, the RCH determines the policies and procedures for both recurring fair value measurements such as property, plant and equipment, investment properties and financial instruments, and for non-recurring fair value measurements such as non-financial physical assets held for sale, in accordance with the requirements of AASB 13 and the relevant FRDs.

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

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

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

The RCH, in conjunction with VGV monitors changes in the fair value of each asset and liability through relevant data sources to determine whether revaluation is required.

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 and assumptions made by management in the application of AASBs 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.

Note 4.2: Property, plant and equipment (continued)

Fair value measurement

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

The measurement of fair value is based on the following assumptions:

- that the transaction to sell the asset or transfer the liability takes place either in the principal market or the most advantageous market (in the absence of a principal market), either of which must be accessible to the RCH at the measurement date; or
- that the RCH uses the same valuation assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

In considering the HBU for non-financial physical assets, valuers are presumed best placed to determine highest and best use (HBU) in consultation with the RCH. The RCH and valuers have a shared understanding of the circumstances of the assets.

In accordance with paragraph AASB 13.29, the RCH can assume the current use of a non-financial physical asset is its HBU unless market or other factors suggest that a different use by market participants would maximise the value of the asset.

Therefore, an assessment of the HBU will be required when the indicators are triggered within a reporting period, which suggest the market participants would have perceived an alternative use of an asset that can generate maximum value. Once identified, the RCH is required to engage with the Valuer-General Victoria or other independent valuers for a formal HBU assessment.

These indicators, as a minimum, include the following external factors:

- changed acts, regulations, local law or such instrument which affects or may affect the use or development of the asset;
- changes in planning scheme, including zones, reservations, overlays that would affect or remove the restrictions imposed on the asset's use from its past use;
- evidence that suggest the current use of an asset is no longer core to requirements to deliver a Health Service's service obligation; or
- evidence that suggests that the asset might be sold or demolished at reaching the late stage of an asset's life cycle.

In addition, the RCH needs to assess the HBU as part of the 5-year review of fair value of non-financial physical assets. This is consistent with the current requirements on FRD 103H *Non-financial physical assets* and FRD 107B *Investment properties*.

Valuation hierarchy

The RCH needs to use valuation techniques that are appropriate for the circumstances and where there is sufficient data available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy. It is based on the lowest level input that is significant to the fair value measurement as a whole:

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

Identifying unobservable inputs (level 3) fair value measurements

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

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

Assumptions about risk include the inherent risk in a particular valuation technique used to measure fair value (such as a pricing risk model) and the risk inherent in the inputs to the valuation technique. A measurement that does not include an adjustment for risk would not represent a fair value measurement if market participants would include one when pricing the asset or liability, i.e., it might be necessary to include a risk adjustment when there is significant measurement uncertainty. For example, when there has been a significant decrease in the volume or level of activity compared with normal market activity for the asset or liability or similar assets or liabilities, and the RCH has determined that the transaction price or quoted price does not represent fair value.

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The RCH develops unobservable inputs using the best information available in the circumstances, which might include the hospital's own data. In developing unobservable inputs, the RCH may begin with its own data, but adjusts this data if reasonably available information indicates that other market participants would use different data or there is something particular to the RCH that is not available to other market participants. The RCH does not undertake exhaustive efforts to obtain information about other market participant assumptions. However, the RCH takes into account all information about market participant assumptions that is reasonably available. Unobservable inputs developed in the manner described above are considered market participant assumptions and meet the object of a fair value measurement.

Non-specialised land, non-specialised buildings and artwork

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

For non-specialised land and non-specialised buildings, an independent valuation was performed by independent valuers (the Valuer-General Victoria) to determine the fair value using the market approach.

Valuation of the assets was determined by analysing comparable sales and allowing for share, size, topography, location and other relevant factors specific to the asset being valued. An appropriate rate per square metre has been applied to the subject asset. The effective date of the valuation is 30 June 2019.

For artwork, valuation of the assets is determined by a comparison to similar examples of the artist's work in existence throughout Australia and research on price paid for similar examples offered at auction or through art galleries in recent years. The effective date of the valuation is 30 June 2019.

To the extent that non-specialised land, non-specialised buildings and artworks do not contain significant, unobservable adjustments, these assets are classified as Level 2 under the market approach.

Specialised land and specialised buildings

The market approach is also used for specialised land although the value is adjusted for the community service obligation (CSO) to reflect the specialised nature of the assets being valued. A CSO discount of 20% was applied to the RCH's land, classified in accordance with the fair value hierarchy. Specialised assets contain significant, unobservable adjustments; therefore these assets are classified as Level 3 under the market based direct comparison approach.

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

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

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

Plant and equipment

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

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

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

Note 4.2: Property, plant and equipment (continued)

(d) Reconciliation of level 3 fair value[(i)]

	Land $'000	Buildings $'000	Plant and equipment $'000	Medical equipment $'000	Computers and comm. $'000	Furniture and fittings $'000	Motor vehicles $'000	PPP assets[(ii)] $'000
Balance at 1 July 2018	**86,309**	**23,062**	**715**	**16,602**	**2,407**	**1,009**	**177**	**1,065,614**
Additions/(disposals)	–	–	21	3,486	2,929	300	12	25
Reclassification	–	–	–	–	–	–	–	785
Net transfers between classes	–	(20,438)	–	(1)	11	–	–	20,438
Gains/(losses) recognised in net result								
– Depreciation and amortisation	–	(57)	(206)	(5,600)	(1,583)	(114)	(84)	(32,199)
Items recognised in other comprehensive income								
– Revaluation	30,085	208	–	–	–	–	–	236,449
Balance at 1 July 2019	**116,394**	**2,776**	**529**	**14,486**	**3,764**	**1,196**	**105**	**1,291,112**
Additions/(disposals)	–	–	103	7,752	2,776	1,467	–	–
Reclassification	–	–	–	–	–	–	–	–
Net transfers between classes	–	–	25	–	–	254	–	(25)
Gains/(losses) recognised in net result								
– Depreciation and amortisation		(62)	(24)	(3,035)	(919)	(160)	(38)	(45,665)
Items recognised in other comprehensive income								
– Revaluation	12,492	–	–	–	–	–	–	–
Balance at 30 June 2020	**128,886**	**2,714**	**633**	**19,203**	**5,621**	**2,757**	**67**	**1,245,422**

(i) Classification in accordance with the fair value hierarchy, refer note 4.2 (c).

(ii) Although AASB 13 *Fair Value Measurement* does not require the above disclosure to include leased assets, the RCH includes the fair value of leased assets to give a better view of the total fair value its assets.

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

Asset class	Valuation technique	Significant unobservable inputs
Specialised land	Market approach	Community service obligations adjustments
Specialised buildings	Depreciated replacement cost approach	Direct cost per square meter Usefil life of specialised buildings
Plant and equipment	Depreciated historical cost used as a reasonable proxy for depreciated replacement cost	Useful life
Motor vehicles	Depreciated historical cost used as a reasonable proxy for depreciated replacement cost	Useful life
Medical equipment	Depreciated historical cost used as a reasonable proxy for depreciated replacement cost	Useful life
Computers and communication equipment	Depreciated historical cost used as a reasonable proxy for depreciated replacement cost	Useful life
Furniture and fittings	Depreciated historical cost used as a reasonable proxy for depreciated replacement cost	Useful life
PPP assets	Depreciated replacement cost approach	Building cost per square meter Useful life

There is no change to the significant unobservable inputs to Level 3 valuations from prior year.

Impairment of non-financial assets

Apart from intangible assets with indefinite useful lives, all other assets are assessed annually for indications of impairment, except for:

- inventories; and
- investment properties measured at fair value

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

If there is an indication that there has been a change in the estimate of an asset's recoverable amount since the last impairment loss was recognised, the carrying amount shall be increased to its recoverable amount. This reversal of the impairment loss occurs only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

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 of disposal. 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 of disposal.

Property, plant and equipment

All non-current physical assets are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and accumulated impairment loss. Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition.

The cost of constructed non-financial physical assets includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads. The cost of a leasehold improvement is capitalised as an asset and depreciated over the shorter of the remaining term of the lease or the estimated useful life of the improvements.

The initial cost for non-financial physical assets under a lease (refer to note 6.1 (b)) is measured at amounts equal to the fair value of the leased assets or if lower, the present value of the minimum lease payments committed over the lease term by the State of Victoria, each determined at the inception of the lease.

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

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

Plant, equipment and vehicles are measured initially at cost and subsequently measured at fair value less accumulated depreciation and impairment. Depreciated historical cost is generally a reasonable proxy for depreciated replacement cost because of the short lives of the assets concerned.

Artwork is measured at full value less any impairment based on analysis of sale of comparable objects.

Note 4.2: Property, plant and equipment (continued)

Restrictive nature of cultural and heritage assets, Crown land and other non-current physical assets

During the reporting period, the RCH held artwork, Crown land and other non-current physical assets.

Such assets are deemed worthy of preservation because of the social rather than financial benefits they provide to the community. The nature of these assets means that there are certain limitations and restrictions imposed on their use and/or disposal.

Leasehold improvements

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

Right-of-use assets acquired by lessees

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

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

Right-of-use assets are subsequently measured at fair value less accumulated depreciation and impairment. Fair value is determined with regard to the asset's highest and best use (considering legal or physical restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset).

Revaluations of non-current physical assets

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

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

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

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

Revaluation surpluses are normally not transferred to accumulated funds on de-recognition of the relevant asset.

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

(f) Property, plant and equipment revaluation surplus

	Consolidated 2020 $'000	Consolidated 2019 $'000
Property, plant and equipment revaluation surplus[(i)]		
Balance at the beginning of the reporting period	564,448	299,223
Transfer to accumulated deficits		
– Land		
Revaluation increment/(decrement)[(i)]		
– Land	13,838	24,554
– Buildings	(41)	5,038
– PPP leased building	–	235,835
– Artwork	–	(203)
Balance at the end of the reporting period	**578,245**	**564,448**
Represented by		
– Land	94,669	80,831
– Buildings	10,467	10,509
– Leased building	473,106	473,106
– Artwork	2	2
	578,245	**564,448**

(i) The property, plant and equipment revaluation for the year is a result of a managerial revaluation. The 2019 revaluation is a result of a scheduled revaluation in accordance with FRD 103H. This includes assets contracted under the PPP arrangement, reported on behalf of the State of Victoria.

Note 4.3: Depreciation and amortisation

	Consolidated 2020 $'000	Consolidated 2019 $'000
Depreciation		
Buildings	551	1,127
Plant and equipment	24	206
Motor vehicles	38	84
Medical equipment	3,035	5,600
Computers and communication equipment	919	1,583
Furniture and fittings	160	114
Artwork	–	–
Leased buildings	43,043	29,577
Leased fittings	1,480	1,480
Leased equipment	1,142	1,142
Right of use assets		
- Right of use buildings	293	–
- Right of use plant, equipment and vehicles	807	–
Total depreciation	**51,491**	**40,914**
Amortisation		
Software	6,125	5,875
Total depreciation and amortisation	**57,616**	**46,789**

Depreciation

Assets with a cost in excess of $1,000 are capitalised and depreciation has been provided on depreciable assets so as to allocate their cost or valuation over their estimated useful lives.

Depreciation is generally calculated on a straight-line basis, at a rate that allocates the asset value, less any estimated residual value over its estimated useful life. Estimates of the remaining useful lives and depreciation method for assets are reviewed at least annually, and adjustments made where appropriate. This depreciation charge is not funded by the DHHS.

Depreciation is provided on property, plant and equipment, including freehold buildings, but excluding land and investment properties. Depreciation begins when the asset is available for use, which is when it is in the location and condition necessary for it to be capable of operating in a manner intended by management.

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

Amortisation

Amortisation is allocated to intangible non-produced assets with finite useful lives 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 consumption of intangible non-produced assets with finite lives is classified as amortisation.

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. In addition, an assessment is made at each reporting date to determine whether there are indicators that the intangible asset concerned is impaired. If so, the asset concerned is tested as to whether its carrying value exceeds its recoverable amount.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually or whenever there is an indication that the asset may be impaired. The useful lives of intangible assets that are not being amortised are reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. In addition, the RCH tests all intangible assets with indefinite useful lives for impairment by comparing the recoverable amount for each asset with its carrying amount:

- annually; and
- whenever there is an indication that the intangible asset may be impaired.

Any excess of the carrying amount over the recoverable amount is recognised as an impairment loss.

	2020	2019
Non PPP assets		
Buildings		
– Structure shell building fabric	50 years	50 years
Plant and equipment (non-medical)	3 to 25 years	3 to 21 years
Medical equipment	5 to 15 years	3 to 15 years
Computers and communication equipment	3 to 10 years	3 to 7 years
Network and infrastructure	7 years	3 to 7 years
Furniture and fittings	10 to 50 years	10 to 13 years
Motor vehicles	7 to 10 years	7 to 10 years
Leasehold improvements	–	19 to 50 years
Intangible assets	3 to 25 years	3 to 25 years
PPP assets		
Buildings		
– Structure shell building fabric	60 years	60 years
– Site engineering services and central plant	40 years	40 years
Central plant		
– Fit out	25 years	30 years
– Trunk reticulated building system	30 years	30 years
Plant and equipment (non-medical)	30 years	30 years
Medical equipment	30 years	30 years
Computers and communication equipment	30 years	30 years
Network and infrastructure	30 years	30 years
Furniture and fittings	30 years	30 years

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

Intangible produced assets with finite lives are depreciated as an expense on a systematic basis over the assets useful life.

Note 4.4: Intangible assets

	Consolidated 2020 $'000	Consolidated 2019 $'000
Software	63,248	58,574
Less accumulated amortisation	(29,999)	(24,046)
Less accumulated impairment	–	(606)
	33,249	**33,923**
Car park revenue rights[(i)]	30,000	30,000
Less accumulated amortisation	(9,009)	(7,737)
	20,991	**22,263**
Prepaid rent	–	14,000
Less accumulated amortisation	–	(2,780)
	–	**11,220**
Intangible work in progress	1,689	976
Total intangible assets	**55,929**	**68,382**

Reconciliation of the consolidated carrying amounts of intangible assets at the beginning and end of the previous and current financial year:

	Software $'000	Car park revenue rights $'000	Prepaid rent $'000	Intangible WIP $'000
Balance at 1 July 2018	**39,574**	**23,535**	**11,861**	**994**
Additions	949	–	–	(17)
Impairment (recognised)/reversed	(715)	–	–	–
Net transfers between classes	(10)	–	–	–
Amortised as rent expense	–	–	(641)	–
Amortisation	(5,875)	(1,272)	–	–
Balance at 1 July 2019	**33,923**	**22,263**	**11,220**	**976**
Initial application of AASB 16			(11,220)	
Adjusted balance at 1 July 2019	**33,923**	**22,263**	**-**	**976**
Additions	5,279	–	–	713
Impairment (recognised)/reversed	172	–	–	
Amortisation	(6,125)	–		
Other economic flows	–	(1,272)	–	
Balance 30 June 2020	**33,249**	**20,991**	**–**	**1,689**

(i) As part of the RCH project, the revenue stream associated with the three level underground car park (stage 1 and stage 2) is retained by the RCH. The rights for this revenue are financed by way of a long-term loan from the Treasury Corporation of Victoria (TCV).

Intangible assets

Intangible assets represent identifiable non-monetary assets without physical substance including computer software and development costs and car park revenue right.

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. Impaired intangible assets that have not been capitalised are written off directly against work in progress (WIP), and do not give rise to an accumulated impairment in the balance sheet. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to the RCH.

Note 4.5: Investment properties

(a) Movements in carrying value for investment properties

	Consolidated 2020 $'000	Consolidated 2019 $'000
Balance at the beginning of the reporting period	9,617	9,285
Additions	–	4
Net gain/(loss) from fair value adjustments	–	(146)
Transfers from/(to) property, plant and equipment	–	474
Balance at end of period	**9,617**	**9,617**

(b) Fair value measurement hierarchy for investment properties

	Carrying amount as at 30 June 2020 $'000	Fair value measurement at end of reporting period using: Level 1[(i)] $'000	Level 2[(i)] $'000	Level 3[(i)] $'000
Investment properties	9,617	–	9,617	–
Total	**9,617**	**–**	**9,617**	**–**

	Carrying amount as at 30 June 2019 $'000	Fair value measurement at end of reporting period using: Level 1[(i)] $'000	Level 2[(i)] $'000	Level 3[(i)] $'000
Investment properties	9,617	–	9,617	–
Total	**9,617**	**–**	**9,617**	**–**

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

Investment properties

Investment properties represent properties held to earn rentals or for capital appreciation or both. Investment properties exclude properties held to meet service delivery objectives of the RCH.

Investment properties are initially recognised at cost. Costs incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to the RCH.

Subsequent to initial recognition at cost, investment properties are revalued to fair value with changes in the fair value recognised as other economic flows in the period that they arise. Investment properties are neither depreciated nor tested for impairment. Independent valuations are carried out on a regular basis as required in FRD 107B *Investment properties*, or if there are indications that the fair value differs significantly from carrying amount. The fair value of the RCH's investment properties as at 30 June 2019 has been arrived at on the basis of an independent valuation carried out by the Valuer-General Victoria. As there are no indications of significant movements in market value in the last 12 months, the RCH's assessment is that the valuation gives a fair view of the value of the investment properties as at 30 June 2020.

On determining fair value of investment properties, the current use is considered the highest and best use.

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

Transfers from property, plant and equipment have been recorded at fair value at the time of the transfer, which is the time of change in use (i.e. end of owner-occupation) for the specific properties.

Inventories

Inventories include goods and other assets held either for sale, consumption or for distribution at no or nominal cost in the ordinary course of business operations. Depreciable assets are excluded from inventories.

Note 4.6: Jointly controlled operations and assets

Name of entity	Principal activity	Ownership interest 2020	Ownership interest 2019
Victorian Comprehensive Cancer Centre	The member entities have committed to the establishment of a world leading comprehensive cancer centre in Parkville, Victoria, through the joint venture, with a view to saving lives through the integration of cancer research, education, training and patient care. RCH joined the Victorian Comprehensive Cancer Centre on 1 July 2010.	10.0%	10.0%

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

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	2020 $'000	2019 $'000
ASSETS		
Current assets		
Cash and cash equivalents	1,057	1,457
Receivables	24	16
GST receivable	7	4
Prepayments	34	122
Total current assets	**1,122**	**1,599**
Non-current assets		
Investments and other financial assets	2	2
Property, plant and equipment	10	14
Intangible assets	7	8
Total non-current assets	**19**	**24**
TOTAL ASSETS	**1,141**	**1,623**
LIABILITIES		
Current liabilities		
Accrued expenses	54	38
Payables	67	93
Provisions	41	25
Other current liabilities	21	2
Total current liabilities	**183**	**158**
Non-current liabilities		
Provisions	10	11
Total non-current liabilities	**10**	**11**
TOTAL LIABILITIES	**193**	**169**
NET ASSETS	**948**	**1,454**
EQUITY		
Accumulated surpluses (deficits)	948	1,454
TOTAL EQUITY	**948**	**1,454**

The RCH's interest in revenue and expenses resulting from jointly controlled operations and assets is detailed below:

	2020 $'000	2019 $'000
Revenue		
Grants and other revenue	965	876
Interest	14	32
Total current assets	**979**	**908**
Expenses		
Employee benefits	502	410
Other expenses from continuing operations	977	688
Depreciation and amortisation	7	5
Total expenses	**1,486**	**1,103**
NET RESULT	**(507)**	**(195)**

Note 5: Other assets and liabilities

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

Structure

Note 5.1: Receivables

	Consolidated 2020 $'000	Consolidated 2019 $'000
CURRENT		
Contractual		
Inter hospital debtors	2,184	3,248
Trade debtors	1,969	2,420
Patient fees	6,416	8,099
Accrued investment income	932	1,979
Diagnostic debtors	1,523	1,246
Sundry debtors	5,418	8,156
Less allowance for doubtful debts		
Trade debtors	(67)	(5)
Patient fees	(710)	(652)
Diagnostic debtors	(97)	(170)
	17,568	**24,319**
Statutory		
GST receivable	1,818	2,842
Accrued revenue Department of Health and Human Services	4,793	1,817
Total current receivables	**24,179**	**28,978**
NON-CURRENT		
Statutory		
Accrued LSL revenue Department of Health and Human Services	38,296	36,030
Total non-current receivables	**38,296**	**36,030**

(a) Movements in allowance for doubtful debts

	Consolidated 2020 $'000	Consolidated 2019 $'000
Balance at the beginning of the reporting period	827	307
Amounts written off during the year	(13)	(88)
Increase/(decrease) in allowance recognised in net result	60	609
Balance at the end of the reporting period	**874**	**827**

Receivables

Receivables consist of:

- contractual receivables, which are classified as financial instruments and categorised as 'financial assets at amortised cost'. They are initially recognised at fair value plus any directly attributable transaction costs. The RCH holds the contractual receivables with the objective to collect the contractual cash flows and therefore subsequently measured at amortised cost using the effective interest method, less any impairment; and
- statutory receivables, that do no arise from contracts and are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments for disclosure purposes. The RCH applies AASB 9 for initial measurement of the statutory receivables and as a result statutory receivables are initially recognised at fair value plus any directly attributable transaction cost.

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

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

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

Note 5.2: Other liabilities

	Note	Consolidated 2020 $'000	Consolidated 2019 $'000
CURRENT			
Monies held in trust			
– Patient monies held in trust		11	3
– Monies held in trust (Children's Health Partnership)		1,126	1,121
Income in advance			
– Rental		349	349
– Other		2,060	2,307
Other			
– Salary packaging deposit (held on behalf of employees)		2,314	1,937
Total current		**5,860**	**5,717**
NON-CURRENT			
Income in advance			
– Rental		1,308	3,260
Total non-current		**1,308**	**3,260**
Total other liabilities		**7,168**	**8,977**
Total monies held in trust represented by the following assets			
Cash assets		11	3
Cash assets held on behalf of Children's Health Partnership		1,126	1,121
Total	6.2	**1,136**	**1,124**

Note 5.3: Payables and contract liabilities

(a) Payables

	Consolidated 2020 $'000	Consolidated 2019 $'000
CURRENT		
Contractual		
Trade creditors	10,631	20,054
Accrued salaries and wages	9,487	14,835
Accrued expenses	8,926	5,223
Deposits	26	30
Department of Health and Human Services – deferred grant revenue[(i)]	7,797	1,698
Payable to the Department of Health and Human Services	–	2,595
Department of Education and Training – income received in advance	387	–
Sundry creditors[(ii)]	137	1,218
	37,390	**45,653**
Statutory		
Superannuation and workcover	4,214	3,939
	4,214	**3,939**
Total current payables	**41,605**	**49,592**

(i) Deferred grant revenue from the Department of Health and Human Services includes deferred capital grant revenue as further detailed in 5.3 (b) below.

(ii) Sundry creditors are liabilities for payments made outside of the normal accounts payable cycle (including PAYG and other salary deductions).

Payables consist of:

- Contractual payables which consist predominantly of accounts payable representing liabilities for goods and services provided to the RCH prior to the end of the financial year that are unpaid, and arise when the RCH becomes obliged to make future payments in respect of the purchase of those goods and services. The normal credit terms for accounts payable are usually 60 days.
- Statutory payables, such as goods and services tax (GST) and fringe benefits tax (FBT) payables.

Contractual payables are classified as financial instruments (with the exclusion of payables owing to the State Government of Victoria) and are initially recognised at fair value, and then subsequently carried at amortised cost. Statutory payables are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from a contract.

(b) Deferred capital grant revenue

	Consolidated 2020 $'000
Grants for capital acquisitions recognised and included in deferred grant liability balance (adjusted for AASB 1058) at the beginning of the year	6,193
Grants for capital acquisitions received during the year	1,847
Grant revenue for capital acquisitions recognised for assets acquired during the year	(3,382)
Closing balance of deferred grants for capital acquisitions	**4,659**

Capital grant revenue is recognised progressively as assets are constructed or acquired, since this is the time when the RCH satisfies its obligations under the transfer by controlling the assets. As a result, the RCH has deferred recognition of a portion of the grant consideration received as a liability for outstanding obligations.

Note 6: How we finance our operations

This section provides information on the sources of finance utilised by the RCH during its operations, along with interest expenses (the cost of borrowings) and other information related to financing activities of the hospital. This section includes disclosures of balances that are financial instruments (such as borrowings and cash balances). Note 7.1 provides additional disclosures relating to financial instruments.

Structure

Note 6.1: Borrowings

(a) Loans and finance lease liabilities

	Consolidated 2020 $'000	Consolidated 2019 $'000
CURRENT		
TCV loan[(i)]	1,016	1,046
Finance lease liability[(ii)]	37,802	35,904
Advances from Department of Health and Human Services	11,740	–
Total current	**50,558**	**36,950**
NON-CURRENT		
TCV loan[(i)]	24,207	25,223
Finance lease liability[(ii)]	895,643	927,379
Total non-current	**919,850**	**952,602**
Total borrowings	**970,409**	**989,552**

(i) The TCV loan is an unsecured loan with an interest rate of 4.93%. The maturity date of the loan is 31 December 2036.

(ii) Secured by the assets leased. Finance leases are effectively secured as the rights to the leased assets revert to the lessor in the event of default. Note that the obligation of fulfilling PPP interest and principal payments over the PPP term rests with the DHHS. The RCH records on behalf of the DHHS according to the information provided.

All borrowings are initially recognised at fair value of the consideration received, less directly attributable transaction costs.
The measurement basis subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in net result over the period of the borrowings using the effective interest method.

The classification depends on the nature and purpose of the borrowing.

Note 6.1: Borrowings (continued)

(b) Lease liabilities

	Minimum future lease payments		Present value of minimum future lease payments	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Lease liabilities				
Not longer than one year	83,223	82,048	38,833	35,904
Longer than 1 year and not later than 5 years	331,467	328,191	173,587	162,663
Longer than 5 years	944,026	1,023,591	721,025	764,716
Minimum future lease payments	1,358,715	1,433,830	933,445	963,283
– Less future finance charges	(425,270)	(470,546)		
Present value of minimum lease payments	**933,445**	**963,283**	**933,445**	**963,283**
Included in the financial statements as				
Current borrowings			37,802	35,904
Non-current borrowings			895,643	927,379
			933,445	**963,283**

Leases

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

The RCH has entered into leases related to buildings, motor vehicles, medical equipment and office equipment.

For any new contracts entered into on or after 1 July 2019, the RCH considers whether a contract is, or contains, a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the RCH assesses whether the contract meets three key evaluations which are whether:

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

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

Separation of lease and non-lease components

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

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

Lease liability—initial measurement

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

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

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

Lease liability — subsequent measurement

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

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

Short-term leases and leases of low value assets

The RCH has elected to account for short-term leases and leases of low value assets using the practical expedients in AASB 16. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

Below market/peppercorn lease

The RCH has at the time of reporting not entered into any leases significantly below market terms and conditions. Leases significantly below market terms and conditions would primarily be entered into to enable the RCH to further its objectives, and relating right-of-use assets would be measured at cost.

Presentation of right-of-use assets and lease liabilities

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

Recognition and measurement of leases

In the comparative period, leases of property, plant and equipment were classified as either finance leases or operating leases. The RCH determined whether and arrangement was or contained a lease based on the substance of the arrangement and required an assessment of whether fulfilment of the arrangement be dependent on the use of the specific asset(s), and the arrangement conveyed a right to use the asset(s).

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

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

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

Operating lease payments up until 30 June 2019

Up until 30 June 2019, operating lease payments were recognised on a straight-line basis over the lease term, unless another systematic basis was deemed more representative of the time pattern of the benefits derived from the use of the leased asset.

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

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

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

Note 6.1: Borrowings (continued)

(c) Commissioned PPP related lease liabilities

PPP finance lease liability

	Minimum future lease payments[i]		Present value of minimum future lease payments[ii]	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Commissioned PPP related finance lease liabilities payable				
Not longer than one year	82,048	82,048	37,802	35,904
Longer than 1 year and not later than 5 years	328,191	328,191	170,686	162,663
Longer than 5 years	941,543	1,023,591	718,890	764,716
Minimum future lease payments	1,351,782	1,433,830	927,379	963,283
– Less future finance charges	(424,403)	(470,546)		
Present value of minimum lease payments	**927,379**	**963,283**	**927,379**	**963,283**
Included in the financial statements as				
Current borrowings			37,802	35,904
Non-current borrowings			889,576	927,379
			927,379	**963,283**

(i) Minimum future lease payments include the aggregate of all base payments and any guaranteed residual.

(ii) The weighted average interest rate implicit in the finance lease is 4.84% (2018-19: 4.84%)

Source information provided by the DHHS.

The hospital building is maintained by Children's Health Partnership (CHP) through Spotless, as part of the PPP arrangement. Under the agreement between CHP and The State of Victoria, CHP is responsible for the maintenance of the building for a 25-year period ending in December 2036. The State of Victoria pays CHP a quarterly service payment for the delivery of maintenance and ancillary services. The service charges have been brought to account in the operating result by recognising them as non-cash revenue and expenditure.

The portion of total payments to CHP that relates to the RCH's right to use the hospital building is accounted for as a finance lease liability. The lease asset is accounted for as a non-financial physical asset and is depreciated over the shorter of the estimated useful life of the asset or the term of the lease. If there is certainty that the RCH will obtain ownership of the lease asset by the end of the lease term, the asset shall be depreciated over the useful life of the asset. Minimum lease payments are apportioned between reduction of the outstanding lease liability and the periodic finance expense which is calculated using the interest rate implicit in the lease and charged directly to the comprehensive operating statement. Contingent rentals associated with finance leases are recognised as an expense in the period in which they are incurred.

Note 6.2: Cash and cash equivalents

For the purposes of the cash flow statement, cash assets includes cash on hand and in banks, investments in money market instruments, and short term deposits which are readily convertible to cash on hand, and are subject to an insignificant risk of change in value.

	Consolidated 2020 $'000	Consolidated 2019 $'000
Cash on hand	2	3
Deposit held on behalf of employees (salary packaging)	2,314	1,937
Cash at bank	4,819	5,528
Cash at bank – CBS (excluding monies held in trust)	18,435	10,113
Cash at bank – CBS (monies held in trust)	1,136	1,124
Fixed deposits	21,148	16,669
	47,855	**35,375**
Represented by:		
Monies held in trust	1,136	1,124
Cash for health service operations[i]	46,718	34,252
	47,855	**35,375**

(i) Cash for health service operations includes cash held for capital commitments, operating commitments and salary packaging monies held on behalf of employees.

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

Note 6.3: Commitments for expenditure

(a) Commitments payable

	Consolidated 2020 $'000	Consolidated 2019 $'000
Capital expenditure commitments payable		
Less than 1 year	4,200	3,812
Total capital expenditure commitments	**4,200**	**3,812**
Operating commitments		
Less than 1 year	2,780	6,949
More than 1 year but no more than 5 years	5,250	5,685
More than 5 years	84	448
Total operating commitments	**8,114**	**13,082**
Lease commitments		
Less than 1 year	–	810
More than 1 year but no more than 5 years	–	1,778
More than 5 years	–	1,456
Total lease commitments	**–**	**4,044**
Public private partnership commitments		
Less than 1 year	68,861	59,235
More than 1 year but no more than 5 years	294,298	289,219
More than 5 years	1,259,625	1,328,450
Total commitments for public private partnerships	**1,622,784**	**1,676,903**
Total commitments (inclusive of GST)	**1,635,098**	**1,697,840**
Less GST recoverable from the Australian Taxation Office	(148,645)	(154,349)
Total commitments (exclusive of GST)	**1,486,453**	**1,543,491**

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed at their nominal value and are inclusive of 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. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised on the balance sheet.

Operating commitments largely comprise software maintenance and service delivery agreements, professional services agreements and consumables contracts.

Lease commitments in 2019 includes future payments for operating leases not included on the balance sheet. With AASB 117 *Leases* being superseded by AASB 16 Leases from 1 July 2019, these obligations are now recorded on the balance sheet as lease liabilities.

(b) PPPs[(i)]

	Consolidated 2020 $'000	Consolidated 2019 $'000
Commissioned PPP commitments	Other commitments	Other commitments
Children's Health Partnership	1,622,784	1,676,903
Total commitments for public private partnerships	**1,622,784**	**1,676,903**

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

(ii) The year on year reduction in other commitments reflects the payments made. Other commitments represent future operating service payments that are recognised as expenses on an ongoing basis, and are separate from future lease payments.

Source information provided by the DHHS.

Service concession arrangements

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

With these arrangements, the Department of Health and Human Services (DHHS) pay the operator over the period of the arrangement subject to specified performance criteria being met. At the date of commitment to the principal provisions of the arrangement, these estimated periodic payments are allocated between a component related to the design and construction or upgrading of the asset and components related to the ongoing operation and maintenance of the asset. The former component is account for as a lease of property plant and equipment. The remaining components are presented as commitments for operating costs which are expensed in the comprehensive operating statement as they are incurred.

Pursuant to the requirements of the operating deed signed by the State and the RCH, the DHHS agrees to meet all payments (including leasing and operating) for which the State is liable and which are associated with the project. The RCH has agreed to record and report all of the obligations of the State reflecting the RCH's position as the government agency that utilises the assets. Pursuant to the agreement for the project, the State has contributed to the construction costs of the project. The DHHS made capital contributions to the RCH to fund these payments.

The RCH recognises leased assets and a corresponding lease liability in respect of the arrangement in accordance with the State's accounting policy for such arrangements.

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

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

Note 7: Risks, contingencies and valuation uncertainties

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

Structure

Note 7.1: Financial instruments

(a) Financial risk management objectives and policies

The RCH's principal financial instruments comprise:

- Cash assets
- Term deposits
- Receivables (excluding statutory receivables)
- Investment in equity instruments and managed investment schemes
- Payables (excluding statutory payables and payables to the State Government of Victoria)
- Debt securities

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

The RCH uses different methods to measure and manage the different risks to which it is exposed. Primary responsibility for the identification and management of financial risks rests with the financial risk management committee of the RCH.

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

Categorisation of financial instruments

Consolidated 2020	Note	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial liabilities at amortised cost	Total
		$'000	$'000	$'000	$'000	$'000
Contractual financial assets						
Cash and cash equivalents	6.2	47,855	–	–	–	47,855
Receivables	5.1	17,568	–	–	–	17,568
Other financial assets						
– Managed funds	4.1	–	105,670	–	–	105,670
– Shares in other entities	4.1	–	2	–	–	2
Total financial assets(i)		**65,423**	**105,672**	**-**	**-**	**171,095**
Financial liabilities						
Payables	5.3	–	–	–	37,390	37,390
TCV loan	6.1	–	–	–	25,223	25,223
Lease liability	6.1	–	–	–	933,445	933,445
Advances from Department of Health and Human Services	6.1	–	–	–	11,740	11,740
Monies held in trust	6.2	–	–	–	1,136	1,136
Total financial liabilities(ii)		**–**	**–**	**–**	**1,008,935**	**1,008,935**

Consolidated 2019	Note	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial liabilities at amortised cost	Total
		$'000	$'000	$'000	$'000	$'000
Contractual financial assets						
Cash and cash equivalents	6.2	35,375	–	–	–	35,375
Receivables	5.1	24,319	–	–	–	24,319
Other financial assets						
– Managed funds	4.1	–	127,370	10,890	–	138,259
– Shares in other entities	4.1	–	2	-	–	2
Total financial assets(i)		**59,694**	**127,371**	**10,890**	**–**	**197,955**
Financial liabilities						
Payables	5.3	–	–	–	45,653	45,653
TCV loan	6.1	–	–	–	26,269	26,269
Lease liability	6.1	–	–	–	963,283	963,283
Monies held in trust	6.2	–	–	–	1,124	1,124
Total financial liabilities(ii)		**–**	**–**	**–**	**1,036,330**	**1,036,330**

(i) The total amount of the financial assets disclosed here excludes statutory receivables (i.e. GST input tax credit recoverable and DHHS receivables).

(ii) The total amount of the financial liabilities disclosed includes loans from the Treasury Corporation of Victoria and PPP finance liabilities, and excludes income in advance and statutory payables (i.e. taxes payable, DHHS payables and Victorian Health Funding Pool account payables).

The obligation of fulfilling the PPP interest payment over the PPP term rests with the DHHS.

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

Note 7.1: Financial instruments (continued)

Financial assets at amortised cost

Financial assets are measured at amortised costs if both of the following criteria are met and the assets are not designated as fair value through profit or loss:

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

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

The RCH recognises the following assets in this category:

- cash and deposits;
- receivables (excluding statutory receivables);
- term deposits; and
- certain debt securities.

Financial assets at fair value through other comprehensive income

Debt investments are measured at fair value through other comprehensive income if both of the following criteria are met and the assets are not designated as fair value through profit or loss:

- the assets are held by the RCH to achieve its objective both by collecting the contractual cash flows and by selling the financial assets; and
- the assets' contractual terms give rise to cash flows that are solely payments of principal and interests.

Equity investments are measured at fair value through other comprehensive income if they are not held for trading and the RCH has irrevocably elected at initial recognition to measure the investments at fair value through other comprehensive income.

These assets are initially recognised at fair value with subsequent changes in fair value recognised in other comprehensive income.

Upon disposal of the investments, any related balance in the fair value reserve is reclassified to profit or loss as other economic flows.

The RCH has irrevocably elected to measure investments with the Victorian Funds Management Corporation (VFMC) at fair value through other comprehensive income in accordance with AASB 9 paragraph 7.2.8 (b). During July 2019, the RCH sold its VFMC investment. Proceeds of $10.9m was received on 15 July 2019.

Financial assets at fair value through profit or loss

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

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

The RCH recognises equity securities and managed investment schemes as mandatorily measured at fair value through profit or loss.

Financial liabilities at amortised cost

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

- payables (excluding statutory payables);
- borrowings (including finance lease liabilities); and
- monies held in trust.

Loans and receivables and cash

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

- cash and deposits;
- receivables (excluding statutory receivables);
- term deposits; and
- certain debt securities.

Derecognition and impairments

Derecognition of financial assets

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

Derecognition of financial liabilities

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

Impairment of financial assets

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

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

Note 7.1: Financial instruments (continued)

(b) Maturity analysis of financial liabilities

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

Consolidated	Note	Carrying amount as at 30 June 2020	Nominal amount as at 30 June 2020	Maturity dates				
				Less than 1 month	1–3 months	3–12 months	1–5 years	More than 5 years
		$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial liabilities								
Payables	5.3	37,390	37,390	28,220	798	188	–	–
TCV loan	6.1	25,223	25,223	83	167	767	4,603	19,604
Lease liability	6.1	933,445	933,445	169	9,527	30,129	174,731	718,890
Cash advance from the DHHS	6.1	11,740	11,740	–	–	11,740	–	–
Monies held in trust	5.2	1,136	1,136	51	113	463	509	–
		1,008,935	**1,008,935**	**28,523**	**10,605**	**43,286**	**179,842**	**738,495**

Consolidated	Note	Carrying amount as at 30 June 2019	Nominal amount as at 30 June 2019	Maturity dates				
				Less than 1 month	1–3 months	3–12 months	1–5 years	More than 5 years
		$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial liabilities								
Payables	5.3	41,360	41,360	33,535	7,429	396	–	–
TCV loan	6.1	26,269	26,269	157	159	730	4,382	20,841
Lease liability	6.1	963,283	963,283	–	8,752	27,153	162,663	764,716
Monies held in trust	5.2	1,124	1,124	51	105	463	504	–
		1,032,036	**1,032,036**	**33,744**	**16,445**	**28,741**	**167,549**	**785,557**

(c) Contractual receivables at amortised cost

Consolidated 2020	Less than 1 month	1–3 months	3–12 months	1–5 years	Total
Expected loss rate	0.1%	1.0%	13.0%	31.3%	4.7%
Gross carrying amount of contractual receivables ($'000)	13,885	1,405	727	2,425	18,442
Loss allowance ($'000)	(7)	(14)	(95)	(758)	(874)

Consolidated 2019	Less than 1 month	1–3 months	3–12 months	1–5 years	Total
Expected loss rate	0.0%	0.3%	40.7%	80.5%	3.3%
Gross carrying amount of contractual receivables ($'000)	20,599	2,738	1,606	203	25,146
Loss allowance ($'000)	(4)	(7)	(653)	(163)	(827)

Impairment of financial assets under AASB 9

The RCH records the allowance for expected credit losses for the relevant financial instruments, in accordance with AASB 9's expected credit loss approach. Subject to AASB 9 impairment assessments include the RCH's contractual receivables, statutory receivables, and any investments in debt instruments.

Equity instruments and other financial assets mandatorily measured or designated at fair value through profit or loss are not subject to impairment assessment under AASB 9. While cash and cash equivalents are also subject to the impairment requirements of AASB 9, there are no material identified impairment losses.

Contractual receivables at amortised cost

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

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

Reconciliation of the movement in loss allowance for contractual receivables

	Consolidated 2020 $'000	Consolidated 2019 $'000
Balance at the beginning of the reporting period	827	307
Reversal of provision for receivables written off during the year	(13)	(88)
Increase/(decrease) in allowance recognised in net result	60	609
Balance at the end of the reporting period	**874**	**827**

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

In prior years, a provision for doubtful debts has been recognised when there was objective evidence that the debts may not be collected and bad debts were written off when identified. A provision was made for estimated irrecoverable amounts from the sale of gods and services when there was objective evidence that an individual receivable is impaired.

Statutory receivables

The RCH's non-contractual receivables arising from statutory requirements are not financial instruments. This notwithstanding, they are recognised and measured in accordance with AASB 9 requirements as if those receivables are financial instruments.

Note 7.2: Contingent assets and contingent liabilities

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

The RCH has no other contingent asset and liability as at 30 June 2020 (2019: Nil). Any claims made against the RCH are covered by public healthcare insurance managed by Victorian Managed Insurance Authority (VMIA).

Note 8: Other disclosures

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

Structure

Note 8.1: Reconciliation of net result for the year to net cash inflow/(outflow) from operating activities

	Consolidated 2020 $'000	Consolidated 2019 $'000
Net result for the year	**(40,417)**	**(40,524)**
Non-cash movements		
Depreciation and amortisation	57,616	46,789
Amortisation of non-produced intangible assets	1,272	1,272
Facility management, lifecycle and other expenses paid by DHHS under PPP agreement	(53,677)	(46,538)
DHHS – indirect contribution on repayment of finance lease liabilities	(82,048)	(82,048)
Facility management, lifecycle and other charges under PPP agreement	53,677	46,538
PPP non-cash finance lease interest expense	46,143	47,710
Provision for doubtful receivables	47	520
Revaluation of financial instruments through profit or loss	510	(5,211)
Revaluation of long service leave provision	6,698	11,796
Revaluation of investment properties	–	146
Impairment of intangible assets	(172)	715
Revaluation of financial instruments through other comprehensive income	(271)	(133)
Movements included in investing and financing activities		
Net (gain)/loss from sale of non-financial assets	181	206
Realised gain on financial instruments reclassified from reserves	(153)	–
Movements in assets and liabilities		
Change in operating assets and liabilities		
– (increase)/decrease in financial assets	32,079	3,582
– increase/(decrease) in payables	(14,181)	5,718
– increase/(decrease) in employee benefits	10,859	8,538
– (increase)/decrease in other assets (including intangibles and property, plant and equipment)	(24,725)	(8,240)
– (increase)/decrease in receivables	2,487	(3,586)
– increase/(decrease) in other liabilities	(206)	(645)
– increase/(decrease) in borrowings	16,761	(2,609)
Less cash flows from investing and financing activities		
Net cash (inflow)/outflow from investing and financing activities	(22,412)	10,655
Net cash inflow/(outflow) from operating activities	**(9,933)**	**(5,347)**

Note 8.2: Responsible persons disclosures

(a) Responsible persons

	Period	
Responsible Ministers		
The Honourable Jenny Mikakos, Minister for Health and Minister for Ambulance Services	1 July 2019	30 June 2020
The Honourable Martin Foley, Minister for Mental Health	1 July 2019	30 June 2020
The Honourable Luke Donnellan, Minister Child Protection, Minister for Disability, Ageing and Carers	1 July 2019	30 June 2020
Governing Board		
Hon Rob Knowles AO (Chairman)	1 July 2019	30 June 2020
Dr Rowena Coutts	1 July 2019	30 June 2020
Dr Christine Cunningham	1 July 2019	30 June 2020
Ms Petrina Dorrington	1 July 2019	30 June 2020
Ms Pallavi Khanna	4 February 2020	30 June 2020
Mr Sammy Kumar	1 July 2019	30 June 2020
Mr David Lau(i)	1 July 2019	30 June 2020
Mr David Mandel(i)	1 July 2019	30 June 2020
Dr Linden Smibert	1 July 2019	30 June 2020
Accountable Officer		
Mr John Stanway (Chief Executive Officer)	1 July 2019	30 June 2020

(i) Mr Lau has resigned effective 30 June 2020. Mr Mandel's nine year term on the RCH Board ended 30 June 2020.

Ms Pallavi Khanna was appointed to the Board on 4 February 2020.

Remuneration of responsible persons

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

Income band	2020 No.	2019 No.
$10,000 – $19,999	1	–
$20,000 – $29,999	–	1
$30,000 – $39,999	–	1
$40,000 – $49,999	7	5
$70,000 – $79,999	–	1
$80,000 – $89,999	1	–
$460,000 – $469,999	–	1
$480,000 – $489,999	1	–
Total	**10**	**9**

	Total remuneration	
	2020 $'000	2019 $'000
Remuneration received or due and receivable by responsible persons from the reporting entity	883	802
Total remuneration	**883**	**802**

Amounts relating to Responsible Ministers are reported within the Department of Parliamentary Services' financial report.

Note 8.3: Executive officers disclosures

Remuneration of executives

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

Total remuneration payable to executives during the year included additional executive officers and a number of executives who received bonus payments during the year. These bonus payments depend on the terms of individual employment contracts.

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

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

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

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

Termination benefits (where applicable) include termination of employment payments, such as severance packages.

Remuneration of executive officers

	Total remuneration	
	2020 $	2019 $
Short term employee benefits	2,151,393	2,166,753
Post employment benefits	160,759	178,084
Other long term benefits	98,628	238,053
Total remuneration	**2,410,780**	**2,582,890**
Total number of executives	**8**	**9**
Total annualised employee equivalent (AEE)	**7.00**	**7.00**

(i) The total number of executive officers includes persons who meet the definition of Key Management Personnel (KMP) of the entity under AASB 124 *Related Party Disclosures* and are also reported within the related parties note disclosure (note 8.4).

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

Note 8.4: Related parties

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

- all key management personnel and their close family members;
- all cabinet ministers and their close family members; and
- all hospitals and public sector entities that are controlled and consolidated into the whole of state consolidated financial statements.

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

Key management personnel of the RCH:

	Period	
Responsible Ministers		
The Honourable Jenny Mikakos, Minister for Health and Minister for Ambulance Services	1 July 2019	30 June 2020
The Honourable Martin Foley, Minister for Mental Health	1 July 2019	30 June 2020
The Honourable Luke Donnellan, Minister Child Protection, Minister for Disability, Ageing and Carers	1 July 2019	30 June 2020
Governing Board		
Hon Rob Knowles AO (Chairman)	1 July 2019	30 June 2020
Dr Rowena Coutts	1 July 2019	30 June 2020
Dr Christine Cunningham	1 July 2019	30 June 2020
Ms Petrina Dorrington	1 July 2019	30 June 2020
Ms Pallavi Khanna	4 February 2020	30 June 2020
Mr Sammy Kumar	1 July 2019	30 June 2020
Mr David Lau(i)	1 July 2019	30 June 2020
Mr David Mandel(i)	1 July 2019	30 June 2020
Dr Linden Smibert	1 July 2019	30 June 2020
Accountable Officer		
Mr John Stanway (Chief Executive Officer)	1 July 2019	30 June 2020

(i) Mr Lau has resigned effective 30 June 2020. Mr Mandel's nine year term on the RCH Board ended 30 June 2020.

Ms Pallavi Khanna was appointed to the Board on 4 February 2020.

Key management personnel (KMP) of the hospital include the Portfolio Ministers and Cabinet Ministers and KMP as determined by the hospital. KMP are those people with the authority and responsibility for planning, directing and controlling the activities of the RCH and its controlled entity, directly or indirectly. The Board of Directors and the CEO of the RCH are deemed to be KMPs.

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

	Total compensation	
	2020 $'000	2019 $'000
Short term employee benefits	803	731
Post employment benefits	60	55
Other long term benefits	20	15
Total compensation	**883**	**802**

(i) KMP are also reported in note 8.2 Responsible persons disclosures.

Transactions with key management personnel and other related parties

Given the breadth and depth of State government activities, related parties transact with the Victorian public sector in a manner consistent with other members of the public e.g. stamp duty and other government fees and charges. Further employment of processes within the Victorian public sector occur on terms and conditions consistent with the *Public Administration Act 2004* and Codes of Conduct and Standards issued by the Victorian Public Sector Commission. Procurement processes occur on terms and conditions consistent with the Victorian Government Procurement Board requirements. Outside of normal citizen type transactions with the department, there were no related party transactions that involved key management personnel and their close family members other than those disclosed. No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

During the year, related parties of key management personnel were awarded contracts on terms and conditions equivalent for those that prevail in arm's length transactions under the State's procurement process. The transactions are outlined below.

All other transactions that have occurred with KMP and their related parties have been trivial or domestic in nature. In this context, transactions are only disclosed when they are considered of interest to users of the financial report in making and evaluation decisions about the allocation of scare resources.

The Royal Children's Hospital Foundation

Two Board Members and the CEO of the RCH were also Directors of the RCH Foundation.

The transactions between the two entities relates to reimbursements made by the RCH Foundation to the RCH for goods and services and the transfer of funds by way of distributions made to the Hospital. All dealings are in the normal course of business and are on normal commercial terms and conditions.

	Parent entity 2020 $	Parent entity 2019 $
Distributions and reimbursements by The Royal Children's Hospital Foundation	45,768,930	38,108,745
Payments to The Royal Children's Hospital Foundation	251,178	1,489
Receivable from The Royal Children's Hospital Foundation	10,633,528	6,236,955
Payable to The Royal Children's Hospital Foundation	82,500	73

Murdoch Children's Research Institute

The CEO and Board Chairman of the RCH were also Directors of Murdoch Children's Research Institute (MCRI) during 2019–20 financial year.

The transactions between the two entities relates to reimbursements made by MCRI to the RCH for salaries, goods and services paid on its behalf. In addition the transactions relate to general research funding, clinical supplies and support provided to MCRI. All dealings are in the normal course of business and are on normal commercial terms and conditions.

	Parent entity 2020 $	Parent entity 2019 $
Reimbursements by Murdoch Children's Research Institute	10,278,134	8,423,361
Payments to Murdoch Children's Research Institute	18,786,852	15,735,730
Receivable from Murdoch Children's Research Institute	703,707	588,253
Payable to Murdoch Children's Research Institute	–	1,300,511

Victorian Clinical Genetics Services

Victorian Clinical Genetics Services (VCGS) is a wholly owned subsidiary of MCRI which the CEO and Board Chairman of the RCH were Directors of during 2019–20 financial year.

The transactions between the two entities relates to reimbursements made by VCGS to the RCH for goods and services paid on its behalf. In addition the transactions relate to general research funding, clinical supplies and support provided to VCGS. All dealings are in the normal course of business and are on normal commercial terms and conditions.

	Parent entity 2020 $	Parent entity 2019 $
Reimbursements by Victorian Clinical Genetics Services	1,089,769	1,586,419
Payments to Victorian Clinical Genetics Services	1,016,939	763,560
Receivable from Victorian Clinical Genetics Services	–	53,994
Payable to Victorian Clinical Genetics Services	–	132

Note 8.4: Related parties (continued)

Victorian Comprehensive Cancer Centre

The CEO of the RCH was a Director of Victorian Comprehensive Cancer Centre during the 2019–20 financial year.

The transactions between the two entities relates to membership fees paid by the RCH. All dealings are in the normal course of business and are on normal commercial terms and conditions.

	Parent entity 2020 $	Parent entity 2019 $
Payments by The Royal Children's Hospital for membership fees	113,942	149,677
Payable to Victorian Comprehensive Cancer Centre	37,981	–

Australia Post

A former Director of the RCH was an employee of Australia Post until 13 July 2018. Australia Post provided services to the RCH during the financial year ended 30 June 2019. Ms Corbett was not involved in the procurement or provision of services rendered by Australia Post. These arrangements were on normal commercial terms and conditions and in the ordinary course of business.

	Parent entity 2020 $	Parent entity 2019 $
Postal charges	N/A	79,523

EBOS Group Ltd

A Director of the RCH was an employee of EBOS Group Ltd. EBOS Group Ltd or its subsidiaries (EBOS) provided equipment and consumables to the RCH during the financial year ended 30 June 2020. Mr Lau was not involved in the procurement or provision of services rendered by EBOS and these arrangements were on normal commercial terms and conditions and in the ordinary course of business.

	Parent entity 2020 $	Parent entity 2019 $
Payments for medical equipment and consumables	15,050,130	15,007,683
Payable to EBOS	7,514	810,657

PricewaterhouseCoopers

A Director of the RCH and the RCH Foundation, Mr Kumar is the Managing Partner for firm strategy at PricewaterhouseCoopers (PwC). PwC provided IT services to the RCH Foundation, a controlled entity of the RCH. All dealings between the RCH Foundation and PwC were on normal commercial terms and conditions and in the ordinary course of business.

	The Royal Children's Hospital Foundation 2020 $	The Royal Children's Hospital Foundation 2019 $
Payments to PricewaterhouseCoopers for IT services	597,184	44,000

Significant transactions with government-related parties

The RCH received funding from the DHHS of $537 million (2019: $482 million) and indirect contributions of $138 million (2019: $132 million).

The RCH received funding from the Department of Education and Training of $3.7 million (2019: $5.1 million).

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

Professional medical indemnity insurance and other insurance products are obtained from the Victorian Managed Insurance Authority.

The information above is provided as required per AASB 124 *Related Party Disclosures*.

Note 8.5: Remuneration of auditors

	Consolidated 2020 $'000	Consolidated 2019 $'000
Victorian Auditor-General's Office		
Audit or review of financial statements	204	209
Other service providers		
Audit or review of financial statements	91	71
	295	**280**

Note 8.6: Controlled entities

	Country of incorporation/ establishment	Equity holding
Name of entity		
The Royal Children's Hospital Foundation Trust Fund	Australia	N/A

Controlled entities contribution to the consolidated results

	2020 $'000	2019 $'000
Net result for the year		
The Royal Children's Hospital Foundation Trust Fund	(25,326)	1,285
	(25,326)	**1,285**

Note 8.7: Ex-gratia payments

There were no ex-gratia payments made in 2019-20 financial year ($34 thousand in 2018–19).

Note 8.8: Events occurring after the balance sheet date

The COVID-19 pandemic has created unprecedented economic uncertainty. Actual economic events and conditions in the future may be materially different from those estimated by the RCH at the reporting date. As responses by government continue to evolve, the RCH recognises that it is difficult to reliably estimate with any degree of certainty the potential impact of the pandemic after the reporting date on the RCH, its operations, its future results and financial position. The state of emergency in Victoria was extended on 16 August 2020 until 13 September 2020 and the state of disaster still in place as at the date these Financial Statements were signed.

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

Note 8.9: Economic dependency

The RCH is wholly dependent on the continued financial support of the State Government and in particular, the Department of Health and Human Services.

The Department of Health and Human Services has advised that it will continue to ensure immediate cash needs of hospitals are met. Further, the department will continue to support the RCH financially in the year ahead. On that basis, the financial statements have been prepared on a going concern basis.

Note 8.10: Changes in accounting policies

Leases

The RCH has applied AASB 16 with a date of initial application of 1 July 2019. The RCH has elected to apply AASB 16 using the modified retrospective approach, as per the transitional provisions for AASB 16 for all leases for which it is a lessee. The cumulative effect of initial application is recognised in retained earnings as at 1 July 2019. Accordingly, the comparative information presented is not restated and is reported under AASB 117 and related interpretations.

Previously, the RCH determined at contract inception whether an arrangement is or contains a lease under AASB 117 and Interpretation 4 – *Determining whether an arrangement contains a Lease*. Under AASB 16, the RCH assesses whether a contract is or contains a lease based on the definition of a lease as explained in note 6.1.

Leases classified as operating leases under AASB 117

As a lessee, the RCH previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the RCH. Under AASB 16, the RCH recognises right-of-use assets and lease liabilities for all leases except where exemption is availed in respect of short-term and low value leases.

On adoption of AASB 16, the RCH recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of AASB 117 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the RCH's incremental borrowing rate as of 1 July 2019. On transition, right-of-use assets are measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 June 2019.

The RCH has elected to apply the following practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117:

- Applied a single discount rate to a portfolio of leases with similar characteristics;
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term;
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

For leases that were classified as finance leases under AASB 117, the carrying amount of the right-of-use asset and lease liability at 1 July 2019 are determined as the carrying amount of the lease asset and lease liability under 117 immediately before that date.

Leases as a lessor

The RCH is not required to make any adjustments on transition to AASB 16 for leases in which it acts as a lessor. The RCH accounted for its leases in accordance with AASB 16 from the date of initial application.

Impact on financial statements

On transition to AASB 16, the RCH recognised $7,152,598 of right-of-use assets and $7,152,598 of lease liabilities.

When measuring lease liabilities, the RCH discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted average rate applied was 2.6%.

	Parent 1 July 2019
Total operating lease commitments disclosed at 30 June 2019	4,044
Reassessments and addition of embedded leases	3,774
Nominal value of lease commitments	7,817
Recognition exemption for:	
Short-term leases	(83)
Discounted using the incremental borrowing rate at 1 July 2019	7,153
Finance lease liabilities at 30 June 2019	963,283
Lease liabilities recognised at 1 July 2019	**970,436**

Revenue from contracts with customers

In accordance with the requirements in FRD 121, The RCH has applied the transitional provision of AASB 15, under modified retrospective method with the cumulative effect of initially applying this standard against the opening retained earnings at 1 July 2019. Under this transition method, the RCH applied this standard retrospectively only to contracts that are no 'completed contracts' at the date of initial application. The RCH has not applied the fair value measurement requirements for right-of-use assets arising from leases with significantly below-market terms and conditions principally to enable the entity to further its objectives as allowed under temporary option under AASB 16 and as mandated by FRD 122.

Comparative information has not been restated.

Income for not-for-profit entities

In accordance with FRD 122 requirements, the RCH has applied the transitional provision of AASB 1058, under modified retrospective method with the cumulative effect of initially applying this standard against the opening retained earnings at 1 July 2019. Under this transition method, the RCH applied this standard retrospectively only to contracts and transactions that are not completed contracts at the date of initial application.

Comparative information has not been restated.

The adoption of AASB 1058 did not have an impact on Other comprehensive income and the Statement of cash flows for the financial year.

Transition impact on financial statements

This note explains the impact of the adoption of the following new accounting standards for the first time, from 1 July 2019:

- AASB 15 *Revenue from Contracts with Customers*;
- AASB 1058 *Income of Not-for-Profit Entities*; and
- AASB 16 *Leases*

Impacts on the balance sheet due to the adoption of AASB 15, AASB 1058 and AASB 16 is illustrated with the following reconciliation between the restated carrying amounts at 30 June 2019 and the balances reported under the new accounting standards at 1 July 2019:

Parent Balance sheet	Opening balance before new accounting standards 1 July 2019 $'000	Impact of new accounting standards – AASB 15, 16 and 1058 $'000	Opening balance after new accounting standards 1 July 2019 $'000
Property, plant and equipment	1,460,288	7,153	1,467,441
Total impact on assets	**1,460,288**	**7,153**	**1,467,441**
Payables	(46,821)	(6,193)	(53,014)
Borrowings	(989,552)	(7,153)	(996,705)
Total impact on liabilities	**(1,036,374)**	**(13,346)**	**(1,049,719)**
Accumulated deficit	245,544	6,193	251,737
Total impact on equity	**245,544**	**6,193**	**251,737**

Note 8.11: AASBs issued that are not yet effective

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

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

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 17 *Insurance Contracts*	The new Australian standard seeks to eliminate inconsistencies and weaknesses in existing practices by providing a single principle based framework to account for all types of insurance contracts, including reissuance contract that an insurer holds. It also provides requirements for presentation and disclosure to enhance comparability between entities. This standard currently does not apply to the not-for-profit public sector entities.	1 January 2021	The assessment has indicated that there will be no significant impact for the public sector.
AASB 2018–7 *Amendments to Australian Accounting Standards – Definition of Material*	This Standard principally amends AASB 101 *Presentation of Financial Statements* and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendments refine and clarify the definition of material in AASB 101 and its application by improving the wording and aligning the definition across AASB Standards and other publications. The amendments also include some supporting requirements in AASB 101 in the definition to give it more prominence and clarify the explanation accompanying the definition of material.	1 January 2020	The standard is not expected to have a significant impact on the public sector.
AASB 2020–1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current*	This Standard amends AASB 101 to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. A liability is classified as non-current if an entity has the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period. The meaning of settlement of a liability is also clarified.	1 January 2022. However, ED 301 has been issued with the intention to defer application to 1 January 2023.	The standard is not expected to have a significant impact on the public sector.

In addition to the new standards and amendments above, the AASB has issued a list of other amending standards that are not effective for the 2019–20 reporting period (as listed below). In general, these amending standards include editorial and reference changes that are expected to have insignificant impacts on public sector reporting.

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

The Royal Children's Hospital Melbourne

CELEBRATING 150 YEARS

2020 marks 150 years of The Royal Children's Hospital Melbourne (RCH).

In 1870 Doctors Smith and Singleton had a vision to help sick and injured children—free of all charge. They, together with a volunteer Ladies Committee worked hard to raise the funds needed to establish the hospital, opening its doors on 9 September 1870 with just six beds.

The RCH has grown from humble beginnings to become one of the world's great hospitals for children.

It's a story of thousands of heroes (celebrated and unknown) whose tenacity and commitment has created a much-loved institution, with a place in the heart of all Victorians.

CELEBRATING
150
YEARS
IN 2020

RCH 200231

The Royal Children's Hospital Melbourne

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