The Royal Children's Hospital Melbourne

Annual Financial Report 2022–23

Acknowledgement of Country

The Royal Children's Hospital (RCH) acknowledges the traditional owners of the land on which the RCH is situated, the land of the Wurundjeri people of the Kulin Nation, and we pay our respects to their Elders past and present.

Our Vision: A world where all kids thrive.

We believe all children and young people should have the same opportunity to realise their potential.

Our Role

We work together to put children and young people at the heart of our care, research and learning.

Our Values

Our values help us achieve a world where all kids thrive.

Curious
We are creative, playful and collaborative.

Courageous
We pursue our goals with determination, ambition and confidence.

Inclusive
We embrace diversity, communicate well, build connections and celebrate our successes together.

Kind
We are generous, warm and understanding.

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Board Chair's report

Our new vision – a world where all kids thrive – is ambitious, and I am excited to see where this takes us in the years ahead.

As a public health service, we have been committed for decades to extending our care beyond the walls of our hospital, building to improve the health outcomes of children all over Victoria. Over the past year we have emerged out of a pandemic mindset and returned our focus to the future of healthcare, not just in Victoria but right across Australia and the world.

After thousands of conversations with our staff, volunteers, patients and families, we had the pleasure this year of unveiling our hospital's new vision, values and role. Our new vision – a world where all kids thrive – is ambitious, and I am excited to see where this takes us in the years ahead. I am proud to say our new role – working together to put children and young people at the heart of our care, research and learning – is already at the core of everything we do at The Royal Children's Hospital (RCH).

Our new values help us achieve our vision of a world where all kids thrive and serve as a compass for navigating through everyday challenges and uncertainties, helping us stay true to all children and young people in our care. Our new values are Curious, Courageous, Inclusive and Kind. Embedding these values into everything we do will be important for us achieving our vision, as well as making the RCH a wonderful place to work.

In 2022–23, the hospital gradually returned to its normal pre-COVID-19 activities. Coupled with financial support from the Department of Health, we recorded a surplus of $501,000.

The 92nd Good Friday Appeal was our most successful yet, raising over $23 million for the RCH. This remarkable milestone is only possible thanks to the overwhelming support of the Victorian community, and I was deeply humbled by the final figure raised.

We sadly said goodbye to Professor George Patton AO, who passed away on 7 December 2022. Professor Patton was an eminent Adolescent Psychiatrist and Psychiatric Epidemiologist whose career focused on improving the health of adolescents in Australia and across the globe. His 30 years of research leadership at the Centre for Adolescent Health saw it emerge as 'the' place to study adolescent health globally. The rigour and innovativeness of his research legacy, and that of those he trained, will influence the field for generations to come.

On behalf of my colleagues on the RCH Board, I would like to thank the entire RCH team for their tremendous efforts over the past twelve months. Their unwavering commitment to the health and wellbeing of every child and young person who requires our care continues to inspire. I would like to recognise the wonderful work of our CEO, Bernadette McDonald, as well as the entire RCH Executive team who continue to exhibit exemplary leadership in everything they do.

I would like to acknowledge The Royal Children's Hospital Foundation (RCHF), and their significant support of the hospital over the past year as well as our other campus partners, the Murdoch Children's Research Institute and the University of Melbourne Department of Paediatrics.

Together, we continue to deliver excellence in research, education, and care for children and young people both here, across Australian and globally. None of this work is possible without the spirit of collaboration that exists between our campus partners, or the generous community that rallies behind everything we do.

The year ahead looks very exciting for the RCH. Equipped with our new vision, role and values, we are well placed to unveil our next strategic plan in the coming months. It's an exciting time to be a part of the RCH team, working towards a world where all children thrive.

Dr Rowena Coutts
Board Chair

Chief Executive Officer's report

The 2022–23 financial year felt like a return to normalcy at The Royal Children's Hospital (RCH) as restrictions and safety measures put in place for the COVID-19 pandemic were slowly lifted. The temporary fence separating our hospital's northern entrance from Royal Park was dismantled, the check-in process for visitors at our main reception desk came to an end, our Respiratory Infection Clinic closed, and visitor restrictions lifted. While this infrastructure and the changes they brought to how our hospital operated were vital for the safety of all during the pandemic, it has been wonderful for the wellbeing of our community to shake these off and welcome more families and visitors back into the RCH.

Demand for our services remained high this financial year, with our Emergency Department (ED) continuing to be one of the busiest in Victoria. With more illness in the community and higher acuity, we also saw an increase in inpatient admissions. We continue to look for ways to manage flow through the hospital, ensuring children and young people in our care can return home safely as soon as possible and there are beds available for those who need them most.

In the 2022–23 financial year, we provided care for:

- 90,260 Emergency Department presentations
- 407,563 ambulatory appointments
- 14,963 surgeries
- 50,345 inpatient admissions.

New developments

In December 2022 we moved our Sugar Glider ward from Level 2 to Level 5 to make way for Wombat, our newest ward to open. Wombat, which receives patients admitted from ED, transfers from other wards and planned elective admissions, welcomed its first patients in June 2023. The new ward provided much-needed extra capacity ahead of the winter-surge.

Accreditation

In February we underwent hospital-wide accreditation with the Australian Commission on Safety and Quality in Health Care. The week-long accreditation process was an opportunity to demonstrate how we live the National Standards at the RCH and showcase the exceptional care we all provide to children, young people and their families. I was pleased with how overwhelmingly positive our feedback was, with an assessor noting our team was intellectual, curious, and go above and beyond what people could expect. We demonstrated great pride with how we partner with the communities we serve, both thoughtfully and meaningfully and always based on feedback.

Across our social media channels, we are the most followed health service in Australia, and I am incredibly proud of the engaged and informed community we have built through these networks.

Engaging with our community

Keeping our community informed and up to date with the latest health information and advice remained a high priority over the last financial year. We continued to build on our Kids Health Information resources and RCH TV videos, using current events and concerns raised by families through our clinics and our social media channels to guide the content we created. This included videos on Respiratory Syncytial Virus (RSV) and Strep A, which have since been viewed thousands of times.

Due to our trusted reputation in the community, the high regard for our experts and the quality of our content, we have cultivated a significant following across social media that enables us to share health information quickly and to a wide audience. Across our social media channels, we are the most followed health service in Australia, and I am incredibly proud of the engaged and informed community we have built through these networks. We have also increased our focus on how we are supporting families from diverse backgrounds, with vital information and resources being translated into various languages including Arabic, Chinese, Hindi, Punjabi, Somali and Vietnamese.

The RCH National Child Health Poll, a quarterly national survey of Australian households, continues to be a highly respected conversation starter. Our polls over the past year have covered parents' intentions to vaccinate their children for the flu, how Australian families play, water safety, anxiety in Victorian children and helping children cope with distressing news. These findings are shared across Australia and reported widely in the media to initiate the conversation with families and improve their health literacy. Along with the report findings, we created resources and tips for families around the topic, so that our message becomes practical advice. We aim to make our information practical, timely, accessible, actionable, trustworthy and hopeful.

And finally...

On behalf of the entire Executive team, I would like to recognise all our staff and volunteers who continue to make the RCH such a special place to be. I feel fortunate to come to work every day knowing I am surrounded by people who are entirely committed to the health and wellbeing of children and young people in their care. I would also like to thank the RCH Board for their leadership and guidance over the past year and acknowledge Dr Rowena Coutts' first year as Board Chair.

And last but not least, being in hospital requires an awful lot of strength and courage and I would like to acknowledge every patient and family member who has entrusted us with their care over the past 12-months.

Bernadette McDonald
Chief Executive Officer

The RCH Staff Excellence Awards

At our 2022 Staff Excellence Awards celebration, we paid tribute to the incredible work of team members across the organisation.

The recipients of the 2022 awards were:

Chair's Medal
Trevor Duke

CEO Award for Great Care – Clinical Excellence
Stephanie Campbell and Claire May

CEO Award for Great Care – Positive Experience
Melissa Heywood and Jess Rowe

CEO Award for Great Care – Sustainable Healthcare
Annette Powell

CEO Award for Great Care – Timely Access
Christine Plover and Kim Rowe

CEO Award for Great Care – Safe Place
Carly Nunn, Jenny Lewis, and Lisa Ciabotti

Allied Health Award
Jillian Fitzgerald

Dr William Snowball Award
Wesley Wong

Yvonne Wagner Award
Kathy Cassin and Allison Lusher

Supporting Great Care Award
Simon Pase

Excellence in Return to Work Award
Matt McFillin

Excellence in Health, Safety and Wellbeing Award
David Murphy

Mary Patten Award
Anne Shipp and Sandy Perkins (posthumous)

"I would like to congratulate the recipients of our 2022 Staff Excellence Awards, who have each demonstrated an outstanding commitment to making the RCH one of the best hospitals to be."

Rowena Coutts, Board Chair

2022–23 Board member profiles

BOARD CHAIR
Dr Rowena Coutts
LLB and BJuris (Monash University), Doctor FedUni (Hon).

Dr Rowena Coutts currently consults to higher education organisations providing governance, legal, audit and policy advice, and 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, holding an LLB and BJuris from Monash University and a Doctor FedUni (Hon).

Elleni Bereded–Samuel AM
MED, GradDip (Couns), GradCert (Mgt), BA

Elleni Bereded–Samuel AM is an experienced senior executive, board member, and community engagement practitioner. Her work with migrant and refugee communities has been recognised with many awards including an AM for services to the community in 2019. She has also been recognised in the Westpac AFR awards as one of 100 Women of Influence in Australia and won the Diversity@Work Individual Champion Award for Diversity and Inclusion. Elleni has deep expertise in strengthening education, training and employment opportunities, and access to services for Australians from culturally and linguistically diverse backgrounds. She has extensive skills in creating strategies and programs that help people access and participate in society. Currently Elleni is the Executive Manager of Diversity and Inclusion with Great Care Pty Ltd. She provides thought leadership and subject matter expertise on diversity and inclusion-related issues to the diverse community of Australians. Elleni was previously a Director of SBS, The Royal Women's Hospital, Western Health, Breast Screen Victoria, and the Australian Social Inclusion Board. In addition to serving on the Board of the RCH, Elleni is the Co-Chair of the Growing Minds Australia (GMA) Community Engagement Advisory Committee and is a member of the GMA Scientific Advisory Committee.

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 public, private and not-for-profit 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 currently the Chair, North East Catchment Management Authority Board and the Merriwa Industries Board. 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).

Professor Richard Doherty
MBBS (Hons), DObstRCOG, FRACP

Professor Richard Doherty trained in paediatrics and in paediatric infectious diseases in Brisbane and Boston and is a consultant physician in Paediatric Infectious Diseases at Monash Children's Hospital and Professor in the Monash Department of Paediatrics. He is also a former staff member of the RCH. He has held previous appointments as Dean of the Royal Australasian College of Physicians, Head of the Department of Paediatrics and Associate Dean for Teaching Hospitals at Monash, Medical Director of the Southern Health Children's Program, Deputy Director of the Macfarlane Burnet Centre for Medical Research and consultant physician at the RCH. He has served as a Director of the Australian Medical Council and on national committees including NHMRC panels, the 2016 Intern Review, the National Medical Training Advisory Network and several Victorian Department of Health advisory committees. Richard was a member of the Medical Board of Australia from 2018 to 2021.

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. For more than 20 years Pallavi 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 the City of Stonnington and a Director of AVet Health. Her prior board roles include Public Galleries Association of Victoria, Common Equity Housing Ltd and 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.

Sammy Kumar
B. Bus, FCA

Sammy Kumar is the co-founder of Sayers Group and CEO of Sayers Advisory. Sammy is a business leader with over 34 years' experience in management consulting, mergers and acquisitions, risk management, strategy, technology and ventures. Sammy's work includes significant experience in many overseas markets including the US, Canada, South America and Asia Pacific. He has advised companies in a number of different sectors including financial services, telecommunications, technology services, private equity and venture capital. During his time at PwC he started, led and grew businesses both in Australia and the Asia-Pacific region, managing revenues of over $1 billion. Sammy is a thought leader on a range of topics including revenue risk management, mega trends impacting economies, and the impact of technology on business strategy. Sammy is a committed member of the broader community, serving on the Boards of the RCH and the RCH Foundation. He is also a Board member of Melbourne and Olympic Park Trust and most recently appointed Member of the Advisory Board for the Centre for Australia-India Relations.

Ms Jude Munro AO
BA Hons (Uni of Melbourne) Grad Dip Public Policy (Uni of Melbourne) Grad Dip Business Administration (University of Swinburne)

Jude Munro AO is experienced in guiding large complex organisations both as a Non-Executive Director and CEO. She has been Board Chair of Australia's fourth largest water utility, a state planning authority, and one of Victoria's largest not-for-profits with services directed to children, young people and families. She has also been a Chair of a not-for-profit company with oversight of four major hospitals. She has been a Director of a national aviation business, an airport, a state transit authority, a bus company, a development company, and chair of Australia's first Pride Centre for the LGBTQI+ community. She provides advice to organisations on strategic planning, governance and leadership. Jude mentors CEOs and assists organisations in selection and CEO performance reviews. She has been CEO of two capital city Councils – Adelaide and Brisbane. Her last CEO position was as CEO of Brisbane City Council for 10 years. She led the Council with its $2.6B annual budget, 9,000 employees on planning and delivering infrastructure projects, bus and ferry services, regulatory and other municipal services for more than 1.2 million people. The infrastructure projects included the $2.7 billion Clem7 tunnel, the steering committee chair for the feasibility stage of Airport Link, the Green Bridge, and Go Between bridge. She served three Lord Mayors in that time.

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 Linden 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. Among other Boards, she has also served on the Board of Vincentcare Victoria, which built and now operates the new Ozanam House for homeless people, and is currently on the Board of Mecwacare.

Dr Michael Wildenauer
PhD MBA(Computing) GDipCommLaw BSc(MathSc) MACS(Snr) CP MAICD

After many years of technology leadership experience in Australia, the US, UK and Europe, Dr Michael Wildenauer transitioned into academia. At La Trobe Business School (LBS), he was a Professor of Practice in Management, teaching MBA and Master's courses on the social and ethical issues around technology and business, and in corporate governance. Since 2021, Michael has been an academic at the Centre for AI and Digital Ethics (CAIDE) and the Melbourne Law School at the University of Melbourne. In addition to his current professional and governance roles, Michael was previously the Chair of the Ethics Committee of the Australian Computer Society (ACS) and a Member of the ACS Professional Standards Board. In the health sector, Michael has been a Non-Executive Director of Kyneton District Health, where he was at various times the Chair of its Governance and Remuneration Committee and a member of the Clinical Governance and Audit and Risk Committees and was also an external member of the Audit and Risk Committee of Central Highlands Rural Health. Michael has been awarded a PhD in Corporate Governance for research on board effectiveness, an MBA with a concentration in computing, a Grad Diploma in Communications Law, and a BSc in Pure Mathematics and Computing. His interests are at the intersection of ethics, technology, law and governance.

Jude Munro AO was appointed to the Board on 1 July 2022. Dr Christine Cunningham and Dr Linden Smibert concluded their time on the Board on 30 June 2023.

RCH Board sub-committee membership 2022–23 financial year

Audit and Corporate Risk Management Committee

- Pallavi Khanna (Chair)
- Dr Linden Smibert
- Dr Michael Wildenauer
- Michelle Bendschneider (External member)

Community Advisory Committee

- Dr Linden Smibert (Co-Chair – Board – part-year)
- Kris Pierce (Co-Chair – Community member – part year)
- Elleni Bereded-Samuel AM

Digital Health Board Sub-committee

- Sammy Kumar (Chair)
- Dr Christine Cunningham – part year
- Professor Richard Doherty
- Dr Michael Wildenauer

Finance Committee – incorporating Facilities Management Board Sub-committee, IT Board Sub-committee and Investment Committee

- Jude Munro AO
- Dr Rowena Coutts
- Pallavi Khanna
- Dr Linden Smibert
- Mr Mark Rogers (External member)

Quality and Population Health Committee

- Dr Christine Cunningham (Chair)
- Professor Richard Doherty
- Pallavi Khanna
- Dr Linden Smibert
- Rose Bryant-Smith (External member)

Remuneration and Governance Committee

- Dr Rowena Coutts
- Dr Christine Cunningham
- Pallavi Khanna

Workplace Culture Committee

- Dr Christine Cunningham (Chair)
- Elleni Bereded-Samuel AM
- Professor Richard Doherty
- Dr Michael Wildenauer

Executive staff

Bernadette McDonald
Chief Executive Officer
RN (Registered Nurse), MHA, GAICD

Sandy Bell
Executive Director Strategy, Planning and Performance
BA (Hons), MPPM, GAICD

Michael Cheung
Chief of Surgery
BSc, MB ChB, MD, FRCP (UK), FRACP, MBA

Tom Connell
Executive Director Medical Services and Clinical Governance and Chief Medical Officer
MB BAO BCH B Med Science MRCPI FRACP PhD FRACMA

Alison Errey
Executive Director Communications
GradDipPublicAdmin, MJour MAICD

Andrew Gay
Chief Financial Officer
BBus, MBA, FCPA, GAICD

Ed Oakley
Chief of Critical Care
MBBS FACEM

Denise Patterson
Chief Operating Officer
MMidwifery, GradDipHealthMgt, GCertHospRedesign

Clive Peter
Executive Director, People and Culture
Bsc. Hons, MPhil, MAICD

Kathryn Riddell
Executive Director Nursing and Allied Health and Chief Nursing Officer
Adjunct Professor, RN, CCRN, MN (Research), MACN

Michelle Telfer
Chief of Medicine
MBBS (Hons.), FRACP, GAICD

Kelly Bernard concluded her duties as interim Executive Director of Nursing and Allied Health and Chief Nursing Officer on 4 September 2022. **Kathryn Riddell** commenced in this role on 5 September 2022.

Matt Sabin concluded his role as Executive Director Medical Services and Clinical Governance, and Chief Medical Officer on 11 November 2022. **Tom Connell** commenced as interim Executive Director Medical Services and Clinical Governance and Chief Medical Officer on 11 November 2022 before being permanently appointed to the role in June 2023.

Mike O'Brien concluded his duties as Chief of Surgery on 11 November 2022, and **Michael Cheung** commenced in an acting capacity from 12 November 2022.

Stuart Lewena was Acting Chief of Critical Care until 2 December 2022. **Ed Oakley** returned to the Chief of Critical Care role on 3 December 2022.

Tom Connell concluded his role as Chief of Medicine on 15 January 2023. **Michelle Telfer** commenced in an acting capacity on 16 January 2023.

Danielle Byrnes concluded her duties as RCH Executive Director, People and Culture on 14 October 2022. **Shane Hendricks** was the Acting Executive Director, People and Culture from 15 October 2022 to 10 April 2023. **Clive Peter** commenced in this role on 11 April 2023.

Workforce data and application of employment and conduct principles

Workforce data

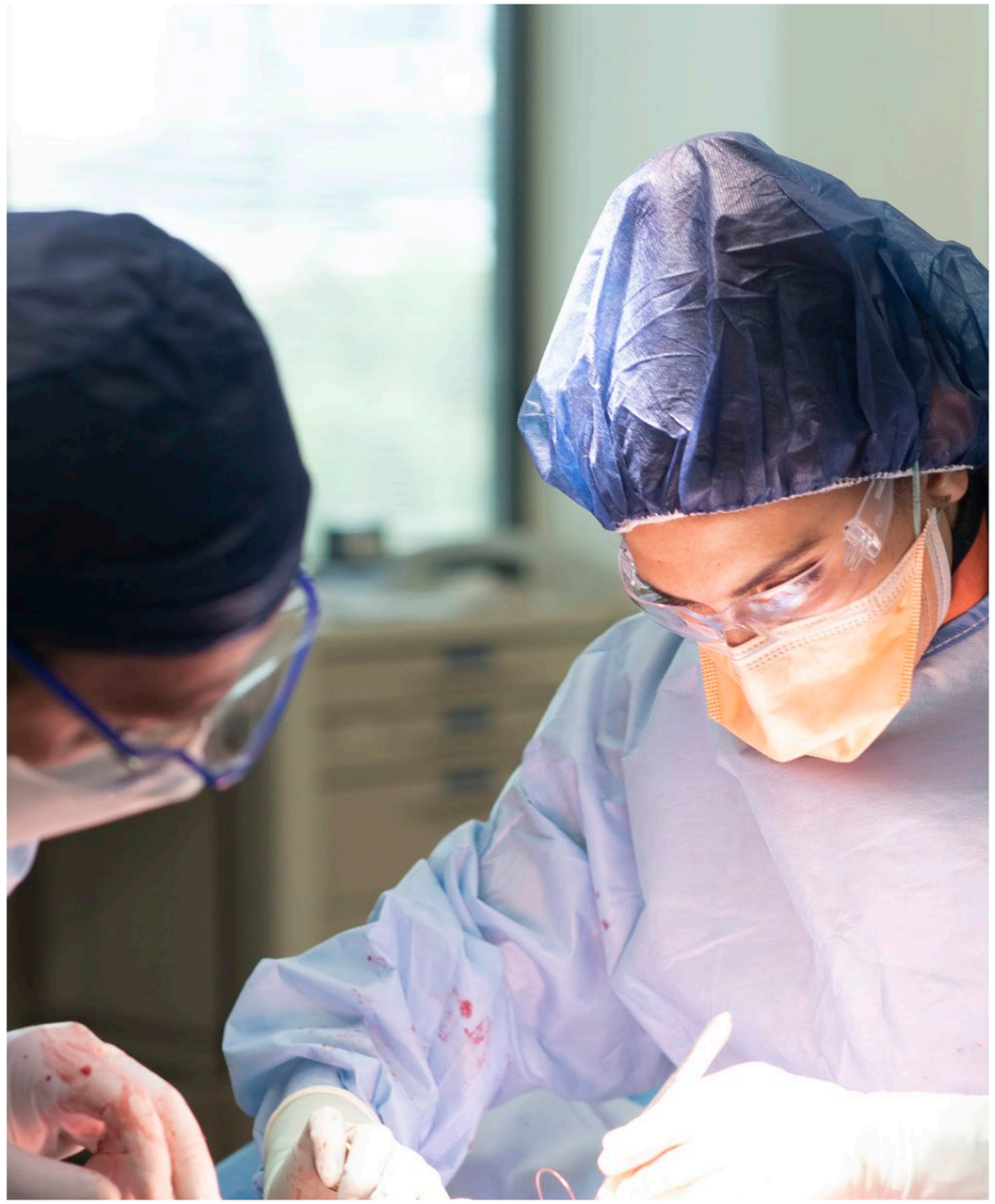
Hospitals Labour Category	June FTE		Average Monthly FTE	
	2021/22	2022/23	2021/22	2022/23
Nursing	1,381	1,510	1,333	1,410
Administration and Clerical	822	851	791	835
Medical Support	421	433	408	426
Hotel and Allied Services	287	271	297	285
Medical Officers	146	140	144	143
Hospital Medical Officers	378	382	361	379
Sessional Clinicians	164	175	156	168
Ancillary Staff (Allied Health)	388	412	371	405

Application of Employment and Conduct Principles

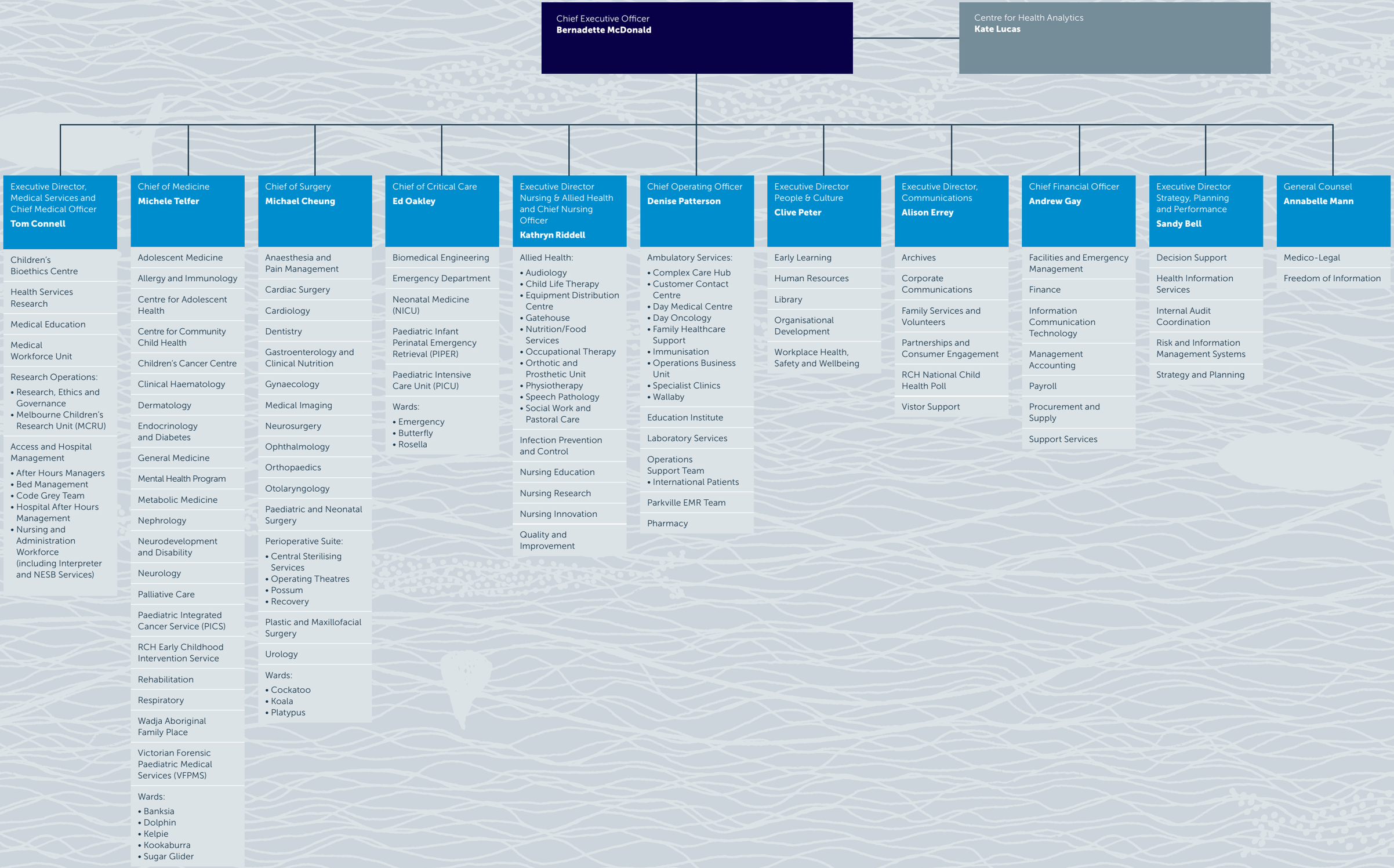
The RCH Code of Conduct is founded on four organisational values; curious, courageous, inclusive and kind. Complementing these values is the RCH Compact, a set of 10 pledges setting out the ways in which RCH staff have agreed that they will engage, behave and work together to better deliver high quality, safe care.

The RCH Code of Conduct sets out the way RCH staff conduct themselves, and these values inform and guide these 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 policies 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 the negative consequences 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



Statutory statements

The RCH 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, The Honourable Mary-Anne Thomas from 1 July 2022 to 30 June 2023, The Minister for Ambulance Services, The Honourable Mary-Anne Thomas from 1 July 2022 to 5 December 2022 and The Honourable Gabrielle Williams from 5 December 2022 to 30 June 2023, and the Minister for Mental Health, The Honourable Gabrielle Williams MP from 1 July 2022 to 30 June 2023.

Nature and range of services

The RCH is the major specialist paediatric hospital in Victoria and 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 statewide 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 transplantation (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 leads a number of statewide 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 Freedom of Information staff at the RCH can be reached on (03) 9345 5132 or (03) 9345 5464. Alternatively, inquiries can be sent to **foi@rch.org.au**.

General information regarding the Freedom of Information Act can be found on the Victorian Government website **www.ovic.vic.gov.au**.

Nominated FOI Officers

Annabelle Mann, General Counsel

Judith Smith, Freedom of Information Officer and Reviewer

Kylie Borlase, Freedom of Information Administration Officer

Ricky Huynh, FOI Reviewer

Angela Wood, FOI Reviewer

Requests received	2021–22	2022–23
Total requests	737	797
Access granted in full	329	408
No information available	21	43
Application withdrawn	80	93

Requests made came primarily from patients and their families (approximately 56%), legal representatives (40%) and the Transport Accident Commission (approximately 3%). The remaining 1% of requests were 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 F*reedom of Information Act*. The RCH provides an annual report on FOI applications to the Office of the Victorian Information Commissioner.

Building Act 1993

The current RCH building 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 hospital facility through Spotless (now Downer), the Facility Management subcontractor, for a period of 25 years (the term is 25 years with a five year "make good" period that ends in 2036).

In 2023, new Downer – RCH co-branded uniforms were launched at RCH site following a business name change due to a change of ownership at Spotless. Downer provides a comprehensive maintenance and asset management program for the facility, incorporating maintenance of essential safety measures. An annual report is issued by Downer to certify testing and maintenance is compliant with the *Building Act 1993*. Fire Safety Systems, Emergency Warning and Intercommunication System (EWIS) audits are undertaken by Downer to comply with the Department of Health's risk management guidelines and the Australian Standards.

Public Interest Disclosure 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.

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*. The RCH is not aware of any disclosures reported to IBAC for the year ending 30 June 2023.

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 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.

Statutory statements (continued)

Environmental performance

GREENHOUSE GAS EMISSIONS	2020-21	2021–22	2022–23
Total greenhouse gas emissions (tonnes CO2e)			
Scope 1	6,657.22	6,763.91	6,175
Scope 2	29,361.45	27,553.62	29,425
Total	**36,019**	**34,318**	**35,600**
Normalised greenhouse gas emissions			
Emissions per unit of floor space (kgCO2e/m2)	215.682	205.495	213.176
Emissions per unit of Separations (kgCO2e/Separations)	803.952	838.240	706.27
Emissions per unit of bed-day (LOS+Aged Care OBD) (kgCO2e/OBD)	294.338	308.143	260.376

STATIONARY ENERGY	2020-21	2021–22	2022–23
Total stationary energy purchased by energy type (GJ)			
Electricity	107,858.4	109,003.3	116,405.00
Natural Gas	129,191.2	131,261.5	119,834.47
Total	**237,050**	**240,265**	**236,239**
Electricity kwh	29,960,666.67	30,278,694.44	32,334,722.22
Normalised stationary energy consumption			
Energy per unit of floor space (GJ/m2)	1.419	1.439	1.415
Energy per unit of Separations (GJ/Separations)	5.291	5.869	4.687
Energy per unit of bed-day (LOS+Aged Care OBD) (GJ/OBD)	1.937	2.157	1.728

WATER	2020-21	2021–22	2022–23
Total water consumption by type (kL)			
Class A Recycled Water	N/A	N/A	N/A
Potable Water	139,932.13	144,902.02	140,048.00
Reclaimed Water	N/A	N/A	10,438
Total	**139,932**	**144,902**	**140,048**
Normalised water consumption (Potable + Class A)			
Water per unit of floor space (kL/m2)	0.84	0.87	0.84
Water per unit of Separations (kL/Separations)	3.12	3.54	2.78
Water per unit of bed-day (LOS+Aged Care OBD) (kL/OBD)	1.14	1.30	1.02

WASTE AND RECYCLING	2020-21	2021–22	2022–23
Waste			
Total waste generated (kg clinical waste+kg general waste+kg recycling waste)	1,073,490.85	1,073,490.85	1,725,340
Total waste to landfill generated (kg clinical waste+kg general waste)	874,690.87	874,690.87	1,263,392
Total waste to landfill per patient treated (kg clinical waste+kg general waste)/PPT)	3.29	3.29	3.09
Recycling rate % (kg recycling / (kg general waste+kg recycling))	23.88	23.88	36.31

Statutory statements (continued)

Further information

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

- Declarations of pecuniary interests have been duly completed by all relevant officers
- Details of shares held by senior officers as nominee or held beneficially in a statutory authority or subsidiary
- Details of publications produced by the health service 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 developmental activities undertaken by the health service
- 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 entity 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
- A list of major committees sponsored by the health service, the purposes of each committee and the extent to which the purposes have been achieved
- Details of all consultancies and contractors including:

  (I) Consultants/Contractors engaged

  (II) Services provided

  (III) Expenditure committed to for each engagement.

Local Jobs First Act 2003

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 were five RCH projects which required disclosure under the LJFP for the 2022–23 period. These were:

- CT Scanners (Siemens)
- MRI Scanners (Siemens)
- Master Services Agreement, for the consolidation of the servicing arrangements for multiple pieces of existing equipment (Siemens)
- Patient Monitors (Phillips)
- ServiceNow precinct licences (Thirdera)

Safe Patient Care Act 2015

The Royal Children's Hospital has no matter to report in relation to its obligations under section 40 of the *Safe Patient Care Act 2015*.

Car parking fees

The RCH complies with the Department of Health hospital circular on car parking fees. Details of car parking fees and concession benefits can be viewed at: **rch.org.au/info/az_guide/Car_parking/**

Aboriginal and Torres Strait Islander cultural safety

The Wadja Aboriginal Family Place has four dedicated Aboriginal case management positions in addition to two sessional paediatricians, a paediatric fellow, a clinical lead, and an administrative role. This makes the culturally sensitive service among the most well-resourced Aboriginal health units in any paediatric hospital in Australia. Cross cultural education sessions continued to be delivered by Wadja staff outlining the service they provide. Mandatory online cultural awareness training is available to all staff as part of orientation. Additionally, a comprehensive three-hour face-to-face training program on cultural safety is offered to staff.

Developing our people and organisation

The RCH's People and Culture division has several key initiatives supporting a "Positive Experience" for staff. The focus of these programs and activities is to maintain and increase employee engagement and satisfaction, continue to build a positive workplace culture, and develop the capability of RCH staff and leaders.

Our Compact – Better together

The RCH Compact is a significant culture program that began with employees collaborating to define the behaviours that would foster an effective team environment and enable the delivery of exceptional care. The result was 10 simple behavioural pledges which have been adopted by all employees. In 2021, the RCH began providing foundational training on the Compact, and by June 2023, had delivered this to 1,640 team members.

This ambitious program is complemented by a range of toolkits to support the development of Compact dynamics within teams. These "Compact in a Box" activities include workshops that have been delivered to numerous intact teams across the RCH and help bring the Compact to life.

An engaged workforce – People Matter Survey

The RCH is committed to ensuring that staff feel proud to work here and are supported to bring their best to work every day. The Victorian Public Sector Commission's People Matter Survey is one key way the RCH measures this success and provides staff with a voice.

In October 2022, the RCH participated in the People Matter Survey and had a strong 53% response rate. On average, the RCH remained relatively stable, and is committed to listening to and responding to employee concerns. This is especially important given the impact that three years of pandemic settings had on the workforce across the whole sector. In response to the People Matter results, teams are working together to address and act on their specific feedback.

Leadership Development Strategy

After establishing the RCH Leadership Academy during 2021–22, there have been a number of important milestones met. This includes the delivery of the first two flagship programs being the Earth Leadership Development Program for first-time leaders, and the implementation of the Meerkat Manager Fundamentals Program. Over the course of the last 12 months these programs have been delivered to four and three cohorts respectively and have received extremely positive feedback from participants and managers alike. Planning, design and preparation is currently underway for the third flagship programs, Tree Tops, to be launched in 2023 to 2024.

Training for RCH leaders

Visa training was delivered in conjunction with Fragomen (RCH contracted visa lawyers) focusing on contemporary requirements and responsibilities for 65 RCH leaders. This coincided with the release of new visa policy and procedures and a quick reference guide for leaders. Awareness and compliance to visa requirements is very important for the RCH to maintain its Visa Business Sponsorship status with the Department of Home Affairs, which was successfully renewed in April 2023.

Respect @Work training for leaders was delivered to 150 senior RCH team members including the Executive team. This program was developed in conjunction with Corrs Chambers Westgarth and focused on the recent Respect @Work Bill. It reinforced the clear policies and procedures the RCH has in place relating to safe and positive behaviours in the workplace.

People processes and support

Gender Equality Act 2020

The RCH aims to build a workplace where every employee can bring their whole self to work, feel safe and accepted for who they are, and as a result, be able to reach their best potential. The RCH is committed to this because it is understood that care is only as good as the people providing it.

As a public sector organisation, the RCH recognises the *Gender Equality Act 2020* provides the hospital with a formal framework for inclusion activities; however, the RCH has long understood the need to celebrate, value and include people of all backgrounds, genders, sexualities, cultures, bodies and abilities, particularly in the service of RCH consumers, who come from many different backgrounds. In line with the Act, the RCH implemented its Gender Equality Action Plan (2022-25). This plan complements the existing Diversity, Inclusion and Belonging Action Plan, Aboriginal Cultural Safety Plan, and Disability Action Plan. The RCH Gender Equality Action Plan includes 24 specific actions to strengthen workforce inclusion across four strategic domains; data, policies, guidelines and work standards, training and recruitment, and working conditions. This plan has progressed steadily, with five actions out of 24 being completed, 13 in progress, and six being the focus of implementation over the next 12 months. The progress report required by the Commission for Gender Equality in the Public Sector (due February 2024), will provide the RCH with a formal opportunity to measure its progress against current gender equality indicators, and will be actively shared with the Commission, RCH Board, RCH staff, and the community.

Statutory statements (continued)

In support of the commitment to gender equality, in 2021 the RCH published new guidance on hybrid work (including working from home and flexible work). This paper recognised that working patterns have changed since the pandemic and articulated the benefits of working both at home and in the office, particularly for roles which could be accommodated. It also acknowledged that many frontline healthcare roles (e.g., nurses) were not able to flex in the same way given face-to-face patient care. The RCH understands that hybrid and flexible working practices are dynamic, and is committed to embracing the best practice possible for the health industry. The RCH will therefore update its guidelines every two years as a minimum.
The RCH appreciates that its staff work tirelessly for the community, and want to do the best to value their time and contributions, and support them to balance their personal and professional commitments.

The RCH is committed to diversity and inclusion, and recognises a number of days of community significance and commemoration. In respect of our First Nations communities, the RCH annually commemorate Sorry Day with a flag raising and smoking ceremony and facilitates multiple events across NAIDOC week to celebrate Aboriginal and Torres Strait Islander country and culture. The RCH actively recognise significant religious events from the Muslim, Christian, Buddhist and Jewish calendars; and celebrate the LGBTQIA+ community via active participation in Midsumma Pride March, IDAHOBIT commemorations, and Wear It Purple activities. The hospital honours International Women's Day and the non-binary community with events and opportunities for acknowledgment, recognition, and celebration. The RCH will continue to listen and respond to the needs of diverse communities, both from a patient and employee perspective, with full commitment to creating a safe place for any identity expression.

The RCH appreciates that it can be difficult to speak up about concerns related to equity, inclusion or belonging so in 2022 appointed a dedicated Workplace Mediation and Support Officer to meet this need. This has provided a safe avenue for any RCH team member to confidentially speak up about any concern, be it emotional, psychological, or physical. This approach has enabled many safe outcomes, and where required, has facilitated a multidisciplinary approach to address the complex concerns of cultural safety in our workplace.

The RCH recently piloted unconscious bias training and are developing plans to roll this out across the organisation. Respect@Work training has been implemented for all managers, emphasising the importance of creating safe, inclusive and respectful workplaces, and articulating the management actions needed to support this. The RCH also introduced "I wear a veil" posters for patients and families of Muslim background. This provided an opportunity to create cultural sensitivity, which has benefited not only patients and families, but also the hospital's diverse staff.

Enterprise Agreement implementation

2022–23 was a very busy period for enterprise agreement (EA) implementation, with five new EAs being implemented for Medical Scientists, Mental Health, Senior Medical clinicians, Doctors in Training and Biomedical Engineers, as well as the commencement of the bargaining period for the forthcoming Nurses Agreement.

Throughout 2022–23, the RCH has maintained a continued focus on transparency and trust with workforce and union partners, providing regular and reliable updates on Department of Health directed workforce management changes as they occurred. Frequent and transparent communication on RCH change proposals ensured employees received consistent and reassuring messaging about possible staff impacts.

People and Culture systems

DocuSign implementation

DocuSign was implemented in September 2022 to assist the documentation and processing for new starters at the RCH. Feedback has been very positive with new employees no longer required to print, sign, copy, save and send several different documents to the RCH prior to their commencement. Instead, these are now handled in a secure online platform which has streamlined the collection of data and compliance evidence for new employees.

Workplace Health and Safety

In 2022–23, the Workplace Health and Safety (WHS) team continued to implement measures to support staff's physical and psychological health by focusing on and addressing known and emerging risks to support a safe working environment for RCH staff.

Mental Health First Aid Training

A nationally accredited two-day mental health first aid training course was rolled out in 2022–23. The course equipped staff with practical evidence-based skills and knowledge to support someone experiencing mental ill-health. The RCH trained over 200 Mental Health First Aiders and recruited two additional instructors to facilitate the training, taking our overall total to six instructors to support ongoing training.

Preventative screening

In 2022, the RCH strengthened its partnership with Bupa to provide onsite skin checks, offering over 100 staff with early detection and risk factor education on skin-related issues.

Physical health and fitness

In May 2023, over 100 staff participated in a stationary smoothie bike riding activity to promote the benefits of physical activity and to educate staff on the importance of fruit and vegetable consumption and healthy food choices.

Recognising the importance of physical activity, the RCH engaged a Pilates instructor to facilitate onsite Pilates and stretching classes, focused on educating staff on incidental ways to move and stretch more when undertaking sedentary work.

Fitness Passport hosted onsite information sessions, which saw further growth in membership rates with over 350 staff and their families driven to lead healthier and active lifestyles.

Sleep and fatigue supports

To minimise and manage fatigue-related risks and promoting sleep health, a new partnership was established with Fatigue Management and Sleep Solutions Australia in November 2022 to launch five interactive sleep and fatigue e-learn modules designed to improve sleep and better manage fatigue.

Staff massages

The Melbourne Institute of Massage Therapy and Myotherapy (MIMT) continued to provide monthly onsite massages to staff, offering over 120 remedial massage sessions per month.

Therapy dog visits

The RCH established a new partnership with Miracle Paws in April 2023 to provide monthly onsite therapy dog visits for staff. The aim of this initiative was to generate social connection and joy within teams and help reduce stress following critical incidents.

Wellbeing pause cards

The health and wellbeing of the RCH workforce is one of our highest priorities. After another challenging year in healthcare, a Registered Nurse developed a practical and effective wellbeing card that was distributed to more than 6,000 staff to secure to their ID badges. Designed to remind staff to take a 'wellbeing pause' through the acronym *"STOP"*.

S-top, pause

T-ake a breath

O-bserve your feelings

P-roceed if you're ready

In November 2022, the Australian Nurses and Midwifery Federation (ANMF) formally recognised the wellbeing card.

Healthcare worker wellbeing initiative

The RCH participated in a statewide wellbeing project, the *Wellbeing for Healthcare Workers Initiative*, designed to decrease burnout and increase joy. The project was led by Safer Care Victoria and the Institute for Healthcare Improvement (IHI) to offer new thinking and resources around joy in work and to share principles and techniques that enable the workforce to thrive. The RCH was formally recognised in December 2022 for outstanding contributions to increasing joy and reducing burnout for Phase One of the project. Building on the learnings from Phase 1, the RCH continued to participate in Phase Two of the project in April 2023.

Healthy choices policy directive

In September 2022, the RCH implemented the healthy choices policy directive for beverages, ensuring healthy drinks were available in onsite vending machines for staff and visitors. The RCH was proud to achieve this important initiative led by the Department of Health, Healthy Eating Advisory Service (HEAS).

Employee Assistance Program

The RCH made significant advancements to promote its Employee Assistance Program (EAP) by introducing EAP onsite psychologists offering a suite of services including 1:1 counselling, group facilitated sessions and promotion of wellbeing supports. Through regular weekly visits, employees and teams were able to access the same consultant creating a climate for open dialogue and building an environment of trust.

The following benchmarking data was provided by Converge International for the 2022–23 period:

Annual EAP utilisation rate 2022–23*	
RCH	7.4%
Industry Average (healthcare and social assistance)	4.4%

* Data reduced by 0.5% from the previous year (2021-2022). This is due to the RCH investing in the EAP onsite program, which is not included in the above data. The program saw a maximum of six staff per week, including individual sessions and group sessions.

Staff Mental Health Strategy

The commitment to implementing the *RCH Mental Health Strategy 2021-2023* deliverables continued in 2022–23, focusing on the three pillars: Promotion, Prevention and Support.

Promotion

In October 2022, Samuel Johnson hosted an in person talk at the RCH which focused on mental health promotion and reducing the stigma associated with mental ill-health. He shared his mental health journey with over 450 staff following the death of his sister Connie, who was diagnosed with terminal breast cancer.

The RCH increased staff mental health literacy and promoted mental health supports and initiatives by featuring in the RCH newsletter *Stethoscoop*, distributed monthly to more than 6,000 staff.

Statutory statements (continued)

Prevention

Psychological Risk Assessments

The RCH understands that a proactive approach to mental health results in better outcomes for both staff and the organisation as a whole. A significant focus in 2022 was undertaking Psychological Risk Assessments to identify and address risk factors within high-acuity departments. Eight clinical areas participated in the risk assessment with a range of reasonably practicable control measures implemented.

Schwartz Rounds

Schwartz Rounds offer healthcare workers an opportunity to discuss honestly and openly the social and emotional issues they face in caring for patients and families while also playing a role in reducing the stigma associated with mental ill-health in the workplace. Over 520 staff attended three sessions covering topics including *'An RCH experience I will never forget,' 'Beyond Tired'* and *'Unsung Heroes'* which included panellists from diverse disciplines across the RCH campus.

Support

Early assistance and intervention are critical in preventing mental ill-health conditions. Thanks to the generous support of the RCH Foundation, a new approach to supporting staff was initiated in 2022 following unprecedented demand experienced by healthcare workers. Three mental health clinicians were recruited in June 2023 to offer staff counselling, group debriefing and educational support.

Workplace Wellbeing and Mental Health Advisory Group

To improve communication, share information and promote mental health initiatives across the RCH, a Workplace Wellbeing and Mental Health Advisory Group was established in July 2022. Chaired by the Chief Executive Officer (CEO) and 40 staff from across the campus, the aim of the group is to advise on current and emerging issues, trends and themes relating to mental health and provide a forum for representatives from across the campus to share information, promote and collaborate on mental health initiatives.

Injury Management and WorkCover

The Early Intervention Program continues to be highly effective in reporting and managing staff injuries. For 2022–23, the RCH cared for 131 staff who sustained an injury in the workplace. One-hundred-and-fourteen of these staff elected to receive support under our Early Intervention Program. One-hundred-and-four staff were rehabilitated under the program – a 92.1% success rate for those who elected early intervention.

A total of 17 standard claims were accepted during 2022–23. The number and duration of workers' compensation claims remain low when benchmarked against industry averages. As a result, the RCH is still performing significantly (approximately 58%) better than its peers. The RCH continued to maintain a focus on prevention and support to address the rise in injury and claim numbers throughout 2022–23.

Occupational Health and Safety data

Occupational Health and Safety Statistics	2020-21	2021–22	2022–23
The number of reported hazards/ incidents for the year per 100FTE	7.8	6.4	14.6
The number of 'lost time' standard WorkCover claims for the year per 100FTE	0.16	0.31	0.41
The average cost per WorkCover claim for the year	$102,466	$130,940	$179,117

Staff family violence support

The RCH continued to support and strengthen its family violence support program. In 2022–23, the RCH introduced a new e-learn module – *Workplace Support Training for Leaders* – to provide our leadership team with additional skills to notice the signs, respond sensitively, and provide support to staff experiencing family violence.

Respiratory Protection Program

The RCH broadened its focus in 2022–23 by partnering with the Information Communication team at the RCH to develop a fit testing database and reporting system to enable ready access to staff fit testing compliance data. The Respiratory Protection Program (RPP) team provided fit testing to over 2,500 staff, students, volunteers and contractors in 2022–23.

The RPP team also continued a strong collaborative relationship with Infection Prevention and Control, with the production of educational videos on mask wearing in May 2023.

Smart Move Smart Lift Program

The Smart Move Smart Lift (SMSL) Program is a train-the-trainer model focused on techniques required when handling patients. A total of 31 new trainers were credentialled through the 2022–23 period.

A key focus over the last year has been the development of tailored SMSL training for clinical areas with more unique manual handling hazards, including the Neonatal Intensive Care Unit and the on-ride clinicians. This included the development of SMSL training content and e-learning modules, more specific to the needs of these teams.

Following the introduction of the patient handling sling audit and register in 2022, the Workplace Health and Safety (WHS) team have ensured the ongoing audit of these slings on a biannual basis, improving staff and patient safety.

The WHS team collaborated with the Nursing Education team in 2023 to ensure that all new graduate nursing staff are provided with SMSL training and assessed for competency, complying with the RCH's legislative duties as an employer.

Building manager capability in safety and injury management

Recognising the need to continue to build manager capability, a comprehensive series of workshops was developed to increase knowledge and provide practical skills to effectively manage safety matters in the workplace and increase early intervention and injury management literacy. This has resulted in clearer expectations for roles and responsibilities.

Occupational violence

The prevention and management of occupational violence and aggression (OVA) remains a focus for the RCH. The incidence of OVA continues to be a growing risk at the RCH, with data indicating that OVA is the most reported OHS incident type by staff.

A resolute commitment and focus on addressing this issue resulted in the RCH partnering with Aspex Consulting in October 2022 to develop the RCH OVA Plan, with the aim of improving safety for staff and patients. Following an in-depth literature review and two rounds of extensive organisation-wide consultation with over 150 staff interviewed, the plan was endorsed in March 2023, accompanied by a three year implementation plan.

Occupational violence statistics	2022–23
WorkCover accepted claims with an occupational violence cause per 100 FTE	0.02
Number of accepted WorkCover claims with lost time injury with an occupational violence cause per 1,000,000 hours worked.	0.12
Number of occupational violence incidents reported	133
Number of occupational violence incidents reported per 100 FTE	3.17
Percentage of occupational violence incidents resulting in a staff injury, illness or condition	11.28

Definitions of occupational violence

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

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

Accepted WorkCover claims – accepted WorkCover claims that were lodged in 2022–23.

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.

Statutory statements (continued)

Social Procurement Report

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 to ensure social value benefits and outcomes are a focus for procuring goods and services.

All RCH procurement activities apply the most appropriate SPF objective as relevant to the goods and services being procured at the time. The three prioritised SPF objectives for financial year 2022–23: *Opportunities for Victorians with disability; Supporting safe and fair workplaces; and Environmentally sustainable business practices*, are those which the RCH can directly influence through strategic procurements.

Analysis of the RCH spend profile and activities undertaken in 2022–23 has yielded the following results:

Social Procurement Framework

Reporting period:	2022–23
Aggregate spend	
All suppliers	
Number of suppliers	1824
Total spent with suppliers (ex. GST)	$258,789,444
Social benefit suppliers	
Number of social benefit suppliers	35
Total spent with social benefit suppliers (ex. GST)	$6,028,277
Objective: Opportunities for Victorian Aboriginal people Outcome: Purchasing from Victorian Aboriginal businesses.	
Number of Victorian Aboriginal businesses engaged.	4
Total expenditure with Victorian Aboriginal businesses (ex. GST).	$37,256
Objective: Opportunities for Victorians with disability Outcome: Purchasing from Victorian social enterprises and Australian Disability Enterprises.	
Number of Victorian social enterprises (led by a mission for people with disability) and Australian Disability Enterprises engaged.	9
Total expenditure with Victorian social enterprises (led by a mission for people with disability) and Australian Disability Enterprises engaged (ex. GST).	$291,226
Objective: Opportunities for disadvantaged Victorians Outcome: Purchasing from Victorian social enterprises.	
Number of Victorian social enterprises (led by a social mission for one of the five disadvantaged cohorts) engaged.	22
Total expenditure with Victorian social enterprises (led by a social mission for one of the five disadvantaged cohorts) engaged (ex. GST).	$952,596
Objective: Sustainable Victorian social enterprises and Aboriginal business sectors Outcome: Purchasing from Victorian social enterprises and Aboriginal businesses.	
Number of Victorian social enterprises engaged.	35
Total expenditure with Victorian social enterprises (ex. GST).	$5,700,859

Financial information

	2023 $000	2022 $000	2021 $000	2020 $000	2019 $000
OPERATING RESULT*	501	183	25	8	-20,121
Total revenue	1,132,140	994,687	913,672	873,279	801,581
Total expenses	-1,104,776	-1,009,085	-927,649	-882,377	-827,233
Net result from transactions	27,365	-14,398	-13,977	-9,097	-25,651
Total other economic flows	-6,894	6,139	6,353	-7,873	-14,656
Net result	20,471	-8,260	-7,624	-16,971	-40,307
Total assets	1,716,061	1,588,893	1,600,907	1,606,457	1,625,682
Total liabilities	1,130,468	1,163,071	1,192,469	1,190,395	1,199,871
Net assets/Total equity	585,593	425,822	408,438	416,062	425,812

Reconciliation of Net Result from Transactions and Operating Result	2022–23 ($000)
Operating result	**501**
Capital purpose income	131,217
Specific income	
COVID 19 State Supply Arrangements - Assets received free of charge or for nil consideration under the State Supply	5,791
State supply items consumed up to 30 June 2023	(5,791)
Expenditure for capital purpose	(418)
Depreciation and amortisation	(62,253)
Finance costs (other)	(41,682)
Net result from transactions	**27,365**

Summary of the financial results for the year

In the 2022–23 financial year the RCH delivered an operating surplus of $501 thousand as a result of additional funding to restore the hospital surgical capacity and activity which offset the scaled down funding of the COVID-19 public health response. The RCH has also undertaken two major capital works (additional medical ward and Emergency Department expansions) with the Department of Health's support. The funding for these projects is recorded as capital revenue, totalling $25 million, which contributes to delivering the RCH net surplus from transactions of $27 million.

Significant changes in financial position during the year

In 2022–23, the RCH saw its net asset increase by $160 million, mainly due to revaluation of main hospital buildings in accordance with Financial Reporting Direction (FRD) 103F. The 2023 VGV (Valuer General Victoria) indices used for the annual assessment reflects a significant increase in comparison to prior years. The main hospital building is part of the Public Private Partnership (PPP), where the RCH record the repayment of its financial obligation on behalf of the Department of Health This obligation continues to decline year-on-year as a result of repayment made by the Department of Health.

Significant events occurring after balance date/ subsequent events

On Tuesday 18 July 2023, the RCH Board and The Royal Children's Hospital Foundation Board signed a memorandum of understanding with the intent to develop a Relationship Agreement to clarify the relationship between the RCH and the RCHF Trust No.1 under AASB 10.

Statutory statements (continued)

Consultancies Information

Details of consultancies (under $10,000)

In 2022–23, there was no consultancy where the total fees payable to the consultants were less than $10,000

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

In 2022–23, there were nine consultancies where the total fees payable to the consultant were $10,000 or greater. The total expenditure incurred during 2022–23 in relation to these consultancies is $736,912 (excl. GST). Details of these consultancies can be viewed below.

Consultant	Purpose of consultancy	Start date	End date	Total approved project fee (ex. GST)	Expenditure 2022–23 (ex. GST)	Future expenditure (ex. GST)
Anadrom Pty Ltd	Advisory support to the RCH in delivery of corporate governance review	Jun. 22	Jul. 22	$45,000	$45,000	$0
Anadrom Pty Ltd	Advisory support to the RCH in the delivery of the next strategic plan	Sep. 22	Apr. 23	$97,500	$109,500	$0
Innovative Thinking IT	Asset maturity assessment	Aug. 22	Sep. 22	$178,500	$169,840	$0
Resolve Health Advisory	Metabolic Medicine Department on service plan development	Sep. 22	Nov. 22	$40,000	$40,000	$0
Resolve Health Advisory	Workforce strategy and development	Jul. 22	Sep. 22	$40,000	$40,000	$0
Pricewaterhouse Coopers	Accounting advice on RCHF consolidated financial statements	Dec. 22	Jan. 23	$22,500	$19,380	$0
Logicalis Australia Pty Ltd	Delivery of RCH unified communications strategy	Jul. 22	Oct. 23	$119,332	$35,800	$83,532
Aspex Consulting Pty Ltd	Statewide paediatric services plan	Jun. 23	Feb. 24	$201,857	$151,392	$50,464
NH Architecture	RCH space management plan	Aug. 23	Dec. 23	$90,000	$90,000	$0
Inside Health Management	Review of Quality and Improvement Division	Apr. 23	May. 23	$36,000	$36,000	$0

Information and communication technology expenditure

The total Information and communication technology (ICT) expenditure incurred during 2022–23 is $34.99 million (excluding GST) with the details shown below:

Business as Usual (BAU) ICT expenditure	Non-Business as Usual (non-BAU) ICT expenditure		
Total (excluding GST)	Total=Operational expenditure and Capital Expenditure (excluding GST) (a) + (b)	Operational expenditure (excluding GST) (a)	Capital expenditure (excluding GST) (b)
$32.1 million	**$2.89 million**	$0.02 million	$2.87 million

Statement of priorities

Part A: Strategic priorities

Focus Priorities	2022–23
Keep people healthy and safe in the community: Maintain COVID-19 readiness	
Maintain a robust COVID-19 readiness and response, working with the department, Health Service Partnership and Local Public Health Unit (LPHU) to ensure effective responses to changes in demand and community pandemic orders. This includes, but is not limited to, participation in the COVID-19 Streaming Model, the Health Service Winter Response framework and continued support of the COVID-19 vaccine immunisation program and community testing.	The RCH remained at the forefront of the COVID-19 response in the paediatric space through: • Maintaining operation of the Respiratory Infection Clinic through to January 2023, providing COVID-19 testing and distribution of Rapid Antigen Tests to our community and staff • Participating in the COVID-19 Streaming Model as a Tier 1 site • Participating in and use of the Health Service Winter Response framework as the primary driver for step-up and step-down responses to changing COVID-19 settings • Operation of a COVID-19 Under-fives vaccination hub for our most vulnerable patients and community members • Onsite COVID-19 vaccinations for medically vulnerable patients.
Care closer to home: Delivering more care in the home or virtually	
Increase the provision of home-based or virtual care, where appropriate and preferred, by the patient, including via the Better at Home program.	The RCH Virtual Care team co-designed, implemented and evaluated new models of care including: • a novel home-based monitoring tool to help earlier detection respiratory exacerbations in patients with cystic fibrosis • home-based monitoring of patients with complex asthma to allow asthma nursing staff to care for more patients • automated collection of pre-surgical data reducing nursing administration time • home-based INR monitoring for patients on warfarin reducing risk of transcription error and nursing administrative time • post-operative monitoring of patients following ENT surgery to allow earlier detection of post operative complications. Hospital-in-the-Home has continued to provide hospital-level care to patients in the comfort of their own home, reducing bed pressure in the hospital. HITH has expanded to 61 beds and continues to provide in home care for IV antibiotics, wound dressings, diabetes and eczema education and chemotherapy. New cohorts that have transitioned care from the ward to the home include: • post-operative adenotonsillectomy • eating disorder patients • auto-immune neutropaenia • respiratory illnesses requiring oxygen therapy • respiratory viral illnesses requiring remote monitoring and close observation • odontogenic cellulitis • post operative colo-pelvo-rectal surgery • telehealth, remote monitoring and symptom monitoring through the portal have been used for two new models of care (COVID and bronchiolitis) to enable patients to be managed remotely allowing nursing ratios to scale during peak winter demand.

Focus Priorities	2022–23
Keep improving care: Improve quality and safety of care	
Work with Safer Care Victoria (SCV) in areas of clinical improvement to ensure the Victorian health system is safe and delivers best care, including working together on hospital acquired complications, low value care and targeting preventable harm to ensure that limited resources are optimised without compromising clinical care and outcomes.	• The RCH is working with the new Victorian Paediatric Clinical Network and Safer Care Victoria to identify paediatric specific signals of harm and hospital acquired complications to improve the safety and quality of care delivered to all Victorian children and young people. • The RCH is also contributing to work underway to address the recommendations of Safer Care Victoria's recent state-wide review of paediatric sentinel events to optimise the clinical outcomes and experiences of children, young people, and their families.
Keep improving care: Contribute to a responsive and integrated mental health and wellbeing system	
Continue to transform Area Mental Health and Wellbeing Services that deliver wellbeing supports and are delivered through partnerships between public health services (or public hospitals) and non-government organisations. Develop/refine services that will be provided across aged-based streams: infant, child and youth (0-25). Provide integrated treatment, care and support to people living with mental illness and substance use or addiction. Subject to the passage of the Mental Health and Wellbeing Bill 2022, actively participate in the implementation of new legislative requirements and embed the legislation's rights-based objectives and principles. Work with the department to test ('shadow') and implement activity-based funding models initially for bed-based and adult ambulatory mental health and wellbeing services. Continue towards implementation and routine use of the electronic state-wide mental health and well-being record to underpin best practice mental health care and improve the experience of Victorians with lived experience of mental health as they move between providers.	The RCH has continued to successfully implement its two-year Transformation Program for the RCH Mental Health Service. The transformation program focuses on improving clinical and experience outcomes for the infants, children and young people we help and their families, and through redesign and business process improvements, improving access to care through increased activity and reducing waiting times. Key achievements across 2022–23 include: • the embedding of new disciplines into our community teams to ensure provision of comprehensive assessment and therapy for behavioural, developmental and emotional challenges. This has included family therapists, neuropsychologists, speech pathologists and paediatricians • the recruitment of an additional 40 FTE clinical staff, to assist with reducing waiting times • a significant investment in the learning and development of our clinicians, including in areas of reform recommended by the Royal Commission into Victoria's Mental Health System such as family therapy and working with neurodiverse children and families • preparing for the age-based transition of our community teams with the Royal Melbourne Hospital and Orygen Specialist Program (from 28 November 2023, our community teams will focus on 0-11 year olds) • implement a newly funded integration role for young people with Alcohol and Other Drug issues and partnering with The Hamilton Centre for co-occurring mental health and substance use conditions and Orygen Specialist Program • preparations for the successful implementation of the new Mental Health and Wellbeing Act, including onboarding a dedicated Project Lead • participation in Mental Health Funding Reform Sector Implementation Group and development of the new Mental Health and Wellbeing Client Management System • numerous improvements to the service's use of the Electronic Medical Record to improve efficiency and accuracy and increase direct clinical activity.

Statement of priorities (continued)

Strategic priorities (continued)

Focus Priorities	2022–23
Keep improving care: Improve Emergency Department access	
Improve access to emergency services by implementing strategies to reduce bed access blockage to facilitate improved whole of system flow, reduce emergency department four-hour wait times, and improve ambulance to health service handover times.	Key achievements across 2022–23 include: • transitioned patient flow in the Emergency Department (ED) back to pre-COVID workflows • created a new role (Access and Flow Operations Director) to drive all associated improvement work • commenced the redevelopment of the ED to add 20 new treatment spaces • opened a new 5th floor ward with an initial 16 extra inpatient beds (currently extra 16 beds are open) • began work to improve both the usefulness and use of Criteria Led Discharge from the inpatient wards • developing data dashboards to enable patient flow data to be visible at a ward and medical team level.
Keep improving care: Pathology reform	
Progress with forming shared public pathology entities as Companies Limited by Guarantee under Joint Venture Agreements that will meet the statutory obligations of the Public Administration Act 2004. Implement the new integrated Laboratory Information Systems and participate in the adoption of a Health Information Exchange as a priority for the newly formed pathology entity over the next four years.	Key achievements across 2022–23 include: • committees are established and meeting regularly to progress establishment of pathology network • due diligence work is progressing • the laboratory Information System procurement project is progressing according to its timeline, currently in Phase 3 of tender.
Keep improving care: Plan update to nutrition and food quality standards	
Develop a plan to implement nutrition and quality of food standards in 2022–23, implemented by December of 2023.	The RCH is currently working towards implementing the 'Nutrition and quality food standards for paediatric patients in Victorian hospitals'. Key achievements across 2022–23 include: • we have completed a gap analysis against the 'paediatric standards' and are working towards meeting any identified gaps • we are in the of process of introducing a new menu, which is compliant with the 'paediatric standards', and which has been informed by consumer and staff feedback • the new menu will be introduced over two months during October and November 2023 • menu and service review is an iterative process and an important aspect of continuous quality improvement • the RCH will seek regular feedback and make adjustments accordingly.

Focus Priorities	2022–23
Keep improving care: Climate change commitments	
Contribute to enhancing health system resilience by improving the environmental sustainability, including identifying and implementing projects and/or processes that will contribute to committed emissions reduction targets through reducing or avoiding carbon emissions and/or implementing initiatives that will help the health system to adapt to the impacts of climate change.	The RCH continues to take serious steps in enhancing our resilience and improving the environmental sustainability and climate change adaptation by: • launching a Board approved 'Sustainability Plan 2023-25' in June 2023 • taking a campus wide approach to improving environmental sustainability that covers all ten priority areas of the Global Green and Health Hospitals (GGHH) Network • recruiting for a Sustainability Officer role to focus on delivery of campus- wide sustainability initiatives • being an active member of the Global Green and Health Hospitals (GGHH) Network • actively engaging with key stakeholders across Australia and New Zealand in relation to the National Climate and Health Strategy submission • making significant commitment in Environmentally Sustainable Design (ESD) as related to infrastructure works and operations.
Keep improving care: Asset maintenance and management	
Improve health service and Department Asset Management Accountability Framework (AMAF) compliance by collaborating with Health Infrastructure to develop policy and processes to review the effectiveness of asset maintenance and its impact on service delivery.	The RCH continues to drive improvements in asset maintenance and management by: • undertaking an independent detailed review of our asset management maturity and a gap analysis in relation to our compliance with Asset Management Accountability Framework (AMAF) • preparing a multi-year 'Asset Management Improvement Plan' to be implemented in order to bridge the gap and achieve full compliance with AMAF • 'Asset Management Improvement Plan' to include for improved asset management governance and documentation, including steering committee, policy and strategy document and guidelines for asset management activities at the RCH • working closely with PPP partners and other stakeholders to optimise asset maintenance programs and whole of life asset management to ensure assets continue to deliver at the agreed levels of service.

Statement of priorities (continued)

Strategic priorities (continued)

Focus Priorities	2022–23
Improve Aboriginal health and wellbeing: Improve Aboriginal cultural safety	
Strengthen commitments to Aboriginal Victorians by addressing the gap in health outcomes by delivering culturally safe and responsive health care. Establish meaningful partnerships with Aboriginal Community-Controlled Health Organisations. Implement strategies and processes to actively increase Aboriginal employment. Improve patient identification of Aboriginal people presenting for health care, and to address variances in health care and provide equitable access to culturally safe care pathways and environments. Develop discharge plans for every Aboriginal patient.	• The RCH submitted an annual Aboriginal Cultural Safety Plan in October 2021 to meet the requirements of the Aboriginal cultural safety fixed grant. The plan addresses detailed actions across eight cultural safety domains, including Aboriginal health staffing, strengthening partnerships with local Aboriginal communities and the delivery of cultural safety training. The majority of the actions are delivered through self-determination of the RCH's Aboriginal staff. • The Wadja Aboriginal Family Place has four dedicated Aboriginal case management positions in addition to two sessional paediatricians, a paediatric fellow, a clinical lead, and an administrative role. This makes our service among the most well-resourced Aboriginal health units in any paediatric hospital in Australia. Additionally, the RCH has two qualified mental health team members of First Nations' heritage responding to priorities of culturally informed care and guidance. • RCH has an active Aboriginal Advisory Committee which meets quarterly. Membership includes RCH staff, staff from the Parkville Precinct, Aboriginal Community Controlled Organisations such as Victorian Aboriginal Health Service, Victorian Aboriginal Childcare Agency, and community members. The Committee is chaired by the RCH CEO (Executive Sponsor) and co-chaired by the Wadja Manager, ensuring the RCH provides culturally safe, equitable, responsive healthcare to achieve optimal health outcomes for Aboriginal and Torres Strait Islander children and their families.
Moving from competition to collaboration: Foster and develop local partnerships	
Strengthen cross-service collaboration, including through active participation in health service partnerships (HSP). Work together with other HSP members on strategic system priorities where there are opportunities to achieve better and more consistent outcomes through collaboration, including the pandemic response, elective surgery recovery and reform, implementation of the Better at Home program and mental health reform.	• The Royal Children's Hospital continues to collaborate with our HSP health services across a number of initiatives. In 2022–23 we commenced a joint surgical service with Werribee Mercy and participated in a joint population health project with the North Western Melbourne PHN to identify key population health needs of the children in our catchment. We continue to work together on other joint initiatives around Better at Home and mental health reform. • The Royal Children's Hospital has also initiated the establishment of the new Paediatric Clinical Network in partnership with all other paediatric hospitals across Victoria. This has resulted in the appointment of a paediatric clinical lead and project manager based at RCH. The Network will work with RCH during 2023–24 on the development of a statewide paediatric plan.

Focus Priorities	2022–23
Moving from competition to collaboration: Planned surgery recovery and reform program	
Maintain commitment to deliver goals and objectives of the Planned Surgery Recovery and Reform Program, including initiatives as outlined, agreed and funded through the HSP workplan. Health services are expected to work closely with HSP members and the department throughout the implementation of this strategy, and to collaboratively develop and implement future reform initiatives to improve the long term sustainability of safe and high quality planned surgical services to Victorians.	• In November 2022, the RCH returned to our pre-COVID theatre sessions within the theatre grid. In March 2023, we launched new initiatives including "Filling the grid", where AM/PM lists were merged with all day lists. Greater utilisation of theatre 14 created on average eight additional sessions per week to address the backlog of our planned surgery waiting lists. These are being captured as "COVREC" sessions, which can then be recorded as additional activity when reporting to the Department of Health. A trial of twilights lists commenced in June 2023, where single sessions run from 1730-2130 on a Wednesday and Thursday evening with low acuity and high turnover patient criteria. A review is currently underway on the use of these twilight sessions as they have not been yielding the expected increase in activity compared to the expenditure to facilitate. • The RCH monthly reports to the Department of Health show a 44% reduction in the longest waiting surgery patients, and we are aspiring to a target of 80%. Two hundred and nineteen patients out of 491 have had their treatment or been removed from the list, with the remaining 272 patients contacted by our patient support unit and currently being optimised for theatre. • A surgical partnership was created between the RCH and Werribee Mercy Health in February 2023. Urology patients are screened for certain criteria which have been agreed upon by both health services. Two half day theatre sessions followed by an afternoon outpatient's department sessions, in a four week cycle, allows for timely follow up and promotes care closer to home within the Wyndham area. These patients are removed from the RCH waitlist and transferred to Werribee but are operated on by an RCH surgeon. • The purpose-built rapid access hub at Werribee Mercy Health was completed in February 2023, and an agreed set of patient criteria was established between health services, allowing the RCH to commence activity from March 2023. These patients remain on the RCH waitlist but are operated on by an RCH proceduralist in Werribee. Patient criteria has broadened as processes have been established and confidence has grown with the clinical groups at both hospitals. • Public in private arrangement with St Vincent's commences in August 2023, with funding secured for 150 orthopaedic patients until 30 June 2024. Due diligence and consultation with other public health services was undertaken to ensure our exposure to risk was minimised. • Priority 3 set by the Department of Health focuses on reducing length of stay and re-admission rates. We have converted low risk tonsillectomy and adenoidectomy patients to same day surgery, utilising hospital in the home to reduce bed days and ultimately wait time for surgery. Our aim is for this approach to become a statewide model, enabling local hospitals to treat patients closer to home. A review of best practice provided an update to the clinical practice guideline for length of stay in day of surgery, which improves access and flow. • The establishment of the patient support unit (PSU) has created a focus on optimising our longest waiting patients and treating overdue category 2 and 3 patients. It has provided on the ground rapid assessment and prioritisation of patients on the planned surgery waitlist. The main function of the PSU is to facilitate communication with our consumers who are waiting for surgery and ensure they have timely access to the right treatment at the right place. High risk patient groups such as our Indigenous communities, culturally and linguistically diverse populations and disabilities groups are all part of the PSU monthly audit schedule. A comprehensive audit schedule of the RCH waitlist identifies clinical deterioration, allows measures to be put in place to prepare patients better for surgery, to adjust their category if necessary and allows for the opportunity to explore transition of care to adult health services.

Statement of priorities (continued)

Strategic priorities (continued)

Focus Priorities	2022–23
Moving from competition to collaboration: Support mental health and wellbeing	
Support the implementation of recommendations arising from the Royal Commission into Victoria's Mental Health System, by improving compliance with legislative principles supporting self-determination and self-directed care. Embed consumer, family, carer and supporter lived experience at all levels, in leadership, governance, service design, delivery, and improvement. Work towards treatment, care and support being person-centred, rights-based, trauma informed, and recovery orientated, respecting the human rights and dignity of consumers, families, carers and supporters.	During 2022–23, there has been a focus on embedding people with a lived experience into the RCH Mental Health Service. This includes the introduction of seven Family Peer Support Workers into our community teams and inpatient ward. Family Peer Support Workers are staff members with a lived experience of caring for a child with a mental health challenge and work directly with families via a strengths-based approach. Early feedback from families who have worked with a Family Peer Support Worker has been very positive and these new staff members are now fully embedded into service delivery. A Lived Experience Strategy for the RCH Mental Health Service has been developed and a Lived Experience Lead (Survivor/Consumer Perspective) onboarded. A suite of lived experience-led projects have been completed or are underway across the service. There has also been a focus on developing models of care to guide contemporary clinical practice, including for Banksia (16 bed acute mental health inpatient ward) and inpatient services for young people with an eating disorder. Both of these models of care have been lived-experience informed.

Focus Priorities	2022–23
A stronger workforce: Improve workforce wellbeing	
Participate in the Occupational Violence and Aggression (OVA) training that will be implemented across the sector in 2022–23. Support the implementation of the Strengthening Hospital Responses to Family Violence (SHRFV) initiative deliverables including health service alignment to MARAM, the Family Violence Multi-Agency Risk Assessment and Management framework. Prioritise wellbeing of healthcare workers and implement local strategies to address key issues.	• A resolute commitment and focus on addressing this issue resulted in the RCH partnering with Aspex Consulting in October 2022 to develop the RCH OVA Plan, with the aim of improving safety for staff and patients. Following an in-depth literature review and two rounds of extensive organisation-wide consultation with over 150 staff interviewed, the plan was endorsed in March 2023, accompanied by a three-year implementation plan. • The RCH has nine trained Family Violence Contact Officers who provide confidential and impartial support to staff who experience family violence. • In 2022–23, the RCH introduced a new e-learn module – *Workplace Support Training for Leaders* – to provide the leadership team with additional skills to notice the signs, respond sensitively, and provide support to staff experiencing family violence. • The commitment to implementing the *RCH Mental Health Strategy 2021-2023* deliverables continued in 2022–23, focusing on the three pillars: Promotion, Prevention, and Support. • A nationally accredited two-day mental health first aid training course was rolled out in 2022–23. The course equipped staff with practical evidence-based skills and knowledge to support someone experiencing mental ill-health. • The RCH trained over 200 Mental Health First Aiders and recruited two additional instructors to facilitate the training, taking our overall total to six instructors to support future ongoing training.

Statement of priorities (continued)

Part B: Performance priorities

High Quality and Safe Care

Key performance measure	Target	Result
Infection prevention and control		
Compliance with the Hand Hygiene Australia program	85%	82.17%
Percentage of healthcare workers immunised for influenza	92%	95%
Patient experience		
Victorian Healthcare Experience Survey – percentage of positive patient experience responses	95%	95.4%
Percentage of families/carers reporting a positive experience of the service	80%	60%
Percentage of families/carers who report they were 'always' or 'usually' felt their opinions as a carer were respected	90%	81.0% (respected)
Healthcare associated infections (HAI's)		
Rate of surgical site infections for selected procedures	No outliers	No outliers
Rate of central line (catheter) associated blood stream infections (CLABSI) in intensive care units, per 1,000 central line days	Nil	1.15%
Rate of patients with healthcare-associated Staphylococcus aureus bacteraemia (SAB) infections per 10,000 bed days	≤ 0.7	1.675
Mental health		
Percentage of closed community cases re-referred within six months: CAMHS	< 25%	37%
Rate of seclusion events relating to a child and adolescent acute mental health admission per 1,000 occupied bed days	≤ 10	20
Percentage of child and adolescent acute mental health inpatients who have a post-discharge follow-up within seven days	88%	75.5%
Percentage of child and adolescent acute mental health inpatients who are readmitted within 28 days of discharge	<14%	24%

Strong governance, leadership and culture

Results from the People Matter Survey conducted in mid-2022 with results published in August 2023

Key performance measure	Target	Result
Organisational culture		
People Matter Survey – percentage of staff with an overall positive response to safety culture survey questions	62%	75%

Timely access to care

Key performance measure	Target	YTD
Emergency care		
Percentage of patients transferred from ambulance to emergency department within 40 minutes	90%	96%
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%	62%
Percentage of emergency patients with a length of stay in the emergency department of less than four hours	81%	61%
Number of patients with a length of stay in the emergency department greater than 24 hours	0	10
Mental health		
Percentage of 'crisis' (category 'C') mental health triage episodes with a face-to-face contact received within eight hours	80%	94%
Percentage of mental health-related emergency department presentations with a length of stay of less than four hours	81%	52%
Elective surgery		
Number of patients on the elective surgery waiting list as at 30 June 2023	5,100	4,858
Number of patients admitted from the elective surgery waiting list	8,178	7,135
Number of patients (in addition to base) admitted from the elective surgery waiting list	2,063	<0>
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%	55%
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	45.5%
Number of hospital-initiated postponements per 100 scheduled elective surgery admissions	≤ 7	6.89
Specialist clinics		
Percentage of urgent patients referred by a GP or external specialist who attended a first appointment within 30 days	100%	81%
Percentage of routine patients referred by GP or external specialist who attended a first appointment within 365 days	90%	77%

Statement of priorities (continued)

Performance priorities *(continued)*

Effective financial management

Key performance measure	Target	Result
Operating result ($m)	$0.00	$0.50
Average number of days to pay trade creditors	60 days	34 days
Average number of days to receive patient fee debtors	60 days	39 days
Adjusted current asset ratio	0.7 or 3% improvement from health service base target	0.77
Actual number of days available cash, measured on the last day of each month	14 days	9.6 days
Variance between forecast and actual Net result from transactions (NRFT) for the current financial year ending 30 June	Variance ≤ $250,000	61.37

Part C: Performance outcomes

Funding type	2022–23 Activity Achievement	2022–23 Activity
Consolidated Activity Funding		
Acute admitted, subacute admitted, emergency services, non-admitted NWAU	87,328	90,151
Acute Admitted		
Acute admitted TAC	667	380
Acute Non-Admitted		
Genetic services	306	2,476
Home Enteral Nutrition NWAU	526	489
Home Renal Dialysis NWAU	116	90
Specialist Clinics	123,634	
Total Parenteral Nutrition NWAU	313	313
Subacute/Non-Acute, Admitted and Non-admitted		
Subacute Non-Admitted Other	26,230	
Mental Health and Drug Services		
Mental Health Ambulatory	47,528	44,209
Mental Health Inpatient – available bed days	5,605 *Beds were closed to allow for novel care for a specific young person and in the course of this treatment we were able to deliver a range of capital improvements and repairs.	6,209
Mental Health Service System Capacity	1	1
Primary Health		
Community Health/Primary Care Programs	2,516	1,988
Other		
NFC – Paediatric Heart no VAD	4	5
NFC – Paediatric Heart VAD	9	9
NFC – Transplants – Paediatric Liver	11	6

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 2023.

Dr Rowena Coutts
Board Chair
The Royal Children's Hospital
28 August 2023

Financial Management Compliance Attestation

I, Dr Rowena Coutts, 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.

Dr Rowena Coutts
Board Chair
The Royal Children's Hospital
28 August 2023

Data Integrity Declaration

I, Bernadette McDonald, certify that The Royal Children's Hospital has put in 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.

Bernadette McDonald
Chief Executive Officer
The Royal Children's Hospital
28 August 2023

Conflict of Interest Declaration

I, Bernadette McDonald, 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.

Bernadette McDonald
Chief Executive Officer
The Royal Children's Hospital
28 August 2023

Integrity, Fraud and Corruption Declaration

I, Bernadette McDonald, certify that The Royal Children's Hospital, has put in 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.

Bernadette McDonald
Chief Executive Officer
The Royal Children's Hospital
28 August 2023

Compliance with Health Share Victoria (HSV) Purchasing Policies

I, Bernadette McDonald, certify that The Royal Children's Hospital, has put in place appropriate internal controls and processes to ensure that it has materially complied with all requirements set out in the HSV Purchasing Policies including mandatory HSV collective agreements as required by the Health Services Act 1988 (Vic) and has critically reviewed these controls and processes during the year.

Bernadette McDonald
Chief Executive Officer
The Royal Children's Hospital
28 August 2023

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.

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Financial statements

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 2023 and the financial position of The Royal Children's Hospital and the Consolidated Entity at 30 June 2023.

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.

Dr Rowena Coutts
Chair
The Royal Children's Hospital
Melbourne
28 August 2023

Bernadette McDonald
Chief Executive Officer
The Royal Children's Hospital
Melbourne
28 August 2023

Andrew Gay
Chief Financial Officer
The Royal Children's Hospital
Melbourne
28 August 2023

Independent Auditor's Report

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 2023
- 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 2023 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.

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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
4 September 2023

Dominika Ryan
as delegate for the Auditor-General of Victoria

The Royal Children's Hospital
Financial statements table of contents

The Royal Children's Hospital
Comprehensive operating statement

For the financial year ended 30 June 2023

	Note	Parent entity 2023 $'000	Parent entity 2022 $'000	Consolidated 2023 $'000	Consolidated 2022 $'000
Revenue and income from transactions					
Operating activities	2.1	1,128,858	994,389	1,130,574	989,344
Non-operating activities	2.1	3,282	298	3,657	313
Total revenue and income from transactions		**1,132,140**	**994,687**	**1,134,231**	**989,657**
Expenses from transactions					
Employee expenses	3.1	(697,993)	(633,816)	(700,151)	(637,029)
Supplies and consumables	3.1	(137,738)	(114,191)	(137,738)	(114,191)
Public/private partnership operating expenses	3.1	(73,920)	(68,791)	(73,920)	(68,791)
Finance costs	3.1	(41,583)	(43,591)	(41,579)	(43,584)
Other operating expenses	3.1	(91,289)	(87,466)	(93,076)	(89,898)
Depreciation and amortisation	3.1	(62,253)	(61,230)	(62,583)	(61,352)
Total expenses from transactions		**(1,104,776)**	**(1,009,085)**	**(1,109,048)**	**(1,014,845)**
NET RESULT FROM TRANSACTIONS		**27,365**	**(14,398)**	**25,183**	**(25,188)**
Other economic flows included in net result					
Net gain/(loss) on non-financial assets	3.2	(2,146)	(319)	(2,146)	(319)
Net gain/(loss) on financial instruments	3.2	(643)	(95)	7,649	(5,275)
Other gains/(losses) from other economic flows	3.2	(4,105)	6,553	(4,105)	6,553
Total other economic flows included in net result		**(6,894)**	**6,139**	**1,398**	**959**
NET RESULT FOR THE YEAR		**20,471**	**(8,260)**	**26,581**	**(24,230)**
Other comprehensive income					
Items that will not be reclassified to net result					
Changes in property, plant and equipment revaluation surplus	4.2 (e)	139,299	25,645	139,509	25,786
Total other comprehensive income		**139,299**	**25,645**	**139,509**	**25,786**
COMPREHENSIVE RESULT FOR THE YEAR		**159,770**	**17,385**	**166,090**	**1,556**

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

The Royal Children's Hospital
Balance sheet

As at 30 June 2023

	Note	Parent entity 2023 $'000	Parent entity 2022 $'000	Consolidated 2023 $'000	Consolidated 2022 $'000
ASSETS					
Current assets					
Cash and cash equivalents	6.2	82,801	82,820	90,823	91,443
Receivables	5.1	35,295	29,517	34,073	30,210
Other financial assets	4.1	-	-	108,166	98,681
Inventories		2,733	3,425	2,770	3,463
Prepayments		5,818	4,980	5,901	5,164
Total current assets		**126,647**	**120,742**	**241,732**	**228,962**
Non-current assets					
Receivables	5.1	52,720	43,615	52,720	43,615
Property, plant and equipment	4.2	1,496,717	1,376,287	1,501,796	1,381,323
Intangible assets	4.3	30,942	39,215	31,240	39,610
Investment properties	4.5	9,034	9,034	10,871	10,871
Total non-current assets		**1,589,413**	**1,468,151**	**1,596,627**	**1,475,420**
TOTAL ASSETS		**1,716,061**	**1,588,893**	**1,838,359**	**1,704,381**
LIABILITIES					
Current liabilities					
Payables and contract liabilities	5.2	70,201	77,891	75,979	84,196
Employee benefits	3.3	190,353	161,400	190,393	161,432
Borrowings	6.1	44,748	42,744	44,748	42,744
Other current liabilities	5.3	20,504	24,857	16,987	20,496
Total current liabilities		**325,807**	**306,893**	**328,107**	**308,868**
Non-current liabilities					
Employee benefits	3.3	17,180	23,202	17,216	23,217
Borrowings	6.1	787,219	832,365	787,116	832,117
Other non-current liabilities	5.3	262	611	262	611
Total non-current liabilities		**804,660**	**856,178**	**804,594**	**855,944**
TOTAL LIABILITIES		**1,130,468**	**1,163,071**	**1,132,701**	**1,164,813**
NET ASSETS		**585,593**	**425,823**	**705,659**	**539,569**
EQUITY					
Property, plant and equipment revaluation surplus	4.2 (f)	738,730	599,431	743,540	604,031
Restricted specific purpose surplus		29,363	28,017	72,291	69,990
Contributed capital		91,314	91,314	91,314	91,314
Accumulated deficit		(273,814)	(292,939)	(201,486)	(225,766)
TOTAL EQUITY		**585,593**	**425,823**	**705,659**	**539,569**

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

The Royal Children's Hospital
Statement of changes in equity

For the financial year ended 30 June 2023

Consolidated	Property, plant and equipment revaluation surplus	Restricted specific purpose surplus	Contributed capital	Accumulated surpluses/ (deficits)	Total
	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2021	**578,245**	**67,039**	**91,314**	**(198,586)**	**538,012**
Net result for the year	-	-	-	(24,230)	(24,230)
Other comprehensive income for the year	25,786	-	-	-	25,786
Transfer to accumulated surplus/(deficit)	-	2,951	-	(2,951)	-
Balance at 30 June 2022	**604,031**	**69,990**	**91,314**	**(225,766)**	**539,569**
Net result for the year	-	-	-	26,581	26,581
Other comprehensive income for the year	139,509	-	-	-	139,509
Transfer to accumulated surplus/(deficit)	-	2,301	-	(2,301)	-
Balance at 30 June 2023	**743,540**	**72,291**	**91,314**	**(201,486)**	**705,659**

Parent	Property, plant and equipment revaluation surplus	Restricted specific purpose surplus	Contributed capital	Accumulated surpluses/ (deficits)	Total
	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2021	**573,786**	**25,066**	**91,314**	**(281,729)**	**408,438**
Net result for the year	-	-	-	(8,260)	(8,260)
Other comprehensive income for the year	25,645	-	-	-	25,645
Transfer to accumulated surplus/(deficit)	-	2,951	-	(2,951)	-
Balance at 30 June 2022	**599,431**	**28,017**	**91,314**	**(292,939)**	**425,823**
Net result for the year	-	-	-	20,471	20,471
Other comprehensive income for the year	139,299	-	-	-	139,299
Transfer to accumulated surplus/(deficit)	-	1,346	-	(1,346)	-
Balance at 30 June 2023	**738,730**	**29,363**	**91,314**	**(273,814)**	**585,593**

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

The Royal Children's Hospital
Cash flow statement

For the financial year ended 30 June 2023

	Note	Parent entity 2023 $'000	Parent entity 2022 $'000	Consolidated 2023 $'000	Consolidated 2022 $'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Operating grants from government		736,482	668,332	737,422	669,304
Capital grants from government		6,228	3,332	6,228	3,332
Patient fees received		26,484	24,965	26,484	24,965
Private practice fees received		26,791	24,041	26,791	24,041
Donations and bequests received		38,803	39,695	40,941	40,065
GST received from ATO		10,463	8,578	10,493	8,576
Interest and dividends received		3,282	298	7,606	970
Salaries and wages recovered from external parties		15,313	17,735	15,313	17,735
Non-salary expenses recovered from external parties		23,417	25,364	23,417	25,364
Car park receipts		10,783	9,290	10,783	9,290
Other receipts		20,542	26,373	18,823	21,349
Total receipts		**918,587**	**848,003**	**924,301**	**844,991**
Employee expenses paid		(678,833)	(614,596)	(680,946)	(617,631)
Fee for service medical officers		(3,206)	(2,655)	(3,206)	(2,655)
Payments for supplies and consumables		(127,785)	(114,389)	(128,343)	(125,450)
Finance cost		(1,116)	(1,170)	(1,116)	(1,170)
GST paid to ATO		(3,186)	(3,659)	(3,186)	(3,659)
Cash outflow for leases		(964)	(1,135)	(964)	(1,135)
Payments for gas and electricity		(6,449)	(6,197)	(6,463)	(6,209)
Payment for medical indemnity insurance		(7,093)	(7,110)	(7,093)	(7,110)
Other payments		(78,264)	(73,841)	(79,989)	(76,384)
Total payments		**(906,895)**	**(824,752)**	**(911,305)**	**(841,403)**
NET CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES	8.1	**11,692**	**23,251**	**12,996**	**3,587**
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for non-financial assets		(13,668)	(10,404)	(13,588)	(10,321)
Capital donations and bequests received		3,054	2,869	2,263	582
Proceeds from sale of non-financial assets		24	13	24	13
Purchase of investments		-	-	(36,000)	-
Proceeds from disposal of investments		-	-	34,807	4,859
NET CASH FLOW FROM/(USED IN) INVESTING ACTIVITIES		**(10,590)**	**(7,522)**	**(12,494)**	**(4,867)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of borrowings		(1,121)	(1,067)	(1,121)	(1,067)
NET CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES		**(1,121)**	**(1,067)**	**(1,121)**	**(1,067)**
Net increase/(decrease) in cash and cash equivalents held		(19)	14,662	(620)	(2,347)
Cash and cash equivalents at the beginning of financial year		82,820	68,159	91,443	93,791
CASH AND CASH EQUIVALENTS AT THE END OF FINANCIAL YEAR	6.2	**82,801**	**82,820**	**90,823**	**91,443**

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

Notes to the Financial Statements

30 June 2023

Note 1: Basis of preparation

Structure

These annual financial statements represent the audited general purpose financial statements for The Royal Children's Hospital (the RCH) and its controlled entity for the financial year ended 30 June 2023. The purpose of the report is to provide users with information about the RCH's stewardship of resources entrusted to it.

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

Note 1.1: Basis of preparation of the financial statements

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

The financial statements also comply with relevant Financial Reporting Directions (FRDs) issued by the Department of Treasury and Finance, 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 Australian Accounting Standards. Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Apart from any changes in accounting policies, standards and interpretations noted below, material accounting policies adopted in the preparation of these financial statements are the same as those adopted in the previous period.

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

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

The financial statements have been prepared on a going concern basis (refer to note 8.10).

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

The financial statements were authorised for issue by the Board of the RCH on 28 August 2023.

Note 1.2: Impact of COVID-19 pandemic

The Pandemic (Public Safety) Order 2022 (No. 5) which commenced on 22 September 2022 ended on 12 October 2022 when it was allowed to lapse and was revoked. Long-term outcomes from COVID-19 infection are currently unknown and while the pandemic response continues, a transition plan towards recovery and reform in 2022/23 was implemented. Victoria's COVID-19 Catch-Up Plan is aimed at addressing Victoria's COVID-19 case load and restoring surgical activity.

Where financial impacts of the pandemic are material to RCH, they are disclosed in the explanatory notes. For RCH, this includes:

- Note 2: Funding delivery of our services
- Note 3: Cost of delivering our services

Note 1.3: Abbreviations and terminology used in the financial statements

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

Reference	Title
AASB	Australian Accounting Standards Board
AASs	Australian Accounting Standards, which include interpretations
DH	Department of Health
DTF	Department of Treasury and Finance
FMA	Financial Management Act 1994
FRD	Financial Reporting Direction
NFC	Nationally Funded Centre
NWAU	National Weighted Activity Unit
RCH	Royal Children's Hospital
SD	Standing Direction
VAGO	Victorian Auditor-General's Office

Note 1.4: Reporting entity

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

The RCH 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.

Note 1.5: Principles of consolidation

The financial statements include the assets and liabilities of the RCH and its controlled entities as a whole at the end of the financial year and the consolidated results and cash flows for the year.

The RCH controls the Royal Children's Hospital Foundation.

Details of the controlled entity are set out in note 8.6.

The transactions and balances of the parent entity is not disclosed separately in the notes to the financial statements.

An entity is considered to be a controlled entity where the RCH has the power to govern the financial and operating policies of an organisation so as to obtain benefits from its activities. The Royal Children's Hospital 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.

The RCH consolidates the results of its controlled entities from the date on which the health service gains control until the date the health service ceases to have control. Where dissimilar accounting policies are adopted by entities and their effect is considered material, adjustments are made to ensure consistent policies are adopted in these financial statements.

Transactions between segments of the consolidated entity and their related balances have been eliminated to reflect the extent of the RCH's operations as a group.

Note 1.6: 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.

Details of joint operations are set out in note 8.7.

Note 1.7: Key accounting estimates and judgements

Management make estimates and judgements when preparing the financial statements.

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

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

The accounting policies and significant management judgements and estimates used, and any changes thereto, are identified at the beginning of each section where applicable and relate to the following disclosures

- Note 2.1 Income from transactions
- Note 3.3: Employee benefits and related on-costs
- Note 4.2: Property, plant and equipment
- Note 4.3: Intangible assets
- Note 4.4: Depreciation and amortisation
- Note 4.5: Investment property
- Note 5.1: Receivables
- Note 5.2: Payables and contract liabilities
- Note 5.3: Other liabilities
- Note 6.1(b): Lease liabilities
- Note 6.1(c): PPP lease liabilities
- Note 7.4: Fair value determination

Note 1.8: Goods and Services Tax (GST)

Income, expenses, assets and liabilities 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.

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

COVID-19 impact

Revenue and income recognised to fund the delivery of our services decreased during the financial year which was attributable to the COVID-19 Coronavirus pandemic and scaling down of the COVID-19 public health response during the year ended 30 June 2023.

Key judgements and estimates

Key judgements and estimates	Description
Identifying performance obligations	The RCH applies significant judgement when reviewing the terms and conditions of funding agreements and contracts to determine whether they contain sufficiently specific and enforceable performance obligations. If this criterion is met, the contract or funding agreement is treated as a contract with a customer, requiring the RCH to recognise revenue as or when it transfers promised goods or services to beneficiaries
Determining timing of revenue recognition	The RCH applies significant judgement to determine when a performance obligation has been satisfied and the transaction price that is to be allocated to each performance obligation. A performance obligation is either satisfied at a point in time or over a period of time.
Determining timing of capital grant income recognition	The RCH applies significant judgement to determine when its obligation to construct or acquire an asset is satisfied. Costs incurred is used to measure the RCH's progress as this is deemed to be the most accurate reflection of the stage of completion.
Assets and services received free of charge or for nominal consideration	The RCH applies significant judgement to determine the fair value of assets and services provided free of charge or for nominal

Note 2.1: Income from transactions

(a) Income from transactions

	Consolidated 2023 $'000	Consolidated 2022 $'000
Operating activities		
Revenue from contracts with customers		
Government grants (State) - operating	428,854	359,845
Government grants (Commonwealth) - operating	64,003	46,386
Patient fees	30,024	25,393
Private practice fees	27,678	24,592
Pathology - recoveries for shared services	7,664	7,468
Commercial activities	14,739	12,511
Salary and wages recoveries	17,901	8,529
Other revenue from operating activities	32,593	38,871
Total revenue from contracts with customers	**623,457**	**523,594**
Other sources of income		
Government grants (State) - operating	342,105	336,750
Government grants (State) - capital	116,009	83,977
Donations and bequests	40,747	36,927
Capital donations	2,263	582
Assets received free of charge	5,995	7,514
Total other sources of income	**507,118**	**465,749**
Total revenue and income from operating activities	**1,130,574**	**989,344**
Interest revenue	3,657	313
Total income from non-operating activities	**3,657**	**313**
Total revenue and income from transactions	**1,134,231**	**989,657**

Where patient fees, private practice fees or donations are used to support a business unit of the hospital, the revenue or income is shown in those lines, not commercial activities.

Revenue recognition

Government operating grants

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

When both these conditions are satisfied, the health service:

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

If a contract liability is recognised, the RCH recognises revenue in profit or loss as and when it satisfies its obligations under the contract, unless a contract modification is entered into between all parties. A contract modification may be obtained in writing, by oral agreement or implied by a customary business practice.

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

- recognises the asset received in accordance with the recognition requirements of other applicable Accounting Standards (for example, AASB 9, AASB 16, AASB 116 and AASB 138),
- recognises related amounts (being contributions by owners, lease liabilities, financial instruments, provisions, revenue or contract liabilities from a contract with a customer), and
- recognises income immediately in profit or loss as the difference between the initial carrying amount of the asset and the related amount in accordance with AASB 1058.

In contracts with customers, the 'customer' is typically a funding body, who is the party that promises funding in exchange for the RCH's goods or services. The RCH's funding bodies often direct that goods or services are to be provided to third party beneficiaries, including individuals or the community at large. In such instances, the customer remains the funding body that has funded the program or activity, however the delivery of goods or services to third party beneficiaries is a characteristic of the promised good or service being transferred to the funding body.

The above policy applies to each of the RCH's revenue streams, with information detailed below relating to the RCH's significant revenue streams:

Government grant	Performance obligation
Activity Based Funding (ABF) paid as National Weighted Activity Unit (NWAU)	NWAU is a measure of health service activity expressed as a common unit against which the national efficient price (NEP) is paid. The performance obligations for NWAU are the number and mix of admissions, emergency department presentations and outpatient episodes, and is weighted for clinical complexity. Revenue is recognised at point in time, which is when a patient is discharged.
Funding as Nationally Funded Centre (NFC)	RCH is funded for the following procedures: • paediatric heart transplants • paediatric liver transplants (in collaboration with Austin Health) • paediatric lung transplants (in collaboration with Alfred Health) Revenue is recognised at a point in time when a qualifying procedure has been completed.

Capital grants

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

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

Non-cash contributions from the Department of Health (DH)

The Department of Health 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 DH.
- 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 DH Hospital Circular.
- Public Private Partnership (PPP) lease and service payments are paid directly from the DH 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 DH.
- 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.

Patient fees

Patient fees are charges that can be levied on patients for some services they receive. Patient fees are recognised at a point in time when the performance obligation, the provision of services, is satisfied.

Private practice fees

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

Note 2.1: Income from transactions (continued)

Revenue from commercial activities

Revenue from commercial activities such as commercial laboratory medicine and car park income is recognised at a point in time, upon provision of the goods or service to the customer.

Dividend income

Dividend income is recognised when the right to receive payment is established. Dividends represent the income arising from the RCH's controlled entity's investments in financial assets, and related revenue is included in 'other revenue from operating activities.

Sale of investments

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

(b) Other income

	Consolidated 2023 $'000	Consolidated 2022 $'000
Interest revenue	3,657	313
Total other income	**3,657**	**313**

Interest income

Interest income 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 2.2: Fair value of assets received free of charge

	Consolidated 2023 $'000	Consolidated 2022 $'000
Medical equipment at fair value	5	1,778
Consumables at fair value (State of Victoria supply arrangement)	5,990	5,736
Total fair value of assets and services received free of charge or for nominal consideration	**5,995**	**7,514**

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.

The Royal Children's Hospital Foundation manages two trust funds, one of which is reported as a controlled entity of the RCH. In 2023, proceeds from the Royal Children's Hospital's Good Friday Appeal were managed in the trust fund that is not consolidated as a controlled entity. Funds from the 2023 Good Friday Appeal will therefore be recognised as revenue in the consolidated operating statement as and when funds are distributed to the RCH.

Personal protective equipment

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

The general principles of the State Supply Arrangement are that Health Share Victoria sources, secures and agrees terms for the purchase of the PPE products, funded by the Department of Health, while Monash Health takes delivery, and distributes an allocation of the products to the RCH as resources provided free of charge. Health Share Victoria and Monash Health are acting as an agent of the Department of Health under this arrangement.

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

COVID-19 impact

Expenses incurred to deliver our services decreased during the financial year which was attributable to reduced activity due to the COVID-19 Coronavirus pandemic and scaling down of the COVID-19 public health response during the year ended 30 June 2023

Key judgements and estimates

Key judgements and estimates	Description
Classifying employee benefit liabilities	The RCH applies significant judgement when measuring and classifying its employee benefit liabilities. Employee benefit liabilities are classified as a current liability if the RCH does not have an unconditional right to defer payment beyond 12 months. Annual leave, accrued days off and long service leave entitlements (for staff who have exceeded the minimum vesting period) fall into this category. Employee benefit liabilities are classified as a non-current liability if the RCH has a conditional right to defer payment beyond 12 months. Long service leave entitlements (for staff who have not yet exceeded the minimum vesting period) fall into this category.
Measuring employee benefit liabilities	The RCH applies judgement to determine when it expects its employee entitlements to be paid. With reference to historical data, if the RCH does not expect entitlements to be paid within 12 months, the entitlement is measured at its present value, being the expected future payments to employees. Expected future payments incorporate: • an inflation rate of 4.35%, reflecting the future wage and salary levels • durations of service and employee departures, which are used to determine the estimated value of long service leave that will be taken in the future, for employees who have not yet reached the vesting period. The estimated rates are between 22.17% and 34.83% • discounting at the rate of 4.063%, as determined with reference to market yields on government bonds at the end of the reporting period. All other entitlements are measured at their nominal value

Note 3.1: Expenses from transactions

	Note	Consolidated 2023 $'000	Consolidated 2022 $'000
Salaries and wages		613,089	561,079
On-costs		60,323	49,281
Agency expenses		20,096	21,257
Fee for service medical officers expenses		3,206	2,655
Workcover premium		3,437	2,757
Total employee expenses		**700,151**	**637,029**
Drug supplies		82,581	64,325
Medical and surgical supplies		41,393	34,534
Diagnostic and radiology supplies		11,044	13,480
Other supplies and consumables		2,719	1,851
Total supplies and consumables		**137,738**	**114,191**
PPP operating expenses		73,920	68,791
Total public/private partneship operating expenses		**73,920**	**68,791**
Finance costs		1,155	1,203
Finance costs - PPP arrangements		40,424	42,381
Total finance costs		**41,579**	**43,584**
Fuel, light, power and water		7,077	6,837
Repairs and maintenance		2,896	3,397
Maintenance contracts		19,033	19,453
Medical indemnity insurance		7,816	7,739
Distributions to MCRI		17,368	16,538
Other administrative expenses		35,345	32,468
Expenditure for capital purposes		3,541	3,466
Total other operating expenses		**93,076**	**89,898**
Depreciation and amortisation	4.4	62,583	61,352
Total non-operating expenses		**62,583**	**61,352**
Total expenses from transactions		**1,109,048**	**1,014,845**

Expense recognition

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

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.

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.

PPP operating expenses

PPP operating expenses are paid by the DH, for further details refer to 6.1 (c).

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 16 *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.

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.

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.

Note 3.2: Other economic flows

	Consolidated 2023 $'000	Consolidated 2022 $'000
Gain/(loss) from revaluation of investment properties	-	1,254
Gain/(loss) on disposal of non-financial assets	(874)	(301)
Amortisation of non-produced intangible assets	(1,272)	(1,272)
Total net gain/(loss) from non-financial assets	**(2,146)**	**(319)**
Revaluation of financial instruments at fair value through profit or loss	8,292	(5,180)
Allowance for impairment losses on contractual receivables	(643)	(95)
Total net gain/(loss) on financial instruments	**7,649**	**(5,275)**
Gain/(loss) from revaluation of long service leave liability	(4,105)	6,553
Total other gains/(losses) from other economic flows	**(4,105)**	**6,553**
Total other economic flows included in net result	**1,398**	**959**

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:

- realised and unrealised gains/losses from revaluations of financial instruments at fair value
- revaluations of investment properties
- impairments of non-financial assets
- gains/losses from revaluation of long service leave (i)
- movement in allowance for impairment losses on contractual receivables
- amortisation of non-produced intangible assets (ii)
- gains/losses on disposal of non-financial assets

(i) this item consists of any changes in long service leave liability resulting from a change in assumptions about discount rate, staff retention or wage inflation. The loss for the current financial year is a result of an increase in staff retention rate due to vesting period change from 10 to 7 years across all Enterprise Bargaining Agreement (EBA) awards.

(ii) Intangible non-produced assets with finite lives are amortised on a systematic basis over the asset's useful life. Amortisation 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 the manner intended by management.

Note 3.3: Employee benefits in the balance sheet

	Consolidated 2023 $'000	Consolidated 2022 $'000
Current provisions		
Employee benefits		
Accrued days off		
- Unconditional and expected to be settled within 12 months (nominal value)	1,456	1,374
Annual leave		
- Unconditional and expected to be settled within 12 months (nominal value)	48,257	44,074
- Unconditional and expected to be settled after 12 months (present value)	11,535	10,889
Long service leave		
- Unconditional and expected to be settled within 12 months (nominal value)	11,235	9,373
- Unconditional and expected to be settled after 12 months (present value)	97,732	78,854
	170,215	**144,564**
Provisions related to employee benefit on-costs		
- Unconditional and expected to be settled within 12 months (nominal value)	6,737	5,995
- Unconditional and expected to be settled after 12 months (present value)	13,441	10,873
	20,178	**16,868**
Total current employee benefits and related on-costs	**190,393**	**161,432**
Non-current provisions		
Conditional long service leave	15,307	20,660
Provisions related to employee benefit on-costs	1,909	2,557
Total non-current employee benefits and related on-costs	**17,216**	**23,217**
Total employee benefits and related on-costs	**207,609**	**184,649**

(a) Employee benefits and related on-costs

Current employee benefits and related on-costs		
Unconditional accrued days off	1,624	1,524
Unconditional annual leave entitlements	66,331	60,973
Unconditional long service leave entitlements	122,438	98,934
Non-current employee benefits and related on-costs		
Conditional long service leave entitlements (present value)	17,216	23,217
Total employee benefits and related on-costs	**207,609**	**184,649**
Attributable to:		
Employee benefits	185,522	165,223
Provision for related on-costs	22,087	19,425
Total employee benefits and related on-costs	**207,609**	**184,649**

(b) Provision for related on-costs movement schedule

Movement in provision related on-costs		
Carrying amount at start of the year	**19,425**	**18,436**
Additional provision recognised	8,398	6,713
Settled during the year	(5,865)	(4,767)
Net (gain)/loss from revaluation of long service leave liability	129	(956)
Carrying amount at end of year	**22,087**	**19,425**

Employee benefit recognition

Employee benefits are accrued for employees in respect of accrued days off, annual leave and long service leave, for services rendered to the RCH as an expense during the period the services are delivered.

No provision has been made for sick leave as all sick leave is non-vesting and it is not considered probably that the average sick leave taken in the future will be greater than the benefits accrued in the future. As sick leave is non-vesting, an expense is recognised in the comprehensive operating statement as it is taken.

Note 3.3: Employee benefits in the balance sheet (continued)

Annual leave and accrued days off

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

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

• nominal value – if the RCH expects to wholly settle within 12 months; or

• present value – if the RCH 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 RCH does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months. An unconditional right arises after a qualifying period.

The components of this current LSL liability are measured at:

• nominal value – if the RCH expects to wholly settle within 12 months; and

• present value – if the RCH 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 from changes in 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.

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 3.4: Superannuation

	Paid contributions for the year		Contribution outstanding at year end	
	Consolidated 2023 $'000	Consolidated 2022 $'000	Consolidated 2023 $'000	Consolidated 2022 $'000
Defined benefit plans[(i)]				
Aware Super Scheme	409	470	29	35
Defined contribution plans				
Aware Super Scheme	31,364	28,161	2,155	2,364
Hesta	17,095	13,543	1,272	1,181
Other	10,458	6,742	844	690
Total	**59,326**	**48,916**	**4,300**	**4,271**

(i) 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 $1.42 million. This becomes payable once the full pay run is processed and paid in July 2023.

Defined contribution superannuation plans

Defined contribution (i.e., accumulation) superannuation plan expenditure 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 amounts 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 DTF administers and discloses the State's defined benefit liabilities in its financial statements. The RCH includes superannuation contributions paid or payable for the reporting period as part of employee benefits in the comprehensive operating statement.

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

COVID-19 impact

Assets used to support delivery of our services during the financial year were not materially impacted by the COVID-19 coronavirus pandemic and its impact on our economy and the health of our community.

Key judgements and estimates

Key judgements and estimates	Description
Measuring fair value of property, plant and equipment and investment properties	The RCH obtains independent valuations for its non-current assets at least once every five years. If an independent valuation has not been undertaken at balance date, the RCH estimates possible changes in fair value since the date of the last independent valuation with reference to the Valuer-General of Victoria indices. Managerial adjustments are recorded if the assessment concludes a material change in fair value has occurred. Where exceptionally large movements are identified, an interim independent valuation is undertaken.
Estimating useful life and residual value of property, plant and equipment	The RCH assigns an estimated useful life to each item of property, plant and equipment, whilst also estimating the residual value of the asset, if any, at the end of the useful life. This is used to calculate the depreciation of the asset. The RCH reviews the useful life, residual value and depreciation rates of all assets at the end of each financial year and where necessary, records a change in accounting estimate.
Estimating useful life of right-of-use assets	The useful life of each right-of-use asset is typically the respective lease term, except where The RCH is reasonably certain to exercise a purchase option contained within the lease (if any), in which case the useful life reverts to the estimated useful life of the underlying asset. The RCH applies significant judgement to determine whether or not it is reasonably certain to exercise such purchase options.
Classifying land with no lease agreement in place	The RCH utilises some land owned by the Department of Health, which is classified as property, plant and equipment. In the absence of a lease agreement, the following points have been considered to conclude on the classification: • The RCH is responsible for maintenance, insurance, and other holding costs. • The RCH has the right to use the land indefinitely unless a ministerial change happens. • The land is held and used as property, plant and equipment in substance. Due to the lack of documented agreement between the RCH and the Department of Health, this classification is subject to significant judgement.
Estimating useful life of intangible assets	The RCH assigns an estimated useful life to each intangible asset with a finite useful life, which is used to calculate amortisation of the asset.
Identifying indicators of impairment	At the end of each year, the RCH assesses impairment by evaluating the conditions and events specific to the health service that may be indicative of impairment triggers. Where and indication exists, the RCH tests the asset for impairment. The RCH considers a range of information when performing its assessment, including considering: • if an asset's value has declined more than expected based on normal use • if a significant change in technological, market, economic or legal environment which adversely impacts the way the RCH uses an asset • if an asset is obsolete or damaged • if the asset has become idle or if there are plans to discontinue or dispose of the asset before the end of its useful life • if the performance of the asset is or will be worse than initially expected Where an impairment trigger exists, the RCH applies significant judgement and estimates to determine the recoverable amount of the asset.

Note 4.1: Investments and other financial assets

	Consolidated 2023 $'000	Consolidated 2022 $'000
CURRENT		
Financial assets - at fair value through profit or loss		
Managed funds[(i)]	108,166	98,681
Total current	**108,166**	**98,681**
Represented by:		
Investments held by The Royal Children's Hospital Foundation	108,166	98,681
	108,166	**98,681**

(i) The managed funds consisted of investments held by the RCH Foundation Trust Fund (the Trust) in 2023. The Trust is consolidated into the RCH for reporting purposes as the RCH is the ultimate beneficiary of the Trust. The Trust is registered under the Australian Charities and Not-for-profits Commission.

Investments and other financial assets

Hospital investments are made in accordance with the Standing Direction 3.7.2 – Treasury Risk Management, including the Central Banking System.

Investments held by the RCH Foundation Trust Fund do not fall within the scope of the Standing Directions as they are not public entity funds (i.e. not controlled by the government). However, such investments are consolidated into the RCH's financial statements as the RCH has control of the Trust. Refer to note 8.6 for further information.

Investments are recognised when the RCH enters into a contract to either purchase or sell the investment (i.e. when it becomes a party to the contractual provisions to the investment). Investments are initially measured at fair value, net of transaction costs.

The RCH classifies other financial assets as 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.

Note 4.2: Property, plant and equipment

(a) Gross carrying amount and accumulated depreciation

	Consolidated 2023 $'000	Consolidated 2022 $'000
Land		
Crown land for hospital use at fair value	152,913	152,913
Freehold	19,111	19,006
Total land	**172,024**	**171,919**
Leased buildings		
Buildings - right of use	624	344
Less accumulated depreciation	(549)	(344)
Total leased buildings	**74**	**-**
Buildings		
Buildings at fair value	21,329	20,631
Less accumulated depreciation	-	(1,296)
Total buildings	**21,329**	**19,335**
Leasehold improvements		
Leasehold improvements at cost	1,412	1,313
Less accumulated depreciation	(690)	(534)
Total leasehold improvements	**723**	**779**
Plant and equipment		
Plant and equipment at fair value	2,139	1,833
Less accumulated depreciation	(1,324)	(1,244)
Total plant and equipment	**814**	**589**
Medical equipment		
Medical equipment at fair value	96,636	89,686
Less accumulated depreciation	(70,110)	(66,214)
Total medical equipment	**26,526**	**23,472**
Computers and communication		
Plant and equipment at fair value	17,198	15,744
Less accumulated depreciation	(11,235)	(10,135)
Total computers and communication	**5,963**	**5,610**
Furniture and fittings		
Furniture and fittings at fair value	4,238	4,168
Less accumulated depreciation	(1,304)	(1,092)
Total furniture and fittings	**2,934**	**3,075**
Motor vehicles		
Motor vehicles at fair value	132	172
Less accumulated depreciation	(97)	(127)
Total motor vehicles	**34**	**44**
Artwork		
Artwork at fair value	604	604
Total artwork	**604**	**604**
Right of use - plant, equipment, furniture, fittings and vehicles		
Right of use - plant, equipment, furniture, fittings and vehicles	4,809	4,681
Less accumulated depreciation	(3,358)	(2,876)
Total right of use - plant, equipment, furniture, fittings and vehicles	**1,451**	**1,805**
PPP assets		
Right of use PPP - buildings at fair value	1,207,732	1,232,352
Less accumulated depreciation	(437)	(129,129)
Total right of use PPP - buildings	**1,207,295**	**1,103,223**
Right of use PPP - leasehold Improvements at cost	12,500	-
Less accumulated depreciation	-	-
Total right of use PPP - buildings work in progress	**12,500**	**-**
Right of use PPP - fittings at fair value	45,493	44,175
Less accumulated depreciation	(16,836)	(15,318)
Total right of use PPP - fittings	**28,657**	**28,857**
Right of use PPP - equipment	33,413	33,413
Less accumulated depreciation	(12,546)	(11,404)
Total right of use PPP - plant and equipment	**20,867**	**22,009**
Total right of use PPP assets	**1,269,319**	**1,154,089**
Total property, plant and equipment	**1,501,796**	**1,381,323**

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

Note that intangible assets are not included in this schedule, refer note 4.3.

	Land $'000	Right of use - buildings $'000	Buildings $'000	Plant and equip. $'000	Medical equip. $'000	Computers and communic. $'000	Furniture and fittings $'000	Motor vehicles $'000	Artwork $'000	Right of use - PP&E, F and V $'000	PPP assets $'000	Total $'000
Balance at 1 July 2021	**146,172**	**388**	**20,443**	**694**	**21,417**	**5,901**	**3,088**	**54**	**604**	**2,132**	**1,199,754**	**1,400,646**
Additions	-	-	2	17	6,736	1,791	319	-	-	393	-	9,259
Disposals	-	(0)	-	(37)	(163)	(40)	(51)	-	-	(2)	-	(293)
Lease accounting adjustments		(384)	-	-	-	-	-	-		250	-	(134)
Revaluation increments/ (decrements)	25,748	-	38	-	-	-	-	-	-	-	-	25,786
Net transfers between classes	-	-	-	-	(1)	-	1	-	-	-	-	-
Depreciation and amortisation (note 4.4)	-	(4)	(368)	(85)	(4,517)	(2,042)	(283)	(10)	-	(967)	(45,665)	(53,941)
Balance at 30 June 2022	**171,919**	**0**	**20,114**	**589**	**23,472**	**5,610**	**3,075**	**44**	**604**	**1,805**	**1,154,090**	**1,381,323**
Additions	-	-	-	343	7,996	3,132	216	-	-	574	24,352	36,612
Disposals	-	(0)	-	(30)	(21)	(5)	(8)	-	-	(204)	-	(269)
Lease accounting adjustments		280	(55)	-	-	-	-	-		165		391
Revaluation increments/ (decrements)	105	-	2,386	-	-	-	-	-	-	-	137,018	139,509
Net transfers between classes	-	(43)	121	(0)	1	1	(79)	-	-	-	(1)	(0)
Depreciation and amortisation (note 4.4)	-	(162)	(515)	(87)	(4,921)	(2,775)	(270)	(10)	-	(890)	(46,140)	(55,770)
Balance at 30 June 2023	**172,024**	**74**	**22,052**	**814**	**26,526**	**5,963**	**2,934**	**34**	**604**	**1,451**	**1,269,319**	**1,501,796**

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

In accordance to Financial Reporting Direction (FRD) 103F, health service is to conduct an annual fair value assessment of its land and building. As of 30 June 2023, RCH performed a managerial valuation and update the value of its building in accordance to Valuer General Victoria (VGV) indices. RCH is due to perform a cyclical scheduled revaluation in financial year 2024.

Property, plant and equipment

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

Initial recognition

Items of property, plant and equipment (excluding right-of-use assets) are initially measured at cost. Where an asset is acquired for no or nominal cost, being far below the fair value of the asset, the deemed cost is its fair value at the date of acquisition.

The cost of constructed non-financial physical assets includes the cost of all materials used in construction and 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.

Note 4.2: Property, plant and equipment (continued)

Subsequent measurement

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

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

Further information regarding fair value measurement is disclosed below.

Revaluation

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

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

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

An independent valuation of the RCH's land and buildings was conducted by VGV in May 2019. The valuation, which complies with Australian Valuation Standards, was determined by reference to the amount for which assets could be exchanged between knowledgeable willing parties in an arm's length transaction. The managerial assessment performed at 30 June 2023 indicated an overall:

- Decrease in fair value of land of -6.94%
- Increase in fair value of buildings of 12.81%

As the cumulative increase was greater than 10% but less than 40% for buildings since the last revaluation, a managerial revaluation adjustment was required as at 30 June 2023

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

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

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

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

Impairment

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

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

Right of use assets

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

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

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

Class of right-of-use asset	Lease term
Leased buildings	2 to 17 years
Leased motor vehicles, medical equipment, and office equipment	1 to 7 years

Presentation of right-of-use assets

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.

Initial recognition

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

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

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

Subsequent measurement

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

When a right-of-use asset is adjusted due to a change in the assessment of whether an extension option or termination option is likely to be exercised, it shown as a lease option adjustment in the table in note 4.2 (b).

Impairment

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

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

Note 4.2: Property, plant and equipment (continued)

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

Consolidated	Carrying amount as at 30 June 2023 $'000	Fair value measurement at end of reporting period using: Level 1[i] $'000	Level 2[i] $'000	Level 3[ii] $'000
Land at fair value				
Non-specialised land	19,111		19,111	
Specialised land	152,913			152,913
Total land at fair value	**172,024**	**-**	**19,111**	**152,913**
Buildings at fair value				
Non-specialised buildings	19,270		19,270	
Specialised buildings	2,856			2,856
Total buildings at fair value	**22,126**	**-**	**19,270**	**2,856**
Other plant and equipment at fair value				
Plant and equipment at fair value	814			814
Motor vehicles at fair value	34			34
Medical equipment at fair value	26,526			26,526
Computers and communication equipment at fair value	5,963			5,963
Furniture and fittings at fair value	2,934			2,934
Artwork at fair value	604		604	
Right of use - PP&E, furniture & fittings and vehicles	1,451		1,451	
Total other plant and equipment at fair value	**38,327**	**-**	**2,055**	**36,272**
PPP assets at fair value				
PPP - specialised leased buildings at fair value	1,219,796			1,219,796
PPP - other leased assets at fair value	49,524			49,524
Total right of use PPP assets at fair value	**1,269,319**	**-**	**-**	**1,269,319**
Total	**1,501,796**	**-**	**40,436**	**1,461,360**

Consolidated	Carrying amount as at 30 June 2022 $'000	Fair value measurement at end of reporting period using: Level 1[i] $'000	Level 2[i] $'000	Level 3[ii] $'000
Land at fair value				
Non-specialised land	19,006		19,006	
Specialised land	152,913			152,913
Total land at fair value	**171,919**	**-**	**19,006**	**152,913**
Buildings at fair value				
Non-specialised buildings	17,523		17,523	
Specialised buildings	2,591			2,591
Total buildings at fair value	**20,114**	**-**	**17,523**	**2,591**
Other plant and equipment at fair value				
Plant and equipment at fair value	589			589
Motor vehicles at fair value	44			44
Medical equipment at fair value	23,472			23,472
Computers and communication equipment at fair value	5,610			5,610
Furniture and fittings at fair value	3,075			3,075
Artwork at fair value	604		604	
Right of use - PP&E, furniture & fittings and vehicles	1,805		1,805	
Total other plant and equipment at fair value	**35,200**	**-**	**2,409**	**32,791**
PPP assets at fair value				
PPP - specialised leased buildings at fair value	1,103,223			1,103,223
PPP - other leased assets at fair value	50,866			50,866
Total right of use PPP assets at fair value	**1,154,089**	**-**	**-**	**1,154,089**
Total	**1,381,323**	**-**	**38,939**	**1,342,384**

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

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

	Land $'000	Buildings $'000	Plant and $'000	Motor $'000	Medical $'000	Computers $'000	Furniture $'000	PPP $'000
Balance at 1 July 2021	**128,886**	**2,653**	**694**	**54**	**21,417**	**5,901**	**3,088**	**1,199,754**
Additions/(disposals)	-	-	(20)	-	6,573	1,751	269	-
Net transfers between classes	-	-	-	-	(1)	-	1	-
Gains/(losses) recognised in net result								
- Depreciation and amortisation	-	(62)	(85)	(10)	(4,517)	(2,042)	(283)	(45,665)
- Revaluation	24,028	-	-	-	-	-	-	-
Balance at 30 June 2022	**152,913**	**2,591**	**589**	**44**	**23,472**	**5,610**	**3,075**	**1,154,090**
Additions/(disposals)	-	-	313	-	7,973	3,125	207	24,355
Net transfers between classes	-	-	(2)	-	2	3	(79)	(4)
Gains/(losses) recognised in net result								
- Depreciation and amortisation	-	(62)	(87)	(10)	(4,921)	(2,775)	(270)	(46,140)
Items recognised in other comprehensive income								
- Revaluation	-	327	-	-	-	-	-	137,018
Balance at 30 June 2023	**152,913**	**2,856**	**814**	**34**	**26,526**	**5,963**	**2,934**	**1,269,319**

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

(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[i]
Specialised buildings	Current replacement cost approach	Direct cost per square meter Useful life of specialised buildings
Plant and equipment	Current replacement cost approach	Useful life
Motor vehicles	Current replacement cost approach	Useful life
Medical equipment	Current replacement cost approach	Useful life
Computers and communication equipment	Current replacement cost approach	Useful life
Furniture and fittings	Current replacement cost approach	Useful life
PPP assets	Current replacement cost approach	Building cost per square meter Useful life

(i) A community service obligations (CSO) discount of 20% was applied to the RCH's specialised land.

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

Fair value measurement

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

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

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

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

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

Note 4.2: Property, plant and equipment (continued)

Valuation hierarchy

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

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

Identifying unobservable inputs (level 3) fair value measurements

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

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

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

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

In accordance with AASB 13 *Fair Value Measurement* paragraph 29, the RCH has assumed the current use of a non-financial physical asset is its highest and best use unless market or other factors suggest that a different use by market participants would maximise the value of the asset. Theoretical opportunities that may be available in relation to the asset(s) are not taken into account until it is virtually certain that any restrictions will no longer apply. Therefore, unless otherwise disclosed, the current use of these non-financial physical assets will be their highest and best use.

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 the period ended 30 June 2023, the RCH has performed a managerial revaluation and recognised an increase in building value.

For artwork, the Valuer-General Victoria is the RCH's independent valuer.

Specialised land and specialised buildings

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

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

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

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

For 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 effective date of the valuation is 30 June 2019.

For the period ended 30 June 2023, the RCH has performed a managerial revaluation and recognised an increase in building value.

Vehicles

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

Furniture, fittings, plant and equipment

Furniture, fittings, plant and equipment (including medical equipment, computers and communication equipment) are carried 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 2023.

(f) Property, plant and equipment revaluation surplus

	Consolidated 2023 $'000	Consolidated 2022 $'000
Property, plant and equipment revaluation surplus[i]		
Balance at the beginning of the reporting period	604,031	578,245
Revaluation increment/(decrement)[i]		
- Land	105	25,748
- Buildings	2,386	38
- PPP leased building	137,018	-
Balance at the end of the reporting period	**743,540**	**604,031**
Represented by		
- Land	120,522	120,417
- Buildings	12,891	10,506
- PPP leased building	610,125	473,106
- Artwork	2	2
	743,540	**604,031**

(i) The revaluation of building for 2023 is a result of a managerial revaluation. The latest scheduled revaluation in accordance with FRD 103 was in 2019.

Note 4.3: Intangible assets

	Consolidated 2023 $'000	Consolidated 2022 $'000
Software	60,862	64,274
Less accumulated amortisation	(46,874)	(43,137)
	13,988	**21,136**
Car park revenue rights[i]	30,000	30,000
Less accumulated amortisation	(12,825)	(11,553)
	17,175	**18,447**
Intangible work in progress	78	27
Total intangible assets	**31,240**	**39,610**

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	Intangible WIP $'000
Balance at 1 July 2021	**27,381**	**19,719**	**649**
Additions	690	-	(114)
Disposals	(24)	-	-
Net transfers between classes	507	-	(507)
Amortisation	(7,419)	-	-
Other economic flows	-	(1,272)	-
Balance at 30 June 2022	**21,136**	**18,446**	**27**
Additions	519	-	95
Disposals	(833)	-	-
Net transfers between classes	45	-	(45)
Amortisation	(6,880)	-	-
Other economic flows	-	(1,272)	-
Balance 30 June 2023	**13,988**	**17,174**	**78**

(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).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Intangible assets

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

Initial recognition

Purchased intangible assets are initially recognised at cost.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is also recognised at cost if, and only if, all of the following can be demonstrated:

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

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

Subsequent measurement

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

Impairment

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

Note 4.4: Depreciation and amortisation

	Consolidated 2023 $'000	Consolidated 2022 $'000
Depreciation		
Buildings	515	368
Plant and equipment	87	85
Motor vehicles	10	10
Medical equipment	4,921	4,517
Computers and communication equipment	2,775	2,042
Furniture and fittings	270	283
Leased fittings	1,518	1,480
Leased equipment	1,142	1,142
Right of use assets	-	
- Right of use PPP buildings	43,480	43,043
- Right of use buildings	162	(4)
- Right of use plant, equipment and vehicles	890	967
Total depreciation	**55,770**	**53,934**
Amortisation		
Software	6,880	7,419
Total depreciation and amortisation	**62,649**	**61,352**

Depreciation

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

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

Amortisation

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

Amortisation of non-produced intangible assets is recorded in 'Other economic flows' in the comprehensive operating statement.

Useful life

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

	2023	2022
Non PPP assets		
Buildings		
- Structure shell building fabric	50 years	50 years
Plant and equipment (non-medical)	3 to 25 years	3 to 25 years
Medical equipment	5 to 15 years	5 to 15 years
Computers and communication equipment	3 to 5 years	3 to 10 years
Network and infrastructure	5 years	7 years
Furniture and fittings	10 to 50 years	10 to 50 years
Motor vehicles	7 to 10 years	7 to 10 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	25 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 4.5: Investment properties

(a) Movements in carrying value for investment properties

	Consolidated 2023 $'000	Consolidated 2022 $'000
Balance at the beginning of the reporting period	10,871	9,617
Net gain/(loss) from fair value adjustments	-	1,254
Balance at end of period	**10,871**	**10,871**

(b) Fair value measurement hierarchy for investment properties

	Carrying amount as at 30 June 2023 $'000	Fair value measurement at end of reporting period using: Level 1[i] $'000	Level 2[i] $'000	Level 3[i] $'000
Investment properties	10,871	-	10,871	-
Total	**10,871**	**-**	**10,871**	**-**

	Carrying amount as at 30 June 2022 $'000	Fair value measurement at end of reporting period using: Level 1[i] $'000	Level 2[i] $'000	Level 3[i] $'000
Investment properties	10,871	-	10,871	-
Total	**10,871**	**-**	**10,871**	**-**

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.

Initial recognition

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 measurement

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.

For investment properties measured at fair value, the current use of the asset is considered highest and best use.

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 since the most recent valuation, the RCH's assessment is that the valuation gives a fair view of the value of the investment properties as at 30 June 2023.

Rental revenue from 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.

There have been no transfers between levels during the period. There were no changes in valuation techniques throughout the period to 30 June 2023.

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. Inventories are measured at the lower of cost and net realisable value.

Note 5: Other assets and liabilities

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

Structure

COVID-19 impact

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

Key judgements and estimates

Key judgements and estimates	Description
Estimating the provision for expected credit losses	The RCH uses a simplified approach to account for expected credit loss provisions. A provision matrix is used, which considers historical experience, external indicators and forward-looking information to determine expected credit loss rates.
Measuring deferred capital grant revenue	Where the RCH has received funding to construct or acquire and identifiable non-financial asset, such funding is recognised as deferred capital grant revenue until the underlying asset is constructed or acquired. The RCH applies significant judgement when measuring the deferred capital grant revenue balance, which references the estimated stage of completion at the end of each financial year.
Measuring contract liabilities	The RCH applies significant judgement to measure its progress towards satisfying a performance obligation as detailed in note 2. Where a performance obligation is yet to be satisfied, the RCH assigns funds to the outstanding obligation and records this as a contract liability until the promised good or service is transferred to the customer.

Note 5.1: Receivables

	Note	Consolidated 2023 $'000	Consolidated 2022 $'000
CURRENT			
Contractual			
Inter hospital debtors		2,321	482
Trade debtors		3,037	2,215
Patient fees		10,401	7,539
Accrued investment income		2,357	2,241
Diagnostic debtors		1,743	1,490
Sundry debtors		13,145	14,312
Accrued revenue Department of Health		104	910
Less allowance for impairment losses			
Trade debtors		(557)	(161)
Patient fees		(606)	(504)
Diagnostic debtors		(324)	(179)
	7.1 (a)	**31,621**	**28,346**
Statutory			
GST receivable		2,452	1,865
Total current receivables		**34,073**	**30,210**
NON-CURRENT			
Contractual			
Accrued LSL revenue Department of Health		52,720	43,615
Total non-current receivables		**52,720**	**43,615**

(a) Movements in allowance for impairment losses on contractual receivables

	Consolidated 2023 $'000	Consolidated 2022 $'000
Balance at the beginning of the reporting period	844	749
Amounts written off during the year	(81)	(49)
Increase/(decrease) in allowance recognised in net result	724	144
Balance at the end of the reporting period	**1,487**	**844**

Receivables

Receivables consist of:

- contractual receivables, which mostly include debtors in relation to goods and services. These receivables 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, which mostly include amounts owing from the Victorian Government and Goods and Services Tax (GST) input tax credits that are recoverable. Statutory receivables do not arise from contracts and are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments for disclosure purposes. The 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.

Impairment losses of contractual receivables

Refer to note 7.2 (a) for a description of the RCH's risk of contractual impairment losses.

Note 5.2: Payables and contract liabilities

(a) Payables and contract liabilities

	Consolidated 2023 $'000	Consolidated 2022 $'000
CURRENT		
Contractual		
Trade creditors	27,645	18,940
Accrued salaries and wages	15,933	19,598
Accrued expenses	12,987	12,157
Deposits	31	25
Department of Health - deferred grant income[(i)]	10,862	23,404
Payable to the Department of Health	953	3,756
Superannuation and workcover	5,724	5,386
Sundry creditors	1,143	917
	75,278	**84,185**
Statutory		
GST payable	701	12
	701	**12**
Total current payables and contract liabilities	**75,979**	**84,196**
Payables and contract liabilities classified as financial liabilities in note 7.2 (b)		
Total payables and contract liabilities	75,979	84,196
Deferred grant income	(10,862)	(23,404)
Statutory payables	(701)	(12)
Total financial liabilities	**64,416**	**60,780**

(i) Deferred grant revenue includes deferred capital grant revenue as shown in note 5.2 (b) below. The remaining deferred grant revenue consists of operating grants relating to future expenditure.

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 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 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. Deferred grant income that is expected to be recognised in future periods is not classified as a financial instrument because it will not be settled in cash.

Note 5.2: Payables and contract liabilities (continued)

(b) Deferred capital grant revenue

	Consolidated 2023 $'000	Consolidated 2022 $'000
Opening balance of deferred grants for capital acquisitions	7,929	6,526
Grants for capital acquisitions received during the year	6,190	3,387
Grant revenue for capital acquisitions recognised for assets acquired during the year	(3,258)	(1,984)
Closing balance of deferred grants for capital acquisitions	**10,862**	**7,929**

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 5.3: Other liabilities

	Note	Consolidated 2023 $'000	Consolidated 2022 $'000
CURRENT			
Monies held in trust			
- Patient monies held in trust		1	17
- Monies held in trust (Children's Health Partnership)		1,541	1,378
Income in advance			
- Rental		349	349
- Other		13,702	17,047
Other			
- Salary packaging deposit (held on behalf of employees)		1,395	1,705
Total current		**16,987**	**20,496**
NON-CURRENT			
Income in advance			
- Rental		262	611
Total non-current		**262**	**611**
Total other liabilities		**17,248**	**21,106**
Total monies held in trust represented by the following assets			
Cash assets		1	17
Cash assets held on behalf of Children's Health Partnership		1,541	1,378
Total	6.2	**1,541**	**1,395**

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

COVID-19 impact

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

Key judgements and estimates

Key judgements and estimates	Description
Determining if a contract is or contains a lease	The RCH applies significant judgement to determine if a contract is or contains a lease by considering if the health service: • has the right to use and identified asset; • has the right to obtain substantially all economic benefits from the use of the leased asset; and • can decide how and for what purpose the asset is used throughout the lease.
Determining if a lease meets the short-term or low value asset lease exemption	The RCH applies significant judgement when determining if a lease meets the short-term or low value lease exemption criteria. The RCH estimates the fair value of leased assets when new. Where the estimated fair value is less than $10,000 RCH applies the low-value lease exemption. The RCH also estimates the lease term with reference to remaining lease term and period that the lease remains enforceable. Where the enforceable lease period is less than 12 months the RCH applies the short-term lease exemption.
Discount rate applied to future lease payments	The RCH discounts its lease payments using the interest rate implicit in the lease. If this rate cannot be readily determined, the RCH uses its incremental borrowing rate, which is the amount the RCH would have to pay to borrow funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.
Assessing the lease term	The lease term represents the non-cancellable period of a lease, combined with periods covered by an option to extend or terminate the lease if the RCH is reasonably certain to exercise such options. RCH determines the likelihood of exercising such options on a lease-by-lease basis through consideration of various factors including: • If there are significant penalties to terminate (or not extend), the RCH is typically reasonably certain to extend (or not terminate) the lease. • If any leasehold improvements are expected to have a significant remaining value, the RCH is typically reasonably certain to extend (or not terminate) the lease. • The RCH considers historical lease durations and the costs and business disruption to replace such leased assets.

Note 6.1: Borrowings

(a) Loans and lease liabilities

	Consolidated 2023 $'000	Consolidated 2022 $'000
CURRENT		
TCV loan[i]	1,178	1,121
Finance lease liability[ii]	43,571	41,623
Total current	**44,748**	**42,744**
NON-CURRENT		
TCV loan[i]	20,841	22,019
Finance lease liability[ii]	766,275	810,098
Total non-current	**787,116**	**832,117**
Total borrowings	**831,864**	**874,861**

(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 DH. The RCH records on behalf of the DH according to the information provided.

Borrowings

Borrowings refer to interest bearing liabilities mainly owed to the Treasury Corporation of Victoria (TCV) and other funds raised through lease liabilities.

Initial recognition

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

Subsequent measurement

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

Maturity analysis

Please refer to note 7.2 (b) for a maturity analysis of borrowings.

(b) Lease liabilities

	Minimum future lease payments		Present value of minimum future lease payments	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Lease liabilities				
Not longer than one year	82,697	82,746	44,198	42,297
Longer than 1 year and not later than 5 years	329,134	329,346	198,166	189,077
Longer than 5 years	695,400	777,447	567,481	620,347
Minimum future lease payments	1,107,231	1,189,539	809,845	851,721
- Less future finance charges	(297,385)	(337,817)	–	
Present value of minimum lease payments	**809,845**	**851,721**	**809,845**	**851,721**
Included in the financial statements as				
Current borrowings	-		43,571	41,623
Non-current borrowings	-		766,275	810,098
			809,845	**851,721**

Leases

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

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

To apply this definition the RCH assesses whether the contract meets the following criteria:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to 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 rights 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.

Type of asset leased	Lease term
Leased buildings	2 to 17 years
Leased motor vehicles, medical equipment and office equipment	1 to 7 years

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 following low value leases are recognised in profit or loss:

Type of payment	Description	Type of leases captured
Low value lease payments	Leases where the underlying asset, when new, is no more than $10,000	Computers

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.

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.

The following types of lease agreements contain extension and termination options:

- Motor Vehicles
- Medical Equipment
- Buildings

These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the RCH and not by the respective lessor.

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

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was a decrease in recognised lease liabilities and right-of-use assets of $279k.

Note 6.1: Borrowings (continued)

Lease liability – subsequent measurement

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

(c) Commissioned PPP related lease liabilities

PPP finance lease liability

	Minimum future lease payments[i]		Present value of minimum future lease payments[ii]	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Commissioned PPP related finance lease liabilities payable				
Not longer than one year	82,048	82,048	43,571	41,623
Longer than 1 year and not later than 5 years	328,191	328,191	197,234	187,939
Longer than 5 years	695,400	777,447	567,481	620,347
Minimum future lease payments	1,105,639	1,187,686	808,286	849,910
- Less future finance charges	(297,352)	(337,777)		
Present value of minimum lease payments	**808,286**	**849,910**	**808,286**	**849,910**
Included in the financial statements as				
Current borrowings			43,571	41,623
Non-current borrowings			764,716	808,286
			808,286	**849,910**

(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% (2021–22: 4.84%)

Source information provided by the DH.

Public private partnerships (PPP)

Construction and fit out of the hospital building was funded as a PPP between the State of Victoria and the RCH. The RCH is responsible for operating the hospital and has recognised the leased asset and associated interest bearing liability on behalf of the State of Victoria.

The PPP is not accounted for as a Service Concession Arrangement within the scope of AASB 1059 *Service Concession Arrangements: Grantors* as the required criteria are not satisfied.

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.

Initial measurement

PPP leases are 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 payments, each determined at the inception of the PPP lease.

Subsequent measurement

The leased assets under the PPP arrangement are accounted for as a non-financial physical asset and is depreciated over the term of the lease. 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 include 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 2023 $'000	Consolidated 2022 $'000
Cash on hand	0	0
Deposit held on behalf of employees (salary packaging)	1,395	1,705
Cash at bank	5,270	61,947
Cash at bank - CBS (excluding monies held in trust)	76,373	21,158
Cash at bank - CBS (monies held in trust)	1,541	1,395
Fixed deposits	6,244	5,239
	90,823	**91,443**
Represented by:		
Monies held in trust	1,541	1,395
Cash for health service operations[i]	89,282	90,049
	90,823	**91,443**

(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

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 2023 $'000	Consolidated 2022 $'000
Capital expenditure commitments payable		
Less than 1 year	13,006	5,001
Total capital expenditure commitments	**13,006**	**5,001**
Non-cancellable low value lease commitments		
Less than 1 year	915	1,000
More than 1 year but no more than 5 years	-	1,000
Total lease commitments	**915**	**2,000**
Operating commitments		
Less than 1 year	7,941	4,883
More than 1 year but no more than 5 years	5,448	5,726
More than 5 years	31	58
Total operating commitments	**13,421**	**10,668**
Public private partnership commitments		
Less than 1 year	78,291	73,898
More than 1 year but no more than 5 years	381,160	315,040
More than 5 years	1,095,860	1,078,867
Total commitments for public private partnerships	**1,555,311**	**1,467,804**
Total commitments (inclusive of GST)	**1,582,654**	**1,485,472**
Less GST recoverable from the Australian Taxation Office	(143,878)	(135,043)
Total commitments (exclusive of GST)	**1,438,776**	**1,350,429**

Expenditure commitments

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed at their nominal value and are inclusive of 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.

Short term and low value leases

Commitments include short term and low value lease commitments which are excluded from the measurement of right-of-use assets and lease liabilities on the balance sheet. Refer to note 6.1 for further information.

Commissioned public private partnerships (PPP)

Pursuant to the requirements of the Operating Deed signed by the State of Victoria and the RCH, the Department of Health agrees to meet all payments (including leasing and operating) for which the State of Victoria is liable and which are associated with the project. The RCH records and reports all of the obligations of the State of Victoria reflecting the RCH's position as the government agency that controls the assets.

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

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Due to the nature of the RCH's activities, certain financial assets and financial liabilities arise under statute rather than a contract (for example, taxes, fines or penalties). Such financial assets and liabilities do not meet the definition of financial instruments in AASB 132 *Financial Instruments: Presentation*.

(a) Categorisation of financial instruments

Consolidated 2023	Note	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Financial liabilities at amortised cost	Total
		$'000	$'000	$'000	$'000
Contractual financial assets					
Cash and cash equivalents	6.2	90,823	-	-	90,823
Receivables	5.1	31,621	-	-	31,621
Other financial assets					
- Managed funds	4.1	-	108,166	-	108,166
Total financial assets[i]		**122,444**	**108,166**	**-**	**230,610**
Financial liabilities					
Payables	5.2	-	-	64,416	64,416
TCV loan	6.1	-	-	22,019	22,019
Lease liability	6.1	-	-	809,845	809,845
Monies held in trust	6.2	-	-	1,541	1,541
Total financial liabilities[ii]		**-**	**-**	**897,822**	**897,822**

Consolidated 2022	Note	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Financial liabilities at amortised cost	Total
		$'000	$'000	$'000	$'000
Contractual financial assets					
Cash and cash equivalents	6.2	91,443	-	-	91,443
Receivables	5.1	28,346	-	-	28,346
Other financial assets					
- Managed funds	4.1	-	98,681	-	98,681
Total financial assets[i]		**119,789**	**98,681**	**-**	**218,470**
Financial liabilities					
Payables	5.2	-	-	60,780	60,780
TCV loan	6.1	-	-	23,140	23,140
Lease liability	6.1	-	-	851,721	851,721
Monies held in trust	6.2	-	-	1,395	1,395
Total financial liabilities[ii]		**-**	**-**	**937,036**	**937,036**

(i) The total amount of the financial assets disclosed here excludes statutory receivables (i.e. GST input tax credit recoverable and accrued LSL revenue from the Department of Health).

(ii) The total amount of the financial liabilities disclosed includes loans from the Treasury Corporation of Victoria and PPP finance liabilities, and excludes deferred income and statutory payables (i.e. taxes payable).

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

Categories of financial assets

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

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

Where available, quoted prices in an active market are used to determine fair value. Where no quoted prices are available, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component or if the practical expedient has been applied in AASB 15 paragraph 63.

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

The RCH does not currently hold financial assets measured at fair value through other comprehensive income.

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.

Categories of financial liabilities

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

Financial liabilities at fair value through net result

A financial liability is measured at fair value through net result if it is:

- held for trading; or
- initially designated as at fair value through net result

Changes in fair value are recognised in the net result as other economic flows, unless the changes in fair value relate to changes in the RCH's own credit risk. In this case, the portion of the change attributable to changes in the RCH's own credit risk is recognised in other comprehensive income with no subsequent reclassification to net result when the financial liability is derecognised.

Note 7.1: Financial instruments (continued)

Financial liabilities at amortised cost

Financial liabilities are measured at amortised cost using the effective interest method, where they are not held at fair value through net result. The effective interest method is a method of calculating the amortised cost of a debt instrument and allocating interest expense net result over the relevant period. The effective interest is the internal rate of return of the financial asset or liability. That is, the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

The RCH recognises the following liabilities in this category:

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

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; 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 transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset

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

Derecognition of financial liabilities

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

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

Offsetting financial instruments

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

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

The RCH has not currently offset any financial instruments in the balance sheet.

Reclassification of financial instruments

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

Financial liabilities do not get reclassified.

Note 7.2: Financial risk management objectives and policies

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

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

The RCH's main financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk, and equity price risk. 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 Accountable Officer.

(a) Credit risk

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

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

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

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

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

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

There has been no material change to the RCH's credit risk profile in 2022–23.

Impairment of financial assets under AASB 9

The RCH records the allowance for expected credit loss for the relevant financial instruments applying AASB 9's expected credit loss approach. Subject to AASB 9, impairment assessment includes RCH's contractual receivables and its investment in debt instruments.

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

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

Contractual receivables at amortised cost

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 has grouped contractual receivables on shared credit risk characteristics and days past due and select the expected credit loss rate based on the RCH's 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 closing loss allowance at the end of the financial year as follows:

Note 7.2: Financial risk management objectives and policies (continued)

Consolidated 2023	Less than 1 month	1-3 months	3-12 months	1-5 years	Total
Expected loss rate	0.1%	3.4%	35.8%	96.8%	4.5%
Gross carrying amount of contractual receivables ($'000)	28,584	2,093	1,421	906	33,004
Loss allowance ($'000)	(31)	(70)	(509)	(877)	(1,487)

Consolidated 2022	Less than 1 month	1-3 months	3-12 months	1-5 years	Total
Expected loss rate	0.0%	0.7%	26.3%	95.7%	3.0%
Gross carrying amount of contractual receivables ($'000)	24,827	1,688	1,239	525	28,279
Loss allowance ($'000)	(3)	(12)	(326)	(502)	(844)

Statutory receivables and debt investments at amortised cost

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

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

(b) Liquidity risk

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

The RCH is exposed to liquidity risk mainly through the financial liabilities as presented in the balance sheet and the amounts related to financial guarantees. The RCH manages its liquidity risk by:

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

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

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

Consolidated 2023	Note	Carrying amount as at 30 June 2023	Nominal amount as at 30 June 2023	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	5.2	64,416	64,416	51,379	12,006	1,031	-	-
TCV loan	6.1	22,019	22,019	96	193	889	5,335	15,506
Lease liability	6.1	809,845	809,845	43	10,731	33,316	198,274	567,481
Monies held in trust	5.3	1,541	1,541	28	56	250	1,207	-
		897,822	**897,822**	**51,546**	**22,986**	**35,487**	**204,816**	**582,988**

Consolidated 2022	Note	Carrying amount as at 30 June 2022	Nominal amount as at 30 June 2022	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	5.2	60,780	60,780	55,848	1,175	3,758	-	-
TCV loan	6.1	23,140	23,140	91	184	846	5,079	16,940
Lease liability	6.1	851,721	851,721	50	10,236	31,940	189,147	620,347
Monies held in trust	5.3	1,395	1,395	32	80	285	998	-
		937,036	**937,036**	**56,021**	**11,675**	**36,829**	**195,224**	**637,287**

(c) Market risk

The RCH's exposure to market risk is primarily through interest rate risk, foreign currency risk and equity price risk. Objectives, policies and processes used to manage each of these risks are disclosed below.

Sensitivity disclosure analysis and assumptions

The RCH's sensitivity to market risk (through its controlled entity) is determined based on the observed range of actual historical data for the preceding five-year period. The RCH's fund managers cannot be expected to predict movements in market rates and prices. The following movements are considered 'reasonably possible' over the next 12 months:

- A change in interest rates of 1% up or down; and
- A change in the top ASX 200 index of 15% up or down

Interest rate risk

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. The RCH does not hold any interest bearing financial instruments that are measured at fair value, and therefore has no exposure to fair value interest rate risk.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The RCH has minimal exposure to cash flow interest rate risks through cash and deposits that are at floating rate.

Foreign currency risk

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign monetary items existing at the end of the reporting period are translated at the closing rate at the date of the end of the reporting period.

Only a small portion of purchases are made in foreign currency, so the RCH has only insignificant exposure to foreign currency risk.

Equity risk

The RCH is exposed to equity price risk through its controlled entity's investments in shares and managed investment schemes. The RCH Foundation Trust Fund's exposure to equity risk is controlled by investing with several investment managers who commit to meeting the investment guidelines established for the Trust. The performance of equity securities is actively monitored by management and the Investment Committee of the RCH Foundation.

Note 7.3: 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.

As of 30 June 2023, the Board are not aware of any contingent assets or liabilities.

Note 7.4: Fair value determination

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 following assets and liabilities are carried at fair value:

- Financial assets and liabilities at fair value through net result
- Property, plant and equipment
- Right-of-use assets
- Investment properties

In addition, the fair value of other assets and liabilities that are carried at amortised cost, also need to be determined for disclosure.

Valuation hierarchy

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

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

The RCH determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. There have been no transfers between levels during the period.

The RCH monitors changes in the fair value of each asset and liability through relevant data sources to determine whether revaluation is required. The Valuer-General Victoria (VGV) is the RCH's independent valuation agency for property, plant and equipment.

Identifying unobservable inputs (level 3) fair value measurements

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

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

(a) Fair value determination of other financial assets

Consolidated 2023	Note	Carrying amount as at 30 June 2023	Fair value measurement at end of reporting period using:		
			Level 1[i]	Level 2[i]	Level 3[i]
		$'000	$'000	$'000	$'000
Other financial assets					
Managed funds	4.1	108,166	4,087	87,674	16,405
Total financial assets held at feir value through profit or loss		**108,166**	**4,087**	**87,674**	**16,405**
Total		**108,166**	**4,087**	**87,674**	**16,405**

Consolidated 2022	Note	Carrying amount as at 30 June 2022	Fair value measurement at end of reporting period using:		
			Level 1[i]	Level 2[i]	Level 3[i]
		$'000	$'000	$'000	$'000
Other financial assets					
Managed funds	4.1	98,681	10,811	87,871	-
Total financial assets held at feir value through profit or loss		**98,681**	**10,811**	**87,871**	**-**
Total		**98,681**	**10,811**	**87,871**	**-**

Note 8: Other disclosures

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

Structure

COVID-19 impact

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

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

	Note	Consolidated 2023 $'000	Consolidated 2022 $'000
Net result for the year		**26,581**	**(24,230)**
Non-cash movements			
Depreciation and amortisation	4.4	62,583	61,352
Amortisation of non-produced intangible assets	3.2	1,272	1,272
DH - indirect contribution on repayment of finance lease liabilities		(82,048)	(82,048)
DH - indirect contribution on building improvement		(25,011)	-
PPP non-cash finance lease interest expense		40,424	42,381
Revaluation of financial instruments through profit or loss	3.2	(8,292)	5,180
Revaluation of investment properties		-	(1,254)
Written down value of assets disposed		898	314
Non-cash accounting adjustments in accordance with AASB 16		(5)	(661)
Movements included in investing and financing activities			
(Increase)/decrease in payables for capital items		(238)	(439)
GST paid for capital items		1,243	926
Capital donations received		(2,287)	(595)
Movements in assets and liabilities			
Change in operating assets and liabilities			
- (increase)/decrease in receivables		(12,968)	(2,483)
- (increase)/decrease in inventories		693	(978)
- (increase)/decrease in prepayments		(736)	(1,165)
- increase/(decrease) in payables		(8,217)	(6,871)
- increase/(decrease) in employee entitlements		22,960	5,599
- increase/(decrease) in other liabilities		(3,858)	7,286
Net cash inflow/(outflow) from operating activities		**12,996**	**3,587**

Note 8.2: Responsible persons disclosures

Responsible persons

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

A caretaker period was enacted during the year ended 30 June 2023 which spanned the time the Legislative Assembly expired, until the Victorian election results were clear or a new government was commissioned. The caretaker period for the 2022 Victorian election commenced at 6pm on Tuesday the 1st of November and new ministers were sworn in on the 5th of December

	Period	
Responsible Ministers		
The Honourable Mary-Anne Thomas MP:		
Minister for Health	1 July 2022	30 June 2023
Minister for Health Infrastructure	5 December 2022	30 June 2023
Minister for Medical Research	5 December 2022	30 June 2023
Former Minister for Ambulance Services	1 July 2022	5 December 2022
The Honourable Gabrielle Williams MP:		
Minister for Mental Health	1 July 2022	30 June 2023
Minister for Ambulance Services	5 December 2022	30 June 2023
The Honourable Lizzy Blandthorn MP:		
Minister for Disability, Ageing and Carers	5 December 2022	30 June 2023
The Honourable Colin Brooks MP:		
Former Minister for Disability, Ageing and Carers	1 July 2022	5 December 2022
Governing Board		
Dr Rowena Coutts (Chairman)	1 July 2022	30 June 2023
Ms Elleni Bereded-Samuel AM	1 July 2022	30 June 2023
Dr Christine Cunningham	1 July 2022	30 June 2023
Prof Richard Doherty	1 July 2022	30 June 2023
Ms Pallavi Khanna	1 July 2022	30 June 2023
Mr Sammy Kumar	1 July 2022	30 June 2023
Dr Linden Smibert	1 July 2022	30 June 2023
Dr Michael Wildenauer	1 July 2022	30 June 2023
Ms Judith Munro AO	1 July 2022	30 June 2023
Accountable Officer		
Ms Bernadette McDonald (Chief Executive Officer)	1 July 2022	30 June 2023

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Remuneration of responsible persons

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

Income band	2023 No.	2022 No.
$0 - $9,999	-	1
$40,000 - $49,999	8	8
$80,000 - $89,999	1	1
$110,000 - $119,999	-	1
$390,000 - $399,999	-	1
$480,000 - $489,999	1	-
Total	**10**	**12**

The number of responsible persons in the table above is lower for 2023 since the role accountable officer was held by three different people in FY22.

	Total remuneration	
	2023 $'000	2022 $'000
Remuneration received or due and receivable by responsible persons from the reporting entity	919	962
Total remuneration	**919**	**962**

Amounts relating to Responsible Ministers are reported within the State's annual financial report.

Amounts relating to the Governing Board members and Accountable Officer of the RCH's controlled entity are disclosed in their own financial statements.

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.

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 (such as superannuation guarantee contributions) paid or payable on a discrete basis when employment has ceased.

Other long-term benefits include long service leave.

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

Remuneration of executive officers

	Total remuneration	
	2023 $	2022 $
Short term employee benefits	2,177,294	2,083,533
Post employment benefits	201,178	188,534
Other long term benefits	251,484	237,232
Total remuneration	**2,629,956**	**2,509,299**
Total number of executives	**11**	**12**
Total annualised employee equivalent (AEE)	**7.00**	**6.38**

(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	
Governing Board		
Dr Rowena Coutts (Chairman)	1 July 2022	30 June 2023
Ms Elleni Bereded-Samuel AM	1 July 2022	30 June 2023
Dr Christine Cunningham	1 July 2022	30 June 2023
Prof Richard Doherty	1 July 2022	30 June 2023
Ms Pallavi Khanna	1 July 2022	30 June 2023
Mr Sammy Kumar	1 July 2022	30 June 2023
Dr Linden Smibert	1 July 2022	30 June 2023
Dr Michael Wildenauer	1 July 2022	30 June 2023
Ms Judith Munro AO	1 July 2022	30 June 2023
Accountable Officer		
Ms Bernadette McDonald (Chief Executive Officer)	1 July 2022	30 June 2023

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 State's Annual Financial Report.

	Total compensation	
	2023 $'000	2022 $'000
Short term employee benefits	831	876
Post employment benefits	72	71
Other long term benefits	16	15
Total compensation	**919**	**962**

(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 scarce resources.

Note 8.4: Related parties (continued)

The Royal Children's Hospital Foundation

One Board member, the Board Chair and the CEO of the RCH were Directors of the RCH Foundation. The Board Chair of the RCH resigned from the Foundation Board on 31 May 2023 and CEO of the RCH resigned on 8 January 2023.

The transactions between the two entities relate 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 2023 $	Parent entity 2022 $
Distributions and reimbursements by The Royal Children's Hospital Foundation	41,301,924	42,445,537
Payments to The Royal Children's Hospital Foundation	255,750	286,564
Receivable from The Royal Children's Hospital Foundation	3,512,535	4,310,916

Murdoch Children's Research Institute

The CEO and Board Chair of the RCH were Directors of Murdoch Children's Research Institute (MCRI) during 2022–23 financial year.

The transactions between the two entities relate 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 2023 $	Parent entity 2022 $
Reimbursements by Murdoch Children's Research Institute	6,402,619	7,007,919
Payments to Murdoch Children's Research Institute	23,755,492	22,178,313
Receivable from Murdoch Children's Research Institute	988,343	475,702
Payable to Murdoch Children's Research Institute	-	33,000

Victorian Clinical Genetics Services

Victorian Clinical Genetics Services (VCGS) is a wholly owned subsidiary of MCRI which the CEO and Board Chair of the RCH were Directors of during 2022–23 financial year.

The transactions between the two entities relate 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 2023 $	Parent entity 2022 $
Reimbursements by Victorian Clinical Genetics Services	77,820	109,365
Payments to Victorian Clinical Genetics Services	1,671,432	1,205,739
Receivable from Victorian Clinical Genetics Services	7,098	5,422

Victorian Comprehensive Cancer Centre

The CEO of the RCH was a Director of Victorian Comprehensive Cancer Centre during the 2022–23 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 2023 $	Parent entity 2022 $
Reimbursements by Victorian Comprehensive Cancer Centre	3,410	1,760
Payments to Victorian Comprehensive Cancer Centre	160,114	167,514

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Monash Health

A Director of the RCH is an employee of the Monash Children's Hospital, which is part of Monash Health.

Transactions between the RCH and Monash Health consist mostly of shared costs for medical staff, pathology costs, ambulatory patient care, and equipment and consumables recoveries. The arrangements between the RCH and Monash Health are long standing and predate Professor Doherty's appointment to the RCH Board of Directors.

	Parent entity 2023 $	Parent entity 2022 $
Reimbursements by Monash Health	1,502,984	1,713,495
Payments to Monash Health	930,660	1,141,949
Receivable from Monash Health	123,870	33,684
Payable to Monash Health	186,877	111,274

The Royal Children's Hospital Foundation No. 2 Trust

The Royal Children's Hospital Foundation Pty Ltd is the trustee for both The Royal Children's Hospital Foundation Trust Fund and for The Royal Children's Hospital Foundation No. 2 Trust (Trust 2). Trust 2 is not a consolidated entity, but a related party of the RCH's controlled entity. There are recharges for salaries and shared services between the two trusts, as well as transfers of short-term liquidity as required from time to time.

	The Royal Children's Hospital Foundation 2023 $	The Royal Children's Hospital Foundation 2022 $
Payable to The Royal Children's Hospital Foundation No. 2 Trust	5,300,212	5,732,797

Significant transactions with government-related parties

The RCH received funding from the Department of Health of $676 million (2022: $621 million) and indirect contributions of $169 million (2022: $154 million).

The RCH received funding from the Department of Education and Training of $4.7 million (2022: $3.1 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 Standing Directions of the Assistant Treasurer require the RCH to hold cash (in excess of working capital) in accordance with the State of Victoria's centralised banking arrangements. All borrowings are required to be sourced from the Treasury Corporation Victoria unless an exemption has been approved by the Minister for Health and the Treasurer.

Note 8.5: Remuneration of auditors

	Consolidated 2023 $'000	Consolidated 2022 $'000
Victorian Auditor-General's Office		
Audit of financial statements	230	198
Other service providers		
Audit of financial statements	37	73
Compilation of financial statements & financial reporting advice	10	9
	277	**280**

Note 8.6: Controlled entity

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

Controlled entity contribution to the consolidated results

	2023 $'000	2022 $'000
Net result for the year		
The Royal Children's Hospital Foundation Trust Fund	7,941	(11,722)
	7,941	**(11,722)**

Note 8.7: Jointly controlled operations and assets

Name of entity	Principal activity	Ownership interest 2023	Ownership interest 2022
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:

	2023 $'000	2022 $'000
ASSETS		
Current assets		
Cash and cash equivalents	845	815
Receivables	43	60
GST receivable	-	0
Prepayments	63	86
Total current assets	**950**	**962**
Non-current assets		
Property, plant and equipment	11	13
Intangible assets	44	31
Total non-current assets	**55**	**44**
TOTAL ASSETS	**1,005**	**1,006**
LIABILITIES		
Current liabilities		
Accrued expenses	37	29
Payables	43	76
GST payable	1	-
Provisions	40	32
Other current liabilities	27	11
Total current liabilities	**148**	**148**
Non-current liabilities		
Provisions	36	15
Total non-current liabilities	**36**	**15**
TOTAL LIABILITIES	**183**	**162**
NET ASSETS	**822**	**844**
EQUITY		
Accumulated surpluses	822	844
TOTAL EQUITY	**822**	**844**

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

	2023 $'000	2022 $'000
Revenue		
Grants and other revenue	1,174	1,238
Interest	33	3
Total revenue	**1,206**	**1,241**
Expenses		
Employee benefits	610	520
Other expenses from continuing operations	608	367
Depreciation and amortisation	10	6
Total expenses	**1,228**	**893**
NET RESULT	**(22)**	**347**

Note 8.8: Ex-gratia payments

There were no ex-gratia payments made in 2022–23 financial year (nil in 2021–22).

Note 8.9: Events occurring after the balance sheet date

On 18th of July 2023, The Royal Children's Hospital (RCH) Board and The Royal Children's Foundation (RCHF) Board signed a memorandum of understanding with the intent to develop a Relationship Agreement to clarify the relationship between the RCH and the RCHF Trust No.1 under AASB 10.

Note 8.10: Economic dependency

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

The Department of Health 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 8.11: Equity

Contributed capital

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

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

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

Specific restricted purpose reserves

The specific restricted purpose reserve 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 8.12: AASBs issued that are not yet effective

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

Standard	Adoption date	Impact on public sector entity financial statements
AASB 17 Insurance Contracts	Reporting periods beginning on or after 1 January 2023	Adoption of this standard is not expected to have a material impact.
AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current	Reporting periods beginning on or after 1 January 2023	Adoption of this standard is not expected to have a material impact.
AASB 2022-5: Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback	Reporting periods beginning on or after 1 January 2024	Adoption of this standard is not expected to have a material impact.
AASB 2022-6: Amendments to Australian Accounting Standards – Non-Current Liabilities with Covenants	Reporting periods beginning on or after 1 January 2023	Adoption of this standard is not expected to have a material impact.
AASB 2022-8: Amendments to Australian Accounting Standards – Insurance Contracts: Consequential Amendments	Reporting periods beginning on or after January 2023	Adoption of this standard is not expected to have an impact.
AASB 2022-9: Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector	Reporting periods beginning on or after January 2026	Adoption of this standard is not expected to have a material impact.
AASB 2022-10: Amendments to Australian Accounting standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities	Reporting periods beginning on or after 1 January 2024.	Adoption of this standard is not expected to have a material impact.

There are no other accounting standards and interpretations issued by the AASB that are not yet applicable to the RCH, but will be in future periods.

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