



# Annual Financial Report 2018-19



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## VISION

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

## MISSION

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

## VALUES

### Unity

We work as a team and in partnership with our communities

### Respect

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

### Integrity

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

### Excellence

We are committed to achieving our goals and improving outcomes



# Chairman's report



**2018-19 was a busy and challenging year at the Royal Children's Hospital (RCH), as we, like our colleagues across the sector, responded to increased patient complexity and demand for our services.**

As we start the new financial year, we remain committed to delivering the very best care to our patients, in a way that supports ongoing financial sustainability. Achieving this will not be without its challenges, however I am confident that our highly skilled team will continue to ensure that the RCH remains at the forefront of paediatric care.

At the end of the financial reporting period, the hospital recorded an operating loss of \$20.121m. Significant increases in employment costs, as well as increasing acuity and complexity in our patients resulting in higher than expected resourcing contributed to this unfavourable outcome.

The commitment and dedication of our team was particularly evident in the findings from our 2019 organisation-wide accreditation. All standards were met, with no recommendations for remediation work.

The start of the new year is also a timely opportunity to reflect on our successes over the past year, and I'm proud that throughout 2018-19, we achieved some exceptional results.

The commitment and dedication of our team was particularly evident in the findings from our 2019 organisation-wide accreditation. All standards were met, with no recommendations for remediation work. In particular, the assessors called out our comprehensive clinical systems and processes, staff pride in how they maintain their areas, our commitment to consumer participation and the integration and harnessing of our Electronic Medical Record (EMR).



The ongoing optimisation of the EMR remained an organisational priority, and I'm delighted to report that in November 2018, we were Australia's first hospital to achieve a Stage 7 rating from the Health Information Management Systems Society for our outpatient EMR. This is the highest level of international best practice in digital healthcare, and reinforces the significant role digital technology is playing in improving how we deliver care. The RCH is now working towards Stage 7 inpatient accreditation.

In addition to optimising our EMR within our hospital, we're collaborating with our colleagues at Melbourne Health, The Royal Women's Hospital and Peter MacCallum Cancer Centre through the Connecting Care EMR program, to create a shared EMR for the Parkville Precinct. The Connecting Care Program is Australia's largest EMR program, and will be instrumental in creating a better patient experience across our four services.

Undoubtedly the biggest challenge we faced - and continue to face - has been managing the unprecedented demand for our services. June 2019 saw the highest number of emergency presentations in the RCH's history and managing this required new and innovative ideas and collaborations.

The Rapid Assessment, Planning, Investigation and Discharge (RAPID) program has been helpful in improving access and flow in our Emergency Department (ED). RAPID streamlines care by initiating consultations and care plans in the ED waiting room and has led to both quality and safety improvements and an improved patient experience. Sharing our ED Activity Tracker has proven to be a valuable resource in helping parents determine when to visit the RCH ED, and has been viewed more than 63,000 times in its first year. And by partnering with our colleagues at The Northern Hospital, we've been able to support patients and families from Melbourne's Northern suburbs to receive care closer to home, while improving access to care in the RCH ED and, in turn, across our hospital.

Delivering care to children outside our hospital walls is the focus of our new Strategic Plan, which outlines how, over the coming years, we will extend our commitment to delivering Great Care, to delivering Great Care, Everywhere.

We continued harnessing our reputation as a global leader in paediatric healthcare, using the RCH National Child Health Poll to empower parents to become more educated through health promotion. The Poll has evolved into a dynamic and valuable platform, providing new knowledge about how Australian children and families live today. It's enabled us to develop ongoing relationships with local partners and will continue informing health promotion and education, driving further research and improving practice and service delivery within and outside the RCH.

It was rewarding to have this work recognised at the 2018 Victorian Public Healthcare Awards, where the RCH National Child Health Poll was the joint winner of the Minister for Health's Award for improving children's health. The RCH Gender Service was also recognised at the Awards, as the joint winner of the Minister for Mental Health's Award for excellence in supporting the mental health and wellbeing of Victorians.



Delivering care to children outside our hospital walls is the focus of our new Strategic Plan, which outlines how, over the coming years, we will extend our commitment to delivering Great Care, to delivering Great Care, Everywhere. The growth of technology and social media means we have an opportunity to use the trusted voice of the RCH to provide information and education not only to Victorian children and families but also to children from across Australia and even globally, so this is a central part of our strategy going forward.

While the current challenges across the health sector are considerable, I am confident in the skills and unwavering commitment of our team and in our ability to develop efficient and effective solutions to meet the needs of our patients, families and staff.

On behalf of the RCH Board I want to acknowledge the hard work and passion of our staff, volunteers, partners and donors who have contributed to our ongoing success and I thank them for their exceptional support. I also thank the RCH Executive and, in particular, our CEO John Stanway, for their leadership and ongoing work to building a sustainable and innovative RCH.

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

**Rob Knowles AO**  
Chairman



# CEO's report



Throughout 2018-19, delivering Great Care remained our unwavering priority at The Royal Children's Hospital (RCH), however we faced new and increasing challenges in how we go about this. Ensuring children receive the right care, in the right place, at the right time has been a central focus for us, and this has meant that improving hospital access, collaborating with teams throughout our hospital and in the community and enhancing our use of digital technology have all been pivotal in our strategy over the past year and in our plans for the future.

Our budget position at the end of the financial year reflects the challenges we faced throughout 2018-19 and so we start the new year with a renewed commitment to ensuring we are best placed to deliver high quality, safe and sustainable healthcare.

Last year we experienced unprecedented growth in the demand for our services, with

- 89,460 Emergency Department (ED) presentations
- 344,867 ambulatory appointments
- 16,761 surgeries
- 52,239 inpatient admissions



Our ED remains one of Victoria's busiest, commonly seeing more than 300 children a day throughout winter. Our Rapid Assessment, Planning, Investigation and Discharge (RAPID) model of care has been essential in managing this. By using the ED waiting room as a space where early provisional diagnosis and care planning can commence, RAPID led to a 14 per cent increase in patients who commenced treatment within recommended times. It also led to a reduction in patients leaving the ED without treatment, with over 2,700 children receiving medical care, who would have otherwise left without seeing a doctor. Many cases of potential critical deterioration have also been averted by RAPID assessment and escalation of care and consumer feedback on this model of care has been excellent.

By using the ED waiting room as a space where early provisional diagnosis and care planning can commence, RAPID led to a 14 per cent increase in patients who commenced treatment within recommended times.

## Improving access to great care

Demand also grew within our ambulatory services. Our Specialist Clinics now treat, on average, 1,100 patients a day, and receive almost 6,000 referrals a month. Significant work was done to improve timely access to care for these patients and it's been pleasing to see improvements across several areas. In May 2019, 83 per cent of urgent referrals were seen within 30 days - the highest percentage of urgent patients ever seen in a 30 day period. While improving access for urgent referrals was a priority, we ensured that the number of routine referrals being seen also remained consistent, so we were not compromising care for one group of patients while focusing on another.

Our Telehealth service also remained a popular option for regional patients and families. We held more than 3,323 Telehealth consultations, saving over 20,500 hours and over 1,598,200 kilometres of travel. Telehealth reduces the social and financial burden of receiving care at RCH for rural and regional Victorians, while building relationships between patients, local healthcare providers and the RCH.

## Building a digital hospital

Our Electronic Medical Record (EMR) continues to be integral in our efforts to build a digital hospital, and I'm proud that we were Australia's first hospital to receive a Stage 7 rating for our outpatient EMR from the Health Information Management Systems Society, reflecting our commitment to achieving best practice. We also received the Victorian Healthcare Association's inaugural Digital Health Innovation Award and the Asia Pacific HIMSS-Elsevier Digital Healthcare Award (Outstanding ICT Achievement) for our Victorian Children's Tool for Observation and Response (ViCTOR)/EMR project, which uses a visual aid in the EMR to help detect patient deterioration. The program has supported safer care, and is now the standard of care for all Victorian hospitals who care for children.

I'm proud that we were Australia's first hospital to receive a Stage 7 rating, the highest rating possible, for our outpatient EMR from the Health Information Management Systems Society.

What has been particularly pleasing about our EMR optimisation, is that it's delivered benefits for many stakeholder groups, including staff, patients, families and other healthcare providers.

- Our most recent EMR optimisation survey showed staff satisfaction with the system is up to 82 per cent, placing us in the 91st percentile when benchmarked against healthcare organisations worldwide.
- More than 370 registered GPs now use RCH Link to remotely access their patient's RCH medical record via a secure online portal.

- Patients and families continue benefiting from the system, particularly through My RCH Portal, which has 11,500 subscribers.

We are now working with the other hospitals in the Parkville Precinct to extend our system through the Connecting Care EMR Program, which will further enhance our ability to deliver the best experience for patients, families and staff in our community.

## Building capacity in our community

To prepare us for managing future demand, we developed a Clinical Services Plan, which involved consultation to better understand the needs, issues and requirements of our hospital and outlines medium-term strategies to manage this. We cared for more children in community and we remained committed to providing trusted education and resources to our colleagues and consumers.



The RCH provides in-home healthcare support to more than 100 families through our Complex Care Hub - up to 1,750 hours of care a week - and by creating a new Family Healthcare Support team, we're delivering a more consistent service and better quality care to these patients. This service builds on our Complex Care Hub, which has been pivotal in improving care for our chronic and most complex patients.

Empowering our team and community through education has also been valuable and rewarding.

- Our Kids Health Information fact sheets were read by over six million people globally and 11 of our most popular fact sheets were translated into foreign languages.
- The RCH National Child Health Poll continued growing - each Poll now attracts a minimum reach of seven million people, ensuring the RCH is considered Australia's trusted authority on paediatric health and wellbeing.



# CEO's report (continued)

- 600 healthcare professionals attended the 2018 RCH Victorian Trauma Grand Round, which also was live-streamed to Victorian hospitals, Ambulance Victoria stations, Australia-wide healthcare sites and to participants around the world.
- More than 35 international delegates attended an experience day at the hospital during the BMJ IHI International Forum on Quality and Safety in Healthcare
- The 10th anniversary Bioethics Conference explored how clinical decisions, communication with families and relationships between health professionals, parents and children are being influenced by social media or crowdfunding for unproven or expensive treatments.

## Collaborating with our community

Working with other healthcare providers is pivotal in both our success to date and our plans for the future, but involving our consumers is essential if we are going to best meet the needs of the community we serve.



Last year, we engaged our community to help us plan for the future by asking *What would you like to see if you were at one of the world's great children's hospitals in 2030?* People were encouraged to share feedback on a large board in our main atrium, or on our Facebook page. Engagement within the hospital and online was fantastic, with more than 4,000 ideas shared, providing valuable insight in to what's important to our consumers. Our Consumer Liaison Office also managed 899 pieces of feedback throughout 2018-19, with common themes including access, communication, behaviour and treatment.

In December, we were proud to partner with Murdoch Children's Research Institute and the University of Melbourne to launch Melbourne Children's Global Health (MCGH). MCGH aims to improve the health of children in disadvantaged populations by developing partnerships in research, public health, education and advocacy. MCGH supports work already being done at the Melbourne Children's Campus by helping secure research funding, strengthening our standing at international forums, and enabling better sharing of information and resources.

...involving our consumers is essential if we are going to best meet the needs of the community we serve.

## Supporting our people

Underpinning all this work is a dedicated team of almost 6,000 staff and 650 volunteers, and creating a strong, collaborative culture remains a priority for our organisation.

As we face new and growing challenges, the need for our people to work together effectively becomes even more important, and this is reflected in our Compact, which outlines how we want to work better together to deliver great care. In particular, our Compact reinforces that *we do better work caring for children and families when we also care for each other.*

Our team underwent Safe and Positive Workplace Behaviours training to support this and to assist staff who experience or witness unsafe behaviour. We continued strengthening our response to family violence by training staff to identify and respond to family violence and increasing safety and support for staff personally affected. More than 2,000 staff have now received training and new resources are providing further support.

It was also a privilege to host 10 Holmesglen students, who have added learning needs and/or disability, at the hospital last year, for an integrated practical placement program. It was the first program of its kind in Australia and enabled students to undertake placements across the hospital, while completing a Certificate 1 in Work Education. It was incredibly successful, with all students finding employment or undertaking further study as a result of their training.

Underpinning all this work is a dedicated team of almost 6,000 staff and 650 volunteers, and creating a strong, collaborative culture remains a priority for our organisation.

## Looking back, looking forward

While it's timely to reflect on these achievements, we know there is much work to be done to continue leading the way in paediatric care, and we know we'll be doing this in a complex and ever-changing environment.

How we'll approach this is outlined in our new Strategic Plan, which reinforces our commitment to not only caring for children within our hospital building, but to delivering Great Care, Everywhere.



I'm immensely proud to be leading the RCH as we work together to achieve this and to continue building one of the world's great children's hospitals.

I'd like to take this opportunity to acknowledge and thank our dedicated team of staff, volunteers, campus partners and supporters, whose commitment, skills, compassion, generosity and support continues to be the driving force behind our hospital's success. I also extend my sincere thanks to our Board members, for their support and guidance this year.

I look forward to another busy and exciting year, and to working together to achieve the best health outcomes for children across Victoria, and further afield.

**John Stanway**  
Chief Executive Officer

## RCH Staff Awards

At our 148th Annual General Meeting and Staff Awards night in November, we celebrated the incredible work of team members across the organisation.

The recipients of the 2018 awards were:

**Prof Lynn Gillam AM**  
CHAIRMAN'S MEDAL

**The RCH Gender Service**  
CEO GREAT CARE AWARD FOR EXCELLENT CLINICAL OUTCOMES

**The Emergency Department Frontline Communication Team**  
CEO GREAT CARE AWARD FOR POSITIVE EXPERIENCE

**Laura O'Connor**  
CEO GREAT CARE AWARD FOR SUSTAINABLE HEALTHCARE

**The General Medicine Team**  
CEO GREAT CARE AWARD FOR TIMELY ACCESS

**Charlie Bowes, Daniel Darmanin and Nadine Stacey**  
CEO GREAT CARE AWARD FOR ZERO HARM

**Annie Cobbledick**  
ALLIED HEALTH AWARD

**Chelsea Holdsworth**  
MARY PATTEN AWARD

**Dr Victoria McKay**  
DR WILLIAM SNOWBALL AWARD

**The Consumer Experience Liaison Office Team**  
SUPPORTING GREAT CARE AWARD

**Jennifer Nazareth**  
YVONNE WAGNER AWARD

**Associate Professor Andrew Davis**  
CONSUMER CHOICE AWARD

# Board member profiles

## Chairman: Hon Rob Knowles AO

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

## Dr Christine Cunningham

BA, BLit, MSc, PhD, GAICD

Dr Christine Cunningham is an experienced consultant who provides a wide range of research and evaluation services. For more than 20 years, she has been conducting research, providing insights and strategy advice and undertaking comprehensive evaluations of services, programs and projects within the health, government and private sectors. She commenced her career as a clinician, moving into policy and program development and redesign roles within the Department of Health and regional hospitals. Christine has also enjoyed sessional lecturing in statistics and is a member of the Swinburne University Postgraduate Applied Statistics Advisory Committee. She is an experienced Non-Executive Director and Chairman with more than 15 years' service on health and education boards, including nine years on the Board of Northeast Health Wangaratta, five of which, as Chairman. Christine is a Fellow of the Australian Institute of Company Directors with a PhD from the University of Melbourne and a Master's Degree in Science (Applied Statistics).

## Ms Petrina Dorrington

Dip. Hotel & Catering Operations, GAICD

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

## Mr Sammy Kumar

B. Bus (Accounting), FCA

Mr Sammy Kumar is the Managing Partner for Firm Strategy at PwC. He is also a member of Board of Directors for the firm's ASEANZ (Australia, South East Asia, New Zealand) consulting business. He has over 30 years' experience across strategy, digital, financial effectiveness and operations. Mr Kumar served on the Board of the RCH from July 2012 to July 2015. He has been a Director of the RCH Foundation since 19 October 2015 and Chair of the RCH Foundation's Audit Committee since 15 June 2016.

## Mr David Lau

BPharm, MCLinPharm, GCHHealthSysMgt, FSHP, MAICD

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

## Mr David Mandel

BSc Chem, FTA-Snr, CIMA, GAICD

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

## Dr Linden Smibert

MBBS, FRACGP, FAICD

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

## Retired on 28 June

### Ms Christine Corbett

LLB, B.Bus (Communication), GAICD

Ms Christine Corbett is an accomplished and highly versatile business leader and Non-Executive Director, with extensive experience in delivering strong financial and people outcomes in the retail, eCommerce, and logistics sectors. As Chief Customer Officer at Australia Post, Christine played an integral role in transforming one of the country's most iconic organisations to ensure that it met the contemporary needs of all Australians. She was accountable for all the key customer touch points including the largest retail network in the country with over 4,300 post offices, the customer contact centre, digital channels as well as the consumer and small business segments. She is a Graduate of the Australian Institute of Company Directors and completed an executive leadership program at Stanford University. Christine holds a Bachelor of Law and a Bachelor of Business (Communication) from the Queensland University of Technology. Christine is a Special Advisor at PwC.

## Board sub-committee membership

### Audit & Corporate Risk Management Committee

David Mandel (Chair)  
Christine Corbett  
Dr Linden Smibert

### Community Advisory Committee

Christine Corbett (Chair)  
Petrina Dorrington

### Finance Committee

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

David Lau (Chair)  
Christine Corbett  
David Mandel  
Max Findlay (External Member)

### Quality and Population Health Committee

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

### Remuneration Committee

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



# Executive staff

## Chief Executive Officer

**John Stanway**  
BEc, Grad Dip IR, FAICD

## Chief Operating Officer

**Jane Miller**  
BAppSc (Speech Path), GradDipNeuro, MHIthMgmt, GAICD

## FROM 26 NOVEMBER 2018 Executive Director Strategy, Quality & Improvement

**Filomena Ciavarella**  
BAppSc (Med Rad)(Hons), GradDipMgt, DipProjMgt

## Chief of Medicine

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

## Executive Director Communications

**Alison Errey**  
GradDipPublicAdmin, MJour

## FROM 1 AUGUST 2018 Chief Nursing Officer and Executive Director Nursing & Allied Health

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

## Chief Financial Officer

**Jon Marcard**  
B.Ec, FCA, MAICD

## Chief of Critical Care

**Associate Professor Ed Oakley**  
MBBS FACEM

## Chief of Surgery

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

## Chief Medical Officer and Executive Director Medical Services & Clinical Governance

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

## Executive Director People & Culture

**Simone Zelencich**  
GradDipAdmin, MEd, MBA, GAICD

## UP TO 31 JULY 2018 Acting Chief Nursing Officer and Executive Director Nursing & Allied Health

**Rosemary Aisbett**  
BHSc (Nursing), PeriOperative Cert, Dip Man, RN

## UP TO 25 NOVEMBER 2018 Acting Executive Director Strategy & Organisational Improvement

**Jane Widdison**  
BA (Hons), GradDipHealth, MHIthMgmt, Associate Fellow ACHSM

# Workforce data

Labour category	June Current month FTE		June YTD FTE	
	2018	2019	2018	2019
Nursing	1,330	1,353.9	1,288	1,354.4
Administration and Clerical	641	674.0	655	678.9
Medical Support	370	392.0	364	390.0
Hotel and Allied Services	219	223.4	211	222.1
Medical Officers	137	136.1	125	135.5
Hospital Medical Officers	322	319.8	302	319.1
Sessional Clinicians	127	127.9	114	127.9
Ancillary Staff (Allied Health)	334	340.6	315	340.8
<b>Total</b>	<b>3,480</b>	<b>3,567.6</b>	<b>3,374</b>	<b>3,568.8</b>

## Application of employment and conduct principles

The Royal Children's Hospital (RCH) Code of Conduct is founded on four organisational values of Unity, Respect, Integrity and Excellence.

The Code of Conduct sets out the way we conduct ourselves at the RCH and the values inform and guide our behaviours. All employees and volunteers are required to comply with these values, principles and policy in all their undertakings. The RCH promotes a culture of diversity and inclusion.

Employment decisions at the RCH are based on merit and the RCH provides equal employment opportunity for all employees. Grievance and dispute resolution processes are in place that provide fairness and protect employees from negative consequences as a result of accessing formal dispute processes.

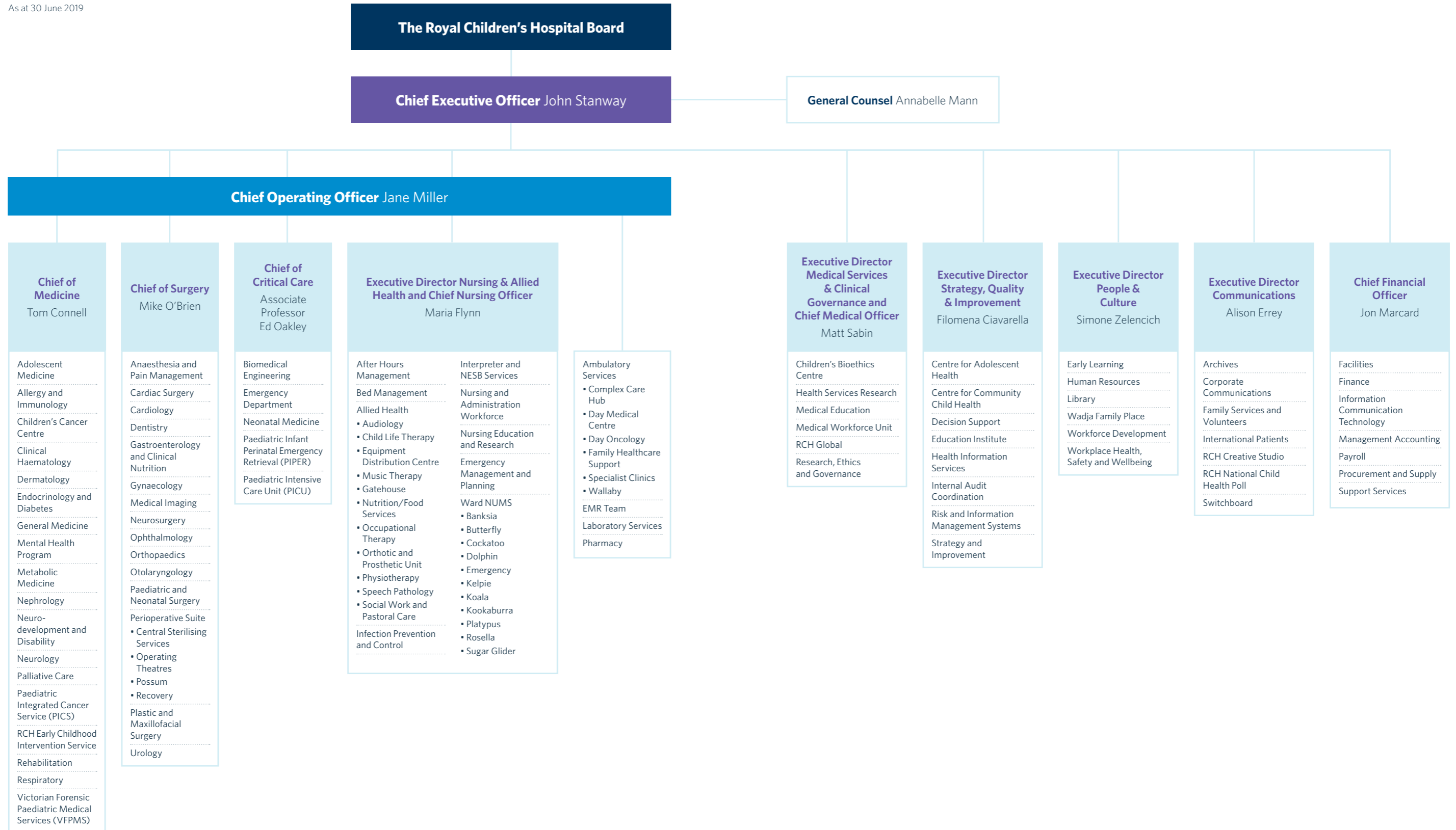
Each employee or volunteer of the RCH is also required to comply and abide by the Code of Conduct as published by the Public Health Standards Commission.

In addition, the RCH Compact was launched in January 2018. Comprising of a set of ten pledges, the RCH Compact sets out the ways in which our people have agreed they will behave and work better together to deliver great care.

To ensure the RCH Compact is embedded in everything we do, the RCH also launched a Safe and Positive Workplace Behaviours procedure and toolkit to help staff address behaviour that is not in line with our Code of Conduct or the RCH Compact.

# Organisational chart

As at 30 June 2019





# Statutory statements

**The Royal Children's Hospital (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 former Minister for Health, the Hon Jill Hennessy (01/07/2018 - 29/11/2018) and the Minister for Health, Jenny Mikakos (29/11/2018 - 30/06/2019).

## Nature and range of services

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

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

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

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

- Victorian Paediatric Rehabilitation Service (with Monash Health, Ballarat Health Services, Barwon Health, Bendigo Health, Eastern Health and Goulburn Valley Health)

- Victorian Paediatric Palliative Care Program (with Monash Health and Very Special Kids)
- Victorian Forensic Paediatric Medical Service (with Monash Health and Victorian Institute of Forensic Medicine)
- Victorian Infant Hearing Screening Program.

## Freedom of information

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

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

For more information, the Freedom of Information staff at RCH can be reached on (03) 9345 5132 or (03) 9345 5156. Alternatively, inquiries can be sent to [foi@rch.org.au](mailto:foi@rch.org.au)

General information regarding the FOI Act can be found on the Victorian Government Website on [www.ovic.vic.gov.au](http://www.ovic.vic.gov.au)

## Nominated FOI Officers

**Ms Emma Carnovale**, General Counsel (up to January 2019)

**Ms Annabelle Mann**, Senior Legal Counsel (July 2018 until January 2019), General Counsel (from January 2019)

**Ms Laura Hartmann**, Senior Legal Counsel

**Ms Judith Smith**, Freedom of Information Officer and Reviewer

**Mr Ricky Huynh**, FOI Reviewer

**Ms Felicity Hood**, FOI Reviewer

Requests received	2018-19	2017-18
Total requests	658	715
Access granted in full	332	325
No information available	31	39
Application withdrawn	66	67

Requests made came primarily from patients and their families (approximately 60%), legal or representatives (38%) and the TAC (approximately 2%).

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

## Privacy

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

A number of activities have occurred over the past year in relation to communication and education of privacy. This includes: reviewing, updating and distribution of the patient and family privacy brochure; review and updating of the suite of RCH privacy policies and procedures; publishing an article on managing confidential information, via the RCH intranet; privacy awareness training for staff undertaking patient registration; privacy awareness messaging included in the CEO Staff Forum; a privacy awareness email sent to all staff; and education sessions conducted by request to departments. These activities play an important role in building a solid foundation of privacy knowledge in the hospital.

Quarterly audits of our EMR are also conducted to ensure that staff access patient information appropriately.

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

## Protected disclosures

Under the *Protected Disclosures Act 2012* (the Act), complaints about certain serious misconduct or corruption involving public

health services in Victoria should be made directly to the Independent Broad-based Anti-corruption Commission (IBAC) in order to remain protected under the Act.

The RCH encourages individuals to make any disclosures which are protected disclosures within the meaning of the Act to IBAC.

## Carers' Recognition Act 2012

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

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

## Ex-gratia payments

There were one ex-gratia payment made in FY 2018-19 for \$34k (\$nil in 2017-18).

## Local Jobs First - Victorian Industry Participation Program

The RCH complies with the intent of the *Local Jobs First Act 2003 (Vic)*, promoted through the Local Jobs First Policy (LJFP). As part of this policy, Local Jobs First - Victorian Industry Participation Policy (VIPPP) 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 no contracts commenced or completed by the RCH in 2018-19 which required disclosure under LJFP.

## Workplace Health and Safety

During 2018-19 the RCH Workplace Health and Safety (WHS) program continued to be reviewed and refreshed to support the provision of Great Care and our goal towards zero harm.

## Staff health and wellbeing

The RCH has continued its strong focus on health and wellbeing and partnered with BUPA in October 2018 to provide free staff *Essential Health Checks* including blood pressure, cholesterol, blood glucose and modifiable lifestyle risk factors. The RCH continued to build on its Mental Health Strategy and launched a new WHS education module titled *Keeping you Mentally Healthy at Work* which aims to raise awareness and understanding on mental health and how to offer and provide support to staff with mental health issues.

The Health & Wellbeing program was further enhanced in May 2019, to include a trauma Informed Yoga program facilitated by an accredited Trauma Center Trauma-Sensitive Yoga Facilitator (TCTSY-F) to offer group yoga sessions and consultations to ward-based staff.

In July 2018 the RCH participated in the 15-Minute Corporate Exercise Challenge, designed to promote and incorporate daily exercise while tracking progress and competing with other teams across the organisation.

The RCH Employee Assistance Program (EAP) continued to provide free and confidential counselling, coaching and support services to all staff. The EAP service was further enhanced in 2018-19 to include EAP Live Chat which provides a new and convenient way for staff to access EAP services via a computer, smartphone or tablet. The RCH strengthened its EAP streams of care to introduce a dedicated Disability and Career Helpline which provides staff access to specialised advice on disability support and referral to local services.

Detailed below is benchmarking data provided by Converge International EAP provider for the 2018-19 period:

Annual EAP utilisation rate 2018-19	
RCH	6.7%
Healthcare organisations	6.3%

## Workplace Health and Safety initiatives

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

### Healthy Achievement Program

In 2018-19, the RCH continued to participate in the Victorian State Government's *Healthy Achievement Program* which aims to create healthier work environments. The RCH was formally recognised in February 2019 against the state wide benchmark for *Alcohol and Other Drug Use* and received the electronic icon to showcase the selected health priority achievement. This brings the RCH closer to reaching its position as an employer of choice with only one remaining health priority to go.

#### Health priorities

Smoking	✓
Physical activity	✓
Mental health and wellbeing	✓
Healthy eating	
Alcohol	✓

### Restorative Review

The RCH identified a need to better support staff following critical incidents and events. A review of current practice identified that while there were formal structures in place for major clinical and critical incidents, there were no endorsed systems to support all staff immediately following an incident or event. In 2019 a restorative review process was developed to provide frontline support to staff which focused on the immediate mental health and restoration of the work environment.

### Mental Health Strategy

Mental health and wellbeing is a vital component of the RCH's commitment to improving the health and safety of all people who work at the RCH. As such, the development of a Mental Health Strategy 2019-22 was supported by all levels of the leadership team. In 2019,



# Statutory statements (continued)

focus groups were held to provide a clear roadmap for developing a mentally and physically healthy workplace. A staff Mental Health Procedure was developed in January 2019 to establish, promote and maintain the mental health and wellbeing of all staff.

## Business continuity plan

In November 2018, a comprehensive Workplace Health and Safety Business Continuity Plan was developed to ensure that critical business functions and services continue to operate following a significant business disruption or disaster. The plan will ensure that WHS have a system in place to maintain and restore critical business services by continuing to manage regulatory and financial risks.

## Family violence

The RCH understands that family violence is a workplace health issue where the impacts extend beyond the home and into the workplace. The RCH's response to family violence is aligned with the 'Strengthening Hospital Response to Family Violence' (SHRFV) model endorsed by the Department of Health and Human Services. In 2018-19 the RCH took active steps towards our commitment to responding to family violence. The RCH continued to strengthen our response to family violence in 2018-19 by supporting our patients, their families and any staff impacted by family violence. Support included a dedicated family violence intranet page, staff education and training, development of safety plans, approved family violence leave and referral to specialist domestic and family violence services and/or counselling.

## Ernst Young WHS Audit

In June 2018 a Workplace Health and Safety Internal Audit was undertaken by Ernst Young in accordance with the RCH Internal Audit Plan. The internal audit included consideration of processes and controls surrounding WHS policies, procedures, governance, reporting, engagement, training, and risk management. A number of improvement opportunities were identified to further strengthen our safe systems of work

including enhancements to incident reporting, induction and education of contractors and nurse bank staff and the development of a formalised process for managing critical incidents.

## Review of use of cytotoxic and other hazardous drugs

In July 2018, Advice Measurement and Control in Occupational Safety and Health (AMCOSH) were engaged by the RCH to conduct a safety review of the handling, administration and disposal of cytotoxic and other hazardous drugs. A Hazardous Medication Working Group was established to oversee the recommendations identified in order to mitigate and/or reduce the occupational exposure risks.

## Injury management

The Early Intervention Program continues to be highly effective in the reporting and management of staff injuries. In 2018-19, 97 employees were assisted under this program; relative to 57 in 2017-18. Seventy-seven have been finalised and we are continuing to actively manage the remaining 20.

In 2018-19, 472 incidents were reported via the Victorian Health Incident Management System (VHIMS) (5.59/100 FTE) which is a standardised data set used for the collection and classification of all workplace health and safety incident; relative to 429 incidents for 2017-18 (12.7/100 FTE) and 395 incidents for 2016-17 (11.9/100 FTE).

A total of three standard workers' compensation claims for 'lost time' were accepted in 2018-19 (0.03/100 FTE); relative to 10 in 2017-18 (0.3/100 FTE), and the same number in 2016-17.

As of 31 May 2018, the total cost (incurred) of these claims was \$26,559. This figure is comprised of actual paid costs (\$26,559) and estimated costs (\$0). The average incurred cost per claim was \$8,853; relative to \$167,351.30 and \$126,793.70 for 2017-18 and 2016-17 respectively.

Compared to 2017-18 the actual costs paid have reduced by \$371,627.00. The three claims lodged for 2018-19 are yet

to be finalised and as such we are unable to report on the average period of time lost from work.

## Occupational violence

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

Occupational violence statistics	2018-19
WorkCover accepted claims with an occupational violence cause per 100 FTE	0
Number of accepted WorkCover claims with lost time injury with an occupational violence cause per 1,000,000 hours worked.	0
Number of occupational violence incidents reported	106
Number of occupational violence incidents reported per 100 FTE	2.20
Percentage of occupational violence incidents resulting in a staff injury, illness or condition	69.8

## Definitions

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

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

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

**Accepted WorkCover claims:** accepted WorkCover claims that were lodged in 2018-19.

**Lost time:** is defined as greater than one day.

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

## Workplace Health and Safety Awards

The annual RCH WHS Awards continue to celebrate and recognise the many ways in which individuals, teams and departments demonstrate commitment to safety, injury management and health and wellbeing at the RCH. Many outstanding nominations were received, and awards presented in 2018-19 as follows:

- **Best Solution to a Specific Workplace Health and Safety Issue:** awarded to Debbie Kennedy, Administration Officer Nutrition and Food Services, for designing a new steam kettle drawer which significantly reduced both manual handling and burns risks for staff.
- **Health and Safety Representative of the Year:** awarded to Lee Ellis, Theatre Technician, for his commitment to consultation across multi-disciplinary teams and Marion Nield, Medical Scientist, for the many safety improvement opportunities that were identified following a recent redesign of the lab space.
- **Manager Excellence in Return to Work:** awarded to Elise Dixon, Nurse Unit Manager Sugar Glider, for her contribution to supporting a cohort of challenging injuries.
- **Worker Excellence in Return to Work:** awarded to Matthew Hannan, Network Administrator Information and Communications Technology, for his commitment and determination to sharing his mental health journey and encouraging others to seek support.

## Compliance with building and maintenance provisions

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

Spotless provide a comprehensive maintenance program for the facility, incorporating maintenance of essential

safety measures. An annual report is issued to certify testing and maintenance is compliant with the *Building Act 1993*. Fire safety audits are undertaken to comply with the Department of Health and Human Services Fire Risk Management Guidelines.

## 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.

## Safe Patient Care Act 2015

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

## Car parking fees

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

## Environmental performance

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

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

## Advertising campaigns

The RCH ran no advertising campaigns reportable for the 2018-19 period.

## Additional information (FRD 22H)

Details in respect of the items listed below have been retained by the health service and are available to the relevant Ministers, Members of Parliament and

the public on request (subject to the freedom of information requirements, if applicable):

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



# Statutory statements (continued)

## Consultancies less than \$10,000

In 2018-19 there were no consultancies where the total fees payable to the consultants was \$10,000 or less.

## Consultancies more than \$10,000

In 2018-19 there were five consultancies where the total fees payable to the consultants were \$10,000 or greater. The total expenditure incurred during 2018-19 in relation to these consultancies is \$799,506 ex GST).

Consultant	Purpose of consultancy	Start date	End date	Total approved project fee (ex GST) \$	Expenditure 2018-19 (ex GST) \$	Future expenditure committed
Trinity P3	Digital Ecosystem, Creative and Production Strategic Alignment Report	Jul-18	Jul-18	34,800	34,800	-
KPMG	Future State Design - Payroll	Nov-18	Mar-19	618,538	618,538	-
KPMG	Corporate system IT review	Jun-19	Jun-19	96,500	96,500	-
Thoughtpost Governance	Board review and evaluation	Mar-19	Jul-19	32,780	19,668	13,112
ARD Consulting	Strategic review of mental health	May-19	Jun-19	30,000	30,000	-
<b>Total</b>				<b>812,618</b>	<b>799,506</b>	<b>13,112</b>

## Details of Information and Communication Technology (ICT) expenditure

The total ICT expenditure incurred during 2018-19 is \$20.0m with the details shown below.

Business As Usual (BAU) ICT expenditure (Total ex GST)	Non Business As Usual (non BAU) ICT expenditure (Total = Operational expenditure and Capital Expenditure ex GST)	Operational expenditure (ex GST)	Capital expenditure (ex GST)
\$20.0m	\$2.0m	-	\$2.0m

# Statement of Priorities

## Part A

Goals	Strategies	Deliverables	Outcomes
<b>Better health</b> A system geared to prevention as much as treatment Everyone understands their own health and risks Illness is detected and managed early Healthy neighbourhoods and communities encourage healthy lifestyles	<b>Better health</b> Reduce statewide risks Build healthy neighbourhoods Help people to stay healthy Target health gaps	Increase the number of appropriate patients transferred from the RCH to an inpatient bed at the Northern Hospital and ensure that Northern Hospital patients requiring tertiary or quaternary services at the RCH can be accommodated.	<b>Achieved</b> Over the past financial year, the number of patients transferred to the Northern Hospital from the RCH inpatient areas and Emergency Department have more than doubled.
		Expand the immunisation service offered by the RCH Drop in Immunisation Centre to include immunisations being provided under sedation for needle phobic patients and patients who may otherwise not be immunised.	<b>Achieved</b> The pilot project was successfully implemented following staff training of workflows and referral pathways.
<b>Better access</b> Care is always there when people need it More access to care in the home and community People are connected to the full range of care and support they need There is equal access to care	<b>Better access</b> Plan and invest Unlock innovation Provide easier access Ensure fair access	Evaluate the implementation of the Rapid Assessment, Procedure, Investigation and Discharge team (RAPID) with a view to informing sustainability.	<b>Achieved</b> The RAPID model of care has been successfully implemented and is now sustained within the Emergency Department as standard practice. It achieves significant improvements in timely access to emergency care, reduced incidence of patients leaving without treatment and increased rates of completion of care within four hours. Over the financial year, the implementation of RAPID let to approximately 12,000 more patients being treated within the recommended time.
		Review options to increase capacity in Wallaby from 51 beds to enable more patients to access safe and appropriate care closer to home.	<b>Achieved</b> We worked across the organisation to enhance access and flow to Wallaby (Hospital-in-the-Home), as well as strengthen and expand service delivery within Wallaby.

# Statement of Priorities (continued)

Goals	Strategies	Deliverables	Outcomes
<b>Better care</b> Target zero avoidable harm Healthcare that focuses on outcomes Patients and carers are active partners in care Care fits together around people's needs	<b>Better care</b> Put quality first Join up care Partner with patients Strengthen the workforce Embed evidence Ensure equal care	Develop a 'patient safety briefing video' to inform patients and families how they can participate in making the hospital safe for all.	<b>Achieved</b> In collaboration with our Youth Advisory Council, we developed the content and structure for a Patient Safety Briefing Video. Filming is underway with the video to be included as standard orientation for patients and families from September 2019 onwards.
		Reduce nursing sick leave through the implementation of a positive wellness model to support the workforce to be at work.	<b>Achieved</b> We continue to encourage nurses to utilise all aspects of the RCHs wellness strategies (such as WH&S, EAP, Compact embedding etc) and have reviewed workforce planning, recruitment and retention avenues to implement a more stable and experienced nursing workforce model.
<b>Specific 2018-19 priorities (mandatory)</b>	<b>Disability Action Plans</b> Draft disability action plans are completed in 2018-19.	Submit a draft disability action plan to the department by 30 June 2019. The plan will include the implementation strategy to facilitate full implementation within three years of publication.	<b>Achieved</b> In collaboration with the Australian Network on Disability, the RCH Disability Action Plan was developed and submitted. A steering group has been formed to implement and monitor agreed deliverables.
	<b>Volunteer engagement</b> Ensure that the health service executives have appropriate measures to engage and recognise volunteers.	Hold the RCH Volunteer Festival to recruit and acknowledge the work of volunteers. The festival will include education sessions, recognition events and an open recruitment session.	<b>Achieved</b> We held an RCH Volunteer Festival in May 2019 to recognise, celebrate and provide training and development opportunities for more than 600 volunteers.
	<b>Bullying and harassment</b> Actively promote positive workplace behaviours and encourage reporting. Utilise staff surveys, incident reporting data, outcomes of investigations and claims to regularly monitor and identify risks related to bullying and harassment, in particular include as a regular item in Board and Executive meetings. Appropriately investigate all reports of bullying and harassment and ensure there is a feedback mechanism to staff involved and the broader health service staff.	Analyse responses from the RCH all staff Compact survey to establish a baseline from which to measure improvement in the RCH Culture.	<b>Achieved</b> A Positive Workplace Behaviours e-learning package was developed and implemented as part of mandatory training for all staff.
In addition to face to face training for high risk areas, develop a management of occupational violence on-line e-learning package for all staff to be completed on an annual basis.		<b>Achieved</b> Two staff compact surveys were conducted throughout the financial year. In addition, survey questions from the People Matter Survey were mapped to The RCH compact pledges. These surveys will continue ongoing.	

Goals	Strategies	Deliverables	Outcomes
	<b>Occupational violence</b> Ensure all staff who have contact with patients and visitors have undertaken core occupational violence training, annually. Ensure the department's occupational violence and aggression training principles are implemented.	In addition to face to face training for high risk areas, develop a management of occupational violence on-line e-learning package for all staff to be completed on an annual basis.	<b>Achieved</b> Two Management of Clinical Aggression (MOCA) training packages, with a key focus on de-escalation strategies, were developed and implemented. These have been rolled out to key teams with excellent staff feedback received.
	<b>Environmental sustainability</b> Actively contribute to the development of the Victorian Government's: <ul style="list-style-type: none"> <li>• policy to be net zero carbon by 2050 and improve environmental</li> <li>• sustainability by identifying and implementing projects, including</li> <li>• workforce education, to reduce material environmental impacts with</li> <li>• particular consideration of procurement and waste management, and</li> <li>• publicly reporting environmental performance data, including</li> <li>• measurable targets related to reduction of clinical, sharps and landfill</li> <li>• waste, water and energy use and improved recycling.</li> </ul>	Explore options to engage an ongoing resource for the recycling of clinical metal/aluminium - scissors, suture packets and report the outcomes both internally and to DHHS.	<b>Achieved</b> To facilitate recycling, we purchased a trolley for use in our CSSD washers so that stainless steel equipment can be cleaned before leaving site. We continue to roll out metal recyclable collection points across key areas.
	<b>LGBTI</b> Develop and promulgate service level policies and protocols, in partnership with LGBTI communities, to avoid discrimination against LGBTI patients, ensure appropriate data collection, and actively promote rights to free expression of gender and sexuality in healthcare settings. Where relevant, services should offer leading practice approaches to trans and intersex related interventions.	Establish an LGBTI staff focus group to review the outcome of the annual People Matter Survey and identify opportunities for improvement to support LGBTI staff.	<b>Achieved</b> The RCH LGBTIQ+ working group came together regularly across the year to support the community and identify priority areas. Attaining Rainbow accreditation will be a key initiative across the campus. A discovery process has commenced on how this can be achieved.
		Explore options to include two additional fields; preferred name and gender identity, in the electronic medical record to affirm gender identity with regards to clinical information and processes.	<b>Achieved</b> Optimisation specifications have been developed to create the necessary demographic fields for our Electronic Medical Record (EMR) to meet the needs of trans and gender diverse children and young people. These fields will be implemented with the Connecting Care implementation across the Parkville precinct.



# Statement of Priorities (continued)

## Part B: Performance priorities

### High quality and safe care

Key performance indicator	Target	2018-19 actuals
<b>Accreditation</b>		
Accreditation against the National Safety and Quality Health Service Standards	Accredited	Achieved - with full compliance
<b>Infection prevention and control</b>		
Compliance with the Hand Hygiene Australia program	80%	85%
Percentage of healthcare workers immunised for influenza	80%	87%
<b>Patient experience<sup>1</sup></b>		
Victorian Healthcare Experience Survey - data submission	Full compliance	Achieved
VHES - Positive Patient Experience Q1	95%	99%
VHES - Discharge Care Q1	75%	78%
VHES - Patient Perception of Cleanliness Q1	70%	78%
<b>Healthcare associated infections (HAI's)</b>		
Number of patients with surgical site infection	No outliers	Achieved
Number of patients with ICU central-line-associated bloodstream infection (CLABSI)	Nil	Not achieved
Rate of patients with SAB <sup>2</sup> per occupied bed day	≤1/10,000	1.8/10,000
<b>Adverse events</b>		
Sentinel events - root cause analysis (RCA) reporting	All RCA reports submitted within 30 business days	Achieved
<b>Mental health</b>		
Rate of seclusion events relating to a child and adolescent acute mental health admission	≤15/1,000	15/10,000
Percentage of child and adolescent acute mental health inpatients who have a post-discharge follow-up within seven days	80%	81%

1 The RCH results are specific to the paediatric VHES

2 SAB is Staphylococcus Aureus Bacteraemia

### Strong governance, leadership and culture

Key performance indicator	Target	2018-19 actuals
People matter survey - percentage of staff with an overall positive response to safety and culture questions	80%	92%
People matter survey - percentage of staff with a positive response to the question, 'I am encouraged by my colleagues to report any patient safety concerns I may have'	80%	96%
People matter survey - percentage of staff with a positive response to the question, 'Patient care errors are handled appropriately in my work area'	80%	94%
People matter survey - percentage of staff with a positive response to the question, 'My suggestions about patient safety would be acted upon if I expressed them to my manager'	80%	93%
People matter survey - percentage of staff with a positive response to the question, 'The culture in my work area makes it easy to learn from the errors of others'	80%	88%
People matter survey - percentage of staff with a positive response to the question, 'Management is driving us to be a safety-centred organisation'	80%	92%
People matter survey - percentage of staff with a positive response to the question, 'This health service does a good job of training new and existing staff'	80%	85%
People matter survey - percentage of staff with a positive response to the question, 'Trainees in my discipline are adequately supervised'	80%	89%
People matter survey - percentage of staff with a positive response to the question, 'I would recommend a friend or relative to be treated as a patient here'	80%	98%

### Timely access to care

Key performance indicator	Target	2018-19 actuals
<b>Emergency care</b>		
Percentage of patients transferred from ambulance to emergency department within 40 minutes	90%	98%
Percentage of Triage Category 1 emergency patients seen immediately	100%	100%
Percentage of Triage Category 1 to 5 emergency patients seen within clinically recommended time	80%	76%
Percentage of emergency patients with a length of stay in the emergency department of less than four hours	81%	76%
Number of patients with a length of stay in the emergency department greater than 24 hours	0	1
<b>Elective surgery</b>		
Percentage of urgency category 1 elective surgery patients admitted within 30 days	100%	100%
Percentage of urgency category 1,2 and 3 elective surgery patients admitted within clinically recommended time	94%	84.2%
Percentage of patients on the waiting list who have waited longer than clinically recommended time for their respective triage category	5% or 15% proportional improvement from prior year	10% waited too long and 10% proportional deterioration from prior year
Number of patients on the elective surgery waiting list <sup>3</sup>	1,986	2,403
Number of hospital initiated postponements per 100 scheduled elective surgery admissions	≤7/100	4.8
Number of patients admitted from the elective surgery waiting list	8,631	8,175
<b>Specialist Clinics</b>		
Percentage of urgent patients referred by a GP or external specialist who attended a first appointment within 30 days	100%	74%
Percentage of routine patients referred by GP or external specialist who attended a first appointment within 365 days	90%	86%

3 The target shown is the number of patients on the elective surgery waiting list as at 30 June 2019

# Statement of Priorities (continued)

## Effective financial management

Key performance indicator	Target	2018-19 actuals
<b>Finance</b>		
Operating result (\$m)	\$0	(\$20.121m)
Average number of days to paying trade creditors	60 days	34
Average number of days to receiving patient fee debtors	60 days	33
Public & private WIES <sup>4</sup> activity performance to target	100%	99.97%
Adjusted current asset ratio	0.7	1
Forecast number of days a health service can maintain its operations with unrestricted available cash (based on end of year forecast)	14 days	6.1
Actual number of days a health service can maintain its operations with unrestricted available cash, measured on the last day of each month	14 days	Not achieved
Accuracy of forecasting the Net result from transactions (NRFT) for the current financial year ending June 30 <sup>5</sup>	Variance ≤\$250k	(\$11.59m)

4 WIES is a Weighted Inlier Equivalent Separation

5 The variance is largely due to the RCH Foundation forecast (\$8.7m)

## Part C

Funding type	2018-19 actuals
<b>Acute admitted</b>	
WIES Public	45,918
WIES Private	13,584
WIES TAC	622
<b>Acute non-admitted</b>	
Home enteral nutrition	6,949
Home renal dialysis	7
Specialist Clinics – public	157,056
Total parenteral nutrition	135
<b>Subacute and non-acute admitted</b>	
Subacute WIES – Rehabilitation Public	251
Subacute WIES – Rehabilitation Private	76
<b>Subacute non-admitted</b>	
Health Independence Program – Public	27,929
<b>Mental health and drug services</b>	
Mental health ambulatory	36,970
Mental health inpatient – available bed days	5,840
<b>Primary health</b>	
Community health/primary care programs	2,094
<b>Other</b>	
NFC – Paediatric Heart Transplant without VAD	2
NFC – Paediatric Heart Transplant with VAD	4
NFC – Paediatric lung transplantation	0.2
NFC – Transplants – paediatric liver	1
Health workforce	134

## The Royal Children's Hospital Summary of financial results

	2019 \$'000	2018 \$'000	2017 \$'000	2016 \$'000	2015 \$'000
Total revenue	801,376	753,952	699,312	692,608	607,903
Total expenses	(828,505)	(756,990)	705,040	673,922	633,468
<b>Net result from transactions</b>	<b>(27,129)</b>	<b>(3,038)</b>	<b>(5,728)</b>	<b>18,686</b>	<b>(25,565)</b>
Total other economic flows	(13,178)	4,255	5,212	-	-
<b>Net result</b>	<b>(40,307)</b>	<b>1,217</b>	<b>(516)</b>	<b>18,686</b>	<b>(25,565)</b>
Total of assets	1,625,635	1,413,781	1,323,224	1,353,641	1,329,667
Total of liabilities	1,199,823	1,212,175	1,235,180	1,265,165	1,270,598
<b>Net assets/total equity</b>	<b>425,812</b>	<b>201,606</b>	<b>88,044</b>	<b>88,476</b>	<b>59,069</b>

## The Royal Children's Hospital Reconciliation between the net result from transactions to operating result

	2019 \$'000
<b>Net operating result<sup>(i)</sup></b>	<b>(20,121)</b>
<b>Capital and specific items</b>	
Capital purpose income	89,158
Net gain/(loss) on disposal of non-financial assets	(208)
Expenditure for capital purpose	(561)
Depreciation and amortisation	(47,687)
Finance costs (other)	(47,710)
Available-for-sale revaluation gain/(loss) recognised	-
<b>Net result from transactions</b>	<b>(27,129)</b>

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

### Operational and financial performance 2019

The RCH ended the year with a deficit in the Net Result From Transactions of \$27.129m. The result was heavily impacted by a number of factors including significantly higher levels of acuity and complexity of our patients which required unplanned additional resourcing and clinical intervention. The unfavourable result was compounded by lower than expected activity through our Nationally Funded Centre transplant activities and higher operating costs. During the year, the RCH invested heavily in the stabilisation of the payroll system and improving payroll processes to ensure accuracy and surety for our staff.

### Summary of significant changes in financial position 2019

In accordance to FRD 103G *Non Physical Assets*, every five years the Valuer General of Victoria is commissioned by DHHS to conduct a formal valuation of all properties owned by the RCH. The RCH has experienced a significant increase in the Net Asset values mainly due to the revaluation of main hospital site (held through a Public Private Partnership) of \$248m.

The RCH cash and cash equivalents have reduced by \$15.6m primarily as a result of the operating result.

### Subsequent events

There were no events after the balance sheet date.



# Attestations

## 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 2019.

Signed:



The Hon Rob Knowles AO, The Royal Children's Hospital Chairman, 14 August 2019

## Data Integrity

I, John Stanway, 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.

Signed:



John Stanway, Chief Executive Officer, The Royal Children's Hospital, 14 August 2019

## Conflict of Interest

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

Signed:



John Stanway, Chief Executive Officer, The Royal Children's Hospital, 14 August 2019

## Integrity, fraud and corruption

I John Stanway 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.

Signed:



John Stanway, Chief Executive Officer, The Royal Children's Hospital, 14 August 2019

## Compliance with Health Purchasing Victoria (HPV) Health Purchasing Policies

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

Signed:



John Stanway, Chief Executive Officer, The Royal Children's Hospital, 14 August 2019

## Financial Management Compliance attestation

I John Stanway, on behalf of the Responsible Body, certify that The Royal Children's Hospital has complied with the applicable *Standing Directions 2018* under the *Financial Management Act 1994* and Instructions.

Signed:



The Hon Rob Knowles AO, The Royal Children's Hospital Chairman, 14 August 2019



# Disclosure index

The annual report of the 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 2019 and the financial position of The Royal Children's Hospital and the Consolidated Entity at 30 June 2019.

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

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



**HON ROB KNOWLES AO**

Chairman  
The Royal Children's Hospital  
Melbourne  
14 August 2019



**JOHN STANWAY**

Chief Executive Officer  
The Royal Children's Hospital  
Melbourne  
14 August 2019

**JON MARCARD**

Chief Financial Officer  
The Royal Children's Hospital  
Melbourne  
14 August 2019



### Independent Auditor's Report

#### 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 2019
- 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 2019 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the *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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**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.



Travis Derricott  
as delegate for the Auditor-General of Victoria

MELBOURNE  
21 August 2019

## The Royal Children's Hospital Comprehensive operating statement

For the year ended 30 June 2019

	Note	Parent entity 2019 \$'000	Parent entity 2018 \$'000	Consolidated 2019 \$'000	Consolidated 2018 \$'000
<b>Income from transactions</b>					
Operating activities	2.1	800,655	752,969	801,555	753,874
Non-operating activities	2.1	721	970	934	1,393
<b>Total income from transactions</b>		<b>801,376</b>	<b>753,939</b>	<b>802,489</b>	<b>755,266</b>
<b>Expenses from transactions</b>					
Employee expenses	3.1	(519,542)	(484,627)	(522,585)	(487,333)
Supplies and consumables	3.1	(99,252)	(73,523)	(99,252)	(73,523)
Finance costs	3.1	(49,026)	(50,539)	(49,026)	(50,539)
Other operating expenses	3.1	(112,997)	(103,693)	(116,122)	(106,628)
Depreciation and amortisation	3.1	(47,687)	(44,608)	(48,061)	(45,069)
<b>Total expenses from transactions</b>		<b>(828,505)</b>	<b>(756,991)</b>	<b>(835,046)</b>	<b>(763,093)</b>
<b>NET RESULT FROM TRANSACTIONS</b>		<b>(27,129)</b>	<b>(3,051)</b>	<b>(32,557)</b>	<b>(7,826)</b>
<b>Other economic flows included in net result</b>					
Net gain/(loss) on financial instruments	3.2	-	13	5,211	4,004
Other gains/(losses) from other economic flows	3.2	(13,178)	4,255	(13,178)	4,255
<b>Total other economic flows included in net result</b>		<b>(13,178)</b>	<b>4,269</b>	<b>(7,967)</b>	<b>8,259</b>
<b>NET RESULT FOR THE YEAR</b>		<b>(40,307)</b>	<b>1,217</b>	<b>(40,524)</b>	<b>433</b>
<b>Other comprehensive income</b>					
<b>Items that may be reclassified subsequently to net result</b>					
Changes to financial assets at fair value through other comprehensive income revaluation surplus		(133)	-	(133)	-
Changes to financial assets available-for-sale revaluation surplus		-	266	-	6,363
<b>Items that will not be reclassified to net result</b>					
Changes in property, plant and equipment revaluation surplus		264,646	112,078	265,225	112,235
<b>COMPREHENSIVE RESULT FOR THE YEAR</b>		<b>224,206</b>	<b>113,561</b>	<b>224,568</b>	<b>119,031</b>

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



## The Royal Children's Hospital Balance sheet

As at 30 June 2019

	Note	Parent entity 2019 \$'000	Parent entity 2018 \$'000	Consolidated 2019 \$'000	Consolidated 2018 \$'000
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	6.2	16,388	32,001	35,375	51,377
Receivables	5.1	33,552	33,812	28,930	29,021
Investments and other financial assets	4.1	-	-	127,370	36,617
Inventories		2,362	1,771	2,406	1,802
Prepayments		1,274	1,271	1,476	1,438
<b>Total current assets</b>		<b>53,576</b>	<b>68,854</b>	<b>195,557</b>	<b>120,256</b>
<b>Non-current assets</b>					
Receivables	5.1	36,030	32,874	36,030	32,874
Investments and other financial assets	4.1	10,890	10,289	10,891	100,015
Property, plant and equipment	4.2	1,460,288	1,229,876	1,468,939	1,237,993
Intangible assets	4.4	57,071	63,962	68,382	75,964
Investment properties	4.5	7,780	7,926	9,617	9,285
<b>Total non-current assets</b>		<b>1,572,059</b>	<b>1,344,927</b>	<b>1,593,860</b>	<b>1,456,131</b>
<b>TOTAL ASSETS</b>		<b>1,625,635</b>	<b>1,413,781</b>	<b>1,789,417</b>	<b>1,576,387</b>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Payables	5.3	31,939	26,861	34,710	28,992
Provisions	3.4	136,741	124,556	136,766	124,567
Borrowings	6.1	36,950	35,259	36,950	35,259
Other current liabilities	5.2	11,472	13,617	5,717	7,613
<b>Total current liabilities</b>		<b>217,102</b>	<b>200,293</b>	<b>214,144</b>	<b>196,430</b>
<b>Non-current liabilities</b>					
Provisions	3.4	28,462	20,328	28,473	20,338
Borrowings	6.1	952,602	989,549	952,602	989,549
Other non-current liabilities	5.2	1,657	2,006	3,260	3,700
<b>Total non-current liabilities</b>		<b>982,721</b>	<b>1,011,883</b>	<b>984,335</b>	<b>1,013,587</b>
<b>TOTAL LIABILITIES</b>		<b>1,199,823</b>	<b>1,212,175</b>	<b>1,198,478</b>	<b>1,210,017</b>
<b>NET ASSETS</b>		<b>425,812</b>	<b>201,605</b>	<b>590,939</b>	<b>366,370</b>
<b>EQUITY</b>					
Property, plant and equipment revaluation surplus	4.2 (f)	559,948	295,302	564,448	299,223
Financial assets at fair value through other comprehensive income revaluation surplus		424	-	424	-
Financial assets available-for-sale revaluation surplus		-	557	-	14,088
Restricted specific purpose surplus		19,669	16,499	110,663	115,096
Contributed capital		91,314	91,314	91,314	91,314
Accumulated deficit		(245,544)	(202,067)	(175,911)	(153,352)
<b>TOTAL EQUITY</b>		<b>425,812</b>	<b>201,605</b>	<b>590,939</b>	<b>366,370</b>

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

## The Royal Children's Hospital Statement of changes in equity

For the year ended 30 June 2019

Consolidated	Note	Property, plant and equipment revaluation surplus \$'000	Financial assets at fair value through other comprehensive income revaluation surplus \$'000	Financial assets available for sale revaluation surplus \$'000	Restricted specific purpose surplus \$'000	Contributed capital \$'000	Accumulated surpluses/ (deficits) \$'000	Total \$'000
<b>Balance at 1 July 2017</b>		<b>186,988</b>	<b>-</b>	<b>7,726</b>	<b>122,839</b>	<b>91,314</b>	<b>(161,527)</b>	<b>247,339</b>
Net result for the year		-	-	-	-	-	433	433
Other comprehensive income for the year		112,235	-	6,363	-	-	-	118,598
Transfer to accumulated surplus/(deficit)		-	-	-	(7,743)	-	7,743	-
<b>Balance at 30 June 2018</b>		<b>299,223</b>	<b>-</b>	<b>14,088</b>	<b>115,096</b>	<b>91,314</b>	<b>(153,352)</b>	<b>366,370</b>
Adoption of AASB 9	8.10	-	557	(14,088)	-	-	13,531	-
Net result for the year		-	-	-	-	-	(40,524)	(40,524)
Other comprehensive income for the year		265,225	(133)	-	-	-	-	265,092
Transfer to accumulated surplus/(deficit)		-	-	-	(4,433)	-	4,433	-
<b>Balance at 30 June 2019</b>		<b>564,448</b>	<b>424</b>	<b>-</b>	<b>110,663</b>	<b>91,314</b>	<b>(175,911)</b>	<b>590,939</b>
Parent	Note	Property, plant and equipment revaluation surplus \$'000	Financial assets at fair value through other comprehensive income revaluation surplus \$'000	Financial assets available for sale revaluation surplus \$'000	Restricted specific purpose surplus \$'000	Contributed capital \$'000	Accumulated surpluses/ (deficits) \$'000	Total \$'000
<b>Balance at 1 July 2017</b>		<b>183,224</b>	<b>-</b>	<b>291</b>	<b>12,446</b>	<b>91,314</b>	<b>(199,231)</b>	<b>88,044</b>
Net result for the year		-	-	-	-	-	1,217	1,217
Other comprehensive income for the year		112,078	-	266	-	-	-	112,344
Transfer to accumulated surplus/(deficit)		-	-	-	4,053	-	(4,053)	-
<b>Balance at 30 June 2018</b>		<b>295,302</b>	<b>-</b>	<b>557</b>	<b>16,499</b>	<b>91,314</b>	<b>(202,067)</b>	<b>201,605</b>
Adoption of AASB 9	8.10	-	557	(557)	-	-	-	-
Net result for the year		-	-	-	-	-	(40,307)	(40,307)
Other comprehensive income for the year		264,646	(133)	-	-	-	-	264,513
Transfer to accumulated surplus/(deficit)		-	-	-	3,170	-	(3,170)	-
<b>Balance at 30 June 2019</b>		<b>559,948</b>	<b>424</b>	<b>-</b>	<b>19,669</b>	<b>91,314</b>	<b>(245,544)</b>	<b>425,812</b>

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

# The Royal Children's Hospital

## Cash flow statement

For the year ended 30 June 2019

	Note	Parent entity 2019 \$'000	Parent entity 2018 \$'000	Consolidated 2019 \$'000	Consolidated 2018 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Operating grants from government		528,623	467,705	529,473	469,102
Capital grants from government		4,572	4,308	4,572	4,308
Patient fees received		24,879	24,703	24,879	24,703
Private practice fees received		29,722	30,611	29,722	30,611
Donations and bequests received		24,826	20,044	30,293	30,387
GST received from/(paid to) ATO		5,126	2,252	5,110	2,254
Interest and dividends received		902	931	8,182	4,468
Capital donations and bequests received		1,726	2,137	-	1
Other receipts		56,141	60,023	49,856	58,440
<b>Total receipts</b>		<b>676,517</b>	<b>612,715</b>	<b>682,087</b>	<b>624,275</b>
Employee expenses paid		(505,441)	(457,817)	(508,188)	(460,447)
Fee for service medical officers		(3,126)	(3,690)	(3,126)	(3,690)
Payments for supplies and consumables		(104,146)	(80,647)	(104,191)	(79,397)
Finance cost		(1,316)	(1,360)	(1,316)	(1,360)
Other payments		(68,851)	(65,193)	(70,613)	(77,711)
<b>Total payments</b>		<b>(682,880)</b>	<b>(608,708)</b>	<b>(687,433)</b>	<b>(622,606)</b>
<b>NET CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES</b>	8.1	<b>(6,363)</b>	<b>4,007</b>	<b>(5,347)</b>	<b>1,669</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Payments for non-financial assets		(8,335)	(4,267)	(9,214)	(4,929)
Proceeds from sale of non-financial assets		2	12	2	12
Purchase of investments		-	-	(526)	(9,375)
<b>NET CASH FLOW FROM/(USED IN) INVESTING ACTIVITIES</b>		<b>(8,332)</b>	<b>(4,254)</b>	<b>(9,738)</b>	<b>(14,292)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Repayment of borrowings		(917)	(802)	(917)	(802)
<b>NET CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES</b>		<b>(917)</b>	<b>(802)</b>	<b>(917)</b>	<b>(802)</b>
Net increase/(decrease) in cash and cash equivalents held		(15,612)	(1,049)	(16,002)	(13,425)
Cash and cash equivalents at the beginning of financial year		32,001	33,050	51,377	64,802
<b>CASH AND CASH EQUIVALENTS AT THE END OF FINANCIAL YEAR</b>	6.2	<b>16,388</b>	<b>32,001</b>	<b>35,375</b>	<b>51,377</b>

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

# Notes to the Financial Statements

30 June 2019

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## Basis of presentation

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

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

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

## Note 1: Summary of significant accounting policies

These annual financial statements represent the audited general purpose financial statements for The Royal Children's Hospital (RCH) for the year ended 30 June 2019. The purpose of the report is to provide users with information about the RCH's' stewardship of resources entrusted to it.

### (a) Statement of compliance

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

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

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

The annual financial statements were authorised for issue by the Board of the RCH on 14 August 2019.

### (b) Basis of accounting preparation and measurement

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

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

The going concern basis was used to prepare the financial statements. The RCH is wholly dependent on the continued financial support of the State Government and in particular, the Department of Health and Human Services (DHHS). The DHHS has provided confirmation that it will continue to provide the RCH adequate cash flow support to meet its current and future obligations as and when they fall due for a period up to September 2020. This position is reviewed annually to ensure continuity under the going concern basis.

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

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

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

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

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

Estimates where judgements and estimates have been applied include provisions for leave entitlements (refer note 3.4) and provisions for doubtful receivables (refer note 5.1 (a)). Estimates have also been applied to certain employee expenses (refer note 3.1).

### (c) Reporting entity

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

Its principal address is:

50 Flemington Road  
Parkville  
Victoria 3052

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

### Objectives and funding

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

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

## Note 1: Summary of significant accounting policies (continued)

### (d) Principles of consolidation

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

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

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

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

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

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

### Intersegment transactions

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

### Jointly controlled assets or operations

Interests in jointly controlled assets or operations are accounted for in accordance with the policy outlined in note 4.6.

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

Income, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the Australian Taxation Office (ATO). In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

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

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

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

### (f) Comparatives

Where applicable, the comparative figures have been restated to align with the presentation in the current year. Figures have been restated in notes 2.1, 3.1, 3.2, 3.4, 5.3, 7.1 and 8.1.

### (g) Equity

#### Contributed capital

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

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

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

#### Financial assets at fair value through other comprehensive income revaluation surplus

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

#### Specific restricted purpose surplus

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

## Note 2: Funding delivery of our services

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

### Structure

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## Note 2.1: Income from transactions

	Consolidated 2019 \$'000	Consolidated 2018 \$'000
Government grants – operating	566,682	526,754
Government grants – capital	86,620	86,356
Patient fees	21,653	22,465
Private practice fees	16,330	16,061
Pathology	7,054	7,315
Commercial activities (refer note 3.3)	59,203	55,822
Assets received free of charge	51	-
Net gain/(loss) on disposal of non-financial assets	(206)	(123)
Other revenue from operating activities	44,169	39,223
<b>Total income from operating activities</b>	<b>801,555</b>	<b>753,874</b>
Interest and dividends	934	1,393
<b>Total income from non-operating activities</b>	<b>934</b>	<b>1,393</b>
<b>Total income from transactions</b>	<b>802,489</b>	<b>755,266</b>

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

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

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

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

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

Contributions are deferred as income in advance when there is a present obligation to repay them and the present obligation can be reliably measured.

### Indirect contributions from the DHHS

Insurance and outsourced contributions for the Public Private Partnership (PPP) are recognised as revenue following advice from the DHHS.

Long Service Leave (LSL) – revenue is recognised upon finalisation of movements in LSL liability in line with the long service leave funding arrangements set out in the relevant DHHS Hospital Circular(s).

### Patient fees

Patient fees are recognised as revenue on an accrual basis.

### Private practice fees

Private practice fees are recognised as revenue on an accrual basis.



**Revenue from commercial activities**

Revenue from commercial activities such as commercial laboratory medicine is recognised on an accrual basis.

**Donations and other bequests**

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

**Dividend revenue**

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

**Interest revenue**

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

**Sale of investments**

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

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

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

**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**

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**Note 3.1: Expenses from transactions**

	Consolidated 2019 \$'000	Consolidated 2018 \$'000
Salaries and wages	462,194	430,326
On-costs	38,912	36,812
Agency expenses	16,022	14,532
Fee for service medical officers expenses	3,126	3,690
Workcover premium	2,331	1,973
<b>Total employee expenses</b>	<b>522,585</b>	<b>487,333</b>
Drug supplies	56,193	32,347
Medical and surgical supplies	32,476	30,495
Diagnostic and radiology supplies	8,363	8,538
Other supplies and consumables	2,220	2,144
<b>Total supplies and consumables</b>	<b>99,252</b>	<b>73,523</b>
Finance costs	1,317	1,360
Finance costs - PPP arrangements	47,710	49,179
<b>Total finance costs</b>	<b>49,026</b>	<b>50,539</b>
Fuel, light, power and water	7,199	6,581
Repairs and maintenance	3,356	2,052
Maintenance contracts	8,866	8,583
PPP operating expenses	46,538	43,963
Medical indemnity insurance	6,243	6,036
Distributions to MCRI	13,193	12,376
Other administrative expenses	28,739	23,619
Expenditure for capital purposes	1,989	3,418
<b>Total other operating expenses</b>	<b>116,122</b>	<b>106,628</b>
Depreciation and amortisation (refer note 4.3)	48,061	45,069
<b>Total non-operating expenses</b>	<b>48,061</b>	<b>45,069</b>
<b>Total expenses from transactions</b>	<b>835,046</b>	<b>763,093</b>

## Note 3.1: Expenses from transactions (continued)

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

### Cost of goods sold

Costs of goods sold are recognised when the sale of an item occurs by transferring the cost or value of the item(s) from inventories.

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

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

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

Cost for all inventories is measured on the basis of weighted average cost.

### Employee expenses

Employee expenses include:

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

### Finance costs

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

Finance costs include:

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

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

### Other operating expenses

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

- supplies and consumables, which are recognised as an expense in the reporting period in which they are incurred. The carrying amounts of any inventories held for distribution are expensed when distributed.
- bad and doubtful debts, refer to note 7.1 (c).

### Foreign currencies

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

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

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

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

### Borrowing costs of qualifying assets

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

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

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

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

### Expenditure for capital purposes

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

### Non-operating expenses

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



## Note 3.2: Other economic flows

	Consolidated 2019 \$'000	Consolidated 2018 \$'000
Revaluation of financial instruments at fair value through profit or loss	5,211	(113)
Gains/(losses) on financial assets reclassified from other comprehensive income	-	4,116
<b>Total net gain/(loss) on financial instruments</b>	<b>5,211</b>	<b>4,004</b>
Gain/(loss) from revaluation of investment properties	(146)	654
Impairment of intangible assets	(715)	(533)
Gain/(loss) from revaluation of long service leave liability	(11,796)	3,867
Gain/(loss) from revaluation of provision for doubtful debts	(520)	267
<b>Total other gains/(losses) from other economic flows</b>	<b>(13,178)</b>	<b>4,255</b>
<b>Total other economic flows included in net result</b>	<b>(7,967)</b>	<b>8,259</b>

### Other economic flows

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

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

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

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

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

	Expense		Revenue <sup>(i)</sup>	
	Consolidated 2019 \$'000	Consolidated 2018 \$'000	Consolidated 2019 \$'000	Consolidated 2018 \$'000
<b>Commercial activities</b>				
Private practice activities	9,708	10,402	16,492	17,208
Car park	1,354	1,148	10,831	10,529
Property expense/revenue	37	30	286	283
Child Health and Information Centre	46	221	46	121
Early Learning Centre	2,973	2,722	3,498	3,186
Creative Studio	147	103	227	285
Safety Centre	5	-	8	-
<b>Other activities</b>				
Research and scholarship	13,611	12,408	13,646	12,378
Departmental and general purpose funds	10,077	8,998	14,170	11,832
<b>Total</b>	<b>37,957</b>	<b>36,033</b>	<b>59,203</b>	<b>55,822</b>

(i) Restricted and Internally managed specific purpose funds revenue is classified as 'Commercial activities' in note 2.1.

## Note 3.4: Employee benefits in the balance sheet

	Consolidated 2019 \$'000	Consolidated 2018 \$'000
<b>CURRENT PROVISIONS</b>		
<b>Employee benefits</b>		
Accrued wages and salaries		
- Unconditional and expected to be settled within 12 months (nominal value)	14,835	17,383
Accrued days off		
- Unconditional and expected to be settled within 12 months (nominal value)	1,014	1,074
Annual leave		
- Unconditional and expected to be settled within 12 months (nominal value)	35,194	31,707
- Unconditional and expected to be settled after 12 months (present value)	5,946	5,409
Long service leave		
- Unconditional and expected to be settled within 12 months (nominal value)	6,954	6,281
- Unconditional and expected to be settled after 12 months (present value)	61,693	51,521
	<b>125,636</b>	<b>113,375</b>
Provisions related to employee benefit on-costs		
- Unconditional and expected to be settled within 12 months (nominal value)	4,334	4,537
- Unconditional and expected to be settled after 12 months (present value)	6,796	6,655
	<b>11,130</b>	<b>11,192</b>
<b>Total current provisions</b>	<b>136,766</b>	<b>124,567</b>
<b>NON-CURRENT PROVISIONS</b>		
Employee benefits		
Provisions related to employee benefit on-costs	25,874	18,210
	2,599	2,128
<b>Total non-current provisions</b>	<b>28,473</b>	<b>20,338</b>
<b>Total provisions</b>	<b>165,239</b>	<b>144,905</b>
<b>(a) Employee benefits and related on-costs</b>		
<b>CURRENT EMPLOYEE BENEFITS AND RELATED ON-COSTS</b>		
Unconditional long service leave entitlements	75,544	64,559
Annual leave entitlements	45,272	41,443
Accrued wages and salaries	14,835	17,383
Accrued days off	1,116	1,182
<b>NON-CURRENT EMPLOYEE BENEFITS AND RELATED ON-COSTS</b>		
Conditional long service leave entitlements (present value)	28,473	20,338
<b>Total employee benefits</b>	<b>165,239</b>	<b>144,905</b>
<b>(b) Movements in provisions</b>		
<b>Movement in long service leave:</b>		
<b>Balance at the beginning of financial year</b>	<b>84,897</b>	<b>76,851</b>
Provision made during the year		
- Revaluation increments/(decrements)	11,796	(3,867)
- Expense recognising employee service	14,221	17,845
Settlement made during the year	(6,898)	(5,933)
<b>Balance at the end of financial year</b>	<b>104,017</b>	<b>84,897</b>

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

### Provisions

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

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

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

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

### Employee benefits

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

### Wages and salaries, annual leave and accrued days off

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

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

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

### Long Service Leave (LSL)

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

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

The components of this current LSL liability are measured at:

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

Conditional LSL is disclosed as a non-current liability. There is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service. This non-current LSL liability is measured at present value.

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

### Termination benefits

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

The RCH recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

### On-costs related to employee expenses

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

## Note 3.5: Superannuation

	Paid contributions for the year		Contribution outstanding at year end	
	Consolidated 2019 \$'000	Consolidated 2018 \$'000	Consolidated 2019 \$'000	Consolidated 2018 \$'000
<b>Defined benefit plans<sup>(i)</sup></b>				
Health Super Scheme	585	686	45	49
<b>Defined contribution plans</b>				
Health Super Scheme	25,510	23,593	1,975	2,052
Hesta	10,572	9,557	869	820
Other	3,047	2,274	248	97
<b>Total</b>	<b>39,714</b>	<b>36,110</b>	<b>3,138</b>	<b>3,017</b>

(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 \$969k. This becomes payable once the full pay run is processed in July 2019.

### Defined contribution superannuation plans

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

### Defined benefit superannuation plans

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

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

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

### Superannuation liabilities

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



## Note 4: Key assets to support service delivery

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

### Structure

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## Note 4.1: Investments and other financial assets

	Consolidated 2019 \$'000	Consolidated 2018 \$'000
<b>CURRENT</b>		
<b>Financial assets - at fair value through profit or loss</b>		
Managed funds <sup>(i)</sup>	127,370	36,617
<b>Total current</b>	<b>127,370</b>	<b>36,617</b>
<b>NON-CURRENT</b>		
<b>Investments in other entities - at fair value through profit or loss</b>		
Shares in other entities	2	1
<b>Financial assets - at fair value through other comprehensive income</b>		
Managed funds <sup>(i)</sup>	10,890	-
<b>Financial assets - available for sale</b>		
Managed funds <sup>(i)</sup>	-	100,014
<b>Total non-current</b>	<b>10,891</b>	<b>100,015</b>
<b>Total investments and other financial assets</b>	<b>138,261</b>	<b>136,632</b>
<b>Represented by:</b>		
Health service investments	10,890	10,289
Investments held by The Royal Children's Hospital Foundation	127,370	126,343
Share of investments held by Victorian Comprehensive Cancer Centre	2	1
<b>Total investments and other financial assets</b>	<b>138,261</b>	<b>136,632</b>

(i) The managed funds consist of investments held by the RCH and the RCH Foundation. The RCH Foundation is consolidated into the RCH for reporting purposes as it is the ultimate beneficiary of the RCH Foundation. The RCH Foundation is registered under the Australian Charities and not-for-profits Commission and is not subject to reporting requirements under the *Financial Management Act 1994* or Standing Directions from the Assistant Treasurer or the directions from the Minister for Health under the *Health Services Act 1988*.

### Investments and other financial assets

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

Investments are classified in the following categories:

- financial assets at fair value through profit or loss;
- held-to-maturity;
- loans and receivables; and
- financial assets at fair value through other comprehensive income.

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

The RCH assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

All financial assets, except those measured at fair value through profit or loss are subject to annual review for impairment.

### Derecognition of financial assets

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

- The rights to receive cash flows from the asset have expired; or
- The RCH retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- The RCH has transferred its rights to receive cash flows from the asset and either:
  - (a) has transferred substantially all the risks and rewards of the asset; or
  - (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

### Impairment of financial assets

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

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

## Note 4.2: Property, plant and equipment

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

	Consolidated 2019 \$'000	Consolidated 2018 \$'000
<b>Land</b>		
Crown land for hospital use at fair value	116,394	86,309
Freehold	15,940	21,906
<b>Total land</b>	<b>132,334</b>	<b>108,215</b>
<b>Buildings</b>		
Buildings at fair value	25,855	42,957
Less accumulated depreciation	(1,045)	(1,310)
<b>Total buildings</b>	<b>24,810</b>	<b>41,648</b>
<b>Plant and equipment</b>		
Plant and equipment at fair value	1,766	2,063
Less accumulated depreciation	(1,238)	(1,349)
<b>Total plant and equipment</b>	<b>528</b>	<b>714</b>
<b>Medical equipment</b>		
Medical equipment at fair value	80,523	80,500
Less accumulated depreciation	(66,035)	(63,896)
<b>Total medical equipment</b>	<b>14,488</b>	<b>16,603</b>
<b>Computers and communication</b>		
Computers and communication at fair value	14,746	12,911
Less accumulated depreciation	(10,980)	(10,502)
<b>Total computers and communication</b>	<b>3,766</b>	<b>2,409</b>
<b>Furniture and fittings</b>		
Furniture and fittings at fair value	1,660	1,364
Less accumulated depreciation	(465)	(355)
<b>Total furniture and fittings</b>	<b>1,196</b>	<b>1,009</b>
<b>Motor vehicles</b>		
Motor vehicles at fair value	362	458
Less accumulated depreciation	(256)	(281)
<b>Total motor vehicles</b>	<b>105</b>	<b>177</b>
<b>Artwork</b>		
Artwork at fair value	604	822
<b>Total artwork</b>	<b>604</b>	<b>822</b>
<b>PPP assets</b>		
Leased buildings at fair value	1,232,352	1,005,042
Less accumulated depreciation	-	-
<b>Total leased buildings</b>	<b>1,232,352</b>	<b>1,005,042</b>
Leased fittings at fair value	44,175	43,390
Less accumulated depreciation	(10,879)	(9,399)
<b>Total leased fittings</b>	<b>33,296</b>	<b>33,991</b>
Leased equipment at fair value	33,437	34,198
Less accumulated depreciation	(7,977)	(6,835)
<b>Total leased equipment</b>	<b>25,460</b>	<b>27,362</b>
<b>Total leased assets</b>	<b>1,291,108</b>	<b>1,066,395</b>
<b>Total PPP assets</b>	<b>1,291,108</b>	<b>1,066,395</b>
<b>Total property, plant and equipment</b>	<b>1,468,939</b>	<b>1,237,993</b>

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

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

Consolidated	Land \$000	Buildings \$000	Plant and equip. \$000	Medical equip. \$000	Computers and communic. \$000	Furniture and fittings \$000	Motor vehicles \$000	Artwork \$000	PPP assets \$000	Total \$000
<b>Balance at 1 July 2017</b>	<b>102,448</b>	<b>38,566</b>	<b>883</b>	<b>21,062</b>	<b>2,949</b>	<b>1,071</b>	<b>214</b>	<b>817</b>	<b>991,233</b>	<b>1,159,243</b>
Additions	-	1,339	46	3,130	1,234	40	-	6	-	5,796
Disposals	-	(37)	(27)	(26)	(82)	-	-	-	-	(172)
Net transfers between classes	(925)	(436)	-	-	-	-	-	-	-	(1,361)
Revaluation increments/ (decrements)	6,693	3,321	-	-	-	-	-	-	102,222	112,235
Depreciation and amortisation (note 4.3)	-	(1,106)	(188)	(7,564)	(1,694)	(102)	(37)	-	(27,057)	(37,748)
<b>Balance at 1 July 2018</b>	<b>108,215</b>	<b>41,646</b>	<b>715</b>	<b>16,602</b>	<b>2,407</b>	<b>1,009</b>	<b>177</b>	<b>823</b>	<b>1,066,399</b>	<b>1,237,993</b>
Additions	-	341	89	3,570	2,987	302	26	9	25	7,348
Disposals	-	-	(68)	(84)	(58)	(1)	(14)	(24)	-	(249)
Net transfers between classes	(435)	(20,477)	-	(1)	11	-	-	-	20,438	(464)
Revaluation increments/ (decrements)	24,554	4,425	-	-	-	-	-	(203)	236,449	265,225
Depreciation and amortisation (note 4.3)	-	(1,127)	(206)	(5,600)	(1,583)	(114)	(84)	-	(32,199)	(40,914)
<b>Balance at 30 June 2019</b>	<b>132,334</b>	<b>24,809</b>	<b>529</b>	<b>14,486</b>	<b>3,764</b>	<b>1,196</b>	<b>105</b>	<b>605</b>	<b>1,291,112</b>	<b>1,468,940</b>

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

An independent valuation of the RCH's land and buildings was conducted by the Valuer-General Victoria to determine the fair value of the land and buildings. The valuation, which conforms to Australian Valuation Standards, was determined by reference to the amounts for which assets could be exchanged between knowledgeable willing parties in an arm's length transaction. The valuation was based on independent assessments. The effective date of the valuation is 30 June 2019. In June 2018 a managerial valuation (including the PPP land and building) was carried out to revalue land and buildings to fair value based on indices supplied by Valuer-General Victoria.

The DHHS has provided revaluation amounts to be recorded for the PPP assets. Based on valuation advice from DHHS, a revaluation adjustment has been made in the 2017-18 financial year.

The net transfer in 2018 reflects a reclassification from a property owned by the RCH Foundation (159 Flemington Road) from property, plant and equipment asset class to investment properties to reflect the current use of that property.



## Note 4.2: Property, plant and equipment (continued)

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

Consolidated	Carrying amount as at 30 June 2019 \$'000	Fair value measurement at end of reporting period using: <sup>(i)</sup>		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
<b>Land at fair value</b>				
Non-specialised land	15,940	-	15,940	-
Specialised land	116,394	-	-	116,394
<b>Total land at fair value</b>	<b>132,334</b>	<b>-</b>	<b>15,940</b>	<b>116,394</b>
<b>Buildings at fair value</b>				
Non-specialised buildings	22,034	-	22,034	-
Specialised buildings	2,776	-	-	2,776
<b>Total buildings at fair value</b>	<b>24,810</b>	<b>-</b>	<b>22,034</b>	<b>2,776</b>
<b>Plant and equipment at fair value</b>				
Plant and equipment	528	-	-	528
Medical equipment	14,488	-	-	14,488
Computers and communication	3,766	-	-	3,766
Furniture and fittings	1,196	-	-	1,196
Motor vehicles	105	-	-	105
Artwork	604	-	604	-
<b>Total plant and equipment at fair value</b>	<b>20,687</b>	<b>-</b>	<b>604</b>	<b>20,083</b>
<b>PPP assets at fair value</b>				
Leased buildings	1,232,352	-	-	1,232,352
Leased fittings	33,296	-	-	33,296
Leased equipment	25,460	-	-	25,460
Leased cultural assets	-	-	-	-
<b>Total PPP assets at fair value</b>	<b>1,291,108</b>	<b>-</b>	<b>-</b>	<b>1,291,108</b>
<b>Total</b>	<b>1,468,940</b>	<b>-</b>	<b>38,578</b>	<b>1,430,362</b>

Consolidated	Carrying amount as at 30 June 2018 \$'000	Fair value measurement at end of reporting period using: <sup>(i)</sup>		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
<b>Land at fair value</b>				
Non-specialised land	21,906	-	21,906	-
Specialised land	86,309	-	-	86,309
<b>Total land at fair value</b>	<b>108,215</b>	<b>-</b>	<b>21,906</b>	<b>86,309</b>
<b>Buildings at fair value</b>				
Non-specialised buildings	18,585	-	18,585	-
Specialised buildings	23,062	-	-	23,062
<b>Total buildings at fair value</b>	<b>41,648</b>	<b>-</b>	<b>18,585</b>	<b>23,062</b>
<b>Plant and equipment at fair value</b>				
Plant and equipment	714	-	-	714
Medical equipment	16,603	-	-	16,603
Computers and communication	2,409	-	-	2,409
Furniture and fittings	1,009	-	-	1,009
Motor vehicles	177	-	-	177
Artwork	822	-	822	-
<b>Total plant and equipment at fair value</b>	<b>21,735</b>	<b>-</b>	<b>822</b>	<b>20,913</b>
<b>PPP assets at fair value</b>				
Leased buildings	1,005,042	-	-	1,005,042
Leased fittings	33,991	-	-	33,991
Leased equipment	26,577	-	-	26,577
Leased cultural assets	785	-	785	-
<b>Total PPP assets at fair value</b>	<b>1,066,395</b>	<b>-</b>	<b>785</b>	<b>1,065,610</b>
<b>Total</b>	<b>1,237,993</b>	<b>-</b>	<b>42,099</b>	<b>1,195,894</b>

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

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

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

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

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

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

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

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

## Note 4.2: Property, plant and equipment (continued)

### Fair value measurement

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

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

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

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

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

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

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

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

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

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

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

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

### Valuation hierarchy

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

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

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

### Identifying unobservable inputs (level 3) fair value measurements

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

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

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

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

### Non-specialised land, non-specialised buildings and artwork

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

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

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

In June 2018 a managerial valuation was carried out in accordance with *Financial Reporting Direction 103F* to revalue the land and buildings to its fair value based on indices provided by the Valuer-General Victoria.

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

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

### Specialised land and specialised buildings

The market approach is also used for specialised land and specialised buildings although 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 valuation was performed using the market approach adjusted for CSO. The effective date of the valuation is 30 June 2019.

In June 2018 a managerial valuation was carried out in accordance with *Financial Reporting Direction 103F* to revalue the land and buildings to its fair value based on indices provided by the Valuer-General Victoria.

### Plant and equipment

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

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

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



## Note 4.2: Property, plant and equipment (continued)

### (d) Reconciliation of level 3 fair value<sup>(i)</sup>

Consolidated 2019	Land \$'000	Buildings \$'000	Plant and equipment \$'000	PPP assets \$'000
<b>Opening balance</b>	<b>86,309</b>	<b>23,062</b>	<b>20,911</b>	<b>1,065,611</b>
Purchases (sales)	-	-	6,749	25
Reclassification	-	-	10	785
Transfers in (out) of level 3	-	(20,438)	-	20,438
<b>Gains or losses recognised in net result</b>				
Depreciation	-	(57)	(7,589)	(32,199)
<b>Subtotal</b>	<b>86,309</b>	<b>2,568</b>	<b>20,082</b>	<b>1,054,660</b>
<b>Items recognised in other comprehensive income</b>				
Revaluation	30,085	208	-	236,449
<b>Subtotal</b>	<b>30,085</b>	<b>208</b>	<b>-</b>	<b>236,449</b>
<b>Closing balance</b>	<b>116,394</b>	<b>2,776</b>	<b>20,082</b>	<b>1,291,109</b>
<b>Consolidated 2018</b>	<b>Land \$'000</b>	<b>Buildings \$'000</b>	<b>Plant and equipment \$'000</b>	<b>PPP assets \$'000</b>
<b>Opening balance</b>	<b>82,849</b>	<b>21,145</b>	<b>26,180</b>	<b>990,446</b>
Purchases (sales)	-	-	4,316	-
<b>Gains or losses recognised in net result</b>				
Depreciation	-	(450)	(9,585)	(27,057)
<b>Subtotal</b>	<b>82,849</b>	<b>20,695</b>	<b>20,911</b>	<b>963,389</b>
<b>Items recognised in other comprehensive income</b>				
Revaluation	3,459	2,367	-	102,222
<b>Subtotal</b>	<b>3,459</b>	<b>2,367</b>	<b>-</b>	<b>102,222</b>
<b>Closing balance</b>	<b>86,309</b>	<b>23,062</b>	<b>20,911</b>	<b>1,065,611</b>

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

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

	Valuation technique	Significant unobservable inputs
<b>Specialised land</b>		
Crown land at fair value for hospital use	Market approach	Community Service Obligation (CSO) adjustment (20-40%)
Crown land at fair value to be returned to park land		
<b>Specialised buildings</b>		
Mental health facility in Travencore Research precinct building	Depreciated replacement cost	Direct cost per square metre Useful life of specialised buildings
<b>Plant and equipment at fair value</b>		
Plant and equipment Furniture and fittings Computers and communication	Depreciated historical cost used as a reasonable proxy for depreciated replacement cost	Useful life of PP&E
<b>Vehicles</b>		
Vehicles used for hospital services	Depreciated historical cost used as a reasonable proxy for depreciated replacement cost	Useful life of vehicles
<b>Medical equipment at fair value</b>		
Medical equipment	Depreciated historical cost used as a reasonable proxy for depreciated replacement cost	Useful life of medical equipment
<b>PPP assets</b>		
Leased buildings Leased fittings Leased equipment	Depreciated replacement cost	Building cost per square meter Useful life of buildings Useful life of fittings Useful life of equipment

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

#### Impairment of non-financial assets

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

- inventories; and
- investment properties measured at fair value.

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

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

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

#### Property, plant and equipment

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

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

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

## Note 4.2: Property, plant and equipment (continued)

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

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

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

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

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

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

### Leasehold improvements

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

### Revaluations of non-current physical assets

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

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

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

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

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

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

### (f) Property, plant and equipment revaluation surplus

	Consolidated 2019 \$'000	Consolidated 2018 \$'000
<b>Property, plant and equipment revaluation surplus<sup>(i)</sup></b>		
Balance at the beginning of the year	299,223	186,988
Revaluation increment/(decrement) <sup>(i)</sup>		
– Land	24,554	6,693
– Buildings	240,874	105,543
– Artwork	(203)	–
<b>Balance at the end of the year</b>	<b>564,448</b>	<b>299,223</b>
Represented by		
– Land	80,831	56,277
– Buildings	483,615	242,741
– Artwork	2	205
	<b>564,448</b>	<b>299,223</b>

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

## Note 4.3: Depreciation and amortisation

	Consolidated 2019 \$'000	Consolidated 2018 \$'000
<b>Depreciation</b>		
Buildings	1,127	1,106
Plant and equipment	206	188
Medical equipment	5,600	7,566
Computers and communication	1,583	1,691
Furniture and fittings	114	101
Motor vehicles	84	37
Leased buildings	29,577	24,468
Leased fittings	1,480	1,446
Leased equipment	1,142	1,142
<b>Total depreciation</b>	<b>40,914</b>	<b>37,745</b>
<b>Amortisation</b>		
Intangible assets	7,147	7,325
<b>Total amortisation</b>	<b>7,147</b>	<b>7,325</b>
<b>Total depreciation and amortisation</b>	<b>48,061</b>	<b>45,069</b>

### Depreciation

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

During the year a review of asset useful lives was undertaken. The RCH concluded that useful lives of medical equipment, computers and communication and network infrastructure (IT equipment) should be revised. Medical equipment has been revised in line with the Global Medical Device Nomenclature (GMDN) classification useful lives. IT equipment has been revised based on current RCH use of equipment. The impact of the change in useful lives in 2019 was to lower depreciation by approximately \$0.2m. The annual impact of this change is approximately \$1.0m in lower depreciation costs.

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

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

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

Non PPP assets	2019	2018	PPP assets	2019	2018
Buildings			Buildings		
– Structure shell building fabric	50 years	30 to 60 years	– Structure shell building fabric	60 years	60 years
– Site engineering services and site works	30 to 40 years	30 to 40 years	– Site engineering services and site works	40 years	40 years
Central plant			Central plant		
– Fit out	25 to 30 years	25 to 30 years	– Fit out	30 years	30 years
– Trunk reticulated building systems	30 years	30 years	– Trunk reticulated building systems	30 years	30 years
Plant and equipment (non-medical)	3 to 21 years	3 to 7 years	Plant and equipment (non-medical)	30 years	30 years
Medical equipment	3 to 15 years	7 to 15 years	Medical equipment	30 years	30 years
Computers and communication	3 to 7 years	3 years	Computers and communication	30 years	30 years
Network and infrastructure	3 to 7 years	3 to 10 years	Furniture and fittings	30 years	30 years
Furniture and fittings	10 to 13 years	13 years			
Motor vehicles	7 to 10 years	10 years			
Leasehold improvements	19 to 50 years	25 to 30 years			

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

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



## Note 4.4: Intangible assets

	Consolidated 2019 \$'000	Consolidated 2018 \$'000
Software	59,551	66,344
Less accumulated amortisation	24,046	25,776
Less accumulated impairment	606	-
	<b>34,899</b>	<b>40,568</b>
Car park revenue rights <sup>(i)</sup>	30,000	30,000
Less accumulated amortisation	7,737	6,465
	<b>22,263</b>	<b>23,535</b>
Prepaid rent	14,000	14,000
Less accumulated amortisation	2,780	2,139
	<b>11,220</b>	<b>11,861</b>
<b>Total intangible assets</b>	<b>68,382</b>	<b>75,964</b>

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

	Car park revenue rights \$'000	Software \$'000	Prepaid rent \$'000	Total \$'000
<b>Balance at 1 July 2017</b>	<b>24,807</b>	<b>45,511</b>	<b>12,502</b>	<b>82,821</b>
Additions	-	1,642	-	1,642
Impairment write-off	-	(533)	-	(533)
Amortised as rent expense	-	-	(641)	(641)
Amortisation (note 4.3)	(1,272)	(6,053)	-	(7,325)
<b>Balance at 30 June 2018</b>	<b>23,535</b>	<b>40,568</b>	<b>11,860</b>	<b>75,964</b>
Additions	-	931	-	931
Impairment write-off	-	(715)	-	(715)
Amortised as rent expense	-	-	(641)	(641)
Amortisation (note 4.3)	(1,272)	(5,875)	-	(7,147)
<b>Balance at 30 June 2019</b>	<b>22,263</b>	<b>34,899</b>	<b>11,220</b>	<b>68,382</b>

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

### Intangible assets

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

Intangible assets are initially recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Impaired intangible assets that have not been capitalised are written off directly against work in progress (WIP), and do not give rise to an accumulated impairment in the balance sheet. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to the RCH.

### Amortisation

Amortisation is allocated to intangible non-produced assets with finite useful lives on a systematic (typically straight-line) basis over the asset's useful life. Amortisation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. The consumption of intangible non-produced assets with finite lives is classified as amortisation.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each annual reporting period. In addition, an assessment is made at each reporting date to determine whether there are indicators that the intangible asset concerned is impaired. If so, the asset concerned is tested as to whether its carrying value exceeds its recoverable amount.

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

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

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

Intangible assets with finite useful lives are amortised over a 3 to 23.5 year period (2018: 3 to 23.5 years).

## Note 4.5: Investment properties

### (a) Movements in carrying value for investment properties

Consolidated	Consolidated 2019 \$'000	Consolidated 2018 \$'000
<b>Balance at the beginning of the year</b>	<b>9,285</b>	<b>7,272</b>
Transfers (to)/from property, plant and equipment	474	1,359
Net gain from fair value adjustments	(142)	654
<b>Balance at the end of the year</b>	<b>9,617</b>	<b>9,285</b>

### (b) Fair value measurement hierarchy for investment properties

Consolidated	Carrying amount as at 30 June 2019 \$'000	Fair value measurement at end of reporting period using:		
		Level 1 <sup>(i)</sup> \$'000	Level 2 <sup>(i)</sup> \$'000	Level 3 <sup>(i)</sup> \$'000
Investment properties	9,617	-	9,617	-
<b>Total</b>	<b>9,617</b>	<b>-</b>	<b>9,617</b>	<b>-</b>

Consolidated	Carrying amount as at 30 June 2018 \$'000	Fair value measurement at end of reporting period using:		
		Level 1 <sup>(i)</sup> \$'000	Level 2 <sup>(i)</sup> \$'000	Level 3 <sup>(i)</sup> \$'000
Investment properties	9,285	-	9,285	-
<b>Total</b>	<b>9,285</b>	<b>-</b>	<b>9,285</b>	<b>-</b>

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

#### Investment properties

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

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

Subsequent to initial recognition at cost, investment properties are revalued to fair value with changes in the fair value recognised as other economic flows in the period that they arise. Investment properties are neither depreciated nor tested for impairment. Independent valuations are carried out on a regular basis as required in FRD 107B *Investment properties*, or if there are indications that the fair value differs significantly from carrying amount. The fair value of the RCH's investment properties as at 30 June 2019 has been arrived at on the basis of an independent valuation carried out by the Valuer-General Victoria, see also note 4.2.

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

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

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

## Note 4.6: Jointly controlled operations and assets

Name of entity	Principal activity	Ownership interest	
		2019	2018
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. The 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:

	2019 \$'000	2018 \$'000
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	1,457	1,586
Receivables	16	3
GST recoverable	4	4
Prepayments	122	101
<b>Total current assets</b>	<b>1,599</b>	<b>1,695</b>
<b>Non-current assets</b>		
Property, plant and equipment	14	11
Intangible assets	8	7
Other	2	1
<b>Total non-current assets</b>	<b>24</b>	<b>19</b>
<b>Total assets</b>	<b>1,623</b>	<b>1,713</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accrued expenses	38	18
Payables	95	26
Provisions - LSL and annual leave	25	11
<b>Total current liabilities</b>	<b>158</b>	<b>54</b>
<b>Non-current liabilities</b>		
Provisions - LSL	11	10
<b>Total non-current liabilities</b>	<b>11</b>	<b>10</b>
<b>Total liabilities</b>	<b>169</b>	<b>64</b>
<b>Net assets</b>	<b>1,454</b>	<b>1,649</b>
<b>Equity</b>		
Accumulated surpluses/(deficits)	1,454	1,649
<b>Total equity</b>	<b>1,454</b>	<b>1,649</b>



## Note 4.6: Jointly controlled operations and assets (continued)

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

	2019 \$'000	2018 \$'000
<b>Revenue</b>		
Grants and other revenue	876	1,410
Interest	32	21
<b>Total revenue</b>	<b>908</b>	<b>1,431</b>
<b>Expenses</b>		
Employee benefits	410	242
Other expenses from continuing operations	688	74
Depreciation and amortisation	5	2
<b>Total expenses</b>	<b>1,103</b>	<b>318</b>
<b>Net result</b>	<b>(195)</b>	<b>1,113</b>

### 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.

## Note 5: Other assets and liabilities

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

### Structure

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## Note 5.1: Receivables

	Consolidated 2019 \$'000	Consolidated 2018 \$'000
<b>CURRENT</b>		
<b>Contractual</b>		
Inter hospital debtors	3,248	1,673
Trade debtors	2,436	2,545
Patient fees	8,099	7,906
Accrued investment income	1,979	1,105
Diagnostic debtors	1,246	1,303
Sundry debtors	8,139	6,805
<b>Less allowance for doubtful debts</b>		
Trade debtors	(5)	(8)
Patient fees	(652)	(214)
Diagnostic debtors	(170)	(85)
	<b>24,319</b>	<b>21,030</b>
<b>Statutory</b>		
GST receivable	2,794	2,882
Accrued revenue Department of Health and Human Services	1,817	5,109
<b>Total current receivables</b>	<b>28,930</b>	<b>29,021</b>
<b>NON-CURRENT</b>		
<b>Statutory</b>		
Accrued revenue Department of Health and Human Services	36,030	32,874
<b>Total non-current receivables</b>	<b>36,030</b>	<b>32,874</b>
<b>Total receivables</b>	<b>64,961</b>	<b>61,895</b>
<b>(a) Movements in allowance for doubtful debts</b>		
Balance at the beginning of financial year	307	736
Amounts written off during the year	(88)	(156)
Increase/(decrease) in allowance recognised in net result	609	(272)
<b>Balance at the end of financial year</b>	<b>827</b>	<b>307</b>

## Note 5.1: Receivables (continued)

### Receivables

Receivables consist of:

- contractual receivables, which includes of mainly debtors in relation to goods and services and accrued investment income; and
- statutory receivables, which includes predominantly amounts owing from the Victorian Government and Goods and Services Tax (GST) input tax credits recoverable.

Receivables that are contractual are classified as financial instruments and categorised as loans and receivables. Statutory receivables are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments because they do not arise from a contract.

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

Trade debtors are carried at nominal amounts due and are due for settlement within 30 days from the date of recognition. Collectability of debts is reviewed on an ongoing basis, and debts which are known to be uncollectible are written off. A provision for doubtful debts is recognised when there is objective evidence that the debts may not be collected. Bad debts are written off when identified.

## Note 5.2: Other liabilities

	Consolidated 2019 \$'000	Consolidated 2018 \$'000
<b>CURRENT</b>		
Monies held in trust		
– Patient monies held in trust	3	80
– Monies held in trust (Children's Health Partnership) <sup>(i)</sup>	1,121	-
Income in advance		
– Rental	349	349
– Other	2,307	5,401
Other		
– Salary packaging deposit (held on behalf of employees)	1,937	1,782
<b>Total current</b>	<b>5,717</b>	<b>7,613</b>
<b>NON-CURRENT</b>		
Income in advance		
– Rental	3,260	3,700
<b>Total non-current</b>	<b>3,260</b>	<b>3,700</b>
<b>Total other liabilities</b>	<b>8,977</b>	<b>11,313</b>
<b>Total monies held in trust represented by the following assets</b>		
Cash assets (note 6.2)	3	80
Cash assets held on behalf of Children's Health Partnership (note 6.2)	1,121	-
<b>Total</b>	<b>1,124</b>	<b>80</b>

(i) Monies held on behalf of the Children's Health Partnership have been reclassified out of income in advance and presented under monies held in trust, as it is different in nature to other income in advance balances.

## Note 5.3: Payables

	Consolidated 2019 \$'000	Consolidated 2018 \$'000
<b>CURRENT</b>		
<b>Contractual</b>		
Trade creditors	20,054	14,673
Accrued expenses	5,223	7,208
Deposits	23	1,149
Sundry creditors <sup>(i)</sup>	1,177	1,694
	<b>26,478</b>	<b>24,723</b>
<b>Statutory</b>		
Superannuation and workcover	3,939	4,269
Department of Health and Human Services	4,293	-
	<b>8,232</b>	<b>4,269</b>
<b>Total current payables</b>	<b>34,710</b>	<b>28,992</b>

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

Payables consist of:

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

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



## 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

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## Note 6.1: Borrowings

### (a) Loans and finance lease liabilities

	Consolidated 2019 \$'000	Consolidated 2018 \$'000
<b>CURRENT</b>		
TCV loan <sup>(i)</sup>	1,046	921
Finance lease liability <sup>(ii)</sup> (refer note 6.1b)	35,904	34,338
<b>Total current</b>	<b>36,950</b>	<b>35,259</b>
<b>NON-CURRENT</b>		
TCV loan <sup>(i)</sup>	25,223	26,265
Finance lease liability <sup>(ii)</sup> (refer note 6.1b)	927,379	963,283
<b>Total non-current</b>	<b>952,602</b>	<b>989,549</b>
<b>Total borrowings</b>	<b>989,552</b>	<b>1,024,807</b>

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

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

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

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

### (b) Finance lease liabilities

PPP finance lease liability

	Minimum future lease payments <sup>(i)</sup>		Present value of minimum future lease payments <sup>(ii)</sup>	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
<b>Commissioned PPP related finance lease liabilities payable</b>				
Not longer than one year	82,048	82,048	35,904	34,338
Longer than 1 year and not later than 5 years	328,191	328,191	162,663	154,997
Longer than 5 years	1,023,590	1,105,638	764,716	808,286
Minimum future lease payments	1,433,829	1,515,877	963,283	997,621
Less future finance charges	(470,546)	(518,256)	-	-
<b>Present value of minimum lease payments</b>	<b>963,283</b>	<b>997,621</b>	<b>963,283</b>	<b>997,621</b>
<b>Included in the financial statements as</b>				
Current borrowings			35,904	34,338
Non-current borrowings			927,379	963,283
			<b>963,283</b>	<b>997,621</b>

(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% (2017-18: 4.84%).

Source information provided by the Department of Health and Human Services.

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.

Finance leases are recognised as assets and liabilities at amounts equal to the fair value of the lease property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The lease asset is accounted for as a non-financial physical asset and is depreciated over the shorter of the estimated useful life of the asset or the term of the lease. If there is certainty that the RCH will obtain ownership of the lease asset by the end of the lease term, the asset shall be depreciated over the useful life of the asset. Minimum lease payments are apportioned between reduction of the outstanding lease liability and the periodic finance expense which is calculated using the interest rate implicit in the lease and charged directly to the comprehensive operating statement. Contingent rentals associated with finance leases are recognised as an expense in the period in which they are incurred.

## Note 6.2: Cash and cash equivalents

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

	Consolidated 2019 \$'000	Consolidated 2018 \$'000
Cash on hand	3	3
Deposit held on behalf of employees (salary packaging)	1,937	1,782
Cash at bank	16,766	20,314
Deposits at call	-	26,327
Fixed deposits	16,669	2,950
<b>Total cash and cash equivalents</b>	<b>35,375</b>	<b>51,377</b>
<b>Represented by:</b>		
Monies held in trust	1,124	80
Cash for health service operations (as per cash flow statement) <sup>(i)</sup>	34,251	51,297
<b>Total cash and cash equivalents</b>	<b>35,375</b>	<b>51,377</b>

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

As part of rollout of the new payroll system, the RCH entered into a Transaction Negotiated Authority (TNA) with the Commonwealth Bank as part of the implementation of a new payroll system to transfer payments to staff. The TNA facility entered into comes with an overdraft limit of \$15m.

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

### (a) Commitments other than public private partnerships

	Consolidated 2019 \$'000	Consolidated 2018 \$'000
<b>Capital expenditure commitments</b>		
Payable:		
Plant and equipment	5	2
Medical equipment	2,588	2,364
Computers and communication	411	509
Furniture and fittings	19	13
Software	789	283
<b>Total capital expenditure commitments</b>	<b>3,812</b>	<b>3,171</b>
<b>Operating commitments</b>		
Operating commitments	13,081	16,268
<b>Total operating commitments</b>	<b>13,081</b>	<b>16,268</b>
<b>Lease commitments</b>		
Commitments in relation to leases contracted for at the reporting date		
Operating commitments	4,044	1,369
<b>Total lease commitments</b>	<b>4,044</b>	<b>1,369</b>
<b>Total commitments for expenditure (inclusive of GST) other than public private partnerships</b>	<b>20,937</b>	<b>20,807</b>

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

### (b) Public private partnerships<sup>(i)</sup>

	Consolidated 2019 \$'000	Consolidated 2018 \$'000
<b>Commissioned public private partnerships – other commitments<sup>(ii)</sup></b>	<b>Other commitments</b>	<b>Other commitments</b>
Children's Health Partnership	1,676,903	1,764,024
<b>Total commitments for public private partnerships</b>	<b>1,676,903</b>	<b>1,764,024</b>

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

(ii) The year on year reduction in the present values of the other commitments reflects the payments made, offset by the impact of the discounting period of the commissioning.

Source information provided by the Department of Health and Human Services.



## Note 6.3: Commitments (continued)

### (c) Commitments payable

Nominal values	Consolidated 2019 \$'000	Consolidated 2018 \$'000
<b>Capital expenditure commitments payable</b>		
Less than 1 year	3,812	3,171
<b>Total capital expenditure commitments</b>	<b>3,812</b>	<b>3,171</b>
<b>Operating commitments</b>		
Less than 1 year	6,949	10,014
More than 1 year but no more than 5 years	5,685	5,664
More than 5 years	448	590
<b>Total operating commitments</b>	<b>13,081</b>	<b>16,268</b>
<b>Lease commitments</b>		
Less than 1 year	810	547
More than 1 year but no more than 5 years	1,778	822
More than 5 years	1,456	-
<b>Total lease commitments</b>	<b>4,044</b>	<b>1,369</b>
<b>Public private partnership commitments (commissioned)</b>		
Less than 1 year	59,235	51,599
More than 1 year but no more than 5 years	289,219	286,148
More than 5 years	1,328,450	1,426,277
<b>Total public private partnership commitments</b>	<b>1,676,903</b>	<b>1,764,024</b>
<b>Total commitments (inclusive of GST)</b>	<b>1,697,840</b>	<b>1,784,832</b>
Less GST recoverable from the Australian Tax Office	154,349	162,257
<b>Total commitments (exclusive of GST)</b>	<b>1,543,491</b>	<b>1,622,574</b>

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.

## Note 6.4: Commitments for income

	Consolidated 2019 \$'000	Consolidated 2018 \$'000
<b>Commitments in relation to leases receivable</b>		
Less than 1 year	186	186
More than 1 year but no more than 5 years	263	449
<b>Total commitments receivable (inclusive of GST)</b>	<b>449</b>	<b>635</b>
Less GST payable to the Australian Tax Office	(41)	(58)
<b>Total commitments receivable (exclusive of GST)</b>	<b>408</b>	<b>577</b>

## 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

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## Note 7.1: Financial instruments

### (a) Financial risk management objectives and policies

The RCH's principal financial instruments comprise:

- Cash assets
- Term deposits
- Receivables (excluding statutory receivables)
- Investment in equity instruments and managed investment schemes
- Payables (excluding statutory payables)
- Debt securities.

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

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

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

## Note 7.1: Financial instruments (continued)

### Categorisation of financial instruments

Consolidated 2019	Financial assets and liabilities designated at fair value through profit/loss \$'000	Financial assets and liabilities mandatorily measured at fair value through profit/loss \$'000	Financial assets at amortised cost \$'000	Financial assets designated at fair value through other comprehensive income \$'000	Financial liabilities at amortised cost \$'000	Total \$'000
<b>Contractual financial assets</b>						
Cash and cash equivalents	-	-	35,375	-	-	35,375
Receivables	-	-	24,319	-	-	24,319
Other financial assets						
- Managed funds	-	127,370	-	10,890	-	138,259
- Shares in other entities	-	2	-	-	-	2
<b>Total financial assets<sup>(i)</sup></b>	<b>-</b>	<b>127,371</b>	<b>59,694</b>	<b>10,890</b>	<b>-</b>	<b>197,955</b>
<b>Financial liabilities</b>						
Payables	-	-	-	-	26,478	26,478
TCV loan	-	-	-	-	26,269	26,269
Finance lease liabilities	-	-	-	-	963,283	963,283
Monies held in trust	-	-	-	-	1,124	1,124
<b>Total financial liabilities<sup>(ii)</sup></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,017,154</b>	<b>1,017,154</b>

Consolidated 2018	Contractual financial assets and liabilities designated at fair value through profit/loss \$'000	Contractual financial assets and liabilities held for trading at fair value through profit/loss \$'000	Contractual financial assets - loans and receivables \$'000	Contractual financial assets - available for sale \$'000	Contractual financial liabilities at amortised cost \$'000	Total \$'000
<b>Contractual financial assets</b>						
Cash and cash equivalents	-	-	51,377	-	-	51,377
Receivables	-	-	21,030	-	-	21,030
Other financial assets						
- Managed funds	36,617	-	-	100,014	-	136,631
- Shares in other entities	1	-	-	-	-	1
<b>Total financial assets<sup>(i)</sup></b>	<b>36,618</b>	<b>-</b>	<b>72,407</b>	<b>100,014</b>	<b>-</b>	<b>209,040</b>
<b>Financial liabilities</b>						
Payables	-	-	-	-	24,723	24,723
TCV loan	-	-	-	-	27,186	27,186
Finance lease liabilities	-	-	-	-	997,621	997,621
Monies held in trust	-	-	-	-	80	80
<b>Total financial liabilities<sup>(ii)</sup></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,049,610</b>	<b>1,049,610</b>

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

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

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

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

#### Financial assets at amortised cost

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

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

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

The RCH recognises the following assets in this category:

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

#### Financial assets at fair value through other comprehensive income

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

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

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

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

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

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

#### Financial assets at fair value through profit or loss

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

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

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

#### Financial liabilities at amortised cost

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

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



## Note 7.1: Financial instruments (continued)

### Categories of financial assets previously used under AASB 139

Up to 30 June 2018 the RCH classified its financial assets and liabilities in accordance with AASB 139.

#### Loans and receivables and cash

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

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

#### Available-for-sale financial instruments

Available-for-sale financial instruments are those designated as available-for-sale or not classified in any other category of financial instrument assets. Such assets are initially recognised at fair value. Subsequent to initial recognition, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income until disposal of the investment. Impairments are recognised in profit or loss. Upon disposal, any related cumulative gain or loss previously recognised in other comprehensive income is transferred to profit or loss as other economic flows.

#### Derecognition and impairments

##### Derecognition of financial assets

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

##### Derecognition of financial liabilities

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

##### Impairment of financial assets

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

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

### (b) Maturity analysis of financial liabilities

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

Consolidated	Note	Carrying amount as at 30 June 2019 \$'000	Nominal amount as at 30 June 2019 \$'000	Maturity dates				
				Less than 1 month \$'000	1-3 months \$'000	3-12 months \$'000	1-5 years \$'000	More than 5 years \$'000
<b>Financial liabilities</b>								
Payables	5.3	26,478	26,478	18,653	7,429	396	-	-
TCV loan	6.1	26,269	26,269	157	159	730	4,382	20,841
Finance lease liabilities	6.1	963,283	963,283	-	8,752	27,153	162,663	764,716
Monies held in trust	5.2	1,124	1,124	51	105	463	504	-
<b>Total</b>		<b>1,017,154</b>	<b>1,017,154</b>	<b>18,862</b>	<b>16,445</b>	<b>28,741</b>	<b>167,549</b>	<b>785,557</b>

Consolidated	Note	Carrying amount as at 30 June 2018 \$'000	Nominal amount as at 30 June 2018 \$'000	Maturity dates				
				Less than 1 month \$'000	1-3 months \$'000	3-12 months \$'000	1-5 years \$'000	More than 5 years \$'000
<b>Financial liabilities</b>								
Payables	5.3	24,723	24,723	19,184	4,167	865	507	-
TCV loan	6.1	27,186	27,186	150	151	695	4,172	22,019
Finance lease liabilities	6.1	997,621	997,621	-	8,332	26,005	154,997	808,286
Monies held in trust	5.2	80	80	7	13	60	-	-
<b>Total</b>		<b>1,049,611</b>	<b>1,049,611</b>	<b>19,340</b>	<b>12,664</b>	<b>27,625</b>	<b>159,676</b>	<b>830,305</b>

### (c) Contractual receivables at amortised cost

	1 July 2018	Less than 1 month	1-3 months	3-12 months	1-5 years	Total
Expected loss rate		0.0%	1.3%	17.3%	100.0%	1.4%
Gross carrying amount of contractual receivables (\$'000)		18,204	1,474	1,660	-	21,338
Loss allowance (\$'000)		(2)	(18)	(287)	-	(307)

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

#### Impairment of financial assets under AASB 9

From 1 July 2018, the RCH has been recording the allowance for expected credit losses for the relevant financial instruments, replacing AASB 139's incurred loss approach with AASB 9's expected credit loss approach. Subject to AASB 9 impairment assessments include the RCH's contractual receivables, statutory receivables, and any investments in debt instruments.

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

#### Contractual receivables at amortised cost

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

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

## Note 7.1: Financial instruments (continued)

### Reconciliation of the movement in loss allowance for contractual receivables

	Consolidated 2019 \$'000	Consolidated 2018 \$'000
<b>Balance at the beginning of the year</b>	<b>307</b>	<b>736</b>
Opening retained earnings adjustment on adoption of AASB 9	-	-
<b>Balance at the beginning of the year</b>	<b>307</b>	<b>736</b>
Reversal of provision for receivables written off during the year	(88)	(156)
Increase/(decrease) in provision recognised in net result	609	(272)
<b>Balance at the end of the year</b>	<b>827</b>	<b>307</b>

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

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

Upon reassessing the loss allowance at 30 June 2018 using the forward looking approach implemented on 1 July 2019, there were no material changes to the loss allowance to adjust against retained earnings.

### Statutory receivables

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

## Note 7.2: Net gain/(loss) on disposal of non-financial assets

	Consolidated 2019 \$'000	Consolidated 2018 \$'000
<b>Proceeds from disposal of non-current assets</b>		
Plant and equipment	-	4
Motor vehicles	2	9
<b>Total proceeds from disposal of non-current assets</b>	<b>2</b>	<b>12</b>
<b>Less: written down value of non-current assets disposed</b>		
Plant and equipment	68	4
Medical equipment	84	129
Computers and communications	17	2
Furniture and fittings	1	-
Motor vehicles	14	-
Artwork	24	-
<b>Total written down value of non-current assets disposed</b>	<b>208</b>	<b>135</b>
<b>Net gain/(loss) on disposal of non-financial assets</b>	<b>(206)</b>	<b>(123)</b>

### Disposal of non-financial assets

Any gain or loss on the sale of non-financial assets is recognised in the comprehensive operating statement.

## 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.

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



## Note 8: Other disclosures

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

### Structure

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

	Consolidated 2019 \$'000	Consolidated 2018 \$'000
<b>Net result for the year</b>	<b>(40,524)</b>	<b>433</b>
<b>Non-cash movements</b>		
Depreciation and amortisation	48,061	45,069
Facility management, lifecycle and other expenses paid by DHHS under PPP agreement	(46,538)	(43,963)
DHHS - indirect contribution on repayment of finance lease liabilities	(82,048)	(82,048)
Facility management, lifecycle and other charges under PPP agreement	46,538	43,963
PPP - non-cash finance lease interest expense	47,710	49,179
Provision for doubtful receivables	520	(111)
Revaluation of financial instruments through profit or loss	(5,211)	113
Revaluation of long service leave	11,796	(3,867)
Revaluation of investment properties	146	(654)
Impairment of intangible assets	715	-
Revaluation of financial instruments through other comprehensive income	(133)	-
<b>Movements included in investing and financing activities</b>		
Net (gain)/loss from sale of non-financial assets	206	123
Available-for-sale revaluation surplus recognised	-	(4,116)
<b>Movements in assets and liabilities</b>		
Change in operating assets and liabilities		
- (Increase)/decrease in financial assets	3,582	(6,130)
- Increase/(decrease) in payables	5,718	(7,961)
- Increase/(decrease) in employee benefits	8,538	20,997
- (Increase)/decrease in other assets	(8,240)	(9,795)
- (Increase)/decrease in receivables	(3,586)	(15,499)
- Increase/(decrease) in other liabilities	(645)	3,326
- Increase/(decrease) in non-current interest bearing liability	(2,609)	(2,485)
<b>Less cash flows from investing and financing activities</b>		
Net cash (inflow)/outflow from investing and financing activities	10,655	15,094
<b>Net cash inflow/(outflow) from operating activities</b>	<b>(5,347)</b>	<b>1,669</b>

## Note 8.2: Responsible persons disclosures

### (a) Responsible persons

	Period	
<b>Responsible Ministers</b>		
The Honourable Jill Hennessy, Minister for Health and Minister for Ambulance Services	1 July 2018	29 November 2018
The Honourable Jenny Mikakos, Minister for Health and Minister for Ambulance Services	29 November 2018	30 June 2019
The Honourable Martin Foley, Minister for Mental Health	1 July 2018	30 June 2019
The Honourable Martin Foley, Minister for Housing, Disability and Ageing	1 July 2018	29 November 2018
The Honourable Luke Donnellan, Minister for Child Protection, Minister for Disability and Ageing and Carers	29 November 2018	30 June 2019
<b>Governing Board</b>		
Hon Rob Knowles AO (Chairman)	1 July 2018	30 June 2019
Ms Christine Corbett <sup>(i)</sup>	1 July 2018	28 June 2019
Dr Christine Cunningham	1 July 2018	30 June 2019
Ms Petrina Dorrington	1 July 2018	30 June 2019
Mr Sammy Kumar <sup>(ii)</sup>	1 July 2018	30 June 2019
Mr David Lau	1 July 2018	30 June 2019
Mr David Mandel	1 July 2018	30 June 2019
Dr Linden Smibert	1 July 2018	30 June 2019
<b>Accountable Officer</b>		
Mr John Stanway (Chief Executive Officer)	1 July 2018	30 June 2019

(i) Ms Corbett has resigned effective 28 June 2019.

(ii) Mr Kumar returned to the Board on 1 July 2018 after an initial term from 2012 to 2015.

Ms Rowena Coutts was appointed to the Board on 1 July 2019.

### Remuneration of responsible persons

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

Income band	2019 (\$'000)	2018 (\$'000)
\$10,000 – \$19,999	-	2
\$20,000 – \$29,999	1	6
\$30,000 – \$39,999	1	-
\$40,000 – \$49,999	5	1
\$70,000 – \$79,999	1	-
\$390,000 – \$399,999	-	1
\$460,000 – \$469,999	1	-
<b>Total</b>	<b>9</b>	<b>10</b>

	2019 (\$'000)	2018 (\$'000)
<b>Total remuneration received or due and receivable by responsible persons from the reporting entity amounted to:</b>		
<b>Total</b>	<b>802</b>	<b>677</b>

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

## Note 8.3: Executive officers disclosures

### Remuneration of executives

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

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

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

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

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

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

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

### Remuneration of executive officers

	Total remuneration	
	2019 \$	2018 \$
Short term employee benefits	2,166,753	1,988,576
Post employment benefits	178,084	186,951
Other long term benefits	238,053	78,294
<b>Total remuneration</b>	<b>2,582,890</b>	<b>2,253,821</b>
<b>Total number of executives<sup>(i)</sup></b>	<b>9</b>	<b>10</b>
<b>Total annualised employee equivalent (AEE)<sup>(ii)</sup></b>	<b>7.00</b>	<b>7.94</b>

(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	
<b>Responsible Ministers</b>		
The Honourable Jill Hennessy, Minister for Health and Minister for Ambulance Services	1 July 2018	29 November 2018
The Honourable Jenny Mikakos, Minister for Health and Minister for Ambulance Services	29 November 2018	30 June 2019
The Honourable Martin Foley, Minister for Mental Health	1 July 2018	30 June 2019
The Honourable Martin Foley, Minister for Housing, Disability and Ageing	1 July 2018	29 November 2018
The Honourable Luke Donnellan, Minister for Child Protection, Minister for Disability and Ageing and Carers	29 November 2018	30 June 2019
<b>Governing Board</b>		
Hon Rob Knowles AO (Chairman)	1 July 2018	30 June 2019
Ms Christine Corbett <sup>(i)</sup>	1 July 2018	28 June 2019
Dr Christine Cunningham	1 July 2018	30 June 2019
Ms Petrina Dorrington	1 July 2018	30 June 2019
Mr Sammy Kumar <sup>(ii)</sup>	1 July 2018	30 June 2019
Mr David Lau	1 July 2018	30 June 2019
Mr David Mandel	1 July 2018	30 June 2019
Dr Linden Smibert	1 July 2018	30 June 2019
<b>Accountable Officer</b>		
Mr John Stanway (Chief Executive Officer)	1 July 2018	30 June 2019

(i) Ms Corbett has resigned effective 28 June 2019.

(ii) Mr Kumar returned to the Board on 1 July 2018 after an initial term from 2012 to 2015.

Ms Rowena Coutts was appointed to the Board on 1 July 2019.

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

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

Compensation	2019 \$'000	2018 \$'000
Short term employee benefits	731	612
Post employment benefits	55	52
Other long term benefits	15	13
<b>Total<sup>(i)</sup></b>	<b>802</b>	<b>677</b>

(i) (KMP are also reported in note 8.2 Responsible persons disclosures and note 8.3 Executive officers 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.

### The Royal Children's Hospital Foundation

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

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

	Parent entity 2019 \$	Parent entity 2018 \$
Distributions and reimbursements by The Royal Children's Hospital's Foundation	38,108,745	38,472,307
Payments to The Royal Children's Hospital's Foundation	1,489	350,477
Payable to The Royal Children's Hospital's Foundation	6,236,955	6,255,059
Receivable from The Royal Children's Hospital's Foundation	73	-

### Murdoch Children's Research Institute

The CEO and Board Chairman of the RCH were also Directors of Murdoch Children's Research Institute (MCRI) during 2018-19 financial year.

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

	Parent entity 2019 \$	Parent entity 2018 \$
Reimbursements by Murdoch Children's Research Institute	8,423,361	8,342,136
Payments to Murdoch Children's Research Institute	15,735,730	14,383,439
Receivable from Murdoch Children's Research Institute	588,253	671,021
Payable to Murdoch Children's Research Institute	1,300,511	-

### Victorian Clinical Genetics Services

Victorian Clinical Genetics Services (VCGS) is a wholly owned subsidiary of MCRI which the CEO and Board Chairman of the RCH were Directors of during 2018-19 financial year.

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

	Parent entity 2019 \$	Parent entity 2018 \$
Reimbursements by Victorian Clinical Genetics Services	1,586,419	1,586,419
Payments to Victorian Clinical Genetics Services	763,560	763,560
Receivable from Victorian Clinical Genetics Services	53,994	53,994
Payable to Victorian Clinical Genetics Services	132	132

## Note 8.4: Related parties (continued)

### Victorian Comprehensive Cancer Centre

The CEO of the RCH was a Director of Victorian Comprehensive Cancer Centre during the 2018–19 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 2019 \$	Parent entity 2018 \$
Payments by The Royal Children's Hospital for membership fees	149,677	147,175

### Optus

A Director of the RCH was an employee of Optus until 9 April 2018. Optus provided services to the RCH during the financial year ended 30 June 2019. Mr Lau was not involved in the procurement or provision of services rendered by Optus and these arrangements were on normal commercial terms and conditions and in the ordinary course of business.

	Parent entity 2019 \$	Parent entity 2018 \$
Telephone charges	N/A	269,405

### Australia Post

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

	Parent entity 2019 \$	Parent entity 2018 \$
Postal charges	79,523	322,794

### EBOS Group Ltd

A Director of the RCH was an employee of EBOS Group Ltd. EBOS Group Ltd or its subsidiaries (EBOS) provided equipment and consumables to the RCH during the financial year ended 30 June 2019. Mr Lau was not involved in the procurement or provision of services rendered by EBOS and these arrangements were on normal commercial terms and conditions and in the ordinary course of business.

	Parent entity 2019 \$	Parent entity 2018 \$
Payments for medical equipment and consumables	15,007,683	N/A
Payable to EBOS	810,657	N/A

### Significant transactions with government-related parties

The RCH received funding from the Department of Health and Human Services of \$484 million (2018: \$458 million).

The RCH received funding from the Department of Education and Training of \$4.3 million (2018: 4.7 million).

The information above is provided as required per AASB 124 *Related Party Disclosures*. Adoption of the new standard does not require comparative figures to be included for the first reporting period.

## Note 8.5: Remuneration of auditors

	Consolidated 2019 \$'000	Consolidated 2018 \$'000
<b>Victorian Auditor-General's Office</b>		
Audit or review of financial statements	209	390
<b>Other service providers</b>		
Audit or review of financial statements	71	67
<b>Total remuneration</b>	<b>280</b>	<b>457</b>

## Note 8.6: Controlled entities

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

### Controlled entities contribution to the consolidated results

Controlled entities contribution to the consolidated results	2019 \$'000	2018 \$'000
<b>Net result for the year</b>		
The Royal Children's Hospital Foundation Trust Fund	1,285	(1,600)
<b>Total result for controlled entities</b>	<b>1,285</b>	<b>(1,600)</b>

## Note 8.7: Ex-gratia payments

There was one ex-gratia payment made in FY 2018–19 for \$34k (nil in 2017–18).

## Note 8.8: Events occurring after the balance sheet date

At the time of authorising the financial statements, there were no events after the balance sheet date with impact on the financial statements.



## Note 8.9: Financial dependency

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

The DHHS has provided confirmation that it will continue to provide the RCH adequate cash flow support to meet its current and future obligations as and when they fall due for a period up to September 2020. On that basis, the financial statements have been prepared on a going concern basis.

The RCH is reporting a negative net result from transactions of \$27,129k (2018: negative \$3,051k), a net current asset position of negative \$163,526 (2018: negative \$131,439k) resulting in a current asset ratio of 0.25 (2018: 0.34) and a net cash flow from operations of negative \$6,363k (2018: positive \$4,007). A letter confirming adequate cash flow was also provided for the previous financial year.

## Note 8.10: Changes in accounting policies

### Changes in accounting policy

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

- any adjustments to carrying amounts of financial assets or liabilities are recognised at beginning of the current reporting period with any difference recognised in opening retained earnings, and
- financial assets and provisions for impairment have not been reclassified and/or restated in the comparative period.

This note explains the impact of the adoption of AASB 9 *Financial Instruments* in the RCH financial statements.

### Changes to classification and measurement

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

Consolidated 2018	AASB 139 measurement categories	AASB 9 measurement categories			
		Fair value through profit or loss (designated) \$'000	Fair value through profit or loss (mandatory) \$'000	Fair value through other comprehensive income (designated) \$'000	Amortised cost \$'000
<b>AASB 139 measurement categories</b>					
Loans and receivables					
- Cash and cash equivalents	51,377	-	-	-	51,377
- Receivables	26,139	-	-	-	26,139
Available for sale					
- Managed funds	100,014	-	89,725	10,289	-
Designated at fair value through profit or loss					
- Managed funds	36,617	-	36,617	-	-
- Shares in other entities	1	-	1	-	-
<b>Total financial assets</b>	<b>214,148</b>	<b>-</b>	<b>126,343</b>	<b>10,289</b>	<b>77,516</b>
Amortised cost					
- Payables	24,723	-	-	-	24,723
- TCV loan	27,186	-	-	-	27,186
- Finance lease liabilities	997,621	-	-	-	997,621
- Monies held in trust	80	-	-	-	80
<b>Total financial liabilities</b>	<b>1,049,610</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,049,610</b>

### Changes to the impairment of financial assets

Under AASB 9, all loans and receivables as well as other debt instruments not carried at fair value through net result are subject to AASB 9's expected credit loss impairment model, which replaces AASB 139's incurred loss approach.

For receivables, the RCH applies the AASB 9 simplified approach to measure expected credit losses based on the change in expected credit loss over the life of the asset. Application of the lifetime expected credit loss allowance method did not result in material changes to the RCH's loss allowance. Refer to note 7.1 (c) for details about the allowance. The loss allowance increased by \$520k during the year ended 30 June 2019.

### Transition impact

Transition impact of first time adoption of AASB 9 on the balance sheet:

	Amount at 30/06/2018 \$'000	Reclassification \$'000	Remeasurement \$'000	Restated amount at 01/07/2018 \$'000
<b>Equity</b>				
Accumulated surplus/(deficit)	(153,352)	13,531	-	(139,821)
Financial assets available for sale revaluation surplus	14,088	(14,088)	-	-
Financial assets through other comprehensive income revaluation surplus	-	557	-	557
<b>Total equity</b>	<b>(139,264)</b>	<b>-</b>	<b>-</b>	<b>(139,264)</b>

## Note 8.11: AASBs issued that are not yet effective

As at 30 June 2019, the following standards and interpretations had been issued by the AASB but were not yet effective. They become effective for the first financial statements for reporting periods commencing after the stated operative dates as detailed in the table below. The RCH has not and does not intend to adopt these standards early.

Standard/interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
<b>AASB 15</b> <i>Revenue from Contracts with Customers</i>	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer. Note that amending standard AASB 2015 8 <i>Amendments to Australian Accounting Standards – Effective Date of AASB 15</i> deferred the effective date of AASB 15 to annual reporting periods beginning on or after 1 January 2018, instead of 1 January 2017. For not-for-profit entities AASB 15 applies for annual reporting periods beginning on or after January 2019.	1 Jan 2019	The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. Revenue from grants that are provided under an enforceable agreement that have sufficiently specific obligations, will now be deferred and recognised as the performance obligations attached to the grant are satisfied. The Standard will also require additional disclosures on service revenue and contract modifications.  The RCH is not expecting a material change to future revenue recognition from the implementation of AASB 15.
<b>AASB 2018-4</b> <i>Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Public-Sector Licensors</i>	AASB 2018-4 amends AASB 15 and AASB 16 to provide guidance for revenue recognition in connection with taxes and Non-IP licences for not-for-profit entities.	1 Jan 2019	AASB 2018-4 provides additional guidance for not-for-profit public sector licenses, which include: <ul style="list-style-type: none"> <li>• Matters to consider in distinguishing between a tax and a license, with all taxes being accounted for under AASB 1058;</li> <li>• IP licenses to be accounted for under AASB 15; and</li> </ul> Non-IP, such as casino licenses, are to be accounted for in accordance with the principles of AASB 15 after first having determined whether any part of the arrangement should be accounted for as a lease under AASB 16.
<b>AASB 2016-8</b> <i>Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities</i>	AASB 2016-8 inserts Australian requirements and authoritative implementation guidance for not-for-profit entities into AASB 9 and AASB 15.  This Standard amends AASB 9 and AASB 15 to include requirements to assist not-for-profit entities in applying the respective standards to particular transactions and events.	1 Jan 2019	This standard clarifies the application of AASB 15 and AASB 9 in a not-for-profit context. The areas within these standards that are amended for not-for-profit application include: AASB 15 <ul style="list-style-type: none"> <li>• The ‘customer’ does not need to be the recipient of goods and/or services.</li> <li>• The ‘contract’ could include an arrangement entered into under the direction of another party.</li> <li>• Contracts are enforceable if they are enforceable by legal or ‘equivalent means’.</li> <li>• Contracts do not have to have commercial substance, only economic substance.</li> <li>• Performance obligations need to be ‘sufficiently specific’ to be able to apply AASB 15 to these transactions.</li> </ul>

Standard/interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
<b>AASB 16</b> <i>Leases</i>	The key changes introduced by AASB 16 include the recognition of most operating leases (which are currently not recognised) on balance sheet.	1 Jan 2019	Assessments indicate that most operating leases, with the exception of short term and low value leases will be recognised on the balance sheet as right-of-use assets with a corresponding lease liability.  The estimated amounts for leases the RCH will be adding on the balance sheet in the first year of adoption are: <ul style="list-style-type: none"> <li>• Specialised buildings – \$3.2m</li> <li>• Plant and equipment – \$0.9m</li> <li>• Motor vehicles – \$0.4m</li> </ul> In the operating statement, the operating lease expense will be replaced by depreciation expense of the asset and an interest charge. For year 1 of adoption it is estimated that \$1m of operating expenses for the above leases will be reclassified.  The RCH is also expecting to replace the prepaid rent of \$11.2m currently in intangible assets (ref note 4.4) with a right-of-use asset. Since this rent is paid up front, there will be no corresponding lease liability. The annual corresponding rent of \$0.6m will be recognised as depreciation thenceforth.  There will be no change for lessors as the classification of operating and finance leases remains unchanged.
<b>AASB 2018-8</b> <i>Amendments to Australian Accounting Standards – Right-of-Use Assets for Not-for-Profit Entities</i>	This standard amends various other accounting standards to provide an option for not-for-profit entities to not apply the fair value initial measurement requirements to a class or classes of right-of-use assets arising under leases with significantly below-market terms and conditions principally to enable the entity to further its objectives. This standard also adds additional disclosure requirements to AASB 16 for not-for-profit entities that elect to apply this option.	1 Jan 2019	Under AASB 1058, not-for-profit entities are required to measure right-of-use assets at fair value at initial recognition for leases that have significantly below-market terms and conditions.  For right-of-use assets arising under leases with significantly below-market terms and conditions principally to enable the entity to further its objectives (peppercorn leases), AASB 2018-8 provides a temporary option for not-for-profit entities to measure at initial recognition, a class or classes of right-of-use assets at cost rather than fair value and requires disclosure of the adoption.  The State has elected to apply the temporary option in AASB 2018-8 for not-for-profit entities to not apply the fair value provisions under AASB 1058 for these right-of-use assets.  In making this election, the State considered that the methodology of valuing peppercorn leases was still being developed.



## Note 8.11: AASBs issued that are not yet effective (continued)

Standard/interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
<b>AASB 1058</b> <i>Income of Not-for-Profit Entities</i>	<p>AASB 1058 will replace revenue recognition in relation to government grants and other types of contributions requirements relating to public sector not-for-profit entities, previously in AASB 1004 <i>Contributions</i>, where AASB 15 does not apply.</p> <p>The restructure of administrative arrangement will remain under AASB 1004 and will be restricted to government entities and contributions by owners in a public sector context.</p> <p>AASB 1058 establishes principles for transactions that are not within the scope of AASB 15, where the consideration to acquire an asset is significantly less than fair value to enable not-for-profit entities to further their objective.</p>	1 Jan 2019	<p>The current revenue recognition for grants is to recognise revenue up front upon receipt of the funds.</p> <p>The timing of revenue recognition for grant agreements that fall under the scope of AASB 1058 may be deferred. For example, revenue from capital grants for the construction of assets will need to be deferred and recognised progressively as the asset is being constructed.</p> <p>The impact on current revenue recognition of the changes is the potential phasing and deferral of revenue recorded in the operating statement.</p> <p>Impact on future reporting periods cannot currently be quantified.</p>
<b>AASB 17</b> <i>Insurance Contracts</i>	<p>The new Australian standard eliminates inconsistencies and weaknesses in existing practices by providing a single principle based framework to account for all types of insurance contracts, including reissuance contract that an insurer holds. It also provides requirements for presentation and disclosure to enhance comparability between entities.</p> <p>This standard does not apply to the not-for-profit public sector entities. The AASB is undertaking further outreach to consider the application of this standard to the not-for-profit public sector.</p>	1 Jan 2021	Assessments indicate that there will be no significant impact for the public sector.
<b>AASB 2018-7</b> <i>Amendments to Australian Accounting Standards – Definition of Material</i>	<p>This standard principally amends AASB 101 <i>Presentation of Financial Statements</i> and AASB 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>. The amendments refine and clarify the definition of material in AASB 101 and its application by improving the wording and aligning the definition across AASB Standards and other publications. The amendments also include some supporting requirements in AASB 101 in the definition to give it more prominence and clarify the explanation accompanying the definition of material.</p>	1 Jan 2020	The standard is not expected to have a significant impact on the public sector.

Standard/interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
<b>AASB 1059</b> <i>Service Concession Arrangements: Grantor</i>	<p>This standard applies to arrangements that involve an operator providing a public service on behalf of a public sector grantor. It involves the use of a service concession asset and where the operator manages at least some of the public service at its own direction. An arrangement within the scope of this standard typically involves an operator constructing the asset used to provide the public service or upgrading the assets and operating and maintaining the assets for a specified period of time.</p>	1 January 2020  (The State is intending to early adopt AASB 1059 for annual reporting periods beginning on or after 1 January 2019)	As the RCH is not a grantor in a service concession arrangement, no significant impact is expected.
<b>AASB 2018-5</b> <i>Amendments to Australian Accounting Standards – Deferral of AASB 1059</i>	<p>This standard defers the mandatory effective date of AASB 1059 from 1 January 2019 to 1 January 2020.</p>	1 January 2020  (The State is intending to early adopt AASB 1059 for annual reporting periods beginning on or after 1 January 2019)	This standard defers the mandatory effective date of AASB 1059. As per above, this standard is not expected to have an impact on the RCH's reporting.

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

- AASB 2017-1 *Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-16 Cycle and Other Amendments*
- AASB 2017-4 *Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments*
- AASB 2017-6 *Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation*
- AASB 2017-7 *Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures*
- AASB 2018-1 *Amendments to Australian Accounting Standards – Annual Improvements 2015-17 Cycle*
- AASB 2018-2 *Amendments to Australian Accounting Standards – Plan Amendments, Curtailment or Settlement*
- AASB 2018-3 *Amendments to Australian Accounting Standards – Reduced Disclosure Requirements*
- AASB 2018-6 *Amendments to Australian Accounting Standards – Definition of a Business*









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